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Cycles of Polarization and Settlement: Diffusion and Transformation in the Macroeconomic Policy Field

Tod Van Gunten

Carlos III-Juan March Institute of Social Sciences

tvangunt@clio.uc3m.es

Abstract

Innovative theories and policy proposals originating in the economics profession have diffused globally over the past several decades, but these models and policy programs are transformed as they spread. Existing models of change based on the concept of "paradigm shifts" capture the transformation of the economics profession at a high level of abstraction, but analysis of more concrete policy changes and associated ideas requires developing theory at a lower level of abstraction. I propose field theoretical model of change based on the concept of cycles of polarization and settlement. According to this model, settlements are characterized by multiple cross-cutting axes of competition and debate in a professional field. Moments of contention emerge when field entrepreneurs successfully build professional movements, resulting in polarization. However, contention is episodic and followed by the emergence of "centripetal forces" which lead a gradual return to the center. I develop this model by examining the case of monetary economics and policy in Latin America, a critical case for studies of the policy influence of economic ideas and experts.

Keywords: field theory, economic ideas, Latin American economics, monetary policy, professional identity

The transformation, globalization and increasing prominence of the economics profession has paralleled the global spread of "neoliberal" policies in recent decades (Babb 2001; Bockman 2011; Chwieroth 2007; Fourcade 2006, 2009). As a result, many authors suggest that economic experts and the ideas they produce and promote have played a role in this policy transformation, often acting as senior officials in central banks, international organizations and other state institutions (Bockman & Eyal, 2002; Campbell & Pederson, 2001; Chwieroth, 2010; Fourcade-Gourinchas & Babb, 2002; Hall, 1990; Kogut & Macpherson, 2007; c.f. Hall 1989). While debate continues over whether the economics profession and economic ideas have an autonomous impact on policy (Prasad 2006), there seems to be some agreement that experts can at minimum shape the speed and inflect the direction of policy change in particular institutional and political contexts.[1] This is particularly true in the developing world, where weak (or non-existent) democratic institutions create space for "technocratic" forms of government. Thus, understanding the policy implications of economic ideas and the transformation of these ideas over time is an important task for economic and political sociology.

Efforts to assess the political influence of economic ideas often take the form of historical analyses of new or emergent "paradigms" which spread from academic to political spheres. For example, in a seminal contribution, Peter Hall examined the impact of "monetarism" – an academic theory and policy program prominently associated with the economist Milton Friedman – and its role in the neoliberal policy shift in the United Kingdom under Thatcher (Hall 1990, 1993). Since Hall's work, many researchers have examined the impact of monetarism, rational expectations theory, and the resurgence of "neoclassical" economics more generally in diverse countries and policy arenas (Babb 2001; Blyth 2002; Chwieroth 2010; Fourcade-Gourinchas and Babb 2002; Lindvall 2009). To extent that goal of these studies is to understand the political impact of changes within the economics profession, these studies (implicitly or explicitly) examine the *diffusion* of ideas from the academic to the political sphere. However, diffusion studies of this kind confront a basic difficulty. As economic theories and policy programs are exported to the political arena, they often evolve beyond their original meaning. As Fourcade (2006: 155) puts it, "diffusion is a multifaceted process, involving ideas, actors and organizations *coevolving in the very process of diffusion*." The diffusion process is even more complex when it involves the export of ideas across international borders. Therefore, rather than attempting to track a static object, research in this area needs a coherent model of how ideas change as they are exported across both institutional realms and international borders.

This paper proposes such a model , building on recent theorizations of professional, institutional and field dynamics (Abbott 2001; Bourdieu 2004; Fligstein and McAdam 2012; Martin 2003; Rao, Monin, and Durand 2003). I suggest that the emergence and diffusion of innovative policy programs follows a cyclical pattern of polarization and settlement. New policy programs are often introduced by professional movements which adopt "ruptural" strategies, framing their innovations as "revolutions" in order to gain adherents and policy influence. These strategies lead to heightened contention marked by professional classification struggles that often become entangled with broader political conflicts. This results in polarization and the formation of antagonistic professional identities. However, when a professional movement achieves policy influence, the practical and political realities of implementing a policy program mean that victory

[1] Even Prasad, who is skeptical about the impact of ideas, notes that the French trajectory towards neoliberalism was influenced by structures that "subordinated political conflict…to academic expertise" (2006:23).

is usually ephemeral. As professional actors initially allied with the professional movement take on policy-making roles, their commitment to polarizing professional identities and revolutionary claims fades. At the same time, within the academic arena, others begin to synthesize the innovations of the revolutionaries with earlier approaches. The emergence of these centripetal forces leads to a "return to the center" in which revolutionary claims are synthesized with older claims and the polarization of professional identities declines. The outcome is a new professional settlement as debates disperse across multiple dimensions and professional contention is routinized.

I develop this model of change by examining developments in monetary economics since the 1970s as they diffused both from academic to policymaking arenas and transnationally. This empirical object is composed of interrelated sets of individual economists and policymakers, causal claims, professional identities, and policy programs. Monetarism and rational expectations theory were associated with a revolutionary professional movement that formed at the University of Chicago in the 1970s and sought to wrest both dominance in the academic sphere and policy influence from the existing Keynesian settlement. However, over the course of the 1980s and 1990s, the apparent paradigmatic battle between Keynesianism and monetarism petered out, giving rise to the New Keynesianism and a diffuse network of "open economy" macroeconomists. These later developments reflect the synthesis of the revolutionary claims of Chicago economists in the 1970s with earlier Keynesian elements, reflecting a "return to the center" that followed an episode of professional polarization.

In order to capture the international diffusion and transformation of these ideas, I examine their influence in Latin American, focusing on Mexico and Argentina. This joint focus on a particular policy domain and region is especially relevant for several reasons. First, among policy areas, monetary policy is a critical case, since it has been central to the transformation of macroeconomics since the 1970s. High inflation and stagflation were central to the oft-cited "crisis of Keynesianism" and the rising influence of monetarism. Second, Latin America is revealing because a long history of high inflation made the region a unique "laboratory" for monetary economists. Moreover, as previous literature has documented (Babb 2001; Biglaiser 2002; Dezalay and Garth 2002; Montecinos and Markoff 2010), the economics profession has strongly institutionalized channels of policy influence in the region. The case of monetary economics thus presents an opportunity to study the impact of economic ideas in a context in which professionals enjoy significant policy influence. Finally, failed monetary experiments led to deep economic crises with profound effects on inequality and poverty throughout the region, so the case is highly relevant to the study of development.

The next section briefly reviews the "paradigm shift" model developed by Peter Hall and describes some limitations as it applies to the monetary policy domain**.** I then develop the model of cycles of polarization and settlement. Finally, after briefly introducing the historical sources used, I review the trajectory of change in the area of monetary policy from the 1970s through the mid-2000s. The conclusion considers some broader implications for institutional and field analysis.

From paradigms to policy programs

In his classic work on the impact of monetarism, Peter Hall borrowed Thomas Kuhn's concept of "paradigm shifts" to describe the radical transformation of policies and economic ideas under Thatcher (Hall 1990, 1993). Hall conceptualized paradigms as "worldviews," defined as "the overarching framework of ideas that structures policy-making in a particular field" (Babb 2001; Campbell 2002, 2004; Fourcade-Gourinchas and Babb 2002; Hall 1990). According to Hall, these worldviews "[define] the broad goals behind policy, the related problems or puzzles that policy-makers have to solve to get there, and…the kind of instruments that can be used to attain these goals" (ibid). Adapting Kuhn's concept of "normal science," Hall argued that in periods of relative paradigmatic stability, policy changes are incremental and limited by the taken for granted worldviews of policymakers (1990: 60). When these institutionalized policy paradigms confront unresolved anomalies, competing paradigms take over after a period of open competition, becoming rapidly institutionalized. Hall described these shifts as "third order change," or a fundamental shift in policy goals.

Since Hall, many authors have invoked this conceptualization of paradigm shifts (Babb 2001, 2012; Campbell 2004; Fourcade-Gourinchas and Babb 2002; Maman and Rosenhek 2009). However, this literature has often analyzed paradigms at a high level of abstraction, as a broadly pro-market "worldview" – often labeled "neoliberal" or "orthodox" – in contrast to Hall's focus on a paradigm directly derived from academic economics (that is, monetarism). For example, Babb notes that while the Washington consensus – conceptualized as a paradigm – "was clearly related to trends within the economics profession, it could not be traced to any particular school of thought: it was neither precisely 'monetarist' not exactly 'Chicago School,' but more vaguely promarket" (2001: 10). Many authors use the term "neoclassical" to describe this paradigm (Babb 2001; Campbell 1998), suggesting a connection with academic economics but also a more diffuse ideology than monetarism. This analysis is consistent with Hall's conceptualization of paradigms as "worldviews," but leaves the role of specific economic theories, models and concepts – such as monetarism and the "new classical" economics – somewhat ambiguous. For example, while Fourcade-Gourinchas and Babb (2002) note that monetarist reformers played a key role in the market reform process in Chile, they see the new paradigm as a broader pro-market worldview ultimately rooted in financial globalization. Thus, somewhat ironically, a literature that began by asking "how…the knowledge generated by social science come[s] to influence public policy" (Hall 1990: 53) has in many cases shied away from the idea that specific academic ideas define policy paradigms.

At this level of analysis, this worldview-oriented conceptualization of paradigm shifts performs well. There is little debate that policymakers in many developing countries increasingly came to think in broadly pro-market terms during the 1980s and 1990s. However, this conceptualization limits analysis to this high level of abstraction. "Worldviews" are slippery empirical objects, and their relationship to concrete policies is ambiguous. A given policy may be compatible with multiple worldviews and, conversely, different policies may fit within the same worldview. For example, financial liberalization may seem a logical corollary of a pro-market worldview, and indeed briefly seemed poised to become part of the "Washington consensus" (Chwieroth 2010). However, within the economics profession, financial liberalization was always more controversial than trade liberalization; many otherwise pro-market economists oppose indiscriminate financial liberalization (Bhagwati 1998; c.f. Chwieroth 2010). This raises the question: do economists and policymakers defend trade liberalization, for example, because they hold a "broadly pro-market worldview," or is it because they subscribe to specific set of causal claims regarding the relationship between trade, economic growth and development? If the latter, conceptualizing the ideas of economists in terms of a broadly pro-market paradigm limits the scope of analysis. More generally, recent studies have suggested that the apparent pro-market bias of the economics profession is highly context-dependent (Bockman 2011; Reay 2012).

