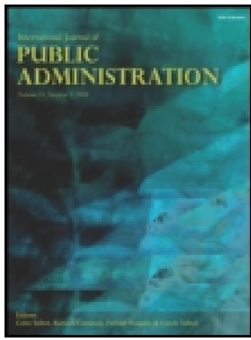

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Toward a Latin American Regulatory State? The Diffusion of Autonomous Regulatory Agencies Across Countries and Sectors

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Abstract: This article explores the sweeping restructuring of the state in Latin America. Regulatory governance through autonomous agencies that was long confined to the United States (at the country level) and to central banking (at the sectoral level) is evolving from "best practice" to a hegemonic institution grounded in a new convention. Our dataset reveals an explosive growth of regulatory agencies across different sectors and nations in Latin America. We draw a major distinction between sectoral and national patterns of diffusion that challenges deeply entrenched research designs that treat the nation as the exclusive unit of analysis. Two particular insights exemplify the productivity of our approach. First, it allow us to move the discussion from the American origins of the regulatory state to sectoral origins, namely the centuries of central bank independence in Europe. Second, we found that while the first stages of the diffusion of regulatory authorities in the region display sectoral patterns, the later stages have significant national characteristics. This is a paradoxical result in an age which celebrates the demise of the nation-state

Keywords: central banks, diffusion models, independent agencies, Latin America, policy emulation, policy learning, regulation

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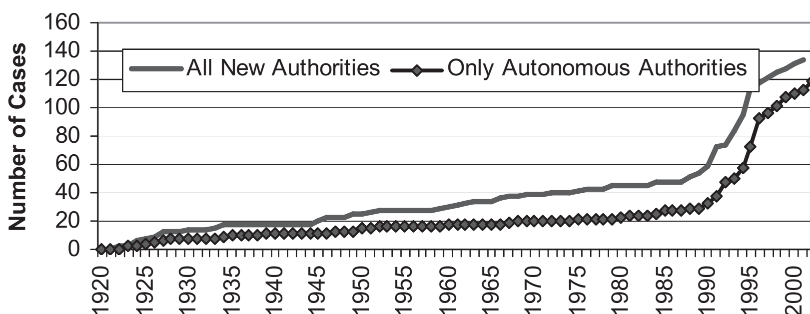

Figure 1. The growth of regulatory agencies in Latin America: 1920–2002.

Note: Source for all graphs and data: appendix A.

This article explores the sweeping restructuring of the state in Latin America, a region of the world that since the 1990s has been highly receptive to regulatory reforms in general and to the creation of autonomous regulatory authorities in particular. We present a unique dataset on the establishment and reform of regulatory agencies in 19 countries and 12 sectors since the early 1920s. Our dataset reveals an explosive growth of regulatory agencies across different sectors and nations in Latin America. From 43 agencies in 1979 (mostly in the financial sector), the overall number grow threefold to 134 by the end of 2002. In addition, while in 1979 only 21 of those agencies were nominally autonomous, the total number of nominally autonomous agencies grew almost six fold to 119 by the end of 2002 (see Figure 1). Although this number represents only about 60% of total potential adoptions in these countries and sectors, and in only 53% of the potential cases there is a nominal commitment to autonomy, it still represents a sweeping success for the idea of governance through regulatory authorities.

A particular institutional design of regulatory governance through autonomous agencies that was long confined to the United States (at the country level) and to central banking (at the sectoral level) is evolving from "best practice" to an hegemonic institution grounded in a new convention in economic governance.[1] In fact, not one sector studied here, and not one country in the region, including Cuba, has remained untouched by the process. Yet countries and sectors differ in their reception of the institutional reforms, and we aim to demonstrate that these differences shed some light on globalization as a diffusion process.

We draw a major distinction between sectoral and national patterns of diffusion. This distinction is itself grounded in a distinction between the national patterns approach and the policy sector approach to comparative analysis.[2] This distinction challenges deeply entrenched research designs that treat the

nation as the exclusive unit of analysis in the study of politics in general and of diffusion in particular.[3] These studies that focus on decisions relating to a single sector (or issue) are often oblivious to the presence of significant sectoral variations. This article emphasizes sectoral variations in the creation of regulatory agencies and therefore facilitates a more refined account of the process of regulatory reform without ignoring the importance of national variations. Indeed, we assert the advantages of cross-sectoral analysis on the basis of a former study of the data. After controlling for a battery of variables, we found that within sector diffusion (that is from one country to another but at the same sector) is as strong as, or stronger than, diffusion across sectors within the same country. This provides empirical support for the use of compound research designs in general and for combining the analysis of *sectoral* and *national* variations and similarities in the same research design in particular.[4]

We ask a single, major, question. What can we learn about state restructuring in Latin America by examining temporal, sectoral, and national variations in this process of institutional change? This is a modest question that leaves many avenues open for future study, yet we believe that it is challenging enough to merit attention. We use some descriptive statistics in order to capture the process, and discuss three major comparative perspectives to answer the question. We first examine the process from a comparative historical perspective (the temporal patterns approach), looking at the period from the 1920s to 1978. The comparative historical perspective allows us to distinguish between a sector-centred process of diffusion up to 1979 and a mixed process of diffusion across both nations and sectors since 1979.[5] Second, we examine diffusion as a national process, and reveal a high degree of variation among different countries in adopting regulatory institutions. This confirms the finding of the national patterns approach (NPA) that national-level characteristics exert a major impact on policy, politics, economics, and society. Accordingly, it suggests also that nations will vary considerably in the way regulatory authorities are adapted and that sectoral variations of regulatory agencies within each country will be minimal.

A third section examines the growth of regulatory agencies as a cross-sectoral diffusion process in Latin America and demonstrates high levels of variation in the diffusion of regulatory agencies across sectors. This confirms the finding of the policy sector approach (PSA) that sector-level variables will be the major determinant of reforms, and advocates comparisons of sectors.[6] Accordingly, this approach proposes: "[First] that the style of policy making and the nature of political conflicts in a country will vary significantly from sector to sector. . . . [And second] that policy making in a particular sector will exhibit strong similarities, whatever its national context."[7] A concluding section examines the implications of our observations for understanding state transformations in Latin America and, in particular, the implications of the rise of the regulatory state in the region. We start, however, with a discussion of the process of diffusion, the political and economic background of the

diffusion of regulatory authorities in Latin America since the 1980s, and the notions of the rise of the regulatory state and, at the global level, of the institutionalization of a new order of "regulatory capitalism."

REGULATORY REFORMS AND STATE RESTRUCTURING: LATIN AMERICA AND BEYOND

The widespread liberalization of trade, finance, and ownership has rendered many explanations of policy change obsolete because they were focused on its coercive aspects (e.g., the ability of autocracies to promote painful reforms) or on the obstacles to change (e.g., domestic opposition). Indeed, there is little evidence that either coercion or obstacles were significant enough to make sense of these systemic changes.[8] Liberalization and privatization were so popular during the 1990s as responses to social and economic malaise that coercion is marginal to any explanation of this policy change.[9] At the same time, the observed substantial and unprecedented changes rule out obstacle-centred explanations of the reforms and require a research agenda switch that views the policy change as a contagious process.[10] It is change rather than stagnation that has become *the* theoretical challenge for scholars; and to understand it we adopt a diffusion perspective. Instead of understanding the reforms as outcomes of independent structural factors such as changing technologies and changing economic conditions, we perceive them as interdependent.

