

THE FREE MARKET IDEOLOGY AS A CEREMONIAL
FEATURE IN LATIN AMERICAN

LA IDEOLOGÍA DEL LIBRE MERCADO COMO
CARACTERÍSTICA CEREMONIAL EN AMÉRICA LATINA

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ABSTRACT

This paper offers an explanation on how the free market ideology gives rise to the social distinction of being considered a follower of democracy, but with the purpose of being admired from the social viewpoint. This only enhances the ceremonial feature of being a democracy follower. This habit of thought inculcated by the establishment supports pecuniary behaviors submerged in the state, and resigns excluded people to the apparently idea there is not alternatives for change. Understanding that the social process is complex continuously evolving, we propose several and basic elements to explain the negative influence of the establishment under its free market ideological discourse.

KEYWORD: free market, ideology, ceremonial, establishment, institutional change.

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RESUMEN

Este artículo ofrece una explicación sobre cómo la ideología del libre mercado da lugar a la distinción social de ser considerado un seguidor de la democracia, pero con el propósito de ser admirado desde el punto de vista social. Esto solo mejora la característica ceremonial de ser un seguidor de la democracia. Este hábito de pensamiento inculcado por el establecimiento apoya conductas pecuniarias sumergidas en el Estado, y resigna a las personas excluidas a la idea aparente de que no hay alternativas para el cambio. Entendiendo que el proceso social es complejo y evoluciona continuamente, proponemos varios elementos básicos para explicar la influencia negativa del establecimiento bajo su discurso ideológico de libre mercado.

PALABRAS CLAVE: libre mercado, ideología, ceremonial, establecimiento, cambio institucional.

CLASIFICACIÓN JEL: B52, O17, P17.

1. INTRODUCCIÓN

We claim the ceremonial ideology of the free market is a source of social distinction. After the failure of the dictatorships, socialist attempts, and Economic Commission for Latin American and the Caribbean's (ECLAC) industrialization policies proposals, there has been the need to enhance democracy in Latin American nations. Therefore, development of capitalism through free market reforms thesis was received with hope between the end of the 80's and the beginning of 90's. Notwithstanding, the upshot has been the emergence of a predator government which works in coordinated action between big business groups and the political class leaving the middle class and poor excluded. Hereafter, we will refer to this as the institution of the establishment.

The scope of the analysis is focused on the prevalence of a structure which conditions an agency which in turn behaves in a manner that reinforces that structure. A key component of the structure in this case is the habit of thought of the establishment. This suggests that the establishment is an institution in the Veblenian sense. We talk about Latin American throughout this paper although it is well known that each Latin American nation has its particularities. Specifically, we deal with which are considered the general and commonplace features of this ceremonial aspect of free market ideology. Of course it will be cited the Colombian case as the source of insights, but at the same time avoiding a generalization from the Colombian situation. We use only few examples of the Colombian situation.

This paper consists of four sections. The first section will examine the free market ideology and its ceremonial features. The second section will be focused on the players of the free market. The third section is centered on the institutions of the lack of trust. A fourth section is based on the study of insights for the institutional change from authors as Dewey, Veblen, Ayres, Commons, and Foster. The last section will offer some conclusions aiming to a road for changing the establishment.

2. FREE MARKET IDEOLOGY AND ITS CEREMONIAL FEATURES

We should establish a definition of the ceremonial free market ideology. The ideology tells us how the world works. It has an imposition tone, for human agents end up thinking there are not alternatives. Following this idea, free market economy is the foundation for the development of capitalism, and it is sustained by the conception of freedom. Freedom to choose is the flagship rhetoric that is to create a belief that market economies would be able to find democracy and peace (Friedman, 1962). That is the neoliberal message. The secret formula is just to promote free market capitalism and democracy will emerge as a by-product of it.

Historically, the unregulated market was absent during the mercantilist and feudal times, but those were periods where the social relations included man's economy during those times. In a context where social relations do include man's economy, men and women act not for the accumulation of material goods guided by his self-interest, but to safeguard his social standing, and his social status. This means the division of labor is fixed by the social interactions among each member of society. In short, the economy is embedded in social relations and not the contrary (Polanyi, 1944).

