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The Internationalization of Chicago's Economics in Latin America*

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During the 1950s–1960s, the United States provided economic assistance to Latin America in an effort to spread support for market-oriented ideas. The Department of Economics at the University of Chicago served as an important facilitator in the United States's attainment of its political and economic goals. Known for its staunch support of neoliberalism, the economics faculty at the University of Chicago offered courses in an atmosphere highly conducive to the inculcation of the neoliberal doctrine. Agencies such as the International Cooperation Administration (ICA), its successor, the Agency for International Development (AID), along with the Ford, Fulbright, and Rockefeller Foundations granted scholarships to promising Latin American economists to study primarily at the University of Chicago.¹ Following the completion of their studies, these economists, so the argument went, would return to universities in their home countries and form an economic community that would instill neoliberal ideas in new generations of economists. Many of these economists would later hold important positions in the public and private sectors, which would help them influence policy choices in their home countries.

Based on recent changes in Latin America's economics profession, it appears that the U.S. strategy with the University of Chicago to "internationalize" economics is a rousing success. Economics training at many Latin American universities favors the neoliberal doctrine. Moreover, economists in the region are often appointed to top ministerial positions in their governments, which enable them to implement market reforms that they had learned about in U.S. universities.²

Despite the United States's and University of Chicago's successful efforts to educate Latin American economists about the superiority of market-oriented policies, support for neoliberal ideas among these economists varies from country to country. In some countries, a community of economists who advocate neoliberal ideas dominates the economics profession. In others, econ-

omists less supportive of the free market, including Marxists, continue to hold commanding positions. Why has the U.S. influence in the economics professions varied so widely?

This article builds a comparative framework to explain differences in timing and support for neoliberal ideas among Latin American economists. It examines the economics professions in Argentina, Chile, and Uruguay in the 1950s–1990s. These countries make for useful comparisons. In all three, many students majored in economics in local universities, with most of their economics faculty favoring structuralist ideas in the 1950s–1960s. These countries also operated for many years under nondemocratic political rule. In addition, the U. S. government, private foundations, and others provided scholarships for students in all three countries to study abroad, principally at the University of Chicago. However, the ideas held by their economics professions differ. The similarities among the countries and the differences between their economics professions allow this study to hold some extraneous variables constant while focusing on a previously underresearched aspect of political influence.

This article seeks to explain differences in the formation, affirmation, and implementation of educational values in the economics profession. The first section provides a brief historical overview of Latin America's economics profession. The second section reviews the literature and builds on international arguments that emphasize economic assistance programs backed by U.S. government agencies and foundations to understand differences in the professions. It also examines the effect of domestic considerations on demand for economists trained abroad. The article considers employment prospects in academia and elsewhere for economists in their home countries and how this influences the training of future economists. The third section compares the professions in Argentina, Chile, and Uruguay, stressing the earlier and higher degree of the University of Chicago's influence in Chile's economics profession relative to the others, and the recent growth of neoliberal ideas in Argentina's profession.

Although several studies discuss the role of economists in economic policy making, few examine where economists acquire their ideas.³ Indeed, rarely are studies devoted to explaining how issues of neoliberal reform come to the attention of economists.⁴ By comparing the economics professions in Latin America, and the influence of U.S. universities on them, we begin to understand how values are introduced and spread through educational systems and how professional communities are formed.

History of the Economics Profession in Latin America

Economics as a profession came fairly late to Latin America, developing years after others, including accounting and law, had developed. It was from these professions that schools of economics emerged in the early twentieth century. The availability of economists from elsewhere to serve the region's economic

needs is part of the reason for the profession's late arrival. Before this time, most countries relied on "money doctors," that is, foreign economists, or visiting professors, for advice on economic affairs.⁵ However, by the middle of the twentieth century, economics had bloomed into a full-fledged profession in Latin America.

As the profession grew in the 1950s and 1960s, two schools of thought dominated the field. One school, structuralism, advocated state intervention and controls over the economy. Another school, neoliberalism,⁶ espoused free trade and development based on comparative advantage to promote economic growth.⁷

Most economists in Latin America in the 1950s and 1960s subscribed to the structuralist position, which was backed by the U.N. Economic Commission for Latin America (ECLA).⁸ Under the leadership of Raúl Prebisch, ECLA developed a doctrine and aided in the training of personnel in Latin America "to put the doctrine into practice."⁹ The ECLA offered courses to policy makers and economics students that highlighted that the world's economic system was divided into an industrial center in the developed world and primary-product export periphery in the developing world.¹⁰ In this division, the developing world produced goods that experienced declining terms of trade and erratic prices relative to the industrial goods they imported. The ECLA theorists proposed to solve the developing world's plight by having the state promote the domestic manufacture of industrialized goods through import substitution.¹¹

Since the 1970s, structuralist ideas tied to ECLA have become less popular with Latin American economists, and neoliberal economic theory is attracting more followers. Neoliberal theory emphasizes a minimal role for the government or the state. Only under limited conditions, including the protection of property rights, the provision of resources for police, defense, and infrastructure, and the regulation of natural monopolies, is an active state needed. Neoliberalism endorses the application of market mechanisms to promote economic development.¹²

The experiences of Argentina, Chile, and Uruguay over the past half century reflect the changes in Latin America's economics professions. In these countries, most economists identified themselves with structuralism in the 1940s–1960s. Since the 1970s, neoliberal ideas have made inroads in the economics professions in all three countries. But there are variations among the countries in the level and timing of their support for neoliberalism. In Chile, the economics profession's support for neoliberal ideas arrived much earlier than it did in the other countries and the intensity of support reached much higher levels. The profession in Argentina grew to favor neoliberal ideas later than Chile, but these ideas resonate in most economic discussions today. In Uruguay, many in the economics profession continue to sympathize with structuralism. Why do Latin America's economics professions vary in their support for neoliberalism?

