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Strategies of Redistribution: The Left and the Popular Sectors in Latin America

By

Andrés Schipani

A dissertation submitted in partial satisfaction of the

requirements for the degree of

Doctor of Philosophy

in

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in the

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of the

University of California, Berkeley

Committee in charge:

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Professor Alison Post

Professor Dylan Riley

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Abstract

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The Left came to power in the 2000s after a period of neoliberal reforms. During the prior decade, conservative parties across the region had adopted austerity policies that reversed many social protections. These policies not only increased inequality, poverty, and unemployment, but also severely weakened unions. Leftist candidates were subsequently elected throughout the South American continent with a clear mandate to address these reversals. Individuals prioritized policies of income redistribution that provided immediate material relief. Popular-sector organizations also demanded policies that restored and/or enhanced their power and resources. Specifically, they demanded two types of power redistribution: societal empowerment and state empowerment, i.e. policies to increase their demand-making capacity in the interest arena, and those to increase their power vis-à-vis the national executive. Why, despite these common demands, did leftist parties adopt varying redistributive approaches across the region?

This study distinguishes three main redistributive approaches in Latin America. *Poverty Alleviation* (Brazil and Chile) consisted of redistribution of only income and only to those at the very bottom of the income ladder, without empowering popular-sector organizations. In *Left Populism* (Argentina and Venezuela) policies redistributed income to a broader segment of the popular sectors, and also redistributed societal power, but not state power. *Social Democracy* (Uruguay and Bolivia) was the most highly redistributive strategy. Income redistribution was broad, and social organizations benefited from the redistribution of both societal and state power.

This analysis argues that these three redistributive approaches are explained by the degree to which leftist presidents control the Left movement. In the context of post-ISI (import substitution industrialization) economies, all presidents face intense economic pressures to engage in more limited forms of redistribution. Theories that point to variations in exposure to market pressures or the strength of the Right cannot explain differences among the three redistributive outcomes identified here. Rather, the argument points to political challenges to the president from within the Left: Presidents will disregard economic pressures toward limited forms of redistribution when they face threats to their leadership from actors within the Left, three in particular: social organizations (unions and social movements), rival leftist parties, and party factions and/or party base organizations with considerable veto power within the president's party. If the president does not control them, the government will engage in

substantial redistribution to build coalitions with them and consolidate his/her leadership over the Left. The present argument is thus directly opposed to standard arguments that the power of the Left facilitates the adoption of more extensive redistributive policies. Instead, somewhat paradoxically, the analysis argues that the stronger a leftist president is, the more he or she will respond to economic constraints, and the less he or she will pursue the redistributive preferences of the Left. Conversely, the weaker the president, the more far-reaching will be his or her redistributive policies.

Para José Luis, il capo.

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chapters in this dissertation not only were an invaluable source of feedback, but also constantly pushed me to become a more rigorous scholar in the challenging methodological issues surrounding qualitative work. Last but certainly not least, Dylan Riley contributed with a refreshing perspective from historical sociology. His insights helped me to think more broadly about the differences and similarities in the challenges faced by the Left in Latin America and Europe.

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Acronyms and Abbreviations

AD	Acción Democrática (<i>Democratic Action</i>)
ADEOM	Asociación de Empleados y Obreros Municipales (<i>Municipal Employees and Workers' Association</i>)
AFAM-PE	Asignaciones Familiares-Plan de Equidad (<i>Family Allowances - Equity Plan</i>)
AFAP	Administradora de Fondos de Ahorro Previsional (<i>Private Pension Funds Administrator</i>)
AFJP	Administradora de Fondos de Jubilaciones y Pensiones (<i>Pension Funds Administrator</i>)
AFP	Administradora de Fondos de Pensión (<i>Pension Funds Administrator</i>)
ANC	Assembleia Nacional Constituinte (<i>National Constituent Assembly</i>)
ANSES	Administración Nacional de la Seguridad Social (<i>National Social Security Administration</i>)
ASU/AU	Asamblea Uruguay (<i>Uruguay Assembly</i>)
AUH	Asignación Universal Por Hijo (<i>Universal Allowance per Child</i>)
BPC	Benefício de Prestação Continuada (<i>Noncontributory Pension</i>)
BPS	Banco de Previsión Social (<i>Social Security Institute, Uruguay</i>)
CAT	Central Autônoma dos Trabalhadores (<i>Autonomous Workers' Central</i>)
CBST	Central Bolivariana Socialista de Trabajadores (<i>Bolivarian Socialist Workers' Central</i>)
CCC	Corriente Clasista y Combativa (<i>Unemployed workers movement, Argentina</i>)
CEBs	Comunidades Eclesiais de Base (<i>Basic Ecclesial Communities</i>)
CGT (Argentina)	Confederación General del Trabajo (<i>General Confederation of Labor</i>)

CGT (Brasil)	Confederação General dos Trabalhadores (<i>General Confederation of Workers</i>)
CI	Corriente de Izquierda (<i>Left Current</i>)
CIDOB	Confederación de Pueblos Indígenas de Bolivia (<i>Confederation of Indigenous People of Bolivia</i>)
CM	Campo Majoiitário (<i>Majority Field</i>)
CNB	Construindo um Novo Brasil (<i>Building a New Brazil</i>)
COB	Central Obrera Boliviana (<i>Bolivian Workers' Central</i>)
CODEFAT	Conselho Deliberativo do Fundo de Amparo ao Trabalhador (<i>Deliberative Council of the Workers' Pension Fund</i>)
COPEI	Comité de Organización Política Electoral Independiente (<i>Independent Political Electoral Organization Committee</i>)
CPT	Comissão Pastoral da Terra (<i>Pastoral Land Commission</i>)
CSUTCB	Confederación Sindical Única de Trabajadores Campesinos de Bolivia (<i>Unified Syndical Confederation of Rural Workers of Bolivia</i>)
CTA	Central de Trabajadores de la Argentina (<i>Workers' Central of Argentina</i>)
CTB	Central dos Trabalhadores e Trabalhadoras do Brasil (<i>Workers' Central of Brasil</i>)
CTV	Confederación de Trabajadores de Venezuela (<i>Workers' Confederation of Venezuela</i>)
CUT (Brasil)	Central Única dos Trabalhadores (<i>Unified Workers' Central</i>)
CUT (Chile)	Central Unitaria de Trabajadores (<i>Unitary Workers' Central</i>)
DNSS	Diálogo Nacional por la Seguridad Social (<i>National Dialogue for the Social Security</i>)
FA	Frente Amplio (<i>Broad Front</i>)
FEJUVE-El Alto	Federación de Juntas Vecinales de El Alto (<i>Federation of Neighborhood Councils-El Alto</i>)
FNP	Fórum Nacional da Previdência (<i>National Social Security Forum</i>)

FNT	Fórum Nacional do Trabalho (<i>National Labor Forum</i>)
FPV	Frente para la Victoria (<i>Front for Victory</i>)
FS	Força Sindical (<i>Unions Force</i>)
FTV	Federación de Tierra y Vivienda (<i>Land and Housing Federation</i>)
IC	Izquierda Ciudadana (<i>Citizen Left</i>)
ICC	Índice de Carencias Críticas (<i>Critical Needs Index</i>)
IDH	Impuesto Directo a los Hidrocarburos (<i>Direct Tax on Hydrocarbons</i>)
IDI	Izquierda Democrática Independiente (<i>Democratic Independent Left</i>)
M26	Movimiento 26 de Marzo (<i>March 26 Movement</i>)
MAS (Bolivia)	Movimiento al Socialismo (<i>Movement To Socialism</i>)
MAS (Chile)	Movimiento Amplio Social (<i>Broad Social Movement</i>)
MIDEPLAN	Ministerio de Planificación (<i>Ministry of Planning</i>)
MIDES	Ministerio de Desarrollo Social – Uruguay (<i>Ministry of Social Development</i>)
MLN	Movimiento de Liberación Nacional (<i>National Liberation Movement</i>)
MNR	Movimiento Nacional Revolucionario (<i>Revolutionary Nationalist Movement</i>)
MPP	Movimiento de Participación Popular (<i>Movement of Popular Participation</i>)
MST	Movimento dos Trabalhadores Rurais Sem Terra (<i>Landless Workers' Movement</i>)
MTA	Movimiento de los Trabajadores Argentinos (<i>Argentine Workers' Movement</i>)
MTD Evita	Movimiento de Trabajadores Desocupados Evita (<i>Movement of Unemployed Workers Evita</i>)
MTST	Movimento dos Trabalhadores Sem Teto (<i>Homeless Workers' Movement</i>)

MVR	Movimiento V República (<i>Fifth Republic Movement</i>)
OPP	Oficina de Planeamiento y Presupuesto (<i>Office of Budgetary Planning</i>)
PANES	Plan de Atención Nacional a la Emergencia Social (<i>National Attention Plan to the Social Emergency</i>)
PCB	Partido Comunista Brasileiro (<i>Brazilian Communist Party</i>)
PCdoB	Partido Comunista do Brasil (<i>Communist Party of Brazil</i>)
PCCh	Partido Comunista de Chile (<i>Communist Party of Chile</i>)
PCU	Partido Comunista de Uruguay (<i>Communist Party of Uruguay</i>)
PDC	Partido Demócrata Cristiano (<i>Christian Democratic Party</i>)
PDT	Partido Democrático Trabalhista (<i>Democratic Labour Party</i>)
PEC	Programa de Empleo Comunitario (<i>Communitary Employment Program</i>)
PFL	Partido da Frente Liberal (<i>Liberal Front Party</i>)
PHS	Partido Humanista da Solidariedade (<i>Humanist Party of Solidarity</i>)
PJ	Partido Justicialista (<i>Peronist Party</i>)
PJJHD	Plan Jefes y Jefas de Hogar Desocupados (<i>Unemployed Heads-of-Household Program</i>)
PL	Partido Liberal (<i>Liberal Party</i>)
PMDB	Partido do Movimento Democrático Brasileiro (<i>Brazilian Democratic Movement</i>)
PMN	Partido da Mobilização Nacional (<i>Party of National Mobilization</i>)
PIT-CNT	Plenario Intersindical de Trabajadores - Convención Nacional de Trabajadores (<i>Intersyndical Plenary of Workers - National Convention of Workers</i>)
PP	Partido Progressista (<i>Progressive Party</i>)
PPD	Partido por la Democracia (<i>Party for Democracy</i>)
PPL	Partido Pátria Livre (<i>Free Fatherland Party</i>)

PPS	Partido Popular Socialista (<i>Popular Socialist Party</i>)
PR	Partido de la República (<i>Party of the Republic</i>)
PRB	Partido Republicano Brasileiro (<i>Brazilian Republican Party</i>)
PRN	Partido da Reconstrução Nacional (<i>National Reconstruction Party</i>)
PRP	Partido Republicano Progressista (<i>Progressive Republican Party</i>)
PROS	Partido Republicano da Ordem Social (<i>Republican Party of the Social Order</i>)
PRSD	Partido Radical Socialdemócrata (<i>Social Democrat Radical Party</i>)
PS	Partido Socialista de Chile (<i>Socialist Party of Chile</i>)
PSB	Partido Socialista Brasileiro (<i>Brazilian Socialist Party</i>)
PSC	Partido Social Cristão (<i>Social Christian Party</i>)
PSDB	Partido da Social Democracia Brasileira (<i>Brazilian Social Democracy Party</i>)
PSOL	Partido Socialismo e Liberdade (<i>Socialism and Liberty Party</i>)
PSL	Partido Social Liberal (<i>Social Liberal Party</i>)
PSTU	Partido Socialista dos Trabalhadores Unificado (<i>Unified Workers' Socialist Party</i>)
PSU	Partido Socialista de Uruguay (<i>Socialist Party of Uruguay</i>)
PSUV	Partido Socialista Unido de Venezuela (<i>Unified Socialist Party of Venezuela</i>)
PT	Partido dos Trabalhadores (<i>Workers' Party</i>)
PTB	Partido Trabalhista Brasileiro (<i>Brazilian Labour Party</i>)
PTC	Partido Trabalhista Cristão (<i>Christian Labour Party</i>)
PTN	Partido Trabalhista Nacional (<i>National Labour Party</i>)
PV	Partido Verde (<i>Green Party</i>)
PVP	Partido por la Victoria del Pueblo (<i>Party for the Victory of the People</i>)

RN	Renovación Nacional (<i>National Renewal</i>)
SDD	Solidaridade (<i>Solidarity – Brazilian Party</i>)
SDS	Social Democracia Sindical (<i>Unions Social Democracy</i>)
SUF	Subsidio Único Familiar (<i>Single Family Subsidy</i>)
UCR	Unión Cívica Radical (<i>Radical Civic Union</i>)
UDI	Unión Democrática Independiente (<i>Independent Democratic Union</i>)
UGT	União Geral dos Trabalhadores (<i>General Union of Workers</i>)
UNT	Unión Nacional de Trabajadores (<i>National Workers' Union</i>)
VA	Vertiente Artiguista (<i>Artiguist Tendency</i>)

Chapter 1

Introduction

I. The Puzzle of Redistribution under the Left

The Left came to power in the 2000s after a period of neoliberal reforms. During the past decade, conservative parties across the region had adopted austerity policies and reversed many social protections. These reforms not only increased inequality, poverty, and unemployment, but also severely weakened unions. Leftist candidates were elected throughout the South American continent with a clear mandate to address these inequalities. This was the first time in history that democratically elected leftist parties were able to finish their mandate without being ousted by military coups. Leftist presidents generated widespread expectation among working class voters, unions and social movements. And although in their campaigns they promised to enact similar redistributive policies, what these governments actually accomplished varied tremendously. This analysis attempts to explain this variation in the Left's redistributive policies.

This study proposes a novel theoretical framework to study the politics of redistribution by integrating the analysis of income and power redistribution. The focus of the welfare state literature has been mainly on income redistribution policies: the extent to which wages, social security and conditional cash transfers guarantee some minimum level of material well-being for individuals. This is certainly an important aspect of welfare states. But equally important is the extent to which the Left alters the balance of power between working-class organizations and two actors: business and the state. In the long run, the power resources of working-class organizations shape inequality levels in any given country. Thus, the novelty of my analysis lies in analyzing two dimensions of redistribution that are usually studied separately: income and power redistribution. These two dimensions correspond to different demands of Latin America's popular sectors. Individuals prefer policies that distribute income, which is an immediate benefit. Popular-sector organizations demand policies that enhance their power and resources. Specifically, they demand two types of power redistribution: societal empowerment, i.e. policies that increase their capacity of demand-making in the interest arena, and state empowerment, i.e. increased power vis-à-vis the national executive. Why, despite these common demands, did leftist parties adopt varying redistributive strategies across the region?