In looking for freedom in a democratic system, the change from a regulated market to a self-regulating one caused a complete transformation in the structure of society. If we know a market economy only can work in a market society, we will appreciate the conversion of labor, land, and money as commodities i.e. the creation of the labor, land, and money markets. This change brought about a transformation of the conditions of people in society: poverty and misery, high unemployment, wealth accumulation by the high-income classes and other manifestations of social exclusion. But it also brought about the end of the Malthusian world via industrialization (Polanyi, 1944; 1947). The market society destroyed the material prosperity of people who did not need the social institution of market to direct the social provisioning process. Before the market economy, people who later

are going to be socially excluded by the market were self-sufficient and had their needs provided. Only the power of an ideology could destroyed the material base that was effectively providing the needs of the people. For instance, the peasants in the late XVII century in England suffered from the fact the lords enclosed their common lands (where the peasants used to work and provide for themselves) and sent the “free peasants” without property to the “promising urban centers”, where manufacturing was starting to expand. Once there, the only option for them was to work for long hours without a decent wage (Humphries, 1990).

Individualism arises and the idea that only through hard work the individual prosperity can be reached became the essential foundations of the economic life. Even religion played a role on it, the protestant ethics was functional to interest of the emergence of unfettered capitalism. Only through hard work salvation or at least signs of salvation can be seen. This individualistic perspective of life helps to separate men and women from the social aspect of the provisioning process. The production of goods and services is market-centered and does not respond anymore to the social needs (status or social distinction) that men and women have. Businessmen only look to maximize their profits, while consumers look to maximize their utility. All is reduced to a process of economic maximization. Whatever social consequence rises from that, it does not matter (Hunt, 2002; Sherman et. al., 2008).

This alteration in people’s life conditions will be the reason whereby the economic liberalism responded to the challenge of the industrial revolution. The industrial revolution involves high social and human costs. Women, even while pregnant, had to work for 14 to 18 hours a day in the factories. Several times they had to suffer sexual abuse as well. Also, children were used in the factories. The robber baron capitalist style of the day considered advantageous to have a bigger labor supply, and most important, a passive labor supply (women and children) who were not thinking about unionization (Goldin and Sokoloff, 1982). Nevertheless, the *laissez faire* was kept to maintain law and order. It has officially become an ideology. When there was government intervention, this was motivated by

the countermovement, which not necessarily was anti-liberal, but it looked for an inclusive behavior of the free market, and the preference of collectivist view instead of an individualistic one (Polanyi, 1944).

The point of Polanyi is to prove that without the double-movement the market was doomed to disappear. As a matter of fact, with the double-movement the market could somehow accomplished the promise of providing material prosperity. For instance, the labor market could get stabilize due to all the regulations that formalize the relationship between the businessmen and workers. The regulations of working day length and the labor conditions on the shop floor contributed to make more efficient the process of production. This is why markets are social constructions and cannot be reduced to a simple intersection of two curves that relate quantitatively quantities and prices (Fligstein, 2001).

Polanyi helps us to understand the transformation of the social structure under such economic system, but we have not described the ideological and ceremonial features of the free market. The ideological feature is what Polanyi (1947) called “the delusion of economic determinism as a general law for all human society”. This determines directly social classes, and, indirectly, other institutions. If we use tools to make possible social distinction, we will be involved in ceremonialism (Ayres, 1944). The Latin American case exhibits what Adkisson (2004) calls ceremonial encapsulation. He asserts that “ceremonial values are allowed to alter or otherwise limit the application of technologies instrumental in the process of social problem solving”. Technology should be taken here as a broad definition, precisely, as cumulative knowledge and not only tools or sophisticated machines. The free market ideology is a tool in the sense its policy implications have been extended as the best way to reach democracy in those nations where the political instability is commonplace. To be a follower of the free market is to be a follower of freedom and democracy, and, precisely, this is the social distinction, at least in Latin America, which is our interest here.

The free market itself is not enough to have democracy. Democracy is a social technology. It gives us guidelines about how to organize our decision-making in our societies. The fact that unfettered markets

allow people to freely buy and sell does not mean that democracy will rise to allow us to be politically empowered. Unfettered market economies do not allow democracy to rise, or at least limits it. Unregulated markets causes economic and social inequalities. It makes people different. People with different economic, political, and social status endowments have different levels of influence and access in the markets. Therefore, it is impossible to theorize that market economy automatically produces democracy. Democracy is a tool that can be used to harmonize the social tensions that unregulated markets generates. Democracy is not a by-product of free markets. But it is the ceremonial idea that neoliberals have been promoting.