The Rise of Neoliberalism in Latin America's Economics Professions

Several theories are offered to account for differences in the economics profession in Latin America. Some argue that the economics profession shifted toward neoliberal ideas because of the failure of Keynesianism.¹³ Economic problems caused by protectionism and import-substitution industrialization that expanded the power of the state led a "consensus" of economists to reconsider their beliefs about economic development. To explain the variation in support for neoliberal ideas among the professions, analysts assert that the more serious the economic problems experienced by the country under structuralist policies, the greater the likelihood that the profession would shift toward neoliberal ideas. Although poor economic results converted some structuralist economists to market-oriented ideas, economic performance does not fully explain the variation among the cases. For instance, Argentina, Chile, and Uruguay experienced severe economic shocks in the early 1970s, but the profession changed only slightly in Argentina and Uruguay in these years, while most Chilean economists came to espouse neoliberal thought. Moreover, the ideas held by economists in Argentina and Uruguay began to shift in the late 1970s and 1980s, not when the economic difficulties first appeared.

Alternatively, others argue that domestic interest groups engineer the shift toward neoliberalism in the economics profession. Business groups, aware that economists trained abroad might play a growing role in their firms, provide monies for students to earn graduate degrees in economics. These businesses also sponsor private educational institutes that favor market-oriented ideas. Although some businesses hired economists trained abroad, and a few sponsored private institutes, most firms in the 1940s–1970s favored protection and state subsidies for their industries.¹⁴ The private sector rarely supported neoliberal economists in these years, as most operated under an incentive structure based on closed markets and state protection. It is only since the 1980s that private-sector interests have backed neoliberal reforms. In addition, pluralist arguments leave unexplained why Chile's profession changed earlier than the changes that occurred in other countries.

Others contend that international incentives from U.S. government agencies and private foundations explain the growing influence of neoliberal ideas in the economics profession in Latin America. It is argued that the earlier conversion of Chilean economists to neoliberalism resulted from a well-coordinated socialization effort by the U.S. government, the Department of Economics at the University of Chicago, and the Universidad Católica de Chile to challenge ECLA's supremacy in Latin America.¹⁵ As part of an agreement between the University of Chicago and Universidad Católica, Chilean economics students received graduate training and immersion in free market philosophies at the University of Chicago. Following the completion of their studies, many Chileans returned as professors at Chilean universities to train another generation of economists in their way of thought.

The influence of international actors is an important factor that differentiates the training of economists. International actors granted varying

amounts of funds for students to complete their graduate studies in the United States. Competition with Santiago-based ECLA to lessen support for structuralism in the region strongly influenced the allocation of more U.S. financial resources to Chile than to the others. However, international training by itself does not fully explain differences in the economics profession. It is also necessary to consider domestic factors, such as whether economists trained abroad are able to find employment in their home countries. If U.S.-trained economists are not able to obtain full-time academic positions, they may accept fairly lucrative jobs from international organizations headquartered abroad, which affects their ability to socialize future generations of economists. Without these U.S.-trained economists, economics students are likely to take courses from professors who are less sympathetic to neoliberal theory and who assign course readings that bolster their own views. Students also receive less encouragement to study in the United States. In the end, if U.S.-trained economists decide not to return to their country, this inhibits the creation of a collegial or teamlike atmosphere among faculty members or economists toward neoliberal ideas.

Empirical Cases

This section compares the economics professions in Argentina, Chile, and Uruguay to understand changes in the profession within each country. It examines the increase in the proportion of economists receiving graduate degrees from universities in the United States and its effect on the development of coherence among economists. It also considers whether these economists are finding academic positions at home, which will enable them to train another generation of economists with economic ideas similar to their own.

Chile

In the early 1950s, structuralists with a leftist orientation dominated the debate on development in Chile. At the prestigious Universidad de Chile, most faculty members in the economics department favored state intervention. The ECLA, headquartered in Santiago, also advocated greater state intervention and planning in the economy. Staff members at ECLA often served as part-time faculty for the Universidad de Chile, who further influenced the university's School of Economics away from free market dogma.¹⁶

The domination of Chile's economics profession by leftist economists, however, motivated U.S. officials to facilitate an agreement between the University of Chicago and Universidad Católica.¹⁷ Following the onslaught of the cold war, U.S. officials feared the increasing popularity of communism in the Third World. In an effort to stem support for communism, the United States created economic programs in the Third World that promoted economic development, political stability, and strengthened noncommunist forces.¹⁸ The U.S. officials used economic programs and foreign aid to advance their foreign policy objectives.

The agreement between the University of Chicago and Universidad Ca-

tólica appeared to meet its foreign policy goals. Chile would send economics students for graduate training in Chicago in an intellectual atmosphere highly averse to Marxist economic teachings. Following the completion of their studies, these students would return to Chile as professors whose mission was to train a new generation of students in free market economics.

The mechanism by which the University of Chicago and Universidad Católica reached this agreement relates to the International Cooperation Administration (ICA) of the United States and its Point Four Program,¹⁹ the precursor to the Agency for International Development (AID). According to Albion Patterson, former director of ICA in Chile from 1953 to 1957, the idea for a technical assistance program that would send economists to the University of Chicago evolved through his conversations with Theodore Schultz, then chairman of the Economics Department at Chicago.²⁰ In the early 1950s, Patterson met Schultz, who had recently received an \$875,000 research grant from the National Planning Association's Technical Assistance to Latin America Program. Schultz and his colleagues at Chicago had developed theories on human capital that demonstrated the benefits of education and training for economic growth and development. Schultz wanted to use Chile as a laboratory to test his theories.²¹

Following their discussions, Patterson proposed a joint project between the Universidad de Chile and University of Chicago. However, during his meetings with the rector of the Universidad, Juan Gómez Millas, Patterson learned that most economics faculty members of the Universidad de Chile opposed a program connected with the "free market" University of Chicago.²² The rector of the Universidad Católica, Monsignor Alfredo Silva Santiago, by contrast, solicited U.S. officials to develop programs with his university.²³ Silva Santiago wanted to create a competitive economics department at his university.²⁴

