

# Diffusion of neoliberalism in Latin America

## 1. INTRODUCTION

Neoliberal policies were widely adopted in Latin America during the 80s and the 90s. That shift was a result of the crises that hit developmentalism in the 80s, in which the debt crisis played a crucial role. Many scholars believed that indebtedness stemmed from inherent flaws of developmentalism caused by excessive governmental intervention in the economy. The natural prescription, given this diagnosis, was the reduction of the role of the state in the economy. Latin America went through deep economic changes adopting neoliberalism and leaving developmentalism behind. Some like to believe that this story can basically be understood as the substitution of good for bad policies. In this case it doesn't matter the origins of these prescription or how then were taken. What really matters is that it was allegedly the right medicine for the illness in question. Not many years ago this plot seemed indisputable, except for some hardcore leftists that undertook some kind of nostalgic ideological resistance. All in all, pro-market policies seemed to triumph in advanced economies like United States and England as well as Latin American and east european economies. Globalization was believed to be the fate of international economy.

All in a sudden, from the late 1990s on, international finance started to face great upheavals. In 1997, an unexpected and deep financial crisis hit Asia, one of the most dynamic regions in terms of economic development in the world economy. The contagion made it worse as Russia, Brazil and Argentine plunged into a financial crisis as well. It spurred an important debate on the reform on international financial architecture.

Unfortunately, this debate had no effect in terms of concrete reform. By the time some bold proposals were advanced, crisis had gone, vanishing the conducive context that could bring about important changes in the international financial system.<sup>1</sup>

The 2008 crisis reopened this debate, but unlike the previous crisis, this one originated in the United States and spread to other advanced economies, i.e., the political and economic center of international system, something that has not happened since the Great Depression. Taking into account that this crisis occurred due to a lack of financial regulation caused by an excessive confidence in the market functioning, this is a good moment for considering neoliberalism in perspective. In other words, neoliberal policies are not *the* prescription, but *one* prescription among others. This may seem quite clear now, but it wasn't a decade ago.

If neoliberalism was not the only choice left but just *a* choice, what explains that choice? That remains a question to be answered and it goes beyond the scope of this work doing it. This paper intends to work on some analytical issues that are important to answer that question. The argument developed here is that the diffusion of neoliberalism throughout Latin America depended *in part* on the working of a set of institutions – U.S. Department of Treasury, international financial institutions (IFIs) and think tanks – that acted in coordination to achieve that end. I call a set of institutions acting this way an *ideational coalition*. The study of this coalition concerns the international dimension of the diffusion of neoliberalism in Latin America. Of course, that depended also on the specific circumstances of each country at the domestic level. That's why I state that such ideational coalition was a partial explanation.

Some work has been done on the explanation of the diffusion and adoption of economic policies, mostly by new institutionalist scholars.<sup>2</sup> But these works focus on comparative politics or case studies unlike the regional case in question here.<sup>3</sup> They aim at explaining the specificity of each case in adopting similar policies (Keynesian or neoliberal), focusing on singular institutions present in each of these cases. These works can be useful to the argument put forward here but one thing should be considered before taking them into account: most of them focus on developed countries and the domestic institutions present in those countries. In the case studied here the key institutions considered are outside the sta-

tes in question, in other words, I focus on international institutions located in the United States and their importance to the adoption of neoliberal policies throughout Latin America. I am doing so because I do not intend to stress the specificities of each Latin American case, but similarities among them, due to the focus on the region as a whole and not on single countries.

In order to do that, institutionalist analysis won't suffice, because, as I argued before, it focuses on domestic institutions and the object of this paper possess an international dimension that must not be ignored. So, taking this into account, an integration between IR literature and institutionalist analysis will be done.

The first step in doing so will be the examination of IR literature, because it is required a broader perspective in which institutional analysis should be embedded. Acknowledging limitations in the main IR approaches reviewed, in the third section, I search for insights in Carr's "The Twenty Years Crisis" to build a framework to work with. In the fourth section I proceed to the assessment of some institutionalist contributions. In the fifth section an analysis of the relation between debt crisis and neoliberalism is done. The sixth section is destined to put forward the concept of ideational coalition. Finally, a summary of the approach advanced here will be done in the conclusion.

