

# Business Politics and the State in Twentieth-Century Latin America

BEN ROSS SCHNEIDER

*Northwestern University*



PUBLISHED BY THE PRESS SYNDICATE OF THE UNIVERSITY OF CAMBRIDGE  
The Pitt Building, Trumpington Street, Cambridge, United Kingdom

CAMBRIDGE UNIVERSITY PRESS

The Edinburgh Building, Cambridge CB2 2RU, UK  
40 West 20th Street, New York, NY 10011-4211, USA  
477 Williamstown Road, Port Melbourne, VIC 3207, Australia  
Ruiz de Alarcón 13, 28014 Madrid, Spain  
Dock House, The Waterfront, Cape Town 8001, South Africa  
<http://www.cambridge.org>

© Ben Ross Schneider 2004

This book is in copyright. Subject to statutory exception  
and to the provisions of relevant collective licensing agreements,  
no reproduction of any part may take place without  
the written permission of Cambridge University Press.

First published 2004

Printed in the United States of America

*Typeface* Sabon 10/13 pt.    *System* L<sup>A</sup>T<sub>E</sub>X 2<sub>ε</sub> [TB]

*A catalog record for this book is available from the British Library.*

*Library of Congress Cataloging in Publication Data*

Schneider, Ben Ross.

Business politics and the State in twentieth-century Latin America / Ben Ross Schneider.  
p. cm.

Includes bibliographical references (p. ) and index.

ISBN 0-521-83651-4 (hardback) – ISBN 0-521-54500-5 (pbk.)

1. Business and politics – Latin America – History – 20th century. 2. Industrial  
policy – Latin America – History – 20th century. 3. Latin America – Politics and  
government – 20th century. I. Title.

JL964.P7S36 2004

322'.3'098-dc22      2004040684

ISBN 0 521 83651 4 hardback

ISBN 0 521 54500 5 paperback

# Contents

<i>List of Tables</i>	page x
<i>List of Abbreviations</i>	xi
<i>Acknowledgments</i>	xxi

## PART I. INTRODUCTION AND ARGUMENTS

1	Patterns of Business Politics in Latin America	3
	<i>Variations in Business Organization</i>	3
	<i>Explaining Collective Action by Business</i>	9
	<i>Unpacking Civil Society, Democracy, and State Capacity</i>	13
	<i>The Plan and Methods</i>	15
2	States and Collective Action	20
	<i>Olson's Uneven Legacy</i>	20
	<i>The Undertheorized State</i>	22
	<i>Why State Actors Organize Business</i>	26
	<i>How State Actors Organize Business</i>	31
	<i>Labor Unions, Property Rights, and Defensive Encompassing Organization</i>	36
	<i>Geographic Factors: Country Size and Regional Concentration</i>	39
	<i>Corporate Factors: Concentration, MNCs, and Conglomeration (or Why Sectoral Analysis Is So Problematic)</i>	43
	<i>Macropolitical Factors: Development Strategies, Regime Type, and Party Systems</i>	51
	<i>Conclusion</i>	54