The University of Chicago and Universidad Católica subsequently signed an agreement called Project Chile on March 29–30, 1956.²⁵ The agreement included the recruitment of Chilean students for the University of Chicago's graduate program in economics and the assigning of faculty members from the University of Chicago to conduct research at the Católica. Based on the agreement, Chile sent students to Chicago from 1956 through 1959, which was extended to 1961, and extended again until 1964.²⁶

The ICA/AID provided initial resources to finance the education of students in Chicago. The ICA/AID allotted nearly 1 million dollars from 1956 to 1964 to Chilean graduate students (see table 1 for AID's assistance to Chile).²⁷ Additional funding for the program came from the Ford and Rockefeller Foundations and the Organization of American States (OAS).²⁸

During its 8 years in operation, Project Chile sent 30 students to Chicago, with most receiving masters degrees and a few earning doctorates.²⁹ Once in Chicago, the Chileans quickly learned the importance of the free market for economic development.³⁰ Nearly all the Chileans came to share a common economic view of the role of the market for economic development.³¹

TABLE 1

ASSISTANCE AND GRANTS FROM AID TO LATIN AMERICA, 1961–70
(Value as of June 30, 1970 [US\$1,000,000])

Year	Argentina	Chile	Uruguay
1961	.8	22.9	.1
1962	2.0	2.4	.3
1963	2.9	5.4	1.9
1964	1.3	2.9	.8
1965	1.5	2.5	.9
1966	1.5	2.8	.8
1967	1.3	2.8	1.6
1968	1.8	2.9	1.2
1969	1.8	2.7	1.3
1970	.9	2.9	1.5

SOURCE.—*América en cifras: Situación económica* (Washington, D.C.: Unión Panamericana, 1972).

These students also developed cohort and social ties through the exchange program, which intensified the coherence of their economic ideas.³² Having spent 2 years in courses that stressed the benefits of free market economics, and having had many occasions to interact with professors in formal and informal settings on the importance of free trade policies and private ownership, most of these students became devout monetarists.³³

After completing their studies, the Chileans returned to work as professors at the Universidad Católica. Unlike other countries, Chileans discovered many advantages to working in academia. For one, Chilean universities paid their faculties relatively high salaries so that they could earn a living without having to seek additional employment. Moreover, the political situation in Chile made employment in the universities attractive. Universities provided a professional atmosphere, largely free from governmental interference, where professors could do research and teach regardless of which party was in power.³⁴

Once they returned as professors, these "Chicago Boys" taught Chilean undergraduates the same neoliberal ideas that they had learned in Chicago. Chicago Boys came to dominate the Católica almost as soon as they returned, with Sergio de Castro, one of the first students recruited into the program, taking over as dean of the economics faculty in 1965.³⁵

Even though funding for Project Chile dried up in 1964, the University of Chicago tapped into new resources to sustain the recruitment of Chilean students and to build the University of Chicago's Latin American curriculum. Monies from the Ford Foundation, OAS, the Planning Ministry (ODEPLAN), and Central Bank in Chile helped finance the studies of Chilean students. In addition, the Ford Foundation donated \$750,000 over a 10-year period for the Center for Latin American Economic Research at the University of Chicago.

The students who arrived in Chicago in the mid-1960s through 1970s also met the criteria of the original designers of Project Chile. Chicago alumni

who worked at the Universidad Católica recommended Chilean candidates to study in Chicago, with economic orientations similar to their own being a consideration.³⁶ Using similar economic beliefs as criteria for entrance into the program provided some guarantee that the second generation of Chilean students would embrace neoliberal ideas.

More than 150 students from Chile received their training in Chicago, some 30–50 of them as part of the exchange program through the early 1970s.³⁷ The relationship with Chicago continued for more than 3 decades, with sponsorship coming from AID, the Ford and Rockefeller Foundations, and the OAS. In essence, once the program started, the flow of students never ceased.³⁸

Though most of the Chilean graduate students attended the University of Chicago, some studied at Columbia University, Harvard University, and MIT. While the ideological conviction toward neoliberal theory may not have been as strong as in Chicago, students at these other universities also found most of their professors questioning Keynesian policies.³⁹

Of course, not all economists in Chile subscribed to the strict neoliberal ideas of the Chicago Boys. Most economists at ECLA and the Universidad de Chile in the 1950s strongly rejected neoliberal ideas. When the Chicago Boys returned to Chile in the 1960s, this created a polarized economics profession with Chicago Boys dominating the Católica and economists advocating structuralist ideas holding positions at other universities. Polarization, though, did not prevent some Chicago Boys from finding work at the Universidad de Chile, where they proceeded to indoctrinate students with their own ideas.⁴⁰ Moreover, the split in the profession may even have led to an “ideological escalation” of the Chicago Boys’ views as they competed with their rivals.⁴¹

The military coup in 1973 further strengthened the coherence of the economics profession. Following the coup, university autonomy disappeared as the military installed interventors in administrative positions at the universities.⁴² These interventors removed many leftists from the economics departments at Chilean universities, with others leaving out of sympathy for their colleagues.⁴³ The inflow of a second generation of economists from Chicago made it easy to fill these slots, which helped enable neoliberal economists to dwarf those who subscribed to structuralist views.

Some of the opposition economists, in turn, created the think tank Corporación de Investigaciones Económicas para Latinoamérica (CIEPLAN) in 1975. While these economists wrote prolifically on their opposition to neoliberal policies, it would be difficult to argue that deep divisions in ideas separated the economists in Chile in the 1970s and 1980s. Based on a survey of articles in the principal academic journals, economists used the same research methods and techniques of analysis.⁴⁴ Moreover, economists at CIEPLAN magnified their differences with the Chicago Boys from an economic standpoint because the military government tolerated no other form of opposition.⁴⁵ Thus, by the 1970s, neoliberal ideas dominated Chile’s economics profession.

