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Market Failures and the Government of Collective Concerns

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Problematizing markets: market failures and the government of collective concerns

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Abstract

Neoliberalism is usually associated with pro-market values. This paper argues that more attention should be paid to the specific forms of market criticisms that unfold in neoliberal settings. We adapt Foucault's and Callon's notion of problematization to study recent policy reforms in Chile. The analysis shows a transition from a set of policies justified in terms of the virtues of the market to policy interventions based on a comparison between the situation in the specific area and ideal well-functioning markets. This transition, we propose, signals a particular mode of governing with its characteristic cognitive operation (areas of collective concerns are assessed in terms of market failures), apparatus (policy instruments oriented to remediate market failures), and the jurisdiction of a particular type of experts.

Keywords: Neoliberalism; Foucault; Callon; Chile; public transport; health insurance.

Introduction: neoliberalism and markets for collective concerns

In the last years, social scientists from varied disciplinary backgrounds have shown a renewed interest in studying, to use Crouch's (Crouch, 2011) apt expression, the 'strange non death of neoliberalism' (Brown, 2015; Davies, 2014; Mirowski, 2013). This paper aims to contribute to better understand neoliberalism's resilience.

Neoliberalism can be defined in many ways. There are actually so many definitions that the same term is used to designate apparently contradictory phenomena (Venugopal, 2015). Few will disagree, however, that one key feature that distinguishes the neoliberal moment from previous ways of governing collective life is radical marketization. As Zuidhof recently

summarized it, while liberalism denotes a political rationale aiming to delimitate the role of the state in the economy, neoliberalism refers ‘to a political logic that governs by constructing markets in domains hitherto not governed by market norms’ (Zuidhof, 2014, p. 161). Neoliberalism is a policy regime where market-based policy instruments are actively constructed by governments to act upon collective problems. Markets replace bureaucratic public institutions as favoured means to act in areas including education, energy, health care, transport, and even the environmental externalities produced by the functioning of existing markets (Mirowski, 2013). Our interest is in what happens after markets, introduced as policy instruments — or, to use the terms of this special issue, ‘markets for collective concerns’ (Frankel *et al.*, 2019) — are challenged. How does a critical evaluation of market-based policies rather than triggering a movement, for instance, toward fundamentally different modes of organizing a given area, end up consolidating markets as policy instruments? Among the many possible elements relevant in this process, our focus is on a particular dimension: the way in which markets created as policy instruments are *problematized*.

The notion of problematization is normally traced back to pragmatist philosopher John Dewey and his remark that problems do not pre-exist inquiry (Boltanski, 2014; Stark, 2011). Inquiry, from this perspective, implies the transformation of undetermined *issues* into a *problem*, with delimited actors and factors that are relevant in order to explain and intervene in the previously indeterminate situation. In this paper, we follow more specifically the emphasis that Foucault and Callon introduced in their research in relation to this term. Like Dewey, Foucault and Callon understand problematization as an uncertain, practical, and productive situation, but they situate themselves in a different analytical position. While Dewey reflects from the point of view of the one that problematizes, Foucault and Callon make past problematizations, how various actors problematize, their object of inquiry. They develop a ‘second order’ approach (Pottage *et al.*, 2014), where social scientists are observers of the observations traced by the experts involved in problematizing a given issue in the past. In the analysis present in this paper, we adapt Callon’s and Foucault’s work in order to study how areas that have been marketized are problematized. We make our object of study the moment the market becomes a problem (and not only an ideal) of government.

Empirically, we focus on one of the global paradigmatic sites of neoliberal experimentation (Fourcade-Gourinchas & Babb, 2002; Klein, 2007): post-1973 Chile. Unlike most scholarly accounts about this country’s recent historical trajectory, we do not inspect the ‘Chicago Boys’

period (Valdes, 1995), the impact of Friedman's and Hayek's ideas had on the local elite (Cárcamo-Huechante, 2006; K. Fischer, 2007), or the particularities of the political constitution enacted during the military dictatorship (Cristi, 2000). Like more recent research (Farías, 2014; Ureta, 2014), we study the set of reforms initiated in the late 1970s and energized after the new political constitution was enacted in 1980, which introduced markets as policy mechanisms to deal with social and environmental issues in areas such as pensions, transport, education, health, pollution, and energy. But, unlike the works just mentioned, we focus on the moment after the return of democracy, in 1990, when these reforms started to be problematized and subsequently repaired. Therefore, although indirectly, we delve into one of the key dilemmas regarding Chile's recent history: namely, the fact that the reforms initiated during the military dictatorship (1973-1989) have resisted decades of left-leaning social democrat governments.

The analysis draws on case studies describing the problematization of two of the radical policies originally enacted in the early eighties in Chile: private health insurance and public transport deregulationⁱ. The analysis shows that it is not that neoliberal policy instruments have not been criticized and importantly reformed, but that their problematization has been conducted in ways that have helped to naturalize the conception that policy areas, previously marketized, could be assessed as *if they were* markets. We identify a transition, from an initial period where policies were conducted on the basis of a broad conception which assumed that general market principles could be applied to any area, to a second moment when regulation started to be conducted in terms of the identification of the market failures of each specific area. This transition, from governing through the virtues of the markets to a form of policymaking based on the identification of market failures, is our key finding. Our more general claim is that the close study of problematization shows the development and consolidation of a particular mode of governing collective concerns. This mode of government is characterized by a particular cognitive operation —areas of collective concerns are assessed as *if they were* markets—, the jurisdiction of a particular type of experts —economists and engineers that claim expertise in market repair—, and a new type of apparatus —policy instruments oriented to remediate market failures.