This analysis distinguishes three main redistributive approaches in Latin America: *Poverty Alleviation* (Brazil and Chile), *Left Populism* (Argentina and Venezuela), and *Social Democracy* (Uruguay and Bolivia). *Poverty Alleviation* redistributed only income and only to those at the very bottom of the income ladder, without empowering popular sector organizations. *Left Populism* adopted policies that redistributed income to a broader segment of the popular sectors, and also redistributed societal power, but not state power. Last, *Social Democracy* was the most highly redistributive strategy. Here

again income redistribution was broad, and social organizations benefited from the redistribution of both societal and state power.

The choice of these redistributive policies in Latin America cannot be explained by those factors identified in the literature on welfare state expansion, such as veto points, economic constraints or the power resources of the Left. Rather, the present argument is that redistributive policies are explained by the degree to which leftist presidents control the Left movement. The starting point for explaining redistribution in Latin America is an understanding that leftist presidents are under intense economic pressures to limit the amount of redistribution under post-ISI (industrialization by import substitution) economies. But varying exposure to these market pressures does not explain differences in redistributive policies. Rather, the argument is a political one: presidents will disregard these pressures when they face threats to their leadership from actors within the left. These actors are social organizations (unions and social movements), rival leftist parties, and party factions and/or party base organizations with considerable veto power within the president's party. If the president does not control them, the government will engage in substantial redistribution to build coalitions with them and consolidate his/her leadership over the Left. Thus, paradoxically, my analysis argues that the stronger a leftist president is, the more he or she will respond to economic constraints, and the less he or she will pursue the redistributive preferences of the Left. Conversely, the weaker the president, the more far-reaching will be his or her redistributive policies. In short, in the post-ISI world of open markets and capital mobility, redistribution arises from presidential weakness, not strength.

II. The Left's Redistributive Challenges after Market Reforms

Latin American popular sectors comprise individuals that belong to the strata located at the bottom of the income ladder (Collier and Handlin 2019:2). The popular sectors are divided into two groups: insiders and outsiders. Insiders are those who had traditionally been the beneficiaries of redistributive policies in the 20th century, i.e., unionized workers. Outsiders are those who had not traditionally enjoyed welfare benefits—primarily the informal sector, low-income formal workers and rural and domestic workers.

Both groups experienced a dramatic increase in economic insecurity during the last two decades of the 20th century (Rodrik 2001:8, De Ferranti, Perry, Gill and Servén 2000:4). Two macro-historical processes caused this surge in economic insecurity. One originated in the debt crisis in the 1980s, which triggered a period of stagflation that dramatically increased informality and unemployment levels across the region. These developments amplified the mismatch between the institutional design of Latin American welfare states, primarily oriented towards insiders and the demographics of Latin American countries, where the popular sectors increasingly comprised outsiders. Moreover, while many of these labor-market outsiders started to articulate their demands through new community organizations and social movements (Collier and Handlin 2009), the old corporatist systems of interest representation prevalent in most Latin American countries still gave privileged state access to unions representing labor-market insiders. In other words, by the beginning of the 21st century, the popular sectors comprised larger segments of outsiders that lacked access to the welfare state and the new social organizations representing them continued to be excluded from political institutions.

In this regard, labor-market outsiders represented a dual challenge for leftist governments in the 21st century. In terms of income redistribution, governments had to reform welfare states to expand social policies towards outsiders. From the perspective of power redistribution, governments faced a problem inherent to the “second incorporation period” (Silva and Rossi 2018): how to reform traditional corporatist institutions to incorporate outsiders’ organizations in the polity

Neoliberal reforms, however, also represented a substantial setback for insiders. In Latin America’s most developed economies, the formal working class had enjoyed relatively high levels of social protection: employment security, corporatist systems of industrial relations that provided decent wages and working conditions, as well as social security with high coverage and benefit levels¹. Neoliberal reformers launched a stark offensive against these protections. Workers’ economic insecurity increased dramatically: employment contracts became more flexible, the state ceased to use minimum wage laws as a redistributive instrument, and contributory pension systems were reformed to make access more difficult and benefit levels less generous. Further, neoliberal reforms undercut unions’ organizational power. They did so both directly by suspending and/or decentralizing collective bargaining—the central corporatist institution of union representation—and indirectly by diminishing their bargaining power in markets through trade liberalization and privatizations. Indeed, these reforms increased unemployment

¹ For example, by 1992 the coverage rate of social security was 78.09% in Argentina, 80.78 in Brazil and 88.10 in Uruguay (Rofman, Luchetti and Ourens 2008). However, in other, less developed Latin American countries coverage rates were much lower.

and informality levels precisely in those economic sectors that used to be the union strongholds, thus undermining union bargaining power.

In sum, leftist presidents in the 2000s had to address the disparate demands of two key constituencies among the popular sectors: outsiders and insiders. Both groups had experienced an increase in economic insecurity in the late 20th century, and their organizations saw either a sharp decline in their bargaining power (unions) or had never been included in institutions of interest intermediation (social movements representing outsiders). Popular-sector *individuals* had a preference for income redistribution policies that would reduce their economic insecurity. Popular-sector *organizations* demanded policies that would empower them vis-à-vis rival their societal rivals (employers, patrons), as well as grant them increased access to policy-making institutions.

III. Strategies of Redistribution and Presidential Control over Leftist Movements

Income and Power Redistribution

I examine redistributive policies according to two dimensions: income and power redistribution. Income redistribution is greater when social policies are broader; that is, when the policies do not target only the poorest, but benefit a broader group of popular sector individuals that includes “better-off” outsiders and even insiders. Power redistribution is maximized when leftist governments redistribute both societal and state power to popular-sector organizations (unions and social movement organizations). Redistribution of societal power entails increasing the demand-making capacity of organizations in the interest arena. Governments can do this by increasing the collective action resources of organizations, their financial and legal resources, or their voice in participatory councils and/or corporatist institutions of representation. Laws that empower unions in collective bargaining, or that grant social movement organizations participation in the design and/or implementation of social programs, are examples of redistribution of societal empowerment.

Redistribution of state power increases the power of social organizations vis-à-vis the national executive. This redistribution of state power can take place in two ways: through political appointments in the state, or by approving state laws that protect the autonomy of organizations. When organizational leaders are appointed to positions with policy authority over issues that are central to their redistributive demands, there is a redistribution of state power, as presidents share their policy-making authority with social organizations. For example, when a unionist is appointed Labor Minister, but not when the unionist is appointed to an advisory council with no real influence over public policies. Another way in which governments redistribute state power is by approving rules that limits the capacity of governments to distribute benefits in a discretionary way, a practice that can make organizations more dependent on the government and thus limit their autonomy. Power redistribution is rule-based when individual organizations cannot be excluded from the public good provided by the government, even if they are not allied with the government. An example is a law that grants legal protections for union activists. The opposite would be ‘political targeting,’ such as when the government creates a housing cooperatives program that allows officials to select which social movements get to administer the program and which ones are excluded from it. Political targeting limits the empowerment of organizations by making them more dependent on state officials, who can arbitrarily withdraw resources from organizations that are not aligned with the government.

Three Strategies of Redistribution

Leftist governments adopted three main redistributive strategies in Latin America: *Poverty Alleviation* (Brazil and Chile), *Left Populism* (Argentina and Venezuela), and *Social Democracy* (Uruguay and Bolivia) (Table 1.1). *Poverty Alleviation* only redistributes income and only to those at the very bottom of the income ladder. It does not redistribute income towards insiders, and avoids power redistribution. *Social Democracy* not only entails broad income redistribution, but also redistributes societal

and state power. Income redistribution under *Social Democracy* benefits both insiders and outsiders. Further, popular-sector organizations are empowered both in the interest arena (societal empowerment) as well as vis-à-vis the national executive (state empowerment). Not only are unionists and social movement leaders appointed to top government positions, but also the adoption of rule-based social policies guarantees organizations' autonomy vis-à-vis the national government.

Table 1.1 – Strategies of Redistribution

	Income Redistribution	Redistribution of Societal Power	Redistribution of State Power	Cases
<i>Poverty Alleviation</i>	Outsiders	No	No	<i>Brazil, Chile</i>
<i>Left Populism</i>	Outsiders + Insiders	Yes	No	<i>Argentina, Venezuela</i>
<i>Social Democracy</i>	Outsiders + Insiders	Yes	Yes	<i>Uruguay, Bolivia</i>

Last, under *Left Populism* the government redistributes income and power between social classes, but does not redistribute state power. Income redistribution benefits both outsiders and insiders, and unions and social movements are empowered vis-à-vis their societal rivals. However, leaders from social organizations are excluded from relevant positions in the state, and the use of political targeting makes them more dependent on the government for continued access to social policy benefits.

IV. Alternative Explanations: Economic Constraints, Institutions, and Power Resources

There is a broad literature on leftist governments and redistribution that could account for these different outcomes. This analysis engages with three established theories on welfare state expansion, those based on economic constraints, institutions, and power resources. These theories provide crucial insights into the politics of welfare expansion. However, they are insufficient to explain variation in welfare policies during Latin America's "left turn."

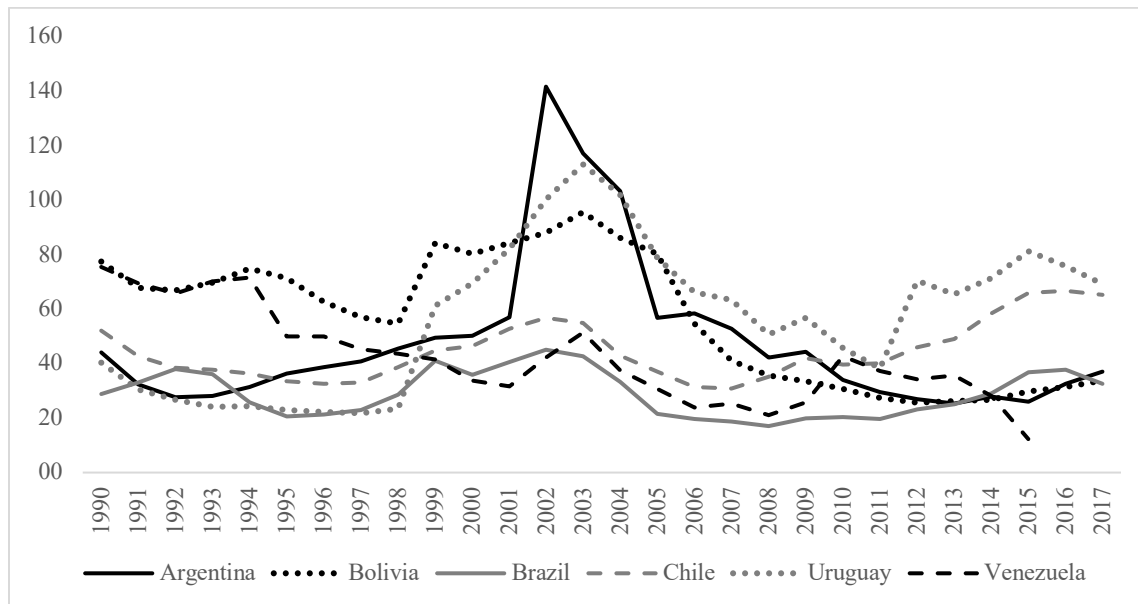
Economic Constraints

Theories based on economic constraints argue that fiscal constraints (Esping-Andersen 1996, Kaufman and Segura-Ubiergo 2001), capital mobility (Rudra 2002, Huber and Stephens 1998) and the liberalization of financial capital (Mosley 2000) explain variation in welfare policies. One strand of the literature argues that under globalization, governments are forced to weaken labor-market regulations and reduce welfare spending. Capital mobility allows Foreign Direct Investment (FDI) to 'flee' to countries with the weakest labor market protections and lowest taxes. Likewise, the liberalization of financial capital favors countries with sound fiscal policies that guarantee debt repayment and keep inflation under control. Because these theories assume countries face similar economic constraints, they predict policy convergence towards minimal welfare states focused on poverty-relief (Rudra 2002). Theories that predict convergence to residual welfare states are inconsistent with the wide variation presented above: only Brazil and Chile adopted the *Poverty Alleviation* strategy predicted by these theories.

However, some strands in this literature argue that fiscal and financial constraints vary across countries, causing governments to diverge in their capacity to expand welfare states. For example, countries that rely on windfall rents from natural resources face fewer constraints to adopt fiscally expensive welfare policies (Weyland 2009). Other authors argue that the degree to which countries are integrated into international financial markets also matters. When fiscal revenues depend less on international financial markets and more on commodities' exports, governments can depart from market orthodoxy during booms (Campello 2015).

Explanations based on variations in fiscal and financial constraints are too deterministic, ignoring the agency that leftist presidents possess within the boundaries imposed by global capitalism. Financial constraint is not a good predictor of redistributive outcomes. For example, Uruguay and Bolivia had the highest foreign debts among Latin American countries when the Left came to power (Figure 1.1), but they adopted *Social Democracy*, the most redistributive strategy.

Figure 1.1. Foreign Debt (% of GDP)².