In another paper, we employed event history analysis and, after controlling for numerous independent factors, we concluded that the process of change reflects interdependencies of decisions. A decision to create a regulatory agency is a very strong predictor of the creation of additional ones either in different sectors in the same country or in the same sector in other countries.[11] Our diffusion perspective derives largely from that study and from a particular interpretation that one of us labelled "herding towards new convention."[12]

The process of state restructuring documented here coincides with large-scale economic reforms that were intended to tackle the problems of the import-substitution model—debt crisis and hyperinflation—via liberalization of the national economies and the integration of the region's economy into the world economy.[13] These reforms should be understood against the background of four related characteristics of the region: the crisis of the old "developmental" model, the widespread diffusion of economic reforms, democratization, and the problems of state consolidation. During the post-war period, the Latin American states pursued, in accordance with the prevailing orthodoxy, intensive state-led industrialization in a quest for rapid industrialization and for the closing of the economic and technological gaps with the richest countries. During this period, the public sector expanded quickly and instruments of coordination were developed through the concentration of economic power.[14] However, the economic crisis of the 1970s laid bare the

fragility of the foundations of the institutional expansion of the developmental state in Latin America. To the extent that it was actually implemented, the model of the developmental state was deemed an economic and political failure due to a weak civil service, problematic coordination mechanisms, and narrow externalities arising from state-led development.

Economic crisis coincided from the late 1970s with a transition from autocracy to democracy.[15] Before 1978, only Colombia, Costa Rica, and Venezuela had democratic regimes with competitive electoral processes; but over a brief period autocracies fell like dominoes, one after another. The first transition to democracy occurred in the Dominican Republic (1978), followed by Ecuador (1979), Bolivia (1982), Argentina (1983), Nicaragua (1984), Brazil (1985), Uruguay (1985), Guatemala (1986), Chile (1990), El Salvador (1992), Honduras (1994), and Panama (1994). Indeed, the only remaining non-democratic regime in our study is Cuba. Despite episodes of regime crisis, the legitimacy of democracy seems uncontested for the present.

Based on previous democratic traditions, all new Latin American democracies adopted presidential democracy and proportional representation for their legislatures.[16] These led to a significant level of party fragmentation, which was balanced by strong presidential powers vis-à-vis the legislature, as well as by the capacity of presidents to forge coalitions with other parties.[17] It is notable, however, that neither the transition to democracy nor the political and administrative fragmentation of decision-making hindered the economic reforms, as was widely presumed in much of the literature of the 1980s.[18] In fact, under newly elected leaders liberalization in Latin America went farther and faster than anywhere in the world and indeed, as has been noted elsewhere, democracies are more likely than autocracies to privatize[19] and to undertake regulatory reform.

Against the background of these large-scale changes, it may not be too surprising that the rise of the regulatory state in Latin America did not receive much attention. Scholars of public administration who dealt with state reforms and restructuring focused on the reforms of the civil service (recruitment, promotion and remuneration), public finance (downsizing), the judiciary (fairness, access, effectiveness), public management (performance, autonomy and accountability) as well as issues of responsiveness, transparency and legitimacy.[20] Political economists focused on economic adjustment, trade liberalization, privatization, foreign direct investment, financial liberalization, and labor strategies.[21] The first major collection on regulatory reforms in Latin America by Manzetti[22] remains the only study of regulatory reform as a major aspect of change in the governance of the region's economy. Unlike Manzetti's collection and other various studies by institutional economists,[23] which focus on a small number of cases, we present in this article a relatively comprehensive picture of the regulatory changes, focusing on institutional change across countries and sectors. What we found surprised us, and indeed

the diffusion of reforms across countries and sectors went far beyond our expectations.

We view the creation of regulatory authorities as the hallmark of the transformation of the service-provision state into the regulatory state[24] and, in more general terms, of the configuration of new order of regulatory capitalism.[25] We observe in different contexts the extension of regulatory modes of governance to more and more spheres of life and to more and more political arenas, and suggest that regulation, as an *art and craft* of governance, as an *institutional* reality, as a *field* of study, and as a public *discourse* is more salient and celebrated nowadays than ever before.[26] The expansion of regulation is often labelled "the rise of the regulatory state" but also, depending on the context and perspective, "regulatory society"[27] and "regulatory capitalism."[28] This change in the mode of governance might best be described as a shift from taxing and spending to rule-making at different but entwined levels of political action, with an emphasis on the formalization of rules around an increasing number of issues.[29]

Four additional developments are intimately connected with the rise of the regulatory state since the 1980s. Privatization is one of the most celebrated. The second is the establishment of specialized agencies that exert regulatory control over business entities in fields as diverse as telecoms, electricity, water, post, media, pharmaceuticals, environment, food safety, occupational safety, insurance, banking, and securities trading.[30] These new entities, often known as independent regulatory authorities,[31] have been granted some measure of autonomy from direct political control allegedly in an effort to increase "policy credibility" vis-à-vis domestic and international capital.[32] The third is the formalization and codification of previously informal ways of applying law in general and regulation in particular. Finally, the change from taxing to rule-making is associated with the proliferation of mechanisms of regulation, meta-regulation, and enforced self-regulation. These four developments suggest a broader conception of the regulatory state than the one we capture in our study.

Yet regulatory authorities are not a marginal aspect of the change and are a reasonable proxy of this larger process of change, as far as they are responsible for implementing new policies—also new policy styles. They are especially important for us since they refute, at least partly, popular and scholarly assumptions about the decline of the state in the context of globalization. In an era in which regulation has become synonymous with red tape and in which deregulation has become a major electoral platform of the New Right, regulatory authorities have been created in unprecedented numbers and with unprecedented autonomy. The extraordinary expansion of these institutions is still little understood, both in Latin America and elsewhere, but our emphasis on the sectoral dimension of the rise of the regulatory state and on its historical origins provides new insights into the process of state restructuring.

HISTORICAL PERSPECTIVE: THE DOMINANCE OF SECTORAL PATTERNS OF DIFFUSION

Regulatory authorities, governance through regulation and autonomous institutions are not new in Latin America. Indeed, there are signs of the gradual advance of this form of governance at least since the 1920s. Thus, compared with the United States, where governance through "independent" regulatory authorities had already started in the 1880s and was consolidated in a national system, in Latin America governance through regulatory authorities started late and was confined to a few distinct sectors rather than being adopted uniformly across many sectors. This suggests that, while one can talk of the rise of the regulatory state in United States since the late 19th century and especially from the inter-war period, one can discuss these developments only as a sector-specific process in Latin America (and elsewhere). As will be demonstrated shortly, it is possible to identify some pace-setting sectors in Latin America, but up to the 1990s there was no pace-setting country that implemented sector-specific innovations in a wide range of sectors. We elaborate on these points by presenting and analyzing the growth of regulatory institutions in Latin America since 1920.

Have a second look at Figure 1, which covers a period of over 80 years in which specialized public organizations, separate from the ministries and focused on rule-making and enforcement rather than distribution or redistribution, gradually became a very popular organizational form of governance. It is easy to observe in the graph displays two periods, the first from the 1920s to the late 1980s, the second from the 1990s to 2002. What is readily observable in the first period is gradual and slow growth in the number of regulatory institutions up to 1990. As mentioned in the introduction, since the 1990s there has been explosive growth in the number of institutions and an increasing tendency to grant them nominal autonomy. Without doubt, this second period is the one that clearly and unambiguously represents the emergence of the regulatory state in the region.