The article has five sections. The first section introduces the notion of problematization. The second and third sections unfold the two case studies. The fourth section compares the cases and discusses the consequences of the findings with the existing literature, and the final part is a brief conclusion.

The approach: studying the problematization of markets

Problematization became a core concept in Foucault's late work (Rabinow, 2011). In Foucault's words, the analysis of problematizations refers to:

the analysis of the way an unproblematic field of experience, or a set of practices, which were accepted without question, which were familiar and 'silent', out of discussion, becomes a problem, raises discussion and debate, incites new reactions, and induces a crisis in the previously silent behaviour, habits, practices and institutions. The history of thought, understood in this way, is the history of the way people begin to take care of something [...] for example, about madness, about crime, about sex, about themselves, or about truth. (Foucault, quoted in Rabinow, 2011, p. 139).

Like Foucault, we pay special attention to the study of past problematizations. We study how policy areas that were 'marketized' in the reforms of the early eighties in Chile became a new source of problems during the nineties.

In the analysis of our case studies, we use two, more specific, elements we take from Foucault's work. First, we connect problematization with another key notion in Foucault's work: apparatus (Foucault, 1980). Problematization plays a crucial role in the movement when a particular policy transits from being a strategy or a plan to the heterogeneous ensemble of discourses, expertise, and materials Foucault called as apparatus. For instance, the modern prison became an apparatus together with the many types of experts and institutions developed in order to remedy the unexpected problems that emerged from massive imprisonment. Similarly, we study the moments when markets for collective concerns started to be problematized and the set of policy instruments that emerged with their problematization. Second, Foucault adds that inquiring about past problematizations is a critical act on its own. As Rabinow nicely puts it, it 'is an act of modal transformation from the constative to the subjunctive [...] from the necessary to the contingent' (Rabinow, 2011, p. 139). We take from Foucault this particular type of stance in our inquiry. By asking today about the ways in which policies were problematized during the 1990s, we expect to open the space to possibilities that were closed due to the stabilization of past problems. In particular, we expect our research will help raise the question: What could have happened if the two areas here studied were not evaluated as if they were markets?

In his analysis of scientific controversies regarding the energy sector in France (Callon, 1980), Callon studied problematization in a sense that is actually very close to the work Foucault did on the same period. In the context of our analysis, we take two specific emphases that Callon particularly stressed in his work. First, Callon stresses that the identity of individual and collective agents that participate in the controversy do not pre-exist it, but that it is constructed with the definition of the problem. In this way, we pay special attention to how, with the delimitation of new policy problems, new modes of expertise, with their own identity and professional jurisdictions, are constituted or consolidated. Second, Callon suggests that problematization can be understood as a network of ‘translations’, in the sense that problems are not necessarily solved but are rather *displaced* with newer forms of problematizing and their associated group of experts. Accordingly, we pay attention to the ways in which new problems displace previous forms of conceiving, framing, assessing, and evaluating a given area of policy intervention.

To sum up, the case studies presented in detail in the following sections are analyses of problematization. The case studies reconstruct the way markets that were created as a solution to matters of collective concerns started to be seen as problems. More specifically, the analyses of the cases pay close attention to three key issues: the relation between new form of problematizing and policy apparatus, the emergence and consolidation of new experts and areas of expertise, and how new problematizations displace older modes of problematizing.

Case 1: problematizing insurance markets in health care

Marketizing health care (1973-1989)

It is not so easy to find the precise source of the idea that health care problems in Chile would be solved with the creation of markets. It is, nevertheless, possible to distinguish some traces. This process, like other major reforms initiated during the military dictatorship, including the case of transport in Santiago that is discussed in our second case study, followed a set of basic assumptions that can be connected to the work done by a group of economists later known as the ‘Chicago Boys’.

A document prepared by the Chicago Boys, before the coup, which critically assessed the way key areas of social policies were run in the country and which turned out to be enormously influential in subsequent policies (Valdés, 1995), known as *El Ladrillo*, or The Brick, (De Castro, 1992 [1973]), included a negative diagnosis of the health care system. The existing health service was inefficient — too high of the proportion of the budget was destined to administrative expenses —, its administration was too centralized, and it concentrated too large of the proportion of the country's health infrastructure. *El Ladrillo* also provided a series of radical policy proposals: the resources received by the different health providers should reflect actual provisions and not centralized budget decisions; the administration of public health should be decentralized, moving it away from the existing *Servicio Nacional de Salud*, built three decades earlier following Britain's NHS, to a network of providers managed at local levels; users should choose among providers in competition; only those that cannot afford the cost of medical expenses should be exempt from paying for them; and, finally, mandatory health contributions should be managed by non-state institutions, which, unlike the existing arrangement, should not be tied to the users' job category or profession.