3. WHO ARE THE PLAYERS IN THE MARKET? AND WHERE IS THE GOVERNMENT?

It is well-known that in Latin America, poverty, unemployment, wealth, land and income concentration, corruption, and privileged influences are extended although with some differences among the countries. The causes of these social problems can be found in an institutional explanation. Our concern here is not to explain the Latin American situation with respect to free market ideology from the Colombian case. The key point is to explain some general trends regarding institutional factors that Latin America countries share each other. Using a few examples of Colombia, we highlight how those general trends work in Latin America.

Those general trends can be identified answering the following questions: 1) who are the players of the market in Latin America? Answer: big business groups, the middle class, and poor people, who represent more than 50% of the population throughout Latin America. 2) Where is the government? Answer: It is captured by politicians through a couple of ceremonial relations. On the one hand, there is the relation between big business groups and the political class, and on the other hand, poor people and the political class under the mechanism of *clientelismo* and the buying of votes.

As we have said the players in the market are big business groups, the middle class, and the poor. The poor are characterized by high

rates of illiteracy, high unemployment, precarious health conditions, lack of adequate public utilities, and living in condition of high risk due to the inadequacy where the poor neighborhoods are located. It is definite that they have rights to reach better conditions of life. But following Polanyi it is also true they receive their rights only on the paper because in this way the law and order will be kept. Notwithstanding, beyond Polanyi, there is the mechanism of *clientelismo* to guarantee votes during the election times. Under *clientelismo* the poor know they have rights to claim solutions to their needs, but politicians offer to them a faster way by which they can have access to “public goods and services” through the exchange of “favors” for votes. The upshot is the poor is committed with the political proposal/agenda without considering if it is convenient to them. Not only the *clientelismo* uses this strategy to gain votes, but it also uses the buying of votes¹. These practices reproduce the lack of debate of ideas in politics, which is politics without considering policy agendas, proposals, or feasible goals.

The middle class is comprised of manufacturing and banking workers, school teachers, university professors, independent workers, professionals, and temporal workers. The middle class tends to be apathetic with respect to political affairs although it is divided on this issue. We can find members of the middle class that participate with enthusiasm and independence during every election. It is also possible to find some members serving to the political class. Given that this particular class has more information in contrast to poor people, *clientelismo* does not exert the same coercion as it does on lowest income group². However, it is affected by the operation of *clientelismo*.

¹ A good reference for this particular issue can be found in Stokes (2003). She uses as methodology the game theory approach, the description of this particular problem (i.e. the buying of votes) in Latin American countries is widely used.

² Some evidence have been offered in Gamarra (2005) regarding to the lower the income the higher the political participation. What this means is that in Colombia, as in many countries of Latin American, poor people and in some degree middle class members are susceptible to the exertion of the interest groups through *clientelismo*.

Middle class families do not find employment and to “cooperate and support” a politician could be the solution to the lack of job.

The last member of the market is the big business groups. These are formed by independent companies in their functioning, but “they are linked through stockholder property or through the fact that the companies have a common owner, who is a single family. Nevertheless, it is often seen that the companies of the economic groups are linked by a combination of common owner and stockholder property”. Moreover, these big groups have business in several economic activities such as the beverage industry, airlines, telecommunications, automobile manufacturing, food processing, banks, and insurance companies (Mason and Orjuela, 2003). Capital accumulation takes place on privileged hands. Cases of entrepreneurship are rare.

In Colombia there are four big business groups: Bavaria Corporation, Ardila Lulle organization, Sarmiento Angulo organization, and the Group of Antioquia’s companies. They represent a 14% of GDP. In addition, they are big employers and big taxpayers (at least in proportion to their sales). They are generous sources of financial support to political campaigns, and owners of the main mass media. Regarding to its relationship with the structures of the government, these business groups have direct access to the decisive instances in the executive and legislative branches of the government. The implementation of lobby is effective and overshadows any attempt that tries to bring more competition to the oligopolistic markets where they operate (Rettberg, 2003; 2001; Silva, 2004). A clear example of political and economic powers get interrelated and reproduced.

