Economic Experts and Neoliberal Policy Changes: A Case Study of North American Free Trade

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Abstract

Existing research shows that economists play central roles in neoliberal policy changes, particularly when they rise to high-level positions of formal authority as bureaucrats or politicians. This paper improves on previous studies of economists' influence by showing that, no matter what the formal authority of their posts, they still need to persuade powerful constituencies to support them for their policy agendas to become politically feasible. Previous studies have not fully explained how economists actually do that. Using a case study of North American economic integration in the 1980s and early 90s, I examine how economic experts successfully influence the policy priorities and stances of political and economic elites. But they frame their advocacy of liberalization using arguments with which they themselves disagree, in efforts to appeal to those other elites. This analysis therefore demonstrates both the power of economic experts and the limits of their power, and identifies several strategic frames used to make neoliberal policy changes politically feasible.

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Introduction

This paper investigates the roles played by recognized economic experts and their ideas in neoliberal policy changes. The paper uses a case study of North American economic integration in the 1980s and early 90s, and more specifically a comparison of how Mexico and Canada entered into free trade agreements with the United States. In the mid- to late 1980s, the Canadian government proposed and negotiated a bilateral free trade agreement with the United States. In 1990, the Mexican government then initiated similar negotiations with the U.S., and the eventual result was the trilateral North American Free Trade Agreement (NAFTA), enacted in 1994. Canadian politicians were convinced to pursue continental free trade both by the business community—under the leadership of big business specifically—and by a variety of economic experts in think tanks, academia, and particularly the federal bureaucracy. In Mexico, economists with prestigious credentials became political elites themselves, as they gradually took over the upper echelons of the executive branch. After they decided to negotiate free trade with the U.S., they successfully promoted the initiative to a relatively more passive domestic business community.

This paper builds on previous studies of why and how neoliberal policy changes happen, of the political influence of economic experts, and the ways that economic ideas and frames shape policy outcomes. In this case, economic experts got the policy they wanted: the establishment of a trilateral agreement institutionalizing neoliberal economic relations among, and in some ways within, the three North American economies. In both Canada and Mexico, experts succeeded specifically because they had sufficient professional status and intellectual authority to shape political and economic elites' visions of their own interests, even when they had no formal authority over them. In that sense, they played central, powerful roles in the creation of NAFTA. At the same time, though, this paper shows that economic experts in the two countries promoted North American free trade using arguments that actually contradicted the mainstream, academic, "neoclassical" trade theory to which they themselves subscribed. These substantial intellectual concessions demonstrate the limits of the experts' power: they had to make tacit endorsements of the non-neoclassical ideas of politicians and businesspeople, because doing so helped them win crucial support for their policy priorities. If neoclassical experts could have simply imposed the policy changes on their own, they would not have bothered to frame their arguments so strategically, especially in ways that they themselves found intellectually objectionable. In short, it takes both neoclassical and non-neoclassical ideas to make neoliberal policy changes happen, and without a willingness to make intellectual compromises, intellectual authorities would not have exercised the major political influence they did.

The paper begins by discussing how this analysis builds on previous studies of the roles of economic experts and their ideas in neoliberal policy changes. Next, the paper describes the domestic politics of North American free trade in Canada and Mexico, emphasizing the central but somewhat different roles played by neoclassical economic experts in each country. Third, the paper describes the similar intellectual compromises made by experts in the two countries, embodied in the frames they used to promote their policy agendas, and explains those deviations from neoclassical theory as efforts to win the support of political and economic elites. A fourth section concludes.

Economic Experts and Neoliberal Policy Changes

Definitions of neoliberalism vary. Many point to the policies listed by Williamson (1990), in the article that coined the famous phrase "Washington Consensus." Williamson identified ten policy instruments on which he considered there to be at least near-consensus among Washington-based economic policy experts (including himself). Six of these items would suggest that the Washington Consensus amounted to free market capitalism, with little state intervention in the economy: property rights; deregulation; privatizing state-owned enterprises; FDI liberalization and promotion; trade liberalization; and fiscal discipline (i.e., balanced or close-to-balanced government budgets). But Williamson's list also included prioritizing spending on education, health care, and physical infrastructure; and tax reform—the latter meaning tax policy changes of various kinds, some of which could just as easily increase total government revenues as reduce them.[1] So he later argued that the Washington Consensus did not preclude the kinds of equity-enhancing policies—most notably greater social welfare spending financed by tax increases—that conservatives abhor (Williamson 1993). And because he considered neoliberal to mean "conservative," he consequently rejected that the Washington Consensus was neoliberal. Nevertheless, the Washington Consensus could also be consistent with conservative or libertarian fiscal policies, and quite often has, in practice, been implemented together with them. So a more stringent definition of neoliberalism—a higher bar for what it takes to be considered a neoliberal—could be those ten policies *plus* opposition to government taxation and spending.

By the former, less restrictive definition, almost all economists are neoliberals, because they consider the Washington Consensus policies simply the most cost-effective means to what they consider desirable ends, most notably economic growth.

[1] The final two policies were sustainable exchange rates and market-determined real interest rates. Williamson listed financial liberalization as a policy on which there was *not* consensus. And in his view, trade liberalization have to mean zero trade barriers: he considered low tariffs, particularly for infant industries on a temporary basis, to be an acceptable policy in Washington's eyes.

By the latter more restrictive definition, however, many are not neoliberal, or only partly so. Many economists consider policies like welfare spending and taxation to be matters of societal priority rather than efficiency, and/or they may consider equity-oriented policies important for poverty reduction, not just economic growth alone. Irrespective of this definitional ambiguity, however, economists are certainly quite strong supporters of trade and foreign direct investment liberalization in general. Since the main goals and effects of NAFTA and other contemporary free trade agreements are to liberalize trade and direct investment, and this paper focuses specifically on two such agreements, economists can be said to support the neoliberal policies considered in this paper.[2]

Given the breadth and prominence of their support, a wide variety of studies have argued that economists and/or their ideas play central roles in neoliberal policy changes (e.g., Babb 2001; Blyth 2002; Bockman and Eyal 2002; Campbell 1998; Dezalay and Garth 2002; Fourcade-Gourinchas and Babb 2002; George 1997; Haggard and Kaufman 1992; Harvey 2005; Pastor and Wise 1994; Rupert 2000; Schneider 1998; Sheppard 2005; Teichman 2004). This paper builds on this large existing literature, and validates several major insights from it. But the paper also shows that, in a variety of ways, previous studies have often misidentified the exact roles of economists and their ideas in neoliberal policy changes.

