

Third International Conference on Public Policy
June 28 – 30, 2017
Kuan Yew School of Public Policy
National University of Singapore

Topic: **T04** – Problems and Agenda Setting
Panel: **P03** – Policy Change: revisiting the past, analyzing contemporary
processes and stimulating inter-temporal comparisons

THE ROLE OF TECHNOCRATS IN THE CHILEAN PUBLIC MANAGEMENT MODERNIZATION POLICY OF 1920s

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This Version: May 2017

FIRST DRAFT
Do not cite, please

Abstract

It is commonly said that the Chilean old democracy – the one that existed until 1973 – was more open to citizen's participation and with no technocratic influence. To test that hypothesis, the paper analyzes administrative reforms of the 1920s and contrasts its results with those of the analysis by Olavarria (2016) on the policy process of the period 1990-2014, which is characterized as elitist and technocratic. The paper identifies similarities between both processes. The paper ends asking why the policy formulation process kept its main characteristics despite the institutional changes occurred during Pinochet's dictatorship.

Key Words: Chile, public policy, policy change

INTRODUCTION

How were public policies made during the Chilean old democracy? In a recent analysis on the Chilean policy-making process of the new democracy, Olavarria (2016)¹ characterized its functioning as a tacit alliance between power and expert knowledge, where the presidential motivation plays a key role for an idea to be included in government agenda, converting the policy process in rather an elitist one, which coincide with the characteristics of the “inside access model of agenda building” described by Cobb et al (1976). Both the new and old Chilean democracies have been based on presidential systems. Thus, a question that naturally arises is whether the policy-making process of the Chilean old democracy behaved in a similar manner to that of the Chile’s new democracy.

The expression “Chilean old democracy” refers to the system of government in place until 1973, the year in which the coup d’état overthrew President Allende. Similarly, the expression “Chilean new democracy” refers to the one starting in 1990, after the end of the Pinochet’s authoritarian regime.

The Pinochet’s authoritarian regime introduced several deep institutional changes, such as the enactment of a new constitution in 1980, the establishing of a hyper-presidential political system, the changing of the political-administrative structure of the country – from 25 provinces to 13 regions –, the transfer of administrative competences from the central government to municipalities, among others; all of which may have modified the functioning of Chile’s policy formulation process. The maintenance of this institutional design after 1990, and especially the Constitution of 1980, has led Huneeus (2014) to call the Chilean new democracy as a semi-sovereign democracy.

¹ Olavarría’s (2016) work analyzed the public management modernization of 1990s and 2000s decades, the health care reform of early 2000s and the reform of the public transportation system of Santiago, named Transantiago, implemented by the mid 2000 decade.

² The following quote of Deputy Antonio Pinto-Durán may be seen as an illustration of how inflation affected workers: “the lowest income employees and workers get salaries in a

Given this deep transformation of the Chilean political institutions, several authors have argued that the Chilean old democracy would have been characterized by a greater citizen's participation – as opposed to the elitism mentioned above – and that the technocratic influence would have been absent or very limited. Joignant & Güell (2011: 19) state “the centrality of technocrats in the managing of public affairs is an issue of recent decades ... (which would be) a consequence of the agreements of the political transition (from the authoritarian regime to democracy) in which the elite reached a consensus about the depoliticization of the State management.” According to De La Maza (2010: 63) “the historical path of forming the civil society was clearly linked to a State in permanent expansion through a pluralist political system, increasingly inclusive and relatively stable, which would have lasted for almost 50 years.”

Following the arguments of these authors, the policy formation process (PFP) of the Chilean old democracy would have been pluralistic with a greater citizen influence, as opposed to an elitist and technocratic style of managing the government characterizing the PFP of the Chilean new democracy. Thus, the institutional changes occurred during the Pinochet's authoritarian regime would have severely modified the Chilean PFP. If that is correct changes in characteristics of the PFP may be attributed to institutional changes introduced during Pinochet dictatorship. But, if it is not, explanation should be looked for somewhere else.

The analysis of a PFP of a concrete policy may contribute to verify the above hypothesis. To do that, this article analyzes administrative reforms implemented during the 1920 decade for the Chilean central government – which followed a State reform – and contrasts its results with those of Olavarría (2016) study on public management modernization of the late XX Century.

In doing that the article applies the framework of the analysis of the policy process to events that occurred in the 1920s to understand how the idea of reform came into the government agenda, how the policy

actors interacted and how decisions on the issue were made. The contrast with findings of the policy process of the Chilean new democracy is aimed to identify continuities and changes in the Chilean PFP as well as to verify whether those changes – in the case they would be identified – may be associated to institutional changes. Thus, the article may be considered within the subfield of policy history, since it applies the policy analysis perspective to a historical study.

After this introduction, next section presents a discussion of the main concepts involved in the analysis, followed by a description of the methodological aspects of the study, the presentation of the case and a discussion of the evidence collected. The final section concludes.

ON THE POLICY-MAKING PROCESS

According to Stein et al (2006) a public policy is the result of interactions among actors – from inside and outside of the State – through time, within an institutional context. Thus, a public policy is seen as the dependent variable from this perspective, that is the consequence of a political process in which the convergence of a set of actors and situations lead to the adoption of a policy. This perspective, in turn, helps to understand the interaction among political actors involved in the process, the dynamics of inclusion of a theme within the government agenda, its development and movement in it, and, more extensively, how public policies are formulated and adopted.

The notion of public policy may be understood as an intervention of the State, expressed through a decision or set of decisions of a public authority, on a particular public problem and with a specific end, which follows a formal procedure, all of which takes place in the context of an intense political process of confrontation and articulation of interests. Following Becker (1976) a public problem is a situation in which there is objective evidence of a situation that negatively affects the well-being of citizens or groups of them, which is subsequently characterized as a public problem by actors of power acting inside or outside the State.

