

## ARE DICTATORSHIPS NECESSARY? Trade Unions and Neoliberal Populism in Four Latin American Countries

¿SON NECESARIAS LAS DICTADURAS?

Sindicatos y populismo neoliberal en cuatro países de América Latina

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### ABSTRACT

The economic crisis of the beginning of this century in Latin America has questioned that a neo-liberal kind of populism may solve the puzzle of how to implement pro-market economic reforms by democratic regimes in less developed countries. Populism is both prone to corruption and incompatible with the necessary institutional reforms (the "second generation" reforms) complementing the economic reforms. Non-populist politicians may not have this handicap, but they could not overcome the labor resistance to their pro-market reforms either. Still, under certain conditions, democratic politicians can implement these reforms without suffering from the costs of populism.

### KEYWORDS

Democracy, Economic Cycles, First and Second Generation Reforms, Strike Activity.

### RESUMEN

Las crisis económicas de comienzos de este siglo en América Latina han cuestionado que el populismo, en su versión neoliberal, pueda ser la solución para llevar a cabo las reformas económicas pro-mercado por los regímenes democráticos de los países menos desarrollados. Tanto la tentación de cualquier clase de populismo de caer en una corrupción que las haga estériles, como su incompatibilidad con las necesarias reformas institucionales, de "segunda generación", que complementen a las económicas, es muy alta. Los políticos no populistas no tendrían este problema, pero tampoco podrían hacer frente a la oposición sindical. Ahora bien, bajo ciertas condiciones, los políticos democráticos las pueden llevar a cabo sin tener que caer en los costes del populismo.

### PALABRAS CLAVE

Ciclos económicos, Conflictividad laboral, Democracia, Reformas de primera y segunda generación.

## **ECONOMIC REFORMS AND POLITICAL REGIMES**

Do the rather mediocre results of the pro-market economic reforms that were introduced under democratic circumstances in Latin America in the 1990s show that sustained economic growth requires the previous existence of a dictatorship to have carried them out? Are new democracies which did not have reformist dictatorships condemned to greater economic instability? The specialized literature used to maintain that it was difficult for democratic regimes of less developed countries to undertake pro-market economic reforms in view of the predictable resistance from important social actors such as trade unions. Subsequently, and after experiences like those of Latin America seemed to contradict this fear, it was suggested that the key to the success of democracies in these countries was largely to be found in the unexpected advantages of populism in its new neoliberal form.

However, the recent reappearance of serious economic problems in many Latin American economies makes it seem like the populist solution was only seeming. Perhaps populist politicians are more ready than other democratic politicians to face up to those who are resistant to reforms, and specifically to trade unions, but the temptation to fall into corruption, which in the long run renders them sterile, and their incompatibility with necessary institutional reforms that complement economic reforms, is very high. "Decent" politicians, not populist, would not have this problem but would not have the sufficient strength to resist trade union rejection in the first place either. As a consequence, democracies in less developed countries would seem to be condemned to economic backwardness and social and political instability.

Now, if it was not certain that populism represented the only way to avoid trade union opposition under democratic circumstances, a large part of the previous dilemma would disappear. Under certain circumstances, new democratic regimes would neither have to fall into the costs of populism to introduce them, nor would they be condemned to backwardness or instability. But what would these circumstances be? An attempt to show some of these will be made here.

In the following section the debate concerning the advantages and disadvantages of populism in the realisation of economic and institutional reforms will be expounded. In the third and fourth sections the experiences of four Latin American countries will be presented to establish whether the populist nature of governments which carry out the reforms explains the behaviour of trade union organizations in these countries. In the following section an alternative explanation of populism is given to explain why they could be undertaken. The article ends with some conclusions that can be made from the study.

### **POPULISM, A SOLUTION OR A HINDRANCE IN TACKLING THE CHALLENGES OF ECONOMIC REFORMS?**

In the 1990s in different Latin American countries a series of pro-market economic reforms were carried out consisting of commercial liberalization, price deregulation, tax

reforms and public sector privatizations. With these reforms they hoped to respond to the deep economic crises that they were suffering as a result of the exhaustion of the model of “import substitution industrialization”. These reforms, however, posed significant political challenges in the face of the refusal of distinguished social actors, such as trade unions, to accept the costs they entailed in the short term (Williamson and Haggard, 1994; Rodrik, 1996).

In addition, in many of these countries the need to undertake them coincided with the arrival of democracy. It was not only the possibility of undertaking economic reforms that was subject to debate but also the feasibility itself of the new democracies and the appropriate sequence between economic and political reforms (Maravall, 1995). As a consequence, the first stage of academic research focused on the study of adequate political conditions under which these reforms could be realized. In this way two opposing lines of research emerged regarding the possibilities that these new democracies had to carry them out and the relationship between political regimes and economic development. One line concluded that only strong, autonomous and isolated executives could crush the anti-reformist opposition. Taken to the extreme this thesis considered that economic reforms required authoritarian governments which would make way for democracy after promoting sustained growth, or at least this was what was hoped. The main case for this was Chile, with its sequence of “reformist dictatorship” first and later democracy.

It is true that contrary to the thesis of the superiority of the dictatorial route for the development of countries it has been shown that authoritarian regimes *per se* neither guaranteed economic growth nor, in the case that they produced this, was the arrival of democracy then inevitable (Preworski, Álvarez, Cheibub, and Limongi, 1996). But it can be shown that those dictatorships which did undertake proper structural reforms would have set the foundations so that when democracy finally came they enjoyed sustained economic growth that also facilitated their political stability. In contrast, the new democracies which followed dictatorships which had not done their economic homework would subsequently find it very difficult to carry out reforms which would allow them to achieve such growth.

As a consequence, this first line of research suggested more or less explicitly that in order for a country to enjoy good economic health (and a stable democratic regime) it was necessary, although perhaps not sufficient, to have previously had a “reformist dictatorship”. Otherwise the countries would be practically “condemned” to political and economic chaos. Therefore the appropriate sequence between economic and political reforms was to start with the former.

A second line of research asserted, on the other hand, that new democratic governments could be as strong and autonomous in the face of interest groups as authoritarian ones, and be equally capable of undertaking such reforms. This would be the case of the executives controlled by “populist” leaders (Philip, 1998:91)<sup>1</sup>.