According to some accounts, political and perhaps even economic elites have themselves come to subscribe to mainstream, academic "neoclassical" ideas. Sheppard (2005: 151) for example argues that "free trade doctrine" has become "global common

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[2] NAFTA liberalized trade in goods, services, and agricultural products among Mexico, Canada, and the United States; included protections for foreign investors and intellectual property rights; opened up several major sectors of the Mexican economy to foreign capital; and instituted a rigourous dispute settlement process. The trilateral NAFTA expanded on the previous, slightly narrower agreement negotiated bilaterally by Canada and the United States in the mid- to late 1980s. The intellectual property rights included in NAFTA (and in many other subsequent FTAs, as well as the GATT's Uruguay Round agreements) are about the only provisions considered controversial by many economists, though some might also question the financial liberalization provisions in the U.S.-Chile FTA.

knowledge" among not just economists, but also politicians and major media outlets. Rupert (2000) says that economists, businesspeople, and politicians partake of the same "hegemonic ideology" (42) and that "the mainstream [academic] theory of international trade, and the liberal world-view in which it is embedded, constitute the governing ideology of the world economy and its central institutions" (54). Clarkson (1993: 61) says that "neoclassical economics has been the dominant intellectual belief system among the industrial world's decision-makers since they became disillusioned with Keynesianism in the 1970s."[3] This view suggests that neoclassical economists play an extremely powerful role, in that they exercise heavy influence over the very intellectual frameworks through which other elites understand economic relations. Not surprisingly, these accounts perceive a relatively seamless alliance between economic experts, politicians, and capitalists.[4]

This paper shows these arguments to be erroneous. Few politicians and businesspeople subscribe to neoclassical ideas—in fact, except for the few who happen to have formal training in economics, they generally do not even understand them. As a consequence, neoclassical experts do not argue for specific policies using neoclassical premises and concepts, and they do not exercise that much influence over other elites' economic ideas and worldviews. They have to construct alliances more carefully, by bridging their economic ideas and concerns with those of politicians and capitalists.

Most accounts do not claim that politicians actually adopt economists' ideas (though nor do they specify the opposite). Instead, most studies focus on economists

[3] Similarly, Cypher (1993: 146) says that "the cutting edge of the corporate-government juggernaut promoting NAFTA has been forged through the propagation of the simulation results of tautological and aprioristic neoclassical trade models."
[4] Some rational actor based explanations of neoliberal policy changes—which, ironically, are sometimes *sympathetic* to those changes—also tacitly suggest that politicians have adopted economists' ideas. Their formal models suggest as much by assuming that the politicians involved calculate the costs and benefits of trade policy votes in the same way as would economists.

free to enact their preferred policies due to their occupancy of positions of authority inside key state agencies—particularly as cabinet ministers and high-level bureaucrats. In countries with the right bureaucratic and political career ladders, such as the Mexican case described below, economists can enjoy even more political success. They may become political elites themselves without any political superiors to whom they are accountable. Economists in all these positions are typically referred to as "technocrats" or "technopols" (Domínguez 1996). The bureaucratic and political successes of economists, and their ability to enact neoliberal policy changes, raise two key questions: Why do free market economists, as opposed to people with other expertise and/or policy preferences, come to occupy these positions of formal authority? And why do their political superiors—if they have any—accept, adopt, and actively pursue their policy priorities?[5]

Previous studies have identified at least four reasons why economists exercise policy influence as technocrats and/or rise to positions of formal authority as political elites. First, economists benefit tremendously from their perceived expertise and professional credentials, particularly those who have received training in prestigious academic institutions (e.g., Dezalay and Garth 2002; Markoff and Montecinos 1993). The most prominent Latin American technocrats, in particular, have almost inevitably possessed PhDs from top U.S. economics departments. Second, economic constraints, such as foreign debt obligations and public sector dependence on private investors, can push state policies in directions neoliberal officials favour anyway (e.g., Stallings 1992; Thacker 2000). Free market technocrats may appear the most capable of negotiating with international lenders (Babb 2001) or their hiring and promotion can help signal

[5] A sort of null hypothesis might be that technocrats really do not have much power. Geddes (1995) argues, for example, that politicians simply replace bureaucrats when they do not like their policy recommendations, for political or other reasons.

foreign investors that a country will enact policies they appreciate (Schneider 1998).[6] Third, support and resources from international financial institutions, such as information and endorsements, can also help free market technocrats rise vis-à-vis more statist and nationalist domestic competitors (Teichman 2004). Fourth and last, economic crises can help neoliberal technocrats by delegitimating the policy preferences of existing or other officials (Golob 2003; Rodrik 1994).[7] In short, these studies suggest that technocrats owe their positions of authority to outside forces on which they are ultimately dependent—political superiors, foreign creditors and investors, international institutions, macroeconomic circumstances. But they also suggest that once neoclassical economists hold positions of policymaking authority, they are largely free to enact their preferred policies (at least as long as their preferences remain neoliberal).

This paper builds on these arguments, in two ways. First, these previous studies have often focused on the power of neoliberal officials with considerable formal authority over economic policymaking, and sought to explain how they acquired that authority. In contrast, the two cases considered here illustrate that the political feasibility of neoliberal policies can depend on economists exercising considerable influence over powerful constituencies even when they do not possess much formal authority over them. In the Mexican case, even a group of tightly knit, ideologically unified technocrats in an undemocratic political context still could not simply impose their policy preferences, but had to sell them to powerful non-state constituents. Only in even more authoritarian contexts, then, where the state could violently repress dissidents, would neoclassical experts not have to worry about successfully promoting their initiatives effectively. In the Canadian case, a group of mid-level officials formally subservient to political elites had to

[6] Latin Americanists have been particularly prolific commentators on the politics of neoliberal policy changes, likely because Latin American states embraced neoliberal policies so deeply, quickly, and enthusiastically.
[7] See Legro (2000) for an insightful conceptual schema for understanding the role of crises in economic policy changes.

convince the latter to pursue a contentious economic policy. As in the Mexican case, though, their lack of formal authority did not prevent them from convincing other powerful actors to support their agendas.