A policy document prepared by the government's National Planning Office (ODEPLAN, 1974) published in 1974, the first year of the dictatorship, made the radical proposals contained in *El Ladrillo* official and, by the end of the 1970s, a series of reforms were already taking place. In the new arrangement (Raczynski, 1983), the minister of health was freed from any influence in finance and health provision and was reoriented into the development of health policies and regulation; the existing *Servicio Nacional de Salud* was split into multiple providers —the simpler run by the municipal authorities and the more complex ones by the subsecretaries or regional health services; medical institutions were to receive resources depending on the actual amount of medical services they provided; and the financial administration of health contributions was left in the hands of a national institution called Fonasa.

The already radical reforms initiated in the 1970s were extended to the early 1980s. In 1980, the new political constitution of the country specified that private for-profit firms, called *Instituciones de Salud Previsional*, abbreviated as Isapres, could compete for the administration of health contributions. These contributions were defined as a part of the salary of each worker (originally 4 per cent, today a 7 per cent of the salary), compulsorily withdrawn every month to finance medical expenses. In other words, like the privatized pension system created at the same time, workers were understood as investors that could choose where to locate their

monthly contribution. However, unlike the new pension system, where it was defined that all new workers entering into the labour market could choose only among the private firms in competition to manage their funds, in the new health arrangement, workers could choose between the existing Fonasa or any of the newly created Isapres. Like in other heavily reformed sectors in the same period, for instance, education, the remaining state-owned providers were not left to work anymore in regulated monopolies but in competition with private firms.

The reforms initiated in the health sector during the military dictatorship in Chile have several remarkable features. For the first time in the history of the country, a major health reform was not led by physicians but by economists (Gonzalez-Rossetti *et al.*, 2000). More specifically, these reforms were conducted by a group of young economists, most of them recently graduated from MA and MBA programs in Chicago, and were distributed from the National Planning Office to the Ministry of Health and other sectorial branches of the government (Huneus, 2000). Although these economists were labelled by the press of the time, and most likely also by themselves, as *técnicos* (technicians, technical experts), they were not experts in the areas they were reforming. In fact, there is no trace of academic research (papers, theses, and so on) carried out in this period dedicated to assess or analyse a detailed health strategy and its possible impact. It was a major health reform that was justified not in terms of the emergent epidemiological patterns of the population, but in terms of a series of general principles that could be indistinctively applied in different areas of social policy. Consumer choice and competition became the key principles to distribute public and private resources in health and other areas (Kast, 1984).

A new problematization and the rise of insurance economics (since 1990)

Ten years later, the situation in Chile was quite different. In 1990, Pinochet's dictatorship was replaced by a new democratically elected left-centred coalition. However, Pinochet stayed on as commander in chief of the army, and the political constitution enacted in 1980 still ruled. Accordingly, even with a large proportion of the electoral votes, the new government could not just simply make things go back to as they were before the coup. Any serious reform would need to obtain the support of the pro-dictatorship right-wing members of parliament, not to offend the army, and, as further discussed here, to mobilize experts that were not in the business of restoring past policies.

By 1990, the social policies introduced a decade earlier were not a simple plan anymore. In the case of health care, the institutions created to administrate mandatory contributions, Isapres, were now a profitable industry. Not only were they administrating 7 per cent of the monthly salary of more than 1.5 million users (of a total population of about 15 million), most of them from the richer sectors of the population, but they were also directly or indirectly connected to a growing network of private health care infrastructure. Isapres mediated an important proportion of medical-patient transactions, radically transforming the practice of private medicine in the country. At the same time, surveys and anecdotal evidence started to show a growing discomfort with the existing health system. It was seen as discriminatory by many, both in terms of health and gender, and highly unequal, enabling a growing luxurious private infrastructure concentrated in a few richer areas and an impoverished public health care network in the rest of the country (Gonzalez-Rossetti *et al.*, 2000). It was in this context that the reforms initiated during the dictatorship started to be critically problematized.

It was while evaluating the existing policies that a new group of experts entered the scene. After more than a decade of experience with radical privatization, a vast array of institutions — among others, the Canadian International Development Research Centre, the German Agency for Technical Cooperation, and the Inter-American Development Bank — financed an important amount of research to evaluate the Chilean privatized experiment in health care. Some of the funded projects were carried out by researchers that could be identified as politically closer to the left-centred coalition in government, most of them working in different departments of the main public university of the country, Universidad de Chile (R. Fischer, 1998; Larrañaga, 1997; Oyarzo *et al.*, 1998). Other studies were conducted by researchers associated to the Pontificia Universidad Católica de Chile and the think-tank Centro de Estudios Públicos, that could be identified as politically right-winged (Sapelli & Torche, 2001; Sapelli & Vial, 1999; Torche & Williamsom, 1999). Beyond their different political affiliations, what most of the researchers involved in these studies shared was their background in economics (an important proportion of them with graduate degrees from prestigious universities in the United States). The character of the task initiated by these researchers is summarized in the following quotation, taken from one of the documents prepared by the group from Universidad Católica: ‘The public opinion’s perception that opportunities of access to a good health service are not equal for all Chileans can be explained by...’ (Sapelli & Vial, 1999). Public opinion expressed an undefined discontent with the way the health system in

Chile was working and the task of experts was to find a technical explanation. The studies indeed found no small amount of problems.