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<sup>1</sup> Following Paramio (2006:51) in this work the elusive term “populism” is understood as a kind of “political

At first this proposal could have seemed counterintuitive. Given that “historical” populism was characterized by some irresponsible economic development policies, this kind of politician would have been the last to be expected to carry out pro-market reforms. What actually happened seems to contradict such prejudices, however. Thus, politicians generally described as being populist (Ellner, 2003; Murillo, 2005; Paramio 2006), such as Carlos Menem in Argentina, Alberto Fujimori in Peru, Carlos Salinas in Mexico, or Carlos Andrés Pérez in Venezuela, undertook them during the last decade of the 20th century. After these unexpected experiences, it has even been suggested that populism was the answer to the implementation of pro-market reforms under democratic conditions (Philip, 1998; Weyland, 2001).

Still, this theory of the unexpected advantages of populism was not usually very explicit with respect to the causal mechanisms that linked it to overcoming anti-reformist resistance. It only indicates the reasons for which the popular masses would be prepared to accept the pro-market policies when they were undertaken by their populist leaders, but not why the trade unions should have to do so.

The theory of State corporatism (Schmitter, 1974), however, could explain how the former could manage to control the organized working class movement. Although in the traditional conception of populism the relationship between the leader and its followers was not organized, in practice populist leaders were interested in “institutionalizing” this relationship through the creation or control of organizations responsible for establishing clientelar networks, among which the trade unions stood out because of the weight which traditionally the urban working class masses had among their followers. To exercise such a control the populist leaders do not only trust in their charisma but they also use the machinery of the State and its social and labour legislation. Thus it is understood that populist politicians could count on the support of their trade unions when they finally consider it necessary to implement pro-market reforms.

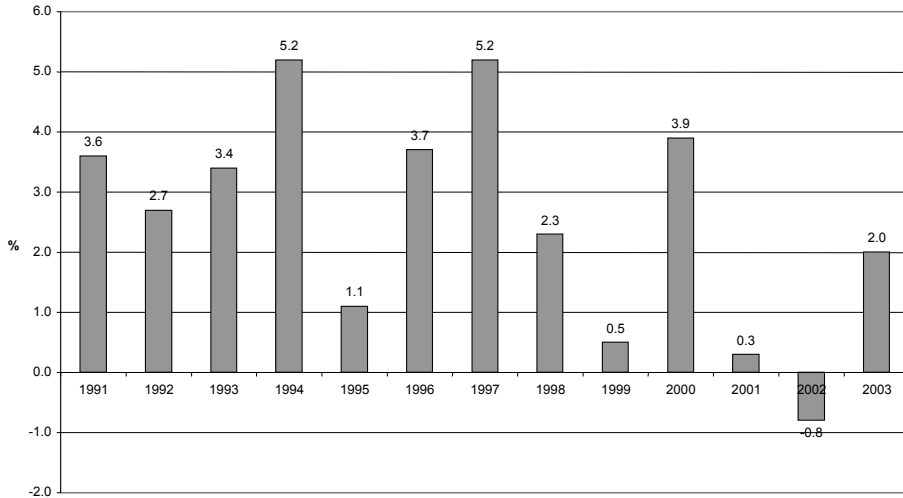
However, at the end of the last century beginning of this century it started to become evident in many Latin American countries that the economic reforms undertaken were not giving the economic results expected (Lora and Panizza, 2002; Manzetti, 2003; World Bank, 2005) (see Graph 1).

As a result of such a setback, a second stage of research into the political conditions appropriate for a good economic performance has started. Subsequent investigations have tended to show that either the economic reforms were badly designed from the beginning, that these had not taken into account the historical, social and above all institutional contexts of the affected countries, or they were badly executed mainly because of political corruption. Be it for one reason or the other, this new specialized literature concluded that the pro-market economic reforms should be complemented by so-called “second generation” reforms, that is to say, the introduction of regulatory

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leadership” based on the charisma of the leader, the exaltation of the people and its defense in front of an oligarchy which exploits it.

Graph 1.  
Annual rate of GDP change in Latin America and the Caribbean.



Source: *Anuario Estadístico de América Latina y el Caribe*, Santiago, CEPAL (2006).

agencies and clear rules of the game, the reform of public administration and the strengthening of mechanisms of accountability (Starr, 2002; Manzetti, 2003; World Bank, 2005).

However, a large proportion of these “institutional solutions” of the second generation reforms have great implications in the previous debate about the possibilities that democracies can introduce less developed countries to the path of sustained economic growth. Firstly, there can be no doubt that a large proportion of these institutional solutions are manifestly incompatible with the populist style of leadership. Such solutions are at such odds with the patronage mechanisms that the populist politicians have come to use to get support, as with their own “delegative” conception of democracy (O’Donnell, 1997; Manzetti, 2003).

The reappearance, finally, at the end of the 1990s of the old “redistributive” and “antiliberal” populism would come to suppose the last straw in the theory of the political advantages of populism (Lora and Panizza, 2002). Neoliberal populism not only carried out badly designed and even more badly executed reforms, but ironically its double inheritance of economic failure and perversion of democratic institutions would have prepared the ground for the reappearance of this last version of anti-reformist populism (Paramio, 2006). Populism, far from meaning political advantage, would seem again like an obstacle to economic development.

But, secondly, the following “paradox” emerges with respect to the possibilities that the new democracies can carry out economic and institutional reforms sufficient to achieve economic growth in the long term. If it turns out that, on the one hand, any kind of populism is incompatible with institutional reforms (the so-called second generation reforms) but, on the other, populism is the only way to beat resistance of interest groups under democratic conditions to the implementation of first generation reforms (the economic ones), then it would be extremely difficult for democracies to carry out a programme of reforms which will lead them to economic development. That which is a condition for economic reform is incompatible with institutional reform. This internal contradiction of the political conditions of democracies in less developed countries will also be that much more acute the more inclined the neoliberal populism is to leave an old-style populism as the legacy of its government.

We would still infer, as a consequence, that the route to sustained economic growth would necessarily go via an authoritarian regime which carried out economic reforms. These may not be sufficient, but when the new democracy came it would only have to take care of completing them with the necessary institutional reforms. On the other hand, the new democracies which were not “lucky” enough to have had this kind of “reformist dictatorship” would find it very difficult to escape a destiny of crisis and economic backwardness.