A second, overlapping literature has analyzed economic ideas using the paradigm shift logic at a much lower level of abstraction, situating monetary policy developments within neoliberalism. These authors argue that a commitment to low inflation, and a corollary downgrading of growth and unemployment as policy goals, are key components of the "neoliberal paradigm" (Blyth 2002; Maman and Rosenhek 2009; McNamara 1998).[2] For example, Maman and Roshenek argue that the inflation targeting policy program (a key case discussed below) embodies "a broad shift from a Keynesian to a neo-liberal policy paradigm" and a fundamental shift of policy goals from growth and employment to low inflation (Maman and Rosenhek 2009: 220-221; c.f. Kirshner 1999). Many other authors contrast a "Keynesian" approach to inflation that balanced price stability and employment policy goals with "neoliberal" (Babb 2007) or "monetarist" (Lindvall 2009) approaches that emphasize inflation and disregard growth. Though the latter accounts do not always employ the "paradigm shift" language, they are *consistent with* a "third order change," or a shift in policy goals from growth to inflation.

However, this lower level of analysis is in tension with the conceptualization of paradigms as "overarching worldviews" characterized by broadly pro-market ideology. This is because, first, debates about monetary policy are only indirectly about the role of "the market;" monetary policy *inevitably* involves state intervention, whether the goal of intervention is low inflation, economic growth, or both. The difference between "Keynesian" and "monetarist" approaches to monetary policy is derived as much, if not more, from specific causal claims as it is from beliefs about the "free market." Second, as this paper will show, accounts that frame paradigm shifts in terms of "third order change" (that is, change in policy goals) have exaggerated the extent to which monetary policy goals have changed as a result of new economic ideas. This is both because of the heterogeneity of policy goals associated field settlements and because the change achieved by the professional movement was less dramatic than its aspirations.

For purposes of analyzing the diffusion, transformation and impact of innovative monetary policy programs, therefore, it is useful to develop a model pitched at a lower level of abstraction. This lower level of abstraction is based on *policy programs* rather than paradigms. In contrast to paradigms-as-worldviews, policy programs are "precise causal…ideas that…[specify] how to solve particular policy problems" (Campbell 2002: 28). For example, free market ideology is a "paradigm" or worldview, but as a policy program monetarism consisted of *causal claims* (for example, regarding the relationship between inflation and unemployment) and an associated *policy prescription* (inflation could be stopped by targeting a constant rate of growth in the money supply).

[2] Blyth (2002) does not employ the language of paradigm shifts, but he explicitly argues that monetarism triumphed in the 1970s and remained dominant (see p 171-172, especially footnote 78).

To summarize, the concept of paradigm shifts works well at a high level of abstraction to describe a broad shift in policy thinking in many developing countries since the 1970s. As an account of the influence of specific innovations in the economics profession, the paradigm shift model is less useful. This is particularly true with regards to monetary economics, which were central to changes in the both academia and policy-making. Given these limitations, it is useful to develop an model pitched at the level of policy programs, rather than paradigms.

Cycles of polarization and settlement

Theorists working in a variety of different sociological traditions have recently turned towards the dynamics of institutionalized fields, including professions and academic disciplines (Abbott 2001; Bourdieu 2004; Fligstein and McAdam 2012; Rao et al. 2003). The key concepts in this model – including classification struggles, professional movements, polarization, field settlements, and synthesis – are borrowed from this work, but the overall model is a synthesis and extension of various strands of field theory, broadly defined. The goal of this framework is not to introduce a general theory of field dynamics, but rather to address a much more focused question: how do policy programs originating within academia change as they diffuse to the political sphere and across international boundaries? Therefore, this model refers to policy-oriented macroeconomics rather than the economics profession as a whole.

Central to this model is the concept of national and transnational fields of macroeconomic policy expertise (c.f. Bockman and Eyal 2002; Fourcade 2006, 2009). This field is constituted by actors holding professional credentials (such as a Ph.D. in economics) and working within central banks, finance ministries and international financial institutions (such as the IMF), as well as universities, think tanks, and other organizations that specialize in the production of policy knowledge. These diverse organizations agglomerate into two overlapping arenas: an academic arena in which actors compete to shape the distribution of professional opinion, and a policy arena in which actors compete for policy influence. Because of the close connections between these arenas, theoretical and academic developments cannot be disentangled from more applied policy developments. Clearly, however, policy-making imposes political and practical constraints different from those of academia. In this paper I assume that the macroeconomic policy field is *relatively autonomous* – that is, that its dynamics are governed partially by "autonomous" criteria, such as professional prestige, but that "heteronomous" criteria such as broader ideological and partisan conflicts also play a role. This amounts to an assumption that monetary policy-making cannot be fully reduced to party politics or ideology.

From worldview to settlement

A first starting point is the observation that competing policy programs coexist rather than succeeding one another in time (as implied by the notion of a paradigm shift *from* Keynesianism *to* monetarism). For example, Keynesianism encompassed both a policy program of "fine tuning" to balance full employment and low inflation (associated most prominently with the Kennedy Council of Economic Advisers), and a more "orthodox" program of fiscal and monetary austerity in response to high inflation (associated with the International Monetary Fund). Although the latter was often branded "monetarism" by critics, the IMF's staff economists in fact strongly identified as Keynesians during the 1960s (Babb 2007). A first step, therefore, is to recognize that multiple policy programs are compatible with a label like "Keynesianism." Moreover, heterogeneous causal ideas are often compatible with the same policy program. The distribution of beliefs regarding these causal ideas and policy programs make up a field's "idea space," the abstract, "objective," birds-eye view mapping of the available positions (the "space of possibles," in Bourdieu's [2004] terms). This space is not limited to one or two dimensions, but rather is characterized by a multiple dimensions of various degrees of salience.

Second, categories such as "Keynesian" and "monetarist" are professional identities rather than fixed sets of causal ideas, policy programs or institutionalized schools. Professional identities are systems of classification that players in a field rely on to organize their mental maps of the space of possibles, define their own professional identities, and construct boundaries between themselves and competitors. In the process, they engage in professional classification struggles (Bourdieu 1991), efforts to define the dominant professional identity within the field. This set of categories constitutes the "social space" of a field, which may be only very loosely coupled with its "idea space." The existence of schools as social entities should therefore not be taken for granted; more often, players with similar identities constitute diffuse networks rather than socially closed groups.

Thus, it is necessary to go beyond the one-dimensional and dichotomous view of the idea space of policy-oriented economics imposed by binary categories such "Keynesian" and "monetarist" or "neoclassical." In fact, many professionals cannot be classified neatly into schools, either as institutionally identifiable groups or clear-cut professional identities. Many, perhaps most, actors occupy positions and form professional identities somewhere between the extreme poles of the field's idea space. These poles are most likely to be noticed and named precisely because their extremity renders them visible. In contrast, the "unmarked" center is largely invisible (Brekhus 1998). The positions of those "in the middle" tend to be mis-recognized in ways that depend on the location of the perceiver. [3] This asymmetry is a general property of classification struggles: to those on the left, centrists are "on the right" while the same individuals are "on the left" in the eyes of the right. This misrecognition is not merely a byproduct of "mistakes" but is also a reflection of the "subjective" perceptions of actors within a field itself: actors "know their own kin well" but tend to conflate the positions of those further away in idea space (Abbott 2001: 11). This asymmetric "worm's eye view" perception leads to a systematic misclassification of those in the center. For all of these reasons, we need to be cautious about taking acts of categorization as objective descriptions of the locations of competitors in a field. Classification tells us more about the categorizer than the categorized.

Rather than understand such categories as fixed entities, I suggest that they are features of temporary settlements. Field settlements represent a "generalized sense of order" and stability in competition – though not the absence of conflict (Fligstein and McAdam 2012: 22-3). During periods of settlement, multiple axes of competition and debate – representing policy programs, causal claims, and broader ideological or partisan divisions – are loosely correlated. As a result, actors move towards the center of the field, and struggles over professional identities are of relatively low salience. Thus, settlements reflect the absence of a single, overarching dimension of the social space constituting the fundamental axis of conflict in a field. Settlement does not

[3] Misrecognition refers to an act of social classification which either accidentally or deliberately imputes a position in social space to an actor which does not occur with that actor's "objective" position in abstract idea space.

imply benign professional consensus, though actors may attempt to portray it as one, but rather the normalization of competition and contention.

Cycles of polarization and settlement

Sociologists have recently begun draw on social movement theory to analyze the emergence and transformation of fields (Fligstein and McAdam 2012). One variant of this approach is the study of professional movements, collective action within professional fields to alter the distribution of professional opinion, action and status within a field (Rao et al. 2003). The concept of professional movements is well suited to the macroeconomic policy field, with its dual academic and policy arenas.[4] One implication of this literature is that actors disadvantaged by existing distributions of professional opinion and identity form movements in the effort to change these distributions and transform a field. Because framing new ideas and policy programs as incremental modifications on existing professional opinion is unlikely to recruit allies and galvanize change, movement entrepreneurs often present their claims as "revolutionary" transformations. For example, within the economics profession, terms such as the "monetarist counter-revolution" (Friedman 1970) and "rational expectations revolution" (Begg 1982) were used self-consciously by advocates of these movements, much as the phrase "Keynesian revolution" (Klein 1947) had been used a generation before. Invocations of revolution should thus be understood as strategies intended to recruit allies to a professional movement, rather than objective descriptions of actual change.[5]

If movement entrepreneurs successfully recruit a critical mass of allies, an episode of contention (Fligstein and McAdam 2012: 21-22) begins.[6] The professional movement mobilizes around a collective identity (such as "monetarism"), causal claims and a policy program. If competitors submit to the revolutionary gambit – that is, if they accept the movement's terms of the classification struggle, defending existing professional identities and opposing the movement's identity – competing groups holding adversarial professional identities form. Because a field's "idea space" is multi-dimensional this is not a necessary outcome: incumbents who adhere to the existing professional identity, or new entrants who enter in the midst of a revolutionary movement, can side-step this classification struggle by emphasizing other dimensions. Indeed, as I point out below, many new entrants do exactly this, giving rise to centripetal forces that eventually undermine polarization. Nevertheless, a successful professional movement succeeds in inducing, for a time, a broad correlation across a number of salient dimensions, creating the appearance of incommensurable paradigms. This process of polarization "induces alignment along multiple lines of potential conflict and organizes individuals and groups around exclusive identities, thus crystalizing interests into opposite factions" (Baldassari and Gelman 2008; c.f. Flache and Macy 2011). For example, Milton Friedman's monetarist revolution (fought on the dimension of monetary policy) was most successful when it aligned with the *methodological* revolution of rational expectations theory. Though monetarism and rational expectations were

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[4] Professional movements share many characteristics with "intellectual movements" (Frickel and Gross 2005), but a key difference is that professional movements seek influence in the policy arena as well as the academy.