Thus, through the action of these actors of power an issue may become characterized as a public problem and installed in the public agenda and, given the dynamics of the process, it may rise in the priority and be included in the government agenda and later transformed into a public policy. According to Kingdon (2011, 1995) the agenda is the set of issues to which actors of power – inside and/or outside the State – pay serious attention at a given time. Kingdon concludes that there would be greater probabilities that an idea become a public policy when a problem is recognized as a public one, when there is a likely solution at hand, and when the political circumstances are propitious for the policy endeavor. Kingdon also gives great importance to policy brokers, people who fulfill relevant roles to capture the attention of decision makers and influential people, link possible solution to a recognized problem, and both to favorable political circumstances in order to make that a particular proposal be adopted as a public policy.

Kingdon (2011 and 1995: 116-117) also introduce the concept of policy primeval soup, a process in which “ideas float around in communities of specialist,” where they are confronted and combined, alternatives are generated, proposals are drafted and amended, bills are introduced. In this process “some ideas survives and prosper, some proposals are taken more seriously than others.” He characterizes this as a “long process of softening up, ... (which) often does takes years ... and may be endless.”

In turn, True et al (1999) point out that the policy process is often fostered by a logic of stability and incremental variations and occasionally there is situations leading to generate significant changes. Policy changes, marginal ones or big reforms, are the consequences of interactions of the policy subsystem and decisional behaviors that, when combined, create patterns of stability and punctuated equilibriums. Periods of equilibrium are produced when the policy subsystem capture and manage the issue, and reforms are the consequence of a situation in which the issue is included in the macro-

political agenda. Then, a particular issue becomes part of the government agenda depending on the severity or importance of the problem given by government decision-makers (Jones & Baumgartner 2005). The processing of information on the issue from polls, intensity of particular events as well as actions from interest groups and policy brokers would determine the priority given to the issue by authorities (Jones & Baumgartner 2005).

Analyzing the policy formulation process in Chile, from 1990 to 2014, Olavarria (2016: 170) concluded that “a policy change would most likely occur when a motivated president – or a powerful political actor – nominates and empowers a group of technopols/technocrats, which takes advantages of an extensive accumulation of knowledge on an issue, designs a proposal and manages to get it approved and implemented.” Technocrats are individuals with a high level of specialized academic training which serves as a principal criterion on the basis of which they are selected to occupy key decision-making or advisory roles in large, complex organizations—both public and private” (Collier, 1979: 403). Technopols instead “are those technocrats who have taken the risk of accepting political appointments with the responsibility that entails” (Williamson, 1994: 12). Dominguez (1998, 1997) adds that technopols are people who, in addition to their technical background, have political skills to govern more effectively. Marier (2008) points out that technopols are able to link expert knowledge to political abilities to face the complexities of the policy process.

On the other hand, two main concepts appear to be important in this type of analysis: State reform and modernization of public management. State reform refers to politically intended changes in the ends pursued by the State, its main institutions, organization, and/or one or more sectors of activity, all of this with the purpose to adapt it to new realities or to influence on them, given the orientating role that State has in society ((Olavarria, Navarrete & Figueroa, 2011). In turn, public management modernization is a process of changes in public

administration focused on central government organization, structures and working procedures seeking greater effectiveness and flexibility of public organizations (Olavarria, Navarrete & Figueroa, 2011).

METHOD AND DATA

This is an explanatory case study done through qualitative research. Thus, the study is aimed at identifying main characteristics of the public management modernization policy of the decade of 1920. Results of this analysis are contrasted to those of the Olavarria's (2016) work on the analysis of the administrative reforms of the 1990s and 2000s with the purpose of realizing whether or not the policy formulation process has kept constant for more than seventy years despite fundamental institutional changes.

The unit of analysis is the formulation process of the 1920s policy on public management modernization.

The research has applied the documental historical and hermeneutical methods. It has collected and systematized documents from the decade of 1920 dealing with the issue of public management modernization. These documents include presidential addresses about the state of the nation, bills on the topic being studied, congressional discussions, press clippings from the mentioned decades, publications of interest groups and professional associations, and academic literature. The analysis of these sources has sought to identify, analyze and interpret the milestones, processes and interactions of key actors of the policy under study.

POLITICAL AND ADMINISTRATIVE REFORMS DURING THE 1920s

The policy primeval soup

Three main issues had captured the attention of the Chilean political system by the second half of XIX Century and early XX Century: the debate on social affairs, the stabilization of the currency and the functioning of public administration.

The debate on social affairs was an intense intellectual, political and socially extended debate on the situation of the workers in the modern world. The debate confronted the promoters and opponents of social and political reforms. Morris (2000: 234) characterizes this as a “period of social tensions, worker protests and intellectual effervescency, starting with the period of industrialization, ... from mid 1880s to mid 1920s.” According to Grez (1995: 43) this was “the result of economic mutation of the second half of the XIX Century and the cumulative effect of long time problems in the national history” of Chile, generated by industrialization and urbanization.

Industrialization and urbanization led peasants to migrate from the countryside to cities and mining looking for jobs and a better life but what they found was not what they expected. Garces (2003) describe a panorama of indecent life for workers and poor people: overcrowded, unhealthy and fetid houses; lack of access to health care and epidemics such as bubonic plague (*peste bubónica*), cholera, smallpox (*viruela*) and typhus, alcoholism and sexually transmitted diseases; and, on top of that, inflation² that diminished their already low income. Several reports were made on the living conditions of poor workers and government sent bills to face the situation but few passed in Congress. Consequently, strikes, riots and violent protest, some times with the result of several people being killed often arose in the country.

Furthermore, the tax system was being severely criticized for being inequitable due to “the burden was put on classes not favored by fortune ... (and because) the richest do not contribute or contribute in a minimum proportion,” as the Deputy Antonio Pinto-Durán claimed (Chile’s Chamber of Deputies, 1920: 694).

² The following quote of Deputy Antonio Pinto-Durán may be seen as an illustration of how inflation affected workers: “the lowest income employees and workers get salaries in a depreciated currency, subject to violent fluctuations, which does not allow them to save and to equilibrate the household budget ... it is urgent to correct this anomaly ... (and) it is also urgent to put people from different social classes in conditions of equality before the fluctuations of our currency” (Chile’s Chamber of Deputies, 1920: 694).