## **2. CONNECTING IDEAS TO POWER IN THE INTERNATIONAL RELATIONS THEORY: HOW MUCH IS STILL LEFT TO BE DONE?**

In the last years, due to the rise of constructivism, ideas were taken to the forefront of IR theoretical debate. In a survey done in the late 1990s, Katzenstein, Keohane and Krasner (1999) acknowledged that the neorealism vs. neoliberal institutionalism debate gave place to the debate between rationalist (neorealism and neoliberal institutionalism) approaches and constructivism, which stresses the importance of ideational and normative factors.

It is really curious that it took so long for ideas to get that status in the IR debate, for some IR classics didn't ignore it at all.

In Carr's "Twenty Years Crisis" (2001), for instance, liberal ideas played

a significant role in the English hegemony during the XIX century. In "The Great Illusion" (2002), Norman Angell's attempt to convince readers of the irrationality of war was an undisputable proof of the importance of the belief held by public opinion that wealth is rooted on military power. That belief had to be proven wrong in order to avoid war, which was Angell main purpose on that work.

After the Word War II, IR debate took a narrower path, emphasizing balance of power and putting ideas aside. Morgenthau's "Politics among Nations" (2004) influence reached its peak, making realism the dominant approach among IR scholars.

Since Morgenthau's classic work realist theorizing has relied on balance of power as main source of representing the functioning of international relations. It is worth noticing that the first realist classic on international relations didn't take this path. Balance of power was not a relevant concept to Carr's analysis.

Morgenthau's approach to balance of power stressed the positive aspects of it. According to this author, its working would be the only thing that could keep the independence of weaker states in the international system as well as ensure long periods of peace. He also addressed the importance of ideologies in justifying the foreign policy of a state, but he didn't give any theoretical treatment to ideas.

Waltz (1979) followed Morgenthau' steps and focused on balance of power as a major source of understanding of the international system. Anarchy and similarity among system's unities were longstanding features of international system that were not supposed to change, so systemic change was a function of change in the distribution of power among states. As a consequence, in Waltz view, there are basically two kinds of international systems: bipolar and multipolar, both working through balance of power, which is the way whereby the powerful states, the ones that are politically significant, assure their survival, the main objective of any state in the international system.

The main strength of Waltz's theory is also its main weakness. It is meant to be parsimonious. If such theory encompasses all the significant variables, it will be successful. If it misses one, just one, it fails. Another critical aspect of Waltz's thought is that it keeps the emphasis on balance of power, reaffirming the importance of the concept for the postwar rea-

lism. This point deserves some attention, for it became natural, to associate balance of power with realism. A careful scrutiny of Carr's work contradicts this notion. This is a point of great importance because balance of power theorizing focuses on horizontal power relations among great powers. It misses a great deal of what I call vertical power relations.<sup>4</sup> Vertical power relations are at least as important as balance of power regarding the defining features of an international system. Choosing one over another depends on what exactly one is trying to explain. The majority of states in the international system, in fact, are subject to vertical power relations. It would be of great significance to understand how they work. Realism has a poor record doing so.<sup>5</sup>

The only IR approach that has shown serious concern on vertical power relations is Marxism. As Norberto Bobbio observed elsewhere, the theory of imperialism is *the* Marxist theory of international relations by excellence.<sup>6</sup> However, as an IR theory, Lenin's theory of imperialism suffers from the illness that plagues many Marxist theories: economic determinism.

Economic determinism precludes theorizing from taking into account the real importance of the state in the international relations. A better balancing between economic and political realms in IR theorizing would be more than welcome at this point, for no IR approach has done it so far. On one hand, realism still depends on theorizing international relations in strictly political terms, leaving no room for the incorporation of the economy, and, on the other hand, traditional Marxist approach subordinates politics, and consequently, the state to the economic dimension of society.

Other IR approaches influenced by Marxism, like dependency theory, system-world analysis and critical theory inherit that theoretical feature, keeping the imbalance between politics and economy that is typical of orthodox Marxist theorizing. They have done, however, significant contributions to the field.