The second question remains: what is the role of the government? It is captured by the politicians through two ceremonial relationships: the relation between big business groups and the political class (through lobby practices), and between poor people and the political class under the mechanism of *clientelismo*. The government is absentee. The rule of law loses its objectives. Governance gets weak and illegals groups (Guerrilla, Paramilitary, or organized crime) in many situations replace the presence the government. Nonetheless, the explanation we should provide is to answer why this type of behavior

works in Latin American societies. What is the habit of thought that is allowing this ceremonial feature is maintained?

The neoliberal agenda promotes democracy as a consequence of the application of free market reforms. As we have asserted above, the view of the neoliberals is that if you want democracy, you should follow the free market path. This speech is sustained by those privileged players in the market. The big business groups use their influence to maintain rents. Few of them value the spirit of capitalists. Risk-taking or entrepreneurship and innovation are not the favorite tools of Colombian capitalism. The political class, using *clientelismo*, makes sure its perpetual presence in the government. Recognized last names get established as political families. Amidst all this there are poor people who only see as possible to get benefits from the government through this opportunistic political class. Finally, the middle class, which is fragmented, does not have strong commitments to participate for a better politics. The picture clearly shows neither a participative democracy nor a market with a competitive characteristic. The orthodox view regarding markets, which states that competition will lead to the highest social benefit is utopian.

Privileged social classes believe democracy is attainable through free market economy. Yet, this last part is only the surface of the reality. It is the tool to provide that social distinction (i.e. be a follower of the democracy). The free market ideology as a ceremonial feature of Latin American serves the establishment. This is not a physical thing, but a habit of thought. A habit of thought that is accepted by all these players, and all these players help to reproduce it. This is manifested in the functioning of Latin American societies. A habit of thought, using the Colombian case, that has its evolutionary roots during the colonial times, when the Spaniards found several forms of labor organization of the Natives and used them to obtain gold and servile labor. The political institutions had the centralized form of the Spaniard crown. There was not democracy to access public office; the public positions were sold, especially to Spaniards. In simpler terms, being a public servant was seen as pecuniary motive because it was an investment that should yield profits (Parada, 2006). This

process of social relationships resulted throughout the time in a positive feedback which caused this habit of thought to be locked in. This involves us into a path dependence, which explains why the long lethargy to look for a positive social change in Latin America (Arthur, 1990; David, 1985). In short, the establishment is the structure that has molded the agency, and this agency has acted as well to the extent it has helped the reproduction of the establishment. The process of self-questioning and deliberation with respect to this exclusionary reality has not started yet (Fleetwood, 2008).

Alvaro Gomez Hurtado, a conservative leader, used the word establishment to describe that Colombian politics was under the domain of practices such as *clientelismo*, which subordinates national politics to the preponderance of money interests. This was the form in which the public opinion was decimated and the government was taken. This sheds lights on the idea that Colombian politics is no longer about how to administer the government to provide public services and goods, but an embedded system of acquired commitments to gain social status and prestige. This is the establishment, a system of commitments and complicities that is dominating the totality of the civil national life (Bermudez, 1996). It is a mechanism of understanding the role of the public sector. It is a social practice that has reached the level of acceptance and tolerance (Carvajal, 2012).

With a government that has been captured by private interests, and business groups that are mostly rentiers, the negative performance of social and economic aspects in Colombia is highly influenced by a pecuniary behavior which helps to reproduce it. In chapters 16 and 24 of *The General Theory* Keynes exposes the disappearance of the rentier. Keynes states that the euthanasia of the rentier, who is a cumulative oppressive power given that he exploits the scarcity-value of the capital, is the only way to eliminate the functionless investor (Keynes, 1936). In Veblen's terms this is the pecuniary motive of the business enterprise which clearly plays a role in the establishment in Latin America (Veblen, 1904).

In *The Theory of Business Enterprise* Veblen argues that business men's pecuniary motives strongly influence the state and the society's

notion regarding the functioning of the society itself. Simply put, the pecuniary motives take the society to accept that business' ends are the same government's ends. The natural rights are the rhetoric to support such idea. That is "So long as there is no overt attempt on life, liberty of the person, or the liberty to buy and sell, the law cannot intervene, unless it be in a precautionary way to prevent prospective violation of personal or property rights. The "natural" conventional freedom of contract is sacred and inalienable". Further, Veblen describes how the society's notion regarding its functioning is altered: "it follows that, with the sanction of the great body of the people, even including those who have no pecuniary interests to serve in the matter, constitutional government has, in the main, become a department of the business organization and is guided by the advice of the business men" (Veblen, 1904).