Researchers from the Universidad Católica paid attention to the difficulties emerging from the coexistence of privately run Isapres and the state-owned Fonasa in the administration of mandatory health contributions (Sapelli & Torche, 2001). Even though the basic rules for both types of institutions were the same, Fonasa and the different Isapres were competing to attract the users' mandatory health contributions, there were important differences in the way they operated. While the amount paid every month to Fonasa was simply 7 per cent of the users' salary, Isapres were allowed to *risk price*, namely to charge a different premium depending on the risk of their customers. But, unlike traditional private insurances, Isapres were not allowed to price their policies considering any possible factor affecting health risk other than sex and age (Torche & Williamsom, 1999). Nevertheless, Isapres were allowed to deny coverage for 'pre-existing' medical events, such as chronic or serious past diseases, that users had before contracting their policy. Private insurers were, therefore, institutionally incentivised to segregate the population with lower incomes and poorer health towards the public system (Sapelli & Torche, 2001). Researchers from the Universidad de Chile added that — as Isapres could unilaterally increase the price of their contracts, which were yearly revised and could also exclude pre-existing medical conditions in their new coverages— the system was producing a growing group of 'captive users', namely consumers that after suffering a serious chronic disease could not freely decide to look for a new insurer, losing, in fact, their 'their freedom to choose' (R. Fischer, 1998).

Choice was not only a problem for captive users, but also for the remaining consumers. As a professor of economics from Universidad Católica, who participated in the discussion at the time, explained in an interview, comparing and finding out the best available health coverage is a task far too complicated for normal consumers. Not only Fonasa and Isapres provided contracts with different rules, but Isapres offered a huge variety of possible products, each combining in different ways the elements of their policies (preferential hospitals, percentage of coverage for outpatient and inpatient events, types of exclusions, international and dental coverage, and so on), making an informed choice very challenging. As another professor from the same university explained, consumers do not freely decide to contract private insurance, they do it because it is compulsory. In this context, consumers would not be incentivized to choose the best health coverage. They buy products that cover frequent but predictable health

events, for instance, routine checks, leaving less frequent but finally hugely expensive situations unprotected. Privatized health care was not only excluding those with worse health and less economic resources, but it was also not protecting against what insurers term ‘catastrophic events’, grave unexpected individual illnesses.

A new apparatus: Governing health care as a case of insurance market

As already mentioned, neither *El Ladrillo* nor any other document from the 1970s discussed the ways in which a privatized insurance market would specifically solve the health problems of the Chileans. Accordingly, evaluations initiated in the 1990s could not simply compare the practical success of the reforms with an initial detailed design. They had, instead, to create their standards of success or failure. In this context, it is remarkable that, despite their different political affiliations and opinions regarding the role of regulation, the different groups of experts involved in the evaluation of the area followed a very similar type of logic. They all increasingly drew from the literature on insurance and information economics. Accordingly, the evaluations were based on a comparison between empirical situations and an ideal market, and notions such as ‘adverse selection’, ‘moral hazard’, ‘risk pooling’, and ‘information asymmetries’ started to populate the discussion. An increasingly important part of the population was captive and could not really choose, and, for the rest, too much information impeded rational decision. Incentives oriented suppliers towards the production and sales of policies that were protecting only highly probable but not important medical events. Isapres, initially created following the model of the private pension system developed at the same time, started in the 1990s to be evaluated as a type of insurance.

As the next quotation, taken from one of the documents prepared by a researcher from the Universidad de Chile illustrates, insurance economics did not only provide concepts to frame the evaluations discussed in the last section, they also provided a justification to intervene in the identified problems:

As is well known, insurance markets are affected by information asymmetries that threaten their efficiency (Barr, 1993; Pauly, 1968). The variety of efficiency problems that characterize insurance and health provision represent a classic site for governmental intervention that can compensate market failures and enable an efficient resource allocation. (Larrañaga, 1997, p. 11).

Like *El Ladrillo* two decades earlier, documents elaborated by economists during the 1990s quickly went from an academic discussion to an official guideline for policies, and, therefore, the newly created Superintendencia de Isapres (currently Superintendencia de Salud) developed a series of initiatives to deal with the problems identified by the evaluators. For instance, in 1997, the Health Superintendent announced the introduction of a table which would facilitate the comparison and choice between different insurance policies. In this period, too, the different actors of the private sector (grouped in their increasingly relevant trade association), agreed to introduce catastrophic coverage to all the new policies they would provide. Further reforms initiated by the subsequent governments, notably in what was known as Plan Auge in the mid-2000s, increasingly standardized the characteristics of the policies. Competition, choice, and private provision still play central parts, but now they are seen as part of a more complex arrangement where experts and regulators are in charge of designing the right set of incentives and information that can steer the area to the right direction.

Case 2: problematizing the market of public transport

Marketizing public transport (1973-1989)

Public transport in the capital city of Chile, Santiago, has been considered a system in “crisis” for quite a long time, almost stretching to the very beginning of mass motorized public transport in this city in the 1920s. The elements included in this critical evaluation have been quite unchanging, involving, with variable degrees of prominence, complaints about the poor quality of the service, relatively high prices, and limited geographical coverage (Darbéra, 1993; Figueroa, 1990; Hohmann, 1993). Up to 1973, the usual approach followed by policymakers to deal with such problems was to strengthen the active role of the state, both through direct provision or tightening regulation (Mardones & Villa 2017). As a result, although an important proportion of the buses in the city were privately run, most of the components of the public transport in Santiago by 1973 —fares, routes, frequencies, etc. — were directly determined by a regulation and the state directly provided transport services through the Empresa de Transporte Colectivo del Estado (ETCE).