Second, both cases validate existing arguments that economic experts build political momentum towards neoliberal policy changes on the strength of their professional prestige and perceived expertise. But had their credentials and prestige and the apparent ineffectiveness of competing policy agendas been enough, they would not have made the substantial compromises they did in promoting their agenda. Instead, while economic experts' prestige certainly helped them influence other elites' policy priorities, they still had to exercise that influence by selling their agenda on the latter's intellectual terms. Given this need for effective promotion, the frames used to promote neoliberal policies can actually determine whether a given initiative succeeds or fails. Yet few previous studies have actually examined how neoclassical policy entrepreneurs sell their agendas, including how they frame their arguments and shape the policy priorities of political and economic elites. The absence of much research in this area may be understandable given this summary of the "new sociology of ideas" from Camic and Gross (2001: 237):

> The sociology of ideas focuses primarily on those who are relatively *specialized* in the production of scientific, interpretive, moral, political, or aesthetic ideas. In contemporary societies, such specialists often have academic locations … As a shorthand for this broad array of specialist knowledge producers, we will sometimes speak of *intellectuals*. (original emphasis)

Studies of "ideas" tend to address the ideas of technical experts and intellectual elites, and studies of (non-interest-based) ideas in politics have tended to adopt the same approach. Most often, they have examined the power of formal economic ideas such as Keynesianism (e.g., Hall 1989; Weir and Skocpol 1985), and less often the informal ideas of practical economic and political actors. With respect to policymaking, the ideas of the experts supplying policy proposals have been more closely examined than the ideas of the politicians receiving and considering them. Yet the importance of the receptors' ideas should not come as a surprise, given the extensive research demonstrating the importance of framing to social movements (see Benford and Snow 2000 for a review). That literature shows that groups of people trying to win competitive political struggles strategically tailor their messages to their audiences, and tend to win more often when they do so effectively. Alternatively, the ideas of an audience influence the effectiveness of arguments directed at that audience. There is no reason to think the "neoliberal movement" would be any different.

This paper shows that even quite neoclassical thinkers frame their policy agendas using arguments that they themselves find intellectually dubious, if not simply wrong. Several previous studies have acknowledged a gap between neoclassical theory and the arguments actually used to promote neoliberal policy changes,[8] but they have not described the gap in significant detail. This paper seeks to illuminate that gap, using one policy area that has undergone particularly extensive liberalization worldwide since the 1980s: international trade. This policy area is also a useful focus, given that neoclassical economists themselves believe that political debates about trade, including even arguments *for* trade liberalization, revolve around what they consider the wrong issues (e.g., Burtless et al 1998). Krugman (1997: 113), for example, argues that "the compelling economic case for unilateral free trade carries hardly any weight among people who really matter."[9] This paper validates Krugman's complaint that political and

[8] Somers and Block (2005: 261), for example, argue that "market fundamentalist" ideas driving welfare state cutbacks are "more extreme than (and must not be confused with) the nuanced arguments made by most mainstream economists." See also Block (1996). Dezalay and Garth (2002: 81) speak of the "vulgarization" of economic ideas, and both Krugman (1994) and Blyth (2002: 164) argue that the politically influential ideas of U.S. "supply-siders" in the 1980s were not taken particularly seriously by academic economists.
[9] By "people who really matter," Krugman means policymakers and powerbrokers. See also Krugman (1996: 70) on policymakers' pervasive "deep ignorance" of international economics.

economic elites do not subscribe to the ideas of academic economists, but also shows that economists still exercise considerable influence over economic policymaking.

The Domestic Politics behind North American Free Trade

This section describes the roles played by neoclassical economists in the Canadian and Mexican decisions to propose and negotiate free trade agreements (FTAs) with the U.S. The section emphasizes that even in the absence of formal authority over other elites, economic experts obtained their support for their policy agendas. In Canada, economists' arguments swayed politicians, while in Mexico, they built support among businesspeople.[10]

The Progressive Conservative government of Brian Mulroney announced its decision to negotiate an FTA in 1985, after a long and very public preparatory process. The Canadian business community was centrally involved in that process, and a major advocate of the initiative. In Mexico, in contrast, the decision to negotiate was made much faster, with minimal public discussion and little advocacy by business. Mexican officials began preliminary talks with their American counterparts without either side announcing to the public that the idea was even being considered. News of the talks only reached the public when the *Wall Street Journal* broke the story in a third-page article on March 27th, 1990.

While Canada and Mexico arrived at NAFTA by different paths, they were set on course towards it by the same event: the international recession of the early 1980s. The recession was far worse for Mexico, and triggered several years of sweeping economic

[10] Empirically, this article rests on more than one hundred interviews I conducted in Mexico, Canada, and the U.S. (with negotiators, other public officials, politicians, political staff, and private sector representatives); a wide range of archival evidence (governmental and private sector publications, transcripts of legislative debates, news coverage, and public opinion polls); and previous academic studies and journalistic accounts of North American free trade. Translations of quotations from interviews and documents originally in Spanish are my own.

policy changes, including the privatization of most state-owned enterprises,[11] reductions in public sector expenditures, and the dismantling of trade barriers and restrictions on foreign investment. Despite its previous success with import substitution industrialization, Mexico eliminated import permits, cut tariffs and quotas, and joined the GATT in 1986.[12] Canada underwent similar though less dramatic policy changes, after frustration with the country's worst recession since the Great Depression led to declining support for the Liberal Party and the landslide election of the more pro-business Progressive Conservatives ("Tories") in 1984.

Economic experts played key roles in both countries' decisions to negotiate FTAs with the U.S. Particularly in Mexico, previous studies have shown that Mexico's embrace of neoliberal policies, including trade liberalization, was largely due to the political rise of a new generation of free market economic technocrats (Babb 2001; Centeno 1997; Cronin 2003; Dezalay and Garth 2002; Fourcade-Gourinchas and Babb 2002; Golob 2003; Heredia 1996; Pastor and Wise 1994; Thacker 2000). This cadre of elite economists gained control of economic policymaking over the course of the 1980s, especially as they pushed out older officials with more traditional—nationalist and statist—policy preferences. The inauguration of President Carlos Salinas de Gortari in late 1988 only demonstrated the extent of this transformation. He received a PhD in political economy from Harvard's Kennedy School of Government in the 1970s. All of his economic cabinet ministers, and many high-level staff in the Mexican state bureaucracy at that time, held PhDs from prestigious U.S. economics departments. The trade and

[11] Mexico had 1,155 state-owned enterprises in 1982, and only 433 by 1988 (Aspe 1990: 125). Other major industries and enterprises, including the telephone service, the airlines, and the banks, were privatized in the early 1990s.

[12] See Page (1992) for a good overview of Mexican trade policy from the 1950s through the 1980s. Blanco (1994) provides a similar history, from the point of view of an influential Mexican official. Lustig (1998) has probably the most widely cited account of Mexico's economic history in this period.

budget ministers came from Yale, the finance minister from MIT, the chief NAFTA negotiator from Chicago, and Salinas' chief of staff from Stanford.

Salinas emerged the victor from a summer 1988 election that was grossly manipulated by his long-ruling Partido Revolucionario Institucional (Institutional Revolutionary Party, or PRI). The PRI controlled the country's presidency from 1929 to 2000 using a mix of state corporatism, vacuous revolutionary rhetoric, patronage, corruption, populist economic policies, occasional repression, and crooked elections. Under the PRI, incumbent presidents handpicked their own successors and controlled the federal congress, the courts, and the country's state governments.[13] In short, although Salinas was nominally elected, Mexico was not a democracy during the process of NAFTA's creation. Politically, once they occupied high state office, Salinas and his team were quite well insulated.