This reasoning, however, which seems to rescue the theory of the advantages of dictatorships over democracies in less developed countries to achieve stable economic development and thus the recommendation that pro-market economic reforms precede democratization of these countries, is based to a large extent on the assumption that only populism is capable of overcoming social resistance in general, and trade unions in particular, under democratic conditions<sup>2</sup>. But if this presumption proves to be wrong, and under certain conditions non-populist democratic governments were in fact able to overcome resistance to economic reforms, we would be in a false dilemma to a great extent between first democratizing less developed countries or carrying out economic reforms which put them on the path of development. In this case, new democracies would neither have to fall into the costs of populism to implement pro-market economic reforms, nor would they be condemned to failure in the case that they had not previously had “reformist dictatorships”. What relationship is there, then, between economic reforms, populism in new democracies and trade union activism?

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<sup>2</sup> And this reasoning is also based on the experience that neoliberal populism tends to be succeeded by an anti-reformist populism.

## ECONOMIC REFORMS UNDERTAKEN AND THE REACTION OF THE TRADE UNIONS

The cases of Argentina, Mexico, Venezuela and Brazil have been studied over a period of 10 years from the second half of the 1980s, to analyze the relationship between populist governments, trade union activity and pro-market economic reforms. Earlier periods were also studied when analysis required it. These four countries are not only among the most important in Latin America in terms of size and economic weight<sup>3</sup>, but they give us the variety of parties in the government, relations between trade unions and parties, and finally economic policies which we need. In this way we have presidents who did not try to carry out such reforms, or failed, like Raúl Alfonsín in Argentina, José Sarney in Brazil, and Carlos Andrés Pérez in Venezuela. In contrast other presidents undertook them successfully, at least in the short term, like Carlos Menem in Argentina, Fernando Enrique Cardoso in Brazil, and Carlos Salinas de Gortari in Mexico<sup>4</sup>.

In Mexico the governments of Miguel de la Madrid (1982-1988) and above all Salinas de Gortari (1988-1994) carried out policies of economic stabilization with a programme of economic liberalization and structural reforms. Public spending was thus reduced, interest rates were increased, subsidies were eliminated, hundreds of civil servants were laid off and some public companies were privatized. In Venezuela, after attempts to reactivate the economy with expansive policies under Presidente Lusinchi (1983-1989), Carlos Andrés Pérez (1989-1993) undertook a programme of stabilization and structural adjustment. However, three years into his mandate and when the economy was starting to show signs of recovery, Carlos A. Pérez suffered several attempts of coup d'états and the Venezuelan Congress removed him from the presidency the following year.

In Argentina the consecutive unorthodox economic plans of the *Partido Radical* under President Alfonsín (1983-1989) did not manage to stabilize the economy. His peronist successor, Carlos Menem (1989-1999), on the other hand undertook a policy of economic stabilization, structural reforms and economic liberalization. In 1991, they started to put into action a stabilization plan which established parity between the peso and the dollar. The process of privatization was also speeded up, cuts in public spending and taxes were introduced (Murillo, 1997:77). In social and labour legislation, Menem cancelled index-linking of salaries, introduced greater flexibility in kinds of contracts, and encouraged decentralization of collective bargaining. Finally in Brazil, after the failed attempts of its first

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<sup>3</sup> The four countries are among the largest and most important in Latin America and the Caribbean. Around the year 2000 64% of the total population were concentrated here, they produced 80.3% of the gross national product and 75.5% of the export goods and services, as well as concentrating 74.4% of the imports of the region. They were also responsible for 80% of private consumer spending and 82.6% of general government consumption (CEPAL, 2006).

<sup>4</sup> Mexico deserves a special mention, since the "democratic" nature of its government during the period studied is questioned by quite a lot of authors. However, it is common in the specialized literature to include it in the analysis of trade union behaviour under non-authoritarian conditions (see Roxborough, 1992, and Murillo, 2005).

Table 1.  
*Economic policies and industrial disputes (1983-1995).*

Country President	Stabilization	Structural Reform	Industrial Relations Reform	Annual strike average	Annual average of lost days	Annual average of strikers
<b>Argentina</b>						
Alfonsín	Attempts	No	No	457	19,885,654	7,514,703
Menem	Yes	Yes	Yes (pro-market)	165	14,071,841	4,934,716
<b>Brazil</b>						
Sarney	Attempts	No	Yes (pro-trade union)	1,965	62,398,200	8,422,000
Collor/Franco	Yes	Yes	No	857	571,516	9,578,798
Cardoso	Yes	Yes	No	-	-	-
<b>Mexico</b>						
De la Madrid	Attempts	Yes (beginnings)	No	237	1,326,350	95,027
Salinas	Yes	Yes	No	138	1,592,167	53,705
<b>Venezuela</b>						
Lusinchi	Attempts	No	No	-	-	-
Pérez	Yes	Yes	Yes (pro trade union)	-	-	-

Strike activity source: *Anuario de Estadísticas del Trabajo*, ILO (1995).

civil president after the military dictatorship, José Sarney (1985-1990), to stabilize the country's economy by means of unorthodox plans, Fernando Henrique Cardoso (1995-2002) finally managed to undertake economic reforms and successfully fight against inflation.

What was the reaction of the trade union movement in the four countries studied? A study of industrial disputes in the period under analysis shows that there were great differences both between the countries and the presidential mandates. Thus, while the average number of strikes in Brazil was 1472 and in Argentina 323, that of Mexico was only 155<sup>5</sup>. In Brazil there was an annual average of 275 strikers per 1,000 workers, in Argentina 869, but in Mexico only 4. As for lost working days, Brazil had 1,074 lost days per 1,000 workers, Argentina with 2,452 stands out again next to the 96 of Mexico.

<sup>5</sup> Data taken from Epstein (1989), McGuire (1996), Drake (1996) and the *Anuario de Estadísticas del Trabajo* (OIT, 1995). The statistics from the OIT do not include strike activity in Venezuela after 1985.



But apart from this different behaviour between countries, time differences emerged within each country (See Table 1). In Argentina Raúl Alfonsín had to face greater opposition than his successor Carlos Saúl Menem<sup>6</sup>. The same thing happened in Brazil to Sarney with respect to Collor de Mello (1990-1992) and Itamar Franco (1992-1995), and in Mexico to De la Madrid compared to Carlos Salinas<sup>7</sup>. In Venezuela, according to Ellner's data (1993:49), Lusinchi in contrast witnessed a lower annual average of 68 calls to strike than his successor, Carlos Andrés Pérez, with 114<sup>8</sup> in the first two years of his mandate.

It is thus called to our attention that, except in the case of Venezuela, those presidents who successfully introduced the first economic reforms, were not those who had greatest trade union resistance. Is it the character of populist governments and their link to the trade union movement which explains this greater or lesser resistance?