Veblen gives us the two institutions where the popular approval of the government rests: patriotism and property. Therefore, the outcome is the general acceptance of the democracy, free market economy, and the complete rejections to all those old systems that do not allow our apparent freedom. Veblen asserts that: "So that both businessmen whose gains are sought to be enhanced by business politics and the populace by whose means the business gains are secured work together in good faith towards as well advised business end, - the accumulation of wealth in the hands of those men who are skilled in pecuniary matters" (Veblen, 1904).

Therefore, the Colombian government takes the form of predator one. It is influenced mostly by rentiers guided by pecuniary motives. Under these circumstances the government is in a servile function to the big business groups, the political class is the guarantor for those private interests, and the middle and low-income classes just believe there are not alternatives. As J. Galbraith (2008) has asserted into the predator government "the regulation is a burden for some businesses, it is competitive blessing for others". The blessed ones are the bigger business groups, the ones who are part of a leisure class, or are not necessarily big but keep a close relationship with those

in power. The same Colombian reality is not far from other Latin American countries.

As Parada (2006) has asserted since the colonial times the government is a position to obtain profits, it is an institution submerged in the pecuniary motives. Thus, we have a predator government under the administration of a political class serving to the particular interests. The establishment is nourished with the social distinction of being considered as a follower of democracy. Of course, the free market is always the answer. If there is some poverty or exclusion, it is owing to the mechanism of the market economy where there are winners and losers, but it will not be possible to talk about a structure-agency conditioned by the establishment, a complex social process that makes possible a privileged class. In Dewey's terms is described as "no social institution stands alone as a product of one dominant force. It is a phenomenon or function of a multitude of social factors in their mutual inhabitations and reinforcement" (Dewey, 1922).

4. THE INSTITUTION OF THE LACK OF TRUST

As a social scientists, we know that *clientelismo* and the traffic of votes are not the only problems. There is an institution that plays a role in the predatory and ceremonial part of the social structure of Latin American nations. That is, the institution of the lack of trust. Of course, the conventional economics theory gives us a reasonable explanation of such developmental problems. It is enough to check the elements of the production function, like every standard introductory textbook in economics shows it. Once this is done, we conclude we do not produce for the market as the ideology of the free market demands. In Colombia like in other places in Latin America, rent-seeking is the goal.

Such production function includes physical capital (K), labor (L), the natural resources (R), and technology (A). This last one tends to be measured as a residual. It is not hard to figure the Colombian problem out through this production function. As a typical emergent economy, Colombia does not count with large amounts of capital.

Because either we do not (or even try to) produce it or we do not accumulate it. That is definitely something strange for a nation that claims to be capitalist. Without capital there is not a chance to generate material prosperity with positive effects over the people. Think about this, Colombia imports a lot of goods. Even goods that do not have a sophisticated level of technology and that we totally have the labor force with the necessary knowledge to pursue the production of such good.

Regarding labor, Colombia is a country with a poor labor history. A strong conservative tendency is evident, because of the persecution against labor union leaders. In Colombia around 200 labor leaders get murdered and remain without being clarified the causes of the murderers (Echandia, 2013). In addition, the academic orthodox part claims the minimum wage is too high. The orthodox reasoning is well-known. Minimum wage is a point above the labor market equilibrium that causes supply to be greater than demand. This is what explains the supply excess or unemployment. Besides, there is literature in Colombia that points out that an increase in minimum wage only causes higher prices, which affect low-income households. Higher minimum wage does not have a positive effect over the poor, given this population is not benefited by it. The redistributive effects of the minimum wage in Colombia are overestimated (Posso, 2010; Lasso, 2010; Arango, Herrera, and Posada, 2008). The monetary orthodoxy in Colombia claim the minimum wage is an institutional rigidity that makes expensive to create jobs (Urrutia, 2001). We consider all these arguments overlook the fact that the real cause why Colombia does not create jobs is because of production rigidities. The capital accumulation in Colombia is not centered on the sphere of production, but in the exchange sphere. Such sphere is from where the orthodoxy only observes the world. Yet, the problem of Colombia is not an exchange problem, it is a productive one. It is that we do not have developed an industrial and productive ethics.