Like the case of health care described in the previous section, the official approach to policymaking radically changed during Pinochet’s military dictatorship. Despite starting with a statist approach, which was much in line with previous expert assessments on the area (MTT, 1975), rapidly things changed in the direction of a fully market-based solution of the issue.

Starting in 1977, the sector experienced ‘one of the most consequent and profound cases of application of neoliberal policies in the urban services sector’ (Figueroa, 1990, p. 23). Like in the health care case, there are no (to our current knowledge) academic or policy documents where the new policy’s specific design and expected outcomes are explained. After carrying out an extensive archive work in several locations in Santiago, it can be hypothesized that the change of approach can be explained by the diffusion of the approach applied to other areas of public policy in the same period (see also J. E. Fernández & De Cea, 1985, p. 11).

The new position was summarized in a document entitled “National Transport Policy,” published by the Ministry of Transport in 1977:

The state will ensure that the transport sector promotes an accelerated global and regional development and that its structure of tariffs and service reflect the real costs for the country. In order to do this it will use fundamentally free market competition as the regulating mechanism. (Quoted in Morales, 1985, p. 2).

Accordingly, a new program of complete privatization and deregulation of surface public transport began. The state-owned Empresa de Transporte Colectivo del Estado (ETCE) was sold, cutting all direct involvement of the state in the provision of surface public transport. In December 1979, the Minister of Transport enacted Law Decree 320 that drastically reduced the requisites to become a private provider. Now, it was just enough to own some buses, having drivers with the right driving license, and having buses with basic safety and pollution criteria tests approved (Darbéra, 1993, p. 47). All the other aspects (fares, routes, frequency, etc.) depended completely on the criteria of each bus company. Accordingly, public transport in Santiago moved from being conceived as an area with an ample state participation to a loosely steered arrangement in which many transport companies competed in the streets of the city for the preference of users.

A new problematization and the rise of transport engineers (since 1990)

The radical policy experiment initiated during the military dictatorship did not really change the old idea that public transport in Santiago was a system in permanent crisis, it added, though, a new twist regarding the identified causes of such dire state. By the return of democracy, in 1990, it was still largely assumed that Santiago’s public transport was expensive, far too

chaotic, even dangerous (with bus drivers normally running very fast against each other to get more passengers), and too polluting. It was, in sum, seen as one of the most serious hindrances of living in Santiago and, accordingly, its transformation occupied a central place in the new government's program.

The new political regime also brought an important renovation for the technical personnel at the offices where public transport policies were set, mainly at the Ministerio de Transporte y Telecomunicaciones (MTT) and the Inter-ministry Secretaría de Planificación de Transporte (SECTRA). Most of these new experts were transport engineers, a discipline whose practitioners had, since the opening of its first academic department in the country in 1969, developed a keen interest in transport planning (Fernández & Willumsen, 1974, p. 3). Albeit largely excluded from decision-making positions in the transport area during the dictatorship, their rapid acquisition of academic prestige served them well to consolidate their position as the ultimate transport experts by the time of the return of democracy to the country. As a result, several prominent transport engineers occupied central positions in the agencies involved in transport planning from the very start of the elected governments since 1990.

Regarding the policy of surface public transport carried out by the military government, the position of transport engineers was highly critical. A series of studies carried out since the mid-1980s, most of them developed at universities (Darbéra, 1993; for examples, see J. E. Fernández & De Cea, 1985; Hall *et al.*, 1993; Jara-Díaz, 1984), largely dismissed deregulation as an ultimately failed policy experiment, where, as one leading figure in the field put it, a 'particular dimension of a global economic conception was transferred mechanically to an area in which the traditional textbook microeconomic focus is inadequate' (Jara-Díaz, 1984, pp. 156–157).

Given the critical assessment, and as could be expected from engineers, the new experts claimed that there was an urgent need for more and better planning in the transport sector. As summarized by an engineer who occupied a key position at the Ministry of Transport during the left-centred governments that followed the dictatorship, there was an urgent need for 'a change of policy consisting in a retake of the regulating and normative role of the state in relation with a market that contemplated the preponderant participation of the private sector as the provider of collective transport services' (Hohmann, 1993, p. 18). Transport engineers, however, did not ask for a return to the pre-1973 model of large public involvement in the area,

but pursued a particular new mix between engineering and economics (Schiefelbusch, 2010, pp. 203–4). The problem was not privatization or deregulation per se, but, as stated by Jara-Díaz above, its “mechanical transference” to an area that has several particularities. Markets were to remain at the very centre of the transport policy, albeit in a different way.

A new apparatus: Public transport as a ‘system’

The components of the new approach developed by transport engineers were nicely summarized in a paper titled ‘The modernization of Santiago’s public transport: 1990-1992’ written by Daniel Fernández in 1994. After working at the governmental regulation agency SECTRA in the late eighties, Fernández (a transport engineer educated at the Universidad de Chile) worked as head of the Department of Urban Transport at the Ministerio de Transporte y Telecomunicaciones in 1990 with the task of assessing and proposing new reforms for the area.

