



CHAPTER 6

The Dominant Social Coalition: Transformations and Present Configuration

As Haggard has written (1990), what a country manufactures is not necessarily what it is more efficient in producing; if that were true, we would live in a perfect Ricardian world, where all countries would accord their productive structure on their main comparative advantages, in other words, what by nature it is destined to produce, its factor endowments. The reason why factor endowments do not totally predispose a country is that the conflicts and agreements of social actors and the State orient the economy toward certain products for which a country does not have competitive advantages, and this for many reasons that have been discussed in the literature. What a country produces and exports, as well as the way in which the benefits of development are distributed and consumed, the character of the action of the State, and the international insertion of an economy are, in many respects, determined by the composition of the dominant social coalition.

This idea has a long tradition. Cardoso and Faletto, as well as Haggard, make a point on how a strong and cohesive industrializing coalition (that includes the State) explains the depth of industrialization (Cardoso and Faletto 1969; Haggard 1990). Esping-Andersen (1990) and Bruno Théret (2011) emphasize the role of coalitions and their relation to the State in shaping the characteristics of the national social protection systems. Crouch elucidates the cooperative or contentious character of unionism by the relationship and coalitions around the State and the church (and the guilds) during the formation of the nation-states in the nineteenth century (Crouch 1993). Bresser-Pereira considers that

the variety of capitalisms and the possibility of development of peripheral countries are at present determined by whether the dominant social coalition is formed by rentiers and financiers or by industrialists and a developmental State (Bresser-Pereira 2018). Finally, the French school of regulation defined Fordism (1945–1973) as a type of capitalism characterized by the redistribution of the benefits of growth among workers and business, accomplished through the participation of the salaried class in a coalition with the employers and the State (Aglietta 1979; Amable 2005; Boyer 2015).

The four countries that have served us most closely to formalize the typology of the diversity of capitalisms in Latin America traversed different trajectories in what concerns the relationship between the State and the domestic social sectors, and the national and international capitalistic groups. In the 1980s and 1990s, new coalitions arose in almost all the countries in Latin America. Most of the countries went through a democratization process, transiting from a dictatorship (typically military), that had taken power in the 1960s or 1970s, to a government holding elections and the legalization of unions and social movements. The way in which each country transited this process, whether it democratized due to the action of civil society, or if did so through a compromise between the governmental and the opposition elites, was crucial to define the strength of civil society and the social coalition that dominated the post-transition. Whether social actors had the force to impose themselves, to continue strongly organized after democratization, was also crucial, as it was equally decisive how the social actors reacted and their capacity to impose themselves during the process of liberalization that swept the continent as a result of the debt crisis that burst with the Mexican default of 1982.

While in the countries where civil society had a major role in democratization, liberalization was implemented after this process, in the countries where social actors were weaker, liberalization was imposed prior democratization. This meant both a more orthodox liberal program (because less contested), and a more severe undermining of the social actors, especially the unions. *In fine*, the periodicity between the political and the economic transition was dependent on the capacity of civil society to oppose the dictatorial or authoritarian governments and initiate democratization. In the case of Brazil and Argentina, liberalization of the economy occurred after democratization, which determined that it was less radical (although in the case of Argentina it was radicalized

during the *peronista* government of Menem with the complicity of a sector of the labor movement) and less aggressive against labor and the social security regime. Although in both Mexico and Chile, civil society was also present and active, it was not able to become a central actor of democratization. The PRI, in Mexico, had the capacity to limit the emergence of social actors of the opposition through its control of the popular organizations. In Chile, the numerous manifestations against the Pinochet regime that burst in the mid-1980s were demobilized as soon as the political opposition accepted the rules set by the 1980 Constitution, with regard to the plebiscite of 1989. Thus, in both of these latter cases, democratization was accomplished without the action of civil society and the liberalization of the economy found little resistance of the social and political opposition, as it was imposed by an authoritarian government. And orthodox liberalization further weakened the unions and other social actors.

Each of these situations gave way to a different management of the crisis of the 1980s and to a different social pact once the crisis was over. In the countries where democratization occurred after the government liberalized the economy, the retreat of the State and the weakening of the unions and other social actors that had been part of the industrializing coalition during ISI were more radical. This situation led to a dominant social coalition post-ISI where the popular sector was absent. In the countries where social actors pervaded and democratization happened during the crisis, such as Brazil and Argentina, but also Bolivia and Ecuador, civil society was a significant partner of the post-ISI dominant coalition.

On the other hand, in the countries under authoritarian regimes, the cost of the crisis was paid solely by the middle and working classes, and even if there occurred an inflationary situation, the debt crisis did not lead to a monetary crisis since the governments had the capacity to impose austerity policies through the control of unionism (Mexico) or through repression in the case of Chile (Marques Pereira and Théret 2004). In countries where civil society gave the democratic impulse, the governments that emerged were forced to arbitrate between the needs of society and the interests of creditors, to pay their debts while protecting their society, by applying heterodox plans. Civil society demanded a compensation of the social debt accumulated by anti-popular economic and social policies during the years of authoritarian governments. The monetary crisis that ensued

the debt crisis and expressed itself as hyperinflation resulted, in large part, from the fact that the crisis had to be managed in democracy, *post facto*, and thus with strong distributive conflicts (Marques Pereira and Théret 2004).

The strength of civil society has also had a significant impact on State capacity. In most of our cases, facing a weak civil society there is a weak State. On the one hand, where civil society was very weak, as a result of the subordination to the demands of creditors (Mexico and Chile), the State withdrew from the economy and reduced social security. This led to a vicious cycle, where civil society weakened further and democracy became more and more formal, particratic or technocratic. On the other hand, where civil society was able to pressure for democratization and force the State to mediate between the interests of the population and those of the creditors (Brazil and Argentina), the State was reinforced, did not abandon its economic intervention, nor reduce social security, and both civil society and democracy strengthened.

The sociopolitical coalition that dominates both groups of countries is defined basically by the presence or absence of a strong civil society that is able to defend the interests of the popular classes. In the *international outsourcing capitalism* and *liberal rentier capitalism*, the dominant coalition is constituted by multinationals, large national entrepreneurs, financial capital, together with a small middle class that profits from the establishment of the foreign enterprises, and the commercial and service sectors that these enterprises require. In these cases, the State basically acts as an agent of the foreign and national multinationals. In addition, as we will discuss in the next chapter, because civil society was basically absent in democratization, this process gave rise to a pluralistic, purely electoral, democracy that is either characterized by a strong particratic tendency, where these parties are institutionalized (Mexico and Chile), or to a de-institutionalized political system, where the political parties and the social actors are very weak or totally disarticulated, and the State is led almost exclusively by technocrats—a technocratic State (Peru, Colombia). In both cases, the political system is impervious to the interests of the popular classes. In these cases, productivity or rentier gains are mostly oriented toward profits.

On the contrary, where social actors are strong enough to force the State to include them as part of the coalition, the coalition is broader, including industrialists, middle classes, in a compromise with agro-exporters and financial sectors. In this case, we have either a

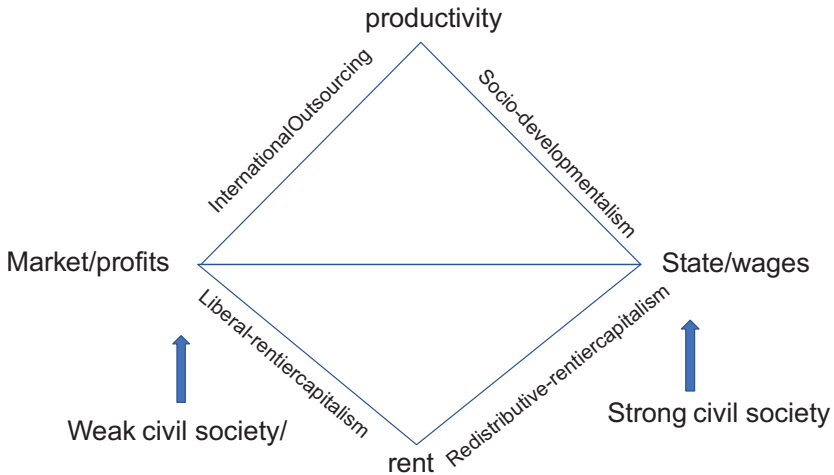


Fig. 6.1 Mode of accumulation, state vs. market coordination and strength of civil society. *Source* Own elaboration

socio-developmental type of capitalism if based on productivity gains (Brazil and Argentina) or a *rentier redistributive capitalism* if based on rents (Bolivia and Ecuador) (Fig. 6.1).

6.1 ENTREPRENEURS AND MULTINATIONAL COMPANIES

The coalition that dominated most of Latin American countries during the time of ISI was, as Cardoso and Faletto have written, a national-popular coalition, where popular interests, the State, national industrialists, and middle classes dominated. Since the crisis of the 1980s, the scope of the State was reduced and the popular classes, especially unions, have been weakened. Big national groups, multinationals, allied with international financial interests have come to the fore. Accepting that the State was the dominant actor during ISI, Schneider characterizes the present situation of the Latin American economies in the following terms: "...economic activity in Latin America is still largely subject to planning, rather than to the spontaneous free play of market forces, but the planning shifted after the 1990s from ministry offices to corporate boardrooms" (Schneider 2013: 11). Although we believe this may be

the case for the countries where civil society is weak and an outsourcing or a liberal capitalistic mode have been implemented, where social actors were empowered in the democratization process, the domination of the business interest has not been so unilateral. In the countries where a redistributive social pact has been convened, and either a social-developmental or a rentier distributive capitalism has been intended, what we have seen is a compromise between the interests of the financial, industrial, agro-business, and MNCs, on the one hand, and the popular sectors, represented in government, on the other.

The effect of the crisis of the 1980s and liberalism is that in most countries of Latin America, the entrepreneurs are very well organized and have been able to establish a very close relationship with the government. According to Schneider, “countries like Mexico, Chile, and Colombia follow a more European or Japanese model of business organization compared to a more ‘American’ style of fragmentation in Brazil and Argentina” (Schneider 2004: 6). In both Mexico and Chile, “... strong business associations collaborate closely with government negotiators in devising the terms of regional integration. In Mexico representatives of government and business associations met literally thousands of time to exchange information, reconcile conflicting preferences, and work to reach consensus positions for Mexican officials to take into the negotiations over NAFTA” (Schneider 2004). In effect, in the case of Mexico this is especially true beginning with the negotiation of NAFTA in 1992, with the well-known “*cuarto de al lado*” (“the room next door”), where the main organizations of the employers, basically those of the big entrepreneurs: Concamin and CCE (the Canacintra, which represents the small and medium-sized entrepreneurs were not present) were taking part in the negotiations. The official government negotiators came in once in a while to ask the entrepreneurs what they thought of a specific question that was being negotiated (Alba 2005). One can also consider that the Mexican stabilization program of the second half of the 1980s, when inflation peaked around 150% in 1987, the government of De La Madrid imposed a limit of both salary and price hikes on unions and employers, proves not only the effectivity of the corporatist control upon the unions, but also the close relation with the employers (Schneider 2005: 25). Consultative boards are also common in recent periods in Colombia, Chile, Costa Rica (ibid.: 29). At one point of the deep economic crisis of the 1980s, in 1983 the Pinochet government

adopted a more pragmatic economic perspective that departed from the very ideological “Chicago Boys,” and approached the business associations, through consultation in policy forums (*ibid.*: 29).

An indicator of the strength of the associations of entrepreneurs is their actual staff: in Mexico, Coparmex has 30 functionaries and the CCE 80; in Chile, the CPC has only 8, but the Sofofa has 50; in Colombia, *Federacafe* has 3500 and ANDI 150 (*ibid.*: 7). In Colombia, the “coffee confederation, *Federacafe*, has control over an export tax and other resources and is responsible for financing, promoting, and marketing Colombian coffee” (*ibid.*: 10). Other countries like Peru and Venezuela have fairly well-organized economy-wide encompassing associations: Confiep and Fedecamaras, respectively. “Almost all the smaller countries, with the significant exception of Uruguay, have economy-wide encompassing associations” (*ibid.*: 6).