[5] This is not to deny that the work of Keynes or Friedman represented major changes within economics: they clearly did, but the concept of "revolution" may be misleading.

[6] While Fligstein and McAdam argue that contention generally emerges in response to exogenous shocks, I am agnostic on this point. As discussed below, exogenous shocks did play a key role in creating an opportunity for the monetarist professional movement, but the movement itself preceded them.

not *intrinsically* linked by an overarching framework or paradigm, they became socially linked through the crystallization of multiple dimensions of competition and debate.[7]

Professional movements reach the peak of their influence when exogenous circumstances create windows of political opportunity that allow movement entrepreneurs to recruit allies in the policy sphere. When this happens, "autonomous" professional struggles become correlated with "heteronomous" (Bourdieu 2004) political divisions, such as partisan and ideological rifts. For example, in the US and UK, contention in the macroeconomic policy field became particularly acute when the monetarist-versus-Keynesian rift aligned with broader partisan conflicts. This alignment gives the professional movement a critical lever to achieve policy influence as, for example, the alignment of "monetarism" with "Thatcherism" gave the professional movement a means to recruit allies in the policy arena. At its peak, a profession movement may achieve both academic and policy dominance. In macroeconomics, the mathematical sophistication of the anti-Keynesian rational expectations movement succeeded in displacing the hitherto dominant Keynesian identity, as well as the causal claims associated with it; in parallel, the causal claims associated with monetarism became the operating logic of central banks in the US and UK. These policy victories probably reflect "exogenous" political factors in addition to "autonomous" professional developments, but in a policy domain like monetary policy, professional support for central banks' causal claims certainly facilitates the adoption of innovative policy programs.

However, two key mechanisms counteract the tendency towards polarization and produce centripetal forces that lead a "return to the center" (Heilbroner and Milberg 1995). First, within the academic arena, once a revolutionary professional movement has peaked, professional rewards shift to actors who engage in synthetic strategies. While revolutionary professional entrepreneurs and their allies benefit from presenting themselves as a professional vanguard, late-comers to the revolution are seen as simply jumping on the bandwagon. In contrast, synthesis of seeming opposites is often a profitable strategy (Abbott 2001). For example, the "New Keynesian" economics was the result of synthesis of rational expectations tools originally formulated as a radical critique of Keynesianism (e.g. Lucas and Sargent 1979) with older Keynesian causal claims (Mankiw 1990). This synthesis begins to disaggregate the multiple dimensions of the field's idea space, reducing the correlation among these dimensions and thus the polarization of professional identities. For example, as New Keynesians demonstrated that rational expectations methodology could be shown to support Keynesian causal claims, the alignment between of the methodological and monetary policy dimensions declined.

Second, the "messiness" of policy implementation inevitably complicates revolutionaries' early successes, resulting in further debate and opening up additional dimensions of the idea space. In economics, the early success of monetarists in influencing policy (for example, the adoption of money supply targeting at the Federal Reserve) was stymied by the difficulty of applying Friedman's policy prescriptions in practice (Krippner 2011). The practical and political challenges of policy implementation tend to blur the sharp boundaries created during polarization. Committed "revolutionaries" who cling to purity become less relevant to practical policymaking. As the challenges of implementing revolutionary policy programs become clear, hybrid policy programs emerge which graft elements of insurgent programs onto existing or ad

[7] The absence of an intrinsic affinity linking monetarism and rational expectations is suggeted by Friedman's methodological proximity to the institutionalists, the erstwhile opponents of neoclassical economics in the 1930s (Stapleford 2011; c.f. Fourcade 2009: 96).

hoc forms. For example, inflation targeting – a policy program discussed below – originated within the policy-making arena but drew support from the causal claims developed in the academic arena.

As centripetal forces gather momentum, the professional movement that instigated the polarization cycle begins to dissolve. A second generation of entrants to the field finds the antagonistic identities associated with the revolutionary movement counterproductive and abandon classification struggles. If hybrid policy programs are perceived as successful, a new settlement begins to form around them. Causal claims originating in the academic arena provide professional support for these new policy programs, contributing to their diffusion. Throughout this process, the distribution of causal claims and policy prescriptions – the field's "idea space" – may or may not change; what changes is the *correlation* between different dimensions of professional differentiation. As the crystallization of a single overarching dimension erodes, professional competition and contention are normalized: debates persist but no longer take on the appearance of competing paradigms.

This is not to imply that revolutionary movements do not accomplish *any* change. Across cycles of contention and settlement, the strategies of professional entrepreneurs shift the field's center of gravity. For example, the New Keynesian synthesis pulled the field in the direction of certain monetarist conclusions. Hybrid policy programs such as inflation targeting embed causal claims derived from the revolutionary movement. Thus this model does not imply an absence of change, but it does suggest that change is incremental and occurs through synthesis, rather than the wholesale adoption of a new paradigm.

The transformation of monetary economics and policy

This model of cycles of polarization and settlement was derived inductively from a historical analysis of macroeconomic policy in Latin America from the 1970s through the mid-2000s, focusing on Mexico and Argentina alongside developments in the US-centered economics profession and Washington-based international organizations. Although the aim of this paper is to develop theory, rather than test hypotheses, these two cases illustrate heterogeneous pathways which share the basic features of the polarization-settlement cycle. These cases also illustrate how the same policy programs are embedded in different classification struggles (i.e. are associated with different professional identities) and result in polarization in one context but not another. However, the structure of this account is transnational, rather than comparative. The account draws on a range of primary sources cited throughout, including published economics literature[8] and interviews with economists and policymakers involved in monetary policy in Latin America.[9]

[8] Since the topic of this article is the transformation of the economics profession, I consider published literature as primary data in this context.
[9] In total, I conducted 100 interviews with policymakers from Mexico, Argentina and the International Monetary Fund between 2006 and 2010 as a part of a broader study of macroeconomic policy-making in Latin America. Interviews were open-ended and focused on particular policy-making decisions. In the case of Argentina, I also draw on recorded interviews housed at the Oral History Archive at the Instituto Gino Germani of the University of Buenos Aires. The conclusions of this paper grew in large part inductively out of surprising moments in these

The empirical narrative centers on four distinct moments in the evolving debates over monetary policy from the 1970s onwards. Each moment is analytically distinct but also related to its predecessors. Table 1 summarizes the main professional identities, representative causal claims, policy programs and illustrative key figures central to each moment of the narrative.

[Table 1 about here]

The contentious 1970s: Monetarism and professional polarization

In order to understand the revolutionary movement within economics and the subsequent return to the center, it is necessary to begin with a brief discussion of preceding the Keynesian settlement. In the monetary domain, an important feature of this settlement was the Phillips curve, the inverse empirical relationship between inflation and employment (Babb 2007; Campbell 1998; Hall 1993; Kirshner 1998; Maman and Rosenhek 2009). This relationship implied that monetary policy had causal effects on *both* inflation and economic growth, and that policy-makers therefore faced a trade-off between low inflation and full employment. These causal claims underpinned the policy program of "exploiting" this tradeoff through "fine-tuning." This policy program probably prevailed only for a brief time in the United States, during the apogee of Keynesian influence under the Kennedy and Johnson administrations, but it assumed a central role in subsequent debates.

However, in Latin America, the "fine tuning" policy program was never adopted systematically. Far more relevant to the monetary policy of the 1950s and 1960s – and subsequent debates – was the macroeconomic model associated with the International Monetary Fund, known as the monetary approach to the balance of payments. Though often denounced as "monetarist" by the IMF's critics (particularly once monetarism became a salient professional identity in the 1960s), the Fund's staff explicitly identified as Keynesians (Babb 2007; Polak 1957; 2001). Their "monetary approach" drew on causal claims (in particular the quantity theory of money)[10] similar to those presented as anti-Keynesian by Milton Friedman, but staff economists saw no contradiction between these claims and their commitment to a Keynesian professional identity.[11] The identity and causal claims of the Fund's staff are indicative of the settled nature of the field in the 1950s and 60s: claims that would later become polarizing appeared compatible. By the same token, the Keynesian settlement accommodated both "orthodox" policies of fiscal and monetary austerity in the face of inflation in Latin America, and growth-oriented fine tuning in the US. In other words, multiple causal ideas and policy programs were associated with the Keynesian professional identity.

In the 1960s, this settlement came under direct attack from small group of economists at the University of Chicago (Blyth 2002; Dezalay and Garth 2002; Fourcade 2009), who held professional identities antagonistic to Keynesianism. One of the leaders of this movement,

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interviews. However, it is not the goal of this paper to exploit these interviews for the purposes of testing theory; for this reason, the paper draws sparingly on the interviews for the purpose of illustrating key points.

[10] The quantity theory of money states, to greatly simplify, that the rate of inflation is a function of the size of the money supply.

[11] As the IMF's chief economist put it, "it might be asked whether, in the assumptions made about money [in his approach], the Quantity Theory of Money does not rear its barely disguised head? Suffice it to say…first, that the monster was never really slain; and second, that once it has been properly tied to [Keynesian] income analysis it appears not only to be harmless, but really quite useful" (1957: 8).

Milton Friedman, was a libertarian advocate of free markets as well as a monetary economist; he framed his causal claims as a repudiation of the Keynesian settlement, in particular the Phillips curve (Friedman 1970). Unlike the IMF's staff economists, Friedman saw the quantity theory of money as fundamentally at odds with Keynesian causal claims. Friedman's 1967 presidential address to the American Economic Association (Friedman 1968) was a frontal attack on the Keynesian settlement. Friedman claimed that monetary policy could not permanently increase employment, which contradicted the causal claims underpinning the program of "fine tuning." Instead, Friedman argued that central banks should adopt a simple monetary "rule," a fixed rate of growth of the money supply.