Being faithful to his education as transport engineer, Fernández’s view of the area was far from a simple supply and demand model. His approach is well illustrated in a figure entitled “Interrelations between the main agents of the urban transport system” which was originally included in the document he prepared in 1994 (Figure 1).

Figure 1. HERE

Framing public transport as a ‘system’ was not trivial; it involved the development of a whole new conception of it. Firstly, when understood as a ‘system’, surface public transport is composed of many more entities than just bus providers and users. Not only is the government included, but also other entities such as dealers of bus parts, politicians, and even the police. The inclusion of these agents makes the transport sector far more complex than the one overseen by the authorities during the dictatorship. However, like the transport engineers quoted previously, Fernández did not expect a simple return to traditional central planning. After all, as it can be appreciated in the figure, most of these entities are connected with what can be seen as a conventional market-based exchange, and it remains at its very centre as a supply/demand relationship between users of buses and bus owners, labelled as entrepreneurs in the diagram.

In terms of the causes for the poor situation of the transport system in Santiago, Fernández is quite emphatic in clarifying that the problem is not privatization or the market itself. On the

contrary, and paradoxically, he explains, it is ‘mainly because in reality no real deregulation took place. Instead, an operators' cartel took over control of the fares and operation of the vehicles’ (p. 168). The main issue is, therefore, not the introduction of market-based mechanisms, but the ‘serious distortions’ produced by government measures that gave the wrong incentives to the actors in charge of enacting the transport policies in the streets of Santiago. As the next quotation shows, in Fernández’s view, the failure of previous policymakers was that they did not realize that transport is a very particular type of market:

Transport markets are peculiar compared with other markets: the operation takes place on public goods; there exists no payment for the right to use those public goods; there exist natural conditions for an agreement in establishing the layout of the routes, the frequencies and, therefore, the fares; a stock of products (trips) cannot be accumulated; the operation of the vehicles generates important external effects, mainly congestion and pollution, which are taken into account neither by the operator nor by the consumers in their decision-making; part of the demand for public transport is captive; in order for the transaction of a product (a trip) to occur, there must exist spatial and temporal coincidence between supply and demand [...] These elements show that the transport services market is singular, and as such the general rules of classic economics cannot be applied directly to it. (D. Fernández, 1994, p. 181).

Transport engineers, such as Fernández, started to characterize the transport system in Santiago as a market with a particular set of anomalies: externalities that had not been correctly internalized, whose particular type of goods (trips) had to be consumed on the spot and could not be accumulated, and serious problems of information. Such problems were found not only on the demanding side, namely users with not enough information in order to choose the best available services on the spot, but also on the supplier’s side, due to bus entrepreneurs could not visualize the transport demand available for the whole city and, as in the case of health care, the critical assessment of the radical policies initiated during the dictatorship quickly turned into a set of new regulatory instruments. The most relevant within the context of the process here reviewed is the tendering of bus routes. As Fernández explains:

The proposed mechanism for this purpose is the auctioning of routes in areas with high demand concentration, conditioning the granting of a service to certain

requirements of capacity and the coverage of a predetermined set of trip origin-destination pairs. In this context the conditions for competition can be generated (by presenting offers, in which every enterprise evaluates its costs and risks of latent competition from other operators) and not on public roads. [...] The underlying approach for this criterion is that the entrepreneurs [...] cannot have a vision of the demand scale for the whole city; but a transport planning organization can have it, with the support of appropriate technical resources. [...] In this way, the auction creates an equilibrium between supply and demand, the position of the equilibrium point depending on the level of service established, due to the fact that the market cannot do it in this particular case as it has been explained. (D. Fernández, 1994, p. 182).

As the quotation explains, and based on the information provided by origin-destination surveys, experts are to provide the information that the actors involved in the everyday running of the system cannot visualize. In the new arrangement, that started to be put into practice in a series of policies initiated in the last couple of decades in Chile, the site of market competition importantly shifted. The Hayekian image, where a self-organized equilibrium was expected to come out from the action of many transport entrepreneurs competing on the streets of Santiago, was replaced by another in which competition happened by means of auctions of previously set routes. It is still an almost completely privatized system, one where market competition is part of a wider arrangement in which engineers carefully design routes and their auctions.

Discussion: governing through market failure

The two cases presented in this article inspect the critical evaluation, conducted since the 1990s, on the reforms in health care and public transport carried out in Chile a decade earlier in the context of Pinochet's dictatorship. In constructing the cases, we found inspiration in the way Foucault and Callon make past problematization an empirical object of analysis. In this section, we use their work to summarize and compare the main features of both cases.

Problematization is a constitutive situation in which an undefined issue is made into a problem — with clear, demarcated actors and causes — that can be tackled practically. The first case study illustrated how research conducted during the 1990s transformed a perceived discontent with the then current-state of the health care system in Chile into a clearly delimited set of

problems (choice limitations, bad coverage) with causes (lack of information, co-existence of two different pricing regimes) that could eventually be turned into the object of future reparative actions. Similarly, transport experts transformed the perceived discontent with the state of Santiago's public transport into technical problems (that is, the presence of cartels, the existing fare system, externalities), with clearly delimited agent (regulators, transport entrepreneurs, users) and causes (lack of information, etc.).