In contrast to Mexico's, Canada's neoliberal intellectuals were more home-grown, and they played a quite different role in their country's decision to negotiate a free trade agreement with the U.S. Instead of occupying top positions of formal political authority themselves, they exercised influence more indirectly, by advising elected politicians. Bilateral free trade with the U.S. had been proposed many times in Canada before the 1980s, and was never totally beyond consideration.[14] But a series of events in the early 1980s placed the idea on the political agenda once and far all: the recession, a small burst of threatening U.S. trade remedies actions, growing support for trade opening on the part of Canadian business, the election of the more pro-business Tories, and increasingly bold endorsements by economic experts (Doern and Tomlin 1991; Hart et al 1994).

[13] Mexican presidents serve six-year terms and cannot be re-elected.
[14] Proposals, and actual agreements, for Canada-U.S. free trade date from the 1850s. See Granatstein (1985) for an excellent history of the episodic considerations of free trade, a customs union, etc. between Canada and the United States.

Experts were particularly influential at two points. First, a reorganization of Canada's federal economic ministries in 1982 gave more authority over trade policy to bureaucrats more sympathetic to free trade. Policy reviews and papers subsequently began to raise new possibilities for Canada's trade relations with the U.S., and over time they grew more openly supportive of negotiating an FTA with the U.S. (Doern and Tomlin 1991: 18; Golob 2003: 379; see also Clarkson 2002: 26-7). Second, the 1982 recession also prompted the Liberal government to establish a "Royal Commission on the Economic Union and Development Prospects for Canada." The Commission's multi-volume final report strongly endorsed an FTA with the U.S., the sections on trade policy being written by a handful of committed free traders from the bureaucracy, academia, and think tanks (Simeon 1987). The Commission process and the production of key policy papers (e.g., External Affairs Canada 1983) therefore gave free market economic experts an opportunity to develop, make, and solidify their case for significant trade liberalization. They played a key role in getting the proposal on the political agenda, and in convincing politicians to support it.[15]

In addition to economic experts, the Canadian business community played a significant role in the Mulroney government's decision to propose CUFTA. The Business Council on National Issues (BCNI, an association of CEOs from large corporations) and Canadian Manufacturers' Association (CMA) played especially key roles. The CMA, dominated by central Canadian industrialists, had historically resisted trade liberalization, but by the early 1980s had significantly reversed its position. Around that same time, the BCNI, and particularly its president Thomas d'Aquino, began to push hard for free trade

[15] According to my interview with one government official involved, the key experts involved with the Royal Commission included Gilbert Winham (a political scientist from Dalhousie University), John Whalley (an economist from Western Ontario), and Jack Quinn (from the Osgoode Hall law school at York University in Toronto). Hart et al (1994: 109) add business professor John Crispo and C.D. Howe Institute researchers Richard Lipsey and Murray Smith as major intellectual backers of CUFTA. Lipsey and Smith (1985) circulated an influential policy paper in May 1985 sharpening the case for a bilateral FTA.

with the U.S. (Tomlin 1989; Langille 1987: 67).[16] The idea really gained traction in the Canadian business community around 1982, with the recession and a rise in U.S. trade remedy actions (countervailing and antidumping measures).[17] Canadian business had grown increasingly dependent on exports to the U.S., and the trade remedies suddenly threatened to constrain exports to that market. An FTA promised broader and more secure access. Although the number of trade remedy actions was actually not very high,[18] they were enough to generate considerable concern in Canada. At the same time, trade ministers failed to launch a new round of multilateral trade negotiations at the GATT in 1982. From a Canadian point of view, that failure meant that U.S. trade remedies could not be dealt with multilaterally. The American response, meanwhile, was to explore non-multilateral possibilities. The U.S. Congress passed a Trade and Tariff Act in late 1984 authorizing the Reagan Administration to negotiate bilateral trade agreements, with Israel and Canada being the only potential partner countries specified by name.

By 1985, after the election of the Tories in the fall of 1984, the idea of an FTA with the U.S. was squarely on the Canadian political agenda. A summit meeting between Reagan and Mulroney, federal-provincial consultations, cross-national hearings, and parliamentary deliberations all moved the issue forward. Soon the BCNI, CMA,

[16] The BCNI, established in 1976 and partly modelled on the U.S. Business Roundtable, was composed of the CEOs of 150 corporations operating in Canada (whether Canadian owned or not).

[17] Countervailing duties are officially intended to counteract the effects of foreign subsidies. Antidumping duties are officially intended to protect domestic producers from predatory pricing schemes by foreign competitors (i.e., temporarily setting prices below the cost of production, to eliminate competitors and charge higher prices afterwards). In practice, subsidies are often in the eye of the beholder, and the formulas used to identify dumping practices make little economic sense. Foreign exporters have therefore argued that domestic producers have exploited both mechanisms, in the U.S. and elsewhere, to protect themselves from legitimate foreign competition.

[18] Gruber (2000: 102) notes that between 1979, when U.S. trade remedy law was significantly loosened, “and the commencement of bilateral negotiations in 1986, the United States filed a grand total of only twenty antidumping and thirteen countervailing duty cases against Canadian concerns.”

Canadian Chamber of Commerce, Quebec Chamber of Commerce, Canadian Federation of Independent Business, Canadian Exporter's Association, and Retail Council of Canada all called for a comprehensive trade agreement with the U.S. (Doern and Tomlin 1991: 310; Hart et al. 1994: 76; Langille 1987: 68). The political imperative of satisfying a major demand of the private sector, combined with the Tories' increasing belief in the proposal's potential benefits, led Mulroney to make a formal request to the Reagan Administration in September of 1985 for negotiations on a bilateral FTA.

Canadian trade policy had traditionally sought to diversify the country's economic relationships away from the U.S.—particularly towards Europe, and later, Asia. Through the 1970s, rather than enhance Canada's integration with the U.S., the Canadian government sought to reduce it, such as with stricter regulation of American investments in Canada and a nationalist energy policy.[19] Free trade with the U.S. was therefore a sharp reversal of past policy. The primary argument for free trade in Canada was securing and enhancing exporters' access to the huge U.S. market. Canadian trade policy had previously aimed at fostering local industry, and had cautiously encouraged foreign—mostly American—firms to establish branch plants in Canada by erecting a tariff wall against foreign imports. The new vision was to build a more outwardly oriented domestic industrial sector, specializing in a small number of product lines but serving larger markets. Canadian businesspeople, politicians, and economic policy advisors all united around that goal.

Businesspeople were not as heavily involved in the Mexican state's decision to propose an FTA with the U.S. When the Mexican public first learned of the proposal, most business leaders—even the few who had indeed been advocating for a major trade

[19] This policy, known for years as the "Third Option," was outlined in a defining policy paper by Sharp (1972).

initiative with the U.S.—were in fact quite surprised.[20] Those Mexican businesspeople even considering the idea had generally thought that an FTA might be an option five or ten years later, at the soonest. Business in Mexico therefore responded to the initiative rather than triggered it.