Inflation had become a serious problem for the Chilean economy and because of that stabilization of the currency turned into a high political priority. The first formal initiative to create a Central Bank was the report of a Special Commission on Banking and Currency Law designated by President Ramón Barros-Luco in 1912 (Carrasco 2009). Although the bill got support in Congress, the irruption of World War I made the initiative to lost momentum.

Deputies also presented initiatives on the same topic in 1914, two in 1918 and one in 1924 (Chile's Chamber of Deputies, 1924: 1306). Another bill was presented by Minister of Finances, Luis Claro-Solar, in 1918, with the title of "Privileged Central Bank," but no decision was made on it. Another Minister of Finances, Guillermo Subercaseaux, in 1919, sent a bill to create the "Chile's Central Bank" but, though it was approved in the Chamber of Deputies, its discussion was interrupted in the Senate. Several other proposals were presented between 1921 and 1925 with the same fate.³ Regarding this, Alessandri points out that since "my first presidential address I recommended, in a clamorous way, the creation of the Central Bank, to defend the currency and stabilize credit" (Silva, 1967: 71).

The topics on institutional and administrative reforms, particularly that about controlling inflation and creating a Central Bank, which had been on the agenda for more than a decade, became a highly controversial issue. Doubting that Congress might pass a bill to stabilize the currency, a then ex-Minister of Finances, quoted by El Mercurio (1924a: 3) expressed: "None Congress would approve a bill to have metallic conversion or to stabilize the currency because in every Congress there will be representatives of the interests around the currency paper and its fluctuations". A very influential economist by

³ On the process of creating the Central Bank, the newspaper El Mercurio (1924: XX) wrote "on the long process of the gestation of the idea sponsored by the Executive in 1912, it has been found that there are important points of agreements and also profound divergences in the character of the institution, its essential functions and the means that must be put into practice in order to achieve the unanimous desire of the country to have a stable currency."

that time pointed out “people are very confused between so much economic literature” (Subercaseaux, 1925: 3).

The idea of hiring impartial foreign advisors to overcome the paralysis on the issue got support within government (Hirschman, 1964). Those advisors were popularly known as the Kemmerer Mission, which was integrated by a group of experts in public finances, commerce and engineering, headed by Mr. Edwin W. Kemmerer, a PhD in economics and finances from the University of Cornell and professor at the University of Princeton. In Latin America this group of experts did advisory works in Mexico (1917), Guatemala (1919 and 1924), Colombia (1923), Ecuador (1926), Bolivia (1927), and Peru (1931).

President Alessandri had meet Kemmerer in July 1922 to explore the possibility to hire a mission headed by him with the purpose of materializing Alessandri’s idea to create a Central Bank, stabilize the currency and reform the tax system. Alessandri was interested in hiring Kemmerer because he was an internationally renowned expert on monetary systems that openly favor the creation of Central Banks. According to Carrasco (2009: 76), in that meeting Alessandri would have expressed to Kemmerer “regarding the Central Bank, a matter of your high interest, I must clarify that I have done and will keep doing monumental efforts to accomplish that it may be implemented in my country.”

Carrasco (2009: 76) adds that in the V Panamerican Conference, held in Santiago, Chile, in 1923, Alessandri publicly expressed his determination to hire an expert of financial matters to advice the government in the creation of a Central Bank, arguing what follows: “the ideas that led me to fight untiringly for the approbation of a Central Bank are contained in my presidential addresses of 1920, 1921, 1922 and 1923. In all those occasions, I insisted in the formation of this institution because I was intimately convinced that this Bank come to normalize the financial development of the Republic and stabilize our currency, which will bring more confidence to our trade and industry, driving the total activities of the country.”

Joining to the claim of monetary and administrative reforms, the influential newspaper *El Mercurio* (1925: 3) expressed

“... the announcement of the coming of Kemmerer will bring an immediate era of social calm. People have a special instinct that make them to see that the hiring of a technocrat means the good will of the government to stabilize the currency and, because of that, people will not have great inconvenient to postpone their legitimate exigencies of improvements.”

The hiring of the Kemmerer Mission was announced publicly on April 30, 1925. The Mission arrived Chile on July 2, 1925, handed in the final proposal to create the Central Bank on August 12 and the rest of reports in August, September and October (Carrasco 2009). The last members of the Mission left the country on October 6, 1925.

The functioning and effectiveness of public administration was another important concern by late XIX Century and early XX Century. Three key topics were at the center of this debate: what type of organizational – behavioral model should guide the functioning of public administration and how to organize the administrative apparatus of central government, how to implement an effective control system of government spending, and how to get more capable public employees and to limit political patronage in the appointment system of public administration.

The debate on social affairs and concerns on inflation and stabilization of the currency led government authorities and senior public servants to pay attention about the operative effectiveness of public administration from the decade of 1880.

From that decade the idea of separation between the political work and administrative work was gaining acceptance. Barriá (2015a) argues that the qualitative advance of bureaucracy in several agencies of central government led to a more detailed design of their organizational structure, their working procedures and the way in which they had to be implemented. In this context, in 1887 Congress

passed a bill that increases the number of Ministries – from five to seven –, redefine the role of the second authority of the Ministry – from the Major Official to the Undersecretary and established the incompatibility between this position and that of parliamentary –, defined functions of government agencies, based on criteria of division of work, and established the number of employees that each one of them would have. Barría (2015a: 53) points out that this type of reforms “sought to increase the level of coordination and State capabilities ... (and that) the bureaucratic model was propitious for that purpose because it gave concrete answers to the demand for solutions to operative problems that the State was facing then ... (In spite of that) by the decade of 1890 the criticism (on these reforms) focused on the centralization and lost of operative autonomy (they generated).”

The control of government expenditures became a hot issue by late XIX Century. Despite the sharply increment of State revenues produced by the exportation of salt, spending increased even more due to an enormous expansion of the state bureaucracy. Although public administration work had incremented, the attention was put on spending. For instance, between 1879 and 1892 the number of decrees processed by Ministries had increased 78%, the fiscal spending had raised 7,29% between 1887 and 1891, and the budget of the Ministry of the Ministry of Finances had augmented 680% between 1853 and 1886, mainly due to the raise of number of employees (Barría, 2015a). By 1860 public administration counted with 2,293 public employees, being 0,35% of active economic population, but by 1919 the staffing had increased to 26,216 workers, representing 1,96% of the economic active population (Barría, 2015b).