## PART II. CASES AND COMPARISONS

3	From State to Societal Corporatism in Mexico	59
	<i>Introduction</i>	59

	<i>The Construction of State Corporatism</i>	60
	<i>Some Early Autonomous Associations</i>	66
	<i>The Developmental State Reinforced Corporatism and Personal Networks</i>	69
	<i>Exclusion, Threats, and Independent Encompassing Organization</i>	73
	<i>CMHN: An Executive Committee of the Bourgeoisie</i>	76
	<i>The Consolidation of an Encompassing Peak Association</i>	81
	<i>The Twilight of State Corporatism</i>	88
	<i>Summary and Conclusions</i>	91
4	<b>From Corporatism to Reorganized Disarticulation in Brazil</b>	93
	<i>Introduction</i>	93
	<i>Strong Industry Associations Emerged under Vargas</i>	97
	<i>Collective Action against Goulart: Effective but Ephemeral</i>	105
	<i>Distortions and Fragmentation in Business Representation under Military Rule</i>	108
	<i>Active but Not Organized: Business Opposition to Military Rule in the 1970s</i>	112
	<i>New Voluntary Encompassing Associations</i>	114
	<i>Circumventing Corporatism through Mass Mobilization and Internal Reform</i>	120
	<i>Conclusions and Comparisons</i>	124
5	<b>Business in Colombia: Well Organized and Well Connected</b>	128
	<i>Introduction</i>	128
	<i>Federacafe: State Actors Dissolved Obstacles to Collective Action in the 1920s</i>	131
	<i>ANDI Developed Institutional Capacity and Encompassing Representation</i>	139
	<i>Economy-Wide Coordination and the Creation of the Consejo Gremial</i>	145
	<i>Political Portfolios: Parties, Circulation, and Associations</i>	148
	<i>Conclusions</i>	150
6	<b>Consultation and Contention in the Making of Cooperative Capitalism in Chile</b>	152
	<i>Introduction</i>	152
	<i>From Depression to Consultative ISI</i>	154
	<i>Government Reformism Strengthened Encompassing Associations, 1964–1973</i>	162
	<i>From Demobilization to Remobilization under Military Dictatorship, 1973–1989</i>	164

	<i>Democratization and Business Politics in the 1990s</i>	167
	<i>Conclusions</i>	170
7	<b>Business Politics in Argentina: Fragmented and Politicized</b>	173
	<i>Introduction</i>	173
	<i>Agriculture and Industry Developed Strong Associations before Perón</i>	175
	<i>Perón Politicized Business Representation, 1946–1983</i>	177
	<i>Other Encompassing Associations and Patterns of Elite Circulation</i>	183
	<i>Redemocratization and Continued Weakness in Business Organization, 1983–2000</i>	190
	<i>Conclusions on the Argentine Case</i>	194
	<i>Broader Comparisons</i>	197
	<i>Institutional Formation and Change</i>	204
PART III. IMPLICATIONS AND CONCLUSIONS		
8	<b>Economic Governance and Varieties of Capitalism</b>	209
	<i>The Discrete Charms of the Organized Bourgeoisie</i>	209
	<i>Concerted Macroeconomic Coordination</i>	212
	<i>Coordinated Policy Reform</i>	216
	<i>Trade Negotiations and Regional Integration</i>	221
	<i>Further Issues in Sectoral Governance</i>	230
	<i>Theoretical Implications: Individuals and Organizations in the Microeconomics of Collective Action</i>	234
9	<b>Democracy and Varieties of Civil Society</b>	241
	<i>Business Associations and Democracy: A Checkered Past</i>	241
	<i>Representation and Interest Intermediation</i>	244
	<i>Contestation, Accountability, and Transparency</i>	246
	<i>Governability and Unburdening</i>	250
	<i>Disaggregating Civil Societies and Their Effects</i>	253
	<i>States, Civil Society, and Dilemmas of Democracy</i>	257
	<i>Appendix A. Background Information on Major Business Associations</i>	263
	<i>Appendix B. Interviews</i>	275
	<i>Appendix C. Conversions</i>	280
	<i>References</i>	281
	<i>Index</i>	305

## List of Tables

1.1	Voluntary Encompassing Associations in Five Countries of Latin America	<i>page 7</i>
2.1	Incentives for State Actors to Promote Organization by Business	27
2.2	State-Provided Incentives for Collective Action	32
2.3	Economy-Wide Peak Associations in Latin America	40
2.4	Regional Concentration of Economic Activity in Latin America	41
2.5	Levels of Aggregate Concentration in Industry	44

## List of Abbreviations

Note: To keep clutter out of the text, English translations are included only here. Longer acronyms are sometimes given as capitalized nouns, largely in keeping with common usage in the literature of the respective countries. Most others are all in capital letters.