Argentina

The experience of Argentina’s economic profession differs markedly from that of Chile. Unlike Chile, full-scale economics training did not begin in Argentina until the late 1950s. Prior to the 1950s, the Universidad Nacional de Buenos Aires (UBA) created a doctorate in economic science in 1913. For almost a half century, though, the doctorate covered only two economics courses.⁴⁶ With few exceptions,⁴⁷ Argentina had no “well-organized economic research groups using sophisticated techniques and modern equipment.”⁴⁸

Argentina’s economics profession changed in the 1950s. In 1956–57, ECLA carried out a mission to examine Argentina’s economy. It also sponsored an economics course attended by university and government scholars. This course prompted UBA to offer more economics courses and to create an economics department separate from accounting.⁴⁹ New universities also emerged that offered economics courses. This expansion of economics courses piqued students’ interest and encouraged them to earn advanced economics degrees. In fact, between 1957 and 1959, U.S. universities received their first Argentine doctoral students in economics.⁵⁰

More changes related to the economics profession occurred in the early 1960s. In an effort to reproduce Project Chile in other countries, AID created Project Cuyo in Argentina. With some of the same actors responsible for the agreement with Chile, Professor Arnold Harberger of the University of Chicago negotiated with Dr. Corti Videla, dean of the economics faculty at the Universidad Nacional de Cuyo in Mendoza, to establish a scholarly exchange program.⁵¹ The agreement, signed in 1961, included not only the Universidad de Cuyo and University of Chicago but also the Universidad Católica in Chile.

As part of the agreement that began in 1962 and ended in 1967, AID gave scholarships to 27 Argentines to study in Chicago.⁵² In addition, professors from the Universidad Católica in Santiago, who had earned graduate degrees in Chicago, arrived at Universidad de Cuyo to teach courses. Their commitment to Chicago ideas made them well suited to create a curriculum modeled after that of the University of Chicago. A “Chicago” curriculum also developed at the Universidad de Tucumán through the backing of Adolfo Diz, a former Chicago student. Moreover, the Ford Foundation, Fulbright Commission, OAS, and Rotary Club provided scholarships for Argentine economics students to enroll in graduate schools in universities such as Harvard, Chicago, MIT, and Berkeley in the 1960s and 1970s.⁵³

However, these exchange programs yielded different results than those in Chile. For one, AID provided less funds for Argentina than Chile, which impeded graduate study in the United States (see table 1). For another, the location of the universities influenced the exchange program. In Chile, once students completed their education at Chicago, they returned to Santiago—to the most favored city in the country—and found jobs at the best universities. In Argentina, around 50 economics students left the country in the 1960s for training, but few of them returned.⁵⁴ Because of the very low salaries at

Argentine universities, many students chose not to return.⁵⁵ Professors looked for other work to supplement their income.⁵⁶ Buenos Aires also did not have many academic jobs.⁵⁷ Academic positions could be found in such places as Mendoza and Tucumán, cities not as popular for professors who wanted the excitement of Buenos Aires.⁵⁸

The disadvantages of university employment prompted many of the best Argentine students to accept positions abroad with international agencies such as the World Bank and International Monetary Fund. Others returned to Argentina to work in the private sector, in private consulting firms, or in the Consejo Nacional de Desarrollo (National Development Council).⁵⁹ This left Argentina with fewer U.S.-trained economists in Argentina's universities relative to Chile and with less opportunity to train a new generation of neoliberal economists.

Other obstacles worked against the development of a consensus around neoliberal ideas in Argentina. In the early 1960s, Chicago-trained economists from Chile, sent to Mendoza as faculty members, had not received warm receptions from their colleagues at the Universidad de Cuyo. Ideological disputes raged between Chilean and Argentine faculty members, which interfered with the development of a coherent curriculum for economics students at Cuyo.⁶⁰

Students at UBA also did not appear to be receptive to neoliberal ideas from U.S. universities. For instance, when AID and the Ford Foundation provided funds to send visiting scholars from Columbia University to UBA, students at UBA insisted on leftist scholars.⁶¹ In addition, most professors at UBA and Universidad Católica Argentina in Buenos Aires advocated structuralist views identified with Argentine Raúl Prebisch in the 1960s–1980s, in part, because of Prebisch's personal influence.⁶² Until the late 1970s, the University of Chicago and other U.S. universities had little influence in Buenos Aires.⁶³

In the late 1970s–1980s, however, changes occurred that brought about the founding of new institutes and universities supportive of neoliberal policies. Spurred on by rising inflation in the mid-1970s, the private sector and government developed a growing interest in the role of economists.⁶⁴ These pressures prompted the opening of elite private institutes and universities in business and economics in the late 1970s and 1980s to meet the rising demand for economists and MBA students in the Central Bank and private sector.⁶⁵

The creation of elite private institutes and universities significantly affected the economics profession. First, these institutes and universities increased the number of better paying jobs for scholars in the field.⁶⁶ The high demand for trained economists allowed institutes and universities to charge higher tuition than at public universities. Whereas UBA and other public institutions are virtually free for students and depend on scarce state revenues to subsist, the cost of tuition for students in these private schools can run into thousands of dollars per year. The need for trained economists by companies also enabled these institutes and universities to obtain corporate sponsorships

and endowments. Sponsorships and higher tuition provided them with the ability to offer high enough salaries to attract faculty members trained in the United States who otherwise might not work in academia or possibly live in Argentina.⁶⁷

One of the most important of these institutes is the Centro de Estudios Macroeconómicos de Argentina (CEMA). Founded in 1978 by former Chicago students, CEMA developed a postgraduate program in economics and an MBA program in the 1980s that helps to generate more neoliberal adherents to the profession. The CEMA also funnels prospective doctoral students to the United States, principally to the University of Chicago. After completing their studies, many of these students return to Argentina to train another generation of economists. Other private universities and institutes created around the same time as CEMA are also proliferating "Chicago" economics. The Universidad Torcuato Di Tella (whose rector, Gerardo della Paolera, and a faculty member, Juan Pablo Nicolini, are products of the University of Chicago) and the Universidad de San Andrés (whose faculty include Osvaldo Schenone and Mariano Tommasi) are increasing the number of neoliberal proponents to the profession.⁶⁸ Through their teaching, these faculty members are producing another generation of economists who advocate neoliberal ideas.