In 1869, the General Office of Accounting (Dirección General de Contabilidad) had replaced the State Major Accounting Office (Contaduría Mayor del Estado), which beside of registering the financial-accounting affairs included the Court of Accounts (Tribunal de Cuentas) by late 1880s. Its mission was to control the use of public funds and to persecute the responsibility of public employees who had

not fulfilled the norms and procedures about government spending (Olavarria and Figueroa 2010). Despite of these efforts, the effectiveness of control on the use of public resources still was a pending task by late 1920s. The following quote, taken from the Decree Law that created the General Comptroller of the Republic, let see the extended concern, which came from long ago, about how to institutionalize more effective controls and make public servants responsible for the managing of public resources.

“... the disorganization existing in the control of national revenues as well as in the investment of public money have generated a true public alarm due to the unfortunate and dreadful events of fraud in the collection and investment of public funds; ... (which) come from the lack of fulfillment of laws and administrative regulations that rule the getting of revenues and their correct destination to national expenditures; ... (because) that control correspond nowadays to several offices that functions, in their legal capacities, without a unique organization that made them effective, ... which is harmful to the purpose of providing a good service” (Chile’s Congress, 1927: 1).

Concerns about the type of personnel public administration had to do the work became another hot topic on the functioning of the State by the époque. Concerns about the way of recruiting and selecting public employees and the impact this had on the public coffer were at the center of the debate. Encina (1981: 164) states that by late XIX Century, “the number of employees have risen disproportionately in relation to the needs of public agencies ... (and that) politicians who hesitate on the expenditure needed to built ports, to complement railways and to sanitize cities, dominated by the pressure of their followers and by the moral environment that surround them, they do not recede before the increase of unnecessary public employees.” Urzúa and García (1971: 38) point out that by late XIX and early XX Centuries

“The provision of public positions was subject to no form of legislation or regulation. There is a force that dominates over all considerations of good service, of staff preparation, of the merits of the candidates: political determination ... (furthermore) members of Congress intervened in public office, they intimidated officials, overwhelming them with their demands, and even the parties began forming deals based on the distribution of senior jobs among followers.”

Encina (1981: 175) called this “parasitism and employabilitymania” (empleomania). Barria (2009: 150) argue that the debate that rose because of this and measures taking by government addressed three main topics: “what type of employees was necessary to count, how they should be selected and, finally, what characteristics should have an administrative career for public employees.” Stability in public employment, merit and the joining public administration through public contest – although this became a reality in a limited number of cases – were the main ideas expanding among scholars, intellectuals and some authorities by late XIX and early XX Centuries, which sought to stop or reduce the political patronage and bring into public administration competent employees.

The meaning of competency was a topic of discussion: for ones it meant administrative abilities to implement decisions made by political authorities; for others it meant technical capacities, specialization and the mastering of scientific knowledge for policy design and implementation in specific areas of government. The former represented the expansion of the bureaucratic perspective and the latter was expressed in academic requirements established to appoint people in certain levels as well as the hiring of engineers, first in areas such public works and railways and later, by 1920s, in many other areas of government activity such finances, economy, transport (beyond railways), production promotion, mining, and the like.

According to Barria (2015a and 2008) this may be interpreted as the expansion of the bureaucratic thought in public administration and

the rising of the technocratic influence in government decisions and management.

Making the Policy

The evolution of the three main issues, described in the previous paragraphs (the primeval soup), converged into a State reform, on the one hand, and a modernization of public administration, on the other.

Chilean economy during the XIX and early XX Century was based on agriculture and mining, being the dominant economic policy that of *laissez faire*, free trade, gold pattern, and attracting foreign investment (Meller 1998). The high amount of revenues coming from the production of nitrate led the State to play a much more active role: first, to set the tax level being applied and to enforce its fulfillment; and, second, to manage the abundant flow of resources, which were mainly invested in physical and social infrastructure as well as in the expansion of education and public employment (Meller, 1998). As Faúndez (2007: 55) note, “the growth of the nitrate industry was responsible for social and economic transformations, ... (characterized) by a major shift in population from the country side to the cities, (a) population (that) became more literate, (a growth of) the service and manufacturing sectors, and ... a major expansion of roads and railways. The elite, however, failed to respond to the challenge posed by economic and social modernization.”

Changes in the social and political context and the decline of nitrate revenues⁴ in the 1920s led to changes not only in the economic policy but also in the orientation of the State. According to Ellsworth (1945: 74) “increasing government intervention in economic affairs were directed to three principal aims: (1) the regulation of industry and commerce, primarily in the interest of Chilean nationals; (2) the stimulation of the country’s economic development; and (3) the improvements of labor conditions ... (Furthermore) many of the

⁴ Faundez (2007: 55) points out that “by mid 1920s, nitrate revenue had become unstable, bringing about a break in the political system”.

institution created and the measures adopted served more than ones of these aims simultaneously.”

President Alessandri took office on December 23, 1920 calling for social reforms and institutional changes such as a constitutional reform, the enforcement of the efficacy of government activities and social order to support the free exercise of democratic activities, administrative decentralization to give provinces more autonomy, the stabilization of the currency through the creation of a Central Bank, the modification of the tax system, the enactment of a law on primary education and an administrative law (Silva, 1967; Chamber of Deputies 1921: 1189).

The enactment of a new constitution⁵ in 1925 ended what has been called the Chilean parliamentary republic, which in fact was not a political regime where the executive constitute from those winning majority in legislative election but one in which Congress had increased dramatically its power after defeating the executive branch in the civil war of 1891, which lead President Balmaceda to commit suicide. This period was characterized by tensions between the executive branch and the parliament, expressed in continuous changes of ministers due to accusations of parliamentarians. ⁶ Reinsch (1990) argue that the absence of mechanisms to solve disputes between the President and Congress led to the high ministerial volatility. The new constitution reinstalled a presidential system, established the separation between the Catholic Church and the State and guarantee religious freedom, eliminated the control of executive branch by the Senate and the censorship of Ministers by deputies, created the electoral court as independent body, eliminated to need to proof economic capacity to

⁵ Faundez (2007: 65-66) points out that the new constitution was drafted by a committee chaired by President Alessandri but “closely watched by the military ... (and) approved in a hastily convened referendum boycotted by the main political parties and in which less than a half eligible to vote participated”.