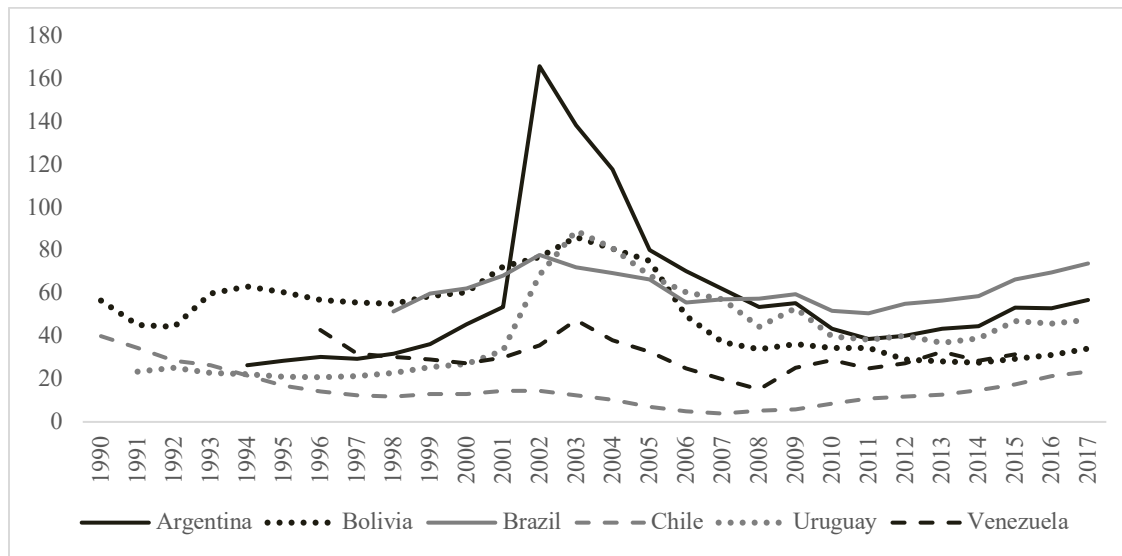


Source: Author's elaboration based on data from ECLAC Database

The same results hold if we look at public debt (Figure 1.2). Nor can windfall rents from natural resources explain these differences. Chile, Bolivia and Venezuela relied the most on primary exports: each received more than 80% of their export revenues from natural resource commodities (Figure 1.3). Yet, each of these three countries adopted a different model of redistribution: *Poverty Alleviation* in the case of Chile, *Social Democracy* in the case of Bolivia, and *Left Populism* in the case of Venezuela.

² It should be noted that Argentina defaulted on its foreign debt in 2001, but later renegotiated its debt payments in 2005.

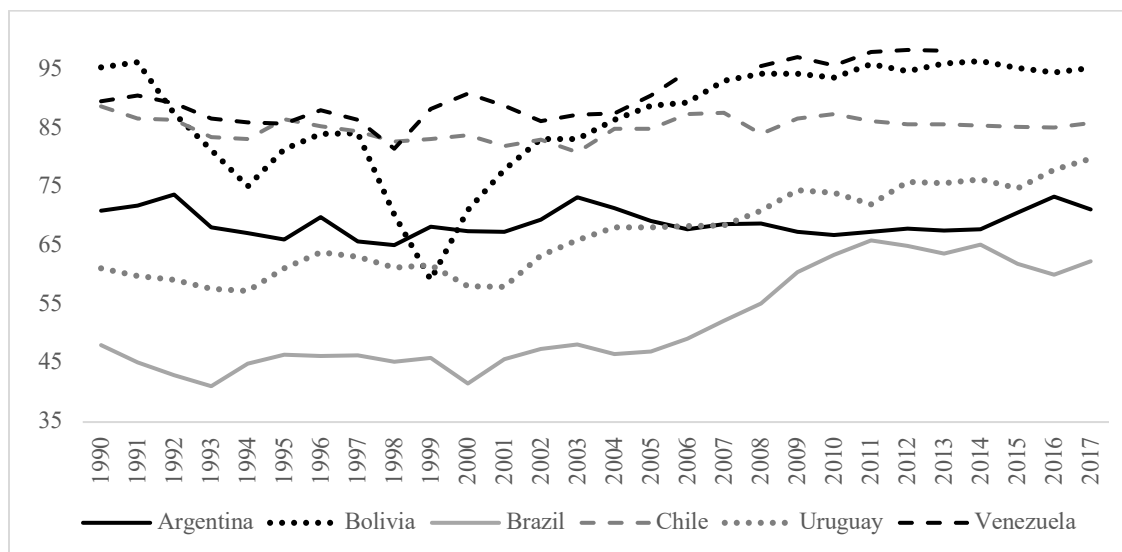
Figure 1.2. Public Debt (% of GDP).



Source: Author's elaboration based on data from ECLAC Database

Last, another important weakness of economic explanations is that they cannot explain variation in power redistribution. While market constraints may account for the *amount* of fiscal resources and regulatory capacity governments have, they cannot predict how governments will choose to empower social organizations. *Social-Democratic* and *Left Populist* models are both very redistributive, but they differ in how they empower the working-class: the former empowers them vis-à-vis the state, while the latter does not.

Figure 1.3. Exports of Primary Products (% of Total Exports).



Source: Author's elaboration based on data from ECLAC Database/UN

In sum, hypotheses based on economic constraints cannot predict redistributive outcomes because they are too economically deterministic. Although the international economic arena shapes the constraints and opportunities available to governments, within those constraints countries have considerable room to maneuver. This analysis shows that, within that latitude, politics dictates policy choices.

At the same time, the present analysis does recognize that economic constraints are important factors in the adoption of redistributive policies. It argues that, unless presidents are checked by political factors, they will capitulate to markets and adopt moderate redistributive strategies. The question then becomes: what are the political factors that operate as presidents strategize in policy formation. I argue that, in post-ISI economies, countries are always subject to strong economic constraints, and *politics*—specifically, presidents’ degree of control over the leftist movement—is what explains variation in redistributive policies.

Institutions

A second set of hypotheses focuses on the role of institutions. Some scholars focus on the relationship between institutional veto points and the *amount* of redistribution. They argue that constitutional designs that disperse power across representative institutions are inimical to redistribution, because they grant small interest groups multiple entry points to block welfare legislation (Bonoli 2001). This scenario preserves the status quo or, at best, allows for only incremental welfare reforms (Huber, Ragin and Stephens 1993, Immergut 1992). Veto points are all constitutional features that disperse political power and hence offer interest groups that oppose welfare expansion multiple points of entry to block change. Examples include federalism (Pierson 1995, Obinger, Liebfried and Castles 2005), single-member district electoral systems (Bonoli 2001, Crepaz 1998, Huber and Stephens 2001, Huber, Ragin and Stephens 1993, Iversen and Stephens 2008), and presidential governments (Bonoli 2001, Huber and Stephens 2001, Crepaz 1998, Huber, Ragin and Stephens 1993), as well as constitutions that include direct mechanisms for citizens’ participation—for example, the possibility of calling for plebiscites on public policies (Immergut 1992).

Another scholar in the institutionalist tradition argues that during Latin America’s left turn, the key institutional variable shaping public policies was party-system institutionalization (Flores-Macias 2010). According to Mainwaring (1999), institutionalized party systems are those that present stable patterns of interparty competition across time, have strong roots in civil society, are perceived as legitimate actors among citizens, and have party organizations with stable rules and structures. Party-system institutionalization both promotes moderate leaders within leftist parties as well as strengthens opposition parties in Congress (Flores-Macias 2010). Therefore, countries with high levels of party-system institutionalization are predicted to undertake only moderate reforms.

Last, other scholars in the institutionalist tradition focus on the effect of veto points on the *type* of redistribution. They argue that executives that face a divided legislature will be more likely to adopt rule-based policies (De la O 2015). Legislators from the opposition are against social policy designs that grant the executive discretion

over the selection of beneficiaries, but support rule-based policies that constrain executives' capacity to manipulate social programs for electoral gains (De la O 2015:9).

Institutionalist theories cannot explain variation in redistributive policies during Latin America's left turn. All six cases discussed above have presidential governments and proportional electoral systems for lower house elections³. Further, Argentina, Brazil and Venezuela all have federal systems, yet their welfare policies varied. Moreover, direct forms of democracy do not seem to be inimical to redistribution: although Uruguay's constitution grants citizens the power to call for plebiscites on public policies (Altman 2002)⁴, it saw the greatest expansion of welfare policies under the Left. Last, party-system institutionalization is not a good predictor of redistribution: Brazil and Argentina had similar levels of party-system institutionalization at the beginning of the 2000s, but adopted two radically different models of social protection⁵. Further, Uruguay had the second most institutionalized party system in the region, yet enacted the most redistributive policies⁶.

Finally, De la O's argument that divided legislatures favor rule-based over discretionary programs faces a problem when applied to the six cases presented here: in Argentina, Bolivia, Brazil and Venezuela legislatures played no role in the adoption of income support programs or pensions for informal workers⁷. These are all policy realms where presidents usually have more leeway to exercise discretion, the type of policies on which De La O focuses⁸. Further, in terms of power redistribution, Argentina and Venezuela politically targeted benefits through presidential decrees, not laws. Last, in Uruguay welfare policies were rule-based despite the fact that the *Frente Amplio* (FA) enjoyed parliamentary majorities.

Institutionalist theories cannot explain redistributive outcomes in Latin America because of two problems: (1) they ignore the considerable decree powers enjoyed by Latin American presidents, powers that allow them to bypass veto points to redistribute income; (2) they focus only on income redistribution policies; hence, they are ill-

³ In Chile there was a binominal system for the lower house elections up to 2013, but it has since been changed to a proportional system of representation. Further, there are differences across these electoral systems: Brazil has an open-list proportional system that makes party discipline more difficult than does Argentina's closed-list proportional system. Yet, Uruguay's *ley de lemas* system fragments legislators' loyalties across different factions. The *ley de lemas* or, more generally, the double simultaneous voting (DSV), employs a type of open list system, where electors vote for a party (a *lema*); each *lema* might have several candidates or lists of candidates (*sublemas*). The winning party is the one that receives the most votes after the votes won by each of its *sublemas* have been added together. Within this party, the winning *sublema* is the one that, individually, received the most votes.

⁴ Further, it is the Latin American country with the highest number plebiscites held since the return of democracy (Altman, Daniel.2010. "Plebiscitos, referendos e iniciativas populares en América Latina: ¿mecanismos de control político o políticamente controlados?" *Perfiles Latinoamericanos*, 35:9-34)

⁵ According to Flores-Macías (2010), Argentina had a volatility score of 26, while Brazil had a score of 20.

⁶ Uruguay's volatility score is 16; second only to Chile, with a score of 7 (Flores-Macías, Gustavo 2010. "Statist vs. Pro-Market. Explaining Leftist Governments' Economic Policies in Latin America". *Comparative Politics*, 42,no.4: 413-433)

⁷ For example, in Argentina, the two main income support programs (*Asignación Universal por Hijo* and *PROGRESAR*), as well as the expansion of pensions for informal workers (*Moratoria Previsional*). In Brazil, the two main income redistribution policies were approved by decree: *Bolsa Família* and the Minimum Wage Increase Policy.

⁸ Actually, her focus is on conditional cash transfers for the poor.

equipped to explain redistribution of power, a less-studied form of redistribution analyzed in this study.

While the first point has been discussed in detail in the examples above, the second point merits expansion. In particular, these theories fail to acknowledge the different political motivations governments may have for expanding social policies. Institutional theories tend to simplify presidents' incentives by assuming that they only have *electoral* motivations behind the expansion of social policies⁹ (Diaz-Cayeros, Estevez and Magaloni 2016). In accord with institutional theories, I argue that electoral motivations are important; for example, the breadth of income redistribution policies is partly driven by electoral competition. In a similar vein, work by Garay (2016) shows how electoral competition for outsiders' votes led to more generous income redistribution. But this literature misses two points. First, the partisanship of electoral competitors matters: whether competition stems from the Left or the Right has different effects on the broadness of income redistribution - a point frequently missed by the literature.

Second, presidents may have other motivations beyond winning elections. I distinguish between four different motivations government may have: augmenting electoral support, placating financial markets and reassuring private investors, keeping social peace, and avoiding blockage from actors within the party.¹⁰ As I will explain in greater detail in Chapter 2, presidents may have varying political motivations, and each demands different redistributive tools. For example, while electoral competition can be neutralized by income redistribution policies—as institutional theories predict—keeping social peace may require presidents to include other policy tools into their repertoires: specifically, power redistribution policies to appease social organizations.

Further, some presidents operate within political parties with powerful internal factions or party base organizations that are able to veto the president's legislative bills or influence party chapters on the ground in elections¹¹. In this scenario, presidents concerned with avoiding party blockage will craft coalitions with these actors by meeting their redistributive demands. Disentangling these different political motivations, as well as their disparate impact on redistribution, is a key objective of this analysis.

Some of these motivations have been the subject of study by a new generation of political scientists, such as Pribble (2013) and Garay (2016). Pribble's study shows how strong internal party actors (particularly, rank-and-file organizations) favored generous income redistribution in Uruguay. Furthermore, Garay shows how social movement protests forced governments not only to expand generous income redistribution but also to include social movements in the implementation of social programs. These are excellent studies that illuminate key aspects of the politics of redistribution, and some of their insights are incorporated -along with new explanatory variables- into a broader explanation that puts actors on the Left at center of redistributive policies.

However, these studies have three limitations that the present work attempts to overcome. One is that they do not analyze power redistribution, that is, how state policies

⁹ But see Garay 2016 for an exception.

¹⁰ Garay 2016 is an important exception, see discussion below.

¹¹ But Pribble 2013 is an important exception: she studies the impact of internal party structures on welfare policies, see discussion below.

shape the balance of power between social organizations, state elites and employers¹². Furthermore, they focus only on income redistribution for outsiders and do not consider the substantial income redistribution towards insiders some governments adopted during the left turn. Moreover, their explanations, while illuminating, are somewhat partial. For example, Pribble focuses on the character of the Left party as a key driver of social policies, but does not consider the role of party factions or social organizations in achieving broad redistribution. In a similar vein, Garay focuses on how social movements' protests shape social policies, but does not acknowledge how organizations' ties to governing parties can lead to their cooptation, depriving them from influence over redistributive policies.

Because this study analyzes new aspects of redistributive policies previously neglected by the literature -i.e. income redistribution towards insiders as well as power redistribution towards organizations-, it provides a more comprehensive theoretical framework that focuses on how different types of political threats lead to different types of redistributive policies. That is, instead of focusing on how a single set of actors (party actors, social movements) shape redistribution, it shows how three different types of political threats (electoral, organizational and party) shape three different dimensions of redistributive policies: income redistribution as well as the redistribution of societal and power.

Power Resources

Finally, one of the most established theories concerning welfare state expansion is the power resources theory, which argues that the strength of leftist movements is positively associated with social policy expansion (Korpi 2006, Huber and Stephens 2012). This theory predicts that countries with cohesive leftist parties that have a majority of parliamentary seats and are allied to strong labor movements redistribute more. In its traditional formulation, this theory is insufficient to explain variation in redistributive policies across Latin America.