We focus now on the diffusion of regulatory agencies in the region up until 1979. To what extent this was a nationwide process? And to what extent was it confined to certain sectors? Since our unit of analysis is defined as country-sector-year, any diffusion process across nations is sectoral in the sense that the basic observation is what happens in a sector in each country. A national pattern of diffusion is observable when regulatory agencies are established (or reformed) in different sectors within the same country at around the same time. Indeed, this is the reasoning that led Michael Moran to suggest the creation of "Victorian" regulatory state in Britain between 1833 and 1850. The new institutions include: "the Factory Inspectors; the Poor Law Commissioners; the Prison Inspectorate; the Railway Board; the Mining Inspectorate; the Lunacy Commission; the General Board of Health; the Merchant Marine Department; and the Charity Commission."[33] These bursts of regulatory

institution-building also encompassed some innovations in self-regulation, such as the creation of modern patterns of self-governing professions and self-government in the critical financial markets.[34]

Similarly in the United States, the rise of "regulatory state" is represented as a three-stage process in which regulatory institutions were created across a number of sectors, starting with issues of competition, moving to "economic sectors" in the inter-war period and culminating in the 1960s in the establishment of "social" regulatory institutions.[35] Thus, what was observable in the Britain and later in the United States was a process of agency creation marked by a "national approach," expanding across sectors within the country. Yet what we observe up until the 1990s in Latin America is within sector diffusion. Only limited number of sectors is affected and these are the same sectors in all countries. Thus, our data on a within-sector process of diffusion shed different light on the origins of the regulatory state in that region.

The pace-setting sector in which regulatory structures started to take shape in Latin America (as elsewhere) is central banking. From a "sectoral approach" it is essentially the sector that initially gave birth to the regulatory state and their distinctive autonomous institutions. The autonomy of the central banks is derived in part from their origins as private institutions that acted as the regulators of the money markets. Their regulatory powers were conferred by the state and involved certain rights and duties that were modelled on European arrangements. Another source of central banks' autonomy is the fact that these private institutions were financiers of the state. A system of interdependencies ensured that contractual relations between the private concessionaires and the government that conferred on them monopoly power to issue notes and undertake other monetary responsibilities also gave these institutions a significant degree of autonomy in the running of the public finances.[36]

Throughout the 18th and the 19th centuries these banks gradually came under tighter public control in Europe and acquired a "public character," in three major ways[37]: first, through more formal and detailed contractual relations between the concessionaires and the government; second, through the institutionalization of norms that ensured that they were publicly accountable despite being privately owned; and third, through the gradual emergence of government ownership rights in the banks.[38] This process culminated in the nationalization of central banks during the 20th century in Europe.[39]

In Latin America the issue of monetary management in general and central banking in particular became increasingly salient with national independence. Two competing models were under discussion. Under the competitive model, the different monetary functions would be distributed among a number of banks, thus avoiding the concentration of monopoly power in one institution. The second, monopolistic, model was based on British and Swedish practice. In both models the functions of central banks were conferred on private banks.[40] Gradually, in the mid-19th century the second model came to

predominate, and it was from this point of departure that central banks in the 20th century advanced in three distinct waves: the creation of a new and distinct institution, nationalization, and, since the 1980s, autonomy-enhancing reforms (see Table 1).

The central banks—even after nationalization—enjoyed a privileged position in the state bureaucracy that gave them strong autonomy, especially by the standards of the time. Autonomy was expressed in privileged access to the President, a concrete and specific legal framework for central banking, and an exemption from the pay scale that applied to the rest of the state bureaucracy. This autonomy was demanded, and very largely won, on grounds of the "special character" of monetary policy as well as the distinct legacy of the banks' private origins. No less important was the fact that these institutions enjoyed considerable autonomy and prestige in Europe. (The advance of this process of reforming and institutionalizing distinct state regulatory agencies in

Table 1. Central Banking Reform Across Countries

	Year of Creation [1]	Year of Nationalization [2]	Year of Autonomy-enhancing reform [3]
Argentina	1935	1935	1992
Bolivia	1928	1939	1995
Brazil	1964	1964	1988
Chile	1925	1975	1989
Colombia	1923	1973	1992
Costa Rica	1950	1950	1995
Cuba	1948	1959	1997
R. Dominic.	1947	1947	2002
Ecuador	1927	NN	1992
El Salvador	1934	1961	1991
Guatemala	1926	1945	1993
Honduras	1950	1950	1996
Mexico	1925	1931	1993
Nicaragua	1960	1960	1999
Panama	–	–	–
Paraguay	1952	1952	1995
Peru	1931	1962	1993
Uruguay	1967	1967	1995
Venezuela	1939	1939	1992
Group Median	1937	1952	1993

Key: Column 1 refers to institutional creation of the central bank as a regulatory authority, often as a mixed private-public body. Column 2 refers the year when the state took overall control of the central bank (it coincided with year of creation in a few cases). Column 3 refers to the year in which new legislation enhanced the autonomy of the central bank.

central banking in Latin America is portrayed in Figure 2.) The first country to reform its monetary policies and to establish a mixed public-private central bank was Colombia (1923), closely followed by Chile and Mexico in 1925 and Ecuador in 1927.[41] Compared with Europe, this process was slow to take off and indeed one country—Panama—still sticks to the old model of the pre-central bank era.[42]

Figure 2 also depicts the diffusion of regulatory authorities in two other sectors that are closely related to central banking and most probably were modeled partly on the principles of central banking. The process began in the 1920s, when the dominant Anglo-Saxon doctrine prescribed that regulatory commissions for financial services should remain separate from central banks, since central banks were usually private at that time—or bankers were part of their executive board. Consequently, several countries, such Colombia, Chile, Ecuador, Peru, and Bolivia, created regulatory commissions during the 1920s often at the same time as they crafted new regulatory design of their central banks (already of public nature). A departure from this model occurred in the 1940s, when Argentina and Brazil, which were less susceptible to Anglo-Saxon influence, included regulatory responsibilities for the financial sector within the central banks. Unlike in central banking and in financial services, where the diffusion process began in the 1920s, the diffusion of regulatory agencies for the securities and exchange sector took off only in the late 1960s. As can be seen in Figure 2, there are some early adopters (Chile in 1928 and Mexico in 1946) but no followers. The Latin American Federation of Stock Market Regulatory Authorities, which was established in 1973, was probably active in the promotion of the process later on, but by 1979 only eight of our 19 countries had adopted this regulatory innovation. The real take-off arrived only in the 1990s, in the context of liberalization.

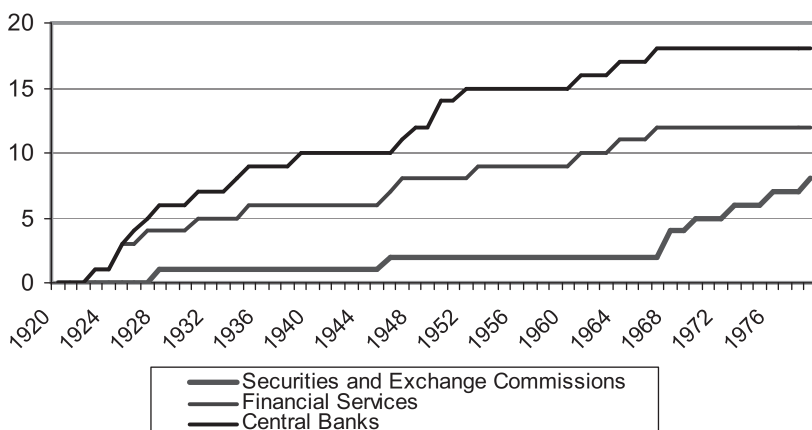

Figure 2. Sectoral Diffusion Before Neoliberalism.