It is also very common that governments integrate business people into government in Latin America. This happens very often in the case of Colombia and Peru, but also in Argentina and Brazil (*ibid.*: 5). Although Schneider rightly considers that in Mexico and Chile the government did not call upon entrepreneurs to become functionaries in the past, it is possible to temper this information as the current president of Chile is one of the richest men in the country, previous owner of the principal airline. In the case of Mexico, while in the PRI governments before the 1980s there were no business appointees, but rather economists and lawyers, although the biggest entrepreneurs were all linked to the PRI. In the last years we have seen a close relationship between government and business, as former politicians have gone over the business circles, while keeping their contacts in government. On the other hand, the most relevant officials of the economic institutions come from a private university, the ITAM; many of them have been students or colleagues of the officers of the Minister of Finance at the time of Salinas de Gortari, who signed NAFTA and implemented the neoliberal model. Pedro Aspe, the finance minister of Salinas de Gortari (1988–2004), is Chairman of Evercore Casa de Bolsa, S. A, and Francisco Gil Diaz, who was finance minister of Fox (2000–2006), is at present representative of the Spanish Telefonica. During the last two PAN administrations, especially during the presidency of Fox (2000–2006) who was a high functionary of the Coca-Cola Company, business people were recruited into government, most of them from small and medium enterprises. It also well known that some deputies in Congress are very near different sectorial interests; it is, for

example, well known that the telecommunications interests have a group of deputies.¹

Data on the appointees coming from the private sector in high posts in the government of the more liberal countries of Latin America are very telling. In Mexico, during the Fox presidency, there were 5 functionaries coming from the private sector—that is 25% of the total. In Colombia, during the Uribe presidency, there were 7 functionaries coming from business—54% of the total of his government. In Peru, during the Toledo government, there were 7 or 27%. In Chile, there were none due to the fact that at that moment it was Lagos, a socialist, who was president (Schneider 2004: 15). The situation has changed considerably during the two Piñera presidencies, as he included various entrepreneurs in his government.²

The fact that although the Mexican government mandated that businesses incorporate into the different corporations, these organizations were excluded from the post-revolutionary corporatist arrangement that created the PRI, which only comprised workers, peasants, and other popular organizations, resulted in that the leading businessmen have had direct access to the president or to his finance and economic ministers since the 1950s (Alba 2005). For example, the *Consejo Mexicano de Hombres de Negocios* (CMHN), which incorporates the 50 or so most important entrepreneurs of Mexico, hosted monthly luncheons, where it invited top functionaries to discuss the economic situation of the country (Schneider 2005: 10). In addition, with democratization, business people began to actively try to influence deputies and senators in Congress in order to get them to either block or pass legislation that hurts or favors them, through active lobbying (Alba 2005).

While in the case of Colombia the relation between business interests and the government has not been so well studied, “...public and private elites in Colombia seem in most periods to be thoroughly networked and interconnected [...] most political elites in Colombia follow careers that weave in and out of government and private firms or business associations” (Schneider 2005: 14). In the other smaller countries that were not able to considerably industrialize, business associations are incipient. Nonetheless, one could make a case of the strength of the agro-exporters

¹<http://www.sinembargo.mx/09-07-2012/291704>.

²<https://www.laizquierdadiario.com/Chile-Pinera-presento-su-gabinete-con-varios-empresarios-y-mayoria-de-independientes>.

of Santa Cruz that have been empowered with the autonomy they won after the Constitution of 2009, in Bolivia.

Both Alba and Schneider have signaled the relative weakness of the business organizations in Brazil. Contrary to what we have mentioned for the cases of Mexico and Chile, in the case of Brazil and Argentina, the relationship between the entrepreneurs and the State is weaker (Schneider 2013). In the first place, in both Brazil and Argentina, the business associations are weak and unrepresentative (Alba 2004). “Brazil gave industry federations the appearance of institutional strength, but behind the façade they were much weaker, in large part due to State controls on internal organization. These controls were especially debilitating in Brazil where the regional structure of representation gives marginal industry federations from states in the rural northeast control of the national industry confederation, CNI” (Schneider 2005: 8). In terms of the size of staff, compared to what we already mentioned for the other countries, in Argentina the CGE has 10 employees, the UIA 50, while in Brazil the UBE has none, and the IEDI 8 (Schneider 2005: 7). In contrast to what happened in Mexico with the negotiations of NAFTA, where business was in the “*cuarto de al lado*,” the Brazilian government officials negotiated Mercosur in isolation from the entrepreneurs (Schneider 2004: 5). Nonetheless, the lobbying of the Brazilian entrepreneurs is quite sophisticated and precedes the Mexican (ibid.: 11). This is obviously a result of the earlier democratization of Brazil in comparison with that of Mexico. Nonetheless, as Carlos Alba has analyzed, Mexican entrepreneurs have recovered terrain in the years 2000 (Alba 2005).

Another indicator of the power of business is the concentration of economic activity in a few enterprises, the oligopolization of the economy. While in the case of Mexico, in 1990 the 59 largest groups represented 15% of GDP, in Chile the 11 largest groups concentrated around 300 firms, and the 20 largest ones produced 50% of GDP. Colombia is even more concentrated; the four largest groups concentrated 20% of GDP and controlled 278 firms in 1998 (Schneider 2005: 45). “In Mexico, 31% of total household spending is in markets that are monopolized or suffer from limited competition...” (OECD, cited by Schneider 2013: 68–69). In selected sectors, such as candy, chewing gum, beer, wine, tobacco, textiles, insurance, packaged bread, mobile phone, cement, in Argentina, Brazil, Chile, Colombia, Mexico, the concentration of one single company goes from a low of 35 to 98% (Schneider 2013: 69).

In addition, notwithstanding the great importance of the domestic groups, "...the MNC's are boxing out the national ones from the more dynamic manufacturing sectors" (ibid.: 82). We thus have to turn our view to these foreign companies in order to have a complete picture of who dominates the economy.

Economic concentration in the hands of the MNCs is strong, or even stronger than that of domestic capital. According to Schneider, in most countries, these enterprises represent between a third and a half of the largest firms (Schneider 2013: 73). At the beginning of the year 2000, the stock of FDI with respect to GDP was 16%, in average, for the four largest countries in the continent, while, for example, in Korea it was 2%, and in Thailand it was 10%. In addition, "...the share of MNC's in the sales of the 500 largest companies in the region ranged from 30 to 40% for most of the 1990s and the MNC share of the top 200 exporters grew to nearly half in 2000 before dropping back to a third in 2004" (Schneider 2013: 11). In addition, according to Amsden, the evolution of the dominance between national and multinational companies has been leaning against the first. "Between 1990 and 1996, the share of national firms in the sales of Latin America's 100 largest industrial enterprises fell from 46 percent to 40 percent, while the share of multinationals rose from 46 to 57 percent" (Amsden 2001: 213). In addition, MNCs have been continuously dominating exports, especially in an outsourcing economic model like the Mexican. In this case, 20 of the largest companies (10 automobile, 5 *maquiladoras*, 4 electronics and metallurgical) concentrate 32.5% of all exported value, and all but one are foreign; 45 enterprises export 50% of the total, none are small or medium sized. In effect, three enterprises, General Motors, Chrysler, and Ford, export 9.3% of the total.³

The same situation, although not as extreme, concerns the other countries of Latin America. Since the 1970s, concentration of manufacturing in MNC's is high: 24% in Argentina, 50% in Brazil, 30% in Chile, 43% in Colombia, 44% in Peru. MNCs in Brazil exported 70% more than the national firms in the late 1990s (Schneider 2013: 82). In the year 2000, MNCs installed in Brazil, added 63% of total exports and 57% of imports. Intrafirm trade between large multinationals is also an indicator of this same situation: in 2000, 38% of total exports and 33% of imports

³<http://www.eluniversal.com.mx/articulo/cartera/economia/2017/01/18/trasnacionales-concentran-un-tercio-de-exportaciones>.

were intrafirm in Brazil (*ibid.*). In addition, the domestic groups are located in the low value added, low skill, low technology sectors, while the MNCs are in the more complex ones (*ibid.*: 83). An example from the Mexican case, the only Mexican company that is among the utmost exporting companies is Pemex, which occupies the first place, with 4.9% of exports.

In the banking system, a comparable situation prevails. The Argentinian banking system denationalization of the 1990s was radical, amounting to 61% of the total. Although Mexico resisted mass denationalization of banks until the crisis of 1994–1995, thereafter national banks were bought by foreign financial groups to 85%. In Brazil, the percentage of banks in foreign hands is only 49% (Boschi and Gaitán 2017). Finally, the banking system in most of the Latin American countries is very condensed: five of the most important banks aggregate between 57 and 100% of all bank assets (Jeanneau et al. 2007: 20).

Thus, although there are significant differences in terms of the power of the business organizations, in all of Latin America, capital, both national and foreign, has gained power both in its relation with government and in economic terms. They thus have nowadays a very significant weight on the economic decisions. The main difference that defines the composition of the dominant coalition in these countries, is the place occupied by the interests of the popular sectors, which is determined by the power of civil society. Where it is strong and mobilized, the State has had to compromise with it. Where it is weak and atomized, the State is fundamentally linked to business. We will now discuss the situation of civil society in our different countries.

6.2 FROM A CORPORATIST REDISTRIBUTIVE PACT, TO AN OLIGARCHIC ALLIANCE

Mexico, which we have considered as the closest example of an international outsourcing economy, which bases its existence on low costs of labor (in terms of both wages and social protection), can only be explained by very weak labor unions and civil society and a coalition between the State and domestic and foreign capital. To which, we have to add a political system that gives little room for an anti-liberal coalition to emerge, a *participacy*—something we will analyze in the next chapter. And in this respect, because what characterized the history of Mexico

was a long enduring corporatist system, where a coalition between the State and the popular classes was maintained by redistributive policies, we must analyze how this change came about.

In Mexico, Argentina, Brazil, and to a lesser degree Bolivia, there existed a corporatist pact where the State gave priority to its relation with the popular sectors. In Mexico and Bolivia, this pact resulted from a revolution. In Mexico, a peasant revolution compelled the new emerging State to organize the peasants, the workers, and other social sectors in order to achieve political stability. In addition, it had to insure that economic development benefits these sectors and that growth had to be accompanied by redistribution. This is why it proceeded to a radical agrarian reform and to constant concessions to the unions, workers, and functionaries that were included in the formal economy. It also nationalized the oil companies and implemented a State-led industrialization project. In Bolivia, after the 1952 Revolution, the State, under the MNR, distributed the land that was occupied by the Indian population of the *altiplano* (the highlands), the west of the country (without affecting the lowlands of the east), and approached the labor movement, the miner's *Confederación Obrera Boliviana*, in a State-popular alliance that organized peasant and workers under its helm. It also nationalized the main tin mines that were in the hands of three families.

In Brazil and Argentina, the corporatist pact was achieved without a social revolution, by two authoritarian (military) governments, inspired on the relation between the State and the popular classes in fascist Italy. Nonetheless, in order to maintain its popular base, the government of Vargas and of Perón had to allocate significant concessions to the unions and the workers, which are the basis of the present social security regime. The State also advanced an industrializing project where the national entrepreneurs, the workers, and the urban middle classes were the main beneficiaries. In these two cases, in contrast to the former ones, there was no agrarian reform and thus no organization of the peasants. The Mexican revolution was a "classical" peasant revolution while the Bolivian one originated in the arrival to government of a political party (the *Movimiento Nacional Revolucionario*—MNR), representing the workers and peasants, which defeated the army (weakened by the Chaco war) and led Bolivia to radical political, social and economic changes. The Brazilian and Argentinian corporatisms were top-down, conservative revolutions that had nonetheless equally significant impacts on the worker's organization and the social security system.

The corporatist pact in Mexico was the most stable of them all. It had the ability not only of including all the social forces that existed at the moment (comprising the military) in which the revolutionary party, the Partido Revolucionario Institucional (PRI), was created, but to organize a vast political apparatus (only surpassed by the Communist Party in Russia and China) that served to control, overlook, and preempt any dissidence. The PRI had the capacity to distribute political and economic concessions to all groups in order to control them, coopt any dissidence before it became opposition, and repress those movements that did not accept to cooperate. It had a commandment chain that served to transmit orders and directives in all domains, and serve as a space where decisions were discussed and taken, through a pragmatic and instrumental consensus that allowed this organization to rule the country without interruption for seventy years. That is the reason why, in contrast to Brazil, Argentina, and Bolivia, Mexico did not suffer a military (or for that effect, a civilian) coup and always held elections that were unceasingly won by the ruling party.