More specifically, from Callon we took, first, the notion that problematizations are situations where new groups of experts are consolidated. In the public transport case, the critical assessment of the policies carried out in the 1990s was used by a group of transport engineers to transform the academic work they had been conducting in the area into a tool for policy intervention. The implementation of such measures, widely presented afterwards as a success, served to consolidate their position as the ultimate experts on transport policy. In the case of health, facilitated by various international organizations willing to fund research to evaluate the privatization experiment, it was in the early nineties when, for the first time, a solid amount of academic economic researches about the area were produced in Chile. In other words, unlike transport, where an existing community of experts used the crisis to consolidate their position, in health care a new community of experts emerged together with the evaluations carried out in the period. The second insight we took from Callon is that in problematizations existing problems are not merely solved but are also displaced by new modes of problematization. Critical assessments in both areas did not evaluate the success of the respective privatization reforms in terms of a previously existing design. The reforms conducted during the dictatorship were based on a key distinction between, on the one hand, supposedly poorly-run public administration and, on the other, the virtues of an alternative arrangement based on private provision, consumer choice, and competition. The experts in the 1990s, instead, did not compare the discussed policy areas with the expected performance of state-run services, but compared them with an ideal well-functioning market. Since then, privatization of health care started to be understood in terms of insurance economics, where market failures were associated with information asymmetries and regulatory incentives. During the same period, public transport was assessed in terms of transport economics where, besides issues such as lack of information and externalities, system design played a big part.

From Foucault, finally, we took two key insights too. First, we took the idea that problematizations bring new apparatuses. The problematizations of the nineties made out of

the policies initiated in the previous decades in Chile an apparatus, composed by an ensemble of regulatory bodies and new regulations, policy instruments, experts, and expert knowledge, oriented to evaluate and repair privatized areas conceived in terms of market failures. The apparatus in health care is related to the development of new regulatory bodies and policy instruments oriented to generate new incentives and information in order to deal with problems such as moral hazard and adverse selection in the provision and consumption of health insurance. In the case of transport in Santiago, the whole area started to be conceived as a system where market exchange between owners of buses and users is only one element and where competition between firms was displaced from the streets to the auctions of routes designed by engineers. Secondly, we embraced Foucault's stance in the sense that re-inspecting a historically situated problematization is not only a reflexive scholarly exercise, but a critical mode of making contingent what has been taken for granted. In our view, the key turn in the nineties was the transition from an initial situation when it was assumed that markets created as policies are opposed to state bureaucracy and are self-designed entities — or the most efficient outcome will be a product of choice and competition and not planning — to a situation when privatized areas started to be seen as *if they were* markets in need of expert design and close regulation. It is precisely that 'if they were' that becomes the most remarkable today. An alternative path could very well have been in the direction of contesting the market-kind characteristic of both areas, not only in the sense of a moral controversy challenging whether public goods, such as health care or transport, are commodities, but more practically in the sense that both areas presented characteristics that could make their market-category questionable. In the case of health care, for instance, the purchase of insurance is compulsory and, in transport, there is an increasing role for planning. Experts in both areas, however, did not take this path. We cannot know if health economists or transport engineers asked themselves or really cared about whether their areas of expertise corresponded or not to a proper market. What we know is that they based their assessment of health and transport on a comparison between concrete situations and an ideal perfect market and that, since then, both areas have been reformed and governed as cases of markets failures.

We expect our findings to be relevant in at least three different streams of literature.

First, the cases of public transport and health care in Chile described the process of institutionalization of a new type of professional role for economic experts: they put themselves in charge of assessing and reforming marketized areas of policy. In that sense, our inquiry

extends recent research into the sociology of professions, analysing the expanding ‘professional jurisdiction’ of economists, from tasks related to the administration of national economies (inflation, monetary policies, interest rates, and so on) to the design and evaluation of social policies (Fourcade, 2009; Hirschman & Berman, 2014). Our cases both confirm these trends and also show a new stage in this development. Economic knowledge is not only used to evaluate and compare different policy alternatives, but it has become the key tool in assessing and repairing existing privatized policy arrangements.

Second, this article widens recent interest within STS-inspired research to study the implementation of market-oriented policy instruments (MacKenzie, 2009; Mitchell, 2005; Ureta, 2014). Unlike the cases studied in the papers just mentioned — where the markets that were expected to unfold never really happened (Ureta, Mitchell) or were studied just while being enacted (MacKenzie) —, the two market-based policies studied here have existed for several decades, going through several waves of evaluation and repair. Closer to our study is Farías’ (2014) analysis of the housing reforms in Chile. By focusing on the critical evaluation from the 1990s, our paper supplements Farías’ close inspection of what he termed ‘improvising’ or the creative work of implementing policies based on very broad principles such as competition and choice.