### IS POPULISM THE EXPLANATION FOR TRADE UNION QUIESCENCE?

In principle, the fact that in Mexico or Venezuela there was less trade union resistance than, for example, in Brazil seems to fit in quite well with the theory of the usefulness of neoliberal populism. In Mexico, the main trade union forces, and in particular the *Confederación de Trabajadores de México*, have traditionally been linked to the governing party. Through this link the Mexican trade unions obtained public subsidies and its leaders, the "charros", received positions in the *Congreso Nacional*, in the PRI and in various state organisms (Coppedge, 1993:255). Mexican labour laws have also granted an important role to the State in the development of labour relations (Zapata, 1993: 177; Middlebrook, 1991:462).

Equally the main trade union confederation in Venezuela, the *Confederación de Trabajadores de Venezuela* (CTV), has been linked to the *Acción Democrática* (AD), the party of Carlos Andrés Pérez since its creation in 1948. It has also been shown that the Venezuelan trade unions obtained subsidies from the government, their leaders used to receive posts in public organisms, in the AD or in legislative chambers, and trusted more in state legislation than in collective negotiation to achieve improvements for Venezuelan workers (Lucena, 1992:409; Coppedge, 1993:258-59).

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<sup>6</sup> In addition under Alfonsín the Confederación General de Trabajadores (CGT) organized no less than 13 general strikes against his policies while between 1989 and 1996, under Menem, there were only three, one of these not supported by the leaders of the CGT either.

<sup>7</sup> According to the data provided by Middlebrook (1995), with De la Madrid (1983-1988) there was an annual average of 11,132 calls to strike, but under Salinas (1989-1993) only 6,910.

<sup>8</sup> According to Murillo (2005:91) after 1991 the number of calls to strike went down considerably in Venezuela.

In Brazil on the other hand, such close relationships did not exist between the parties of the country's presidents and the trade unions. It is true that the *Confederação Geral dos Trabalhadores* (CGT), which contained trade unionists sympathetic to Sarney's party, the *Partido do Movimento Democrático Brasileiro*, (PMDB), was predisposed to a certain extent to come to some kind of agreement with him and his successor, Collor, gained the support of the leader of another of the trade union confederations, *Força Sindical*, until just before his forced resignation at the end of 1992 (Roxborough, 1992:655). But the main trade union organization, the *Central Unica dos Trabalhadores* (CUT), was not linked to the parties of the Brazilian government until the arrival of Lula da Silva. On the contrary, the majority of its leaders were affiliated with the main opposition party, the *Partido dos Trabalhadores*, which they had helped to form in 1979.

But it is perhaps in the case of Argentina that it seems the great usefulness of populism is seen with most clarity. Thus, opposite a non-populist president, Raúl Alfonsín, who failed in his economic management faced with trade union opposition, the Peronist Carlos Menem managed to carry out reforms and what is more with much less trade union opposition. This behaviour of the Argentinian trade unions does not seem strange if we remember that in this country the CGT trade union came to be considered as the backbone of Peronism. After the last military dictatorship, 90% of the elected leaders in the trade union elections of 1984 and 1985 were still Peronist. They controlled  $\frac{3}{4}$  of the trade unions, as well as the Executive Committee and the *Secretaria General* of the CGT. Equally, a fundamental role was played by the historical Peronist trade unionist Lorenzo Miguel in the election of the Peronist candidate in the 1983 presidential elections. He was elected vicepresident of this party at the end of that year.

However, there are a series of facts which cannot be fitted into this theory of the advantages of populism to carry out pro-market reforms under democratic conditions. As has been shown, the key to its usefulness lies to a large extent in the trade union movement's supposed capacity to control. The trade unions would not oppose these reforms because they would lack freedom of action when their parties were in power. However, the history of tradeunionism in these countries shows that such control has not been so easy to get, even under more restrictive conditions under authoritarian regimes.

In Brazil the populist dictator Getulio Vargas carried out the most successful attempt to establish a State corporate spirit in Latin America in the 1930s directly linked to tradeunionism with the institutions of the *Estado Novo* (Collier and Collier, 1991). Although the end of this dictatorship did not imply the revocation of the labour institutional framework, it did not stop trade union leaders at the end of the 1950s, mainly of communist ideology, from taking control of a large part of the Brazilian trade unions or labour unrest increasing.

After the 1964 coup d'état, the new military dictatorship (1964-1985) again prohibited calls to strike and proceeded to purge Brazilian tradeunionism. But again the Brazilian corporate system could not prevent a more combative independent tradeunionism resurging which would finally give rise to the *Central Unica dos Trabalhadores* (CUT) in 1983. The more moderate tradeunionists would in turn form the *Confederação Geral dos Trabalhadores* (CGT) in 1986.

In this way, the Brazilian political elites twice proposed moulding a cooperative tradeunionism and twice they failed: at the end of the 1950s with the rise of tradeunionists with communist ideologies and again at the end of the 1970s with the appearance of the so-called *novo sindicalismo* of the CUT. The surge of strikes at the end of the 1950s and 1970s puts into question the control of the Brazilian trade union movement supposedly thanks to the combination of repression and a populist rhetoric.

We could think that the Brazilian experience shows that for trade union control to be effective it should not be based solely on the use of physical State force. Perhaps a series of perks should be distributed among the trade union leaders, financial resources for their organizations and social services to workers (Coppedge, 1993:259). However, a prolonged economic crisis and/or policies of stabilization and austerity should put in question the continuation of this exchange between the populist government and the trade unions (Middlebrook, 1988:134; Lucena, 1992:410; Levitsky and Way, 1998:175). How was it possible then that Menem, Salina and, to a lesser extent Pérez, continued to count on the support of the trade unions? Middlebrook (1995) and Levitsky and Way (1998) suggest that the existence of shared identities, symbols and histories between the populist parties and trade unions guarantee the loyalty and trust on the part of the latter toward the former although there is no material compensation. If this was so, the advantages of having populist parties in power would be evident.

Some of the information, however, questions the effectiveness of such common links and identities or even its very existence in cases of labour peace. As far as the former is concerned, its effectiveness, the Venezuelan experience can be pointed out. It is true that strike activity under Carlos Andrés Pérez did not seem to reach the levels of conflict of Sarney's Brazil or Alfonsín's Argentina, but all the commentators agree in pointing out that it was high by Venezuelan standards. Thus, despite the existence of these close relationships between the party of president Pérez, AD, and the CTV, this trade union organization reacted to the bringing in of the first reform measures by starting the first general strike on a national scale in its history in May 1989. The continual protests by the CTV made the country's governability difficult and boycotted the majority of the reforms carried out by Pérez, although it is true that he reduced opposition towards the end of his mandate and reached agreements with the government on several issues (Murillo, 2005).