Variation in parliamentary majorities does not explain redistributive outcomes. Leftist governments in Argentina and Uruguay had legislative majorities; nevertheless, there are substantial differences between the *Populist* and *Social-Democratic* strategies of redistribution. Moreover, Michele Bachelet in Chile had parliamentary majorities that allowed her to adopt bold transformations, including a reform to make university education more affordable, a new tax code that hurt business and the affluent, and the transformation of Chile's electoral system, which had traditionally benefited the Right. Yet, her income and power redistribution strategies towards the popular sectors were timid. On the contrary, Evo Morales in Bolivia and Hugo Chávez in Venezuela adopted bold redistribution policies despite lacking parliamentary majorities.

Another group of scholars focus on the strength of unions and social movements, and argue that in countries with stronger unions (Etchemendy 2011) or social movements

¹² Garay analyzes whether social movements are incorporated into the administration of social programs, but does not assess whether this is done in a way that empowers organizations vis-à-vis the state (state empowerment), or, conversely, whether it subordinates them to the state. Further, she does not address the issue of societal empowerment vis-à-vis business (since she only studies informal sector social movements).

(Garay 2019), presidents adopt more generous labor and social policies. In accord with these authors, I argue that the strength of popular sector organizations is important for redistribution. However, union or social movement strength does not by itself suffice to explain variation across cases. Argentina and Brazil had stronger unions than Uruguay¹³, yet the latter adopted the most redistributive strategy. Likewise, Brazil and Argentina had strong social movements representing labor-market outsiders before the Left came to power. But while *Peronism* in Argentina empowered these organizations, in Brazil the *Workers Party* demobilized them. Furthermore, Uruguay adopted generous income redistribution towards outsiders despite the lack of social movements representing them.

Last, another source of strength might be a president's electoral support: the stronger their support among voters, the greater their capacity to enact bold redistributive reforms. However, the evidence does not support this hypothesis: Lula was elected in Brazil with 61.3% of the votes¹⁴, yet adopted timid redistributive policies. By contrast, Néstor Kirchner was elected with the lowest share of votes in Argentina's history (22.25%)¹⁵, yet adopted generous welfare policies. Last, within-case variation in these two cases also does not support his hypothesis; in Argentina and Brazil the most ambitious social policy initiatives were adopted in contexts of presidential weakness¹⁶.

The power resources theory cannot explain redistributive policies during the left turn because it was developed to account for the emergence of a singular political phenomenon during a very particular historical period, namely, the construction of welfare states in 20th century Europe. There are three salient differences between the European and Latin American contexts that caution against the mechanical application of power resource theory to understand welfare expansion in post-ISI Latin America: (1) the two contexts had different political regimes; (2) leftist movements have different degrees of cohesion and institutionalization; and (3) the politics of welfare expansion in Keynesian and post-Keynesian economies is considerably different.

The power resource theory pays considerable attention to legislative majorities because most European countries have parliamentary regimes. In these political regimes, leftist parties that are unable to craft legislative majorities are excluded from the executive, and hence are unable to expand welfare policies. By contrast, most Latin American countries have presidential regimes with strong executives that can make use of considerable legal powers to enact policies (Negretto 2009, Cheibub et al 2011, Cox and Morgenstern 2001). Frequently, leftist presidents' parties do not have legislative majorities, forcing them to adopt two alternative strategies to pass legislation: crafting legislative alliances with other parties, and/or using presidential decrees¹⁷.

Another problem of the power resources theory is that it does not problematize the preferences of the different actors within the leftist movement because this theory was developed for a historical context in which leftist movements had enjoyed high degrees

¹³ By 2000/2001 the union density rates were 31.7% in Argentina, 28.1% in Brazil and 15.9% in Uruguay.

¹⁴ In the first round he obtained 46.4%.

¹⁵ He actually was defeated in the first round by former president Carlos Menem (1989-1999), but Menem refused to compete in the second round.

¹⁶ In Argentina, the two major income transfer programs ever adopted in the country were launched right after the Left experienced its two worst electoral defeats. Likewise, in Brazil the PT's most ambitious welfare policy, the Minimum Wage Law, was adopted by a president that lacked legislative majorities and was undergoing a deep political crisis.

¹⁷ However, this capacity varies by country and policy realm.

of internal cohesion and institutionalization. In countries where the Left was a pivotal actor in welfare expansion, it usually consisted of one dominant leftist party with high internal discipline and organic links to unions (Garrett and Lange 1991, Hicks and Swank 1984)¹⁸. Leftist legislators, party cadres and unions were generally part of one cohesive movement with one main objective: expanding welfare policies towards the working class.

By contrast, in post-ISI Latin America, the Left's cohesiveness cannot be taken for granted. Leftist movements show considerable variation in terms of degree of partisan competition, parties are less disciplined, and party-union ties range from organic ties to purely instrumental links. In this context, leftist presidents, once elected, do not always bring to the executive office a majoritarian coalition of leftist parties and popular sector organizations. Indeed, they frequently have to use the powers of the presidency to craft a leftist coalition in the first place.

In sum, these differences between the European and the post-ISI Latin American contexts pose two central problems for the power resources theory. First, by focusing on the balance of legislative power between the Left and the Right, it ignores how the balance of power *within* the Left—particularly, between leftist presidents and the other actors within the leftist movement—shape social policies. In other words, power struggles within the Left are as important as those between the Left and Right in the politics of welfare expansion.

Second, the power resources theory's assumption of Left movements as cohesive and homogenous coalitions logically leads to its main thesis: the stronger the leaders of these coalitions are vis-à-vis the Right, the more redistribution. Contra this theory, I argue that presidents frequently expand social policy out of weakness rather than strength. In Latin America, social policy expansion is usually a response to presidents' need to build power resources *within* the Left: from forging coalitions with powerful unions, to uniting different Left factions under his/her leadership. The main insight from Latin America's left turn is that weak presidents adopt the most generous redistributive policies.

Last, another problem of this theory is that it was elaborated to explain welfare expansion in the context of national states with considerable fiscal and regulatory autonomy. The period in question was characterized by thirty years of high, uninterrupted economic growth (*les Trente Glorieuses*) that provided governments with considerable fiscal revenues. Moreover, governments could rely on high tax rates imposed during World War II. Further, the public sector played a central role in employment creation through state-owned enterprises. This scenario granted governments more autonomy to spend on welfare policies, raise taxes and regulate labor-markets. Limited financial liberalization meant that governments could incur budget deficits without much short-term cost. Further, maintaining low taxes and flexible labor-market regulations was not at the top of governments' agendas: limited trade liberalization with third-world countries meant that the risk of capital flight to other countries with more business-friendly regulations and cheaper labor costs was low. And in any case, decreases in private investment (domestic or FDI) could be always compensated for by expanding the public sector.

¹⁸ Most European countries expanded their welfare states during the interwar period and/or right after WWII (Korpi 2003, Esping-Andersen 1990, Ferrera 2008).

By contrast, in post-ISI economies, leftist governments face stronger, competing pressures between their constituencies and markets. On the one hand, they need to retain their electoral and organizational base among the popular sectors through welfare expansion. But at the same time their autonomy to increase social spending and regulate labor markets is constrained by financial markets and the business sector, who demand fiscal surpluses, flexible labor-markets and low taxes. Leftist governments need these actors' support. Financial capital is necessary for financing governments' deficits and foreign debts. Domestic and foreign direct investment is crucial to create the jobs that the Left's electorate demands (and that cannot be created by the public sector anymore).

The novelty of this analysis lies in presenting a theory of welfare expansion in post-ISI economies. While other authors have underlined the differences between the politics of welfare expansion during *les Trente Glorieuses* and those of welfare retrenchment since the Reagan-Thatcher era (Pierson 1994), there is a theoretical void on the politics of welfare expansion after Neoliberal reforms. This analysis fills this gap by addressing a fundamental question of our times: when do leftist governments fulfill their electoral mandate to redistribute, in a new era where business and financial markets seem to dictate the rules of the game?

This analysis draws on an important contribution of the power resources theory: political actors' power resources are crucial in shaping redistributive outcomes. Within this broader framework, the resources of the Left vis-à-vis the Right are important in shaping redistributive outcomes. But in order to fully understand redistributive outcomes, we also need to analyze an often-overlooked dimension: the power of leftist presidents vis-à-vis other actors in the Left movement. In the specific context of post-ISI Latin America, presidents' control over the Left is a better predictor of redistributive outcomes than is the power resources theory.

V. The Argument: Presidents' Control over the Left Movement

The Redistributive Constraints of the Left under Post-ISI Economies

In post-ISI economies, leftist presidents have a normative commitment towards redistribution, but face competing pressures from two constituencies. On the one hand, they want to appeal to their core constituencies on the Left: social organizations and their party base. These groups demand bold redistributive policies such as universal pension and health coverage, labor-market regulations that protect workers and empower unions, as well as high taxes to finance social policies.

On the other hand, there are economic and political forces that give leftist presidents incentives to engage in limited forms of redistribution. With regards to economic forces, international financial markets demand high fiscal surpluses, limiting governments' capacity to increase social spending. Further, in a world of capital mobility where the public sector is no longer a major source of investment or employment, promoting private investment is key for economic growth and job creation. This scenario increases businesses' capacity to impose their preferences on national governments eager to attract them: low taxes and flexible labor markets. Moreover, under ISI governments could forge cross-class coalitions more easily: trade protections delivered high wages for unions and protected markets for business. But in open economies the trade-off between labor-market regulations and promoting employment is more acute: while business demands labor-market deregulation and low wages to increase competitiveness, unions demand high wages and labor-market protections to reduce the commodification of the workforce.

In relation to political forces, the transition to post-ISI economies also changed the demographic profile of the popular sectors in ways that modify the political incentives of leftist presidents and pull them towards moderate redistributive strategies. The shift from ISI to more open and deregulated economies deepened the fragmentation of the working-class into different groups with disparate redistributive and political preferences. Specifically, de-industrialization, the expansion of the service sector and the growth of the informal economy deepened the divide between labor-market insiders and outsiders.

Labor-market insiders comprise the 'old', formal working class represented by unions. They are protected by collective bargaining rights and vote consistently for leftist/labor-based parties. Labor-market outsiders compose a heterogeneous category that includes informal, rural and domestic workers and, somewhat more ambiguously, formal workers (active and retired) who enjoy certain state protections but are not protected by collective bargaining. Unlike insiders, these groups are not represented by unions, are not interested in labor-market regulations or union empowerment, and have an unstable relationship with leftist/labor-based parties: they are more prone to swing between leftist and right-wing parties in elections (Luna 2010). They benefit from social policies that are not tied to employment status, such as conditional cash transfers or universal health care and pensions (Pribble 2013, Garay 2016).

This fragmentation of the popular sector means that leftist presidents cannot forge a winning electoral coalition by adopting the more radical, redistributive preferences of unions and party activists. In other words, appealing to labor-market insiders is

insufficient to win elections. If the Left wants to forge winning electoral coalitions, competition on the Right forces progressive politicians to move beyond their core constituency of labor-market insiders and appeal to labor-market outsiders. But in the economic context described above, where fiscal resources are scarce and labor-market regulations costly, those electoral incentives pull leftist parties further away from their traditional social policy platforms centered on generous redistributive policies towards insiders (expanding social-safety nets in labor markets, promoting decent wages, and increasing unions' power vis-à-vis business).

How does this scenario shape leftist presidents' incentives? Leftist presidents are ideologically committed to redistribution, but have other goals as well, such as winning elections and promoting growth. These latter goals shape the redistributive strategy the president will adopt. Private investors demand low taxes and oppose income and power redistribution towards insiders, because these policies 'distort' labor markets and are frequently more expensive in fiscal terms. By contrast, income redistribution towards outsiders does not conflict with the preferences of private investors or the Right, as outsiders are more interested in (usually cheap) non-contributory programs rather than labor-market regulations or unions' empowerment. Furthermore, targeting income redistribution toward outsiders is the most effective electoral strategy to defeat the Right, as outsiders are the "swing" constituency among the popular sectors (in comparison with labor-market insiders, who are the Left's core voters).

In sum, although leftist governments have a normative commitment to redistribution, they are limited by economic constraints that give them incentives to enact moderate redistributive policies targeted at outsiders. Furthermore, these policies of *Poverty Alleviation* are consistent with the preferences of private investors and parties on the Right, and allows leftist governments to win elections with limited fiscal costs. The corollary of this set of incentives is that leftist presidents, provided they are unconstrained by forces on the Left, will prefer to adopt *Poverty Alleviation*. This represents a cross-class alliance between outsiders and business, and it allows presidents to meet their three objectives (winning elections, redistribution, and economic growth) at the lowest fiscal costs and without risking alienating private investors -the key drivers of economic growth.

Targeting benefits to the poor is fiscally cheaper, saving presidents from investing fiscal resources "redundantly" on a core constituency -insiders- who already votes for the Left. Further, avoiding income and power redistribution towards insiders reduces the uncertainty surrounding the attraction of private investors. It reassures business, who prefer flexible labor-market regulations, low labor costs and exert unilateral control over their workforce. *Poverty Alleviation* provides private investors with certainty, sending them a strong signal about the market-friendly character of the leftist administration. Last, empowering popular-sector organizations increases their capacity to demand more fiscal spending on welfare policies, potentially jeopardizing the attainment of fiscal surpluses that international financial markets demand.

A key assumption of this study is that, left to their own devices, leftist presidents in post-ISI economies engage in very limited redistribution. Unless pressured to do otherwise, leftist presidents will engage in a form of redistribution that is relatively limited and consistent with the other major goals of winning elections and assuring investors. The need to win elections will force them to focus redistribution on the swing

constituency among the popular sectors: labor-market outsiders. Further, redistribution towards labor-market outsiders is consistent with economic demands from international financial markets and business: it does not require labor-market regulations and is fiscally cheap. Last, another force that might pull leftist parties to the Right is the need to forge legislative majorities. When parties on the Right hold a majority of seats in parliament, presidents' capacity to actually govern on the Left may be further constrained. In sum, left to their own devices, leftist presidents will pursue the type of social policies advocated by the 'Washington consensus': conditional cash transfers targeted at those at the bottom of the income ladder.