Within the academic arena, an even more significant development was the rational expectations "revolution" (Begg 1982). In the mid-1970s, Chicago economist Robert Lucas and his allies deployed then-novel mathematical techniques to provide explicit "microfoundations" for macroeconomic models, which they used to attack Keynesian causal claims, particularly those associated with the Phillips curve. These sophisticated mathematical tools rapidly gained professional prestige and recruited adherents to the movement. The rational expectations and monetarist "revolutions" were linked in the sense that both aimed to show that monetary policy was "neutral," that is, had no "real effects" (it affected inflation but not growth or employment). Moreover, the rational expectations-derived analysis of policy "credibility" was designed to show that pre-commitment to a policy "rule" – such as Friedman's monetary targets – would produce both higher growth and lower inflation. Movement entrepreneurs advanced the category "new classical" as a professional identity to replace Keynesianism, successfully challenging the hitherto dominant professional identity. By the end of the decade, Lucas had declared the demise of Keynesianism in the manifesto "After Keynesian Economics" (Lucas and Sargent 1979). As one Keynesian stalwart later put it, "by about 1980, it was hard to find an American academic macroeconomist under the age of 40 who professed to be a Keynesian" (Blinder 1988: 278). The revolutionaries substantially succeeded in imposing their criteria of professional judgment, making it difficult for younger scholars to publish papers with Keynesian causal claims (Rogoff 2002: 6).

Within the US academy, the revolutionary gambit called forth a defensive reaction from Keynesian-identified incumbents, contributing to the polarization of professional identities and the appearance of incommensurable paradigms. Many economists with strong Keynesian identities endorsed the terms of the classification struggle, accepting the classification of professional debates as a debate between incommensurably Keynesian and monetarist claims (Tobin 1981). As some noted at the time, however, monetarist causal claims were logically compatible with the Keynesian framework (B. Friedman 1978), and as discussed below, subsequent developments show that there was no necessary link between rational expectations methodology and rejection of Keynesian causal claims. Nevertheless, during the period of contentious polarization, monetarism, rational expectations, anti-Keynesian professional identity and free-market ideology became highly correlated. Thus, Chicago economists were able to construct – for a time – a cohesive professional movement.

In Latin America, a variant on this polarization process pitted "structuralists" (a professional identity associated with market intervention) against monetarists. The long history of high inflation in the region led to intensifying polarization between monetarists and structuralists in the mid-1960s. Structuralists classified the IMF's "monetary approach" as "monetarist" (Babb

2007:142,144), thus misrecognizing the professional identity of the Fund's self-described Keynesian staff economists. Some politically engaged economists in the region went further, conflating "monetarism" with free-market ideology *tout court* (a classification aided by the fact that Milton Friedman was an advocate of both) (Cordero and Tello 1981: 82-86). Thus, multiple dimensions of the field's idea space – for example, positions on inflation and free markets – aligned, resulting in growing polarization.

By the late 1970s, global economic and political developments created a window of opportunity for the revolutionary movement to achieve policy influence and cement its professional dominance in the academic arena. In the US and UK, as is widely known, the advent of stagflation undermined the Phillips curve and the policy program associated with it, thus contributing to the initial successes of the monetarist and new classical professional movement (Blyth 2002; Hall 1990). The movement formed alliances with conservative politicians and central bankers in the US and UK, where central banks adopted Friedman's policy prescription for money supply targeting. Professional divisions became highly correlated with the partisan conflicts associated with Reaganism and Thatcherism, contributing to polarization and the formation of antagonistic professional identities.

In Latin America, economic and political changes – in particular rising inflation and the introduction of military regimes in the Southern Cone – also provided an opportunity for liberal US-trained economists (including the infamous "Chicago Boys") to enhance their policy influence. Although most histories of the impact of the "Chicago school" in Latin America focus on Friedman and his libertarian ideology (Dezalay and Garth 2002; Silva 2008; Valdés 1995), Friedman's program for money-supply targeting had a relatively weak impact in the region; it was tried briefly in the Southern Cone countries, but quickly abandoned.

However, there was a second and less widely known strand of Chicago monetary economics, known at the time as "global monetarism" (Whitman et al. 1975). Starting in the late 1960s, a group of economists loosely grouped in the international macroeconomics workshop organized by Robert Mundell and Harry Johnson reworked the "monetary approach to the balance of payments" originally developed at the International Monetary Fund. In contrast to the IMF staff, the global monetarists explicitly presented their model as a revolutionary break with Keynesianism (Polak 2001; Whitman et al. 1975). However, the underlying causal claims had much in common, and as subsequent developments discussed below reveal, the actual degree of change was considerably less. Mundell exemplifies the tension between continuity and change between pre- and post-1970s economics: his work of the late 60s continues to be seen as a seminal contribution to Keynesian international economics (Obstfeld 2003),[12] but Mundell himself distanced himself from Keynesianism. By the end of the 1970s he had declared that Keynes' *General Theory* was "not relevant to modern economics" (Mundell 1971) and embraced a monetarist professional identity (Mundell 1983).

Contrary to the view that Chicago economics constituted a coherent framework from which policy implications could be readily derived, Friedmanites and "global monetarists" were uneasy allies in the revolutionary professional movement. Participants in the open economy workshop competed and sometimes conflicted with Friedman and his monetarist allies. The professional

[12] Marcus Fleming, who arrived independently at many of the same conclusions as Mundell, strongly identified as Keynesian (Mundell 2001).

identity of the international group was framed in terms of their "open economy" approach, which disputed many of Friedman's causal assumptions.[13] This competition was sometimes fierce: for example, Johnson (1971) argued that Friedman's monetarism was "seriously inadequate as an approach to monetary theory" and predicted that his attempted "counter-revolution" would "peter out." However, in the revolutionary context of the 1970s, partisans of the open economy approach allied with the new classical revolutionaries on the basis of the methodological prestige of the rational expectations revolution, which attracted younger scholars seeking to make their careers.

Despite the successful construction of this movement, the divergent causal claims of the two camps led to fundamentally different monetary policy programs. While Friedman saw control over the money supply as a powerful tool for providing stability, global monetarists emphasized that international capital mobility undermined domestic monetary policy autonomy, meaning that countries could not reliably control their money supplies (Whitman et al. 1975). If this was the case, small developing countries could hardly use money supply targeting *à la* Friedman to control inflation. However, global monetarists had an alternative. Early versions of the Chicago monetary approach to the balance of payments implied that that if a small country with high inflation fixed exchange rate a stable currency (such as the dollar), the rate of inflation in the smaller country should converge with that of the larger (e.g. Frenkel and Mussa 1980). This policy program reflected the advocacy of some global monetarists, particularly Robert Mundell, for a return to fixed exchange rates after the collapse of the Bretton Woods monetary system (see Mundell 2000).

In the Southern Cone countries (including Argentina, Chile and Uruguay) this policy program rapidly diffused in the form of fixed exchange rate-based stabilization plans known as "*tablitas*."[14] Fourcade Gourinchas and Babb (2002: 545) call this program "the Chicago model" although, as we have seen, this was the less well known of two competing models. In each case, economists from Latin America who had learned about the Chicago monetary approach during their training in the US played a critical role in designing these stabilization plans.[15] Thus, as in the monetarist experiments in the US and UK, the "revolutionary" monetary theories cultivated in Chicago achieved surprisingly rapid policy influence.

In Argentina, the adoption of these 'global monetarist' policies in conjunction with trade opening and financial liberalization combined with the political shock of military rule to exacerbate the polarization between "structuralists" and "monetarists," increasing the salience of antagonistic professional identities. A younger generation of economists identified with structuralism criticized the Chicago-inspired stabilization policies adopted by the military regime, as well as the regime's policy of financial deregulation. Positions on monetary policy aligned with ideological divisions and broader political views on military rule, crystalizing diverse axes of debate into a single rift. In the Latin American context, the salient classificatory schema often

[13] As one alumnus puts it, "Mundell and Friedman ran very different schools. For Friedman open economy was a very short topic: flexible exchange rates – fully flexible – and free trade. What else was there to talk about? For Mundell it was, rightly, hard to understand how Friedman could talk about monetary policy in a closed economy as if there were such a thing" (Dornbusch in Mundell and M. Friedman 2001: 22-3).
[14] This policy program was so called because of the tables of exchange rate values that accompanied them.
[15] For example, Argentine Central Bank President Adolfo Diz was a Chicago graduate of an earlier generation, while economist Ricardo Arriazu was closely involved in the design and evaluation of the stabilization plan.

pitted "heterodox" economists and policy-makers – structuralists and other critics of free market policies – against "orthodox" competitors who favored free markets. While this division is sometimes analyzed in terms economists who received their training and professional socialization in the US versus those that trained locally, this distinction did not always hold in practice: for example, many members of the heterodox group in Argentina held economics Ph.D.s from the US.

Rather, though these antagonistic identities were expressed in the terms of professional classification struggles, they were strongly correlated with "heteronomous" divisions related to the recent military regime. As one "heterodox" economist (later a key adviser to the democratic government) put it:

> We aren't orthodox in the…sense of Roque Fernández [a Chicago-educated central banker and finance minister]…and Chicago. But here, the…divisions don't have anything to do with the way that economics is done, eh? We're more Keynesian, more structuralist, it's true, but that shouldn't create a division. The big division comes from the period of military rule. Between economists who collaborated with the military and those of us that opposed the military.[16]

Thus, for heterodox economists in Argentina, the correlation between their opposition to the military regime and their belief in heterodox principles formed the basis of a professional identity that set them apart from more "orthodox" competitors.

However, this classificatory scheme is asymmetric: the competing "Chicago boys" unsurprisingly saw themselves not as primarily collaborators of a military regime but as neutral advisers. Their professional identities blended pro-market ideology with the terms of the academic polarization of the 1970s, which some had joined as early contributors to the rational expectations "revolution." For example, Roque Fernández (the Chicago educated central banker just mentioned) himself saw his commitment to rational expectations as the key distinction between his own position in the field's "idea space" and that of his competitors, who he broadly dismissed as "dirigiste" (i.e. not free market).[17] This professional identity reflects the polarized professional classification struggles of Chicago in the 1970s, when rational expectations was closely tied to anti-Keynesianism and free market ideology. Revealingly, he applied this blanket professional categorization not just to the "heterodox" structuralists, but also to competitors who are often considered "neoliberal" free market economists (such as Domingo Cavallo, an influential Argentine finance minister discussed below). "Orthodox" and "heterodox" economists formed antagonistic identities but did not agree on what they disagreed about: their systems of professional classification were asymmetric.

