

Economic Policy Making and Parliamentary Accountability in Chile

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Acronyms

CIEPLAN	Corporación de Investigaciones Económicas para Latinoamérica (<i>Corporation for Latin American Economic Research</i>)
CORFO	Corporación de Fomento de la Producción (<i>National Development Corporation</i>)
DIPRES	Dirección de Presupuestos, Ministerio de Hacienda (<i>Budget Office, Finance Ministry</i>)
ECLA	Economic Commission for Latin America
GDP	gross domestic product
IL	Instituto Libertad (<i>Liberty Institute</i>)
ILADES	Instituto Latino Americano de Doctrina y Estudios Sociales
ILD	Instituto Libertad y Desarrollo (<i>Liberty and Development Institute</i>)
ILPES	Instituto de Planificación Económica y Social (<i>Economic and Social Planning Institute</i>)
IMF	International Monetary Fund
JBC	Comisión Especial Mixta de Presupuestos (<i>Joint Budget Committee</i>)
MERCOSUR	Mercado Común del Sur (<i>Common Market of the South</i>)
MIDEPLAN	Ministerio de Planificación y Cooperación (<i>Ministry of Planning and Co-operation</i>)
NGO	non-governmental organization
ODEPLAN	Oficina de Planificación Nacional (<i>National Planning Office</i>)
PAL	Programa de Asistencia Legislativa (<i>Legislative Assistance Programme</i>)
PC	Partido Comunista (<i>Communist Party</i>)
PDC	Partido Demócrata Cristiano (<i>Christian Democratic Party</i>)
PEPG	Programa de Evaluación de Proyectos Gubernamentales (<i>Programme for the Evaluation of Government Projects</i>)
PH	Partido Humanista (<i>Humanist Party</i>)
PPD	Partido por la Democracia (<i>Party for Democracy</i>)
PR	Partido Radical (<i>Radical Party</i>)
PRSD	Partido Radical Social Demócrata (<i>Radical Social Democratic Party</i>)
PS	Partido Socialista (<i>Socialist Party</i>)
RN	Partido Renovación Nacional (<i>National Renewal Party</i>)
SEGPRES	Ministerio Secretaría General de la Presidencia (<i>Ministry of the Presidency</i>)
SIGFE	Sistema de Información para la Gestión Financiera del Estado (<i>Information System for the Management of Public Finances</i>)
SOFOFA	Sociedad de Fomento Fabril (<i>Chilean Federation of Industry</i>)
TASC	Trabajo de Asesoría Económica al Congreso Nacional (<i>Economic Advice to the National Congress</i>)
UCC	Partido Unión de Centro Centro
UCCP	Partido Unión de Centro Centro Progresista
UDI	Partido Unión Demócrata Independiente (<i>Independent Democratic Union Party</i>)

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Summary/Résumé/Resumen

Summary

Important features of Chile's new democracy have been the widespread adoption of a consensual approach to policy efficiency, fiscal discipline and the careful avoidance of economic populism and ideological polarization. The enormous influence that technical cadres gained in pre-transition politics has sustained the pragmatic strategy followed since 1990. This study argues that, ironically, the spillover of technocratic policy conventions from the executive branch to the legislature—illustrated by the increased presence of economists in Congress—may have fostered democratic accountability, raising the policy stature of the legislature and expanding its ability to challenge government actions and policy preferences in a super-presidential system.

Despite the executive's exclusive initiative in budgeting and its lack of constitutional prerogatives, the legislature has become more involved in policy negotiations, especially after reforms to the budgetary process were introduced in the 1990s. "Legislator-economists" have played a critical role in moderating executive dominance in economic policy, particularly through the assertion of their professional jurisdiction over congressional committees relevant to economic policy making and in informal negotiations with the governmental economic team.