Explaining Variation in Redistribution: Presidents' Control over the Left Movement

But not all leftist presidents succumb to these pressures. I argue that the extent to which leftist presidents succumb to pressures from the Right depends on their degree of control over the Left movement. Paradoxically, the less control a president has, the more he or she engages in redistribution. More specifically, redistributive strategies are determined by the degree of centralized control the president exerts over three actors in the Left movement: (1) electoral rivals on the Left (*electoral control*), (2) unions and social movements (*organizational control*), and (3) actors within the president's party (*party control*). Presidents need to control these three actors to maintain their leadership over the Left. Presidents exert *electoral control* when they do not face strong competition in general elections from rival political parties or factions on the Left. *Organizational control* is the capacity to avert mobilizational threats from unions and social movements from outside the party (e.g., in the industrial arena or the streets). Last, the president exerts *party control* when he controls his/her party apparatus: that is, when the party leadership, factions, or party base organizations lack veto power over his/her decisions within the party.

What ultimately explains redistributive strategies is the degree to which the president exercises centralized control over these three dimensions. The fewer dimensions under his/her control, the more redistribution. My main argument is that less control entails greater internal threats for the president, forcing him or her to expand social policies to neutralize those threats. Presidents may face three types of threats from actors on the Left: electoral defeat by rival leftist candidates, social protests by unions and social movements, and blockage by internal party actors. Redistribution is a coalition-building strategy that leftist presidents use to cement relationships with actors they do not control. Contra the conventional wisdom, the weaker leftist presidents are within the Left, the more redistribution they pursue.

This theoretical framework explains the different strategies of redistribution adopted by the Latin American Left. As Figure 1.4 illustrates, the fewer dimensions leftist presidents control, the more redistribution. *Poverty Alleviation* was adopted by presidents who controlled the three dimensions of the Left movement: electoral, organizational, and party. The main political threat was electoral defeat by the Right, and they neutralized that threat by expanding social policies towards outsiders. Under *Left Populism* presidents faced an intermediate threat from the Left: presidents lacked electoral and organizational control, but exerted high internal control over their parties. These presidents faced two challenges: neutralizing competition from both the Left and

the Right, as well as defusing the mobilization threats from unions and/or social movements. They achieved these objectives through two types of policies: (1) broad income redistribution policies that benefited both insiders and outsiders, and (2) policies of societal empowerment to forge coalitions with social organizations. However, presidents' high control over the party apparatus hindered organizations' state empowerment.

Figure 1.4. Presidential Control over the Left Movement and Strategies of Redistribution

Threats from Left Movement		Redistributive Strategy
None	→	<i>Poverty Alleviation</i>
Electoral + Organizational	→	<i>Left Populism</i>
Electoral + Organizational + Party	→	<i>Social Democracy</i>

Last, *Social Democracy* is the most generous redistributive strategy, and was adopted by presidents who did not control any of the three dimensions of Left movements. Like presidents under *Left Populism*, they did not have electoral or organizational control. But they faced an additional challenge: actors *within* their party (social organizations, party factions and/or party base organizations) had veto power over party decisions. This scenario forced presidents to negotiate public policies with party activists and social organizations who could demand ambitious income and power redistribution policies in return for their support.

This argument provides an answer to a crucial question of our time: in a globalized economy with rising levels of inequality, what types of government will better fight injustice and promote equality? Many argue that in a globalized world, leaders with considerable autonomy from political parties and interest groups are best suited to bypass 'special interests' and redistribute wealth towards the poor. My analysis argues the opposite. In the world of globalization, presidents are on shaky economic ground, and leaders' control of the Left is inimical to redistribution, as it pulls them towards the social and economic agenda of the Right. Progressive movements need leaders that are held accountable to social organizations and party actors on the Left. These are the type of leaders who are likely to promote equality and fight injustice.

VI. Methodology and Case Selection

This analysis adopts a comparative historical approach that relies on process-tracing to substantiate its hypotheses. The cases selected match on key control or alternative explanatory variables. While the analysis cannot rule out these factors, in a multivariate setting it can assess the relative importance of different independent variables in shaping redistributive outcomes. The cases are Argentina under the administrations of Néstor Kircher and Cristina Fernández de Kirchner (2003-2015), Brazil during the administrations of the *Workers Party* (2003-2016), and Uruguay under the *Frente Amplio* administrations (2005-). They make excellent cases for comparison because they maximize the variation in my dependent variable while also enabling me to assess alternative explanations.

By employing a comparative, small-n research design, I am able to undertake an in-depth analysis of three case studies (Argentina, Brazil, and Uruguay) across three policy areas (income support programs, labor market regulations and pension policies). A small-n research design enables me to assess the complex causal relations between my variables in each case through process-tracing (Brady and Collier 2004). This involves comparing three country cases along three different policy domains, across time.

This multi-level design allows me to explore three sources of variation: between-country, within-country across time, and within-country across policy areas. First, within-country variation across time allows me to understand actors' preferences, uncover casual mechanisms and assess rival hypotheses. Indeed, because this study covers an extended period of time (between 12 and 14 years, depending on the country), it allows me to observe how changes in the value of independent variables across time shape social policy outcomes, while other alternative, national-level explanatory variables remain 'constant'. For example, Argentina and Brazil show considerable variation across time in the level of electoral competition leftist presidents face. I study cases of both successful and failed social policy changes. By analyzing similar attempts to reform social policy over an extended period of time (some successful, some failed), I can develop counterfactuals that help me establish causal relationships.

Second, by analyzing variation across policy areas, this analysis can test its hypotheses across different sets of actors. This analysis studies changes in three types of welfare policies under leftist governments: income support programs, labor-market regulations and pension policies. Within each policy area, state elites deal with different types of actors. For example, new labor policies require governments to negotiate with unions. But when adopting a new income support program, public officials sometimes have to negotiate with social movements representing outsiders. In other areas—for example, pension policies in some countries—governments make technocratic decisions without consulting with interest groups. Therefore, this variation across policy areas allows me to test whether the presence of social organizations, as well as the type of social organization negotiating with the government, has an impact on the type of redistributive policies adopted by the Left. These two sources of within-country variation (across time and across policy areas) are especially important to assess alternative explanations that are based on national-level or sector-specific conditions that may be driving the observed outcomes (Garay 2010).

Last, the analysis of three national cases maximizes variation in the outcomes and explanatory variables while keeping other conditions constant. The three cases showed

striking similarities at the beginning of the 2000s. First, in terms of their ideology, the *Frente Amplio* in Uruguay, the *Workers Party* in Brazil and the *Peronist Party* in Argentina all historically showed strong redistributive preferences (Levitsky 2003, Luna 2007, Hunter 2010). Second, since the mid-1990s, they were among the Left/labor-based parties with the strongest electoral performance in Latin America. Third, these parties had organizational links with the three most powerful labor movements in the region (Cook 2007). Fourth, the cases under analysis exhibited similar socio-economic indicators by the early 2000s in terms of economic development, poverty and—with the exception of Brazil—unemployment¹⁹. Another interesting point of comparison is that Argentina and Brazil had some of the strongest social movements representing labor-market outsiders in Latin America (Garay 2016).

In Chapter 6 I extend my argument to three shadow cases: Chile under Socialist presidents Ricardo Lagos (2000-2006) and Michelle Bachelet (2006-2010, 2014-2018), Venezuela under Hugo Chávez (1999-2013), and Bolivia under Evo Morales (2006-). The analysis of these cases has several advantages. It illustrates how the same factors driving redistributive strategies in my main cases (Argentina, Brazil and Uruguay), also explain the social policy strategies adopted in Chile (*Poverty Alleviation*), Venezuela (*Left Populism*), and Bolivia (*Social Democracy*). Further, these shadow cases afford me additional leverage to rule-out rival hypotheses, such as the power resources theory as well as explanations based on economic and institutional constraints. For example, the cases of Bolivia and Chile illustrate that legislative majorities were neither a necessary (Bolivia 2006-2009) nor a sufficient (Chile 2014-2018) condition for broad redistributive policies. Last, they allow me to test whether my hypotheses are applicable to less developed countries whose popular sectors have a different demographic composition, such as countries where peasants and informal workers' organizations—instead of unions—are the most relevant organizations.

This analysis relies on original data collected for the purpose of this project. I conducted 267 interviews with government officials, legislators from leftist parties and the opposition, party leaders, union and social movement leaders, and representatives from business associations. These interviews allowed me to understand the social policy preferences of the different actors as well as reconstruct the political processes that led to the adoption of different types of redistributive policies. Furthermore, I built an archive of newspaper articles that contains extensive news coverage on changes to (or adoption of) income support programs, labor policies and pension policies in the three main countries. For Argentina, I used the following newspapers: *La Nación*, *Clarín*, and *Página 12*. For Brazil, *Folha de São Paulo* and *Estado de São Paulo*. For Uruguay I used *El País*. For my three cases, I also constructed an original data base that traces the political careers of all top governmental officials, major union and social movement leaders, and leftist legislators that were elected in the late 1990s-early 2000s. The purpose is two-fold: to assess the level of state empowerment of union and social movement leaders during leftist administrations as well as the strength of the prior links between leftist parties and popular sector organizations before the leftist administrations. Last, I used available quantitative data on social policies (especially different measures on each

¹⁹ Unemployment in Brazil was considerably lower than in Argentina and Uruguay by the early 2000s. Also poverty rates in Bolivia were higher.

social program's coverage and benefit levels) to construct my own, aggregate indicator of the generosity of income redistribution in each country.

VII. Organization of the Study

This analysis is organized in seven chapters. Chapter 2 presents my theory of redistribution under the Left. It begins by introducing the main actors in the politics of redistribution and their redistributive preferences. The chapter also discusses the different political threats that the three main actors on the Left (rival parties, social organizations and internal party actors) can exercise to pressure leftist presidents to meet their redistributive demand. The objective of the chapter is to present a more complex version of my theory by dividing it into three distinct hypotheses. The argument is that presidential control over different actors of the Left movement shape different dimensions of redistributive policies. This section also discusses the role of the Right in the politics of redistribution, explaining how and when it enters into the present analysis. The chapter concludes by discussing the conceptualization and measurement of the dependent and independent variables.

Chapters 3-5 draw on the theoretical framework outlined in Chapters 1 and 2 to explain variation in redistributive policies in Brazil, Argentina and Uruguay. Throughout these chapters, I demonstrate that the weaker a president was within the Left movement, the more redistributive were their social policies. In Chapter 3 I explain the origins of the *Poverty Alleviation* model in Brazil. The administrations of *Workers Party* (PT) presidents Lula da Silva (2003-2010) and Dilma Rousseff (2011-2016) targeted income redistribution to outsiders. They did not redistribute income to insiders, nor did they empower social organizations. I show that the PT's timid redistributive policies are explained by presidents' control over the three dimensions of the Left movement. The PT's social policies were established by Lula, who was the unrivalled leader of the hegemonic faction within the PT. Moreover, the party had hierarchical ties with unions and social movements, and faced no competition from rival parties on the Left. The main challenge faced by Lula was electoral competition from the Center-right. He addressed this challenge by adopting two main social policies to attract the electoral support of outsiders: a new CCT, *Bolsa Familia*, as well as generous increases in minimum wages.

Chapter 4 explains the political origins of *Left Populism* in Argentina. This model redistributed income to a broad segment of the popular sectors and societal power to organizations. But it did not redistribute state power. Presidents Néstor Kirchner (2003-2007) and Cristina Fernández de Kirchner (2007-2015) not only faced electoral competition from Peronist rivals, but also mobilizational threats from powerful, autonomous unions and social movements. These electoral and mobilizational threats forced them to adopt broad income and power redistribution policies. Income redistribution benefited both outsiders and insiders: the Kirchners promoted substantial wage increases, universalized access to social security, and adopted generous conditional cash transfers for informal workers. Power redistribution empowered unions and social movements vis-à-vis employers and local elites. These policies included the adoption of a new labor code that empowered unions, the extension of collective bargaining rights to new groups of workers, and the expansion of income support programs administered by unemployed workers' movements. However, organizations were not empowered in the state. Not only were they excluded from political positions in the executive, but the government also engaged in the political targeting of benefits, thus jeopardizing

organizations' autonomy. I demonstrate that this lack of state empowerment is explained by the considerable control exerted by the Kichners over the Peronist party.

Chapter 5 explains the adoption of *Social Democracy* in Uruguay. This strategy redistributed not only income and power between social classes, but also redistributed state power toward social organizations. I show that this strategy is explained by the low level of control exerted by presidents over the Left movement. Leftist presidents Tabaré Vázquez (2005-2010, 2015-) and José Mujica (2010-2015) belonged to the *Frente Amplio*, a party in which factions, party base organizations and unions had considerable power. Moreover, these factions competed against each other in general elections, and unions had considerable autonomy in relation to the party. This fragmentation of power within the Left movement forced presidents to enact generous income and power redistribution policies to build coalitions with different actors on the Left. Income redistribution was broad, benefiting insiders and outsiders. The government adopted generous wage increases, improved access to pensions for both insiders and outsiders, and adopted generous CCTs for outsiders. Further, new labor laws empowered unions in the private and public sector, granted more protections for union activism, and extended collective bargaining rights to domestic, rural, and public workers. Last, in contrast to Argentina, the government redistributed state power to unions: not only were unionists appointed to top positions in the labor ministry and the social security institute, but also the government preserved their autonomy by adopting rule-based policies.

Chapter 6 extends my argument to three shadow cases: Chile, Bolivia and Venezuela. I begin by showing that Chile under Socialist presidents Ricardo Lagos (2000-2006) and Michelle Bachelet (2006-2010, 2014-2018) adopted a *Poverty Alleviation* model. As in the case of Brazil, I demonstrate that leftist presidents adopted this redistributive strategy because they exerted considerable control over actors in the Left movement. The main difference with the PT's strategy in Brazil is that control over social organizations did not stem from hierarchical ties with unions and social movements, but rather from the weakness of these social actors. I then proceed to analyze the case of Bolivia under Evo Morales (2006-). I show how Morales' low control over social organizations and the Left party, the *Movimiento al Socialismo* (MAS), led to the adoption of a *Social Democratic* model. The contrast with Uruguay is interesting because the type of leftist actors driving redistributive policies are different in the two countries. While in Uruguay party factions and party base organizations played a key role in the adoption of *Social Democracy*, in Bolivia this role was played by unions, peasant organizations and indigenous social movements, who exerted considerable pressure over Morales both from within and outside the party. I conclude with the case of Venezuela under Hugo Chávez (1999-2013). I show how political conditions that were similar to those in which Néstor Kirchner came to power in Argentina (low electoral and organizational control, high party control) help explain the adoption of *Left Populism*. However, I also show that Venezuela is an extreme case of *Left Populism*, where Chávez made a much more pronounced use of political targeting than in Argentina. I argue that this difference is explained by the more acute political threats faced by Chávez.