One that is worth mentioning is the incorporation of the Gramscian concept of hegemony done by critical theorists. In the early eighties, Robert Cox pioneered in making that contribution, which brought to the study of international relations one of the most interesting features of Marxism: the acknowledgement of the relevance of the ideational realm to the understanding of society.<sup>7</sup>

Despite that important contribution, critical theory didn't manage to challenge the main contenders of IR debate, realism and liberalism.<sup>8</sup> Liberal tradition has not been able to generate a significant ideational insight as well, given its propensity to explain behavior based on the assumption of egoistic motivated actors.<sup>9</sup>

Constructivism has made significant progress in bringing ideas to the center of the theorizing process, but, in my opinion, it has not achieved the same progress in relating them to power theoretically and empirically as well. Since constructivism do not ignore power (see Wendt, 1999), the reason behind this poor record is hard to estimate.

Therefore one of the most important challenges IR scholars face today is to relate ideas to power properly in theoretical as well as empirical terms. I shall outline in the next section a path I consider the most adequate to accomplish this task. I argue that a careful examination of Edward H. Carr classic "The Twenty Years Crisis" can provide some important insights needed to make a sound connection between power and ideas in international relations.

### **3. REASSESSING E.H. CARR "THE TWENTY YEARS CRISIS": GETTING FRESH ANALYTICAL INSIGHTS FROM A IR CLASSIC**

Carr's classic work has been widely known as a devastating critique of the effects of idealism in international relations. That account leads to the conclusion that the main achievement of his work would be to open the doors for postwar realism. I contest this perception in two ways. First, I argue that this is a simplistic assessment that obscures the richness of the whole book, specially its analytical strength. Secondly, by doing so, this account minimizes the striking differences between Carr's and postwar realism, forging a sense of continuity that cannot resist to a careful scrutiny. In fact, postwar realism didn't follow the path open by the acute analysis made by Carr.

The first element of Carr's analysis is what IR scholars call now hegemony. British leadership in the nineteenth century is clearly stressed in the book. This is compatible with the widespread use of the word hegemony in the IR literature. The second element derives from the first. The

way Carr conceives British predominance is compatible with the Gramscian concept of hegemony applied to international relations, as he emphasizes the importance of ideational factors, such as laissez-faire liberalism, to the maintenance of British status quo. Those two first analytical features of Carr's work get even clearer as he conceives international relations as analogous to class struggle.<sup>10</sup>

This analogy contrasts sharply with Waltz's analogy between international system and markets.<sup>11</sup> What is clear about that contrast is that while Carr's analysis focuses on vertical power relations, postwar realism, closely associated with balance of power theories, focuses on horizontal power relations.

The third element is the balancing of the influence of politics and economy in international relations. Carr's analysis of British primacy resting on the diffusion and adoption of laissez-faire liberalism illustrates this point. Carr elaborates it arguing that, practically, the separation between political and economic power is artificial.<sup>12</sup>

Those three elements, taken together, provide the foundation upon which a theoretical effort can be built, avoiding the main flaws of the approaches scrutinized previously. Such effort would focus on vertical power relations, neglected by the majority of realist thinkers. Like constructivism, it would take ideas as a matter of undeniable importance in international relations, but in a way that privileges its association with power. Like Marxism, it would stress the importance of the economy to understand international relations, but it would oppose a deterministic relation between the former and the latter.

That last point deserves closer attention. If the relation between the politics and economy is not deterministic, then what is it? As I argued above, it is a *balanced* one. It means that both dimensions influence each other mutually. I argue, to make it clear, that in developed capitalist economies, capitalist class and state international interests are, most of the time, not only compatible, but mutually reinforcing. A stronger economy will provide the necessary surplus resources to implement state's foreign policy. Likewise, a stronger state can defend economic interests abroad more efficiently.

Some may say that it was also this way during mercantilism. Capitalism dynamics, however, were quite different. The advent of indus-

trial capitalism increased the need for a better articulation between capitalist classes and states in order to promote and defend interest abroad, since the international projection of a developed economy substantially enlarged.

In sum, the international environment is much more challenging for developed countries' domestic economy and state in the industrial age. As can be easily seen at this point, such an approach incorporates capitalism to the understanding of international relations, but, unlike Marxism, it does not conceive capitalism working at the expenses of national borders, at least when wealthier countries are considered.