Uruguay

The debate in the economics profession between structuralists and monetarists arrived much later in Uruguay. In 1943, an independent career in economics separate from accounting began at the Universidad de la República, the main university in Uruguay.⁶⁹ However, the university only offered economics courses in three or four subjects. Most of the courses trained economists in accounting and business,⁷⁰ and the professors who taught economics did not form part of an economics department.⁷¹ In 1966, the university created an economics program separate from business and accounting. Although the separation of the business branch from economics provided economics students with better training in economic issues, Uruguay did not offer a graduate program in economics.

Most economics faculty members supported structuralism and ECLA's views.⁷² One reason why most advocated ECLA's ideas is that many of these economists earned their postgraduate degrees abroad in the 1950s and 1960s, but not in the United States. The Agency for International Development offered little financial support in these years (see table 1). Many students studied in France, where the French structuralist movement—a blend of market and planned economics—carried the day.⁷³ Others completed their course work in Latin America. The ECLA, for example, offered short courses for Uruguayan students beginning in the 1950s. Monetarist theory received little support from students and faculty of economics in Uruguay.

In the early 1970s, relations developed between schools in the United States and Uruguay. Following 2 decades of low economic growth, the newly installed military regime requested assistance from abroad in order to develop

economic reforms. The new economic team under military rule invited Arnold Harberger and Larry Sjaastad from the University of Chicago and their team, which included former Chicago students from Argentina, Chile, and Brazil, to reform Uruguay's tax system and commercial policy.

Over the course of their work, Harberger and Sjaastad met economic students trained at the Universidad de la República and recommended that some should study in the United States. With money from AID and the Uruguayan government, the University of Chicago set up a program to recruit Uruguayan economics students for Chicago's graduate program.⁷⁴ Beginning in 1974, Harberger and Sjaastad sent Uruguayans Jorge Caumont and Carlos Steneri to study at Chicago. Through 1981, AID provided many scholarships for Uruguayan students to study economics, principally in Chicago, though some attended universities in New York, Minnesota, and Los Angeles. After 1981 students interested in studying abroad applied for scholarships from organizations such as the Fulbright Commission and OAS.

In addition to graduate studies abroad, the Central Bank in Uruguay from 1976 to 1982 sponsored a program with Columbia University to create a master's degree in Montevideo. Headed by Professor Robert Mundell of Columbia University, professors from Columbia visited two to three times per year to conduct courses that lasted nearly 3 weeks.

Although many students studied economics in the United States or took short courses with U.S. professors, their influence on the economics profession in Uruguay is less than what it might otherwise be. Many students decided not to return to Uruguay because of a lack of job opportunities in academia. While a few schools have opened recently that might provide work, some of them do not have an economics curriculum.⁷⁵ These schools offer courses in business and computing and are of a very practical nature.⁷⁶ Economists trained in the United States who advocate neoliberal ideas also are not in high demand at other private institutes, including Centro Latinoamericano de Economía Humana (CLAEH), Centro Interdisciplinario de Estudios Sobre el Desarrollo Uruguay (CIEDUR), and Centro de Investigaciones Económicas (CINVE). Indeed, research is often conducted at these institutes to show the flaws and limitations of neoliberal policies.⁷⁷

The Instituto de Economía Montevideo (IDEM) is one exception. With a staff of professors, many of whom earned postgraduate degrees in the United States, IDEM provides employment for economists. But low salaries force faculty members to hold additional jobs outside of academia. Working multiple jobs and long hours for low pay may not appeal to U.S.-trained economists if other employment options are available abroad that offer higher salaries.

The Centro de Estudios de la Realidad Económica y Social (CERES) is another exception. Founded in the mid-1980s by the Uruguayan private sector and deemed as the think tank that promotes orthodox ideas, CERES, however, still cannot pay internationally competitive wages. In addition, though CERES continues to operate, it is no longer a research center. The Universidad de la República is another employment option, but very low salaries and older

faculty members less receptive to monetarist thought discourage job seekers in economics.

The diverse economics training received by many Uruguayans in the 1970s and 1980s is another factor that reduces the influence of U.S.-trained economists on the profession. Not all students during this time period attended universities in the United States. Students also earned their degrees in universities in Mexico, Sweden, Belgium, Cuba, and the former Soviet Union. In general, students in these countries received training that sided more with Keynesian and structuralist thought than monetarism. The combination of U.S.-trained economists and structuralists mostly from European universities contributes to less coherence among economists and within the economics profession in Uruguay.

The lack of coherence or uniformity in the fundamental ideas of economists in Uruguay also affects efforts to train a second generation of economists. Unlike Chile and the Universidad Católica, where economists trained in the United States and predominantly at Chicago dominate the faculty and subscribe to much the same economic philosophies, the Universidad de la República infuses students with diverse and divergent economic ideas. The prospects for a consensus to develop among a second generation of economists in accord with U.S.-sponsored ideas appear unlikely, as most neoliberal advocates pursue decent-paying jobs abroad or work in Uruguay outside the university environment.

Conclusion

This essay detailed the history of economics professions in Argentina, Chile, and Uruguay to demonstrate differences among the professions. The influence of international organizations is significant for explaining these differences. International organizations supplied varying levels of financial support for economics students to enroll in U.S. graduate programs. Based on the similar economic curriculum in most U.S. universities, the more students a country sent to the United States for economics training, the more likely that neoliberal ideas affected the economics profession in the foreign country.

The essay also shows that U.S.-trained economists alone do not guarantee that the economics profession in the home country accepts neoliberal ideas. The essay demonstrates the need to examine whether economists trained abroad are able to find employment in their home countries. If these economists cannot find positions in academia, they are likely to accept employment abroad, which affects their ability to train a second generation of economists.