Nonetheless, this corporatist pact did not survive the 1982 debt crisis. Facing this crisis that led to the so-called lost decade, the Mexican State opened the economy to productive as well as to financial capital, privatized its enterprises, abandoned subsidies to industry and to the *ejidos* (communal land property), decentralized education and health services, and shifted its social policy toward assistance (Barba Solano 2007; Valencia Lomelí 2008; Barba Solano and Valencia Lomelí 2013). It was able to do so without social or political resistance as it had retained the authoritarian structure of the regime: social organizations were under the hold of the PRI and the democratization process began until the end of the decade. The PRI suffered a scission that provoked the founding of a new center-left party, the PRD, when a group of the more traditional politicians left it, due to the fact that it had been taken over by technocrats implementing liberal policies that contradicted the interests of its social base. Almost simultaneously, the PRI lost its first governorship, that of Baja California, in 1989, to the center-right party, the PAN.

In the economic scenario, the default of the Mexican government on its external debt forced it to a negotiation with the IMF and the imposition of drastic measures of austerity resulting in rising unemployment, the plummeting of the minimum wage (from an index of 100 in 1980 to 46 in 1990 in real terms), and the reduction in social spending (Marichal 2003: 472). Indeed, the public deficit was cut from 16.9% of GDP in

1982 to 8.6% in 1983 (Romero Tellaeche 2003: 192). As a result of these policies, the economy grew at a mere average annual rate of 0.2% between 1982 and 1988 (Ibid: 191). Finally, toward the end of the crisis, in 1987, when the country was confronted with an inflationary surge caused by the drop in oil prices and the intensification of the distributive conflict that accompanied democratization, it abandoned the import substitution model and opened the economy, oriented it toward exports, and liberalized finances.

The insertion of Mexico into the General Agreement on Tariffs and Trade (GATT), and then the signing of NAFTA with the USA and Canada, anchored the indiscriminate opening of the Mexican economy to foreign goods and capital and in a great sense affixed a model that, as we have been discussing in this book, greatly depends on foreign capital investment and on the repression of labor costs, as this is one of the main factors of its competitiveness. This implied a turnabout of the alliance from a State-corporatist pact with popular sectors, to a coalition with financial and manufacturing foreign and domestic capital, and the middle classes that profit from this investment. The State assumed the role of an agent of these interests, which meant that the old alliance that existed since the end of the revolution and the founding of the PRI had to be dismantled, or rather, as the Mexican State did, re-instrumentalize it in order to politically sustain the new model.

Indeed, facing the 1982 crisis, the response of the Mexican State was to make its population pay for the excesses of the governments' indebteding itself during the 1970s in order to build its oil productive structure and continue distributing resources to its political bases: in brief, internal adjustment was the condition for external adjustment (Marques Pereira and Théret 2004). This was only possible due to the corporatist control exerted by the government upon unions and other social organizations. In contrast to Chile, where deregulation of the industrial relations was achieved with the disappearance or murder of hundreds of union leaders and a reform of the labor legislation, in Mexico it was accomplished under the same political regime and under practically the same law—in many cases by circumventing it. During the 1980s and 1990s, the internal relations of most of the medium-sized enterprises were radically flexibilized. On the other hand, while the workers in the most strategic and dynamic sectors (oil, education, health, telephone, automobile) still have the protection of unions, in the vast majority of the workplaces

(*maquiladoras*, construction, commerce, services, small and medium enterprises, the spare parts auto-industry), there are no unions or they only exist on paper (they are protection unions). Although labor legislation was modified in 2012, the federal labor law still preserves corporatist mechanisms: such as the closed shop, the compulsory legalization of unions, of elections, of strikes. On the other hand, collective negotiations in Mexico, Chile, as well as Peru and Colombia, occur mostly by enterprise and not by branch as in Argentina and Brazil. Unionization rate of the total of salaried earners is 11.5% in Chile and 17% in Mexico, while collective bargaining rate among salaried employees is 9.6% in Chile and 10.5% in Mexico (Hayter and Stoevska 2011, cited by Bensusán 2016). In Peru and Colombia, union density is even lower: 5.3%⁴ and 3.4%⁵ respectively.

In this way, the instruments of control were still in the hands of the State, through the threat of privatization of many State-owned companies, or the closure of private companies in the context of the crisis of the 1980s, together with the “pragmatism” of the corporate leaders who preferred to accept flexibilization, the reduction in union power, and the emergence of protection unions, in exchange of the benefits that the State still granted them for their loyalty. The fact that the traditional unions occupied the terrain and that the government kept its capacity of control prevented the emergence of independent unions that may have resisted the implementation of economic and State reforms. Although there were some outbreaks of autonomous unionism, in the telecommunications sector, some automotive companies, and universities, flexibilization, de-unionization, and protection trade unionis were to a large extent imposed (Bizberg 1999; Bensusán and Middlebrook 2013).

Although Mexico underwent a process of electoral democratization that led to the triumph of Vicente Fox to the presidency in 2000, this government did not fulfill its promise to be more open to the registering of new independent unions, or for that matter peasant and other popular organizations that were under the hold of the corporatist pact. It maintained a status quo with the corporative organizations he had promised to dismantle. Thus, neoliberalism and democratization continued

⁴http://www.redlat.net/site/wp-content/uploads/2016/06/peru-trabajo_decente.pdf.

⁵http://www.urosario.edu.co/urosario_files/76/7692c2f4-e5dd-46bd-aafa-2f505d-6dcff2.pdf.

weakening union corporatism while the emergence of independent social organizations remained being hampered.

On the other hand, after the 1985 earthquake in Mexico City, as a consequence of the protracted and inefficient government reaction (Verduzco Igartúa 2005), there was an upsurge of social organizations and movements, mainly NGOs, that emerged to ease the catastrophic situation. For years after this humanitarian crisis, they continued to proliferate in order to alleviate the growing absence of the State, the rise of inequality, and poverty that the neoliberal model generated. With the electoral alternation, first in Mexico City (in 1997) and then at the federal level (in 2000), a window of opportunity that did not exist at the time of the PRI (that channeled all of its initiatives through governmental agencies or their own corporate organizations) opened for the NGOs, as both the PAN and the PRD, promoted greater participation of these organizations. On many occasions, these two parties used these organizations to alleviate the shortcomings of an underdeveloped party apparatus and because they were closer to the population. In consequence, these NGOs began to be funded by the government. In the case of Chile, the democratic governments succeeded in recuperating the civil society organizations that emerged during the dictatorship to deal with the economic and social problems of the poor and marginalized that were at the center of the mobilizations of the 1980s in the marginalized areas of the cities.

This evolution resulted in a gradual transformation of the role of these organizations in both countries: instead of being proactive actors and social promoters, they became enablers and consultants of the government's social policy. Governments succeeded in converting autonomous and combative organizations that had fought for a more just society, into associations that disseminate a conception of citizenship based on the market and the individual, that matches the neoliberal model. Most of the organizations that now help the poor and the indigenous receive their resources from the State and have modified their conception of citizenship from one that was based on rights, to another that focuses on the human condition, which needs charitable help either by the State or by social organizations—a conception based on social responsibility and individual moral solidarity (Dagnino 2003: 27). As De la Maza affirms for Chile, this had as a consequence that the participation of civil society became purely instrumental, fragmented, without networks, oriented toward the poor, and dependent on governmental financing (De la Maza 2010, cited by Oxhorn 2011: 126). In a sense, the NGOs were victims

of their own success and suffered a collateral effect of democratization, as they went from a situation in which they defined their agenda autonomously to one of collaboration or even cooptation by the State.

Notwithstanding that this is the general situation of social movements in Mexico, every single day there are a myriad of demonstrations in Mexico City and other parts of the country that raise all kinds of demands: for protection against violence of drug cartels, the police and the army, against a political authority, to reject a mining project, among many others. There have also been very significant social movements that raise very noteworthy ethical issues, like one of the student movements #YoSoy132 and that of the victims of violence, the *Movimiento por la Paz con Justicia y Dignidad* (MPJD), two of the country's most original movements (Bizberg 2014). Nonetheless, these countless movements are atomized, they pose in general very specific and localized demands that do not allow them to connect with other movements or actions in order to become movements that jeopardize the status quo.

6.3 FROM AN OLIGARCHIC PACT TO A COMPROMISE BETWEEN THE POPULAR SECTORS AND THE FINANCIAL AND EXTRACTIVE RENTIER SECTORS

As we have already mentioned above, similarly to the Mexican case, both in Brazil and in Argentina, a corporatist pact was established in the 1930s. Nonetheless, in these two countries, the corporatist pact was not institutionalized in a State party that maintained itself in power uninterruptedly for more than 70 years. The corporatist pact in Brazil lasted until the coup d'état against Joao Goulart in 1964 and in Argentina until the coup against Peron in 1955. In these two countries, there was no popular revolution, although both Vargas and Perón considered their movement as one and made profound changes to the social and political regime of their countries. In both countries, as in Mexico, State leadership coopted or even crafted the unions, and then exchanged benefits against support of the government. Yet, in contrast to Mexico, where peasant and other popular sectors were organized and mobilized, in Brazil and Argentina, the pact was much more narrow, as it was restricted to the workers and public functionaries. Both the Brazilian and the Argentinian unions gained autonomy from the State when the military took over and succeeded in exerting pressure on the government

in opposition. In contrast, the Mexican social organizations were rarely opponents, they were included in the PRI since their birth and were always associated with the party in power until the years 2000.

In the 1970s, the Mexican economy went through ten years of a total re-orientation from import substitution industrialization to an oil exporting economy (at the end of the 1970s Mexican exports were around 80% dependent on petroleum; the foreign exchange that poured into the country from oil exports and external debt generated the Dutch disease that in its turn led to de-industrialization). In contrast, the Brazilian military government, that was also heavily indebted, had concentrated its investments in infrastructure and in expanding its capital and intermediary goods production. Facing the crisis, the Brazilian State was less prone to the pressure of the FMI and thus had less external pressure to liberalize. Concurrently, the Brazilian democratization process was in its apex. This process had begun with the union strikes of the end of the 1970s, continued with the movement to elect a civil president directly, the *diretas ya*, and culminated with the drafting of a new constitution, between 1986 and 1988, where a myriad of social movements and actors intervened.

These divergent situations explain the most significant differences between the Mexican pact and the ones we will now begin discussing. They explain the endurance of the Mexican social contract, the fact that the social organizations in Mexican pact had less autonomy from the State, and that they were significantly weakened by neoliberalism. This is what explains that while the PRI maintained political control throughout the period of economic liberalization, in Argentina and Brazil, civil society was central to push for democratization and resist economic liberalization (Bizberg 2010; Bensusán 2016).

In Brazil, the periodization between democratization and liberalization was the contrary, as the country democratized before the implementation of neoliberal policies. This meant that when neoliberal policies began to be executed at the end of the 1980s and beginning of the 1990s, the unions and other social actors were strong enough to confront the government and stop it short from imposing purely orthodox measures. The presence of a trade union movement, the CUT, together with a disciplined political party (the Workers' Party) and a very active civil society opposing the Washington Consensus, were crucial to determine the social, political, and economic trajectory of the country. On the other hand, the fragmented and decentralized political system of Brazil

prevented the materialization of a political coalition capable of executing a radical dismantling of the interventionist State. In this manner, resistance and lack of cohesion of the actors applying neoliberal policies led Brazil to be the Latin American country that had better preserved the powers of State through the liberal wave of the 1980s and 1990s.