Given their academic training, Salinas and his fellow technocrats always believed in trade liberalization. They had liberalized Mexico's trade policies in dramatic fashion between 1985 and 1987, dropping tariffs, eliminating import licenses and quotas, and negotiating Mexico's accession to GATT in 1986 (see Cronin 2003). They were so committed to free trade, in fact, that the only substantial new commitment they had to make to join GATT and gain increased access to other countries' markets was to eliminate official reference prices by 1987. Everything else they had already done unilaterally (Page 1992: 375-6). As a result of the liberalization, both imports and exports as percentages of Mexico's GDP expanded significantly.

Nevertheless, Salinas did not decide to pursue free trade with the U.S. until he felt pushed to do so by macroeconomic circumstances. After renegotiating Mexico's massive foreign debt, significantly deregulating foreign investment in 1989, and given the many market-oriented policy changes Mexico had already made, Salinas hoped that Mexico would enjoy a burst of capital inflows. That failed to happen, however. Salinas believed that a major reason was the fall of the Berlin Wall and the other events in Eastern Europe in 1989 and early 1990. He became convinced that foreign investors had lost interest in Latin America, and that Mexico needed to do something dramatic. His response, the proposal of a free trade agreement, was therefore driven as much by the

[20] What business advocacy there was came from large, internationally oriented firms represented by the Consejo Mexicano de Hombres de Negocios (Mexican Businessmen's Council) and the Consejo Empresarial Mexicano para Asuntos Internacionales (Mexican Business Council for International Affairs). These groups had been discussing proposals for continental integration since the early 1980s, but their sporadic calls for a common market or (later) a free trade agreement had been repeatedly rebuffed by the Mexican state. The rest of the Mexican business community had not discussed the idea much at all.

goal of attracting foreign investment as by the goal of increasing trade with the U.S. (Cameron and Tomlin 2000; Espinosa and Serra Puche 2004; Mayer 1998; Ros 1992; Thacker 2000).

It was large international investors to whom the initiative was aimed, not small domestic businesspeople. But the latter were potential opponents of the initiative, given that trade theory and the likelihood of an influx of foreign capital suggested that many Mexican businesspeople, especially from smaller firms, stood to lose out (e.g., Evans 1979, 1997; Hiscox 2001; Kingstone 2001; Rodrik 1994; Shadlen 2000). Consequently, Mexican officials worried about maintaining political support. One Mexican official summed the situation by saying that: “I think that we manipulated things so as to make NAFTA popular. It was not naturally popular. There was a great salesmanship. Salinas was a salesman.” In response to a question about the relationship between the Salinas Administration’s neoliberal policy changes and the political/electoral context at the time, another official said:

> There was *never* a direct, immediate rationale for the structural reforms, in terms of the effects they could have on voting. To the contrary. There were two very large concerns. Losing the support of the PRI itself ... And losing voters.

Salinas and other officials felt that they were taking a significant political risk in pursuing free trade with the U.S., as well as other neoliberal policies. As a result, they devoted considerable time and energy to publicly promoting NAFTA.

In the end, their efforts paid off. All the country’s major cross-sectoral business associations eventually endorsed free trade with the U.S. and Canada. Even the small industrialists’ association which other accounts have suggested was opposed (Flores 1998; Shadlen 2000) offered an official endorsement (Canacintra 1993). That breadth of support was largely a consequence of skillful political maneuvering by the state. First, public officials constrained the vehicles available for the expression of public concerns about free trade with the U.S. By manipulating political representation, including business representation, the state created the illusion of more consensus in favour of the initiative than there really was, thereby marginalizing what opponents there were. Second, the state offered potential opponents the opportunity to win concessions in the provisions of the agreement—long transition periods in particular—thereby giving them an incentive to work *for* favourable terms, rather than *against* the initiative in general. From the point of view of most Mexican officials, these trade-restrictive measures were not good policy, but from a politically pragmatic point of view, they helped mute potential business opposition. They were therefore a small price to pay for what was overall a good (overall strongly neoliberal) agreement.[21] Lastly, advocates of NAFTA worked hard to promote the agreement as a benefit to all Mexicans and Mexican industries, pointedly overlooking its inevitable costs to some sectors. The next section of the paper describes the arguments they used.[22]

In sum, cross-class business support for continental free trade emerged at an earlier stage of the process in Canada than in Mexico. In Canada, business largely organized itself, under the leadership of big, internationally oriented firms. In Mexico, the state was much more involved in building a private sector consensus in favour of North American integration. Neoclassical state bureaucrats played major roles in both countries, but those roles differed. In Mexico, elite economists parlayed their expertise and credentials into positions of formal, and substantial, political and policy authority. Despite this authority, however, once they had decided to pursue an FTA with the U.S.,

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[21] The negotiators agreed to phase out tariffs and non-tariff barriers over as long a transition period as 15 years, with tariffs on almost all products to be eliminated immediately or over five, ten, or fifteen years. The international negotiations over market access largely resolved which products would be included in which category. Negotiators took their cues from representatives of domestic industry in deciding which industries to protect for longer or shorter periods of time. Other concessions included restrictive rules of origin, and complete exclusions for some services.
[22] The Mexican state also worked to promote NAFTA in the U.S., given the uncertainty of its ratification by the American Congress (Velasco 1999; Von Bertrab 1997).

they still had to work hard to persuade the Mexican private sector to support the initiative. The eventual support for NAFTA among Mexican businesspeople, in the face of economic models suggesting that many of them stood to lose out, testifies to the success of the technocrats in shaping private sector stances on the issue. In Canada, economic experts holding lower-level positions inside the state exercised similar influence, but over a different set of actors. Their key contribution to North American free trade was convincing elected politicians that it was a good idea.[23]

Economists' power of persuasion was also demonstrated by the process through which Canada joined the initially bilateral Mexico-U.S. FTA talks. In early 1990, when news of preliminary discussions between Mexican and American officials leaked out, Canadian officials were dismayed. Canada's bilateral FTA with the U.S. had only gone into effect a little more than a year previously, and free trade had been extremely politically contentious in Canada. A federal election in 1988 had been largely fought on the issue (see Ayres 1998), with the pro-free trade Tories only winning reelection because the two main oppositions parties split the left-of-centre and anti-FTA vote. When Tory politicians were confronted with the possibility of Mexico and the U.S. signing a bilateral agreement on their own, many had the instinct not to get involved, particularly because public opinion had by that time become very anti-free trade.