In this frame, the hegemonic state is a key element for the understanding of international relations, for it has more power and interests at stake than any other states. The expansionist nature of the industrial as well as contemporary capitalism requires nothing less than the establishment of an adequate international order.<sup>13</sup> According to the gramscian concept of hegemony, no such thing could be achieved through coercion only. Consent is crucial to the proper working of an international order. That's when ideas come in. The diffusion of ideas is decisive to obtain consent. That's why one must understand how the diffusion and adoption of ideas work. In this sense, I believe no approach matched the achievements made so far by the new institutionalism. In the next section I examine some important institutionalist contributions to this topic and see how they can fit this framework.

#### **4. NEW INSTITUTIONALISM AND ECONOMIC POLICY: EXPLAINING CHANGE**

In general, institutionalists try to explain differences regarding policy change through the institutional diversity in the selected cases. So it tends not to offer overall explanations to such changes. However, some institutionalist authors have been trying to cope with widespread economic policy change, like the rise of Keynesianism in the 1940s, and the rise of neoliberalism in the 1980s. Since I am trying here to obtain a better understanding of the rise of neoliberalism in Latin America, these last contributions are the best choice in order to do it.

Hall (1989) states that the adoption of Keynesian ideas relied on three



factors: economic, political, and administrative viability. The first factor concerns its capacity to resolve specific economic problems. The second factor relates to the political support needed for an idea to be translated into policy. The third factor concerns the capacity of the state to implement it. The reception of Keynesianism in a specific country depended on the extent that these three factors could be found. So each case showed a different “mix” of viabilities.

Blyth (2002) developed a sequential theory of institutional change in which ideas play a pivotal role. First, in an economic crisis where no previous economic ideas seem to fit, new ideas offer a perspective of solution (reduce uncertainty); secondly, new ideas make coalition building possible; thirdly, in the struggle over existing institutions, new ideas can be used to defeat the old ones (ideas are “weapons”); Fourthly, new ideas provide “blueprints” for the building of new institutions; fifthly, new ideas make the stability of new institutions possible (as long as it keeps general acceptance).

Campbell (2004) also develops a sequential theory of institutional change.<sup>14</sup> It starts with the existence of problems that can trigger change. Institutional entrepreneurs are needed to make problems more likely to be perceived as requiring institutional change, as long as they frame problems in clear and simple terms. Entrepreneurs that are located in several networks, organizations and institutions tend to be more exposed to new ideas and, in turn, they are more likely to create revolutionary ideas for change. Entrepreneurs who control more resources have more chance to convince key decision makers than their competitors.

Those three works provide valuable insights that can be used in the attempt to understand the international dimension of the rise of neoliberalism in Latin America, especially Blyth’s. All three are important for they capture the relation between ideas and politics as causal factors of policy change. This is critical because such changes involve much more than pure cognitive factors. Hall stresses the importance of political support to the adoption of Keynesian policies. Blyth argues that new ideas make coalition building possible, can be used as weapons to weaken old ones and guide institution building. Campbell argues that entrepreneurs are critical to institutional change, because they can identify problems; propose more or less innovative ideas ba-

sed on his/her location and implement changes more effectively according to the resources he/she commands.

At this point, some clarifications should be made. If politics is incorporated to ideational theories of institutional change, what place is destined to interests in those theories? Blyth and Campbell explicitly state that ideas and interests cannot be opposed as is usually done. Ideas, in effect, influence interests, which, in turn, can't be deduced structurally.<sup>15</sup> Hall seems to agree:

“(...) Keynesian ideas did not simply reflect group interests or material conditions. They had the power to change the perceptions a group had of its own interests.”<sup>16</sup>

This point seems quite reasonable to me, and, in accordance with Hall's quotation, it doesn't seem to deny the importance of material factors to interests. It means only that interests cannot be determined deductively.

The second clarification concerns the relation between institutions and policies. Why explaining institutional change is important to understand policy change? Because one often needs to change the existing institutions or create new ones if new policies are to be implemented. That's why it is needed to recur to theories of institutional change to understand the rise of neoliberalism in the EUA, Europe or Latin America.