It is equally true that the Mexican and Argentinian trade unions gave less frights to their governments. But it is not so clear that it was thanks to the existence of identity links between the trade unions and governing parties. In Mexico the favourite candidate of the trade unionists of the CTM was not Salinas de Gortari but rather Alfredo Mazo, former state governor of Mexico and Energy Minister with De la Madrid (Middlebrook, 1995:293). The additional practice of this Mexican President of supporting rival trade union confederations of the CTM when this trade union confederation was increasing its fighting spirit questions the idyllic vision that is usually given to relations between the PRI and the trade unions in this country.

It is also questionable whether the Argentinian trade union leaders abandoned their strategy of confrontation simply because they were loyal Peronists, they feared that if

they confronted Menem the Peronist bases would turn out to be against them or they had blind faith.

The first thing that needs to be pointed out is that it is not true that there was a honeymoon period between Menem and the Argentinian trade unions when he had just come into power. Following the theory of the identity links between trade unions and political parties, it would be expected that when the sister party first came into power its trade unions would abstain from putting pressure on them. If by any chance, only with the passing of time the trade unionists were disappointed with what they received from their party, or if they considered that their government had betrayed fundamental principals of the common identity, maybe then the conflicts would start again. McGuire (1996:144) showed, on the contrary, that industrial disputes did not reduce until more than a year after Menem came into power. More specifically, during his first five quarters of government, the average number of strikes per quarter was lower (99) than during Alfonsín's years (115), but the average number of days lost per quarter was higher (8,485,366 compared to 4,874,247) (McGuire, 1996: 145). In fact, what the Argentinian trade unionists found was that Menem carried out opposite economic policies to those promised in his campaign, as other Latin American presidents have done (Stokes, 2001).

Neither does the explanation of the reduction in trade union disputes by the populist colour of the Argentinian government fit into the fact that Menem, who came from the section of the Partido Justicialista least linked to trade unionism, was supported by the Argentinian trade unions that had rightly been less favourable to a close relationship with this party (McGuire, 1992). Specifically, Menem received the support, both in the party primaries and in the presidential elections, of the families of the CGT known by the names of the "62 organizaciones" and above all the "grupo de los 15". This last faction was formed in 1987 by trade unionists from different backgrounds and party lines, although the majority came from orthodox Peronism and those trade unionists who had looked for an understanding with the military junta, and who agreed to collaborate with the radical party of Raúl Alfonsín. On the other hand, the sector of CGT members most interested in renewal of Peronism, and who came together in the "group of 25", supported Menem's rival, Antonio Cafiero, in the party primaries.

Finally, it should be pointed out that not all Peronist trade unionism supported Menem's policies. After a period of strong internal tensions, in November 1992 several trade unions separated from the CGT and formed the *Congreso de los Trabajadores Argentinos* (*Central de los Trabajadores Argentinos* after 1996). In addition, in 1994 the *Movimiento de los Trabajadores Argentinos* was formed as an internal trend in the CGT. Both organizations, the CTA and the MTA, conducted demonstrations and strikes against the policies of the Peronist president (Murillo, 1997:83). It is true that some of the trade unions which separated from the management of the CGT had already distanced themselves from the *Partido Justicialista* in the 1980s, but others, like the trade union of lorry drivers, had belonged to the currents most identified with this party.

But it is finally in the case of Brazil where it is most clearly revealed that a democratic government can carry out economic reforms without needing to have a long tradition of

close links between the party of the government and the trade unions. Sarney's successor, Collor, was not very much more successful either in making social pacts with the trade unions, but the industrial disputes started decreasing under his mandate, and there were no more general strikes at a national level. In fact, in April 1992 the trade unions, business people and state and federal authorities reached an agreement in the automobile sector to slow down the crisis. Equally, in May of the same year the presidents of the main Brazilian trade unions met together for the first time to fight the recession and growing unemployment and they started to study matters together concerning Mercosur. All of this took place despite the fact that the trade unions did not maintain closer relations with the government than with Sarney. In fact, Collor was elected president of Brazil after a closed contest with Lula, leader of the PT and former leader of the CUT, who promised to offer an intransigent opposition when there was no alternative but to recognize his electoral defeat in 1989.

To sum up, we have observed that neither close relations of trade unions with populist parties in governments guarantee unconditional support of the former (the case of Venezuela under Carlos Andrés Pérez), nor does the absence of such relations necessarily imply that trade unions stop pro-market economic reforms being carried out by going on strike (the case of Brazil after José Sarney). Furthermore it is doubtful whether other cases in which there were a small number of industrial disputes (the case of Mexico), or the number decreased, coinciding with a populist president in government (the case of Argentina with Menem) are only due to their populist character.

### **WHAT EXPLAINS THEN THAT SOME LATIN AMERICAN PRESIDENTS COULD CARRY OUT PRO-MARKET ECONOMIC REFORMS?**

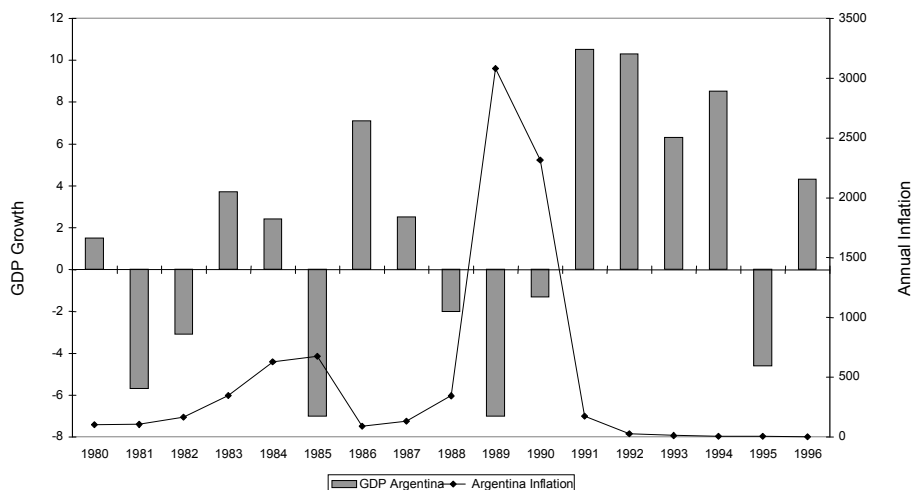
In this section an explanation is given based above all on the change in the economic situation in these four countries. The impact of other factors detailed in the literature will also be reviewed such as the organizational structure (Murillo, 2005) and the response that the governments gave to the labour demands.