AAPIC	Asociación Argentina de la Producción, la Industria y el Comercio (Argentine Association of Production, Industry, and Commerce)
ABA	Asociación de Bancos de la Argentina (Association of Banks of Argentina)
ABDIB	Associação Brasileira para o Desenvolvimento das Indústrias de Base (Brazilian Association for the Development of Basic Industries)
ABIF	Asociación de Bancos e Instituciones Financieras, Chile (Association of Banks and Financial Institutions)
ABIMAQ	Associação Brasileira da Indústria de Máquinas e Equipamentos (Brazilian Association for the Machinery and Equipment Industry)
ABINEE	Associação Brasileira da Indústria Elétrica e Eletrônica (Brazilian Association for the Electrical and Electronic Industry)
ABIQUIM	Associação Brasileira da Indústria Química (Brazilian Association for the Chemical Industry)

ABM	Asociación de Banqueros de México (Association of Bankers of Mexico)
ABRA	Asociación de Bancos de la República Argentina (Association of Banks of the Republic of Argentina)
ACIEL	Acción Coordinadora de las Instituciones Empresariales Libres, Argentina (Coordinating Action of Free Enterprise Institutions)
Acopi	Asociación Colombiana de Medianas y Pequeñas Industrias (Colombian Association of Medium and Small Industries, originally Asociación Colombiana Popular de Industriales)
ADEBA	Asociación de Bancos Argentinos (Association of Argentine Banks)
AMCB	Asociación Mexicana de Casas de Bolsa (Mexican Association of Stock Brokers)
AMIS	Asociación Mexicana de Instituciones de Seguros (Mexican Association of Insurance Institutions)
ANAC	Asamblea Nacional Constituyente, Colombia (National Constituent Assembly)
ANDI	Asociación Nacional de Industriales, Colombia (National Association of Industrialists)
Anfavea	Associação Nacional dos Fabricantes de Veículos Automotores, Brazil (National Association of Manufacturers of Automotive Vehicles)
ANIF	Asociación Nacional de Instituciones Financieras, Colombia (National Association of Financial Institutions)
ANIQ	Asociación Nacional de la Industria Química
ANTAD	Asociación Nacional de Tiendas de Autoservicio y Departamentales, Mexico (National Association of Self-Service and Department Stores)
APEGE	Asamblea Permanente de Entidades Gremiales Empresarias, Argentina (Permanent Assembly of Business Associations)
Asexma	Asociación de Exportadores de Manufacturas, Chile (Association of Manufacturing Exporters)
Asobancaria	Asociación Bancaria de Colombia (Banking Association of Colombia)
Asocaña	Asociación de Cultivadores de Caña de Azúcar, Colombia (Association of Sugar Cane Growers)

Asocoflores	Asociación Colombiana de Productores de Flores (Colombian Association of Flower Producers)
ATI	Association of Thai Industries
BDI	Bundesverband der Deutschen Industrie (Association of German Industry)
CAC	Cámara Argentina de Comercio (Argentine Chamber of Commerce)
CACIP	Confederación Argentina del Comercio, la Industria y la Producción (Argentine Confederation of Commerce, Industry, and Production)
Camacol	Cámara Colombiana de la Construcción (Colombian Chamber of Construction)
Canacindra	Cámara Nacional de la Industria de Transformación, Mexico (National Chamber for the Manufacturing Industry)
Canaco-DF	Cámara Nacional de Comercio, Mexico City (National Chamber of Commerce)
CAPIC	Confederación Argentina de la Producción, la Industria y el Comercio (Argentine Confederation of Production, Industry, and Commerce)
CARBAP	Confederación de Asociaciones Rurales de Buenos Aires y La Pampa (Confederation of Rural Associations of Buenos Aires and La Pampa)
CBI	Confederation of British Industry
CCAP	Consejo de Cámaras y Asociaciones de la Producción, Ecuador (Council of Chambers and Associations of Production)
CCE	Consejo Coordinador Empresarial, Mexico (Business Coordinating Council)
CDE	Conselho de Desenvolvimento Econômico, Brazil (Economic Development Council)
CDES	Conselho de Desenvolvimento Econômico e Social, Brazil (Council for Economic and Social Development, 2003–)
CDI	Conselho de Desenvolvimento Industrial, Brazil (Industrial Development Council)
CEA	Congreso Empresario Argentino, 1948–9 (Argentine Business Congress)
CEA	Consejo Empresario Argentino, 1967– (Argentine Business Council)