The previous ideas allow asserting that Colombia is a nation that has not exploited its potential with regard to technological capabilities. It has not done the attempt to become self-sufficient in the

production of goods and services on which Colombia counts with decent sources of capital, labor and a technology that should not be hard to replicate (and even improve) by Colombians. For instance, we claim Colombia has plenty of potential to be self-sufficient in the production and processing in the food industry. That could be a good starting point. Yet, speculative behavior dominates the context where such industry operates. It is recognized all the deliberate destruction of food surplus by certain companies with the objective of charging higher prices. This is what makes evident our point that what really matters is how we use the technology. It is not only enough to have technology, but to operate it instrumentally.

By definition, if labor, capital, and technology are not being used efficiently to enhance the social provisioning process, the least we can expect is that the natural resources are not well utilized. The historical tendencies with regard cattle raising in the Caribbean region of Colombia proves this point. The real potential of the land is agriculture, but cattle raising is practiced instead because it generates rents and does not demand high levels of investment. Once again, this is not the representative behavior within capitalism. Needless to mention the land concentration issue. The property land concentration reaches a Gini coefficient of 0.862 in Colombia (IGAC, 2012).

All these problems demonstrate, in conventional economics terms, that the possibilities production frontier is weak. It clearly proves that Colombia has production rigidities. This is a structural weakness that makes inflation a potential threat. Not because the minimum wage is too high, but because we have not embraced the spirit of capitalism: production to accumulate and expand. Hence, in a material context like this, it is just logical that people adopt the institution of lack trust. Colombians do not trust in their judicial system. High crime rates in certain regions prove that justice by their own hands is the standard procedure to follow. The sense of community is weak. Accepting help from a strange could be a risky situation. It is better to not to trust anyone. The lack of trust institution is reflected in the routinary behavior. Colombians do not strictly follow the traffic rules, or the place of someone on the line

either in grocery store or a bank (Garay, 2003). We do not believe this is because human beings are selfish due to their human nature. This is clearly a social construction. The lack of opportunities both in the economic and political front are enough to explain this behavior. Before the absence of a strong government that makes possible the socialization and collectivization of public goods and investment, the sense community does not emerge. Cooperativism and solidarity are valued as weakness. Instead individualism is more valued, it is the exit out to any uncertain situation. Thus, the rule of law that is a social goal does not match with the individualistic behavior.

The lack of trust institution in Colombia is the reason why this is a country where for even the smallest errand we do, it does require considerable amount of paperwork to prove that the action to be pursued is legitimate. The principle of good faith is not part of social values system in several Latin American nations.

5. IS THERE ANY WAY TO GET OUT OF THIS ESTABLISHMENT?

I turn next to the search for insights that favor an institutional change in Latin America. It is time to find out if there is a way to get out of this apparently unchanged establishment. We do this examining the insights with respect to institutional change of Veblen, Dewey, Ayres, Commons, and Foster.

Veblen suggested a dichotomous idea between technology and institutions/ceremony as an attempt to explain institutional change. Emphatically, the biological instincts (i.e. instinct of workmanship, idle curiosity, and parental bend) play an important role in the individual and collective action concerning their involvement into the social process. It is necessary to underline that Veblen' idea on institutional change cannot be reduced to technological or biological determinism. Regarding this, Parada (2006) points out that: "It implies an idea of systematic feedback in the whole system that cannot be reduced to the positivist view of endogenous and exogenous variables, where human beings as living creatures play a crucial role, changing their own environment. Indeed, human agency, individual and collective,

is at the core of the whole system, far from cultural or biological determinism, and crude behaviorism". In short, Veblen's notion on institutional change is a process where material transformations of life could alter the institutional setting.

Dewey (1922) asserts that "habits of thought outlive modifications in habits of overt action". He points that "the moral effects of even great political revolutions (...) do not show themselves till after the lapse of years. A new generation must come upon the scene whose habits of mind have been formed under the new conditions". This means we need a change in our expectations about the context which surrounds us; otherwise the institutional change will not be possible. He makes this point clearer by asserting: "where general and enduring moral changes do accompany an external revolution it is because appropriate habits of thought have previously been insensibly matured. The external change merely registers the removal of an external superficial barrier to the operation of existing intellectual tendencies". In other words, if previous conditions (i.e. habits of thoughts) are positive to the suggested change, there really will be a change.