The first democratic government (Sarney 1985–1990) was pressed to take into account the interests of the popular sectors which had suffered from the measures of the military regimes and had triggered the process of democratization, carried out an heterodox plan (the Cruzado Plan) that intended to recuperate growth and curb inflation. The country actually began growing again at a rate of 4.3% per year during the *Nova República*, and unemployment fell from 4.4 to 3.8% in the first four months of 1986 (Barros de Castro 2005: 126). This growth was possible owing to the maturation of the investments made during the military regime (especially the plan PNDII) (ibid.: 132). In contrast to most Latin American countries, Brazil's economy (along with Colombia and Panama) managed to grow its per capita product at significant rates during the first period of the new Republic: 7.9% (1985), 8% (1986), 3.6% (1987), -0.1% (1988), 3, 3 (1989), -4, 3 (1990) (World Bank Data base: <https://data.worldbank.org>; Hermann 2005a, b; Barros de Castro 2005). Notwithstanding, the Cruzado Plan, like the others that followed it until the Real Plan, failed to control inflation as it did not succeed in blocking prices and wages, as evidenced by the average of 471% price increase in the period of the *Nova República*. On the other hand, although Brazil accepted the constraints of the IMF and applied austerity measures, it neither reduced social spending, nor undertook privatizations until after 1990, under the Collor and Cardoso governments. In fact, social spending only declined in 1984 and 1985, but then rose sharply since the adoption of the 1988 Constitution (Lautier 2009; Haggard and Kaufman 2008: 388–390). Finally, according to Marques Pereira and Théret, although inflation had a very negative effect on the poor that did not have formal jobs where wages were indexed, the country managed to better preserve its industry as “The creeping nature of hyperinflation [...] operated de facto as an instrument of resistance to the de-industrialisation that tends to provoke any financial liberalization under external constraint ...” (Marques Pereira and Théret 2004).

Analysts have repeatedly claimed that most of the Latin American social and union movements that emerged during democratization demobilized once the regime change occurred (Arato 2000;

Berins Collier 1999; Sallum 1996, 2010; Riethof 2004). It has been even proposed that Brazil was no exception if one takes into account the number of strikes and strikers: in effect, while the 1978 strikes mobilized about a quarter of a million workers for nine weeks and about half a million by the end of the year and in 1979 more than three million workers participated in more than 100 strikes (Berins Collier, op. cit.: 135), once the new regime was established, there was a clear decrease, from 3,943 strikes and 18,4 million strikers in 1989 to 382 strikes and 1.57 million strikers in 1998 (Invernizzi 2006: 105). On the other hand, since 1983, the union leaders dedicated themselves to organize both the *Central Única dos Trabalhadores* (CUT) and the *Partido dos Trabalhadores* (PT) (Sallum 1996: 85).

Nonetheless, unionism in Brazil was not the sole key player in democratization, although it contributed to the creation of one of the fundamental political parties that emerged from this process: the PT. In addition, it differs from Peronism and other parties such as Solidarity in Poland, where trade unionism was an actor of democratization but intervened directly (as in Poland) or reached agreements with the government that imposed the new economic model (as in Argentina), something that weakened and de-legitimized it. On the contrary, in the case of Brazil, trade unionism remained in opposition until the beginning of the 2000s, when the PT arrived to power. Indeed, the CUT/PT opposed the more liberal aspects of the governments of Collor and Cardoso, and managed to resist the most radical neoliberal measures, such as privatizations and the reform of the pension system.

Thus, although, as in the rest of the continent the industrial relations were flexibilized in the 1990s, unionism managed to retain an important degree of autonomy and capacity of action. This is partly due to the fact that the labor movement in Brazil was a central actor both in the democratization process and in the discussions leading to the 1988 Constitution, but also because it never lost its character as an interlocutor of the successive governments, even with the more liberal ones. During the presidency of Cardoso, the government promoted negotiations between employers and labor (the *Câmaras sectoriais*) in order to set conditions for the modernization and increase in production in several branches of the economy. Both the CUT and *Força Sindical* were included in a tripartite association together with the employers of various union branches (automotive, textile, electronics, among others) and the State: the so-called *camaras sectoriais* that served to negotiate

salaries, prices, and taxes with a view to stimulate the growth of the most strategic economic branches (De Souza Keller 1994). During the Lula government, the tripartite relationship was further strengthened, several temporary and permanent tripartite councils were created with the aim of discussing certain laws and measures that affected the interests of the workers, such as the Socioeconomic Council and the forums to discuss the reforms to the pension system and the labor law (Riethof 2004; Cardoso and Gindin 2009). In addition, union leaders were promoted to the head of different State companies (ibid.: 12). Finally, since the 1980s, unions have managed to impose local representation, through delegates, in some of the largest companies. They also accomplished to unionize previously non-organized sectors such as the peasants (Bizberg 2004). In fact, although it is true that unions are smaller, the total number of unions has increased considerably, and trade union density is quite high in comparison with that of the rest of Latin America: 20.9% (Hayter and Stoevska 2011).

The arrival of the PT to government could have forced the unions into a State corporatism similar to that established by the PRI with the CTM or Peronism with the Peronist Party in the Perón era. However, the relationship between the CUT and the PT government was far from resembling the support given by the Mexican official unionism to the government of Salinas or that of the CGT to the government of Menem, two rulers who imposed neoliberal measures on unionism. The CUT adopted a position it called “critical solidarity,” a position that we could describe as neo-corporativism, as did Etchemendy and Collier for the Argentine case.

Other social movements also contributed decisively to the process of democratization and participated very actively in the drafting of the 1988 Constitution, which has been the most open of all the constitutional revisions in the continent. In this country, the mobilization of civil society survived the process of democratization for three main reasons: the strength of social mobilization, due to the fact that shortly after the arrival of a civilian president a very open process of drafting a new constitution took place, which re-mobilized civil society, unlike what happened in Chile or Mexico, where there was no such process and where everything contributed to demobilization. On the other hand, in its strategy to win supporters and move toward national power from the localities, the PT developed new ways

of defining public policies, especially the participatory budget, which involved a strong participation of local populations through social organizations and a frontal struggle against patronage so characteristic of Brazilian political life.

The constitutional process that lasted almost three years, between 1986 and 1988, had such an impact on civil society that "... in all the localities of the country, spaces for discussion, forums, committees and plenary meetings were created to articulate the demands in order to present them to parliamentarians" (Chaves Teixeira et al. 2002: 55). Consequently, for the first time in Brazil, different sectors of the population participated effectively in the elaboration of the constitution and not only the political elites (Chaves Teixeira et al. 2002: 57). Several authors consider that the idea of democratizing existing decision-making arenas began to gain ground, as well as creating new ones to stimulate the participation of civil society, especially among the sectors of society that had been marginalized in the decision processes of the past (Chaves Teixeira et al. 2002: 55). All this led to the inclusion in the constitution, in addition to the universality of social rights, the right to plebiscite and popular referendum, public hearings, as well as the creation of councils responsible for defining and monitoring the execution of public policies at the federal, state, and municipal levels (Chaves Teixeira et al. 2002: 57). Finally, the great innovation of the participatory budget and the enormous network of institutionalized participation that exists in Brazil allows us to consider that this country had been establishing a path toward participatory democracy until the recent events that resulted in the impeachment of Dilma Rouseff and the election of Bolsonaro in October 2018. Even as recently as 2013, at the dawn of the World Cup, there were a series of demonstrations promoted by "Free Pass" social movement against increases in metro rates, which were joined by protesters who demanded the improvement in public services. And more recently, the movements of the middle classes against Dilma Rouseff that demanded her impeachment and the continuation of the corruption investigations known as *Lava Jato*. Both movements, however of contrary political sign, witness a very active civil society, ready to mobilize when it finds reasons to do so.

Argentina also democratized in the midst of the debt crisis, in 1985. The first democratic government that of Alfonsín also applied heterodox plans to fight the crisis, as a manner of beginning to pay the

‘social debt’ accumulated by so many years of dictatorship where social demands had been repressed (Marques Pereira and Théret 2004). But their heterodox plans also failed to curb inflation arising from distributive conflicts in an inflationary and democratic context. However, the traditional polarization between the agro-export sector (allied with finance) and the industrial sector, as well as between Peronism and entrepreneurial interests, combined with the weak power of the Argentine State and the weak institutionalization of the political system, resulted in a much more intense and uncontrollable distributive conflict than that of Brazil (Bizberg and Théret 2012). On the other hand, while in Brazil at the beginning of the 1980s the debt was mostly public and had been invested in productive assets, in Argentina a large part was private and had been used for speculation and capital flight; it is for this reason that the assumption of this debt by the Argentine State in 1981 was considered illegitimate and generated a strong dissatisfaction (Welch 1991: 10; Cortés Conde 2007: 299). This polarization and lack of confidence in the Argentine State explain why, while the Brazilian inflation was “... characterized by its highly inertial character which gave it a relative regularity [...] inflation was erratic in Argentine, witnessing a succession of periods of acceleration and deceleration, ending with two episodes of hyperinflation in 1989 and 1990 and averaging a higher level than in Brazil” (Baldi-Delatte 2004: 4).

Because Argentinian unionism was more social and weakly rooted at the plant level, as it controlled the health and pension benefits and negotiated the general conditions of the workers at the branch level, internal plant flexibility was implemented without modifying the legislation. Moreover, in order to abate the labor movement, in the 1990s the Menem government tried to impose local-level negotiations and wage increases linked to productivity growth by decree. He also intended to “privatize” health services, the so-called *Obras sociales* administered by the unions. Nonetheless, the unions were successful in resisting the latter. Although flexibility passed, neither negotiations at the local level nor privatization of the health services went too far, partly due to a compromise between the main union confederation, the *peronista* CGT, and Menem, by which the confederation accepted flexibility (and other measures such as privatization of public enterprises) in exchange for preserving control of the *Obras Sociales* (Murillo 2000; Munck 2004). The issue that the Menem government had to negotiate with the unions paradoxically led to a very radical privatization program but concurrently to

the preservation of the force of the unions that were re-activated in the Kirchner and Fernandez governments (Etchemendy and Collier 2007). Indeed, in comparative terms, the Argentinian labor movement has been relatively well preserved at around 37% of union density, the highest in Latin America. Nevertheless, the support given by unions to the Menem government did result in the division of the *peronista* union and a decrease in the proportion of the active working class that it organizes (Palomino 2000).

The crisis of 2001–2002 considerably modified the context, as it gave rise to a wave of protests and more or less spontaneous social movements unprecedented in Argentina. With the deepening economic, political, and social crisis that resulted with the end of “convertibility”, trade unionism, together with a myriad of other social actors (*piqueteros*, human rights, the children of the disappeared), reemerged with great force. In the context of this generalized social mobilization, unionism and *piqueteros* appeared as the main organized actors and became the principal support for the Kirchner and the Fernández de Kirchner governments that began in 2003 (Palomino and Trajtenberg 2006). As a result, their government was forced to orient itself toward workers’ interests in search of popular support and legitimacy.

The remobilization of the Argentinian society gave birth to a series of movements protesting against politicians and defending the rights of the small bank savers, factory occupations, and the *piqueteros*. Together with the human rights movements, the latter may be considered the most significant as they survived the most serious moments of the crisis. The *piquetero* movements began with protests against the closure of State enterprises during Menem’s government in the south of the country (Neuquén, Salta, and Jujuy), which, in many cases, were the only source of employment of a locality. The workers protested by blocking the streets and highways of the regions; in many cases, they led to widespread revolts of the inhabitants of the towns. These actions increased together with the impressive growth of unemployment from the 1990s to 2001: from 15% in 1992 to 40% just prior the outbreak of the crisis. In those years, but especially during the government of De la Rúa, the movements spread to the whole of the country, arriving at the region of Buenos Aires, where convertibility had been disastrous and

was impacting especially private-owned companies (Svampa and Pereyra 2004). This situation also led to a broad movement of the occupation of hundreds of plants that were closed by their owners and organized by their workers to continue making them function.

The *piquetero* movements, unlike the other spontaneous movements that arose in the crisis, consolidated in permanent organizations and came to terms with the Kirchner government. His government increased social policies destined to these movements and allowed them to administer and distribute them directly—something that resulted in a decrease in the *piquetero* actions and aligned the organizations to the government (Cheresky 2004: 15). This, in its turn led to the strengthening of the *piquetero* organizations: membership increased from 1000 in 1997 to more than 200,000 in 2004. The most important association was the Land and Housing Federation, with 125,000 members, headed by Luis D’Elia, which joined a union confederation, the CTA, and managed 75,000 temporary work programs (Franceschelli and Ronconi 2005: 15). This organization had a crucial role during the Fernandez de Kirchner presidency, especially in the conflict that opposed her government to the agricultural producers in the summer of 2008, concerning new fiscal measures.