CEESP	Centro de Estudios Económicos del Sector Privado, Mexico (Center for Economic Studies of the Private Sector)
CEPB	Confederação de Empresarios Privados de Bolivia (Bolivian Confederation of Private Business)
CEN	Conselho de Economia Nacional, Brazil (Council for the National Economy)
CES	Consejo Económico y Social, Chile (Economic and Social Council)
CFCE	Conselho Federal de Comércio Exterior, Brazil (also CFCEX, Federal Council for International Trade)
CG	Consejo Gremial, Colombia (Business Association Council)
CGE	Confederación General Económica, Argentina (General Economic Confederation)
CGE	Câmara de Gestão da Crise de Energia Elétrica, Brazil (Chamber for Managing the Crisis of Electric Energy)
CGI	Confederación General de la Industria, Argentina (General Confederation of Industry)
CIB	Centro Industrial do Brasil (through 1931, when it became FIRJ) (Industrial Center of Brazil)
CIB	Confederação Industrial do Brasil (after 1933) (Industrial Confederation of Brazil)
CIESP	Centro de Indústrias do Estado de São Paulo (Center of Industries of the State of São Paulo)
CIM	Consejo Industrial Mercosur (Mercosur Industrial Council)
CINA	Confederación Industrial Argentina (Argentine Industrial Confederation)
CIP	Conselho Interministerial de Preços, Brazil (Interministerial Council on Prices)
CLT	Consolidação das Leis do Trabalho, Brazil (Consolidation of Labor Laws)
CMHN	Consejo Mexicano de Hombres de Negocios (Mexican Council of Businessmen)
CMN	Conselho Monetário Nacional, Brazil (National Monetary Council)
CNA	Confederação Nacional de Agricultura, Brazil (National Confederation of Agriculture)

CNA	Consejo Nacional Agropecuario, Mexico (National Agricultural Council)
CNC	Confederação Nacional do Comércio, Brazil (National Confederation of Commerce)
CNI	Confederação Nacional de Indústria, Brazil (National Confederation of Industry)
CNPF	Conseil national du patronat français (National Council of French Employers)
CNPIC	Conselho Nacional de Política Industrial e Comercial, Brazil (National Council for Industrial and Commercial Policy)
Codelco	Corporación Nacional del Cobre de Chile (National Copper Corporation of Chile)
Coece	Coordinadora Empresarial de Comercio Exterior, Mexico (Business Coordinator for International Trade)
Concamín	Confederación de Cámaras Industriales, Mexico (Confederation of Industrial Chambers)
Concanaco	Confederación de Cámaras Nacionales de Comercio, Mexico (Confederation of National Chambers of Commerce)
Conclap	Conferência das Classes Produtoras, Brazil (Conference of the Producing Classes)
CONEP	Comissão Nacional de Estímulo à Estabilização dos Preços, Brazil (National Commission for the Promotion of Price Stabilization)
CONFIEP	Confederación Nacional de Instituciones Empresariales Privadas, Peru (National Confederation of Private Enterprise Institutions)
Conindustria	Confederación Venezolana de Industriales (Venezuelan Confederation of Industrialists)
CONPES	Consejo de Política Económica y Social, Colombia (Council for Economic and Social Policy)
Coparmex	Confederación Patronal de la República Mexicana (Employers Confederation of the Mexican Republic)
Corfo	Corporación de Fomento de la Producción, Chile (Corporation for Promoting Production)
CPC	Confederación de la Producción y del Comercio, Chile (also know as Coproco) (Confederation for Production and Commerce)