As some researchers have already highlighted (Przeworski, 1995), reforms can make progress not only when sociopolitical forces are strong and support the programme of economic reforms, but also when they are weak and incapable of opposing it effectively. In the specific case of the trade unions it has been put forward that the decrease in the weight of sectors like mining or industry, where traditionally the existence of a high rate of unemployment had developed, polarization of the workers' skills and in general the increase in the heterogeneity of the workforce, were factors which weakened them. The pro-market policies themselves also contributed to their weakness by increasing unemployment for example, even if it was only transitory (Middlebrook, 1995; Drake, 1996; and Murillo, 1997).

In addition, certain socioeconomic situations usually contribute to or constrict industrial disputes. In this way, a depressed economic context tends to make it more difficult and the history of industrial disputes shows that it is in times of growth and expansion when the trade unions show they possess high levels of activism and fighting spirit (Zapata, 1993:112)<sup>9</sup>.

In Argentina the fall in industrial disputes took place after 1990. It happened, as can be seen in graph 2, after three years of negative growth and with inflation having reached 3,080% in 1989.

Graph 2.  
Annual rate of GDP change and inflation in Argentina.

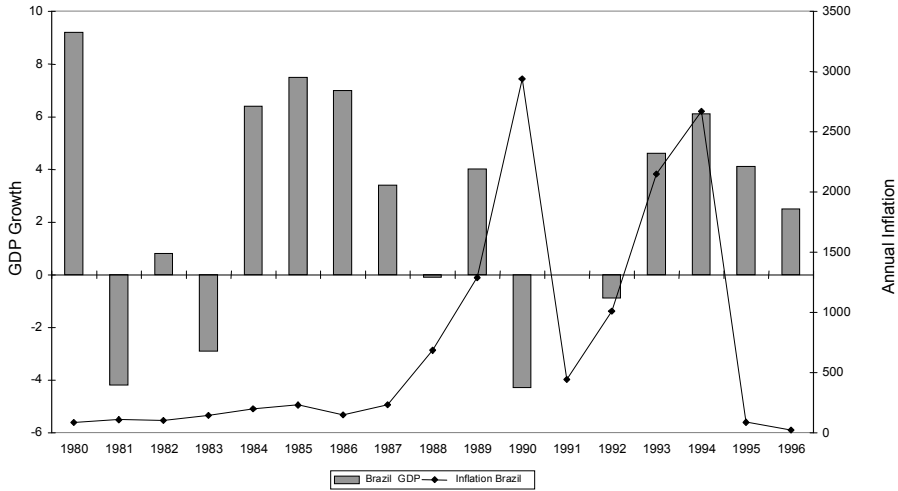


Source: *International Financial Statistics Yearbook, IFM* (1997).

In Brazil the fall in industrial disputes took place after 1991, in its second year of negative growth and after inflation had reached 2,938% in 1990 (see graph 3).

<sup>9</sup> It should be qualified that times of crisis can be accompanied by “defensive” strikes, against redundancy or the closure of factories for example. But these happen above all in the public sector and in large private companies (Shorter and Tilly, 1974).

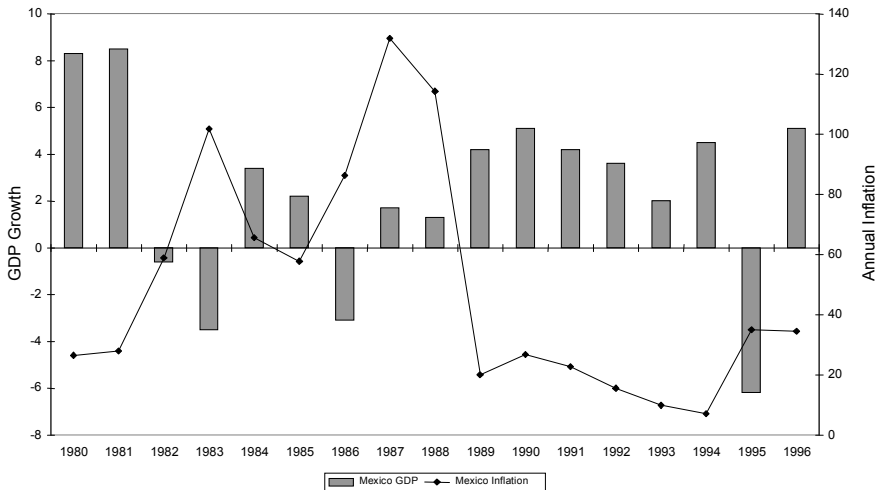
Graph 3.  
Annual rate of GDP change and inflation in Brazil.



Source: *International Financial Statistics Yearbook, IFM (1997)*.

In Mexico its decrease took place around 1988-89, after two years of limited growth and with inflation having reached 131.8% in 1987 (graph 4).

Graph 4.  
Annual rate of GDP change and inflation in Mexico.



Source: *International Financial Statistics Yearbook, IFM (1997)*.



On the other hand, in these three countries the previous years, of greater industrial disputes, had been characterized by positive economic growth and rising inflation after the first attempts to control it failed. In these years the Argentinian, Brazilian and, to a much smaller extent, Mexican trade unions, embarked on a fight for index-linking of salaries. The failure in the fight against inflation encouraged the trade unions to put pressure on for salary rises and economic growth gave them the power to get mobilized.

As we have just seen, this period of economic growth and inflation replaced another one of crisis and hyperinflation. In Argentina, Brazil and Mexico the economic crisis hit companies and their workers while inflation continued to rise. The priority of a large proportion of the workers probably moved from being the distribution of wealth and growth of salaries to maintaining jobs and thus avoid becoming unemployed or joining the economy's informal sector. In this way, the strikes which they were still going on were those trying to avoid large or public company closures, or redundancies (Tavares de Almeida, 1992:117; Ellner, 1993:84; McGuire, 1996:138). But for the rest of the workers the prospect of losing their job joined with the inability of their salaries to follow the exorbitant rise in prices.

It is in this situation that the governments of Argentina and Mexico, and more half-heartedly Brazil until the arrival of Cardoso, introduced pro-market policies starting with some stabilization plans which, in contrast to the previous ones were quite successful in re-establishing economic growth and, above all, in the control of inflation. As we have seen, not all the trade union leaders supported these policies, but the chances of opposing them in the context of a crisis were drastically reduced.