## **5. DEBT CRISIS AND NEOLIBERALISM**

One can trace back the adoption of neoliberal policies in Latin America to the year of 1985.<sup>17</sup> In that year was launched the Baker plan. It was designed to restore growth in the indebted countries because the previous strategy based on economic adjustment failed. This goal should be achieved through a package that included new money and pro-market structural reforms. The role of the World Bank was enhanced in this new stage due to the focus on reforms. The objective of these reforms was to pull back state intervention in the economy. The focus on reforms was explained by the belief shared among Washington-based institutions that developmentalist policies caused indebtedness in many developing coun-

tries that adopted those policies.<sup>18</sup> Even when debt reduction was carried out by the Brady plan (1989), the institutions that shared the debt crisis' management never put structural reforms aside.<sup>19</sup>

In 1990, John Williamson put forward what he called "Washington consensus", a set of policies that Washington-based institutions agreed on. According to Williamson, these institutions can be divided in two groups: the political Washington and the technocratic Washington. The former comprises IFIs (IMF and World Bank), Federal Reserve Board and think tanks; the latter comprises the Congress and senior administration officials.<sup>20</sup> Williamson's categorization, although questionable, gives a good picture of the institutions dealing with the debt crisis.<sup>21</sup> These are different in nature, but each of them played a critical role in the management of debt crisis and adoption of neoliberalism in the region. It's time to enumerate them and specify their role.

**U.S. Department of Treasury:** devise the general guidelines of debt strategies and coordinate institutions to implement them.

**Federal Reserve:** similar role to the U.S. Treasury Department during the first years of crisis, being replaced by the Treasury in 1985.

**IFIs:** devise conditionalities included in the debt restructuring agreements whereby neoliberal policies were advanced.

**Think tanks:** legitimize conditionalities through the production of studies supporting the adequacy of neoliberal policies.

These are the institutions that somehow played a significant role in the management of the debt crisis and in the diffusion and adoption of neoliberalism in Latin America.

## 6. INSTITUTIONS, IDEATIONAL COALITIONS, AND NEOLIBERALISM IN LATIN AMERICA

A group of institutions acting in coordination and promoting similar ideas and specific policies constitute an ideational coalition. First of all, a distinction should be made between this concept and the concept of epistemic community. Peter Haas defines epistemic community as a "network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area".<sup>22</sup> Ideational coalitions are not about

individuals or experts, they are about institutions. As coalitions, they may not enjoy the same stability over time that communities do, because they are related to a specific purpose in time.

Why differentiate ideational coalitions from any other coalition? A coalition may gather members of quite different beliefs. Common interest may unite them, despite the different beliefs they enjoy. In this regard, one must think of the alliance between United States, Great Britain and Soviet Union in the World War II. In an ideational coalition, members share beliefs as well as interests and both are interrelated. Beliefs influence interests and both guide the coalition behavior. As I have said in the fourth section of this paper in agreement with some institutionalist scholars, ideas shape interests and there is no reason to confine them into two complete separate realms.

Focus on ideas is often associated with social theories of international relations. The connection between ideas and interests endorsed here leaves room for a political treatment of the role of ideas in international relations. That's why I use the word coalition instead of "network".

#### Power, ideas and policies

Being ideational coalition a political concept, one must think of the role of power in the working of such a group. The relation between power and policies is often depicted as one of imposition. In other words, stronger actors impose policies on weaker ones. That is exactly how nationalist and leftist social movements, parties and intellectuals throughout the region saw the work of U.S. government, IFIs and think tanks during the debt crisis. If neoliberal policies were just imposed on weakened Latin American countries through agreements with IFIs, one should expect that as soon as the crisis ended, developmentalist policies would gradually return, what didn't happen. Neoliberalism clearly endured because of inherent merits of its own. And by making this assertion I do not mean that neoliberalism delivered all of its promises. It has not. What I mean is that neoliberalism was much more persuasive than competing economic thoughts in that specific moment. Difference in persuasiveness was due to the superior material support that backed those who propose neoliberal policies. No one could imagine, for instance, the IMF

hiring a developmentalist economist as chief economist. This liberal bias can be verified in the multilateral development banks and some important think tanks as well (John Williamson's Institute for International Economics, for example). In this regard, persuasiveness of an economic thought and the policies it prescribes is a function of the resources at disposal of the institutions that support them. That's the material ground upon which ideas are built, *concerning ideational coalitions*. It is supposed that stronger material support to institutions will provide intellectual production of superior persuasion. This is exactly the point made by John Campbell:

The rise of supply-side economics was very much an intellectually and politically contested process in which powerful think tanks and other organizations mobilized substantial financial resources to influence policy making at the ideational level.<sup>23</sup>

The material and intellectual support that backed the rise on neoliberalism in the United States had a natural spillover effect on the support for neoliberalism in other countries. In the context of the debt crisis, all these elements combine providing a strong incentive for policy change in Latin America. It's important, at this point, to make a link with the new institutionalist contribution summarized in the fourth section.