Although, following the crisis of 2001–2002, the huge rise in protest and mobilization was mainly led by the *piqueteros* and other spontaneous groups, led to think that these movements had completely displaced unionism, as of 2004, the trade union movements once again dominated the social action field (Etchemendy and Collier 2007: 370). Whereas until 2003 nonunion conflicts were greater than union conflicts (60% against 40% and 58% against 42% in 2002 and 2003 respectively), in 2005 there were almost 80% union conflicts (ibid.: 371).

With the arrival to the presidency of Néstor Kirchner in 2003, the Argentinian government reaffirmed its alliance with the *peronist* unions. Its social and labor policies changed radically with respect to the Menem and Alfonsín years: it named a renowned labor lawyer at the head of the Ministry of Labor that, contrary to what was current during the Menem years, began promoting branch rather than enterprise level collective negotiations (Palomino and Trajtemberg 2006: 49). In addition, union action and increased inspection by the Ministry of Labor led to a substantial increase in registered labor in contrast to the previous tendency

to outsourcing and informalization; the coverage of collective bargaining went from 1.6 million workers in 2003 to 3.5 million in 2006.⁶ The government also raised minimum salaries, strove to reduce the gap between low and high salaries, and increased the resources of the pension funds—all of this a result of higher salaries and of a larger extension of coverage, which we will discuss in Chapter 8 (*ibid.*: 52–55; Novick et al. 2009: 272).

Most authors emphasize that the change came “from above,” which is to say that it was the attitude of a more pro-labor government, a more traditional Peronism, that amended the anti-union attitude of the previous government of Menem, to seal an alliance with the Kirchner government. Other studies emphasize, on the contrary, that it was the mobilization of both nonunion and grassroots workers, which led the government to renew its alliance with the CGT, controlled by Hugo Moyano, the most notable anti-Menem leader, under whom, the CGT reunified in 2004 (Cardoso and Gindin 2009: 12).

The interpretation “from above” states that the presidency of N. Kirchner re-established relations with organized syndicalism based on the traditional Peronist identity, especially the recognition of traditional structures and leaderships, as well as with State policies aimed at the revitalization of collective bargaining, which had been restricted by the Menem government (Cardoso and Gindin 2009: 12). The interpretation “from below” emphasizes the increase in union conflicts that obliged both the Peronist unions and the government to come to terms in order to prevent the overpowering of the institutional union system. Varela (2013) and Duhalde (2013) analyze the emergence of grassroots unionism that was acting “... independently of, or in open opposition to the union leadership” (Varela 2013: 80–81). The conflicts were both owing to formal and outsourcing workers. The first movement of this type, in 2004, was that of the outsourcing metro workers who united with the regular workers on five subway lines to strike; it was led by union delegates independent or in opposition to the official unions. The result of

⁶Varela rightly considers that the official statistics during the government of Cristina Fernández have little credibility, and contests these data. According to this author, while at the beginning of the decade of the 1980s the unregistered work rate was 25% and by the end of the 1990s it had risen to 40%, notwithstanding “... nine years of growth at 7.6 average (from 2002–2010), the unregistered work rate is at levels close to those reached after the neoliberal counter-reforms” (Varela 2013: 88).

this “wild” strike was an improvement in working conditions, but above all “... the recognition of the body of delegates opposed to the direction of the UTA (Automotive Tramway Union). At the end of the same year, there was a movement of the outsourced workers of a company that gives maintenance to the subway. These movements and the subsequent mobilizations resulted in the inclusion of all the outsourcing workers in the collective convention signed by the UTA” (Varela 2013: 80).

In any event, unions were forcefully re-activated during the Kirchner and Fernandez governments and became significant sociopolitical actors to the extent that Etchemendy and Collier (2007) qualified the relationship between these two governments with labor as socio-corporatist. Although they are now under pressure in the Macri government, the final result is uncertain. The CGT has organized vigorous social movements, among them a couple of general strikes. On the other hand, union density, which is an indicator of the force of this movement, is one of the highest in Latin America: 37.6% (of the salaried earners), while the coverage of the collective contracts is 60%. In Brazil, the percentages are 20.9% and 60%, respectively, in Uruguay it is 19% and 83%⁷ (Hayter and Stoevska 2011).

6.4 THE IMPOSITION OF A LIBERAL RENTIER PACT

The cases of Chile, Peru, and Colombia are similar to each other and to the Mexican one, especially because both unions and social organizations are very weak. This does not mean that there are no frequent protests and manifestations that occur at the local level, or even very significant social movements as one of the students in Chile and in Mexico, of the victims of violence in the case of Mexico, and even large and massive movements such as the student or the pensioner’s movement in Chile. Nonetheless, all these movements are disconnected and unable to pose a real challenge to the *status quo*.

The weakness of organized civil society in these countries is the consequence of violence in the case of all three and the exhaustion of the party system in Peru and Colombia. Violence was the way in which the Pinochet regime tore apart the ancient political system during the fifteen years in which the military regime reigned. The military regime killed or disappeared numerous union and political leaders, illegalized parties and unions, proclaimed a new constitution, and passed labor laws that

⁷There are no accessible data for collective bargaining coverage for Uruguay.

were intended to institutionalize the weakness of the social and political organizations that was accomplished through violence; in many respects, it served its purpose. In the case of Colombia, violence has been imbedded in the system since at least the 1950s, with the emergence of guerilla warfare and then the appearance of the drug cartels and their imbrication with the guerrilla groups. On the other hand, the old party system, based on a pact between the two major parties, called the *Frente Nacional*, according to which they divided among them the different governmental posts, ruined the legitimacy of both parties, exhausted the pact, and resulted in a profoundly atomized system. Both extreme violence and the closing of the party system were totally negative for the existence of a strong organized civil society. Suffice it to mention the fact that every year, there are a myriad of unionists and social activists killed and that union density is almost negligible, 3.5%. In Peru, although violence was never as extended as in Colombia, it was very significant in the 1970s and 1980s, when the radical and very violent Maoist group *Sendero Luminoso* wreaked havoc in the countryside and in some cities. This situation was totally unfavorable for the existence of a more reformist left, which was divided with regard to the position to adopt toward this movement. Finally, the election of Fujimori, the *auto-golpe* and his ten years in power (1990–2000), repressed the parties and the social organizations and destroyed what was left of them and of the unions.

In the case of Chile, the cause of the extreme weakness of civil society in the aftermath of the democratization process was the fact that the military coup against the elected government of Allende, on September 11, 1973, broke not only with democracy and the developmentalist economic model, but also with the net of social and political organizations that had existed in that country for decades. During the 1980 crisis, the Pinochet regime, like the Mexican, imposed on its population drastic austerity measures. The Pinochet government made the payment of the debt the absolute priority; in order to preserve its international reputation, it did not try a compromise between the external financial interests and its population. First, the State absorbed private obligations, which raised the government's debt from 36% of GDP in 1981 to 86% in 1987 (Ffrench-Davis 2008: 210). Second, it imposed strict orthodox measures that resulted in a 25% decrease in domestic demand per capita and a 14% fall in GDP (Ffrench-Davis 2008: 196). Nevertheless, faced with the gravity of the crisis, in 1983 it abandoned the ultra-liberalism of the

“Chicago Boys” to pursue more “pragmatic” policies, such as subsidizing exports and raising taxes on imports and abandoning the absolute fiscal equilibrium policy. Faced with the fiscal crisis caused by the debt crisis, the Pinochet government saved the banks and then imposed very strict bank regulations (*ibid.*: 196, 216). Whereas during the years 1982–1985 the deficit was of 3.1% on average, with a high point of 3.7% in 1985, in 1987 it reached a surplus (*ibid.*: 216). On the other hand, the need to generate a trade surplus to pay the debt forced the government to enforce different policies to stimulate the development of certain economic sectors (forest products, wine, fruit, salmon) that would become central to maintain the country’s growth (*ibid.*: 231–238). With regard to wage and social policy, orthodoxy was the absolute rule: it imposed wage restrictions and significantly reduced social spending (Haggard and Kaufman 2008: 388). As a result, the productivity/wage ratio became very favorable to capital (Graña and Kennedy 2008), and the level of poverty and income inequality increased dramatically (Ffrench-Davis 2008: 283).

But the coup had even longer-term, foundational, intentions that went beyond the modification of the economic model or what the military called the “restoration of order,” it defined its role as “... a total war directed against an enemy that had infiltrated (*sic*) more than half of the population.” Under this perspective, it was necessary to destroy both the left political parties and the unions (Valenzuela 1995: 98). Thus, the logic behind and the main objective of the Pinochet government were, as the Argentinian junta defined it, the “de-politicization of the State.” This implied a political offensive against leftist political parties and unionism intended to break the ties between politics and social actors, with unionism in foreground. And truly, under the dictatorship of Augusto Pinochet, the relationship between social organizations and political parties was practically annihilated (Munck 2004: 7).

The relationship between Chilean unionism and the political parties that had been its main strength in democracy became its greatest weakness in a dictatorship. Unionism was easily beheaded by the military government when it repressed and banned political parties (Barrera 1994: 116). Indeed, the capacity of the military regime to uproot trade unionism both politically and socially was due in part to the violence exercised and, on the other, to the fact that Chilean unionism, as its party system was, like in Europe, closely linked to the socialist and communist parties, so the destruction by the Pinochet regime of this linkage led to a

lasting weakening of the unionism itself. Unlike the trade unions closely linked to the State, connected to pluri-classist parties characterized by a nationalist and anti-imperialist ideology—like the Mexican, the Brazilian, the Argentine and the Venezuelan—the Chilean union movement was more autonomous of the State, more radical, and more ideological. This is explained by its origin, in an enclave economy dominated by foreign capital and based on the exploitation of saltpeter first and copper after, in isolated regions of the country (Bergquist 1986).

In addition, the Pinochet regime transformed profoundly practically all spheres of social and political life, to a certain extent “refounded” the Chilean institutions: economic (orthodox liberalism), social (unions, privatization of pensions, health, and education), and political (the binominal system, the life senators, the role of the army). Furthermore, it managed to institutionalize these changes in the 1980 Constitution and the labor laws of 1979. The Labor Plan restored some rights that had been suspended, such as the election of union leaders and collective bargaining, albeit under a highly restrictive framework, as it imposed the prohibition of political party involvement in union affairs and shifted collective negotiations from the branch to the local plant level. The law determined, among other things, that wage and working conditions should be negotiated without external intervention (which pointed to the political parties that had dominated union life before the coup (Barrera, *op. cit.*: 117)) and among several unions within each company, which ensured their division (Zapata 1992: 706). The law also imposed very flexible industrial relations: workers could be fired without any reason and with a minimal compensation, and employers could substitute striking workers. This had a lasting effect because even if after democratization the number of unions has increased considerably, they are smaller compared to those that existed before the coup (Barrera 1994: 117) and unionization rate of the total of salaried earners is very low: 11.5% (Hayter and Stoevska 2011).

The weakening of civil society did not concern only unions, but most authors coincide in emphasizing that the way the transition took place (almost exclusively through the electoral process, as in Mexico), implied the demobilization of the civil associations that had been very active in the mid-1980s. The actors of the Chilean democratization (both government and opposition) were very careful to limit it to the political system. For Maza, the main characteristic of the Chilean democratization

process was the "...identification between democracy and political system" (De la Maza, op. cit.: 225). The political actors that negotiated the transition with Pinochet were careful not to endanger the possibility that the military call off the plebiscite, and were conscious of the fact that the political and social polarization that prevailed in the 1960s and the early 1970s was part of the scenario that had allowed for Pinochet's coup d'état, and something which was less explicit, considered as a success the economic model of the dictatorship. That is the reason why the process of democratization in Chile took place through the demobilization of civil society that had begun to activate in the middle of the 1980s and that had triggered the process. While neither in Argentina nor in Brazil the social groups that had begun the process were demobilized, during or after democratization, once the Chilean parties had decided to participate in the Pinochet plebiscite in 1988 (Oxhorn 1994), the groups of settlers of the poor sectors of the cities, especially Santiago, that were organizing the *Jornadas Nacionales de Protesta* since 1983, were stopped by the political parties.