Nonetheless, attempts to strengthen presidential hegemony over state finances have a long tradition in Chile. Indeed, the Constitution adopted under Augusto Pinochet's authoritarian regime in 1980 reaffirmed many of the budgetary rules introduced in previous constitutional reforms. There is a remarkable degree of acceptance of the current policy framework, and Congress approved spending proposals with minor or no alterations throughout the 1990s. Although the government has made concessions regarding the quality and periodicity of the information sent to legislators, and it has taken several initiatives to increase transparency and efficiency in government spending, frustrated legislators continue to demand greater oversight in the budgetary process. Attempts to institute mechanisms for independent policy analysis in the legislature have failed, however, and Congress still lacks adequate access to expert knowledge, information and resources to evaluate economic policy formation. The author thus suggests that for a more permanent and effective empowerment of the legislature, it would be necessary to revise current institutional arrangements, especially those affecting interbranch relationships and the organizational characteristics of Congress.

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Résumé

La nouvelle démocratie chilienne s'est caractérisée essentiellement par l'adoption générale d'une approche consensuelle de l'efficacité en politique, la discipline budgétaire et le soin mis à éviter populisme économique et polarisation idéologique. Les technocrates, devenus très influents dans le jeu politique avant la transition, ont contribué à maintenir la stratégie pragmatique suivie depuis 1990. Cette étude fait valoir que, ironiquement, les politiques technocrates conventionnelles, en débordant du cadre de l'exécutif pour gagner le législatif, comme en témoigne la présence accrue d'économistes au Congrès, ont pu stimuler la transparence démocratique, rehausser le prestige politique du parlement et étendre les pouvoirs qu'il a de contester les décisions et choix politiques gouvernementaux dans un système ultra-présidentiel.

Bien que l'initiative d'établir le budget revienne exclusivement à l'exécutif et que le parlement lui-même n'ait pas de prérogatives constitutionnelles, celui-ci a participé davantage aux négociations pendant lesquelles s'élaborent les politiques, en particulier après les réformes du processus budgétaire introduites dans les années 1990. Les parlementaires économistes ont beaucoup contribué à tempérer la domination qu'exerçait l'exécutif en politique économique, en particulier en affirmant leur juridiction professionnelle sur les commissions du Congrès qui traitent de politique économique et dans les négociations informelles avec l'équipe économique du gouvernement.

Toutefois, ce n'est pas d'hier que la présidence de la République du Chili tente d'assurer son hégémonie sur les finances de l'Etat. De fait, la constitution adoptée sous le régime autoritaire d'Augusto Pinochet en 1980 n'a fait que réaffirmer bon nombre de règles budgétaires introduites lors de précédentes réformes constitutionnelles. Le cadre politique actuellement en place est remarquablement bien accepté et le Congrès a approuvé les dépenses proposées sans grande modification, sinon aucune, pendant toutes les années 1990. Bien que le gouvernement ait fait des concessions concernant la qualité et la périodicité des informations transmises aux parlementaires et ait pris plusieurs initiatives pour accroître la transparence et la rentabilité de ses dépenses, les parlementaires, insatisfaits, continuent de réclamer un contrôle plus étroit du processus budgétaire. Pourtant, les tentatives faites au parlement pour mettre en place des mécanismes permettant une analyse indépendante des politiques ont échoué et le Congrès n'a pas encore suffisamment accès au savoir, aux informations et aux ressources des experts pour être en mesure d'évaluer le mode d'élaboration de la politique économique. L'auteur estime donc que si l'on veut donner au parlement des pouvoirs plus réels et plus durables, il faudrait réviser les mécanismes institutionnels actuels, en particulier ceux qui touchent aux relations entre l'exécutif et le législatif et à l'organisation au sein du Congrès.

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Resumen

Las características importantes de la nueva democracia en Chile han sido la adopción generalizada de un enfoque consensuado en la eficacia política, la disciplina fiscal y un especial cuidado en evitar el populismo económico y la polarización ideológica. La enorme influencia que lograron ejercer los cuadros técnicos en la política anterior a la transición, ha sostenido la estrategia pragmática que se sigue desde 1990. Este estudio sostiene que, irónicamente, la extensión de las convenciones políticas tecnocráticas del poder ejecutivo al legislativo —ilustrado por la presencia cada vez mayor de economistas en el Congreso— puede haber fomentado la rendición de cuentas democrática, acrecentando la importancia política del poder legislativo y aumentando su capacidad de desafiar las iniciativas gubernamentales y las preferencias políticas en un sistema super-presidencial.