To test this argument, I examined the economics professions in Chile, Argentina, and Uruguay over the past 4 decades. In Chile, changes in the economics profession occurred as a result of the agreement signed between the University of Chicago and Universidad Católica in 1956. This agreement and programs funded by international organizations insured that a few hundred Chilean economics students earned graduate degrees in the United States. After completing their studies, these students returned to Chile and found

academic positions that enabled them to instill their beliefs in generations of economists.

In Argentina, in part because of less AID funding, fewer students studied economics in the United States in the 1950s–1970s. A lack of decent-paying academic positions also resulted in fewer U.S.-trained economists holding academic positions. Since the late 1970s, however, increased demand for well-trained economists by the private sector and the Central Bank led to the founding of private institutes and universities by U.S.-trained economists. Greater demand for economists allowed institutes and universities to charge high tuition and to secure corporate sponsorships and endowments that enabled them to offer competitive salaries to attract U.S.-trained faculty members. Through their teaching, faculty at these institutes and universities have produced another generation of economists who advocate neoliberal ideas.

In Uruguay, fewer economists studied in the United States relative to Chile and Argentina. In the 1950s and 1960s, most Uruguayan economists received their graduate training from ECLA and from European schools that favored structuralism. In the 1970s and 1980s, when international organizations sent students to the United States for training, many Uruguayans continued to study in Europe and Latin America. A scarcity of job opportunities for U.S.-trained economists also limited their opportunities to spread neoliberal theories. Many economists found positions in international organizations abroad, which further restricted their influence in the profession.

The U.S. influence in Latin America's economics profession has far-reaching implications. First, as presidents appoint more U.S.-trained economists for economic policy-making positions, it is critical to examine how these policy makers affect economic development. Second, many heads of state in Latin America themselves hold advanced degrees in economics from U.S. universities, which make additional studies about these economists even more useful. Third, as U.S.-trained economists come to dominate the universities and professions in their home country, this has the potential to extend U.S. influence for generations. On the basis of advice and encouragement they are receiving from faculty in their home countries, more economics students from Latin America are earning advanced degrees in economics from U.S. universities, which affects the creation of communities in economics professions. Fourth, the employment of U.S.-trained economists in the private sector widens the potential reach of U.S. influence abroad.

Notes

* I am grateful to the following individuals for their comments and suggestions: Jeff Frieden, Barbara Geddes, Anthony Gill, Veronica Montecinos, and Nicolas Van de Walle. Special thanks to Al Harberger who clarified the connection between the University of Chicago and the spread of market-oriented ideas in Latin America.

1. For details about the University of Chicago's commitment to open market policies since the 1950s, see José Piñera, "Political Economy of Chilean Reform," *International Economic Insights* 2 (July 1991): 6–9. See also Alice H. Amsden ("The Globalization of the Crisis in American Economic Education," *Journal of Economic*

Education 23, no. 4 [1992]: 353–56, esp. 353), who shows that most economics departments in the United States began to favor market-oriented reforms in the 1950s. The failings of import substitution industrialization policies in the developing world in the 1950s and 1960s and stagflation in the early 1970s in part helped to reduce the popularity of Keynesianism.

2. In some instances, voters have elected U.S.-trained economists as president.

3. For more information about the role of economists in economic policy making, see Miguel A. Centeno and Patricio Silva, eds., *The Politics of Expertise in Latin America* (New York: St. Martin's, 1998); Catherine Conaghan and James Malloy, *Unsettling Statecraft: Democracy and Neoliberalism in the Central Andes* (Pittsburgh: University of Pittsburgh Press, 1994); Jorge I. Domínguez, ed., *Technopols: Ideas and Leaders in Freeing Politics and Markets in Latin America in the 1990s* (University Park: Pennsylvania State University Press, 1997).

4. See, e.g., Merilee Grindle and John Thomas, *Policy Choices and Policy Change: The Political Economy of Reform in Developing Countries* (Baltimore: Johns Hopkins University Press, 1991); Miguel A. Centeno, *Democracy within Reason: Technocratic Revolution in Mexico* (University Park: Pennsylvania State University Press, 1994); and Juan Gabriel Valdés, *La Escuela de Chicago: Operación Chile* (The Chicago School: Operation Chile) (Buenos Aires: Grupo Editorial Zeta, 1989).

5. See Paul W. Drake, ed., *Money Doctors, Foreign Debts, and Economic Reforms in Latin America from the 1890s to the Present* (Wilmington, Del.: Scholarly Resources, 1994), esp. p. xix; Albert O. Hirschman, *Journeys toward Progress: Studies of Economic Policy Making in Latin America* (New York: Twentieth Century Fund, 1963), esp. p. 165.

6. In the 1950s, few used the term "neoliberal" to identify economists who favored ideas reflective of the University of Chicago. During that time and even today, these economists are sometimes referred to as monetarists. The term "neoliberal" to describe free market economics was popularized in the 1970s and 1980s.

7. For a discussion about the conflicts between structuralists and monetarists, see Patricio Silva, "Technocrats and Politics in Chile: From the Chicago Boys to the CIEPLAN Monks," *Journal of Latin American Studies* 23, no. 2 (1991): 385–410. For a thorough account about the different perspectives held by policy makers and economists on policies necessary for economic development, see Albert O. Hirschman, "The Political Economy of Import-Substitution Industrialization in Latin America," *Quarterly Journal of Economics* 82 (1968): 1–32.

8. For information about the Keynesian Revolution that conquered academic economics, see Harry G. Johnson, *On Economics and Society* (Chicago: University of Chicago Press, 1975).

9. See David C. Bruce, "The Impact of the United Nations Economic Commission for Latin America: Technocrats as Channels of Influence," *Inter-American Economic Affairs* 33, no. 4 (1980): 3–28, esp. 3. See also Aníbal Pinto and Oswaldo Sunkel, "Latin American Economists in the United States," *Economic Development and Cultural Change* 15, no. 1 (1966): 79–86, esp. 82, who discuss ECLA's efforts to spread its "practical" theories to policy makers in the region.