Turning to Ayres' insights, he considered that there were two forces: technology and ceremonialism, each of them affecting human behavior. On the one hand, technology should not be restricted to tools. It implies all human activities articulated with the use of tools going from the stone to mathematical symbols (Parada, 2006). On the other hand, the ceremonial aspect is explained through the use of tools with the goal of social distinction within the society. About social change, Ayres points out that "we know with certainty that inventions and discoveries are combinations of tools, instruments, and instrumentally manipulated materials; and that the more tools there are, the greater the potential of technological innovation and discovery". This is what causes the change in learned habits of thought. This complex process of technological innovation is the dynamic force in social change (Ayres, 1944). The essence of Ayres's idea regarding institutional change will be based on who will dominate over who i.e. "the outcome of a society was determined by the forward urging

of its technology and the backward pressure of its ceremonial system” (Parada, 2006). All the complex processes that make possible technological innovations do not necessarily allow technological advances as progressive and positive for the society.

On the other hand, it is not easy to identify Commons’ source of institutional change. Basically, his thinking of collective and individual action helps to understand his insight with regard to this issue. Collective action is necessary to limit the individual action through time. Nonetheless, each new institutional change is linked with its evolutionary sense given that common law is its main referent. Under these circumstances “the changing customs of the dominant portion of the people at the time and formulating them, by a rationalizing process of justification, into working rules for future collective action in control of individual action” (Commons, 1934). Commons emphasizes that “within this changing complexity and uncertain futurity they must act now. It is out of these complexities and uncertainties that the concepts of reasonable practices and reasonable values emerge and change the institutions themselves from day to day and age to age”. In short, the change is possible through the reasonable value implemented by the society. The way we value social processes can change. Naturally, when an institution like the Supreme Court in the United States interprets such change in the value systems, changes become legalized and accepted

We should recall the common law is not an extended feature in the Latin America, but the constitutional court plays a key role in the setting of the working rules for society. In the Colombian case, the constitutional court has established as mandatory for the central bank that its macroeconomic stability concept should not be only price stability, but also full employment. The same court has impeded the indefinite presidential reelection. Other issues have been studied by the constitutional court in Colombia as owner-labor conflict, gender exclusion, and civil rights recognition to the LGBT community (Safford and Palacios, 2002). The central point is that the value of an independent constitutional court can exert changes for the society. For it is constantly interpreting the society’s value system.

With regard to Foster's insight, he sees society in an evolving process and where the development of technology permanently generates adjustment in institutions. These institutions can be instrumental functions or ceremonial ones. To Foster there is not a contradiction between institutions and technology when he described social progress. This is because he believes that technology has ceremonial and instrumental features. The same applies for institutions. The institutional change in Foster is conceived as the way through instrumental efficiency of the institutions is increased by human agency (Parada, 2006). Foster states three principles that show the self-questioning process and deliberation whereby human agency goes through. The principles are: 1) the principle of instrumental determination, which explains that human agency realizes that a ceremonial institution has to be replaced by an instrumental one. Also, human agency understands that is possible due to we have the technological capabilities to pursue so. This is when collective and individual agency knows that is possible to reach structural change; 2) the principle of recognized interdependence, describes the institutional change will affect some portion of the society where such is taking place. Someone will be affected. Any institutional change has to identify such affections over the others. This a moment when collective and individual agency knows there is social tension; 3) the principle of minimal dislocation states the institutional change has a rate of change. It has limits. Such change has to take into account those who are considerably affected by the change. We believe minimal dislocation is a theoretical possibility for social changes that are reached via consensual mechanisms. Yet, there is the possibility of maximal dislocation, whereby there is not room for consensual mechanisms but conflictual. The third principle makes emphasis on the fact that social conflict exists and can be carried out through consensus attainments or conflict-based ones (Foster, 1981; Sherman and Dugger, 2000).

All these authors have showed us that society works in a complex process of relationships between structures and collective and individual agency. Technology, i.e., the mechanic way we do things and the social way we do things, appears to be the path for the institutional

change. This should not be confused with technological determinism. Because we are emphasizing the role of technology over the material conditions of life of people. Veblen states in *The Theory of the Leisure Class* that “the transition from peace to predation therefore depends on the growth of technical knowledge and the use of tools”. But Veblen states that this transition defines the mechanical and social way we do things. In the end such transition was driven by “the predatory phase of culture conceived on gradually, through a cumulative growth of predatory aptitudes, habits, and traditions” (Veblen, 1899). The technological change is mediated by institutions endogenously and not exogenously as the mainstream economics presumes.