The case in question fits in many ways the works of Hall, Blyth and Campbell. In accordance with Hall, neoliberalism had political support of the ideational coalition outlined in this paper. In accordance with Blyth, a coalition was built around neoliberalism and their intellectual work served as "weapons" to weaken developmentalism in Latin America. In accordance with Campbell, policy advising had, at that moment, all the material support it needed as well. However, Blyth's theory, by capturing the most interesting connections between politics and ideas (ideas favor coalitions and can be used as weapons), is the framework that provides a better explanation for the case in question. Moreover, it is fully compatible with the concept of ideational coalitions. Hall's and Campbell's contributions, in this sense, are considered complementary to Blyth's.

## 7. CONCLUSION

A specific set of Washington-based institutions – defined here as an ideational coalition – were in part responsible for the diffusion of neoliberalism in Latin America. New institutionalism usually explains the diffusion of ideas, but this literature does not fit perfectly the selected case because it has focused the diffusion of ideas among developed countries. The fact that this case shows a remarkable variance concerning state power distribution asks for an adaptation of the theories of institutional change developed so far. They need to be embedded in a larger international relations framework that accounts for vertical power relations. None of the existing international relations approach fits this task as well, for none of them have made an adequate connection between politics and ideas. Therefore I outlined in this paper a framework that could face this challenge. This framework is based on the main analytical features of Edward H. Carr’s “The Twenty Years Crisis”. Unlike postwar realism, Carr’s analysis did not rely on the concept of balance of power. Its main focus is the hegemonic power. I incorporated the Gramscian concept of hegemony to this approach and argued that the main drive of the hegemonic power was the dynamics of the most developed capitalist economy. Consequently, this framework advances a less abstract understanding of the interplay between capitalism and international relations, for it considers as relevant in this matter the dynamics of capitalism *inside* borders of the wealthiest state.

The incorporation the Gramscian concept of hegemony was a necessary step to connect that larger international relations framework to institutionalist contributions that also focus on ideas. Ideas are used to obtain consent at the international level too. The question is: how is it done? In Blyth’s (2002) theory of institutional change I found the most adequate connection between politics and ideas. According to Blyth, Ideas make coalitions possible and can be used as weapons. This theory fits to the explanation put forward in this paper to the diffusion of neoliberalism in Latin America, based on the concept of “ideational coalitions”.

All that was advanced here can be quite useful to the development of a theory destined to offer an adequate explanation for vertical po-

wer relations. Much more has to be done to answer all the remaining questions. But the first steps, although sometimes hard, can be also the most important ones.

## NOTES

<sup>1</sup> Cooper, Richard N. Chapter 11 for Countries? **Foreign Affairs**, vol.81, n.4, July/August 2002.

<sup>2</sup> I don't use the words diffusion and adoption interchangeably. By diffusion I mean the intellectual acceptance of ideas, and by adoption I mean making it into policy.

<sup>3</sup> See, for example, Evans, Peter B.;Ruechemeyer, Dietrich; Skocpol, Theda. **Bringing the State Back In**. Cambridge; Cambridge University Press, 1985. Steinmo, Sven; Katheleen, Thelen; Longstreth, Frank. **Structuring Politics. Historical Institutionalism in Comparative Analysis**. Cambridge: Cambridge University Press, 1992.

<sup>4</sup> I advance here these two concepts that, I believe, can be quite useful in studying power relations. Horizontal Power relations refer to competition among states. Vertical power relations concern hierarchy or subordination between two states or two groups of states. Traditional realist thinking stresses the former and dismisses the latter.

<sup>5</sup> The balancing versus bandwagoning discussion is clearly insufficient in this way. It assumes that states do one thing or another rationally, i.e., as result of choice. Actually, vertical power relations diminish the degree of choice in international relations.

<sup>6</sup> Bobbio, Norberto. **Nem com Marx, nem contra Marx**. São Paulo: Unesp, 2004. p.230.