10. For more information about ECLA's influence in Latin America, see Christopher Mitchell, "The Role of Technocrats in Latin American Integration," *Inter-American Economic Affairs* 21, no. 1 (1967): 3–29; Enrique Iglesias, *Reflections on Economic Development: Toward a New Latin American Consensus* (Washington, D.C.: Inter-American Development Bank, 1992).

11. For a discussion of the economic ideas identified with ECLA, see Albert Fishlow, "The State of Latin American Economics," in *Changing Perspectives in Latin American Studies*, ed. Christopher Mitchell (Stanford, Calif.: Stanford University Press, 1988), pp. 87–119. See also Joseph LeRoy Love, *Crafting the Third World: Theorizing Underdevelopment in Rumania and Brazil* (Stanford, Calif.: Stanford University Press,

1996), esp. pp. 2–4, who shows why developing countries favor the structuralist position on the basis of the problems with labor markets and the concomitant trade and international economic system difficulties, and the role of the state in fomenting and balancing growth.

12. For a review of economic ideas identified with neoliberalism, see Johnson; Milton Friedman, *An Economist's Protest* (Glenridge, N.J.: Horton, 1975).

13. See, e.g., John Williamson, ed., *The Political Economy of Policy Reform* (Washington, D.C.: Institute for International Economics, 1994); Iglesias.

14. See Rudiger Dornbusch and Sebastian Edwards, eds., *The Macroeconomics of Populism in Latin America* (Chicago: University of Chicago Press, 1991).

15. See Juan Gabriel Valdés, *Pinochet's Economists: The Chicago School in Chile* (Cambridge: Cambridge University Press, 1995).

16. See Jeffrey M. Puryear, *Thinking Politics: Intellectuals and Democracy in Chile, 1973–1988* (Baltimore: Johns Hopkins University Press, 1994), esp. p. 16.

17. See Philip J. O'Brien, "The New Leviathan: The Chicago School and the Chilean Regime, 1973–1980," Occasional Paper no. 38 (University of Glasgow, Institute of Latin American Studies, Glasgow, 1982), esp. p. 2; Silva (n. 7 above), esp. 390.

18. See Robert A. Packenham, *Liberal America and the Third World: Political Development Ideas in Foreign Aid and Social Science* (Princeton, N.J.: Princeton University Press, 1973), esp. p. 109.

19. For more details about the onset and functions of the Point Four Program, see *ibid.*, esp. pp. 43–49.

20. Former director of AID's Point Four Program, Albion Patterson, interview by author, Ojai, Calif., February 27 and May 17, 1995.

21. For a discussion of the human capital "experiment" in Chile, see Valdés, *La Escuela de Chicago* (n. 4 above), esp. pp. 57–58, 130.

22. Patterson, interview.

23. *Ibid.*

24. See Valdés, *La Escuela de Chicago*, esp. pp. 58, 158–59.

25. For details on the University of Chicago and Universidad Católica agreement, see Sofia Correa, "Algunos antecedentes históricos del proyecto neoliberal en Chile (1955–1958)" (Some historical precedents of the neoliberal project in Chile), *Opciones* 6 (1985): 106–46.

26. See Manuel Delano and Hugo Traslaviña, *La herencia de los Chicago Boys* (The inheritance of the Chicago Boys) (Santiago: Ornitorrinco, 1989), esp. p. 14.

27. See David E. Hojman, *Chile: The Political Economy of Development and Democracy in the 1990s* (Pittsburgh: University of Pittsburgh Press, 1993), esp. p. 23.

28. See Puryear (n. 16 above), esp. pp. 16–17.

29. See Silva (n. 7 above), esp. 389.

30. See David Pion-Berlin, "The Defiant State: Chile in the Post-Coup Era," in *Armies and Politics in Latin America*, rev. ed., ed. Abraham F. Lowenthal and J. Samuel Fitch (New York: Holmes & Meier, 1986), pp. 317–34, esp. p. 320.

31. See Valdés, *La Escuela de Chicago* (n. 4 above), esp. p. 11. Although most Chicago Boys endorsed neoliberal policies, in a few cases, economists who earned doctorates at Chicago (e.g., Ricardo Ffrench-Davis and Carlos Massad) questioned some ideas identified with the Chicago School.

32. See Lois Hecht Oppenheim, *Politics in Chile: Democracy, Authoritarianism, and the Search for Development* (Boulder: Westview, 1993), esp. p. 148.

33. In countless interviews conducted in Santiago in July–September 1992, former Chicago students remarked fondly on their experiences at Chicago and the attention and devotion given to them by the faculty and, in particular, by the graces of Al Harberger and his Chilean wife Anita.

34. See William L. Ascher, "Planners, Politics, and Technocracy in Argentina and Chile" (Ph.D. diss., Yale University, 1975), esp. p. 67.

35. See Valdés, *La Escuela de Chicago*, esp. p. 261.

36. *Ibid.*, esp. p. 193.

37. See Konrad Stenzel, "Markets against Politics in the Chilean Dictatorship: The Role of Professional Economists," *Vierteljahresberichte* 113 (1988): 325–34, esp. 332.

38. Arnold Harberger, professor of economics at University of California, Los Angeles, interview with author, February 16, 1995.

39. Martin Costabal, former minister of finance, interview with author, September 2, 1992. See also Piñera (n. 1 above), who argues that economists trained at any American university after the 1950s shared similar philosophies because of the use of Samuelson's textbook in introductory economics courses.

40. See Veronica Montecinos, "Economics and Power: Chilean Economists in Government 1958–1985" (Ph.D. diss., University of Pittsburgh, 1988), esp. p. 422.

41. See Hirschman, *Journeys toward Progress* (n. 5 above), esp. p. 241.

42. See Thomas G. Sanders, "The New Institutionalism and the Constitution," in *Military Government and the Movement toward Democracy in South America*, ed. Howard Handelman and Thomas G. Sanders (Bloomington: Indiana University Press, 1981), pp. 346–77, esp. p. 363.