Chapter 7 concludes with some broader theoretical implications. The first part describes the political and social consequences of the Left's redistributive strategies once the left turn in Latin America ended. Through a comparison of Argentina and Brazil under the center-right administrations that followed the end of the left turn, I present

preliminary evidence suggesting that redistributive models that redistribute power—as opposed to only income—are better able to resist policies of welfare retrenchment. In the second part I show how my findings contribute to scholarly debates concerning four important topics: the relationship between globalization and democratic accountability, the politics of welfare retrenchment, the role of the insider/outsider divide in the politics of the welfare state, and the relationship between left parties , redistribution and ‘good’ economic governance.

Chapter 2

A Theory of Redistribution under the Left

This chapter lays out the micro foundations of my theory of redistribution under the Left. It does so by specifying the relevant actors in the politics of redistribution, their redistributive preferences, and the different types of threats they can bring to bear on leftist presidents. These actors are popular-sector voters, social organizations (unions and social movements), and internal party actors. I also explain how actors can use these different threats to force a president to adopt different types of redistributive policies. Specifically, I will present a more complex version of my argument that shows how presidents' control over different dimensions of the left movement shapes different dimensions of redistributive policies. Additionally, this chapter explains in greater detail the role the Right in the politics of redistribution, as well as discusses the conceptualization and measurement of the independent and dependent variables.

I. Actors within the Left Movement: Who Wants What in the Politics of Redistribution.

Leftist presidents had a normative commitment to address the redistributive challenges created by neoliberal reforms. However, they were also professional politicians who used social policy expansion as a coalition-building strategy to guarantee their political survival. Social policy expansion allowed them to forge coalitions with different political actors and groups of voters, who had the power to oust them from power, threaten social peace and/or block their policy initiatives. In the remainder of this section, I describe the relevant actors in the politics of redistribution and their redistributive preferences. The next section explains the different threats each of these actors can bring to bear on leftist presidents, and how presidents respond to these challenges through different types of redistributive policies.

Popular-Sector Voters

Outsiders

Labor-market outsiders are popular-sector individuals who are not represented by unions. It is a heterogeneous category that includes informal, unemployed and, somewhat more ambiguously, formal workers who enjoy certain state protections but are not protected by collective bargaining. These are typically workers and pensioners earning the minimum wage/minimum pension. Unlike insiders, these groups are not represented by unions, are not interested in labor-market regulations or union empowerment, and have an unstable relationship with leftist/labor-based parties: they are more prone to swing between leftist and right-wing parties in elections (Luna 2010). They benefit from

social policies that are not tied to employment status, such as conditional cash transfers or universal health care and pensions (Pribble 2013, Garay 2016).

With the demise of the Industrialization by Import Substitution (ISI) model, unions have lost their monopoly over the organization of the popular sectors (Collier and Handlin 2009), confronting leftist parties with more acute dilemmas when crafting electoral majorities among the popular sectors. During ISI, unions could deliver workers' votes as a block to Left/labor-based parties. With the demise of ISI, however, unions were weakened, and this void was filled by a plethora of informal and unemployed workers' organizations with weaker ties to left/labor-based parties. Unions have a comparative advantage in coordinating insiders' electoral behavior: they are encompassing, have a stable membership base, and are hierarchical organizations that can coordinate with one another. By contrast, outsiders' organizations generally are much smaller in size, have an unstable membership base and face enormous difficulties coordinating with each other (Collier and Handlin 2009). Because of these problems, these organizations are less efficient in terms of delivering popular sectors' votes to parties. The consequence of these developments is that after market reforms, leftist presidents no longer hold a monopoly over popular-sector voters. While insiders can still be regarded as core voters who consistently support left/labor-based parties, outsiders are more of a shifting, swing constituency and are more likely to vote for center or center-right parties (Luna 2010).²⁰

But what do outsiders want? Individuals in this demographic group are more interested in income redistribution than power redistribution. Income redistribution policies reduce their economic insecurity in an immediate and certain way. They provide immediate material relief. By contrast, empowering social organizations to which they are more tenuously associated has a more mediated and uncertain impact on individuals. It is more uncertain because organizations have discretion over *who*—that is, which individuals—are going to be rewarded with the benefits obtained from the government. It is more mediated because organizations have discretion over *how much* they distribute among individuals.²¹ Lastly, it is important to note that among outsiders' organizations, those that have a national scope—the ones more likely to be the target of power redistribution by the executive—only represent a small percentage of informal workers in most Latin American countries (Collier and Handlin 2009). Thus, for the vast majority of unorganized outsiders, power redistribution towards social movements that have a national scope will not necessarily translate into more direct benefits for them.

For all these reasons, outsiders chiefly prefer income redistribution policies that benefit individuals directly. In terms of income support programs, informal workers are interested in cash transfers that offer generous benefits and wide coverage. With regards to pension policies, their first preference will be universal pensions. With respect to labor market regulations, they have an interest in high minimum wages. This is because in

²⁰ However, *organizations* representing outsiders may be an important, core constituency for the Left. But outsiders *as voters* are a shifting, swing constituency for these parties. Empirically, leftist parties may vary in their capacity to actually reach this more shifting constituency.

²¹ Typically, organizational leaders have the discretion to decide what percentage of the benefits received from the government are going to be allocated to the rank-and-file, and what percentage will remain in the hands of organizational leaders. These leaders may choose to invest these resources in strengthening their organizations rather than redistributing them among the rank-and-file.

many Latin American countries, the informal sector encompasses a substantial proportion of off-the-books, salaried workers for whom minimum wage hikes are important because they have a powerful, ‘lighthouse effect’ on their earnings (Marinakis and Velasco 2006). That is, minimum wages serve as a reference point around which employers and off-the-books employees negotiate salaries, and so movements in informal workers’ wages tend to follow those of the legal, minimum wage.²²

Insiders

Labor-market insiders comprise the ‘old’, formal working class represented by unions. They are protected by collective bargaining rights and vote consistently for leftist/labor-based parties. Labor-market insiders are more stable, core voters of the Left. Like outsiders, insiders are also more interested in income redistribution than in power redistribution because income benefits are unmediated and more certain. However, the relative importance of power redistribution for formal workers depends on how encompassing union representation is—that is, on unionization rates and the coverage of collective bargaining agreements. The higher these numbers are, the more workers’ wages are determined by negotiations between unions and employers, making power redistribution relatively more important for formal workers.

In terms of income support programs, insiders do not need CCTs to make a decent income. However, they are interested in family allowance benefit levels.²³ With regard to pensions, they are more interested in reforms to contributory pension systems than in means-tested or universal pensions. Specifically, they are interested in reforms to contributory pension systems that augment benefit levels or make eligibility criteria more flexible.²⁴ In terms of labor-market regulations, they are interested in minimum wage increases, wage hikes by decree, and—to a lesser degree and only for unionized workers—policies that strengthen unions in collective bargaining vis-à-vis employers.²⁵

Popular-Sector Organizations

The main popular-sector organizations in the interest arena are unions—who represent labor-market insiders—and social movements, representing labor-market outsiders. Unlike individuals, the principal goal of popular-sector organizations is power redistribution. Social organizations generally comprise two main groups: the base and organizational leaders. First and foremost, organizational leaders are interested in policies that increase the resources and influence of the organizations they command (Golden

²² Neri, Marcelo, Gustavo Gonzaga, Jose Marcio Camargo. 2000. “Efeitos informais do salário mínimo e pobreza”. FGV EPGE Economics Working Papers, 372. FGV EPGE - Escola Brasileira de Economia e Finanças, Getulio Vargas Foundation (Brazil).

²³ This program protects workers from the social ‘risk’ of having to support extra children.

²⁴ For example, reforms that reduce the number of mandatory years workers need to contribute to be eligible for a pension, or that lower the legal retirement age.

²⁵ Although even unionized workers are more interested in the *results* of collective bargaining—e.g., wage levels—than in the actual procedures by which wages are determined, such as laws that change the centralization or coverage of collective bargaining.

1997:18). Specifically, they are interested in maximizing the redistribution of societal and state power.

Redistribution of state power entails increased power vis-à-vis the national executive. One form in which this can be done is by appointing organizational leaders to top executive positions with policy authority over issues that are central to their redistributive demands. Another way is when the state distributes benefits through rules that remove the possibility of discretion-based allocations that could make them dependent on politicians and reduce their autonomy of action.

Redistribution of societal power entails increasing the demand-making capacity of organizations in the interest arena. Governments can do this by increasing the collective action resources of organizations, their financial and legal resources, or their voice in participatory councils and/or corporatist institutions of representation. For example, when governments endorse laws that increase the bargaining power of organizations vis-à-vis rivals, or deliver resources that increase their mobilizational capacity, there is a redistribution of societal power that favors popular-sector organizations. But organizations representing insiders and outsiders are interested in different policies of societal empowerment.

Unions are interested in laws that strengthen them vis-à-vis employers: centralization/extension of collective bargaining, influence in tri-partite councils that determine welfare benefits, legal protection for activists, or increased state funding for unions.

Social movement organizations representing outsiders want to be empowered by having greater access to material resources, or by participating in the design and implementation of social programs. These organizations usually compete with (but are also rivals of) local political and/or economic elites in a given territory. These elites are typically local party bosses or landlords. They are competitors because they compete for the poor's allegiance: both local party bosses and social movements compete to recruit the same individuals for their organizations. However, they are also rivals because outsiders' social movement organizations mobilize to extract resources from the economic and political elites. In the case of mayors and governors, social movement organizations may demand poverty relief programs or access to public utilities. In the case of agrarian elites, social movement organizations may demand access to land or fairer conditions for tenants.

Unlike unions, social movement organizations —especially those representing outsiders—do not operate within an established legal framework. Therefore, they are less interested in legal changes that may alter their organizational status. Their main interest lies in augmenting their resources for collective action, as well as increasing their participation in the design and/or implementation of social programs.²⁶ Participation in the design allows them to determine the program size and population target, strengthening their collective action resources even further. By taking part in the implementation process, they are able to consolidate and increase their base of support by targeting benefits to movement participants, hence increasing their mobilization power vis-à-vis their rivals.

²⁶ See Garay 2016 for an argument on how social movement leaders are interested in participating in the design and implementation of social programs. However, she claims that income redistribution is equally important for organizational leaders.

Further, organizational leaders prefer social policies that preserve their autonomy. Therefore, they prefer rule-based policies over the political targeting of benefits. This is not to say that organizational leaders do not want to have discretion over the distribution of social programs—quite on the contrary, there is an extensive body of literature that shows both how unions use the Ghent system, as well as how social movements use their influence over the implementation of social programs (Garay 2007), to consolidate their power vis-à-vis the rank and file. What organizational leaders want is for the national government to distribute social programs to organizations in a rule-based manner, as this makes them less dependent on the government.²⁷

Last, organizational leaders have to take into consideration the preferences of their base, whose members are more interested in income redistribution. Thus, the second preference of organizational leaders is for income redistribution that directly benefits their base. Unionists push for higher wages, contributory pensions with higher benefits and more flexible eligibility criteria, and family allowances with higher benefits and broader coverage. Social movement leaders representing informal workers push for a larger number of income support programs to distribute among their base, as well as higher benefit levels for those programs. Interestingly, universal programs are not necessarily in social movement leaders' best interests: because their leverage over the rank-and-file partially depends on their capacity to distribute selective incentives (access to social programs) among the rank-and-file, universal programs actually deprive them of a vital tool for maintaining a large base of followers among the informal sector.

Internal Party Actors

Party organizations on the Left comprise three main actors: party factions, party base organizations, and social organizations. Party factions are led by political elites who compete for the party leadership at the national level. Factions are institutionalized groups within a party. They have their own institutional structure and formal authorities and, therefore, are different from “currents” that may emerge more sporadically within parties. Factions may have different political orientations, and are important actors when they compete for the leadership of the party—and by “competition” I mean the existence of alternation in the party leadership among different factions. A key assumption this analysis makes is that when there is competition among factions, leftist factions and their policy preferences for greater income and power redistribution will have a louder voice in the party. There are two reasons for this. First, in the battle for the party's leadership, the support of leftist factions becomes more important to craft a majoritarian coalition within the party. The greater the division within the party, the louder the voices of more Leftist groups. Second, rival factions will need to compete for the support of the party base—which usually has more radical views than party leaders—, forcing moderate factions to move to the left to compete for its support. For both reasons, competition among party

²⁷ Some organizations allied to the president's faction might prefer discretionary policies because they could confer an advantage vis-à-vis competing organizations. But if labor movements or social movements show enough cohesion (for example, they are united in one labor confederation), they will collectively push for rule-based policies.

factions will force the president to support generous policies of income and power redistribution. Moreover, factions will oppose the political targeting of social programs, preferring instead rule-based policies. The reason is that the president may use political targeting to manipulate social programs for electoral gains, potentially increasing the electoral strength of his/her faction vis-à-vis rival factions in internal party struggles.

Party base organizations operate at the neighborhood level and are run by party activists. They are “party cells” that have direct contact with voters on-the-ground. Examples are the *Unidades Básicas* of the Peronist party in Argentina or the *Comités de Base* in the *Frente Amplio* in Uruguay. Activists in party base organizations have preferences that are to the left of party elites, advocating for policies that maximize the redistribution of income and power. For this reason, they will oppose the political targeting of benefits, which limits organizations’ state empowerment —by making organizations more dependent on the state.

Last, I have already described social organizations and their preferences. The important point to make here is that in addition to being important players in the interest representation arena, they can also sometimes be important actors in the party arena. These organizations sometimes have an institutionalized form of participation in the party organization, allowing them to shape the party program or nominations for elective positions or to influence the election of the party leadership.²⁸

²⁸ This institutionalization might be formal or informal.

II. Political Threats from the Left and Policy Responses

The actors described in the previous section can present political threats to the presidents' re-election prospects as well as his/her governing capacity. These threats can come from three arenas: the electoral arena, the interest arena and the party arena. In the electoral arena presidents face the threat of electoral defeat by rival parties. In the interest arena s/he may face the threat of social unrest by powerful unions and/or social movement organizations. In the party arena, factions, party base organizations and social organizations may have the capacity both to obstruct the president's policy agenda, as well as withdraw their collaboration during political campaigns. The central argument of this analysis is that variation in the extent to which leftist presidents were exposed to these threats from within the Left explains their differing redistribution strategies.