CPE	Comissão de Planejamento Econômico, Brazil (Economic Planning Commission)
CT	Congreso de Trabajo, Mexico (Labor Council)
CTEF	Conselho Técnico de Economia e Finanças, Brazil (Technical Council for Economy and Finances)
CTM	Confederación de Trabajadores de México (Confederation of Workers of Mexico)
CUT	Central Única dos Trabalhadores, Brazil (Single Workers' Central)
CVF	Corporación Venezolana de Fomento (Venezuelan Development Corporation)
DIAP	Departamento Intersindical de Assessoria Parlamentar (Inter-union Department for Legislative Analysis)
FAA	Federación Agraria Argentina (Argentine Agrarian Federation)
FCES	Foro Consultivo Económico–Social, Mercosur (Consultative Economic–Social Forum)
Febraban	Federação Brasileira de Associações de Bancos (Brazilian Federation of Bank Associations)
Fedearroz	Federación Nacional de Arroceros, Colombia (National Federation of Rice Growers)
Fedecamaras	Federación Venezolana de Cámaras y Asociaciones de Comercio y Producción (Venezuelan Federation of Chambers and Associations of Commerce and Production)
Fedemetal	Federación Colombiana de Industrias Metalúrgicas (Colombian Federation of Metalworking Industries)
Federacafe	Federación Nacional de Cafeteros de Colombia (also known as FNC and Fedecafé) (National Federation of Coffee Growers)
Federalgodón	Federación Nacional de Algodoneros, Colombia (Federation of Cotton Growers)
Fenalco	Federación Nacional de Comerciantes, Colombia (National Federation of Merchants)
FIERGS	Federação das Indústrias do Estado do Rio Grande do Sul (Federation of Industry of the State of Rio Grande do Sul)
FIESP	Federação das Indústrias do Estado de São Paulo (Federation of Industry of the State of São Paulo)

FIRJ	Federação das Indústrias do Rio de Janeiro (also Firjan) (Federation of Industry of the State of Rio de Janeiro)
FKI	Federation of Korean Industry
FONAC	Fondo Nacional del Café, Colombia (National Coffee Fund)
Fonacot	Fondo de Fomento y Garantía para el Consumo de los Trabajadores, Mexico (Fund for Promoting and Guaranteeing Workers' Consumption)
FTAA	Free Trade Area of the Americas
FTI	Federation of Thai Industries
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
IBAD	Instituto Brasileiro de Ação Democrática (Brazilian Institute for Democratic Action)
IBC	Instituto Brasileiro do Café (Brazilian Coffee Institute)
IBS	Instituto Brasileiro de Siderurgia (Brazilian Steel Institute)
IEDI	Instituto de Estudos de Desenvolvimento Industrial, Brazil (Institute for the Study of Industrial Development)
Infonavit	Instituto del Fondo Nacional de Vivienda para los Trabajadores, Mexico (Institute for the National Fund for Workers' Housing)
IPES	Instituto de Pesquisas e Estudos Sociais, Brazil (Institute for Research and Social Studies)
ISI	import-substituting industrialization
JPPCC	Joint Public and Private Sector Consultative Committee, Thailand
Mercosur	Mercado Común del Sur; known in Brazil as Mercosul, Mercado Comum do Sul (Common Market of the South)
MIA	Movimiento Industrial Argentino (Argentine Industrial Movement)
MIN	Movimiento Industrial Nacional, Argentina (National Industrial Movement)
MNC	multinational corporation
Nafinsa	Nacional Financiera, Mexico (also known as NAFIN) (National Development Bank)