⁶ For instance, during his five years term President Alessandri had 20 Ministers of the Interior; 13 Ministers of Foreign Affairs, Religious Affairs and Colonization; 16 Ministers of Justice and Public Education; 18 Ministers of Finances; 16 Ministers of War and Navy; 14 Ministers of Industry, Public Works and Railways.

become citizen, recognized judicial independence and expanded the capacity of the Supreme Court. Reforms of mid 1920s also inaugurated the social security system, under which public health care programs started being delivered to population, introduced an extended system of labor regulation, and created several economic and regulatory institutions.

The institutional changes expressed in the enactment of a new constitution and the creation of several public organizations to transform the management of economy, social affairs and other government sectors may be understood as a State reform since the orientation of the State moved from the *laissez faire* emphasis to an interventionist role not only in the economy and social affairs but also in other areas of society. Scott (2009) points out that these type policies, more active and interventionist, were in accordance with the concept of State being expanded at the international level. Hence, the type of State emerging from reforms of mid 1920s was very different from that in place until 1920 although “many of the laws and policy during this period were not fully implemented or their implementation was partial or biased” (Faundez 2007: 56). Thus, the following years would be a period of adjusting the management of government and public administration to the new institutional context.

In this context, the Central Bank was created on August 22, 1925 and started operations on January 11, 1926. The General Law on Banking was enacted on September 26, 1925 through the Decree Law 559, and, the Monetary Law that established the gold pattern in the country was created by the Decree Law 606, on October 14, 1925.

Modernization of public administration had been a key topic in Alessandri's presidential program. In his first presidential address before Congress, Alessandri (1921: 37) announced “we are working on the preparation of an administrative law and scale to set the norms and rules to which any provision and promotion of public jobs must fulfill, to get a suitable public personnel, responsible, who find effective guaranties for the improvements of their condition solely based on their

efforts, merits, and the justice of their exigencies.” In the same presidential address, he also called for a political and administrative decentralization. A bill to appoint a Commission “to determine the personnel that public administration really needs to fulfill its duties and to suppress those that do not respond to a real need of service, ... to conclude the most convenient organization of public employment as well as to propose a bill on administrative law and scale” was sent to Congress on November 1921 (Chile’s Senate 1921: 593-594). After deep controversies and several modifications the bill finally passed on March 21, 1921. However, due to the political circumstances⁷ being lived by then made to leave the realization of public administration reform to the following administration, that of President Figueroa in which the one who had the real power was Lieutenant Colonel Carlos Ibáñez, first as Minister of War and later as Minister of the Interior.

In his first address before Congress President Figueroa announced a public administration reform. On May 21, 1926 he stated

“My administration has put the major determination in reorganizing public administration and improving the afflictive situation of public finances ...

⁷ Several bills sent by Alessandri administration on administrative reforms, stabilization of the currency and social issues, including one that increases salaries of militaries, which were admittedly low by that time, kept stopped in Congress. Instead, Congress approved the creation of a parliamentarians’ salary. This inflamed the situation and led young officers to organize a Military Committee and push both the administration and Congress to pass the bills. After young officers attended Congress sessions of September 8 and 9, 1924, making noises with their sabres, the Congress passed those bills. Despite the Congressional approval, the Military Committee asked the President to dissolve the Congress and due to that the President resign on September 9, 1924 but Congress rejected it (Donoso, 1934). The Military Committee took power on September 11, dissolved Congress, and neither accepted President resignation, giving him a six-month-license instead.

A Military Junta overthrew the Military Committee on January 23, 1925 and called Alessandri to retake the Presidency. President Alessandri took office again on March 1925, enacted a new constitution and launched social, fiscal and administrative reforms. President Alessandri resigned definitely on October 1st, 1925, three months in advance of the constitutional end of his term because Lieutenant Colonel Carlos Ibáñez – supported by the Army – did not accept to be removed and asked that all actions of government had to be signed and overseen by him.

(The administration) has taken the task of reorganizing public services on the bases of economy and administrative efficacy.

A methodical and orderly administration facilitates and benefits all others areas of general activities. In the study of this matter by Congress and the Executive branch, it has to be especially taken into account the convenience of maintaining in service the number of employees strictly indispensable, reasonably paid in attention to the quality of their duties, to the preparation required to accomplish them, to the obligation they should fulfill, and to the intensity of tasks they should bear out; and assuring them stability in their career together with the benefits they have the right to expect from the State to which they have served in a continuous and efficacy way” (Figuerola, 1926: 6 – 7).

14 months after taking office, in February 1927, President Figuerola reorganized his cabinet and appointed Ibáñez as Minister of the Interior. Pablo Ramirez was appointed as Minister of Finances and from that position he would become a key actor in the modernization of public management.⁸ As soon as taking office, Minister Ramirez declared the four goals he would pursue: solving the salt problem, reforming public administration, effectively organizing tax revenues, organizing the State finances (La Nación, 1927). Minister Ramirez not only materialize recommendations of Kemmerer Mission but also he went further by reforming public administration and creating several public organizations to improve the functioning of the State and the country’s productive system.

In the context of a severe reform of public administration, approved by Law 4,113 (January 25, 1927), the Ministry of Finance was reorganized. Bernedo (1989) points out that this reform sought to

⁸ Ramirez, a lawyer, had been Deputy by the Radical Party during the decade of 1910 and Minister of Justice and Public Education in 1919. He had extended networks across the political system. Ramirez got strong support from the Radical Party due to his close friendship to the President of that Party, Juan Antonio Ríos, who would become President of the Republic in 1942.

reduce expenditures, to organize public administration on the basis of efficiency and modern criteria, and to regularize the collection of fiscal revenues. With that purpose several norms were enacted and organizations were created. As a consequence of that reorganization the Ministry of Finance was integrated by the following organizations: Office of Budget, Office of Pensions, Office of National Properties, Office of State Procurement,⁹ General Office of Internal Taxes, Superintendence of Custom, Superintendence of Insurance Companies and Anonymous Companies (Sociedades Anónimas), General Treasurer of the Republic, Superintendence of House of Currency and Valued Species (Casa de Moneda y Especies Valoradas), Superintendence of Banking, Superintendence of Nitrate and Mining.