A pesar de que el poder ejecutivo tiene la iniciativa exclusiva en materia de presupuesto y carece de prerrogativas constitucionales, el poder legislativo ha participado cada vez más en las negociaciones políticas, en particular tras las reformas del proceso presupuestario introducidas en el decenio de 1990. Los "legisladores economistas" han desempeñado un papel fundamental en la moderación del dominio del poder ejecutivo en la política económica, particularmente a través de la reivindicación de su jurisdicción profesional en las comisiones del Congreso pertinentes para la formulación de políticas económicas, y en las negociaciones informales con los responsables gubernamentales de la economía.

Sin embargo, los esfuerzos para fortalecer la hegemonía presidencial sobre las finanzas estatales, tienen una larga tradición en Chile. En efecto, la constitución adoptada en 1980, durante el régimen autoritario de Augusto Pinochet, reafirmó muchas normas presupuestarias introducidas en reformas constitucionales anteriores. El marco político actual está considerablemente aceptado, y en el decenio de 1990 el Congreso aprobó propuestas presupuestarias sin introducir modificaciones, o con cambios menores. Si bien el gobierno ha hecho concesiones respecto a la calidad y periodicidad de la información transmitida a los legisladores, y ha tomado iniciativas para aumentar la transparencia y la eficacia de los gastos gubernamentales, los legisladores frustrados siguen exigiendo una mayor supervisión en el proceso presupuestario. Sin embargo, han fracasado los intentos para establecer mecanismos para analizar las políticas de forma independiente en el poder legislativo, y el Congreso aún carece de acceso adecuado a conocimientos especializados, información y recursos para evaluar la formulación de políticas económicas. Por consiguiente, la autora señala que, a los efectos de un empoderamiento más eficaz y permanente de la legislatura, sería necesario examinar los acuerdos institucionales actuales, en particular los que afectan a las relaciones entre los poderes, y las características organizativas del Congreso.

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Introduction

This study examines technocratic politics and the role of Congress in economic policy making in Chile. For over a century, budgetary politics in Chile contained protracted efforts to depoliticize economic management and insulate policy decisions from congressional interference. The rise of technocratic elites preceded and perhaps contributed to the democratic breakdown of the early 1970s. Under General Augusto Pinochet's rule, technocratic groups gained enormous influence to further remove economic management from political controls. The 1980 Constitution so weakened the legislature that the current system has been labelled "exaggerated presidentialism".¹

The centre-left coalition that came into power in 1990 placed economic specialists in several top policy positions to signal the new democracy's commitment to policy efficiency, fiscal discipline and monetary stability. Although elections provide citizens with the opportunity to hold their representatives accountable, the loss of congressional policy capacities and the concurrent empowerment of technocratic elites are likely to undermine the stability of democracy. The electoral dimension of accountability is enhanced if the legislature possesses the necessary resources to exercise its oversight functions and has the authority to impose credible sanctions when government officials violate political or legal rules (Schedler et al. 1999).

Higher levels of accountability result from a combination of intentional design (that is, constitutional rules) and ongoing political battles over policy practices. Pressures to restrain government powers usually come from elected officials, the media, social movements and even international actors. In some circumstances, however, as the Chilean case suggests, government experts may further their own supremacy by devising stricter accountability standards. In the past decade, congressional demands for a larger policy role in budgetary matters have coincided with government attempts to improve public management. The Budget Office (DIPRES) has stepped up control over state resources and government services beyond the traditional legalistic focus on administrative improprieties. Will the internal quest for accountability end up strengthening technocratic controls with little impact on the expansion of citizen participation?² How can Congress balance the drive for government efficiency with the need for effective representation?

The complexity of these issues is particularly salient in the context of post-authoritarian regimes, loaded with the remnants of autocratic rule, and centralized and exclusionary policy-making structures and processes. The recent wave of democratic transitions in Latin America did not diminish the influential role that technocratic elites played under authoritarian rule. Because the democratization process has coincided with the promotion of market reforms, scholarly attention to the scope and persistence of technocratic policy making has increased; however, the ubiquitous technocrats have a long tradition in this region, encompassing regimes of very different ideological persuasions (Centeno and Silva 1998).