Nafta	North American Free Trade Agreement
PAN	Partido de Acción Nacional, Mexico (National Action Party)
Pemex	Petróleos Mexicanos (Mexican Petroleum)
PICE	Programa de Integración y Cooperación Económica, Brazil and Argentina (Program of Economic Integration and Cooperation)
PNBE	Pensamento Nacional das Bases Empresariais, Brazil (National Thinking of the Business Bases)
PRI	Partido Revolucionario Institucional (Institutional Revolutionary Party)
PT	Partido dos Trabalhadores, Brazil (Workers' Party)
SAC	Sociedad de Agricultores de Colombia (Society of Farmers of Colombia)
Secofi	Secretaría de Comercio y Fomento Industrial, Mexico (Secretariat of Commerce and Industrial Promotion)
SENA	Servicio Nacional de Aprendizaje, Colombia (National Training Service)
Senai	Serviço Nacional de Aprendizagem Industrial, Brazil (National Service of Industrial Training)
Sesi	Serviço Social da Indústria, Brazil (Social Service of Industry)
Simesp	Sindicato da Indústria de Máquinas do Estado de São Paulo (Syndicate of the Machinery Industry of the State of São Paulo)
Sindipeças	Sindicato Nacional da Indústria de Componentes para Veículos Automotores, Brazil (National Syndicate for Manufacturers of Components for Automotive Vehicles)
SNA	Sociedad Nacional Agraria, Peru (National Agrarian Society)
SNA	Sociedad Nacional de Agricultura, Chile (National Agricultural Society)
SNI	Sociedad Nacional de Industrias, Peru (National Industries Society)
Sofofa or SFF	Sociedad de Fomento Fabril, Chile (Society for Manufacturing Promotion)
Sonami	Sociedad Nacional de Minería, Chile (National Mining Society)
SRA	Sociedad Rural Argentina (Argentine Rural Society)

TBA	Thai Bankers Association
TCC	Thai Chamber of Commerce
UBE	União Brasileira de Empresários (Brazilian Union of Businessmen)
UCR	Unión Cívica Radical, Argentina (Radical Civic Union)
UDR	União Democrática Ruralista, Brazil (Democratic Ruralist Union)
UIA	Unión Industrial Argentina (Argentine Industrial Union)
UTICA	Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat (Tunisian Union of Industry, Commerce, and Artisans)

## Patterns of Business Politics in Latin America

A landed interest, a manufacturing interest, a mercantile interest, a moneyed interest with many lesser interests grow up of necessity in civilised nations and divide themselves into different classes actuated by different sentiments and views. The regulation of these various and interfering interests forms the principal task of modern legislation and involves the spirit of party and faction in the necessary and ordinary operations of government.

James Madison, 1788<sup>1</sup>

### Variations in Business Organization

Patterns of business organization and relations between business and government varied widely across Latin America in the twentieth century. Coffee provides an early and illustrative example. By the middle of the twentieth century, Brazil and Colombia were the largest coffee producers in Latin America and coffee generated most of their export revenues, yet the economic and political organization of coffee growers in the two countries differed remarkably. The Colombian coffee sector had by the 1960s been thriving for decades and pulling much of the rest of the economy along with it. The association of coffee growers, Federacafe (Federación Nacional de Cafeteros de Colombia), had firmly established Colombian coffees in the high-quality, high-price segments of the world market, and coffee overall accounted for over two-thirds of Colombian exports.<sup>2</sup> The political power of the coffee elite and their association matched their economic clout. Federacafe was influential in a wide range of economic

<sup>1</sup> *The Federalist Papers*, no. 10, cited in Wilson (1981, 2).

<sup>2</sup> See the List of Abbreviations for English translations.

policies, and the head of Federacafe was viewed as the second most powerful man in the country after the president (Urrutia 1983, 116).