The General Comptroller of the Republic was created in March 26, 1927, following the recommendations by the Kemmerer Mission and a committee of experts headed by Mr. Julio Phillipi, the Superintendent of Banking by then. In its creation the General Comptroller absorbed the General Office of Accounting and the Accounting Tribunal (Tribunal de Cuentas). As the key actor in the creation of the General Comptroller of the Republic, Ramirez was its first Comptroller – as interim –, keeping the post of Minister of Finances.

The General Comptroller was assigned with the duty of exerting the control of the administrative apparatus of the State and, consequently, had to oversee the fiscal and municipal funds, keep the general accounting system of the country, do the accounts examination, supervise the constitutionality and legality of the government acts, keep a record of public employees and State assets, and oversee the fulfillment of the Administrative Law (Estatuto Administrativo) by public organizations (Ruiz-Tagle 2007). According to Ruiz-Tagle, in Kemmerer's view it was essential that the Comptroller generated statistical and financial reports that allowed the government to plan

⁹ Duties assigned to this Office (Dirección de Aprovisionamiento del Estado) were to standardize the procurement norms, to assume exclusively the acquisition, warehousing and distribution of the necessary resource for the functioning of public administration, to eliminate corruption networks and to generate savings through scale economies.

and execute its economic policies as well as provided information to attract foreign investors to the country.

In May 1927 the President sent a bill to Congress to expand its capacities to reform public administration, which was passed three months later as Law 4,156. According to Donoso (1976: 331) Ibáñez expressed that the purpose of the Administrative Law was to make “senior civil servants be selected from the respective scale of public organizations or from the set of outstanding professionals of our universities, in any technical specialties but not, as occurred before, from assemblies or political groups.” The enactment of Law 4,156 on August 3, 1927 extended the period of public administration reform and authorized the Minister of Finances “to execute the measures he thought convenient to attain a better technical organization, a reduction in government expenditures and the budget equilibrium” (Chile’s Chamber of Deputies 1927: 79). The reform implied the declaration of vacancy of a number of public jobs, fusion of organizations, creation of others, reduction of amount of pensions, suppressing of expenditures, regulating taxes, and that Chiefs of these organizations were selected on a merit basis, favoring the hiring of engineers over lawyers (Bernedo 1989).

Due to tensions with militaries and his Minister of Interior, Lieutenant Colonel Ibáñez, President Figueroa resigned on May 1927. That made necessary to call a new presidential election in which Carlos Ibáñez was the unique candidate, getting 98% of votes. Given the repression he exercised against opponent and the establishment of the “Thermal Congress,”¹⁰ this first Ibáñez administration is usually called to have been an authoritarian one.

¹⁰ The Thermal Congress was the result of an agreement between President Ibáñez and political parties, based on a provision of the electoral law that permitted to avoid parliamentary elections if the number of candidates was equal to the number of seats in dispute in Congress. Because of this and because negotiation were made in a very well known resort having thermal bath, the Congress emerging from this agreement was popularly known as the “Thermal Congress”

Under the Ibáñez administration and with Ramirez as a key actor public administration reform continued with the creation of public policies and several public organizations. In this context, the General Treasury of the Republic was created by Decree of August 4, 1927 with the purpose of giving the Fiscal Treasuries “a modern and adequate organization so that the executive branch may know in any moment the situation of fiscal revenues and expenditures” (Chile’s Laws 1927).

Ramirez also launched a new industrial policy aimed at strengthening national industry by a greater intervention of the State. In that context, he created the Institute for Industrial Credit, the Department of Manufacturing Industries and later the Ministry of Promotion, including in it services on Public Works, Means (Vías) and Communications, and later he would create the COSACH – the Chilean Company of Nitrate – (Esponda 2016).

According to Bernedo (1989: 25) by late 1927 the government and his Minister of Finances had accomplished the modernization of public administration because “now it counted with centralized organizations, well defined competences, managed by technocratic and well paid officials.”

DISCUSSION

In the 1920s’ reforms, State reform and public management modernization were processes that coexisted and due to that they might be confused as a single deep reform although they are conceptually different processes in their goals, instruments and scope. The period characterized as the policy primeval soup was a process going from the late XIX Century to the early 1920s in which criticisms on the role played by the State on the economy, social affairs, politics and civic life grew up. Criticism also reached the administrative apparatus of the State, mainly focused on the increasing number of public employees and the spending on them, the lack of technical capacities of employees, the organization of public administration and its weak system of management control.

Thus, the Alessandri's administration, and particularly the facts of mid 1920s, may be seen as the period in which criticisms, proposals of change and political events catalyzed, generating a juncture that was exploited by President Alessandri to enact a new Constitution, a social security system, the Central Bank, several public organizations and to lay the groundwork for the modernization of public management, which would be expanded and deepened later. Therefore, this chain of events may be seen as a State reform that immediately opened modernizing changes in the structure, organization and functioning of public administration.

This opens a parallel with events leading to a State reform and public management modernization of the late XX Century. Reform of the late 1970s and early 1980s changed the orientation of the State from interventionism and protectionism in economy to a free market and open economy, from a quasi exclusivity of the State in social affairs to a greater participation of private providers in it. Reforms also reached organization of the State, which passed from 25 provinces to 13 regions, giving greater administrative role and capacities to municipalities, which now had to deliver primary and secondary education as well as primary health care services. The 1980 Constitution inaugurated a hyper-presidential system in Chile, established a new law on political parties and introduced a bi-nominal majoritarian electoral system instead of the proportional system that was in place until 1973. All these reforms were made under a 17-years authoritarian regime lead by General Pinochet, in which Congress was suspended.

As described before, the State reform of the mid 1920s was a process that took place in a convulsive environment (see footnote 7). Then, both processes of State reform were undertaken in situation in which militaries played a key role in the development of events and Congress was suspended.