On the one hand, in spite that the mobilizations of the settlers continued until 1986, they did not succeed in modifying the attitude of the government, that responded with increasing repression. On the other hand, the traditional political and social actors felt a certain distrust toward the direct manner of doing politics of the settlers (Doran 2000); the memory (trauma) of the polarization generated during the Popular Unity government played a significant role. That is why, despite the fact that the National Days of Protest had crystallized around the social and political actors, they began to question the effectiveness of these actions. It was also argued that the violence that accompanied the protests, more and more frequently, had generated a climate of uncertainty and fear that served to legitimize the repressive actions of the military regime (Oxhorn, op. cit.).

As the date for the plebiscite set by the 1980 Constitution approached, the options offered to the opposition became clearer. The political parties were inclined to accept the rules of the game of the regime (which implied giving it a certain legitimacy) and prepared to participate in it. The alternative was too risky, because it meant rejecting the institutions of the military regime, continue with the protests, boycott the plebiscite, and face the inevitable victory of the candidate of the *junta* (Oxhorn, op. cit.: 54). With the exception of the Communist Party and extreme left groups, the opposition opted to participate.

This had as a consequence that, from that moment on, the traditional forms of political–electoral participation began dominating; which meant that the protest action of the popular sectors to put pressure on Pinochet would have to give way to electoral action (*ibid.*: 59).

This not only led to the “structural” weakness of Chilean civil society, but also to the protection of the economic model and the preservation of the institutions of the old regime, which became “authoritarian enclaves” (Garretón 1991). Although the successive governments of the *Concertación* set out to modify the most socially unjust aspects of the economic, social, and political model adopted by the military government, in order to promote a process of “growth with equity,” their intentions did not have significant changes for the unions and social movements. On the one hand, the labor law has, up to the present, still not been profoundly modified, and on the other, the reforms carried out maintain the equation of cheap labor and reduced rights for collective action (Taylor 2004: 76). First, in the 1990s, the *Concertación* governments proposed promoting greater organizational capacity and the protection of labor rights. The government of Aylwin (1990–1994) promised to ensure stability through cooperation; however, changes to the labor law negotiated between 1990 and 1993 were not significant. The same can be said of the reforms of Lagos and Bachelet. The reforms gave some marginal rights to workers, but did not restore branch collective negotiations, nor loosen considerably the right to strike, which is still very constrained in this country and gives ample capabilities to employers to replace striking workers (Cerdas Sandí 2017).

The cases of Perú and Colombia were different from Chile in that neither country had to cope with such a brutal and long-term dictatorship. Truly, in the case of Peru, the coup d'état that installed a military junta in 1968 was led by a nationalist, popular, and anti-imperialist sector of the army. In Colombia, there was no military government since the coup of 1953. On the other hand, the unions and civil society organizations were never as strong in these two countries as in Chile. Furthermore, in the 1990s, when the liberal economy was imposed, the social organizations of both countries had been severely weakened.

In the case of Peru, between the coup of 1968 and 1975, there was a belated and short corporatist interlude that did not last enough to consolidate like it did in some of the other countries in Latin America that we have discussed. It was a military government that, contrary to the others that took power in the continent, implemented a statist, leftist,

and corporatist socioeconomic policies. The government of Velasco Alvarado (1968–1975), as other national-popular governments before him, motivated the labor, peasant, and squatter organizations, to control them and build a social base for his government (Stepan 1978, cited by Silva 2009).

Although the military did not try to create a political party, they did create an organization that was charged with the functions of the PRI in Mexico, the *Justicialista* party in Argentina, the *Partido Trabalhista* in Brazil, and the MNR in Bolivia: the *Sistema Nacional de Apoyo a la Movilización Social* (SINAMOS). The government increased State intervention in the economy from 1% of GDP in 1968 to nearly 20% in 1975. It set up State banks, nationalized oil and mining firms and expanded the State companies in steel, electricity and mining, and invested in infrastructure. It also protected industry and controlled prices, all in an effort to develop the country through a model that in other nations was about to enter its final crisis (Silva 2009), but that in this country had been always blocked by an agrarian oligarchy (Contreras and Zuloaga 2014). This leftist military government also engaged in an agrarian reform that was neither as ample as the Mexican, nor as the Bolivian, because it only benefited between 10 and 15% of the Peruvian peasants that lived in the coastal lands, while it ignored those that were in the highlands; but it nevertheless serve to weaken the agrarian oligarchy and create a quite ample constituency that was assembled in peasant organizations (Silva 2009). These policies had two other intentions: it was a strategy to isolate and replace the nationalist-popular party that had emerged in the 1930s, the APRA, that was linked to the workers' organization, the *Confederación de Trabajadores Peruanos*; indeed, with this in mind, the government of Velasco Alvarado not only created its own unions, but guided them to be included in the *Confederation General de Trabajadores del Peru* (CGTP), a communist confederation that was strengthened and soon outflanked the *Aprist* confederation. Regarding the beneficiaries of the agrarian reform, mostly indigenous, they were integrated into the communist-controlled Peruvian Peasant Confederation and the *Confederación Nacional Agraria*, as a way in which the government tried to "...restructure ethnic relations in Peru [...] by redefining Indians as peasants" (Silva 2009: 232–233).

Nonetheless, this nationalistic, industrialist, corporatist military government soon found its limits in a context defined by the world economic crisis that began with the hike of oil prices in 1973, that

nourished the division of the military regarding its relation with the mobilized social movements. While Mexico was able to endure the crisis of the 1970s because it discovered vast reserves of oil and Brazil had the possibility of contracting debt and attracting investments for its industry, Peru had neither of these; it thus continued promoting a national economy through State expenditure, a situation that soon became untenable. With these two tribulations, in the mid-1975 a rightist sector of the military decided to give a house coup against Velasco and force into power Morales Bermudez, who imposed austerity measures and tried to weaken and dismantle the popular organizations that had been organized by his predecessor (Silva 2009).

This radical modification was the signal for the start of mobilizations of the social sectors that saw their economic and political position at risk. The mobilization was very ample, although it extended beyond the labor movement; one of the main organizations deployed was the communist CGTP, which declared its first general strike ever in 1977 and then another one in 1978; both of which had the support of many of other popular organizations. The movement was so successful that it was interpreted as a pre-revolutionary situation by the left. Paradoxically, not only did it not lead to a revolution, but on the contrary it headed to the displacement of the military; they were weakened by the economic situation of the country and by the rift in their ranks. The military announced a transition to democracy, which would have as its first step the convocation of a constituent assembly that would be charged with drafting a new constitution. The 1978 Constitution gave ample power to the State in economic and social matters; it also expanded considerably the electorate by allotting the illiterate the right to vote. The second step were the elections of 1980 (Silva 2009; Contreras and Zuloaga 2014: 257–259).

The transition to democracy coincided with the economic crisis that struck all of Latin America in the 1980s. In the case of Peru, the first democratic government of Belaunde imposed an orthodox stabilization policy, reducing the weight of the State, liberalizing the economy, reducing tariffs, subsidies, and taxes, as well as imposing limits to wage increases. These policies led to an opposition that this time did not result in such an ample mobilization as the one that had displaced the military, but that was channeled electorally as the new constitution had legalized the leftist parties (Contreras and Zuloaga 2014: 257–259). In the elections of 1985, the nationalist-popular party APRA that had been inspired by the other popular parties of Latin America in the 1930s (especially

the PRI), won the election with Alan García. This government reversed the policies that had been imposed during the previous one and implemented a more active developmentalist policy. One of the main actions it took was to set a limit to the payment of the debt, set at a maximum of 10 percent of the total of exports. As no other country in Latin America went along with Peru, the country was cut off the international financial circuits that considered it had defaulted its debt (Contreras and Zuloaga 2014: 261). This led the García government to incur in an enormous fiscal deficit that increased from an already large 46% of GDP in 1983 to 61% in 1990, which, in its turn, drove Peru to hyperinflation, as many other countries in Latin America (Silva 2009: 237).

The fact that the military regime governed Peru for more than a decade and the deep economic crisis that coincided with the transition to democracy had a very disruptive effect on the party system. But what had a definite impact in demolishing it was its convergence with the appearance of an increasingly powerful radical and violent guerilla movement, *Sendero Luminoso*, that had its strongholds in the highlands, where the agrarian reform had not progressed. This movement was one of the causes of the demise of the social movements and leftist parties in Peru. The fact that the democratic governments proved unable to neutralize this movement increased the popular defiance to government and parties, and resulted in what Tanaka has called a democracy without parties (Tanaka 2005).

In addition, we can also call the Peruvian (and the Colombian, as we will see next) as an empty democracy, as it is lacking social organizations. Actually, the class organizations that were promoted during the 1970s by the government of Velasco decayed. This was a consequence of a profound transformation of the class structure: during the 1980s, the last barriers to universal suffrage were eliminated, there was a strong rural migration to the cities, and the informal sector expanded to comprise more than 50% of the active population (Levitsky and Cameron 2003: 6). In addition, "...in the 1980s the union movement entered a process of fragmentation of their interests and their organizations due in part to the return to democracy, as the main organizations no longer had a common enemy" (Ibid.). Along with the sociopolitical situation, the economic situation turned critical, with high unemployment rates, a considerable fall of real wages, and an increasing conflict between employers and unions (Huber 1983: 78) as the business sectors pushed for a flexibilizing labor reform (Cook 2007: 116). Lastly, "...the advance of the terrorism of the Shining Path demobilized the social and autonomous

protest movement of the previous decade, because any protest movement was automatically accused of being terrorist” (Gil and Grampone 2014: 10).

All of this helps to explain why in 1990, Alberto Fujimori, a totally unknown candidate, with little more than 1% of the voting intentions in February 1990, reached the presidency and inaugurated a decade during which he accumulated unprecedented power in Peru together with his advisor Vladimiro Montesinos (Degregori 2003: 243). Fujimori arrived to power without a party and was obliged to construct majorities for every issue. Between August 1990 and March 1992, the traditional political parties, in order to survive, collaborated with his government; indeed, both the APRA and the left in Congress reacted very cautiously to its liberal reforms. In 1992, when the presidency and Congress disputed first over the anti-subversive strategy against *Sendero Luminoso* and then tried to curb the president’s powers, Fujimori opted to dissolve Congress on April 5, 1992, and place under his direct control the regional governments, the judiciary, the electoral tribunal, and the constitutional court. The executive imposed an emergency government of national reconstruction (Degregori 2003: 246–247). The population basically accepted these measures as Fujimori had managed to control inflation, had implemented a clientelistic social policy, and was defeating the Maoist guerrilla.

After this “self-coup” (*auto-golpe*), Fujimori’s government did not invest efforts in the organization of a party or on the construction of a social base. His organization of origin, *Cambio 90*, had no program, no national organization, nor activists. He could have used his popularity to transform it into a consolidated party but, instead, did everything possible to avoid it: he replaced the party with State agencies and continued using the media to address the masses directly (Levitsky and Cameron 2003: 10–12). In addition, the parties and civil organizations on the left were practically eliminated from the political scene as they never achieved to deal with the *Sendero Luminoso* question (Tanaka 2004–2005: 65–88). They were always vacillating between supporting it as a possibility of attaining a social revolution and condemning its excesses and its project as too radical. This led to the demise of not only the party system but also of the organizations of civil society.

More specifically on labor, until the Fujimori period, the regulation of the labor market was “...characterized by a general system with limited exception regimes, absolute labor stability, large presence of collective

bargaining by branch of activity, active minimum wages, State intervention in the increase of remuneration of workers without collective bargaining, among other aspects” (Vidal Bermúdez et al. 2012: 13). The elimination of these features and the transition to a highly flexible labor regime were based on two main reforms via decrees, in 1991 and 1992, thus after the presidential coup; they established union pluralism at the plant level, promoted the decentralization of collective bargaining, increased restrictions on the right to strike, and granted more power of intervention to the State for the registration of new unions and the control of union activities (Cook 2007: 122). These modifications will be consolidated in the 1993 Constitution. As a consequence, the union movement was almost completely disarticulated and turned into a political actor without relevance (Gil and Grampone 2014: 27).

These reforms as well as the privatizations of State enterprises, the opening of the economy and price deregulation, awakened little opposition from the main trade union organizations, the CGTP and the CTP, partly because of their dwindling power, but also because the Fujimori government frequently used repression against them. The union movement does not seem to have recovered its force after more than 15 years (Gil and Grampone 2014: 17). Peru’s organizations of civil society as well as its party system seems totally bereft of any force; in this context, the power of the government technocrats and the employers is dominant.