Whereas in Argentina the right dominated the left in the second half of the 1970s, the situation in Mexico was reversed. In Mexico, "heterodox" economists scored major victories in the 1970s, limiting the influence of "orthodox" policymakers in the Bank of Mexico-Treasury establishment (including the Mexican "Chicago boys"). Aided by the availability of international credit, advocates of state-led development scored policy victories after 1970, resulting in a significant expansion of state spending and inflation. Rising inflation led to infighting within the semi-

[16] Anonymous interview
[17] Roque Fernandez oral history interview

authoritarian regime as "orthodox" factions advocated stabilization measures like those advocated by the IMF (c.f. Babb 2001). Internal conflicts came to a head with the outbreak of the debt crisis in the early 1980s; "orthodox" fiscal conservatives called for austerity while heterodox officials successfully called for nationalization of the banking system and imposition of direct controls to stop capital flight.

As in Argentina, the emergence of competing factions reflected the polarization of professional identities. On the one hand, "heterodox" policymakers such as Carlos Tello (a Cambridge-educated economist and Treasury Secretary in the 1970s) saw the conflict as an epic battle between economic nationalists and their neoliberal opponents, whose ideas he associated with Friedman's monetarism (Cordero and Tello 1981: 82-86). However, Tello's classification of his opponents as "monetarists" is a classic act of misrecognition. For example, Treasury Secretary Jesús Silva Herzog – Tello's rival and one of the alleged monetarists – himself identified as "heterodox." As he put it, "I'm not so [orthodox]. As Secretary of the Treasury, given the pressure of events, I had to take an orthodox stance. But in my philosophy I'm heterodox."[18] Silva Herzog's position in the field's idea space blended interventionist credit policies to promote economic development[19] with budget-balancing fiscal conservatism, a mixture which placed him somewhere in the ambiguous center, particularly vulnerable to misrecognition. From this standpoint, it was not the causal claims themselves that induced polarization in the 1970s, but rather the competition over economic policymaking that produced polarized professional identities.

In sum, during the contentious 1970s, economists who identified with monetarism and rational expectations succeeded in building professional movements within academic economics that rapidly diffused into the policy arena. As a result of the initially successful strategies of these "revolutionary" movements, multiple dimensions of the field's idea space crystalized into single, overarching rupture reflected in polarizing identities. The high correlation between intrinsically unrelated dimensions (such as that of rational expectations methodology with free market ideology) gave this episode of contention the appearance of fundamental "paradigmatic" schism. The professional polarization emerging from the academic arena was refracted through local conflicts in Latin American macroeconomic policy fields in different ways. In Argentina, Chicago economics had a rapid and profound impact through the spread of novel policy programs. Military rule intensified a process of polarization in which professional identities became increasingly antagonistic. In contrast, in Mexico, the "Chicago school" as such had a limited impact. Nevertheless, the left saw the right as emissaries of Chicago and the IMF, while the right saw the left as irresponsible populists; both sides misrecognized the beliefs of their competitors. In both cases, the appearance of competing paradigms had more to do with the alignment of multiple dimensions of the field's "idea space" and professional identities, than underlying causal claims.

The emergence of centripetal forces: heterodox stabilization

Despite initial success, in the early 1980s the "revolutionary" innovations of Chicago economics ran aground on the practical difficulties of policy implementation. This was the case both with the US Federal Reserve's monetarist experiment (Krippner 2011) and in Southern Cone

[18] Silva Herzog interview

[19] See Silva Herzog Flores (2009).

countries, where the "tablita" policy program collapsed spectacularly (Barletta, Blejer, and Landau 1983). Coinciding with these difficulties of implementation, political trends changed the context of policy competition. The collapse of the military regimes in Argentina created an opportunity for a younger generation of heterodox policymakers to assume policy-making power under the new democratic government after 1983. In Mexico, the victory of the "heterodox" faction in nationalizing the financial system proved to be pyrrhic: only months later, this faction was purged from the regime under a new president, who switched to the more orthodox policies favored by the Bank of Mexico-Treasury establishment. In both countries, these political developments facilitated the beginnings of a gradual "return to the center."

In Argentina, the return to the center was slow, as the deep division left by the military regime continued to fuel factionalism and contention. Nevertheless, heterodox economists were undergoing reconciliation with traditional IMF-type policies, which the previous generation of structuralists had denounced as "monetarism." While the earlier structuralists had advocated a gradualist approach to inflation stabilization, ever-higher inflation compelled an adjustment of priorities in the early 1980s. But designing a heterodox stabilization program to address inflation in the near term required a substantial re-thinking of the structuralist tradition. The response was a hybrid policy program that combined "orthodox" fiscal and monetary policies with "heterodox" elements, such as wage and price controls. Heterodox plans were adopted in the mid-1980s in Argentina, Brazil, Peru and Mexico, meeting with varying degrees of success. In Argentina, economists who played a direct role in designing and implementing these policies as finance ministers, central bankers and advisers now became classified as "neo-structuralists."[20] Unlike the (global) monetarist experiments of the 1970s, the heterodox policy program did not diffuse from the academic arena in the US towards Latin America; rather, it was a hybrid form that reflected the causal debates in the profession but was motivated by urgent policy demands.

Relative to the polarized debates of the 1970s, the heterodox policy program represented a return to the center in terms of causal claims and policy prescriptions, if not yet professional identities. On the one hand, the heterodox plans represented an evolution in the monetarist direction in the dual sense that they adopted the monetarists' traditional policy goal (low inflation) and the IMF's traditional policy prescription for monetary and fiscal restraint. On the other hand, the neo-structuralists rejected the core monetarist claim based on the quantity theory of money; instead, they claimed that inflation had an important *inertial* component (essentially, that the economy became habituated to rapidly rising prices).[21] As one Chicago graduate put it:

> Friedman argues that inflation, always and everywhere, is a monetary phenomenon—too much money chasing too few goods, burning holes in peoples' pockets…[The neo-structuralist view] defends a very different view of the inflation process…Inflation is the result of *inertia*…That is decidedly not the theory espoused by 'Chicago boys' brought up on the quantity of money and on perfect competition (Dornbusch in Bresser Pereira and Nakano 1987: vii).

[20] This group included finance minister Juan Sourouille, Central Bank President José Luis Machinea, and other economists associated with the Institute for the Development of State and Society (IDES).

[21] This was also a direct rejection of rational expectations, because it implied that inflation expectations were backward-looking (adaptive) rather than forward-looking (rational).

Moreover, the heterodox policy program involved comprehensive wage and price controls or agreements, implying a fundamental intervention into the price mechanism at the core of markets. Thus, while the neo-structuralists incorporated "orthodox" policies of fiscal and monetary discipline into their policy program, this fact should not lead one to the conclusion that they had simply capitulated to monetarist reasoning. Rather, the heterodox policy program was a synthesis of "orthodox" and "heterodox" programs.

A surprising indicator of the centripetal forces at work is that fact that the heterodox program received unexpected support from influential alumni of the Chicago open economy workshop. In particular, Stanley Fischer and Rudiger Dornbusch – respectively a young assistant professor and graduate student at Chicago during the revolutionary mid-1970s – became key international supporters of the heterodox experiments. Dornbusch and Fischer were participants in the open economy macro circles that went under the name "global monetarism" in the 1970s, and both were early recruits to the rational expectations "revolution." Yet these "Chicago boys" did not shy away from supporting the heterodox, market-intervening aspects of the plans: for example, Dornbusch wrote that he had "little doubt that the concept of these new programs is entirely correct – a longstanding distain for controls in the economics profession notwithstanding" (Dornbusch and Simonsen 1987: 2). Similarly, while some scholars have interpreted Fischer's Chicago connection to imply that he was a "firm monetarist" (Maman and Rosenhek 2007: 265), Fischer in fact argued that wage and price controls played a critical role in stabilization (Fischer 2004: 391; c.f. Fischer 1987). The anomaly is worth underscoring: the Chicago economics professor (and future senior IMF official) firmly supported wage and price controls as a policy program (if supported by fiscal restraint). This was hardly the position of a "firm monetarist" or an inflexible adherent to free markets.

The policy positions taken by economists like Dornbusch and Fischer reflect centripetal forces emerging within both academic and policy arenas of the macroeconomics field. At Chicago, both Dornbusch and Fischer had made their academic careers using the sophisticated mathematics of the rational expectations "revolution," originally presented as a repudiation of Keynesianism. However, they did so in ways that synthesized Keynesian insights with rational expectations "microfoundations," in work that would later be regarded as seminal in the development of the New Keynesian economics. This reflects the high professional returns to academic work that synthesizes what appear to be incommensurable paradigms.

The return to the center also reflected the difficulties of applying academic models to actual policymaking. As a participant in the development of "global monetarism," Dornbusch had watched the Southern Cone exchange rate experiments closely, reaching the conclusion that they had been "catastrophic" (Dornbusch 1982: 701-4). Like the neo-structuralists, he concluded that the programs failed in part because they failed to address inflationary inertia. Direct participation in policy-making as officials and advisers strengthened these centripetal forces. Ironically, Dornbusch visited Argentina and Brazil and advised the neo-structuralists to adopt a *looser* monetary policy, in an ironic role reversal.[22] Similarly, in 1988 Fischer became chief economist at the World Bank where he directed a group that studied the failure of orthodox policies in Latin America and the promise of the heterodox alternative (Kiguel and Liviatan 1988). Engagement with policy-making reduced commitment to the professional movement

[22] Juan Sourouille interview, Oral History Archives, Instituto Gino Germani

spearheaded by the early rational expectations revolutionaries. As Dornbusch put it, his policy interests led him to recognize "the near-complete sterility of the [new classical] approach in the face of actual policy issues" (Dornbusch 1988: ix-x).[23]

As these centripetal forces took hold, the correlation between methodological, policy, and ideological dimensions of professional competition weakened. This incipient return to the center of the 1980s was reflected in the ambiguous professional identities of economists like Dornbusch and Fischer. Like many synthesizers located somewhere in the center of a professional field, Fischer tended to eschew labels altogether, arguing that policy-oriented economics was not "a field divided among schools, Keynesians, monetarists, new classical, [and] New Keynesian" but rather unified by "basic models" (Fischer and Blanchard 1989: xi). Nevertheless, asked about his views on Keynes and Friedman, Fischer responded:

> The Keynesian apparatus is really enormously important, and…if students could read only one thing…I would still teach them Keynesianism…I think the specifics of Milton Friedman's macroeconomics, monetarism, etc., have not stood up. We do monetary policy now much more like Keynesians thought of it than [how] Milton Friedman thought we should be doing it (Fischer 2001b).