It is remarkable that there are no clear indications of any national process of diffusion. With the exception of finance, none of the Latin American countries quickly extended regulatory principles of institutional design to other sectors. Thus, Costa Rica, which had established electricity regulation in 1928, did not extend the innovation to any of the sectors studied here until 1950, when a public central bank was first created. We have no reason to suppose that the Costa Rican central bank was modelled on the principles of, and lessons from, the regulation of electricity in that country, and every reason to believe that it was modelled on central banking in other countries. Even if we adopt a somewhat narrow definition of "national approach" and apply the criteria only to the three financial sectors (central banks, securities and exchange, and financial services) that were discussed above, we find only one country—Chile—setting up a regulatory authority in all three sectors in one decade (the 1920s). Indeed, it was Chile that led the process of creating regulatory institutions (though with somewhat less autonomy than in the United States) up until 1990, when its 8 regulatory authorities (out of the 12 sectors studied) were overtaken by Argentina's burst of regulatory reform which included the creation of five new regulatory authorities in one year.

We can conclude from our examination of the history of regulatory authorities that the process confirms the finding of the policy sector approach rather than that of the national patterns approach. In other words, long-term patterns of diffusion are sectoral: innovation in a particular sector in one country is diffused to the same sector in other countries. The pattern of diffusion that is missing is the national, in the sense that, except for Chile, none of the countries studied adopted the institution of a regulatory authority across most or even many of the three sectors studied here.

While a general theory of diffusion is beyond the scope of this paper, it is interesting to note the existence of some remarkable episodes that shed some light on the origins of Latin American regulatory institutions during the 1920s and early 1930s. Take, for example, the role of US consultant missions in several Andean countries (Colombia, Ecuador, Peru, Bolivia, and Chile). An academic economist from the United States, E. W. Kemmerer, helped to reform financial institutions to assure monetary stability and the repayment of foreign debts. The establishment of new central banks responsible for monetary policy, with a mix of public and private participation, although was already sought by some domestic interests, was triggered by the Kemmerer missions. Beyond the creation and institutionalization of central banking, he also promoted the establishment of a separate regulatory commission for financial services, based on the institutional designs that were dominant at that time in the United States.[43] The influence of the Kemmerer missions show that many countries decided adopt US lines in regulatory policy in Latin America during the 1920s, and helps to explain the emergence of the first regulatory institutions in the region.

Below, we examine the similarities and the differences in the process of diffusion of regulatory agencies before and after 1979. But first we examine

the second period: that of the rise of regulatory state and the consolidation of the new global order of "regulatory capitalism." The next section focuses on sectoral patterns of diffusion, and the section following that focuses on cross-national patterns.

CROSS-NATIONAL DIFFUSION IN THE ERA OF REGULATORY CAPITALISM

It is only in the 1990s, following a wave of reforms across various sectors, that it is possible to speak for the first time of national patterns of diffusion and indeed of the rise of the regulatory state in Latin America. In this period, regulatory change in general and of regulatory agencies in particular was diffused across large number of sectors and was no longer confined, as it was before, to a limited number of sectors, especially finance. Whether in the previous period we observed diffusion of a single sector from one country to another, now we observe in addition diffusion from one sector to another within the same country, and also more aggregate phenomena, such as diffusion from one country to another, irrespective of concrete sectors.

As would be expected from the national pattern approach, countries vary considerably in the institutionalization and design of regulatory agencies. To discuss national patters of diffusion we should distinguish different dimensions of variation. We focus on five dimensions: countries vary in the timing of the reforms; in the extent to which they apply the reforms at the same time; in the extent to which they implement innovation across large number of sectors; in the degree of autonomy that they confer on their agencies; and finally in the degree of fragmentation of their agencies. Cross-national variations are presented in Table 2, and we start our discussion with the general trend before explicating the variations.

The data in the last row of Table 1 allow us to capture some of the general dynamics of the reforms. In 2002 Latin American countries have on average seven sector covered by regulatory agencies in the 12 sectors studied. Most of these agencies are autonomous (90%). The mean time of change is the last quarter of 1994 for the group as a whole and the standard variation around this year is less than four years. When we move from the last row to the last columns (5, 6) of the table, it is possible to see that the variation in the mean year of creation is very low for all three groups and that the standard deviations indicators practically indicate a process that affects all groups at the same time. These commonalities represent the general dynamics that allow us to suggest the rise of a regulatory state.

We now move to the variations and start with the variations in the scope of the reforms (column 1, Table 1). It is possible to divide the countries into three categories according to the number of regulatory authorities in 2002 (9–12: high; 5–8: medium; 1–4: low). In the first group, those with a large

Table 2. Regulatory Agencies: Organizational Characteristics by Country

	Country	Total Number of RA [1]	Of these autonomous [2]	Average Term of office [3]	Multi- sector RA (no. of cases) [4]	Mean Year of Creation/ Reform [5]	Temporal Disparity [s.d] [6]
High number	Argentina	11	9	3,9	6	1992	4
	Brazil	11	10	2,5	4	1997	7.8
	Chile	9	7	1,1	2	1985	5
	Costa Rica	9	9	4,2	5	1995.5	2.34
	Bolivia	9	9	5,1	0	1994	3.8
	Mexico	9	7	2,9	4	1993	2.2
	Group Avrg.	9.7	8.5	3.3	3.5	1992.75	4.2
Medium number	Colombia	8	4	1,25	2	1994	5.5
	Peru	8	8	4,5	2	1993	3.5
	Uruguay	8	8	4,75	7	2001	3
	Venezuela	8	7	4	0	1995.5	45
	Nicaragua	7	7	3,8	4	1995	3.2

Continued

Table 2. Continued

	Country	Total Number of RA [1]	Of these autonomous [2]	Average Term of office [3]	Multi- sector RA (no. of cases) [4]	Mean Year of Creation/ Reform [5]	Temporal Disparity [s.d] [6]
	Panama	6	6	5	3	1996	10.8
	Ecuador	5	5	4,0	0	1992.5	1.9
	El Salvador	5	5	5,8	2	1996	2.5
	Group Avrg.	6.9	6.25	4.5	2.5	1995.4	9.4
Small number	Cuba	4	2	0	2	1995.5	3.8
	Dominic. R.	4	4	2,5	0	2000	2
	Guatemala	4	4	3,25	0	1995.5	1.4
	Honduras	4	4	4	2	1995	0.5
	Paraguay	4	4	5	0	1995	2
	Group Avrge	4	3.6	3	.8	1996.2	1.9
All Countries average		7	6.3	3.6	2.4	1994.8	3.7

Key: Column 1 refers to the total number of agencies at the year 2002; Column 2 refers to the total number of agencies which are nominally autonomous; Column 3 refers to a strict measure of autonomy. Cases without a defined term of were calculated as zero; Column 4 supplies a measure of the degree of fragmentation in countries' regulatory institutions by counting the number of cases in which sectoral regulatory institutions operate under the same organizational roof. Column 5 supplies a measure of the pace of change by calculating cases of agency creation or reforms for the period after 1979; finally, Column 6 presents the standard deviation of the reforms around the mean year of agency creation.

number of agencies, we find six countries. Chile, which has a long history of regulatory institutions, and indeed was unique in the 1920s in that it established regulatory authorities across all three financial sectors, is also the earliest of the countries to create sector-wide regulatory agencies (see column 5). These reforms clearly coincided with early privatization led by technocratic reformers under the military regime of Augusto Pinochet.[44] By 1990, Chile's present regulatory structure was already in place and was only marginally changed the years after. The wave of reform in the 1990s starts, however, with Menem's Argentina following the success of the convertibility policy (1991) and the move towards sweeping 'big-bang'-type privatization. Over a period of three years (1990–1992), Argentina created or reformed seven regulatory authorities in the sectors discussed here. Mexico's regulatory authorities were established in 1995, coinciding with the first year in office of President Zedillo as well as with a severe financial crisis. Indeed, Mexico's new agencies can be understood as an attempt by the new President to reform and modernize different aspects of the Mexican government organization in the context of economic crisis.