By comparison, the marginal situation of coffee growers in Brazil, the world's largest producer, would probably have dismayed the Colombian elite. Brazilian coffee exports had also grown dramatically and by 1960 represented about half of Brazil's exports.<sup>3</sup> Brazilian coffee, though, filled the lower end of the market, and politically the organized, collective power of coffee growers was rarely mentioned. Of course, coffee was not economically as dominant in the larger and more diversified Brazilian economy, and the geography of coffee cultivation varied notably between the two countries. However, the major differences in the political economy of the two coffee sectors derived largely from the institutional and organizational legacies of the 1920s and 1930s. In 1924 state officials in Brazil created the Coffee Institute, which took over many functions of sectoral governance without the organized participation of coffee growers.<sup>4</sup> In Colombia in 1928, state actors delegated these governance functions (such as marketing, infrastructure, and credit), as well as control over an earmarked tax, to a new association of growers, Federacafe, that subsequently became a major institutional actor. Any general book on Colombian politics or development in the second half of the twentieth century devotes substantial attention to Federacafe; similar books on Brazil make no mention of a national organization of coffee growers.<sup>5</sup>

In the 1990s, to take a more recent example, quite different patterns of business–government relations emerged in the large countries of Latin America in their respective negotiations over regional economic integration. Strong business associations in Mexico and Chile collaborated closely with government negotiators in devising the terms of regional integration. In Mexico representatives of government and business associations met literally thousands of times to exchange information, reconcile conflicting preferences, and work to reach consensus positions for Mexican officials to take into the negotiations over *Nafta* (North

<sup>3</sup> Coffee accounted for 59 percent of Brazilian exports in 1955 and 56 percent in 1960, then dropped to less than a quarter in the 1970s (Baer 1983, 162).

<sup>4</sup> Font (1990, Chapter 3) provides the full story. Overall, Font concludes, “Big Coffee elites sought, considered vital, and largely failed to get, direct control of a regulatory mechanism not subservient to other policy objectives. This amounts to one of the most interesting cases on record of the failure of private corporatism in Latin America” (271).

<sup>5</sup> Contrast, for example, Skidmore (1967, 1988) on Brazil with Thorp (1991) on Colombia. See Bates (1997) for an extended comparison of the political economy of coffee in the two countries.

American Free Trade Agreement). In Brazil and Argentina, in contrast, government officials negotiated largely in isolation the terms of integration into their common market, Mercosur (Mercado Común del Sur). Other political factors influenced business–government relations in these trade negotiations, but policy options for negotiators in Brazil and Argentina were generally constrained by the fact that business associations, especially in industry, were weak and unrepresentative.

The cases of coffee and regional integration are only two examples of many wide variations in the organization of business and in business–government relations in Latin America. These variations have profound consequences for the kinds of issues business brings to policy making, what political channels they use to push their preferences, and what, if any, contributions they can bring to policy making and governance overall. These issues have become ever more important in recent decades as states have relinquished economic controls, greatly extending the realm of business discretion in the economy, and as democratization has generated new opportunities for open, organized participation by business in politics.

Why does the organization of business vary so dramatically across the large countries of Latin America? In this book I argue that most major variations in patterns of business organization – weak versus strong, rich versus poor, encompassing versus narrow, politicized versus neutral – can be traced back to actions of state actors and the cumulative effect of these actions over the twentieth century. In other words, states organized or disorganized business. This argument holds not only for the obvious cases where government decrees forced business to belong (state corporatism) but also for a range of formally voluntary associations. Especially in the case of voluntary associations, existing theory is poorly equipped to explain variation over time and space since much of it neglects the state and focuses instead on economic characteristics of the firms involved or, sometimes, on political factors like development strategies or regime type. A good deal of mythology, derived in part from overly simple economic models, sustains the mistaken impression that collective action is mostly the spontaneous, short-run result of individual calculations largely in isolation. In Latin America, capitalists did seem to weigh rationally the costs and benefits of investing in associations, but when they invested or disinvested, it was usually in response to prior actions by state officials and after evaluating other opportunities for political investment. State actions ranged from direct decrees outlawing some associations or obliging firms to join new state-chartered organizations to more indirect measures such as granting associations public resources or special access to policy

makers. A core theoretical challenge is to explain how various types of state incentives for business to act collectively generate diverse organizational responses and how these responses cumulate over time into institutional capacity within associations.