Similarly, despite having made his career by incorporating rational expectations methodology into the open economy approach, Dornbusch's views reflected increasing skepticism towards what he called "oversimplified versions of a rational expectations economy" (Dornbusch and Simonsen 1987: 7). For Dornbusch, Fischer and many like-minded economists and policymakers, their "open economy" pedigree was more important than monetarism or rational expectations; this orthogonal division assumed importance relative to other markers, further reducing the correlation among axes of debate and thus polarization.

Rather than the ideologically motivated and anti-Keynesian revolutionaries of the Chicago school, it was a diffuse network originating in the open economy workshop that achieved the most influence in the policy-making arena beginning in the 1980s. Several alumni of the open economy workshop took jobs at the IMF and moderated their revolutionary posture in this more bureaucratic context, beginning to emphasize consistency of the Chicago "monetary approach" with the older version developed at the Fund.[24] Meanwhile, Dornbusch and Fischer moved to MIT, where they trained a surprising number of the future leaders of international organizations, central banks, and finance ministries, including US Federal Reserve Chairman Ben Bernanke, European Central Bank President Mario Draghi, US Treasury Secretary Larry Summers, and IMF Chief Economists Kenneth Rogoff and Oliver Blanchard, among many others. As this second generation moved into the policy arena, their allegiance to the anti-Keynesian professional movement faded, and antagonistic professional identities declined in salience.

Whether heterodox innovations generated polarization on the ground in Latin America depended on the alignment of policy debates with broader political conflicts. As noted above, in Argentina

[23] The text in brackets refers to the "intertemporal approach" in the original; in the jargon, this is a reference to the new classical economics.

[24] For example, Jacob Frenkel and Michael Mussa (Chicago open economy alumni who successively served as IMF Research Director during the 1980s and 90s) conceded, "[the] theoretical models applied to balance of payments analysis in the late 1960's and early 1970's [in Chicago] incorporate the same basic elements as earlier such models and, correspondingly, share many of the same properties and implications" (Frenkel and Mussa 1984: 3).

the stark divide between heterodox structuralists and orthodox liberals was derived less from any basic paradigmatic difference than the crystallization of professional divisions with broader political conflicts rooted in the country's recent history of military rule. On the one hand, the neo-structuralist economists who designed the "heterodox" stabilization policy were willing to adopt the mantel of "orthodoxy:" for example, finance minister Juan Sourouille argued that the plan was "a good example of orthodoxy."[25] On the other hand, Argentine "Chicago boys" (such as Roque Fernández, discussed above) derided the neo-structuralists as mere "populists" with no concern for inflation and denounced heterodox policies as old wine in new bottles (Fernández 1990). The views of local Chicago alumni in Argentina contrast sharply with that of their former classmates and professors: Fernández and Dornbusch were both Chicago graduates, but they took fundamentally different positions. The difference was that the former was embedded in local political struggles while the latter was not. Rather than a paradigmatic divide, the deep polarization among Argentine elites reflected the persistence of antagonistic identities rooted in the recent history of military rule.

In contrast, in Mexico, although a heterodox stabilization plan was adopted in 1987, it was not the object of sharp conflict in the macroeconomic policy field. Following the purge of the nationalist faction in 1982, policy came back under the sway of economists associated with the Bank of Mexico-Treasury establishment. The heterodox plan was designed and overseen by Treasury Secretary Pedro Aspe (a Dornbusch student), who criticized conventional approaches to stabilization in terms similar to those of the Argentine neo-structuralists. Aspe criticized the "neoclassical theory of inflation" which held that "inflation is essentially a monetary phenomenon" (a reference to Friedman's monetarism) (Aspe 1993: 8). But while similar causal claims and professional classification struggles were associated with polarization between "heterodox" and "orthodox" economists in Argentina, professional polarization declined in Mexico. In contrast to the Argentine "Chicago boys," Chicago alumni in the Bank of Mexico *supported* the heterodox pact in Mexico.[26] Thus, despite occupying a position in the field's "idea space" similar to the neo-structuralists, in the Mexican context Aspe was able to maintain an alliance with Chicago-educated monetarists similar to Roque Fernández in Argentina. Similar differences in "idea space" took on a different meaning in "social space."

In sum, the 1980s was a period of surprising re-convergence in the macroeconomic policy field following the "revolutionary" contention of the 1970s. Heterodox stabilization plans were the outgrowth of a partial rapprochement of the younger generation of neo-structuralists with the orthodox policies prescribed by the IMF. At the same time, however, economists linked to the open economy network that emerged from Chicago unexpectedly supported these heterodox innovations. This support reflected the centripetal forces that began to emerge after the years of revolutionary fervor. On the ground in Latin America, the extent to which polarization persisted in the midst of a transnational return to the center depended on local conflicts: in Argentina, the crystallization of professional debates with the broader struggle over democracy exacerbated divisions in the field, while in Mexico the defeat of the more radical heterodox faction unified a heterogeneous group of elite technocrats in the Mexican state.

[25] Interview, Juan Sourrouille

[26] For example, influential central bank official Francisco Gil Díaz; interviews with former Mexican officials.

Fragile settlement: the bipolar view

Despite initial success in lowering inflation, the heterodox program ultimately failed in Argentina, giving way to hyperinflation at the end of the 1980s. In contrast, the heterodox program was deemed a success in Mexico but gradually changed in meaning. In Argentina, the policy program which ultimately put an end to decades of high inflation was a variant of the fixed exchange rate policy program advocated by Robert Mundell and other "global monetarists" in the 1970s. These policies were now repackaged as "exchange rate-based stabilization" (c.f. Woodruff 2005), avoiding the classification struggles of the 1970s, but the policy program and underlying causal claims shared much in common. The Argentine policy program was a variant known as a "hard peg:" a legally binding institutional commitment to a fixed exchange rate, in this case a one-to-one parity with the dollar. The hard peg program was part of a global wave of policy experiments which included the creation of the Euro (for which Mundell was sometimes given intellectual credit) and the outright adoption of the dollar in some Latin American countries.[27] This policy program was largely specific to developing countries and the interconnected economies of continental Europe; as a result, the emergent settlement initially took a different form in these regions than in the US academic arena (to which I return in the next section). The initial success of these policies in ending decades of high inflation brought the macroeconomic policy field closer towards settlement– though this incipient settlement proved fragile.

In its new incarnation, the exchange rate based stabilization policy program – and especially the hard peg variant – was not an academic innovation, but rather a hybrid form that originated in an often ad hoc manner in particular countries but drew support from causal claims originating in the academic arena. Similarly, while the IMF began to conditionally support exchange rate-based stabilization during the 1990s (particularly under the leadership of Stanley Fischer), the Fund followed, rather than led, the rise of this policy program (Cavallo and Cottani 1997). Nevertheless, as we will see, the causal claims underpinning exchange rate-based stabilization were drawn from global monetarism and the rational expectations revolution, while synthesizing these claims with the heterodox experience of the 1980s.

Again, settlement does not imply the absence of professional contention: in fact, both academic and policy arenas were the scene of a vigorous debate over monetary policies in developing countries, particularly whether they should "float" their currencies or "fix" them to the dollar, as the exchange rate based stabilization program recommended. The "float or fix" debate reflected a longstanding division on the exchange rate issue between global monetarists and their "closed economy" competitors, captured in the policy programs of Mundell and Friedman (see Mundell and Friedman 2001). But these persistent debates became increasingly disconnected from professional identity and the state/market dimension; among free market advocates, there were supporters of both policy programs, and conversely, both ideologically pure libertarians and pragmatic market reformers could embrace the fixed exchange rate policy program. Moreover, because exchange rate based stabilization was often followed by an economic boom, at least initially (Woodruff 2005), the program dodged the debate over the inflation-employment tradeoff (the Phillips curve), facilitating the emergence of settlement.

[27] Macroeconomists see the creation of a monetary union (such as the Euro) or the adoption of the dollar by another country as simply the extreme form of a permanently fixed exchange rate.

Advocates of the fixed exchange rate program also advanced competing causal claims and ideological rationales for the same policy. For example, one argument for "hard pegs" was that these policies would "tie the hands of the state," enforcing monetary and fiscal austerity; this argument was presented by ideological libertarians, such as the Cato Institute economists who advocated dollarization and other "hard pegs" around the world (Hanke and Schuler 1999). Similarly, from one standpoint, the causal claims underpinning the exchange rate-based stabilization policy program represented a return to "global monetarism" (i.e. the emphasis on the link between the exchange rate and inflation) and the new classical claim that binding policy rules generated "credibility" and therefore superior outcomes. However, from a different standpoint, the causal claims in support of the policy program reflected a *synthesis* of the experience of heterodox plans of the 1980s with the causal claims of global monetarists (as the Argentine and Mexican cases illustrate below). The ease with which Dornbusch and Fischer transitioned from supporting heterodox plans to supporting hard pegs (Dornbusch 2001; Fischer 2001a) is another indication of this.

One attempt to institutionalize this settlement was the "bipolar view" associated with Stanley Fischer, now the First Deputy Managing Director of the IMF. This compromise view stated that both "hard pegs" and fully flexible currencies were viable policy options (Fischer 2001a). In the latter case, countries were advised to commit to the "inflation targeting" policy program discussed in the following section. However, the bipolar view ruled out so-called "intermediate" regimes: fixed exchange rates without binding institutional commitments (a category which included most developing countries at the time).[28] The bipolar view aimed to stabilize debates, not just between "Keynesian" and "monetarist" positions (as those had been understood during the 1970s), but among members of the diffuse open economy network, which included supporters of both fixed and floating exchange rates.

The emergence of settlement is reflected in the cross-cutting dimensions the field's idea space, a movement towards the center, and consequent misrecognition of the position of key actors in the field's idea space. A key example is Domingo Cavallo, a Harvard-trained economist and the finance minister who implemented key neoliberal reforms during the 1990s and introduced the "hard peg" policy program plan in Argentina. Cavallo had held a position under the military regime in the early 1980s, which made him *persona non grata* among the neo-structuralists. But while Cavallo has often been labelled a "neoliberal" (e.g. Teichman 1997), he was hardly seen as "one of their own" by the local branch of the Chicago school either: he was suspected of harboring "dirigiste" instincts by Chicago-educated central banker Roque Fernández.[29] As Cavallo himself put it, "I was seen as someone who had a heterodox solution, based more on intervention by the government and the central bank" (Cavallo and de Pablo 2001: 111). These classification struggles reflect Cavallo's position in the center of the field, particularly on the ideological dimension: Cavallo was a market reformer, to be sure, but more pragmatic (or less ideologically pure) than the Chicago group. As a result, he was misrecognized both by the neo-structuralists (and many external observers) on his "left" and the libertarians on his "right."