Brazil has one of the newest regulatory systems (the mean year of agency creation is 1997). Most of the regulatory agencies were created during the second term in office of President F. Cardoso and in anticipation of privatization.[45] The first agency to be set up, the telecommunication authority ANATEL, was specifically designed by an international consultancy group engaged by the communications minister, and then served as a model for the subsequent agencies that were established very quickly in that period, all with identical formal characteristics irrespective of their adaptation to the requirements of each sector.[46] Bolivia introduced regulatory authorities during the mid-1990s, again in the context of large-scale privatization. In the second group of countries, those with a medium number of regulatory authorities, we find eight "foot-dragging" countries with considerable variations: within this group Colombia, Peru, Uruguay, and Venezuela established eight agencies each, Ecuador and El Salvador only five each. In the third group—the "laggards"—we find five countries, each with only four regulatory authorities across the 12 sectors studied.

As to the national dimension of variation related to agencies' autonomy, Table 1 presents two different measures. Column 2 presents nominal autonomy as expressed in the law that governs their operation. This is a restricted and limited indicator which does not cover the complexities of institutional design; we use it only because no other indices exist such as those that were developed for central banking[47] or for cross-sectoral analysis in Europe.[48] We offer, however, a limited indicator—term of office—which captures the extent to which the position of the head of the agency is independent of the executive (see Appendix A for extended discussion).

The Chilean case is interesting; the first country to consolidate regulation as a system of governance across a wide range of sectors, it did not tend to

grant its agencies much autonomy. In electricity and gas, for example, important controls remain in the hands of the ministry. Other agencies have no formal autonomy at all (water, environment, etc.). The case of SUBTEL, the telecoms regulator, is the most surprising of all, because it has neither nominal nor organizational autonomy. Established in 1977, it is formally only a vice-ministry, although has a reputation for being one of the best regulatory authorities in the region.[49] In most Chilean cases, agency heads are appointed by the president or the ministry, without legislative control, and there are no fixed terms of appointment. In addition, agency boards are composed of representatives of different ministerial units. Only in the case of the central bank do formal rules establish a system of strong independent authority, with a solid 10 years of tenure for the president of the bank.

Brazilian and Argentinean agencies are typically designed according to the standards of best practice that are propagated by the World Bank. Appointment processes, board composition rules, budgetary sources and other details display relatively minor variation across sectors.[50] In both countries, presidential appointments require Senate ratification. In Costa Rica the head of the ARESEP (a multi-sector regulatory agency in the utilities) is also appointed by the president of the republic subject to a legislative confirmation process, but has to resign at the end of the president's term of office. This represents a clear statement of limited autonomy and political control: direct dependence on the president. Costa Rican regulation in the financial area is also peculiar. The National Council for Control of the Financial System consists of the ministry for labor, the ministry of the treasury, the president of the central bank, and five members nominated by the central bank. This council controls the activity of three different agencies in these areas (stock exchange, pension funds, and financial services), naming the head for each one. In Colombia, except in finance where there is a tradition of regulatory governance dating back to the Kemmerer missions, most authorities were created during a short period when, after the 1991 Constitution, the country experienced a period of intense institutional innovation. Most of the agencies are formally very similar, for example each agency head is appointed by the ministry for a three-year period. Ministries are members of the executive boards of most of the agencies, along with experts named by the president. Also, the central bank does not exhibit strong independence in so far as the minister is a member of the board. We also find this model of strong governmental participation in regulatory authorities in several Central American countries, like El Salvador or Guatemala, which suggests a certain influence of Colombian institutional models.

Yet, if we move from a case perspective to a group's average, it is clear that there is no strong correlation between the timing and number of agencies on the one hand and the degree of autonomy on the other. In terms of nominal autonomy (column 8) the group averages of nominally autonomous agencies are 88, 91, and 90 percent, respectively for the groups with high, medium and

low numbers of regulatory authorities. When we look at the average term of office, the longer terms (and therefore greater autonomy) for the medium-number group stand in somewhat ambiguous relation to the lower and rather similar average terms for the two other groups (3.3. for the high- and 3 for the small-number group).

Regression of the two measures of autonomy against the year of creation did not suggest that autonomy is more robust for either the early or the late cases of agency creation. While we believe that there is a general tendency to formalize autonomy through legislation and that it is increasingly institutionalized as a new convention of regulatory governance, our limited data on autonomy does not provide significant support for that hypothesis.

Column 4 supplies some indication of the degree of fragmentation in the countries' institutional designs. Here we find variations in the extent to which countries merge their regulatory agencies in "multi-sector" organizations or "super-agencies." Thus, for example, a country may create two different agencies for gas and electricity or decide to bring both utilities under the same organization. The choice can reflect any whim of the institutional designers but is usually justified in terms of the size of the sector or the country's economy as well as with reference to issues of coordination and cooperation between regulators. Thus, we find small countries such as Costa Rica and Uruguay often using multi-sector regulatory authorities as a way of dealing with resource problems. Five out of the nine regulatory agencies in Costa Rica are under a common roof (see ARESEP, below). In Uruguay only one agency out of eight (the financial services regulator) is a stand-alone organization. The others are organized in the form of multi-sector agencies (central bank controls also securities and exchange, the agency for communications includes telecoms and post, and a single agency covers energy and water).

Multi-sector regulatory authorities are common also in large countries like Brazil or Mexico. Yet, unlike the small countries, the large ones usually merge regulatory institutions only in pairs of related areas, such as central bank and financial services, or gas and electricity). Smaller countries are less selective about the spheres of regulation that are covered by the same regulatory agency. For example, in 1996 Costa Rica created the Autoridad Reguladora de los Servicios Públicos (ARESEP), which integrated five different sectors within the same structure. ARESEP replaced a former agency that was originally established in 1928 to regulate electricity, and regulated telecoms as well after 1963. In 1996 this regulator was subsumed under the new agency, which also regulates the post, gas and water sectors. Finally, the Bolivian case represents another institutional variety: a horizontal second-level agency controls first-level specialist regulatory agencies.

We have observed here that diffusion processes from sector to sector within a country were very common in this period, usually taking place a quite reduced period of time. From considering timing of reforms, we also find some indications that wide-ranging diffusion from country to country also did

matter. In addition, we are now in a position to conclude positively that, while there is a general move towards the institutionalization of regulatory authorities across the countries of the region, there are significant cross-national variations in the ways these institutions are adapted to different national settings. In particular we pointed to autonomy and scope of regulatory action as major and important dimensions of change. These national variations, however, present only part of the picture of change. In order to obtain a more comprehensive picture, we need to look at cross-sector variations and commonalities.