Although the basis and first stimulus of public management modernization of the 1920s were laid in Alessandri's presidency, this was a process that mainly developed during Figueroa's and Ibáñez'

administrations. In the 17-months presidency of Figueroa a reorganization of public administration was launched on February 1927, meaning the creation of several public organizations, the merging of others, the firing of number of public employees, and the hiring of people with technical capacities, mainly engineers. During Ibáñez' administration the process continued with the creation of new organizations such as the General Comptroller of the Republic, the General Inspection of Anonymous Companies and Stock Market Operations (Operaciones Bursátiles), Superintendence of Anonymous Companies (Sociedades Anónimas), Insurance Companies and Stock Exchange (Bolsas de Comercio), among others.

Notwithstanding that reforms of the 1920s followed a top-down strategy from the beginning and that modernization of the 1990s emerged as micro-reforms in few public organization, which persuaded government to launch a reform of structures, working procedures and organization of central government entities (Olavarría, 2010; Olavarría, Navarrete and Figueroa, 2011), both are similar in their appealing to modernize – meaning the introduction of the knowledge available by then –, their emphasis on technical capacities and in the processes that these two modernizing efforts developed.

Though modernization may be considered as a contemporary expression, during the 1920s Chilean political authorities used that term to call for a deep administrative reform. The then Minister of the Interior, Pedro Aguirre-Cerda – who became President of Chile in 1938 – stated what follows

“Only the administrative law, which government will send to Congress, will be able to avoid in every moment, that social and political favoritism instead of virtue and competence what regulate appointment, promotion and remotion of public employees from public administration.” (Chile, the Senate, 1920: 975)

Later, Minister Aguirre-Cerda declared,

“The whole society foster government to act with increasing activity... which has as a basic requisite an administrative organization that put science and social cooperation to serve the public interest ... Our public administration processes neither produce ideas nor solve problems, neither serve the executive branch nor the Congress, neither stimulate nor take advantage of personal and particular energies. Then, modernizing that machine, adapting to current needs, simplifying its useless running (rodajes) and making it more efficient is one of the purposes we bring into the government” (Chile, Chamber of Deputies, 1924: 1405-1406).

The call for public management modernization made by Minister Aguirre is very similar to the one made by President Aylwin 69 years later. In his last presidential address before Congress about the state of the country, President Aylwin (1993: 20-21) pointed out:

“... it is indubitable that the Chilean public administration requires a modernization to be updated to the needs and urgencies of the contemporary world and make it more agile, capable, responsible and efficient ... It is necessary to speed up public administration, dignify, stimulate merit and initiative, to speed up procedures and to establish strict standards of responsibility.”

From the policy process perspective, the description of the stylized facts of the public management modernization policy of the 1920s let see four clear characteristics. First, the process develops within the executive branch of government. The evidence collected so far on the case neither shows a discussion nor proposals of modernization of the administrative apparatus of central government coming from outside of it. It rather shows that the policy was designed by a select group of people around the most powerful actor in the executive branch. This group of people set the political strategy to

validate the proposal they have shaped and managed to get it approved and implemented later.

Whether recommendations of the Kemmerer Mission were originals is a topic of discussion. Hirschman (1964: 201) states “from the examination of the many proposals presented with increasing frequency between 1913 and 1925 it come out that bills presented by Kemmerer did not represent any essential innovation around the critical issue of restoring the gold patron and the creation of the Central Bank.” In turn, Marshall (1945: 95) points out “the proposal made by the Commission of 1912, which was about to become law, as well as later proposals shows that there were enough qualified people in Chile to advise government in the task” of reforming the monetary and administrative systems.

Regarding the role of Kemmerer, President Alessandri would state later

“... we had written the bill to create de Central Bank, whose submission Subercaseaux (Minister of Finances by then)¹¹ had asked repeatedly and insistently and, given the difficulties and resistances, we agree with Subercaseaux to ask Mathieu, the Chilean Ambassador to the US, to hire Mr. Kemmerer with the purpose that the opinion of this wise foreign person prestige ours and help us in the passing of bills we were asking from long ago, and that happened. Kemmerer did not create anything. He limited himself to reproducing and modifying in slight points the proposal we had elaborated, whose approval I had claimed with immense perseverance and tenacity” (Silva, 1967: 246).

President Alessandri also pointed out

¹¹ Ramón Guillermo Subercaseaux-Pérez was a Civil Engineer, Deputy from 1909 to 1918, Minister of Finances in 1907, 1919-1920, and 1923-1924, and Senator from 1924 to 1930. He was a reputed economist who served in committees on public finances in Congress, professor of political economy at the University of Chile, and author of several technical works that were published in prestigious international journals.

“I met in my presidential office a group of senators and there we agree and wrote the definitive proposal creating the Central Bank, whose characteristics and fundamental aspects Mr. Kemmerer accepted and endorsed extendedly, when he came in 1925 to give the final touch to this very important regulatory institution ... I insist that Mr. Kemmerer, contrary to what some frequently say, limited himself to insist in the definitive proposal made by the government in my office, with the concurrence of senators (Ramón) Guillermo Subercaseaux, Eliodoro Yáñez, Enrique Oyarzún and some others. Kemmerer did not bring any new idea; he limited himself to link and approve with his authority the proposal we already had in regard to the idea we had been defending from so many years ago (Silva, 1967: 279)

Additionally, the following quotation of Kemmerer's own words shed light on this. In the Chilean Academy of Social Sciences he pointed out

“... many of the fundamental characteristics of our reforms have already been proposed by Chilean economists. But, in Chile, as occurs in other countries the proverb is very certain that ‘a prophet is without honor in his own land,’ ... (but) a man free from family ties, from interests of cliques, and free at the same time from prejudices against himself, many times can obtain acceptance of his recommendations, when the same recommendations, presented even with the same words by men of the nation, would be rejected. We are fully aware of how little we could have accomplished in Chile without the fact that the ground had been so well prepared by many studies and investigations of Chilean economists” (Drake 1989: 91-92).