There are significant ambiguities associated with the technocratic phenomenon. On the one hand, technocrats themselves may allege to serve the interests of the public better than elected politicians who, fearing removal from office, tend to be too cautious, too erratic, even frivolous, especially when policy decisions imply unpopular or costly measures. On the other hand, elected officials may be willing to delegate authority to technocrats in areas that are particularly conflictive or technically intricate in order to avoid electoral defeat or to gain legitimacy among credit and investment sources (Przeworski et al. 1999). Technocrats typically operate isolated from public scrutiny, but they may encourage higher levels of disclosure as a way of justifying or enhancing their control over the policy process. Also, technocrats (or "technopols" in Domínguez 1997) may seek careers in political parties and the legislature in an effort to transform politics into a more rational, less conflictive activity.

¹ Analysts characterize the Chilean presidency as one of the most powerful in the world (it is the most powerful in Latin America). Scholarly literature on Chile's legislature remains scant. Recent important studies include Baldez and Carey (1999), Siavelis (2000) and Londregan (2000).

² Whether the state should encourage citizens to demand more information and better services, even at the cost of stimulating disaffection, has been a matter of debate (Marcel and Tohá 1998).

Chile's historical record indicates that the domain of technocratic elites has gradually expanded well beyond its original enclave within the state economic bureaucracy. What could be called a "technocratic spillover" has reached new policy-making areas, such as labour relations, social services and diplomacy. Eminently political organizations, such as political parties and Congress, have also been transformed by the greater weight assigned to technical criteria in policy debates and the enlarged leadership role of individuals with professional credentials. Many factors have contributed to expanding the domain of technocracy in Chilean politics, including deliberate institutional changes, shifts in developmental strategy, the emergence of new class coalitions, as well as new sets of ideas and policy paradigms and instruments. The priority that is now given to indicators of policy efficiency and macroeconomic equilibrium could not have been expected before the end of the Keynesian world. Competition among professional groups has also contributed to the political ascent of technocratic elites. Economists are now unrivalled at the commanding centres of the transition to a market-driven and globalized economy. The economists' cosmopolitan contacts, policy-making experience and reputation for scientific rigor—reinforced by a growing degree of doctrinal consensus—have converted them into today's prototypical technocrat.

The quality of Chile's new democracy remains at the core of contentious debates (Drake and Jaksic 1999). The persistence of technocratic styles of policy making favours consensus, narrowly defined negotiations and preference for technical criteria over unbridled public debate. Critics charge that avoiding issues that irritated the military, the entrepreneurial elites, the church hierarchy and the more conservative elements within the Concertación—formed by the Christian Democratic Party (PDC), the Socialist Party (PS), the Party for Democracy (PPD) and the Radical Party (PR)—has distorted the transition process, disheartening citizens and social activists.³ Without a Senate majority, it has not been possible to reform the Constitution, curb the political influence of the armed forces, alter the electoral system that favours right-wing parties, and eliminate the designated members of the Senate and other non-democratic features of the political system. Pessimism has replaced complacency as a decade of record levels of economic growth (7 per cent annually, on average) ended. The unexpected detention of General Pinochet in London in 1998 launched a nationwide confrontation over the unfinished task of ensuring justice for the victims of political repression during his regime.

Dissatisfaction with market solutions is increasingly evident. Critics argue that social policies have not challenged the neoliberal model: the poor are encouraged to be entrepreneurial and realistic. Thus, the emphasis on flexible labour markets, investment in human capital and efforts to increase the efficiency of social programmes are said to be reinforcing the disempowerment of collective actors and discrediting politics (Moulian 1997; Schild 2002). The poverty rate declined from 45.1 per cent in 1987 to 23.2 per cent in 1996, but it was still over 20 per cent in 2000. The labour movement remains weak, reforms in the health and social security systems are pending, and Chile's enormous income inequality has not changed. In Latin America, only Brazil exhibits higher levels of income inequality (Meller 1999:51). The 1997 congressional elections already pointed to growing discontent among voters (see annex tables 1 and 2). While the right-wing alliance—the Independent Democ-

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