Specifically, presidential control over each of the three arenas within the left movement shapes different dimensions of redistributive policies. For each arena within the Left movement, I will explain: (1) how the lack of presidential control over that arena creates a distinct political threat for the president, and (2) how each type of threat forces presidents to enact different types of redistributive policies. The less arenas the president controls, the more s/he will need to redistribute to neutralize political threats, moving the president further away from the *Poverty Alleviation* approach. At the end of this section, Figure 2.1 summarizes the argument by presenting three hypotheses about the relationship between the nature of the political threat faced by presidents and the type of redistributive response.

1. Electoral Arena: Threat of Electoral Defeat

Nature of the Threat

Electoral competition over popular-sector voters challenges presidents' survival in office. If they lose their electoral majorities among the popular sectors, it is very likely that left incumbents will be ousted from office. Electoral challenges can stem from challengers on the Left or the Right. Electoral control refers to a president's control over competition on the Left. Presidents lack electoral control when they face challenges from other leftist parties or factions that can jeopardize the survival of the president or his/her party in the executive office.

Social Policy Response

Hypothesis 1: When presidents face electoral competition from the Left, they adopt broad income redistribution policies benefiting both outsiders and insiders. By contrast, when electoral competition stems only from the Right, presidents adopt narrow income redistribution policies only benefiting outsiders.

Partisan competition on the Left challenges the president because it undermines his/her ability to obtain electoral majorities among the popular sectors. In this scenario, rival leftist parties compete with the president's party for both the Left's core voters

(insiders) and swing voters (outsiders). In other words, when there is more than one competitive left/labor-based candidate in an election, both outsiders and insiders potentially become swing voters for leftist incumbents. And if the Left goes divided to elections, its chances of winning decrease significantly. The president will respond to electoral competition on the Left by redistributing income toward both outsiders and insiders to secure electoral majorities among the popular sectors.

But when the president's party monopolizes competition on the Left, insiders are a 'secure' constituency. In this scenario, presidents will focus social spending on outsiders. There are three reasons for this. First, because outsiders are swing voters and insiders are core voters, from an electoral standpoint it is more rational to invest scarce resources in outsiders, who have a higher probability of voting for the opposition. Further, although the Left could focus social spending on other swing constituencies (such as the middle-class), appealing to outsiders is fiscally cheaper²⁹. Indeed, since the marginal effect of social expenditures on individuals' well-being is inversely related to their income level, the electoral effect per dollar of social expenditures is higher when social policies are targeted at the bottom deciles of the income distribution.

Last, as explained above, this strategy is compatible with courting international financial markets and private investors. Because these policies are effective in terms of reducing poverty, they allow presidents to validate their credentials as leftist leaders committed to reducing inequality. In other words, *Poverty Alleviation* allows presidents to maximize their three objectives—fostering economic growth, winning elections and promoting redistribution—with minimal economic and political costs.

2. Interest Arena and the Threat of Social Unrest

Nature of the Threat

In the interest arena, the most important resource popular-sector organizations hold is their capacity to stage protests, ranging from strikes that paralyze strategic economic sectors to disruptive street mobilizations or national strikes. Leftist governments cannot use repression to deal with this threat: the electoral costs of this strategy among progressive voters would be too high. Instead, they need to forge coalitions with unions and social movements to achieve industrial/social peace.

Presidents exert organizational control when social organizations have low autonomous mobilization capacity. "Autonomous mobilization capacity" depends on two traits of social organizations: (a) the organization's mobilization power and (2) the type of links between the organization and the governing party. Mobilization power refers to the material resources an organization possesses that enable it to engage in collective action, such as number of members, financial resources, and centralization. The type of links between the organization and the governing party refers to social organizations' tactical *autonomy* vis-à-vis the president's party, that is, whether they have the autonomy to actually decide to use their mobilization capacity against the president. The crucial

²⁹ Moreover, some studies have shown that, from a demographic standpoint, a coalition of insiders and outsiders represent a majority of the adult population in most Latin American countries (Huber and Stephens 2012).

question is whether social organizations can make tactical decisions about mounting a mobilization autonomously from the party or their tactical decisions are instead subordinated to the overall strategy and decisions of the president's party. I term the former type of links *horizontal* ties and the latter type of links *hierarchical* ties. When organizations have strong mobilizational capacity *and* horizontal ties to the governing leftist party, they have autonomous mobilization capacity. These two conditions are separately necessary and jointly sufficient. This concept will be further elaborated in the next section.

Social Policy Response

Hypothesis 2: When social organizations have autonomous mobilizational capacity, governments provide societal empowerment.

When organizations have low autonomous mobilizational capacity, the president will be able to impose his or her agenda on social organizations. If organizations have low mobilizational power, they do not pose a threat to the president: they cannot credibly threaten social peace. Hence, presidents have no incentives for power redistribution. If they have high mobilization power but have hierarchical ties to the president's party, they will also be subordinated to the president's agenda, rendering it unnecessary for the president to make concessions to social organizations s/he already controls. In either of these two scenarios, we will not observe power redistribution.

By contrast, if organizations have autonomous mobilization capacity, the threat of social protests *from outside* the party is high, and presidents are forced to redistribute power towards these organizations in order to secure their support and reduce the levels of social unrest. In order to exert this threat over presidents, social organizations must be able to stage large, massive and disruptive mobilizations at the national level. These are different from protests that are local –for example, protests by neighborhood organizations- or sporadic mobilizations that cannot be sustained over time –for example, a march. But more importantly, they need to be potentially disruptive, i.e. threaten the president's capacity to keep social order.

Because the first preference of social organizations is *power redistribution*, presidents will need to secure social organizations' support by granting them societal power.³⁰ This may sound paradoxical: the president attempts to neutralize the threat of social mobilization by strengthening organizations. But a key effect of societal empowerment is that it *redirects* the mobilizational activity of social organizations. The government attempts to reduce protests against the national executive –which is now an ally that grants benefits to social organizations–, and redirects that mobilization activity against other rivals of social organizations –e.g. employers and/or subnational state elites. For example, the government may grant teachers unions collective bargaining rights at the provincial level in exchange for the end of a national strike. Further, societal empowerment does not necessarily entail that the president loses power: presidents may

³⁰ Moreover, they may redistribute income toward these organizations' base.

use political targeting when they redistribute societal power, thus making organizations more dependent on the government.

3. Party Actors and the Threat of Obstruction

Nature of the Threat

Another challenge presidents may face is opposition from within their own party organizations. This opposition can come from three sources: social organizations, party factions, and/or party base organizations who have veto power over party decisions. Presidents ideally would like to control four key dimensions of the party apparatus: nominations for elective offices, the party's legislative caucus, party chapters on the ground, and the elaboration of the party program.

"Party control" refers to the extent to which party factions, party base organizations, and/or social organizations have veto power over political decisions concerning the party. When these actors wield considerable power in the electoral machine of the party – thus being able to hurt the president's chances of re-election by withdrawing their cooperation in elections-, or when internal party actors can shape or block the president's policy agenda, then the president has low party control.

There are three ways in which these actors could compromise the president's electoral objectives and policy agenda. Legislators may be accountable to party factions or the party executive board, rather than to the president. In this context, presidents will face more difficulties crafting legislative support on the Left, and will be forced to negotiate with factions and/or the party leadership to get legislation approved. This problem will be particularly acute if party factions, social organizations and/or party base organizations have influence in the nomination of electoral candidates. Further, party factions and the rank-and-file may have the institutional prerogative to elaborate the party program, a prerogative that will help them shape the president's redistributive agenda.

Moreover, presidents may need to secure the cooperation of social organizations, party factions and/or party base organizations to get the party machine on the ground running in electoral campaigns. For example, unions and social movements may possess key, on-the-ground electoral machines that are crucial for delivering votes to the party. Generally, the organizational infrastructure of unions and social movements has an advantage in reaching popular-sector voters in their workplaces and neighborhoods. Moreover, endorsement from unions and social movements in political campaigns might serve as an informational cue for workers about where candidates stand on workers' rights. But the influence of social organizations in the electoral machine of parties vary considerably across leftist parties.

Social Policy Response

Hypothesis 3: Lack of party control is the condition for the redistribution of state power.

Presidents prefer to avoid the redistribution of state power. They prefer to limit social leaders' appointments to relevant positions in the state because they may threaten

the consistency of their policies. For example, unionists in charge of the labor ministry can implement wage policies that may jeopardize the inflation-targeting objectives of the government's macroeconomic policies; or social movement leaders in charge of the social development ministry can promote fiscally expensive policies that may threaten fiscal surpluses.

Moreover, presidents would prefer to use *political targeting* in the distribution of benefits rather than rule-based policies. Political targeting allows them to keep social organizations under tighter control: governments can threaten to withdraw benefits from those organizations that decide to end their political alignment with the government. Further, political targeting is more efficient from a fiscal perspective: instead of extending benefits to all eligible organizations—as rule-based policies do—governments can focus their scarce resources only on some organizations to keep social protests under control. Typically, they would steer resources toward organizations with high mobilization power, and/or those that are more likely to enter into long-term agreements given their political ideology or political allies.

But when any of the three internal party actors—party factions, social organizations or party base organizations—are powerful within the party, any one of them have the demand for -and will be able to extract- the concession of state power for organizational leaders. These party actors constitute three alternative forces that can move the president to the Left by making him/her adopt more extensive redistributive policies. But different party actors may have a distinct “effect” on the redistribution of state power.

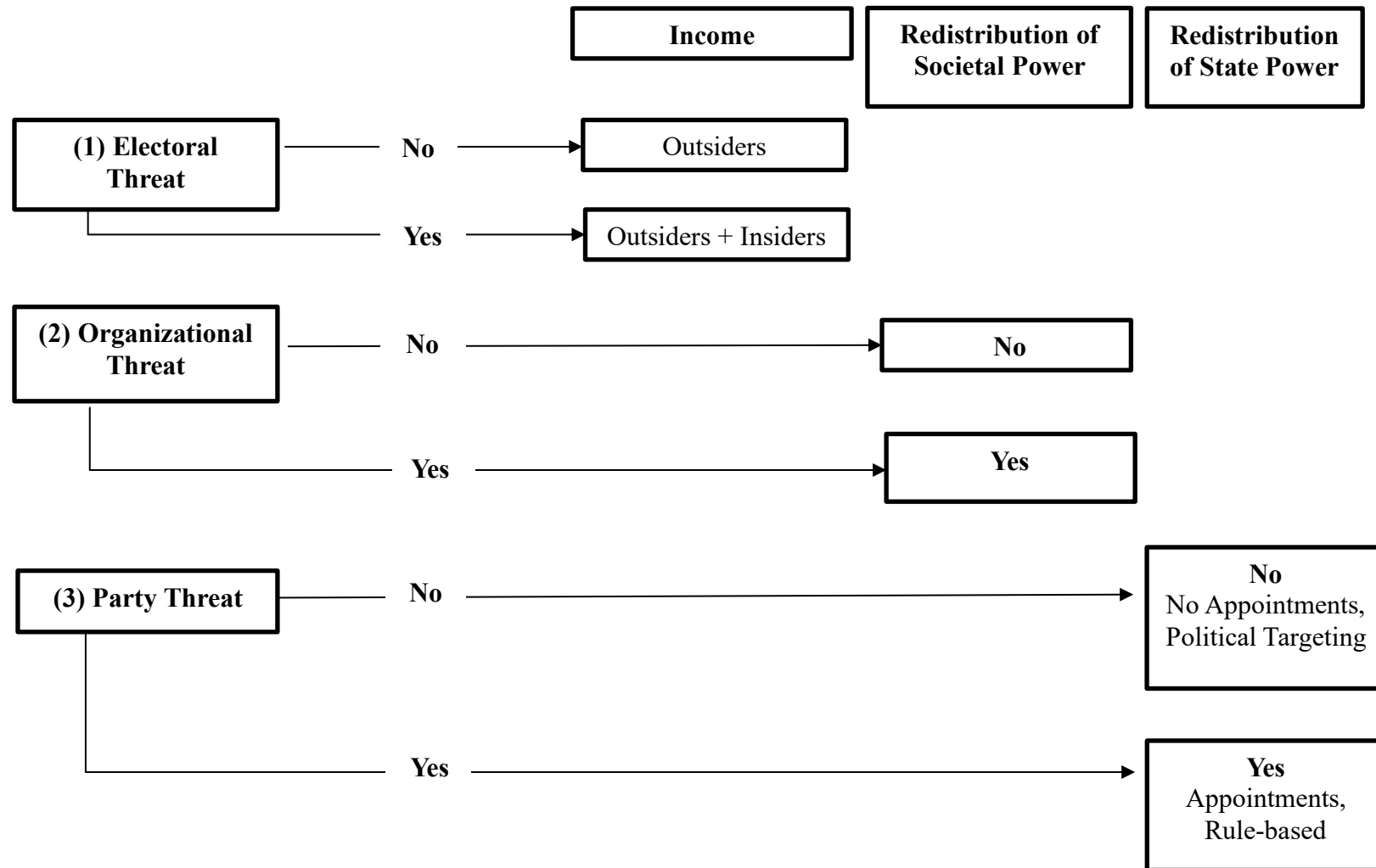
Hypothesis 3a: Lack of control over any of the three actors within the party will produce rule-based policies.

In this context, any one of them have the demand for, and are powerful enough to extract, the concession of rule-based policies for organizational leaders. If social organizations are strong, they will be able to obtain their redistributive preference: rule-based policies that guarantee their autonomy. In other words, they will constrain presidents' capacity to use political targeting to control social unrest. Further, if institutionalized party factions are powerful, rival factions will constraint presidents' capacity to use political targeting to outdo internal party rivals. Last, leftist factions and party base organizations also advocate for rule-based policies because they have more radical programmatic preferences that favor universal and extensive redistributive policies. Political targeting is at odds with their egalitarian ideology and threatens the autonomy of popular-sector organizations they advocate for.

Hypothesis 3b: If social organizations are powerful enough within the party, they will also extract the concession of political appointments in the state.

When social organizations are powerful within the party, they will be able to secure rule-based policies—because these policies grant them autonomy vis-à-vis the state—as well as the appointment of their leaders to top positions in the state. Under low party control, presidents are forced to buy organizations' allegiances by sharing state power.

