



## Democracy in (Latin) America

by Javier Santiso, Chief Economist and Deputy Director of the OECD Development Centre

- ◆ Latin American countries vary widely in their institutional capacity to conduct economic policy analysis. Yet the issue is one of central importance for emerging democracies.
- ◆ Capacity for policy analysis is a necessary condition for economic reform, though not a sufficient one. Capacity for implementation is also needed.
- ◆ The point of contact between these two capacities – to analyse and to implement – is undoubtedly one of the central levers on which international co-operation can act.

Alexis de Tocqueville pointed out in his writings on the Americas that the vitality of civil society is crucial for democracy. It is an even more pressing issue in emerging democracies. It requires, in particular, the sharing of acquired knowledge in a process in which the media, government agencies, think-tanks and universities all have their part to play.

There exist in Latin America some distinguished think-tanks but the overall picture is fairly bleak. While in the northern hemisphere there exists a plethora of centres of expertise about economic issues and reform, in the south such centres are both uncommon and much more poorly funded. None, for example, enjoys an endowment; i.e. a fund, the income from which finances current expenditure, thus providing the financial self-sufficiency essential for intellectual independence. In the United States, for example, the endowments of the Brookings Institution and the Institute of International Economics were respectively \$220 million and \$150 million in 2005. There is nothing comparable in Latin America. One of the region's most highly-regarded and effective think-tanks, the Colombian *Fedesarrollo*, headed by Mauricio Cárdenas, has trouble making ends meet on a budget of \$1.3 million, it thus lacks the protection from economic uncertainties that an initial endowment would provide.

This is not to understate the important contributions made by Latin American think-tanks. For example the CIEPLAN played a central role in Chile's transition to

democracy. Over the years it provided an institutional haven where an entire generation of democrats designed plans for government reform. Once democracy was restored, the institution provided most of the country's top administrators and ministers, starting with its founder Alejandro Foxley, today back in the service of the state (he was appointed Foreign Minister in 2006). In nearby Uruguay, an institution such as CERES, headed by Ernesto Talvi, is making major contributions to public policy analysis. Elsewhere cognitive institutions such as, CIDE in Mexico, or public agencies like Brazil's IPEA are also pivotal in providing research and evidence to policy makers.

For young democracies, the creation of a democratic knowledge-based community, able to adapt concepts, ideas and procedures in the Latin American context, is vitally important. But institutions are thin on the ground. Even where analytical capacity is high the capacity to implement is lacking. Capacity for effective implementation must go hand-in-hand with intellectual capacity. This combination of capacities is what distinguishes successful from unsuccessful economic reform experiences in the region. The Argentinian paradox lay in putting forward one of the greatest reform shows of the 1990s, as the country proudly pranced along at the head of the indices of the Inter-American Bank and the ECLAC, relying on a capacity for analysis without equal in the region, followed by one of the most spectacular economic and financial collapses in the following decade.

One of the great challenges facing Latin America is consolidating this home-grown capacity for analysis in think-tanks, government agencies and civil society, while linking it to reform implementation. The emergence of high quality democratic cognitive institutions must coincide with active participation and discussion in the public market-place of ideas. It takes place in a context of appropriation, adaptation and adoption in which both experts and laymen take part. The pay off is the adoption and the implementation of reforms which are economically, socially and politically acceptable.

A recently published book\*, shows how experts' in Latin America have produced models that were insufficiently, if at all, related to social realities. The resulting experiments may have been structuralist or monetarist, Marxist or neo-liberal, but they have all ended in failure. The experience of Chile reveals the value of a non-rigid, non-partisan approach to socio-economic analysis in producing more effective economic reforms. There, the slow and continuous brewing of ideas, their distillation in discussions between experts and laymen and their subsequent implementation are so many vital links in a chain that is indispensable if the pulleys of economic development are to be brought into effective action.

*Further reading:*

\* Santiso, J. (2006), *Latin America's Political Economy of the Possible: Beyond Good Revolutionaries and Free Marketeers*, MIT Press, Cambridge, MA.

"Ulysses, the Sirens and the Art of Navigation: Political and Technical Rationality in Latin America", by Javier Santiso and Laurence Whitehead, *OECD Development Centre Working Paper No. 256*, September 2006, Paris.

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OECD Development Centre  
2, rue André-Pascal,  
75775 Paris Cedex 16, France  
Tel.: +33-(0)1 45.24.82.00  
Fax: +33-(0)1 44 30 61 49  
E-mail: [dev.contact@oecd.org](mailto:dev.contact@oecd.org)