The case of Colombia is distinctive for Latin America, although the results in terms of the characteristics of the dominant coalition that, to a great extent determines the economic model, are very similar to the other two we have discussed in this section of the book. We can summarize the reasons for the weakness of civil society and of the workers’ organizations in particular, by the fact that the political life of this country has been dominated by violence. The civil war between the liberal and the conservative parties lasted, with ups and downs, from the nineteenth century until 1958, when the National Front between the two contenders was established. It was then substituted by guerilla warfare and paramilitary violence, since the mid-1960s, which has persisted until the present,⁸ and then by the violent action of the drug cartels from the 1970s to the years 2000.

⁸A peace treaty has just been signed in 2017 between the guerilla and the government of Santos.

Although we cannot absolutely affirm that drug cartel violence was a continuation of the other two types of violence; while the guerilla did have links to the drug business and trafficked drugs, there also seems to be a historical link between the liberal armed forces that intervened in what is called “The Violence,” and the leftist guerilla that emerged in the 1960s and 1970s (Restrepo Botero 2015: 299).

In such a scenario, where social activists were killed by either one of the contending parties, by the guerrilla, by the drug cartels, or repressed by the government when their actions were seen as being sympathetic to the guerrilla, or just because it contributed to social unrest in a war situation, social actions did not find fertile ground, on the contrary. As Restrepo Botero has affirmed, in a situation where counterinsurgency policies are dominant, “...many social manifestations fell under the concept of ‘public order’ unrest under a State of siege and of exception and mechanisms directed to the enemies of peace and the State we applied to them. Pacification of the National Front rapidly became the militarization of social conflicts” (Restrepo Botero 2015: 274).

The political effect of this pact that ended *La Violencia* implied that the ideological differences between the parties disappeared, and both elections and the party system became irrelevant: first due to guerilla warfare in the years 1950s and 1960s, when the attraction exerted by the Cuban Revolution and its *foquista* politics was prevalent, and then, in the years 1990, when all parties implemented the same liberal economic policies. This situation eventually ensued in an ever higher abstention, the emergence of apolitical leaders and movements, and *in fine*, the destruction of the traditional parties in Colombia. A similar evolution occurred in the other countries we are discussing in this section and in the next (Bolivia and Ecuador).

The question is why the guerilla in Colombia abided until the present, when in all the other countries where it appeared it was defeated in the 1980s or 1990s. One part of the explanation lies in the armed conflict of the rural guerilla, during the nineteenth century, but especially during *La Violencia* of the end of the 1940s and early 1950s, when armed peasants organized in the liberal guerillas in order to defend their communities. According to Melo, many of the founders of the FARC had participated in the liberal and communist armed groups in the 1950s. A second factor is that guerilla emerged in the regions where in the 1920s and 1930s, the peasants had occupied latifundia; they then had to defend themselves against the army and the landowners’ armed militias (Melo 2017: 247; Restrepo Botero 2015: 297). This author also mentions how the

peasants that were involved with the FARC were the protagonists of the most massive manifestations of the 1990s and 2000, and how other guerilla groups, like the EPL and ELN, buttressed the peasant organizations in their struggle against the entrepreneurs in regions like Urabá, as well as the way in which, in turn, union conflict was substituted by local proprietaries arming themselves (Melo 2017: 248). Restrepo Botero adds the fact we mentioned above: the *Frente Nacional*, that consisted in the allocation of political posts among the liberal and conservative parties, made political action irrelevant, and in this manner, non-attended social demands shifted toward illegality (Restrepo Botero 2015: 297). Finally, Melo adds a geographical explanation, the guerilla groups evolved in territories with geographic and social conditions that protected them—in mountainous and jungle regions where the regular army had enormous difficulties to perform (Melo 2017: 247). Thus, the guerilla had a strong social base in isolated localities, to which in the 1980s and 1990s it added the peasants that cultivated coca.

This context explains why the case of Colombia's labor unions is one of the gloomiest in the region. Despite the peace process that was concluded in the 1991 Constitution, violence against social organizations in general and trade unions in particular was particularly brutal in the 1980s and 1990s, where assassinations, persecutions, and disappearances of leaders reached higher levels than in many countries under dictatorships (López Pacheco and Hincapié Jiménez 2015: 1082–1083). One of the most significant actions of the M19 that, in contrast to the other guerilla groups, was embedded in urban centers, was the assassination of the main leader of the *Confederación de Trabajadores Colombianos* (CTC), the liberal labor confederation, arguing he was a traitor to the cause of the people (Melo 2017: 252). In addition, administrative obstacles set upon unions by the Colombian government are considerable: a 1996 study by the OECD (cited by Aidt and Tzannatos 2002: 3) situates this country in group 3 of 4, according to the presence of restrictions on the freedom of association. Another indicator of the situation of unionism in this country is that unionization rates (of the total employed population) that were already at a low of 9% in 1984 went down to 7.8% in 1990 and have fallen to 4.5% in 2005 (Pineda Duque 2015: 131).

Thus, social movements and organizations were threatened from both sides: their relation with the guerillas led to armed confrontation with the landowners and their paramilitary bands. On the other hand, the fight of the government against guerilla and then the cartels led to

the repression of social conflicts in the name of the maintenance of the public order. This situation led to civil actions expressed as local and occasional actions that contested particular governmental policies in the 1970s. There was no national or even regional permanent coordination to agglutinate these struggles and extend them temporally. When they began to coalesce in regional organizations in the 1980s, the government started implementing the neoliberal economic measures and the decentralization of the public policies, something that destroyed these intentions to unite and re-atomized social action (Restrepo Botero 2015: 293). On the other hand, the political left has been traditionally divided into all sorts of parties: communists, Trotskyists, Maoists, castrists; some favorable to, others against guerilla warfare; none of them ever got more than 5% of the votes. In the 1982 elections, the left finally united around a nonviolent program; nevertheless, the fact that the M19 guerilla covertly supported violence led to its demise after a bad electoral result (Melo 2017: 254).

In this manner, in all the three countries that we have considered as approaching the rentier liberal capitalism type, the main factor that determines whether an economy is more or less redistributive, the organization of civil society, is absolutely lacking. Hence, the alliance between the State and the rentier capital (mining, agrarian, financial, and even real estate) dominates, without any other force being capable of restoring social balance. In the next chapter we will see that this situation is reinforced and made more lasting, more impervious to the actions of civil society, by a type of State structure and of political regime, as political regimes can be more or less permeable to social actions. State structure also plays a role: decentered federalism (like Brazil, Argentina) is more open to pressures coming from society, while centered federalisms (like Mexico) or centralized States (like all the Andean ones) are more impervious to civil society.

6.5 FROM A RENTIER LIBERAL TO A REDISTRIBUTIVE SOCIAL PACT

In the two countries that embraced a rentier redistributive capitalism, civil society movements were constantly defying liberalism during the 1990s and beginning of the years 2000, and continue to be very active nowadays. While in the cases of Argentina and Brazil, the strongest actors were the labor and the social movements, in the case of the

Andean countries, the social sector that gained political power since the beginning of the present century was the indigenous movement. In Bolivia, the most significant social actor between the 1950s and the 1990s was the mining workers' *Confederación Obrera Boliviana*. During the 1980s and 1990s, the COB lost influence compared to the indigenous organizations and coca producers of the Chaparé, who are the base of the *Movimiento al Socialismo* (MAS) that led Evo Morales to the presidency (Mayorga 2011). As in most regimes based on a national-popular political movement, at the end of the 1952 revolution, the State undertook the organization of a party, in this case the Revolutionary Nationalist Movement (MNR) that fashioned a corporatist relation with the Bolivian Workers' Confederation (COB). Since the mid-1980s, the bases of the COB were sapped by liberalism, the decline of tin mining, unemployment, and informalization of labor; all of which marginalized this confederation and reduced its capacity for confrontation and for exerting pressure (Torrico Terán 2006: 244).

In the case of Ecuador, there was neither such a corporatist regime, nor a strong union movement previous to the application of neoliberal measures. Indeed, although existent, nationalist-popular politics were weaker in this country due to regionalism, elite conflicts, political fragmentation, in addition to a much weaker industrialization process and the absence of a single product as tin in Bolivia (Silva 2009: 148). Although in the 1970s the major confederations merged into a single unitary organization, the *Frente Unitario de Trabajadores* (FUT), and while it actually managed to unleash a considerable number of general strikes, its real force came from the support it received from the indigenous movement; the *Confederación de Nacionalidades Indígenas del Ecuador* (CONAIE) was an enduring movement that expressed itself through local and regional mobilizations, blocking highways and leading manifestations all over the country (Silva 2009: 149).

In effect, one of the most significant characteristics of the indigenous movements in both Bolivia and Ecuador is that they demand the recognition of their distinctive identity, as a right to be different from the other groups of their respective national societies; they questioned the ethnic boundaries of a model based on homogeneity (Le Bot 2009). They have, in most cases, been exemplary insofar as they affirmed their identity without excluding the others, in contrast to other such movements in other parts of the world that define themselves in opposition and in exclusion to other groups this latter, an attitude that is conducive to nationalism

and war (Gellner 1983). Although indigenous movements gained international recognition with the 1994 Zapatista rebellion in Mexico, social actions that rejected the assimilation policies that Spanish- or Portuguese-speaking Latin American governments imposed during most of the twentieth century began in the 1970s in Bolivia and Ecuador. In most cases, these movements were embraced by the local churches that participated in the Liberation Theology movement. In the Amazonian region of Ecuador, what began as a movement against the intervention of oil companies in indigenous territories, became a cultural movement that organized nationally in the Confederation of Indigenous Nationalities of the Ecuadorian Amazon (Confeniae) that according to Albó and Le Bot was the first indigenous organization to adopt the term “nationality” (Albó 2008: 127, Le Bot 2009). In Bolivia, the Katarista movement (Túpac Katari) was propelled by young leaders with an indigenous rather than a class/peasant ideology, since 1976. By the end of the 1970s, they had managed to gradually take control of the official peasant organizations and created their own: the *Confederación Sindical Única de Trabajadores Campesinos de Bolivia* (CSUTCB) (Klein 2015: 313). This organization concentrated on ethnic as well as peasant demands and would gain importance within the labor confederation, the COB, when this miner’s union named a peasant and a member of the Katarist movement as its leader in 1981 (Klein 2015: 325). This movement would be crucial, 20 years later, to ensure the election of Evo Morales as the first indigenous president of Bolivia (Albó 2008). In this way, in both Bolivia and Ecuador, protests against the economic model transcended the economic sphere and served, in fact, as an instrument to affirm indigenous identity and their socioeconomic, cultural, political, and, in some cases, territorial rights (Le Bot 2009).

According to Edwin Cruz, the indigenous movement appeared earlier in Ecuador than in Bolivia, and while in the latter it was empowered with the “water war,” in Ecuador it was in franc decline owing to its support to the failed military coup of the years 2000, and then its inclusion in the elected government of Gutierrez (the general that directed the coup) in 2003. On the other hand, while in Ecuador the indigenous movement was always more intense and extra-institutional, in Bolivia it managed to have a greater institutional impact by being able to negotiate the recognition of the territoriality of the first peoples and pass the Law of Popular Participation that ensured the indigenous population a higher degree of representativity and of capacity to defend its collective rights. The explanation offered by Cruz to these differences is paradoxical: on the one

hand he stresses the greater organizational and discursive articulation of the Ecuadorian indigenous peoples, under the concept of plurinationality, in contrast to the fragmentation of the Bolivian indigenous, on the other hand, a more repressive Bolivian State than the Ecuadorian explains the extra-institutional mobilization dynamics in the latter (Cruz, cited by Ortiz Crespo and Mayorga 2012: 15).

In association with the COB, and in a corporatist alliance with the military, the movement that gathered the peasants that had been favored by the agrarian reform that followed the 1952 revolution unified in a confederation: the CSUTCB. The Katarist indigenist movement that surfaced at the end of the 1960s and 1970s, promoting an indigenous rather than a peasant identity, took control of this confederation. Under the control of this political group the CSUTCB, together with the COB, staged two general strikes, in 1979 and 1982, that were crucial for the ouster of the military. This organization was not only crucial for the democratization process, but also for the arrival of the MAS to power, nonetheless, at some moments in the 1990s and 2000, it has been defiant of Evo Morales as it defends a more fundamental conception of indigenism; especially when it was presided by Felipe Quispe. With the decline of the COB, the CSUTCB has become even more autonomous (Silva 2009: 105–106).