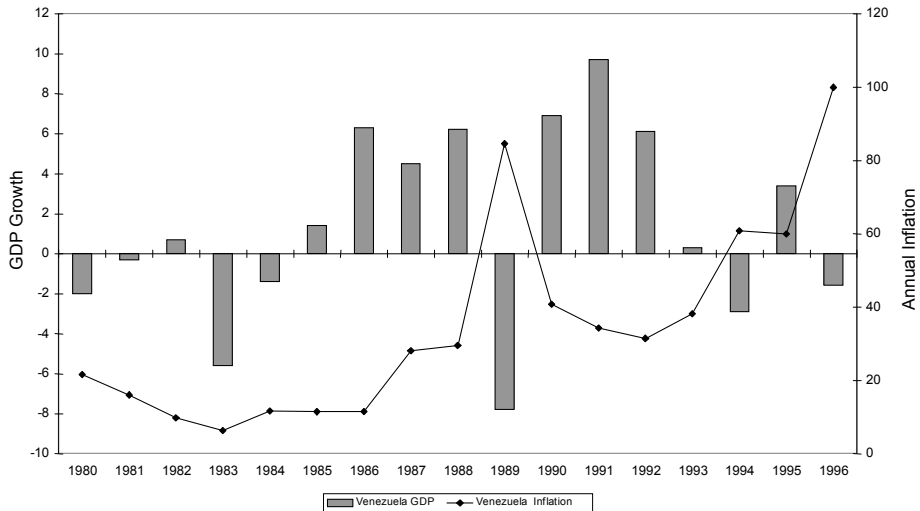
As we have seen, Venezuela is really the only case in which the implementation of pro-market economic policies was accompanied by a clear increase in industrial disputes. But in this country, in contrast to the three previously mentioned countries, the reforms were introduced after four years of positive growth (an average of 4.5%), with an average annual inflation rate of 20.1% (see graph 5). The Venezuelan trade unions were not exhausted like those of Argentina, Brazil or Mexico when they came to introduce the economic reforms, nor did they have experience of failed struggles for index-linking (in fact, what had not been very successful were the wage settlements reached with the previous Venezuelan president Lusinchi).

Does this mean that economic variables are the only ones which affect the behaviour of Latin American trade unions? The extensive literature on corporatism in Europe suggests that although depressed economic situations usually hinder strike action, expansions do not necessarily have to follow an increase in industrial disputes (Scharpf, 1992). Scepticism concerning trade union attitudes, when they have resources to oppose, starts from the belief that they will tend to mobilize when the inevitable social costs that reforms entail occur. But if their negative effects were only transitory, they could accept this costly transition period as long as they achieved better future well-being (Przeworski, 1995).

However, in order for the trade unions to be ready to accept these trade-offs, they must be organizations with a large membership, concentrated in few trade union sectors, and centralized (Cameron, 1991). Thus the specialized literature gives us another possible way in which democratic governments can carry out pro-market reforms, without having to trust in populist governments which control trade union organizations.



Graph 5.  
Annual rate of GDP change and inflation in Venezuela.



Source: *International Financial Statistics Yearbook, IFM* (1997).

We will see, however, that this was not the way in the four countries studied. What is more, it seems clear that the trade union organizational structure of the countries alone could not explain the temporal variation in the behaviour of the trade unions in each of the countries. Except for in the case of Argentina, the trade union organization in the other countries did not vary substantially during the period analyzed, and in Argentina we will see that the result of its organizational changes on industrial disputes was the opposite of that expected. But the organizational structure does help us to understand why tensions were so high in situations of expansion.

It is true that in Mexico and Venezuela we find that the trade union movement is characterized by the fact that a trade union organization was hegemonic with respect to others. The main Mexican trade union organization, the CTM, at that time represented 47% of the country's total membership. But there were independent trade unions which had expanded during the economic boom period in some profitable sectors, and which competed with it. For its part the CTV represented between 70 and 80% of the total membership. Secondly, the membership rate in Mexico was comparatively high, more than 40%, unlike in Venezuela at around 17%. Finally both confederations were characterized by high internal fragmentation and being composed of small trade unions (Middlebrook, 1995:266; Lucena, 1992:407). In this way then, in Mexico and Venezuela it is not so clear that the organizational characteristics of their trade unions were suitable for

accepting reforms in exchange for future benefits. Nor as we have already said, if the trade union structure did not change, could this explain that disputes did.

Even in Brazil you can see more clearly that there were not the suitable characteristics for the agreement with the governments. In this country the membership rate was 43%, but Brazil was likewise characterized by high rivalry between its different trade union confederations CUT, CGT and *Força Sindical*. In this way the CGT did not really dare support the policies of Sarney for fear of losing support among workers to its great rival, the CUT, which offered a more combative attitude in a context in which mobilizations were possible (Roxborough, 1992). But when the economic cycle changed, the CUT lost the power to continue with them and, as we saw, this trade union confederation came to some agreements with the government after 1992.

Argentina needs a separate mention. In this country the trade union movement found itself in principle better prepared from an organizational point of view to come to agreements with its government. Its rate of unionization was also high, around 40%, but above all its level of trade union concentration was high. A pyramidal trade union organization was established by law in this country, to which monopoly by activity was granted. The CGT was in this way the only trade union confederation in the country until the appearance of the CTA in 1992. In addition, in terms of its internal organization, authority was centralized in the upper levels of the national and industrial trade unions. However, as we have seen, the CGT maintained a high fighting spirit against Alfonsín. The previous organizational evolution again calls into question that the internal organizational structure alone can explain trade union behaviour. As we have seen, under Menem the Argentinian trade union movement was divided, the CGT had to face the appearance of internal currents dissenting against its policies and a trade union rival. But its combative activity was lower than with its predecessor.

But the Argentinian case highlights that in the response that the trade unions gave to the reforms the action of the governments was also involved in two different ways. On the one hand, given that to get trade union support tangible costs were exchanged in the short term in return for uncertain future benefits (Williamson and Haggard, 1994), the government had to seek the trust of the trade union leaders. The organizational characteristics were focused on the ability that the trade unions had, in expansive contexts, to discipline their members and avoid representation crisis, but did not say anything about incentives to accept social agreements that governments proposed to them. On the other hand, it was also possible for governments to offer prizes, or punishments, to those trade unions which, despite there being a general situation of economic crisis, kept their ability to mobilize themselves in sectors which were especially protected.