43. For more details about the expulsion of economists from Chilean universities, see Patricio Meller, "Los Chicago Boys y el modelo económico Chileno, 1973–1983" (The Chicago Boys and the Chilean economic model, 1973–1983), *CIEPLAN* 43 (January 1984).

44. See Hojman (n. 27 above), esp. p. 29.

45. Chilean economist Ricardo Ffrench-Davis, interview with author, July 23, 1992.

46. See José María Dagnino Pastore, "Argentina," in *The Role of the Economist in Government: An International Perspective*, ed. Joseph A. Pechman (New York: Harvester Wheatsheaf, 1989), pp. 195–212, esp. p. 195.

47. Such exceptions included mathematician Julio Olivera at UBA and Oreste Popescu at the Universidad Nacional de la Plata (based on interviews with Argentine economist Daniel Heyman, March 29, 1994, and the Director of CEMA, Carlos Rodríguez, March 28, 1994).

48. See Dagnino Pastore, "Argentina," esp. p. 196. This does not imply that Argentina had no economists during the first half of the twentieth century. Some Argentines developed skills necessary for conducting research and publishing original ideas. In addition, a few Argentine economists earned advanced degrees abroad.

49. Adolfo Canitrot, head of economics department at Di Tella Institute, interview with author, March 28, 1994; Julio Berlinsky, professor of economics at Di Tella Institute, interview with author, March 28, 1994.

50. See José María Dagnino Pastore, *Cronicas Económicas: Argentina, 1969–1988* (Buenos Aires: Editorial Crespillo, 1988), esp. p. 3.

51. See Valdés, *La Escuela de Chicago* (n. 4 above), esp. p. 262.

52. *Ibid.*, esp. p. 263.

53. Argentine economist Adolfo Sturzenegger, interview with author, March 29, 1994.

54. Berlinsky, interview.

55. Prior to 1989, a full-time professor at UBA might earn as little as \$250 per month (based on interview with the Argentine economist Carola Pessino, March 30, 1994).

56. See Ana María García de Fanelli, *Gestión de las universidades públicas: La experiencia internacional* (Results of the public universities: The international experience) (Buenos Aires: Ministerio de Cultura y Educación Secretaría de Políticas Univ-

ersitarias, 1996), esp. chap. 5. As Argentine economist Juan Carlos de Pablo points out in a November 17, 1992, interview with the author, it was nearly impossible to live solely on a public-sector wage over the last 20 years.

57. Moreover, the fact that the Universidad de Cuyo was situated in an out of the way location meant that it had less importance for the economics profession relative to universities in Buenos Aires (see Valdés, *La Escuela de Chicago*, esp. p. 263).

58. The politicization of the universities also discouraged interest in university employment.

59. See Dagnino Pastore, "Argentina" (n. 46 above), esp. p. 197.

60. See Valdés, *La Escuela de Chicago*, esp. p. 263.

61. Patterson, interview (n. 20 above).

62. Canitrot, interview (n. 49 above).

63. Heyman, interview (n. 47 above).

64. Argentine economist and former economics minister Ricardo López Murphy, interview with author, March 30, 1994.

65. Rodríguez, interview (n. 47 above).

66. See García de Fanelli (n. 56 above).

67. The case of Argentina is not unique. In fact, Mexico shows a similar pattern of long-held support in the profession for structuralism giving way to neoliberalism in the late 1970s. Swelling university enrollment and corporate sponsorship at expensive private universities contributed to increased demand for U.S.-trained economists.

68. Other institutes and universities that support market ideas are the Instituto Estudios Económicos Sobre la Realidad Argentina y Latino Americana (IEERAL) in Córdoba and Universidad dei Belgrano.

69. Economics courses and seminars were first proposed to be offered at the university in 1931 (see Ernesto Rodríguez and Pablo da Silveira, "Apogeo y Crisis de la educación Uruguaya," in *El proceso educativo Uruguayo: Dos enfoques* [The Uruguayan education process: Two focuses] [Montevideo: Fundación de Cultura Universitaria, 1984], esp. p. 35).

70. The former general manager of the Central Bank in Uruguay, Daniel Vaz, interview with author, March 18, 1994.

71. The former advisor to the Ministry of Economics and the Planning Ministry, Jorge Caumont, interview with author, March 24, 1994.

72. Ibid.

73. Vaz, interview.

74. Caumont, interview.

75. Vaz, interview.

76. Schools such as the Universidad Católica and ORT, which have taught courses in management at the bachelor's and master's levels for several years, are now considering the creation of a new career in economics.

77. Daniel Vaz, written communication with author, June 21, 1995.

Whose Education Matters in the Determination of Household Income? Evidence from a Developing Country*

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I. Introduction

In developed countries, where the majority of workers are wage earners, the returns to human capital are typically measured by regressing an individual's wage on their years of schooling. The human capital literature for developing countries is similarly focused on measuring the returns to education for wage earners, in spite of the fact that in most of these countries wage earners are a relatively small fraction of the labor force.¹ A predominant feature of many developing countries is that the largest share of the labor force is engaged in self-employed activities that generate income for households—either as farm households or as small enterprises.² The different composition of labor forces in developed and developing countries has important implications for the way income data are collected in both types of countries. Income generated from farming or other household enterprises is almost always measured at the household level, whereas wage income is available at the individual level.

This difference in the ways income data are collected makes it difficult to extend the wage regression model to the developing country context because in developing countries income is largely measured at the household level; the data on education attainment, however, are available at the individual level. As survey data rarely allow for the decomposition of household income to the individual level, it is not possible to map an individual's education attainment to their contribution to household income. A seemingly natural extension of the wage regression model for this situation would be to regress the household's income on the household's education level. This extension, though, leads to the difficulty of how to model the household's education level and poses the question, whose education matters?

The answer to this question depends on the way in which education affects a household's production. In pioneering work, T. W. Schultz and F.