Although labor was weaker in Ecuador than in Bolivia, where tin miners were a very powerful social and political actor, labor also managed to unify in a single federation in 1974. The FUT organized strikes against the government, joining congressional opposition against certain laws threatening the interests of the workers and peasants during the first post-transition government of Febres Cordero (1984–1992) (Silva 2009). On the other hand, the CONAIE was formed during the presidency of Febres Cordero with the fusion of two indigenous organizations, one of the highlands (ECUARUNARI) and another of the lowlands/Amazonia (CONFENIAE). It became the most important social movement of Ecuador after the first National Indian Uprising in 1990, dominating the social life of this country both through its social actions and through its political party the Pachakutic. The labor federation and the CONAIE frequently coincided in their active opposition against liberalization in the 1980s and 1990s. But, contrary to the case of Bolivia, the alliance of Ecuadorian labor and the peasant/indigenous organizations was not organic; the CONAIE upheld some of the strikes of the FUT with road blockades in the provinces that created significant

difficulties for supplying the capital and other large cities in the 1990s (Silva 2009).

In Bolivia, the unions of the coca producers of the *Chaparé* region, presided by Evo Morales, were the central social movements of the 1990s and 2000: they backed his first incursion in politics, his candidature to Congress. As coca was legal before the 1990s, many miners that had lost their jobs because of the decline of tin mining, migrated from the *altiplano* to the lowlands of the *Chaparé* to cultivate it. Imbued with their labor movement tradition, they organized into a myriad of unions that eventually joined the peasant confederation, the CSUTCB, and managed to displace the *Kataristas*, substituting the indigenous identity with a more class-oriented posture and taking control of a social organization that will prove crucial for the ambitions of Evo and his followers. The organization of the coca growers was empowered by the struggle against the efforts of the US government to force the Bolivian authorities to destroy the coca plantations in order to reduce the supply of cocaine to the USA. When in the 1990s, the government of Paz Estenssoro not only implemented radical liberalizing actions, but accepted the viewpoint and the aid of the USA to crush coca production, the growers of the *Chaparé* responded with great force, defending coca both as a traditional cultural good and as livelihood for thousands of peasants. From this moment on, the peasants of the *Chaparé* and their organization, within the unitary confederation, became the center of the social mobilizations against the established governments (Silva 2009: 113–115).

The conflict concerning the coca plant was crucial for the continuation of the movement, as it fused two different significations: on the one hand, the fight of the peasants for their livelihood, a class struggle, led by peasant unions, and on the other hand, the defense of a plant that has cultural/symbolic significance for the indigenous populations: in religious, medical, and traditional aspects. It thus fused the two strands of the Bolivian social struggle: the popular and the indigenous, something that neither the labor movement nor the exclusively indigenous *Movimiento Indigenista Pachakuti* (MIP) was able to represent. That is why this movement endured and became empowered, while the COB and the more “fundamentalist” indigenous movement, the MIP, were marginalized. While Felipe Quispe got 6% of the vote in 2002, Evo Morales got elected in the first round in the 2005 elections with 53.7% of the votes (Silva 2009: 118). The MAS candidate prevailed over the

Bolivian ethnic movement that proposed the end of the postcolonial Bolivian State, the westernization of the country, and its re-indianization. For Evo Morales and the MAS, the priority was equality and justice, and the State the basic instrument to achieve that goal (Mayorga 2011: 256–257).

The MAS relied on these movements that were radicalized and invigorated by two governmental decisions they set in motion the “Water War” and the “Gas War.” The first movement, the “Water War,” initiated with the abrupt increase in water rates in the city of Cochabamba in 2000, resulting from the privatization of water services; it gave rise to massive manifestations of the population of the Alto that were repressed by the force of order. After a week of confrontations, the army refused to continue applying the State of siege decreed by the government; a situation that led the latter to rescind the privatization of the water services. Between September and October of the same year, there was another movement, this time peasants blocking the access to La Paz, the capital, causing food shortages. Once again, the government decreed the State of siege and again, after the clashes, the armed forces withdrew. The succession of mobilization, repression and retreat, strongly affected the legitimacy of the government and seriously upset the party system of what was called the “*democracia pactada*”⁹ (convened democracy), and heightened the reputation of the social leaders that commanded the actions; mainly of those who had gathered around the MAS (Torrico Terán 2006: 88).

The “Gas War” that erupted against the privatization of the gas industry and a settlement with the Chilean government to build a gas pipeline passing through its territory in order to export it, resulted in the ousting of Sánchez de Lozada. Gas had become one of the principal exporting products of the country and, according to the opposition, after the privatization of tin, silver, nitrates, was the only product upon which one could attempt to develop the country (Silva 2009: 138). Most of the social organizations (MAS, CSUTCB-Movimiento Indigenista Pachakuti, the COB, and the organizations of the inhabitants of El Alto) gathered round the opposition to privatize gas and succeeded in blocking numerous highways throughout the country. The government tried to deblock the roads by calling the army. One of these actions, the

⁹We will talk about this question in the next chapter.

attempt to liberate a tourist car that was being detained in the Titicaca region, resulted in the death of five peasants; an event that led to the intensification of the protests and of the roadblockings. Once again, the government called the army, this time to deblock the road from El Alto to La Paz, with more catastrophic results, as 30 people were killed. The result was an escalation of blockings and a march of 150,000 inhabitants of El Alto to the center of La Paz. A few days later, when they were joined by miners and protesters from Oruro and Potosí, coca growers from Chaparé, middle classes from different organizations (NGO leaders, intellectuals, students, professors), they forced Sanchez de Lozada to resign in October 2003, after only 13 months in the presidency (Silva 2009: 132–142).

In addition to the social dynamics, since the 1997 elections, four of the main leaders of these different social organizations had been elected to Congress, among them Evo Morales. In these elections, the MAS, which proposed to re-found the Bolivian State based on the values and conceptions of the original nations, the end of neoliberalism and granting the rightful place to indigenous regions and popular leaders, obtained a little more than 20% of the votes. Together with the Indigenous Movement Pachakuti (MIP), that obtained 6% of the votes, who fought for the end of the political and cultural discrimination of the indigenous people (what they called the end of the “two Bolivias”), for the adoption of participatory democracy and the preservation of the culture of the coca leaf, they occupied a third of the seats in Congress. For the first time in Bolivian history, peasants and indigenous people had an important presence in the political life of the country (Torricó Terán 2006).

This presence in Congress was fundamental to allow these leaders to express their opposition to the agreement between the Bolivian government and the USA for the eradication of the coca leaf, as well as against the neoliberal project implemented by all the parties that had arrived to power with the “*democracia pactada*.” One of the events that enhanced Morales’s popularity was his exclusion from parliament after the violent demonstrations in the Chaparé between the *cocaleros* (coca leaf cultivators) and the armed forces in 2002. It also strengthened the movement against the traditional parties and nurtured the idea of convening a constituent assembly to transform the structure of the State and of the political system; to “re-found the country.” In addition, since the years 2000, economic conditions worsened. It was in this context that the elections of 2002, where Evo Morales won the presidency, took place (Torricó Terán 2006: 89–90).

There was no such unitary organization that represented both class and indigenous demands in Ecuador. Nonetheless, there were moments where both labor unions and indigenous organizations proceeded in unison. In the 1970s and 1980s, there was an upsurge of the labor movement, first with the *Frente Unido de Trabajadores* (FUT) and then with the Coordinadora de Movimiento Sociales (CMS), that coalesced the unions of oil, electrical, and cement sectors, the teachers and university professors, as well as informal workers. When in the 1990s the worker's organizations weakened, the main indigenous organization, the CONAIE, came to the fore. Although none of these movements succeeded in stopping the austerity measures, the privatizations, not even the dollarization of the economy, and while the CONAIE made the grave political error of supporting a failed *coup d'état* by Colonel Lucio Gutierrez, it gained two pyrrhic triumphs—forcing the resignation of two presidents.

The events that finally led to the election of Rafael Correa in 2007 were triggered by the policies implemented during the government of Jamil Mahuad (1998–2000). The political scenario was set a few years before with the dismissal of President Bucaram that was impeached by Congress after numerous manifestations. After this event, Congress called for a Constitutional Convention in the hope of calming the social turmoil. Nonetheless, the resulting constitution did not satisfy anybody, because on the one hand it facilitated the deepening of neoliberalism and, on the other, "...although it did advance in the indigenous agenda, it fell short of declaring Ecuador a pluri-national state." In addition, President Mahuad pushed forward very orthodox neoliberal measures and more privatizations. This, together with the aggravation of the economic situation, awoke the popular manifestations that were once again led by the CONAIE. Facing an ever deteriorating social, political, and economic situation that was aggravated by a crisis of the banking system, the government decided the dollarization of the Ecuadorian economy, substituting the sucre by the US dollar. This was the final straw. The CONAIE not only radicalized its manifestations but conspired with a group of militaries to support the failed coup d'état of Colonel Lucio Gutierrez. In the next elections that were won by Gutierrez, the CONAIE committed his second grave political mistake, that of participating in his government through its party, the Pachakutic (Silva 2009: 175–188). These two mistakes explain why the indigenous movement declined, as Ortiz Crespo and Mayorga (2012) write. Nonetheless, the fact that this movement was so powerful for decades and that it still maintains a non-negligible force, imposed part of the agenda of the Correa presidency, and its need

to balance between the needs of capital and those of the popular classes, although the relation was by no means smooth.

In both Ecuador and Bolivia, there was a similar situation of a highly mobilized civil society that tried to resist the imposition of the neoliberal program during the 1980s and 1990s. Although in neither country did they succeed in stopping privatizations, austerity measures, the retreat of the State from the economy, these movements accomplished to force a change of government in the mid-2000. Both in Bolivia and Ecuador, the pressure of the organized movements, assisted by the catastrophic results of the liberal policies of the successive governments, led to the collapse of the old party system (a characteristic of all the Andean political systems, except the Chilean). But in these two countries the collapse did not result in a durable political vacuum, like in the case of Peru or Colombia, because of the presence of strong social actors, and in the case of Bolivia, an organization that translated their projects led Evo Morales to power, and Correa in Ecuador.

The following two tables summarize the characteristics of the different pacts that have determined the four countries that best exemplify the types of capitalism in time (Tables 6.1 and 6.2).

Table 6.1 Main characteristics of the dominant social coalition in four moments in four exemplary countries of our typology 1

<i>Period</i>	<i>Mexico</i>	<i>Brazil</i>	<i>Chile</i>	<i>Bolivia</i>
Import substitution industrialization	State, industrialists, middle classes, unions, peasants	State, industrialists, middle classes, unions, in a compromise with the agrarian oligarchy, from 1964 to 1985, the unions from the past	State, industrialists, middle classes, unions	State, mining unions, peasants, middle classes
Neoliberal (mid-80s and mid-90s)	Imposition of a new pact between state, multinationals, large domestic capital, and financial capital	Intent to impose a neoliberal pact between State, multinationals, large domestic capital, financial capital, and agro-exports. Resistance of the unions, opposition parties, and social movements	(Beginning with the coup in 1973) Imposition of a new pact between State, multinationals, large domestic capital, and financial capital	Intent to impose a neoliberal pact between state, multinationals, large domestic capital, financial capital, and agro-exports. Resistance of indigenous population

Source Own elaboration

Table 6.2 Main characteristics of the dominant social coalition in three moments in four exemplary countries of our typology 2

<i>Period</i>	<i>Mexico</i>	<i>Brazil</i>	<i>Chile</i>	<i>Bolivia</i>
Super commodity and financial resources boom	State, multinationals, large domestic capital, and financial capital	State, middle classes, unions, industrial capital in a compromise with rentier and financial capital	State, multinationals, large domestic capital, rentier and financial capital, and middle classes	State, indigenous population, peasants in a compromise with rentier and financial capital
First changes due to the end of the boom	The social pact is challenged from the exterior (Trump). Opportunity for an internal modification of the social pact?	Intent of the rentier and financial capital to exclude the popular classes. Do the latter have the capacity to resist?	Reduction of growth	Reduction of State resources. Reduction of redistribution?

Source Own elaboration

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