Nevertheless, a task force was created in the Department of External Affairs and International Trade in the spring of 1990. The task force consulted with a number of economic policy experts in both Canada and the U.S. By the summer, it submitted a policy brief to the Tory cabinet, strongly recommending that Canada request to

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[23] To some extent, the differences between the roles of economists in Mexico and Canada reflect differences in the two countries' political systems. Mexico's presidential system allows experts to be appointed as cabinet ministers. In Canada, in contrast, cabinet ministers are almost always sitting members of the House of Commons. So career bureaucrats can rise to any level in the Mexican system, whereas they cannot in Canada—unless they leave the bureaucracy to seek election to public office.

participate in the Mexico-U.S. talks and propose the negotiation of a trilateral agreement. Against the politicians' political concerns, the task force made an economic case for participating. The operative argument was that Canada would lose out if Mexico and the U.S. negotiated a bilateral deal on their own. A policy paper from the C.D. Howe Institute helped seal the economic case: Lipsey (1990) argued that if Canada did not participate, the U.S. would become an economic "hub" with Canada being just one of a growing number of outward-radiating economic "spokes." The presumed threat was the deviation of trade and investment from Canada to the U.S. The economic arguments of the task force and the Lipsey paper won the day—the Tory cabinet decided to make a formal request to the Bush Administration to participate. Once again, economic experts' advice influenced the economic policy decisions of political elites.[24]

Intellectual Concessions in the Case for North American Free Trade

The last section illustrated the power of economic experts, by showing that they played important roles in promoting and therefore establishing North American free trade, including by shaping how other elites perceived their own stakes in the issue.[25] This section describes how economic experts promoted North American free trade to politicians in Canada and to business in Mexico. In doing so, this section demonstrates the limits of the experts' power, by showing that they accommodated their arguments to

[24] The Bush Administration was amenable to Canada's request to participate—particularly because of the excellent relations between the American president and Canadian prime minister at the time—and endorsed Canada's request. Mexican officials were somewhat wary, because they sensed (correctly) that Canada's motives were substantially defensive. As a consequence, Mexico requested that the negotiations move forward on the understanding that if any of the three parties became an obstruction, the other two could proceed on their own. That understanding was accepted by all three parties.

[25] This paper admittedly brackets the role of economic experts, as well as business and politicians, in promoting North American free trade to the general public. At some point, each country witnessed a considerable debate about the initiative, and elites worked to win popular consent to the initiative in the face of opposition from labour and civil society organizations. That story is for another paper.

the economic worldviews and priorities of other types of elites—those to whom they were pitching their policy agendas. They convinced politicians and businesspeople to support North American integration for reasons different than the ones motivating themselves, using arguments that they found intellectually questionable, if not simply wrong. The section describes four ways in which their arguments for NAFTA diverged from standard neoclassical economics, summarized in Table 1.

Table 1: Neoclassical Theory vs. Actual Arguments for Free Trade

	Neoclassical Theory	**Actual Arguments**
Trade is about…	productive efficiency and importing	exporting
The winners from trade liberalization are…	consumers and exporters	all producers
Trade relations among national economies are…	mutually beneficial	competitive
Increasing trade generates…	better jobs	more jobs

First, Sheppard (2005: 151) summarizes that, in the neoclassical view, "unrestricted commodity exchange between places is the best way to advance their mutual prosperity." Neoclassical theory arrives at this conclusion on the grounds that free flowing international trade allows countries to specialize in what they do best, resulting in a more efficient distribution of productive resources, and therefore more wealth for all. Different countries will have comparative advantages in different types of production, whether for reasons of geography and natural resource endowments, or of capital accumulation (physical, financial, human). Relatively labour-abundant countries can devote themselves to labour-intensive production, while capital-abundant countries can get out of labour-intensive activities and expand capital-intensive industries. From this point of view—descended from the classic works of Adam Smith and David Ricardo—if another country can produce something more cheaply than can one's own economy, it makes more sense to import it than produce it at home. Ceasing domestic production of that product in turn allows the home economy to devote itself to producing other things, which it can export as payment for imports. The neoclassical view therefore regards *importing* goods and services as the purpose of trade: imports represent the receipt of wealth that is the very purpose of economic activity, while exports are wealth transported to foreign nations.

In contrast, advocates of North American free trade treated exports as the positive consequence of trade, and frequently ignored imports completely. At times, if they mentioned imports at all, they implicitly presented them as the necessary cost of trade opening. This positive view of exports and negative view of exports gave the arguments for free trade what neoclassical economists derisively called a “mercantilist” quality.[26] Shearer (1986: 57), an academic economist, complained, for example, that the report of the Royal Commission that recommended Canada negotiate an FTA with the U.S.:

> reads like an argument that exporting is good and importing is the unfortunate cost which the nation must bear to expand exports. This is classic mercantilism. The Commissioners do not go so far as to argue that international trade is a zero sum game; but they come close.

When asked about the mercantilist quality of the Macdonald Commission’s report, one official explained emphatically that it “was not an economic textbook! It was a report to the government! So you have to put it not in economic terms, but in *political* economic terms!” Another Canadian official involved agreed that economists used mercantilist arguments to promote free trade:

[26] Mercantilism was originally an economic doctrine influential in Europe between the 16th and 18th centuries, which held that nations could maximize their wealth and power by increasing exports and minimizing imports. Exports would generate earnings in the form of precious metals, while imports required the expenditure of such metals. Adam Smith and modern political economists rejected mercantilism, however, and laid the basis for the neoclassical paradigm dominant today. Contemporary economists therefore consider mercantilism a completely discredited economic theory.

> The politics still dictate that exports are good and imports are good. They still dictate that trade creates jobs. All of this is economic rubbish, of course. The economics side of it is to go along with it because it meets our model that reduced government interference in business transactions, transactions between individual buyer and sellers, will improve economic performance. That's the business that we're in. So you use the arguments at hand. … You sell [trade liberalization] on mercantilist grounds.

Similarly, when asked whether the promotion of NAFTA in Mexico was mercantilist, an official from that country replied:

> Of course. Of course. … Which other way do you sell a free trade agreement?! It's very difficult to sell a free trade agreement on a theoretical basis. Because you need people to understand economic theory. So it's easy to sell it on 'we'll have access to the biggest market.'

In short, neoclassical advocates find that increased export opportunities are an attractive feature of FTAs which they can use in promoting them. They find that mercantilist framing resonates with their target audiences, while framing FTAs as beneficial on efficiency grounds are less effective. I will explain why below.