We should not forget Dewey’s idea that the change has to be accompanied with a general acceptance of the new expectations created by the proposed change. This last point is important for the Latin American cases. These countries have received technology in some extent, but it has been exclusively put to serve the establishment. It is time to turn our attention toward the conclusions of these insights. They allow us to set theoretical ideas regarding the instinct of workmanship, idle curiosity, and parental bend, about to incentive them to rise and contribute to innovation and technology. But in a way our material aspect life changes, suggesting this the way we think has to adapt to the new circumstances. This is how social change becomes necessary.

6. CONCLUSIONS

The establishment is a habit of thought. It is sustained by the ceremonial feature of the free market ideology. The ceremonial is explicit when the belief exists that free market is the perfect way to enhance democracy. Democracy is a general desire of the Latin American population induced by this ideological belief. Therefore, the free market solution is accepted by all members of the unequally stratified Latin American society.

The problem of this ceremonial path is that free market reforms have not had positive effects. This means they have not manifested

in a better democracy for Latin America. There is still the traditional way to do politics: *clientelismo* and buying of votes. Furthermore, there are not sources of good jobs and income (i.e. they are informal). The industrial employment has declined in a sustained way since early 1990s. Colombia imports too much and has supply rigidities, for it is evident it does not produce certain products that are not beyond its technological capabilities. It is a mercantilist type of capitalism: buying cheap to sell expensive. Capital accumulation takes place without a sustained real production foundation. Thus, poor people do not have an alternative and accept their role in succumbing to predatory behavior.

Although there is a market economy with some social benefits³ allocated by the government, poverty and misery are persistent. Poor people would be worse off if they did not accept these minimum benefits. Even though the political class, specifically in the Colombian case, is in its majority of a predatory kind, there are some alternatives which are independent of these practices and continuously in the last 15 years have made appearance in national politics. In fact these alternatives have struck the old and predator alternatives in cities as Bogota and Medellin. It has emerged a form of citizen control movements, e.g. the Electoral Observation Mission, to denounce abuses of the political class during the elections. Therefore, there are alternatives with a new approach to politics and governance; an approach that is more convenient to underprivileged people. This could mean the beginning of the self-questioning and deliberative processes.

Taking into account there are alternatives in this pecuniary political context, the quality of the education will be a definitive element. The more educated the people the more critic they will be regarding the national situation. This will encourage a national consciousness for change. In Colombia we have advanced in education coverage although it is not only the optimal goal. A qualified and democratic

³ Most of these social benefits are based on just assist poor people and not in change their structural problems.

education will be the underpinning for a better context where rewards to the individual and collective productive efforts are possible.

Here we are calling for a change in values and attitudes of the population. We do need entrepreneurs and not more rentiers, and a regional industrial policy that links our rural economies, which are focused on activities that underestimated their real potential (e.g., extensive cattle raising), with our urban economies. We do need a new concept of macroeconomic stability as the constitutional court has required. The fiscal deficit must start not to be seen as a sin, but as an instrument for full employment and price stability altogether with a regulatory framework that does not bless big business groups and detains the conspiracy of monopolies and oligopolies against the middle and low-income classes. Free market policies have to be abolished. The only outcome these policies have left is a well-positioned distinctive social class at cost of increasing social exclusion.

The establishment will be out of the Colombians' minds once there are alternatives: a decent employment opportunity, a democratic and qualified education, and a justice not considered as an instrument for social distinction, but as an authority that citizens can trust. We need these tools to allow the instinct of workmanship, parental bend, and idle curiosity work into society without predatory behavior that limited them.

Apparently the original institutional economists cited above taught us the only way is through a material transformation of life. Though we know that some of them have some methodological problems, the most important thing to recall is that if we believe that technology advances are the basis of change, we shall be misunderstanding their lessons. We cannot assert the establishment will disappear only through technological advances. We do not forget they also concluded that the social complex process is constantly evolving and social absorption of technology depends upon what the habits of thought of society do with it. We should consider that promoting change with the recommendations mentioned above, individual and collective agency will have a better answer against the structure (in this case the establishment). In this way, technological advances will

be possible, not exclusively in the sense of more sophisticated machines but in the sense of an efficient social provisioning that allows a far better livelihood for society. It seems neither as a hard task or impossible. It is a long-term evolving process.

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