CROSS-SECTORAL DIFFUSION IN THE ERA OF REGULATORY CAPITALISM

While there are indeed cross-national variations in the diffusion of regulatory authorities in Latin America since 1979, and therefore some considerable support for the national pattern approach, there are also important indications that support the policy sector approach. The indications are manifested in important variations in sectoral characteristics along five dimensions: the timing of the reforms, temporal pace of diffusion, scope of diffusion, degree to which sectors are regulated by multi-sector institutions and, finally, the degree of autonomy of agencies. These sectoral characteristics are presented in Table 3. We begin with the general dynamics before moving to the variations.

The general dynamics is partly captured by the data in the last row of Table 3. In 2002 each of the sectors studied had on average 11 regulatory agencies across the countries studied. This is an impressive number that represents 58% of all potential cases. Almost all of these agencies were autonomous (9.9 out 11.1 or 90% on average). The mean year of change for the group as a whole is 1994 and the standard variation around this year is less that five years. If we move from the last row to the last columns (5, 6) of Table 3, we can see that the variation in the mean of creation year is very low for all three groups and that the standard deviation indicators practically reveal a process of diffusion which affects all groups at the same time.

From cross-sectoral commonalities, we can now move to the variations. We start with variations in the scope of the reforms across the sector. We divide the sectors into three groups according to their numbers of regulatory authorities at the end of 2002 (15–19: high; 6–14: medium; 1–5: low). In the first group with a high number of agencies, we find five sectors. Three of the sectors have already appeared in our analysis of the history of regulatory authorities: financial services, central banking, and securities and exchange have been the front-runners of regulatory change: since the 1920s for financial service and central banking, and since the late 1960s for securities and exchange. Our data, which cover the timing of their creation and restructuring (usually through legal change, which grants more autonomy and responsibilities) show that they have led the process again (see Figure 3).

Table 3. Regulatory Agencies: Organizational Characteristics by Sector

	Sector	Total Number of RA [1]	Of these autonomous [2]	Average Term of office [3]	Multi- sector RA (no. of cases) [4]	Mean Year of Creation/ Reform [5]	Temporal Disparity [s.d] [6]
High number	Financial Services	19	19	3.63	6	1995	3.8
	Central Banks	18	18	4.06	4	1993	3.4
	Securities &Exchange	17	17	3.64	4	1992	9.3
	Telecoms	18	16	3.3	6	1995	2.7
	Electricity	15	14	4.4	8	1996	3.4
	Group Avrg.	17.4	16.8	3.8	5.6	1994.2	4.5
Medium number	Competition	10	9	4.1	0	1992	6.1
	Gas	10	9	3.7	6	1995.5	4.9
	Water	12	10	3.25	3	1995	4.3
	Group Avrg.	10.7	9.3	3.7	3	1994.2	5.1
Small number	Environment	4	1	1.25	0	1993	3
	Postal Services	4	4	3.75	4	1995.5	3.8
	Pharmaceuticals	4	1	0.75	2	1990.5	7.9
	Food Safety	2	1	1.5	2	1995.5	5
	Group Avrge	3.5	1.75	1.8	2	1993.6	4.9
All 12 Sectors average		11.1	10.7	3.1	3.3	1994	4.8

Key: Column 1 refers to the total number of agencies in each sector for the year 2002; Column 2 refers to the total number of agencies which are nominally autonomous; Column 3 refers to a partial measure of autonomy. Cases without a defined term were calculated as zero; Column 4 counts the number of countries in which the regulatory authority is included in a multi-sectoral organization. Column 5 supplies a measure of the pace of change by calculating cases of agency creation or reforms for the period after 1979; finally, c = Column 6 presents the standard deviation of the reforms around the mean year of agency creation for each sector.

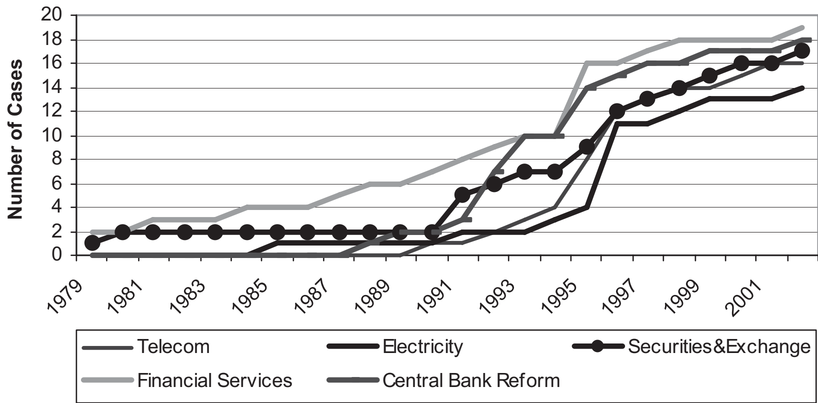

Figure 3. The Diffusion of Regulatory Agencies and Reforms in Pace-Setting Sectors 1979–2002.

Closely following the three finance sectors are two new sectors that have experienced sweeping restructuring: telecoms and electricity. This group differs significantly from the others in terms of the number of regulatory authorities but is similar to the medium-number group of authorities in terms of mean year of creation and temporal disparity (columns 5 and 6). The two groups of high- and medium-number of agencies are also similar in terms of the measures of autonomy (see columns 2 and 3). The ratio of autonomous agencies to all is 96% in the high-number group and only 87% in the medium-number group, but the measures of average term of office are about the same (3.8 and 3.7, respectively).

By contrast, the sectors that have a low number of regulatory authorities (ranging from two cases for the food-safety sector to five cases for the environment sector) seem to have a low measure of autonomy. A closer look at the data reveals that agencies in the postal services—the only "economic sector" in this group—enjoy similar levels of autonomy to the other groups. Low levels of autonomy are really characteristic of social regulation sectors (not unlike the United States).[51] This suggests that variations in agencies' autonomy are significantly determined along sectoral lines and not only national ones.

Column 4 examines the variations across sectors in terms of the frequency with which agencies in a particular sector are "stand-alone" agencies. Thus, among the 19 financial services agencies, 13 are stand-alone and six (in Argentina, Brazil, Cuba, Honduras, Mexico, and Nicaragua) belong to multi-sector agencies. A first look at the data suggests that there are significant variations across the 12 sectors in the frequency of multi-sector agencies. Group averages for the high-, medium- and small-number groups of regulatory authorities are 4.6, 3, and 2, respectively; yet the correct way to compare these numbers is to calculate the number of multi-sectoral cases as a proportion of

total number of regulatory authorities (column 4 data divided by column 1). Such a comparison reveals a greater ratio of multi-sectoral institutions in the "small number of regulatory authorities" group but a quite similar ratio for the two other groups. Looking even more closely at the sectoral proportions rather than the group data reveal a strong and clear tendency to create stand-alone environmental agencies, though this tendency is not evident in the social regulation arena as a whole. There are two extremes in our data. On the one hand are the postal services and food safety agencies, which in all countries are under multi-sector organizations; on the other hand are the competition sector, telecoms and central banking, which are dominated by stand-alone agencies.