Second, neoclassical theory values international trade for its benefits to consumers: lower prices (effectively expanding everyone's buying power), and access to a wider range of higher quality goods and services. Because of this emphasis on consumer benefits, the neoclassical view appreciates trade liberalization for the pressures that increased foreign imports bring to bear on domestic producers. The latter have to become more efficient and match both the prices and the quality of foreign imports. Neoclassical trade theory therefore frowns on import restrictions that protect domestic firms (Krueger 1995), even if some domestic firms or industries have to suffer or disappear in the absence of such restrictions. In short, neoclassical arguments for trade liberalization recognize important conflicts between those interests and those of both consumers and export-oriented industries—the latter standing to gain from trade liberalization via increased sales of exports. But they do not consider the interests of import-competing domestic producers to be a priority. Consequently, neoclassical economists recommend that countries drop barriers to trade (such as tariffs and quotas), no matter what any other country chooses to do (Bhagwati 1988; Burtless et al 1998: 27; Krugman 1997), though if other nations eliminate their own barriers to trade as well, so much the better for everyone involved.

Advocates of NAFTA, however, seldom referred to the benefits to consumers of liberalized trade, and almost never acknowledged the benefits of increasing competitive pressures on domestic producers. They certainly avoided acknowledging that some domestic firms would have to be sacrificed for the sake of greater overall productive efficiency and consumer benefits. They framed the main goal of trade policy as supporting domestic business much more than serving the interests of consumers, and they tended to de-emphasize the conflicts between import-competing and export-oriented producers. One Mexican official described how he and his colleagues presented the NAFTA initiative to Mexican business:

> It was hard to say: 'Okay guys, this is what's going to happen: A surge of imports is going to come! And then you're going to suffer, and just really—you're gonna really be in bad shape. Some of you are gonna die. Okay?! But others are gonna to start doing a transition, will start to modernize. And overall we're gonna start to export more. … The surviving firms are gonna be stronger, and gonna be able to deal better with the world that's coming.' How do you say that?! So you know what we did? 'Exports are gonna grow.' We never addressed the import issue.

This appeal to Mexican business mirrors the reasons why the Canadian business community had wanted an FTA was the U.S. in the mid-1980s. Canadian businesspeople had also been primarily interested in increased and more secure access to the American market. Many Mexican businesspeople were convinced with a similar vision, albeit one propagated more by the state. In both countries, neoclassical officials saw the benefits of exposing domestic businesspeople to a "cold shower" of foreign competition, but did not expect that prospect to be attractive to businesspeople, so they generally kept that thought to themselves. They framed FTAs as way to expand exports, thereby helping all producers, who they presented as winners from the process. They seldom framed FTAs as advantageous for consumers, and even less as advantageous because they would expose domestic producers to the stick of foreign competition.

Third, because of the gains from specialization, and the benefits of both exports and imports, neoclassical theory denies that nations compete with respect to trade. Commercial relations among nations are much more mutually beneficial than win-lose, and a gain for one country does not mean losses for any other. In contrast, however, advocates of North American free trade tended to present international trade as a tough, win-lose, competition among national economies or economic regions for world markets. Advocates returned again and again to the enhanced “economic national competitiveness” that would result from continental free trade, even though “national competitiveness” makes little sense from a neoclassical point of view (Krugman 1996). Mexico’s trade minister, Jaime Serra Puche, for example, stated publicly that the “main part” and “essential part” of NAFTA was “the issue of competitiveness” (SECOFI 1991: i). President Salinas (1992: 6), for his part, said in a speech to the nation on the day the negotiations were concluded: “The Agreement will allow us to grow faster, create more and better jobs, and, above all, compete better.”

A Mexican official with an economics PhD made this comment about the concept of national economic competitiveness in an interview, however:

> It’s an unfortunate term. And we were sloppy in its use. … But in the short term [it] had some appeal and was understood in its essence by a lot of people. And that’s why that term kept creeping in all the time. Now I’m sorry. As an academic I don’t like it. But from a policy point of view, it was a minor price we had to pay to have the debate better understood.

He added that he generally used it to mean simply a positive business climate—with little corruption, low taxes, etc. Similarly, a Canadian official told me that the idea of NAFTA increasing North American competitiveness “is nonsense. But it’s a good slogan. But it’s nonsense from an analytical, policy point of view." Another Canadian official described the concept of national economic competitiveness as "economic rubbish."

The language of competitiveness was nonetheless used because it was politically useful. It obscured the conflicts of interest among import-competing and export-oriented industries, and presented businesspeople as members of a single national unit—with common interests—competing against others in the global economy. Whereas from a neoclassical perspective some industries and firms gain from trade liberalization while others lose out, the idea of national economic competitiveness suggests that all producers in a given benefit from the same policies, including economic liberalization. In this view, different industries and economic sectors compete against their foreign counterparts but not each other.

Fourth and last, the neoclassical framework also holds that trade does not affect aggregate employment—trade affects the types and quality of jobs in a country, not their number (Burtless et al. 1998: 9; Krueger 1995: 5). Although imports may close down a domestic industry, sooner or later exports of other kinds of products inevitably rise, generating new employment opportunities elsewhere in the economy. The overall level of employment is much more dependent on macroeconomic factors, aggregate demand and supply, and interest rates. Advocates of North American free trade, however, argued frequently for the initiative on the grounds that it would create jobs, particularly by increasing exports. One Canadian official remarked:

> Trade is not about creating jobs. But that is a politically attractive slogan. … It is intellectually wrong, because the number of jobs in an economy is dependent on macroeconomic factors, not on trade. What trade does is it creates better jobs. It improves the efficiency of the economy, and by doing so, it creates better paying, more rewarding jobs.

Despite the neoclassical argument that trade does not have much effect on the number of jobs in an economy, public debates around North American free trade largely revolved around employment effects. Promoting free trade as a job creator may have added to businesspeople's confidence in their advocacy against opponents from labour and civil society organizations.

Even strongly neoclassical thinkers therefore found themselves making anti-neoclassical arguments for North American free trade. The deviations that they made from neoclassical theory did not sit well with them intellectually. The deviations were "concessions," in the sense that they embodied tacit endorsements of political and economic elites' non-neoclassical economic ideas and promoted free trade on the latter groups' intellectual terms. The nature of the concessions also demonstrates the balance of power between economic experts and other elites. That economists made liberalization appealing for politicians and businesspeople clarifies how this strategic framing contributed to the political feasibility of the Canadian and Mexican states' proposals to negotiate free trade agreements with the U.S.

Their alternative arguments for NAFTA embodied what could be summarized as a "neoliberal mercantilist" economic worldview. "Mercantilist" in the presentation of exports as the goal of trade, and imports as the cost. "Neoliberal" in the argument that neoliberal policies—such as negotiating FTAs—increase national economic competitiveness, and therefore countries' capacity to compete with others and win mercantilist battles for world markets. Neoclassical economic experts deviate from their own theories in the ways they talk about exports and imports, the extent to which trade is a win-lose competition among nations, the employment effects of trade, and to some extent the very purpose of trade.