These classification struggles also reflect competing causal claims and policy programs in the monetary arena. When initially proposed, Cavallo's hard peg program was seen as "heterodox"

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[28] Author's calculations from data compiled by Reinhart and Rogoff (2004)
[29] Interview, Roque Fernández

by competitors widely classified as "orthodox" in the Argentine context.[30] Moreover, Cavallo's causal claims about the hard peg program were closer to the neo-structuralists than to the Chicago boys.[31] Meanwhile, the local "Chicago boys" were split: while Fernández regarded the hard peg policy program (and Cavallo himself) with suspicion, some of his close allies had proposed the program independently (Almansi and Rodriguez 1997). While Cavallo himself presented the program as a refutation of Friedman-style monetarism (Cavallo 1999), the Chicago school supporters of the program invoked causal claims derived from "global monetarism" in support of the same policy. The existence of competing causal claims in support of the same policy, and conversely, support for different policies among economists who otherwise shared professional identities and ideological leanings (such as Fernández and his colleagues) is indicative of declining correlation between different dimensions and emerging settlement.

Despite the initial contention surrounding the policy program, its dramatic success paved the way for the emergence of a local settlement during the 1990s. Actors who were initially skeptical about the policy program – such as Central Bank President Roque Fernández – became firm supporters following its success. Neo-structuralists who had opposed the program at first gradually became reconciled to its continuity; thus, when José Luis Machinea – a member of the heterodox "neo-structuralist" faction in the 1980s as President of the Central Bank – was appointed Economy Minister in the late 1990s, he committed to continue with the system. A fragile settlement emerged in Argentina and the division between "heterodox" and "orthodox" economists lost salience.

In Mexico, the successful heterodox plan was gradually re-interpreted within the logic of exchange rate-based stabilization. The Mexican finance ministry – still under the leadership of Pedro Aspe – and Bank of Mexico put increasing rhetorical weight on the role of the exchange rate, turning a policy initially labelled "heterodox" (because of its reliance on interventionist price agreements) into one widely accepted as "orthodox," without altering the content of the policy itself. The Mexican case underscores the continuity between the heterodox plans of the 1980s and the exchange rate based stabilization program; in this case, they were one and the same.

Again however, settlement does not imply a lack of contention, only that debates are normalized, rather than crystalizing into overarching rifts. One indicator of this is that the sharpest debate over the Mexican stabilization plan occurred between Mexican Finance Minister Pedro Aspe and his former adviser, Rudiger Dornbusch. Though Dornbusch was a supporter of both heterodox and exchange rate-based stabilization, over time he became critical of the stabilization plan overseen by his former student (Dornbusch and Werner 1994). In response, Aspe publicly denounced his former mentor as "a dangerous man." Unlike the battles of the 1970s, this dispute – however acrimonious – did not occur between economists with competing professional identities. Rather, it broke out between an academic and his former student, whose underlying

[30] These competitors included Orlando Ferreres and Javier Gonzalez Fraga, senior officials in the finance ministry and central bank in 1989, when Cavallo's proposal was first introduced (source: author's interviews).

[31] To simplify, there were two main interpretations of the hyperinflation crisis in Argentina: the neo-structuralists argued that the crisis was caused by a run on the currency, whereas the local Chicago group advanced a modified monetarist interpretation; in arguing that the hard peg ended the crisis by stopping the run on the currency (Cavallo and Cavallo 1996), Cavallo was closer to the former. Fernández dismissed this as a "heterodox" interpretation (source: author's interview).

views were quite similar. This reflects the lack of correlation between policy debates and professional identities and ideology, and a normalization of conflict during a period of emerging settlement.

In summary, during the 1990s, an incipient settlement emerged in the policy arenas of the transnational macroeconomics field. This settlement emerged as policy successes defused longstanding criticisms, such as the traditional complaint that stabilization caused recession. At the same time, opinion leaders in the field, such as Stanley Fischer, made concerted efforts to institutionalize a compromise policy program on which economists and policymakers with diverse ideological commitment and causal views could agree. Settlement did not imply the absence of conflict: indeed, policy debates raged throughout the decade, and conjunctural disagreements were sometimes sharp, as the Aspe-Dornbusch spat shows. What was different compared to the 1970s was that these debates no longer pitted factions with competing professional identities and apparent commitment to different paradigms.

However, this incipient settlement was undermined by the reality of implementation. Currency crises in Mexico in 1994 and Argentina in 2001 put an end to the experiments in exchange rate-based stabilization and struck a major blow to the bipolar view. Yet the crisis of exchange rate based stabilization did not result in a renewal of professional polarization; rather, it gave way to the New Keynesian settlement which had already gained predominance within the academic arena.

Consolidation of settlement: New Keynesianism and inflation targeting

Returning to the academic arena, by the beginning of the 1990s professional polarization had faded and a new settlement had emerged. Debates over monetary policy and inflation no longer pitted "monetarists" against "Keynesians" and these polarizing professional identities gradually declined in salience. Economists and central bankers proudly proclaimed that "the world had achieved a working consensus on the core principles of monetary policy by the late 1990s," overcoming the "theoretical disarray" of the 1970s (Goodfriend 2007: 48). In 2004, Ben Bernanke (then Governor of the US Federal Reserve) proclaimed the onset of a "great moderation," which he attributed to the perfection of monetary policy by the Fed and other central banks. In the wake of the financial crisis of 2007-9, this vision now appears deeply complacent, but it speaks to the sense of confident settlement that prevailed at the time.

Within academic and central banking circles, the policy program associated with this settlement was inflation targeting, under which central banks commit to quantitative targets for a low rate of inflation (generally around 3%) as the primary goal of monetary policy. By the mid-2000s, inflation targeting had been adopted by 25 countries, including Mexico, Chile, Brazil and several other Latin American countries. While the United States did not commit to explicit inflation targets, it tacitly adhered to a closely related policy program, the "Taylor rule."[32] Like the heterodox and exchange rate-based stabilization programs, inflation targeting was not an academic innovation that diffused to the policy-making arena, but rather a hybrid form that emerged in central banks but gained legitimacy from the causal claims generated by academics.

[32] To simplify, the Taylor rule prescribes a monetary policy target (the interest rate) as a function of the output gap (the difference between actual and potential GDP), the rate of inflation, and the *target* rate of inflation.

Nor did international organizations like the IMF lead the shift towards inflation targeting in developing countries, though IMF support after 2000 helped consolidate the shift.[33]

As noted above, several authors have argued that inflating targeting is a corollary of the "neoliberal paradigm" insofar as it entails, according to these authors, an exclusive commitment to low inflation as a policy goal and a disregard for growth and employment (Kirshner 1999; Maman and Rosenhek 2009). The goal of this paper is not to defend inflation targeting against its critics, but rather to analyze the transformation of the field of macroeconomic policy-making in order to understand its influence. From this standpoint, the paradigm shift view oversimplifies the dynamics of change within the transnational macroeconomic field. Specifically, this view both exaggerates the change in policy goals ("third order change," in Hall's conception of paradigm shifts) and the heterogeneity of these goals within settlements. Just as the Keynesian settlement accommodated both the fine tuning policy program and the orthodox program of the IMF, the New Keynesian settlement accommodates multiple policy goals and causal claims in support of these goals.

Understanding the rise of the New Keynesian economics and its connection to inflation targeting, requires taking a step back to the revolutionary contention of the 1970s. To recapitulate, a central point of contention in Friedman's assault on Keynesianism was the Phillips curve concept of a tradeoff between inflation and unemployment. As previous authors have emphasized (Blyth 2002; Hall 1990), during the 1970s, the monetarist and rational expectations attacks on the Keynesian settlement, combined with the breakdown of the empirical relationship between inflation and unemployment, undermined the causal claims associated with the Phillips curve. However, story does not end here. Almost immediately, economists began the professionally rewarding work of synthesizing rational expectations methodology with Keynesian insights (Mankiw 1990). Economists who later went on to become influential policymakers in the US and international organizations, including Stanley Fischer, John Taylor, and Guillermo Calvo, played a major role in this synthesis. By the 1980s, rational expectations-based models of "frictions" (slowly adjusting wages and prices) that motivated Keynesian causal claims were well developed. These models restored a theoretical argument for a short-run Phillips curve tradeoff between inflation and growth (Gordon 2011: 24-5).

These theoretical developments paralleled practical developments in monetary policy-making. Ironically, the monetarist experiment implemented by the Federal Reserve under Volcker provided dramatic evidence that sharp disinflation did indeed have contractionary effects on growth and employment, contrary the predictions of the monetarist and new classical revolutionaries (Fischer 2004: 176; C. Romer and D. Romer 1989). Practical policy implementation contributed to centripetal forces by showing reality to be far messier than implied by the causal claims of the revolutionaries.

By the 1990s, the center of gravity in the inflation-unemployment debate had shifted back in the Keynesian direction in policymaking circles in the US. As one author put it, "the debate over whether monetary policy is 'neutral' with respect to real economic outcomes [i.e. growth and employment] seems largely an episode from the discipline's past" (B. Friedman 2008: 3; c.f. Bernanke and Mishkin 1997; Fischer 2004). This New Keynesian settlement cut across political

[33] According to documents obtained from the IMF archives, only after about 1999 did the IMF begin to actively encourage countries to adopt inflation targets, by which time many countries already had.

lines, reducing the correlation between professional and political divisions and thus polarization: Democratic former Federal Reserve Vice-Governor Alan Blinder (1997) calls the Phillips curve the "clean little secret" of macroeconomics, while Greg Mankiw (chairman of the Council of Economic Advisers during the George W. Bush administration) refers to the "inexorable and mysterious tradeoff between inflation and unemployment" (Mankiw 2001). Widespread acceptance of the casual effects of monetary policy on growth shifted debates from whether there was a tradeoff to whether this tradeoff could be reduced by central bank "credibility," a concept central to the rational expectations revolution. This settlement synthesized the Keynesian concept of a tradeoff between inflation and unemployment with the rational expectations-derived emphasis on credibility, while abandoning the monetarist prescription for simple policy "rules."