<sup>7</sup> Cohen, Benjamin J. **International Political Economy: an Intellectual History**. Princeton: Princeton University Press, 2008. p.90.

<sup>8</sup> Cohen call them the "American school". Cohen, **International Political Economy: an Intellectual History**, p.91

<sup>9</sup> An exception is Keohane, Robert O.; Goldstein J.. An Analytical Framework. In: Keohane, Robert O.; Goldstein J (ed.). **Ideas and Foreign Policy: Beliefs, Institutions and Political Change**. Ithaca: Cornell University Press, 1993. But this contribution can be considered modest compared to what a true ideational approach can achieve theoretically, for the volume states that ideas and interests should be analytically separated, contrasting with the notion argued in this paper that they can't. Besides it openly challenges what they call the reflexivist (ideational) approach, trying to establish a middle ground between rationalism and reflexivism.

<sup>10</sup> Carr, Edward H. **Vinte Anos de Crise: 1919-1939**. Brasília: Editora Universidade de Brasília, Edições Imprensa Oficial de São Paulo e Instituto de Pesquisas de Relações Internacionais, 2001. p.303

<sup>11</sup> Waltz, Kenneth N. **Theory of International Politics**. New York: MCGraw-Hill, 1979. p.91

<sup>12</sup> Carr, Edward H. **Vinte Anos de Crise: 1919-1939**. Brasília: Editora Universidade de Brasília, Edições Imprensa Oficial de São Paulo e Instituto de Pesquisas de Relações Internacionais, 2001. p.155

<sup>13</sup> In this point rests one of the main differences between the framework advanced here and the theory of hegemonic stability. Proponents of this theory consider economy important as a

source of capabilities. The framework advanced here goes deeper by considering the dynamics of capitalist economy in the hegemonic state to understand international order. For a presentation the theory of hegemonic stability see Keohane, Robert O. **The Theory of Hegemonic Stability and Changes in International Economic Regime, 1967-1977**. Los Angeles: University of California Press, 1980.

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<sup>14</sup> Campbell's theory, originally, contains twelve stages. I present a summarized version.

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<sup>15</sup> For Blyth, Interests are necessarily ideationally bound, but they can't be reducible to ideas. Blyth, Mark. **Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century**. Cambridge: Cambridge University Press, 2002.p.34. For Campbell, "interests are a particular type of idea among many". CAMPBELL, John L. **Institutional Change and Globalization**. Princeton: Princeton University Press, 2004. p. 91.

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<sup>16</sup> Hall, Peter. Conclusion: The Politics of Keynesian Ideas. In: Hall, Peter (ed.) **The Political Power of Economic Ideas**. Princeton: Princeton University Press, 1989. p.369.

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<sup>17</sup> Chile anticipated the neoliberal tide in 1970s.

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<sup>18</sup> Farias, Alex J. **A Moratória Brasileira de 1987 à Luz da Economia Política Internacional**. Rio de Janeiro: dissertação de mestrado, Iri/PUC-Rio, 1998.

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<sup>19</sup> Farias, Alex J. **Influência Congressual na Política Norte-Americana para a Crise da Dívida: 1983-1993**. Rio de Janeiro, tese de doutorado, IUPERJ, 2007.

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<sup>20</sup> Williamson, John. What Washington means by policy reform. In **Latin American Adjustment: How Much has Happened?**, ed. John Williamson Washington D.C.: Institute for International Economics, 1990.

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<sup>21</sup> The Federal Reserve is not a technocratic institution. Although formally independent, it acts in defense of U.S. interests at the international level.

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<sup>22</sup> Haas, Peter M. Introduction: epistemic communities and international policy coordination. **International Organization**. Vol.46, n.1, 1992. p.3.

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<sup>23</sup> Supply-side economics was the set of economic ideas that gave intellectual support to the rise of neoliberalism in the United States. It stressed the importance of relieving constraints on capital for the economy work properly in contrast with Keynesian focus on demand. Campbell, John L. Institutional Analysis and the Role of Ideas in Political Economy. In.: Campbell, John L.; Pedersen, Ove K. **The Rise of Neoliberalism and Institutional Analysis**. Princeton: Princeton University Press, 2001., p.179.