We now focus on certain characteristics of some of the sectors. Combining number of regulatory authorities, the mean year of creation and the history of regulatory institutions since the 1920s reveals that central banking is the pace-setting sector in the diffusion of reforms. Some of the history of central banking in the region was given in Section 2. Table 1 summarizes these changes across time. Two issues are worth mentioning here. What central banking brings to the institutional design of the regulatory state is a tradition of autonomy and arm's length relationships between ministries and central bankers.[52] This autonomy was further strengthened in the wave of reforms of the 1990s,

Yet the new era of reform did not start with central banking; and the pace-setter in the diffusion of the reforms was the financial services sector. Countries in general first reformed their financial services sectors and only later their central banks—to grant them autonomy (see Figure 3). Yet it may well be that central banks are still the leading agencies of the regulatory state in terms of autonomy, even though our measures of nominal autonomy and terms of office do not reflect it (our measures—see again Table 3—place them together with electricity and competition as the highest in respect of the measure of term of office). One indication of this expectation is the fact that even in countries such as Chile and Mexico, where regulatory institutions generally have weak autonomy, central banks enjoy strong autonomy.

Figure 4 presents the patterns of diffusion of the three "foot-dragging" sectors with medium numbers of agencies as against the patterns of reforms in the "pace-setter" sector of central banking. While the marginal role of gas in some countries and the fact that water is often provided by local or provincial authorities may well explain the relatively low number of regulatory authorities in these sectors, it is puzzling that competition authorities should lag behind the more sector-specific agencies in their reforms. The puzzle is explained to some extent by the size of the countries: it seems that small countries such as Ecuador, the Dominican Republic, Guatemala, and Honduras—whatever the reason may be—are less likely to establish competition authorities.

We identified four laggard sectors. All but one (postal services) are social sectors (see Figure 5). The dynamics of diffusion in these sectors are still little understood and, while other countries may well soon jump on the bandwagon

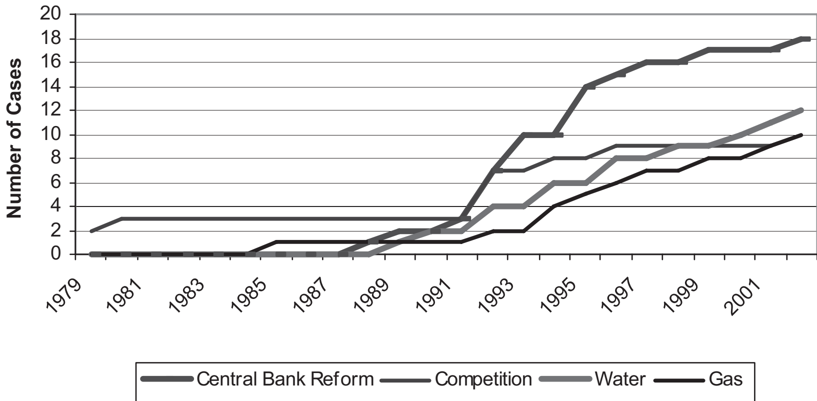

Figure 4. The Diffusion of Regulatory Agencies in Foot-Dragging Sectors versus Central Banking Reform 1979–2002.

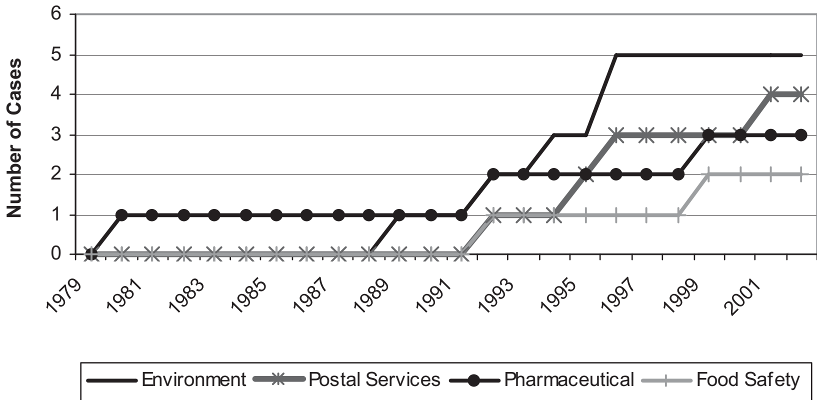

Figure 5. The Diffusion of Regulatory Agencies in Laggard Sectors 1979–2002.

of regulatory reforms in these sectors, there is no guarantee that this will be the case. The fact that some of the biggest countries in the region have moved in this direction may indicate that the smaller ones will follow. Indeed, big countries are dominant in the establishment of regulatory authorities in food safety (in which only Argentina and Brazil have regulatory authorities), pharmaceutical products (in which Argentina, Brazil, Chile, and Cuba have regulatory authorities), and in environment regulation (in which Brazil and Mexico are the pioneering cases). Indeed, we find social regulation to be one of the most challenging arenas for state action and diffusion in the coming decade; a comparison that we undertook with the dynamics of agency reforms in European countries revealed that, while rates of diffusion in spheres of economic

regulation are similar between the two regions, in social regulation almost twice as many agencies have been established in Europe as in Latin America.[53]

All in all we find that sectoral diffusion of the regulatory agency model within specific sectors across countries is still very important path-way for the development of the regulatory state. The central bank "model" of diffusion that we examined before is replicated here by other "pace-setter" sectors—telecommunications being the most clear case. The importance of within sector diffusion may be also demonstrated by the stronger similarities in patterns of sectoral diffusion and institutional variations (e.g., autonomy and fragmentation) when compared to within national diffusion.

CONCLUSIONS

It is now possible to draw some conclusions from our exploration of the process of restructuring the state in Latin America. We hope that we have set out the powerful logic that underlies the argument that the regulatory state has emerged in the region. While our evidence for such a process are indeed limited to the creation of new regulatory authorities and to the extensive process of delegation, these are not marginal aspects of the change. So also are indications from other studies that reveal a sweeping process of privatization in the region.[54] These indications—important as they are—are, however, partial. For example, it is not clear whether other characteristics of the regulatory state—such as the proliferation of mechanisms of regulation and formalization of relations—are likewise diffused or, if so, whether they are as popular as in Europe. In other words, we are still in the very first stages of the study of the rise of the regulatory state in Latin America and of our efforts to capture the unique characteristics of change that distinguish Latin America from the rest of the world. We are also at the very beginning of the study of the mechanisms that propel that process of diffusion across nations and sectors. Yet, whichever way one may go in the study of diffusion in general and of the regulatory state in particular, we suggest that it might be optimal to study them comparatively, using temporal, sectoral and national variations. What we should look for in future are concrete mechanisms that produce emulation and learning and operate across time, sector, and nations, and also examine how their variations shape the characteristics of the diffusion of agencies.