Thus, the bringing of the Kemmerer Mission may be seen as a political strategy to validate a type of reform to address a problem that a group of people had identified, even before to arrive to government positions, and on which they have been working on a solution. The

reforms proposed by the Kemmerer Mission had been worked before by Chilean technocrats as Kemmerer recognize. Based on those previous works, President Alessandri had unsuccessfully insisted to create the Central Bank in 1920, 1921, 1922 and 1923. Then, available evidence shows that that solution was resisted by political influential groups, so to bring in a group of US experts, headed by a highly reputed professor of a well known US university, was seen as the most advisable strategy to overcome that resistance and make the policy to be approved.

Then, seen all the described situations in perspective, the policy formulation process followed by the public management modernization of the 1920s resemble the “inside access model” described by Cobb et al (1976). The issue was set in the formal – government – agenda by a powerful actor (the President), a small groups within the Ministry of Finances originally worked on the policy, the articulating group sought to expand the issue to a particular influential group which was considered determinant in the passage and implementation of the policy. Thus, the Kemmerer Mission may be understood as the argument or the key to get the support of influential group and make the policy to be approved.

Second, a dominant powerful actor within the executive branch, motivated to intervene is who set the issue into the government agenda and push for the solution. In the early stages of the State reform and modernization of public management that powerful actor was President Alessandri. His strong motivation to reforms plays a key role in the State reform and in reforming public administration in 1925. He took advantage of the political circumstances to enact a new Constitution and make to approve social security. In the case of the Central Bank, he insisted in the creation in presidential addresses of 1920, 1921, 1922 and 1923, implemented a political strategy to overcome the difficulties bringing a well-reputed groups of expert as a way to get the skeptics or opponents convinced. Once the solution was at his hands, he managed to get it approved and implemented really fast.

In the case of the public management modernization of the mid and late 1920s, the powerful political figure was Carlos Ibáñez, first as Minister of the Interior, later as Vice President of the Republic, and finally as President once upon President Figueroa stepped down. Ibáñez advocated for a “New Chile,” emphasizing the reform of the administrative apparatus with the purpose of reducing the bureaucratic machinery inflated by political interests, the excessive government spending, the organization of a public agency to collect taxes and increase fiscal revenues, and the implementation of a strong oversee of these revenues” (Errázuriz 2014: 316).

Third, expert knowledge played a fundamental role in shaping the policy and defining its content. The creation of the Chile’s Central Bank let see a long process of knowledge accumulation, which can be traced back until 1912, at least. A 13-year-process in which many Chilean experts of banking and financial issues delineated the basic design of the institution that came to see the light after the three-moth-work of the Kemmerer Mission.

Beyond the discussion about the Kemmerer role in monetary and administrative reforms what these lines are showing is that all of them were based on technical knowledge from the advancement of economic and social sciences by the époque. Not only Kemmerer and his aides were well-reputed technocrats but also were the Chilean experts that worked in proposals about the stabilization of the currency, the creation of the Central Bank and several public organizations, as well as the administrative reforms implemented around mid and late 1920s. This evidence is also showing that policy proposals were worked within the government and that people participating in more open debates were well qualified expert with close ties to government.

A similar situation occurred with the 1927 reform of public administration and the creation of the General Comptroller of the Republic. Propositions of the Kemmerer Mission took advantage of several works and practices of legal control already existing, which were redistributed and leaving in the General Comptroller not only the

oversees of administrative acts on fiscal matters but also the administrative acts on any matters, the previous control of legality of administration acts, the keeping of the nation's accounting system and the accounting tribunal (tribunal de cuentas). As mentioned earlier the proposal of creation of the General Comptroller was jointly written by a group of experts headed by Mr. Julio Philippi and experts of the Kemmerer Mission.

Fourth, the dominant powerful actor is who empowers a group of technocrats to build the policy. That powerful actor between 1920 and 1925 was President Alessandri who empowered a group of technocrats headed by Guillermo Subercaseaux, Julio Philippi and empowers Mr. Kemmerer as well. The Kemmerer Mission left Chile few days after President Alessandri's resignation.

From 1925 to late 1920s the powerful actor was Carlos Ibáñez, who appointed Pablo Ramirez as the Minister of Finances. Ramirez led the design and implementation of the reform of public administration, the reorganization of the Ministry of Finances, the implementation of the General Comptroller of the Republic.

In both cases, they were the actors who led a groups of experts, who based on the accumulated knowledge to shape the modernization of the 1920s. They (Subercaseaux, Phillippi and Ramirez) were the technopols who headed a group of technocrats that concreted the administrative reforms of that decade. These technopols deployed links and contacts across government to make possible the reforms and the creation of institutions in the context of the modernization of the 1920s.

CONCLUDING REMARKS

The analysis has let see four fundamental characteristics of the policy process of the public management modernization of the 1920s: that the process developed within the executive branch, describing what Cobb et al (1976) call an inside access model of agenda; that there was a dominant political figure who was motivated for the issue (President Alessandri, first, and later Mr. Ibáñez as Minister, Vice-President and

finally President), that there was a key role played by technocrats/technopols (Subercaseaux, Philippi, Kemmerer and Ramirez); and that these dominant political figures empowered technocrats that they designed, who managed to get the proposals approved and later implemented it.

This conclusion, on the characteristics of the policy process of reforms of the 1920s, is very similar to the policy process described by Olavarria (2016) in reference to the modernization of 1990-2014. Evidence collected through the analysis of the 1920s modernization policy shows that the PFP of the Chilean old democracy was not more participatory and not less technocratic than that of the Chilean new democracy, contradicting an extended belief about that the period 1925-1973 had a deeper democracy than that starting in 1990.

Considering that from 1973 to 1990 Chile was under an authoritarian regime that change many political institutions and enacted a new Constitution, this surprising conclusion raises a new question: Why the PFP kept its main characteristics constant during more than seven decades and even after fundamental institutional changes?

This conclusion may be suggesting that policy actor behaviors may be maintained for long time and that the design of political institution, by itself, it is not enough to shape the PFP and that other variables and/or factors may be influencing the way in which actors interact in formulating a policy. Thus, new research have to identify those other variables and/or factors and how they interact with formal institution to shape the PFP.

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