Third, our results can also be connected to recent work in the history of economics that has identified a shift in this discipline from a plain disinterest in concrete markets to market design (Mirowski, 2007; Nik-Khah & Mirowski, 2019). Our research extends this discussion from the history of economics, as a discipline, to the study of the context when this turn was made politically and institutionally acceptable. In this direction, perhaps, the published work that is most closely related to what we do here is Breslau’s (Breslau, 2011) analysis of the role of economics in the US energy sector. Like him, we pay attention to the role played by economic knowledge in the evaluation and reform of existing policy arrangements. The type of expertise whose consolidation we studied can also be characterised in relation to what Breslau has termed economists’ applied Platonism: assessing concrete market on the basis of comparing them with an ideal perfect market. The empirical material presented here does not only extend the discussion initiated by Breslau to a context different than the US, and to areas different than electricity, but our cases enable us to initiate a comparative assessment of different ways how economics is used to evaluate and repair marketized areas of social policy. While in the case of public transport, with its emphasis on tender mechanisms, the type of knowledge produced

was closer to the market design studied by Breslau, in health care it was mostly assessed with concepts from information economics. Although beyond the reach of this specific paper, we believe these two different kinds of applied Platonisms unfold different kinds of policies and repair where experts also play different roles. In this context, an issue that we can only leave open, but we find relevant for future research, is the increasingly blurred area between engineering and economics in markets of collective concerns (Jenle & Pallesen 2017).

Conclusion

In this paper, we study the moment where market-based policies in health care and public transport in Chile started to be problematized. Our main finding is that, when contested, marketization reforms have been problematized as if they were badly-functioning markets. These evaluations were very critical and influenced important reforms. At the same time, they helped to consolidate the jurisdiction of economics as the main expertise used to evaluate privatized policy areas and the notion that these areas should be understood as markets, obscuring, in turn, the possibility of non-market arrangements as alternative solutions. This movement, from governing through the expansion of general principles associated with the virtues of the market (understood in opposition to the state) to governing through the identification and repair of markets failures (compared to an ideal market), is our main finding. As others have noted before, notably Mirowski (2013), the work of seemingly left-winged economy experts oriented to study market failure and market design have helped to consolidate marketization. Our work provides empirical depth into this idea. We are fully aware that the study of the problematization of market-based policies will not at all fully explain the non-death of neoliberalism. Indeed, there are many other elements we are not considering here. Our point is more modestⁱⁱ; we claim that governing through market failure and repair is an aspect that has not yet received enough attention, and a better grasp of it will help better understand the resilience of neoliberalism perceived as a policy regime where markets are actively created and managed to deal with collective concerns.

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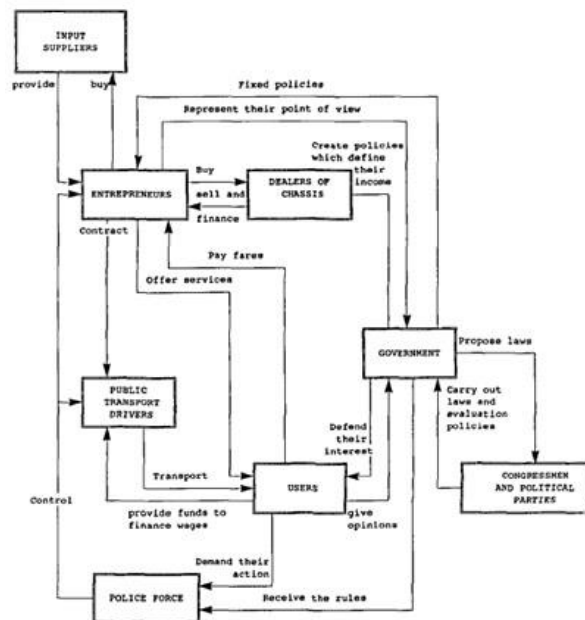


Figure 1. Interrelations between the main agents of the urban transport system

Source: D. Fernández, 1994, p. 173

Notes

ⁱ The case studies combine information —collected through interviews with key informants and archive material— analysed separately by the co-authors in previous publications (particularly, we draw from Ossandón, 2014, 2015a, 2015b; Ureta, 2015). The construction of this paper followed what has been called an iterative abductive process of analysis (Timmermans & Tavory, 2012). We started from the general observation that the trajectories of health care and public transport policies in Chile show important similarities, particularly in the central role played in both processes by economists and economic knowledge. From this initial hypothesis, and inspired by the discussion on the performativity of economics, we constructed the first versions of the two cases. Once we circulated and presented a first version of this paper in different academic venues, we decided to sharpen the comparison to a more specific issue. From the role of economic knowledge in general, we moved to the less studied moment when privatized areas started to be critically evaluated. We found the language to analyse this particular situation when we realized we could combine aspects of the discussions developed by Foucault and Callon regarding the notion of problematization. Once we tentatively tested this new angle with our empirical material and in presentations with audiences in Chile and in other venues, we prepared the current version of the document.

ⁱⁱ We do not claim that all the reforms in Chile since the nineties have followed the same logic and that ‘nothing really changed’ with the governments post Pinochet. As one of the anonymous reviewers pointed out, even in the areas studied here, for instance ‘Plan Auge’ in health care (see Ossandón, 2014), there are reforms that have not only been oriented to the repair of market failure. Our claim is that, in this period, we identify a distinct mode of problematizing collective concerns that is both neoliberal, in the sense that it assumed markets as key instruments in the government of collective concerns, and fundamentally different to the way how those that initiated the reforms during the dictatorship justified their actions.