With respect to relations of trust, this seems to have failed with Alfonsín. His attempt to oust the trade union leaders from their positions at the beginning of his mandate was not the best way to win them. Later, he tried to divide the Argentinian trade unions and obtain the support of some of them by offering the Department of Employment to their most moderate wing in 1987. But as happened in the case of Brazil, it is unlikely that some trade unions inclined to cooperation with governments could keep it if they had

rivals capable of mobilization who were opposed to coming to agreements. The new Employment Minister was thus at odds with that of Finance over the control of salaries, the Argentinian government could not control the pressure released by the salary demands of public sector employees, and in the end the trade unionists left the government.

On the other hand, if the economic context did not favour mobilization of the majority of trade unions, and only some trade unions retained it, the rulers could take advantage of this pre-existing division to win some of them by bringing selective immediate benefits to their members, and penalizing the rest. This government strategy could be maintained after the start of economic recovery to prevent trade unions strangling it with their demands. The problem was that precisely those incentives to attract some trade unions could seriously distort the direction of the pro-market reforms.

It seems that this was the strategy chosen by Menem. On the one hand his government awarded jobs to trade unionists in the Department of Employment and in the Anssal (medical insurance body) and subsidies to the poorest trade unions. He also came to agreements with the trade unions most directly affected by privatizations (Murillo 1997:86; Levitzky and Way, 1998: 177). Menem is not an exceptional case. In Mexico official trade unionism managed to delay some policy changes and block others (Middlebrook, 1995:298). The CTM thus took two years to look favourably on the *Acuerdo Nacional para la Elevación de la Productividad y la Calidad*, and only did so after getting the government to create a pension programme financed by business people where they owned shares among other things.

But on the other hand, Menem defeated a major strike by the telephone company ENTEL in September 1990. He even prohibited strikes in certain services of a public nature in October of the same year<sup>10</sup>. Again, Menem was not the only one to use repression on those trade unions which continued to be able to mobilize. In Brazil Cardoso confronted the strike of the oil trade union with an iron fist.

## **CONCLUSIONS. THE LIMITATIONS OF NEOLIBERAL POPULISM DO NOT REDEEM THE ROLE OF DICTATORSHIPS**

The mediocre results of the pro-market reforms undertaken by neoliberal populist politicians in the last decade of the 20th Century seem to put into question the ability of new democracies to carry out reforms that lead their countries to a more prosperous future.

If this style of political leadership was, as has been suggested, the best way to beat the resistance of the trade unions to the introduction of "first generation" reforms under

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<sup>10</sup> If these prohibitions had been the cause of the generalized fall in strikes, it would have been expected that the proportion of strikes in the private sector, not affected by this prohibition, would have gone up. McGuire (1996:145) shows that it was not like this.

democratic conditions, but by its very populist nature it only produced badly designed reforms implemented in a worse way, or prevented the “second generation” reforms being carried out, it would seem to be inferred that the route to sustained economic growth would require that it was dictators who carried them out before the arrival of democracy. Previously, the democracies which succeeded such authoritarian regimes would take care of complementing them with “second generation” reforms. Otherwise the new democracies which had not been “lucky” enough to have enjoyed this kind of “reformist dictatorship” would not have a very promising economic and political future.

This conclusion, which would make dictatorships advantageous in comparison to democracies when undertaking pro-market economic reforms in less developed countries, and, as a consequence, the convenience of undertaking economic reforms before democratization, stood on the assumption that populism was the only kind of democratic government capable of overcoming social resistance in general and trade unions in particular.

We have seen, however, that populism does not only not always guarantee “trade union peace”, as on the other hand neither do dictatorships, but that neither does it seem so essential to obtain it. The reduction in industrial disputes which happened in Argentina under Menem, in Brazil under Sarney’s successors, and in Mexico under Salina, cannot be attributed to the lack of freedom of action of the trade unions to find themselves historically linked to populist parties which decided to undertake such reforms.

It is true that Salina and Menem were populist leaders whose parties were historically linked to the trade unions and undertook some of the reforms needed by the economies of their countries. But from this study it can be concluded, as a counterfactual, that other Mexican and Argentinian politicians could equally have carried them out without having been populist or falling victim to their bad habits. After all Cardoso would also end up carrying them out in Brazil without falling into populism. On the other hand, Carlos Andrés Pérez did rely on a party linked to the main Venezuelan trade union organization, but this was not easy to do.

Under certain conditions new democratic non-populist leaders can carry them out. Thus, contrary to the widespread opinion that pro-market economic reforms are politically dangerous for the predictable opposition of important social agents, such as trade unions, accepting a worsening of the quality of life of their supporters, at least in the short and medium term, it should be pointed out that it is not clear that trade unions will act against them. It could be that they have no other option but to agree to them when economic crises deprive them of resources to oppose them. The same reasons that lead to reforms being made urgently help their implementation. In this way it can be clearly shown that the presence of populist politicians in the government, linked to the trade union movement, is not necessary for pro-market economic reforms to be able to be carried out in democratic conditions.

It is true that in a general crisis situation there could still be certain groups of workers who maintain their capacity for industrial action, and who put it into practice because economic reforms put into question their situation of protection from the market. Faced with these the governments can still try to limit trade union opposition through selectively distributing

compensation, which saves them suffering a crisis of representation, to trade unions ready to collaborate while repressing those who oppose them. But care must be taken here that these “compensations” do not distort the reforms to the point of making them sterile and contribute to the reappearance of new economic crises. Their use on the part of populist politicians has been shown as a cause of economic reforms undertaken not producing the fruits expected in the end.

The specialist literature has also shown that the trade unions can in addition give explicit and voluntary support, in situations in which they have resources to oppose, if they are confident that the workers will benefit in the mid- and long-term, and the survival and other organizational objectives of the trade unions do not feel threatened as a result of such support. But it is true that if they restrict the chances of carrying them out here, then broad, centralized and concentrated trade unions are needed, which trust the governments. In any case, in the Latin American cases analyzed here this route is not seen. On the contrary, their organizational characteristics, especially in the case of Brazil, encouraged confrontation with the government, when they had the ability to carry out industrial action.

Populism certainly is not recommended as a style of political leadership, but neither is it the only kind of democratic government capable of carrying out economic reforms. As a consequence, it does not seem to be true that in less developed countries it is more convenient to deal first with economic reform and only later seek democratization. The new democracies in countries whose dictatorships have not previously undertaken reforms do not seem to be so condemned to economic and political chaos.

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