There are two main reasons why economists use these alternative arguments rather than neoclassical ones. First, as discussed above, neoclassical economics too readily acknowledges some producers as likely losers from trade liberalization. In contrast, the rhetorically innovative arguments actually used to promote North American free trade ignored the likely losers, and more effectively unified the capitalist class behind a neoliberal policy agenda, thereby making that agenda more politically feasible. Second, the neoclassical theory of comparative advantage requires counterintuitive leaps of cognition, whereas the ideas actually used to promote liberalization derive from businesspeople's practical lived experience. Neoliberal mercantilism extrapolates the experience of businesspeople competing on world markets to the situation of national economies as a whole.

I draw the idea of lived experience as the source of actors' ideas from Burawoy (1979). Although his study focused on economic actors engaged in production, his framework also applies to political actors producing economic policy. The basic proposition is that people's ideas emerge from their practical activity. Burawoy explains: "The production of things is simultaneously not only the production and reproduction of social relations but also the production of an *experience* of those relations" (16). As a consequence, "ideology is rooted in and expresses the activities out of which it emerges" (18). Not surprisingly, then, Benford and Snow (2000: 621) summarize that the social movements literature shows that frames are more politically influential when they resonate "with the personal, everyday experiences of the targets of mobilization" and are not "too abstract and distant from the lives and experiences of the targets." Similarly, Campbell (1998: 399) proposes that an ideas is likelier to be adopted if it "provides clear and simple solutions to instrumental problems, fits existing paradigms, conforms to prevailing public sentiment, and is framed in socially appropriate ways."

In that vein, capitalists' lived experience of international competition among firms leads them to see the world in "neoliberal mercantilist" terms, which extrapolate the experience of firms onto that of nations. Paul Krugman makes an insightful comment about why political actors see the world in this way.[27] He remarks that "the frameworks that are used to discuss international trade are [often] derived from business and military strategy" (1996: 73). Adherents often draw parallels between countries and corporations competing in world markets. He argues that this parallel appeals because

> it portrays America as being like a corporation that used to have a lot of monopoly power, and could therefore earn comfortable profits in spite of sloppy business practices, but is now facing an onslaught from new competitors. A lot of companies are in that position these days … and so the image rings true. … [But] the ground-level view of businessmen is deeply uninformative about the inherently general-equilibrium issues of international economics. (1993: 23-4)

In short, neoliberal mercantilism expresses and embodies businesspeople's practical experience of international competition. Neoliberal mercantilism resonates with businesspeople because it extrapolates the situation of firms competing on world markets to the situation of entire national economies. In contrast, neoclassical economics demands a series of counter-intuitive cognitive leaps.

If neoliberal mercantilist ideas have contributed to a major policy shift over time, then the prevalence of those ideas should also have changed over time. Several commentators have indeed noted the rise of the concept of "competitiveness" in the 1980s. Sousa (2002: 11) shows that "competitiveness" as a concept became most prevalent in a large sample of periodicals in the late-1980s to early 1990s, rising from zero in 1983 and declining slightly in the 1990s. Van Apeldoorn (2000) observes that the European Round Table of Industrialists—a cross-continental association of top CEOs—introduced and propagated the concept of national economic competitiveness in Europe

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[27] Krugman (1996) coined the term "pop internationalism" to describe a set of ideas shared by many influential economic writers—but not, he says, reputable academic economists—in the 1980s and 1990s. The term "pop internationalism" did not adequately label the world view he described and mercilessly criticized, however. First, that world view belongs above all to economic and political elites, and is therefore far from "pop." Second, that world view is not inherently internationalist: Krugman fears that it could even lead countries to *withdraw* from international trade (1996: 84). Consequently, I used many of his insights into this world view, but decided to coin the new and distinct concept of neoliberal mercantilism.

in the 1980s. And in the case of Canada, Winham (1994: 481) observes that "international competitiveness was a seminal theme throughout the Mulroney government."

What could have driven this rise? Krugman, as discussed above, suggests that the rising prevalence of the view that nations compete in international markets much like firms could be based on changes in objective economic structures. Fourcade-Gourinchas and Babb (2002) make an argument along precisely these lines:

> The reshaping of established social and ideological arrangements along market lines reflects a deep transformation of both the way in which modern economies are understood and the way they function. … Deep transformations in the structure of domestic and international economies contributed to change the cognitive categories with which economic and political actors come to apprehend the world. (534)

In that sense, Krugman may have been correct in noting that the emergence of "competitiveness" had something to do with the number of firms increasingly subject to stiff competition on world markets. Secular growth in trade as a share of economic output would have put many firms in that position, leading corporate leaders to feel increasingly concerned about how national economic contexts affected their ability to compete.

Conclusions

This paper has argued that, whether or not they occupy bureaucratic and political posts with formal authority over economic policymaking, economic experts can make their neoliberal policy preferences politically feasible by influencing the preferences of other elites. But the paper has also shown that they cannot exercise that influence however they wish. The neoclassical economic theory motivating them would not be politically effective in organizing support for liberalization. Consequently, they make compromises and frame their arguments in ways that tacitly endorse economic ideas to which they themselves do not subscribe. From an analytical point of view, those compromises illustrate the limits on experts' influence. From a political perspective, they make neoliberal policy changes politically feasible, by building support among politically important constituencies who might otherwise not have been so sympathetic to the experts' policy priorities. In the Canadian case, neoclassical bureaucrats bolstered the efforts of big business to promote the idea of free trade with the U.S. to elected politicians. In the Mexican case, neoclassical technocrats ascended to the very top of the state hierarchy, decided to propose a free trade agreement, and then promoted it to domestic businesspeople. Even in Mexico's highly undemocratic political environment at that time, then, state technocrats still had to justify their initiative to potential sceptics.

This paper validates previous studies' observation of an important difference in the technical/intellectual authority of *actors* and the technical/intellectual authority of their *ideas*. Instead of neoclassical ideas motivating political and economic elites to pursue neoliberal policies, the operative arguments have been based on an informal economic worldview I call "neoliberal mercantilism." This worldview establishes what political and economic elites anticipate as the consequences—the costs and benefits—of neoliberal policies. Given the relative irrelevance of their ideas, neoclassical actors influence other elites less because of their ideas than because of their formal credentials, and the technical competence ascribed to them. What matters is being *recognized* by political actors as a technical expert. But at the same time, their credentials and professional prestige are not enough. The ideas embodied in the arguments they use are also important. The intellectual compromises made between neoclassical economists and other elites allow them to work together towards common, neoliberal policy agendas. By being politically pragmatic and adjusting their arguments to suit their target audience, they can cooperate on concrete policy agendas, without really resolving their underlying intellectual differences. Economic experts can shape how other elites see the world and perceive both their own interests and the costs and benefits of neoliberal policies. Both neoclassical thinkers and political and economic elites support many neoliberal policies. But these two groups favour those policies for different intellectual reasons, even though the former group, plays a key role in promoting them to the latter.

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