An additional theoretical challenge is to specify when and why state actors are likely to want to organize business.<sup>6</sup> Historically in Latin America, as traced out in Part II, state actors sought to organize business in periods of economic and political crisis. The exact timing and nature of these crises varied country by country, but crises clustered across the region in the 1930s and 1940s and later in the 1980s and 1990s. In periods of crisis, state officials sought ways to reduce their vulnerabilities and bolster political and administrative support. So, for example, economic ministers caught in the middle of deep economic crises were likely, other things being equal, to solicit business support and to help business organize in order to manage the crisis. Other things were, of course, not always equal, especially over time, and successive teams of economic officials confronted evolving sets of associations. In the crisis years of the Depression and World War II, business associations were generally weak, if they existed at all, and state actors across all the major countries of Latin America intervened strongly to shape the organization of business. By the time of the crisis decade of the 1980s, the incentives for state officials to intervene in business organization were again strong, but state officials were constrained by variations in how the organizational space for business had in the intervening half century become more crowded and less malleable.

A cursory glance at the full range of business associations in the major countries of Latin America reveals a bewildering array of hundreds of associations, and larger businesses belong to several of them. The vast majority of these associations are similar across Latin America: they are small and narrow, and often consist of little more than a letterhead and a telephone. Where the differences are more striking and more relevant for policy and politics, as well as theory building, is in the voluntary associations that organized broad segments, or all, of the private sector. Table 1.1 lists major voluntary, encompassing associations in five countries of Latin America and divides them between countries with strong

<sup>6</sup> As specified further in Chapter 2, state actors are top officials in the executive branch. Generally I subscribe to Stepan's definition of the state as "the continuous administrative, legal, bureaucratic, and coercive system" and to his three-way distinction among the state, civil society, and political society (that includes parties, electoral rules, and legislatures) (2001, 100-1).

TABLE 1.1 *Voluntary Encompassing Associations in Five Countries of Latin America*

	Association	Scope	Staff
<b>Strong Encompassing Associations</b>			
Mexico	Coparmex (1929-)	Economy-wide	30
	CMHN (1962-)	Economy-wide	0
	CCE (1975-)	Economy-wide	80
Chile	CPC (1933-)	Economy-wide	8
	Sofofa (1883-)	Industry	50
Colombia	Federacafe (1927-)	Coffee	3,500
	ANDI (1944-)	Industry	150
	CG (1991-)	Economy-wide	3
<b>Weak Encompassing Associations</b>			
Argentina	ACIEL (1958-73)	Economy-wide	0
	APEGE (1975-6)	Economy-wide	0
	CGE (1952-)	Economy-wide	10?
	UIA (1886-)	Industry	50
	CEA (1967-)	Economy-wide	2
Brazil	UBE (1987-8)	Economy-wide	Few to none
	IEDI (1989-)	Industry	8

*Note:* See appendixes for sources and further basic information. Figures for staff are rough estimates for average total employment in the last quarter of the twentieth century.

encompassing associations – Mexico, Colombia, and Chile – and countries with weak associations – Brazil and Argentina (where several of the ephemeral associations listed in the table survived for only a few years).

The mere existence of voluntary encompassing associations is one good indicator of the amounts of money and time that prominent capitalists invest in collective action. The rough estimates of staff are a further proxy useful for comparing across countries the material investments members make in their associations. Other indicators of organizational strength include the time capitalists invest in associations and the quality of internal representation (indicators considered further in Chapters 3 to 7). Although they cannot be summarized in a table, historical instances of organizational capacity to aggregate or reconcile members' interests were more common in the histories of encompassing associations in Mexico, Chile, and Colombia than in Argentina and Brazil. "Institutional" or "organizational strength," in my usage, refers always to these internal characteristics – material resources and internal intermediation – not to the amount of power or influence of the association in the political system.