In the academic arena, the causal claims that supported inflation targeting grew out of this New Keynesian resurgence, exemplified by US Federal Reserve Governor Ben Bernanke (whose MIT Ph.D. supervisor was Stanley Fischer). Examining Bernanke's case for inflation targeting undermines the claim that the rise of inflation targeting represents a fundamental "paradigm shift" from a growth-centric Keynesian worldview to an inflation-centric monetarist paradigm (Kirshner 1999; Maman and Rosenhek 2009). Bernanke emphasized that under inflation targeting, price stability is the "primary" objective of policy "in the medium- to-long-term" but that "inflation targeting central banks always make room for short-run stabilization objectives" (Bernanke and Mishkin 1997: 101). He explicitly rejected the causal claims of the revolutionary movement of the 1970s, noting that "some economists of new classical or monetarist persuasions might claim that inflation should be the sole concern of monetary policy in the short run as well, arguing that using monetary policy for short-run stabilization of the real economy is undesirable, infeasible, or both" (ibid: 100). To such critics, he reiterated that "the idea that monetary policy has (essentially) no legitimate goals besides inflation would find little support among central bankers, the public and most monetary economists" (ibid: 105). These causal claims were more than academic rhetoric, but reflect the Federal Reserve's policy program: under Greenspan, the Fed delivered on these claim by keeping interest rates low during the late 1990s and early 2000s.[34]

This is not to claim that the revolutionary movement achieved no victories. For example, one of the key claims of Friedman's professional movement was that monetary policy was a more powerful tool of economic stabilization than the fiscal policy favored by Keynesians in the 1960s. This claim has largely been incorporated into the New Keynesian settlement. Similarly, the concept of policy credibility, which was central to the rational expectations revolution, forms part of the inflation targeting policy program. Central bankers may place more emphasis on inflation than in the 1960s, but Bernanke's causal claims – and the Fed's behavior – suggest that this shift stops short of a fundamental change in policy goals. In this sense, the revolutionary movements shifted the center of gravity in their preferred direction, though not nearly to the extent hoped by Friedman and Lucas in the 1970s.

[34] This is not the place for a full discussion, but whatever the Fed's other failings – and the financial crisis indicates that there were many – during the Greenspan era (1987-2006), the Fed delivered *both* low unemployment and low inflation. The Fed did not raise interest rates as substantially as advocated by many inflation "hawks" during the late 1990s, and kept interest rates low after the recession of the early 2000s. In this sense there is substantial evidence that "the Federal Reserve has taken its dual mandate [to purse both full employment and price stability] very seriously during the Greenspan years" (Blinder and Reis 2005: 29).

Moreover, the causal claims of the revolutionaries thrive in some corners of the settlement, because settlements accommodate multiple causal claims in support of the same policy program. Thus, in Latin America, many central banks echo the claims of monetary neutrality associated with the revolutionary movement. This is the case, for example, in Mexico, which adopted the inflation targeting policy program following the currency crisis of 1994. The Bank of Mexico has institutionalized causal claims that maintain that there is no tradeoff between inflation and growth (even in the short run) in Mexico, and that monetary policy must exclusively attend to inflation (e.g. Banco de México 1996).[35] This rhetoric directly contradicts Bernanke's just-cited claim that there is little support for the claim that "monetary policy has…no legitimate goal besides inflation." In this sense, the Bank of Mexico has indeed embraced the causal claims of the monetarist and rational expectations revolutionaries. Yet while these different causal claims generated polarizing professional identities and competing policy programs in the 1970s, central bankers advancing very different causal claims now claim to adhere to the same global "consensus" in favor of inflation targeting. Moreover, in the Mexican case, these claims reflect continuity between the orthodox monetary policies favored by the Bank of Mexico-Treasury establishment in the 1950s and 60s, rather than a change of policy goals.

In Argentina, policy debates have also been dominated by a return to causal claims associated with the Phillips curve. Following the crisis of 2001, central bank and finance ministry officials proposed adoption of to the inflation targeting policy program. However, finance minister Roberto Lavagna made it clear that he understood the policy program as accommodating growth and employment. In the event, bureaucratic infighting and presidential politics undermined this initiative. As a result, the government failed to adopt a coherent policy of any kind, inflation rose, and conflict ensued. Yet this conflict was less *within* the macroeconomics field than *between* the field and the political leadership. Evidence of this is the fact that professional economists who initially cooperated with the government have repeatedly abandoned it. In other words, since 2001 there has been considerable contention but little *professional* polarization, as debates have not crystallized into a single dimension.

Globally, as of the mid-2000s, it appeared that the macroeconomic policy field had reached a stable settlement. Of course, as we now know, this was a period of deep complacency before the outbreak of the current global financial crisis – a complacency which might actually be a characteristic feature of field settlements.[36] A full account of this crisis goes well beyond the scope of this paper; however, a few implications can be mentioned in closing.

The Fed's "heterodox" policies since the crisis are one of the most significant monetary experiments in history**.** Yet from the perspective of in this paper, this policy experimentation represents an incremental modification of the New Keynesian settlement rather than a fundamental break. At the same time, within the US macroeconomic policy field there are economists (such as Paul Krugman and Joseph Stiglitz) who have argued forcefully that the Fed should do more to combat the great recession. Some may see this contention as evidence of paradigmatic conflict, yet what stands out from the present perspective is the similarity of the professional background and causal assumptions of left-leaning economists such as Krugman

[35] These claims are institutionalized in the sense that they have become standard boilerplate in the Bank's reports and the speeches of officials.
[36] For example, the concept of fine tuning which prevailed at the peak of the Keynesian settlement also suggests complacency about the ability of policymakers to control macroeconomic forces.

and more conservative central bankers like Bernanke.[37] According to the model developed here, this contention is evidence of a professional classification struggle, reflected in Krugman's perception of the field as divided into "freshwater" and "saltwater" camps (Krugman 2009). While this suggests rising polarization, dissenters such as Krugman and Stiglitz have not yet mobilized a professional movement capable of challenging the existing settlement. Nevertheless, this paper has shown that the previous cycle of polarization and contention in the macroeconomic policy field took decades to develop, so it remains far too soon to judge the effect of the crisis on the macroeconomic policy field.

Conclusion

It is beyond the scope of this paper to adjudicate between the causal importance of the transformation of the macroeconomic policy field and other factors in shaping policy outcomes in Latin America. Rather, the goal is to develop a model of this transformation that aids analysis of the diffusion of policy programs from the academic to the political spheres. Studies of the impact of monetarism in the developed countries have reached an impasse (Blyth 2002; Prasad 2006), partly because defining monetarism as a pro-market worldview makes it impossible to isolate the effects of economic ideas from broader ideological factors. In contrast, conceptualizing monetarism as a policy program allows a detailed examination of policy-making trends and processes which are often orthogonal to ideological divisions. From the perspective taken here, monetarism – particularly in its less-studied open-economy form – almost certainly did have an autonomous impact, but this impact was much more transitory than often suggested.

Generalizability of the polarization and settlement model of the macroeconomic policy field will require further empirical research. This paper has examined a transnational cycle of polarization and settlement spanning the United States and Latin America, but developments elsewhere may differ, and may require further theoretical refinement. In Europe, for example, developments in the UK seem to fit the model well, but Germany is very different. The German Bundesbank – and its successor, the European Central Bank – have remained much more committed to causal claims consistent with monetarism than the US Federal Reserve or the Bank of England. On the other hand, the creation of the Euro was one of the key policy victories of the early open economy school – not because Robert Mundell or others played a direct role, but because the causal claims presented by Euro advocates closely resembled those of global monetarism. The German policy field may be closer to monetarism than the US and UK in many respects, but this may be less evidence of a shift from Keynesianism to monetarism than evidence of persistent monetary conservatism in these countries (much as in Mexico causal claims consistent with monetarism represent continuity rather than rupture). This diversity of causal claims is consistent with the notion of field settlement advanced here.

The polarization and settlement model can also inform debates about professional, policy and other fields beyond economics. One of the most important arguments of this paper is that received categories – in this case, "Keynesian," "monetarist" and so on – need to be treated as features of classification struggles, rather than institutionalized groups. While not wholly new, this observation needs to be taken more seriously. Relatedly, the loose coupling between social

[37] Like Bernanke, Krugman is tied to the open economy network; his adviser was Rudiger Dornbusch.

space and idea space – that is, between the systems of classification that make up the identities of actors in fields and the "objective" mapping of positions in a field – deserves closer attention. Studies of professional and other fields should pay closer attention to how the categories of perception within a field are constructed and how actors mobilize markers of location and identity to construct movements and pursue other strategies, rather than assume that these categories describe the objective space of a field.

Finally, the model of cycles of polarization and settlement presented in this paper has broader implications for institutionalist and field theory literatures. One set of debates in the institutionalist literature concerns whether change should be seen as gradual and evolutionary or ruptural and discontinuous (Campbell 2004; Streeck and Thelen 2005). The model provided here mostly takes the "evolutionary" side of this debate, but also captures key aspects of the discontinuous view of change by recognizing that episodes of heightened contention and polarization are qualitatively distinct from periods of relative settlement. Moreover, by positing that polarization is followed by a "return to the center," the model accounts for non-linearities not captured by evolutionary images of change.

Table 1: Overview of the polarization-settlement cycle in monetary economics

	Time period	Professional identities	Representative causal claims	Policy program	Key figures
Polarization	Late 1960s-1980s	Monetarism vs. Keynesianism/ structuralism	Inflation is determined by money supply (quantity theory of money)	Monetary targets: fix constant rate of growth of money supply	Milton Friedman, Robert Lucas
	1970s-1980s	Global monetarism vs. Keynesianism and "closed economy" approaches	Inflation is determined by exchange rate	"Tablitas:" fix exchange rate	Robert Mundell; designers of Southern Cone stabilization plans
Return to the center	1980s	Neo-structuralism	Inflation is inertial	"Heterodox stabilization:" use wage/price controls alongside monetary and fiscal "orthodoxy"	Designers of heterodox stabilization plans
	1990s	"Open economy"	Inflation determined by exchange rate; "rules" create policy credibility	Exchange rate based stabilization/bipolar view: either fix exchange rate or target inflation	Stanley Fischer; Rudiger Dornbusch; Michael Mussa
Settlement	1990s-2000s	New Keynesianism	Policy "credibility" reduces tradeoffs	Inflation targeting; Taylor rule	Ben Bernanke; John Taylor

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Tod Van Gunten is a postdoctoral research fellow at the Carlos III-Juan March Institute, having received his Ph.D. in Sociology at the University of Wisconsin-Madison in 2012. This paper is part of a larger book project on the politics of finance in Latin America, entitled *Power and Pesos: Bureaucratic Elites and the Politics of Money in Mexico and Argentina*.