Here is a lesson for comparativists in general. Comparative politics and policy is traditionally and mostly about countries. The number of research designs that compare countries is much greater than the number of research designs that compare sectors. While the bias towards cross-national comparisons can be justified on several grounds, not least the remarkable studies that have been undertaken on the basis of this design, there are some grounds for believing that sectors matter and that more attention to cross-sectoral designs

and, especially, combinations of cross-national and cross-sectoral designs might be productive and useful.[55]

Two particular insights exemplify the productivity of our approach. The first is the balance it provides to the tendency to emphasize the American origins of the regulatory state and to ignore or marginalize its sectoral origins, namely, the centuries of central bank independence in Europe. While several scholars have challenged the "American origins" of governance by independent commissions, and have gone to some lengths to demonstrate the existence of such commissions elsewhere, their arguments have always been framed in national terms (i.e., we British/German/Swedes had it before the Americans). Yet, if one considers the effects of central bank institutional autonomy and the European origins of central banks, a different version of the origins of the regulatory state and regulatory authorities might be portrayed. This observation is especially important since, if we are to examine current diffusion processes, we should decide where to draw the line between sectoral and national processes of diffusion. Consider, for example, the use of the concept of epistemic communities. If epistemic communities are important carriers of reforms, to what extent are they sectoral (specialists in water, for example) or national (economists or reformist groups of politicians)?

No less important is our second observation, namely, that while the first stages of the diffusion of regulatory authorities in the region display sectoral patterns, the later stages have significant national characteristics. This is a paradoxical result in an age which celebrates the demise of the nation-state. The Latin American states in the 1990s were more capable of implementing abstract ideas about best governance practice than in the 1920s onwards. Could it be that this capacity represents an improvement in the transformative power of states?[56] If so, this certainly strengthens the case of those who dispute the argument about the demise of the nation-state. We are delighted to note that this score was reached through a research design that combines nations and sectors.

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30. The proliferation of so-called independent regulatory agencies across the world as a "best practice" of institutional design is bewildering. A study of the rise of regulatory institutions in the telecoms and electricity industries found that by the end of 2002 at least 120 countries had established new regulatory authorities in telecoms and 70 in electricity. The popularity of these institutions might be demonstrated more clearly when these numbers are compared with their relatively scarcity up to 1989. In that year only 11 countries had regulatory authorities in telecoms and only five in electricity (Levi-Faur, 2002).
31. The term "independent regulatory authority" is problematic as at most these agencies might be institutionally autonomous but in no way independent (that is, unresponsive unapproachable). For a discussion of the difference between independence and autonomy, see Nordlinger, E. Taking the State Seriously. In Weiner, M., Huntington, P. S., Eds., *Understanding Political Development*; Little, Brown: Boston, 1987, 353–390.
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36. Different countries display different trajectories for central bank development yet the common form is of one bank gradually coming to assume more and more of the position of central bank, due mainly to its enjoying the sole or the principal right of note issue and acting as the government's agent. Kock suggested that prior to the 20th century there was no clear concept of central banking and that gradual evolution had been taking place in various countries over a long period, but the process had not always been conscious one, and a systematic and consistent technique had not yet been developed and formulated (p. 1). Kock De M.H. *Central Banking*; 4th Edition; Crosby Lockwood Staples: London, 1974.
37. The model for many countries was the British case both before and after nationalization. The oldest central bank is the Sweden's Riksbank, yet the Bank of England was the first bank of issue to assume the position of a central bank and to develop what are now generally recognized as the fundamentals of the art of central banking.
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41. "The history of the Bank of England is thus universally accepted as illustrating the evolution of cental banking principles and technique" (Kock, 1974, p. 2). The Bank of England was nationalized formally in 1946. The Latin American central banks which were created from the 1920s (on the US Federal Reserve model and also on European models) were wholly new institutions, and the formerly private banks usually continued to operate, being consolidated in many cases into the larger private banks in the country (but losing their privileged position). Thus, as new institutions, they were created as mixed public-private bodies during the 1920s or as full public bodies from the 1940s.
42. Panama's constitution from 1904 shapes the current situation in Panama regarding the central bank. Panama does not have central bank or national currency and instead uses US dollars. Thus the National Bank of Panama (NBP) distributes only dollars, and is a government bank, but without any regulatory functions. Attempts to change this situation by issuing a national currency (in 1911) and establishing a central bank (in 1941) came to nothing.
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APPENDIX A: DATABASE ON REGULATORY AGENCIES—CLASSIFICATION CRITERIA AND SOURCES

The database includes 19 countries and 12 sectors (a total of 228 sectoral cases). The unit of analysis is a country sector for 83 years between 1920 and 2002 (therefore a total of 18,924 observations). Regulatory authorities have been identified in all Latin American countries (except Surinam and Guyana in South America and Belize in Central America). In the Caribbean, Cuba and the Dominican Republic have been included but we excluded other micro states and countries outside the sphere of Spanish and Portuguese influence.

The 19 countries that are covered are Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

The public regulatory authorities in 12 different sectors have been selected for inclusion in the database. These sectors represent a wide diversity of public controls over economic and social spheres. We include nine sectors of "economic regulation," that is, where regulation and control activity is designed, wholly or in part, to improve the working of markets, making them more competitive, for the ultimate purpose of improving consumer satisfaction and the global efficiency of the productive system (competition, telecoms, electricity, gas, water, post, central banking, securities and exchange, and financial services). In addition we include three sectors of "social regulation," which is intended to mediate the social effects of the working of markets (food safety, pharmaceuticals, and environment).

Criteria for Inclusion

Regulatory authorities have been identified for inclusion on two conditions: a) they consist of an organizational unit clearly separate from the ministry responsible for the sector, and b) the main functions of the organizational unit are regulatory, that is, they are engaged in rule-making rather distribution or redistribution.

Dealing with Multi-sector Institutions

When a regulatory institution has responsibilities for more than one sector, the same regulatory authority and its characteristics are considered repeatedly for as many sectors as may apply. Thus the number of regulatory institutions may be effectively smaller than the total number of regulatory authorities identified for each country in the database. We also count, for each country and for each sector, the number of cases in which these multi-sector institutions exist. For a country, we count the number of sectors that are included in multi-sector agencies; and for a sector, we count the number of countries in which this sector is included in a multi-sector institution.

Dealing with the Life Cycle of Regulatory Institutions

Regulatory institutions have an organizational life cycle: each year a number of new institutions may be created, but others may disappear (the government takes back its functions) or, more commonly, there is integration (creation of a

new institution from several existing ones), absorption (one existing institution absorbs another), or separation (one institution divides into two or more). We include references to those changes in the database for the year when they occur.

Creation and Autonomy

A regulatory authority is considered to be autonomous when autonomy is explicitly mentioned in the written rules governing its operation. Thus, we first document nominal rather than substantive autonomy. This criterion is somewhat relaxed in the case of central banks before 1979, in which we look at the organizational characteristics of the institutions and their place in the bureaucratic ladder in order to determine autonomy. For the period after 1979 we first enquire whether the law that establishes the agency includes a statement on autonomy. If not, we require at least a fixed term of office for the head of the agency before deciding on autonomy. These are not very demanding criteria in relation to the presumption of independence, but we believe that they allow us to tell whether minimum innovations have been introduced, even if of only a formal character, to increase the costs of government interference in the activity of the regulatory authority. Our aim is to identify to what extent decision criteria based on the supposition of delegation are to be found in the configuration of these institutions. These criteria allow us to present two different series for regulatory institutions. The first refers to the year of creation of the regulatory authority, and the second to the year in which the regulatory authority was granted autonomy.

Sources

The main source for the construction of the database has been the information available on the web sites of the regulatory authorities, where a detailed scrutiny of the available information on the characteristics of each institution has been carried out. In most cases the information about most of the variables selected has been extracted directly from the legal provisions for those institutions (laws, decrees, regulations, statutes, etc.); in others the general legislative framework of each country have been used. Other sources include multilateral and international organizations of regulatory agencies, and newspapers and journals.