Figure 2.1. Threats to Presidential Control and Redistributive Policies



III. Conceptualization and Measurement

A. Dependent Variable: Dimensions of Redistribution

This dissertation examines how leftist governments redistribute both income and power towards the popular sectors. In order to analyze these issues, I study social policies that redistribute material resources rather than the provision of in-kind welfare programs such as health or education. Therefore, I focus on changes in the three welfare policies that have the greatest impact on popular sectors' income levels: labor policies, pensions, and non-contributory cash transfers.

I analyze two dimensions of redistributive strategies. The first is income redistribution, where I examine the breadth of redistributive strategies in terms of which popular-sector segments benefit. The second is power redistribution, and I examine the redistribution of both societal and state power.

Income Redistribution (Individuals)

Income redistribution entails the provision of direct economic benefits towards working class *individuals*. I examine the generosity of social policies in terms of their breadth. Social policies are 'narrow' when they only benefit poor outsiders. Examples are redistributive policies that only include conditional cash transfers or non-contributory pensions targeted at poor outsiders. Alternatively, 'broad' social policies are those that, in addition to covering poor outsiders, also benefit better-off outsiders as well as insiders. Typical examples are the adoption of universal pensions or family allowances. A broad social policy could also entail a strategy that combines targeted benefits to poor outsiders with benefits for insiders such as increases in family allowances or wage hikes for formal workers.

Power Redistribution (Organizations)

Redistribution of Societal Power: This type of redistribution entails increasing the demand-making capacity of social organizations in the interest arena. Governments can do so by increasing the collective action capacity of social organizations, their financial and legal resources, or the voice of social organizations in participatory councils and/or corporatist institutions of interest representation. An example of a policy that increases the collective-action capacity of social organizations is one that grants unions a monopoly on representing workers in negotiations with employers. Other types of policies can increase organizations' financial resources. Examples include the establishment of a tax to finance unions, or granting social movement organizations direct state subsidies. Last, governments can increase the voice of social organizations in participatory councils and/or corporatist institutions of representation. For example, social movement organizations can be granted a role in the design and implementation of social policies, or unions can be incorporated into institutions that determine the distribution of welfare policies—for example, the Ghent system in which employers and unions co-manage the unemployment insurance in some European countries.

Redistribution of State Power: This form of redistribution increases the power of social organizations vis-à-vis the national executive. There are two dimensions of state redistribution: (1) political appointments, and (2) the way in which social policy benefits are dispensed, i.e., whether they are rule-based or politically targeted. One way in which governments can redistribute state power is by appointing leaders of social organizations to top executive positions that have policy authority over issues that are central to their redistributive demands. Political appointments increase organizations' influence over the presidents by forcing them to share power over the design of social policies relevant to the sector they represent.

Organizations want access to these positions for different reasons: they can influence the design and adoption of policies that affect organizations' resources as well as the well-being of the individuals they represent. National government officials craft collective bargaining laws that shape unions' power. They also design national social programs that benefit social movements representing outsiders. Because the national executive has a decisive influence over these redistributive policies that affect popular sectors' resources as well as the well-being of their base, social organizations want to increase their influence over the national executive.

Another way in which governments can redistribute state power is by distributing benefits through rules that remove the possibility of discretion in the allocation of benefits. These rules reduce social organizations' dependence on the government and increase their autonomy of action. While political access increases social organizations' influence over presidents (by forcing them to share power in decision-making), rule-based social welfare policies shield organizations from attempts by governments to interfere in the organizations' strategies and internal decisions. In other words, these rules preserve organizations' autonomy by insulating organizations from discretionary behavior on the part of the government that may lead to organizations' cooptation and loss of autonomy.

By contrast, when social policies are politically targeted (allowing the government to reward loyal organizations and punish rival ones), power redistribution is more ambiguous: at the same time that organizations may experience an increase in their collective action capacity or in their financial and legal resources, they may become more dependent on the government for continued access to these benefits.

B. Independent Variable: Presidential Control over the Left Movement

Electoral Control

Electoral threats are challenges from other leftist parties or factions that can jeopardize the survival of the president or his/her party in the executive office. I measure electoral control by two indicators. The first is the percentage of votes the president's party receives relative to the total votes for all leftist candidates. For example, a president whose party receives two-thirds of all votes cast for leftist candidates would enjoy greater electoral control than a president whose party received only one-third of all votes cast for leftist candidates. The second is the ratio of the president's party vote share to that of the second most popular political party on the Left. The focus will be on executive elections: in my theoretical framework, an electoral threat is the threat of being replaced in office

by another candidate. However, I will also look at legislative elections when they are a good proxy for the emergence of an alternative leftist candidate that can credibly challenge the president.

Organizational Control

‘Autonomous mobilization capacity’ depends on two traits of social organizations: (a) their mobilization power and (2) the type of ties linking them to the governing party

(a) Mobilization power (high/low): Mobilization power refers to organizations’ *capacity* to stage large-scale mobilizations against the president. I use three indicators to measure organizations’ mobilization power: the number of members or participants, or, in the case of unions, percentage of total salaried workers who are affiliated with the union; organizational centralization (i.e. whether members are organized at the national, subnational, or neighborhood/firm level); and past disruptive activity (i.e. the number of protests the organization was able to stage in the decade prior to the leftist administration). When organizations have many members, are centralized and exhibited a significant disruptive capacity in the past, they have high mobilization capacity.

(b) Type of links to leftist parties (hierarchical/horizontal): Links to leftist parties refers to social organizations’ tactical *autonomy* vis-à-vis the president’s party, i.e. whether they have the autonomy to actually decide to use their mobilization capacity against the president. The crucial question is whether social organizations can make tactical decisions about mobilizations autonomously from the party (scored as horizontal ties), or if, on the contrary, their tactical decisions are subordinated to the overall strategy and decisions of the president’s party (hierarchical ties).

‘Autonomy’ is a difficult concept to measure. Because I am arguing that autonomy is a cause of redistributive policies, it needs to be measured *before* the beginning of the leftist administration. Furthermore, because ‘autonomy’ is itself an abstract concept, I measure other variables that are associated with different levels of autonomy. These variables are: (1) the strength of pre-existing ties between the party and social organizations, (2) the institutions regulating social organization leaders’ participation in the party, and (3) the influence of the rank-and-file within social organizations.

Strong ties are a necessary but not sufficient condition for hierarchical ties: organizations cannot be subordinated to a party if they do not have ties to it. When there are pre-existing ties, social organization leaders are more likely to have developed double-allegiances (to the party and to the social organizations they command). When there are no pre-existing ties, social leaders have single, corporatist allegiances (to their union or social movement organizations).

I measure these links through two indicators of leadership ties: (1) the percentage of legislators from the leftist party that have a background as unionists, and (2) the percentage of leaders from the main labor confederation that occupied positions of power in the party before becoming leaders of the confederation. For both indicators, the higher the percentage, the stronger the ties between social organizations and the party.

Furthermore, a party's and organizations' formal rules can enhance or limit social organization leaders' autonomy vis-à-vis the party. If the party allows social organization leaders to move up the party ladder, then it is more likely that the party leadership can potentially subordinate organizations' leaders to the party's directives (hierarchical ties). Hierarchical ties make it more likely that social organizations will moderate their redistributive demands in exchange for an improvement in the overall governing (and electoral) performance of the party³¹. However, sometimes institutions regulating parties or organizations do not allow the upward mobility of union/social movement leaders, such as when social organizations' formal or informal institutions forbid their leaders from taking high-profile political posts. In this case, organizational leaders interested in maximizing their career prospects have incentives to focus their professional ambitions exclusively around the fate of the union or social movement they command (horizontal ties).

Finally, the stronger the influence of the rank-and-file within organizations, the harder it is for union or social movement leaders to subordinate their organizations to a political party. When unions or social movements have institutions that hold leaders accountable to the rank and file (i.e. competitive internal elections, strong shop-floor organizations), then subordination to the party is not possible even if it is in the leaders' best interest. If the union leadership experience considerable turnover as a result of elections, shop-floor organizations frequently contest decisions made by the union leadership, or shop-floor organizations have institutionalized participation in decision-making procedures, then the rank and file is powerful within unions or social movements.

In sum, when organizations have strong mobilizational capacity *and* horizontal ties to the governing leftist party, they have *autonomous mobilization capacity*. These two conditions are separately necessary and jointly sufficient.

Party Control

Presidents have low electoral control when they are constrained by powerful, internal actors within the party. These actors are party factions, the party base organizations, and/or social organizations. When they have veto power over political decisions concerning the party, the president has low party control. I examine internal actors' veto power over the following party dimensions: nominations for elective positions, the behavior of the party's legislative caucus, party chapters on the ground, and the party's programs.

³¹ There are two reasons why this is the case. First, a more electorally competitive party brand benefits social organization leaders' own political careers. Second, the party leadership can use social organization leaders' political ambition as a tool to discipline them, offering promotions within the party ranks in return for obedience.

IV. The Role of the Right in Redistribution

An important issue is when and how the Right matters for redistributive policies. The present analysis certainly does not argue that center and center-right parties do not matter for redistributive policies. Rather, the argument is that variation in the strength of the Right cannot account for the question addressed by this analysis: when Left governments move away from *Poverty Alleviation* approaches that only target outsiders, to more comprehensive redistributive policies that redistribute income toward insiders as well as empower social organizations.

Specifically, this analysis makes three arguments in relation to the role of the Right in redistributive policies. First, electoral competition from the Right leads to the *expansion* of income redistribution toward outsiders. Second, although the legislative strength of the Right makes it more costly for governments to move to more comprehensive types of redistribution, my analysis shows that variation in redistributive policies is best explained by intra-left politics. Finally, this analysis argues that the Right has different ‘effects’ on redistributive policies during normal times and political crises. While in normal times legislative opposition by the Right might give presidents incentives to restrict redistribution, in times of political crises the opposition can pose extra-electoral threats —mass mobilizations demanding the president’s resignation, threats of political impeachment— that may create incentives to expand redistributive policies. Before discussing each of these points in turn, I begin with a description of the redistributive preferences of the center-right opposition.

The Opposition’s Redistributive Preferences

Two actors are central in the opposition camp: opposition center-right and centrist parties, and these parties’ core constituency: business associations. These groups do not oppose income redistribution to outsiders for two reasons. First, because outsiders are the key swing constituency the opposition needs to court in order to defeat leftist rivals in elections, they cannot openly oppose social programs that benefit this constituency. Second, it is a form of redistribution that does not contradict their market orientation. In comparison to social policies for insiders, they are fiscally cheap —thus not requiring high tax hikes—, do not increase labor costs, and allow employers to maintain their control over the workforce.

After neoliberal reforms in the 1990s exacerbated poverty and/or unemployment in most countries, even center-right think tanks, such as the World Bank or the Inter-American Bank, began to sponsor and even finance conditional cash transfers for the poor as part of a broader strategy of sponsoring ‘socially sustainable’ development. Further, many center and center-right parties, particularly Christian Democrats, may have programmatic commitment social policies that would reduce poverty levels.

While the opposition might tolerate (and even support) moderate income redistribution targeted at outsiders, it opposes social policies that benefit insiders. This is partly explained by center-right parties’ worldviews that only the ‘deserving poor’ should benefit from welfare policies. But it also responds to the interests of these parties’ core constituency: business. Employers oppose pro-worker, labor market regulations, such as policies that strengthen unions in collective bargaining or augment wages, because they

increase labor costs and reduce businesses' power vis-à-vis their workforce. They also oppose social policies that benefit formal workers because these are fiscally more costly, leading to tax increases on business and the affluent. In sum, in post-ISI Latin America, the major conflicts over social policy expansion do not revolve around *whether* social policies are expanded. On the contrary, the crucial political battle is fought over *which* social policies are expanded: whether the new policies are limited to outsiders, or also include insiders and power redistribution.

Electoral Competition from the Right

Electoral competition from the Right may lead to more generous income redistribution toward outsiders. As explained above, within Latin America's popular sectors, electoral competition between the Left and the Right is primarily a competition for outsiders' votes. When this competition from the Right emerges, the Left will have incentives to expand social policies to outsiders to neutralize this threat. In other words, in my model, electoral competition between the Left and the Right is one of the factors that explains both the timing as well as the generosity of income redistribution policies towards outsiders.

However, electoral competition from the Right cannot explain when leftist governments decide to move to more extensive redistributive approaches that include insiders and redistribute power. On the contrary, as explained above, the Right opposes these policies because they are fiscally expensive and 'distort' labor markets.

Legislative Resources of the Right

The opposition might try to shape or block the president's policies if it has a majority in Congress. In this context, Leftist president will face more difficulties to adopt redistributive policies. However, explanations based on the legislative power of the Right are insufficient to explain variation in redistributive policies because of two problems: they do not acknowledge the institutional powers of Latin American presidents to bypass Congress, and they confound *capacity* with *incentives* for redistribution.

First, even if center/center-right parties oppose social policy expansion, Latin American presidents can frequently use their extensive decree powers -or even engage in constitutional reforms- to circumvent veto points in the legislature (see Chapter 1). The case of the first Evo Morales administration in Bolivia (2006-2009) illustrates how a president can engage in extensive redistributive policies even when he lacks legislative majorities (see Chapter 6).

Second, an explanation centered on the power of the Right confounds capacity with incentives. Presidents could have legislative majorities to advance redistributive reforms, yet lack the incentives to enact them. That leaves open the question of incentives. If there are no actor on the Left with the power to demand these policies, president may prefer to reassure private investors and international financial markets by redistributing very little. For example, the second Bachelet administration (2014-2018) counted with solid electoral majorities that allowed her to enact bold electoral, educational and tax reforms. However, her tight control over the Left movement meant

that she had scarce incentives to adopt extensive redistributive policies toward the popular sectors. (see Chapter 6)

Further, the Right might have the legislative capacity to block reforms but lack the electoral incentives to oppose social policy expansion. As explained above, the Right will not oppose the expansion of income redistribution for outsiders. Further, the Right does not have incentives to oppose the expansion of pension benefits. Because most welfare states in Latin America have public, earnings-based pensions with rules that apply to both unionized workers and the middle-class, policies that increase pension benefits or make access to contributory pensions more flexible also benefit the middle-class. Because the latter is a key electoral constituency of center/center-right parties, the center-right cannot oppose these reforms without losing electoral support among this key constituency³². Thus, among the three policy areas analyzed in this study —income support programs, pensions and labor policies-, it is only with respect to labor policies that the Right has a clear incentive to oppose redistribution.

The Right in Times of Political Crises

Last, opposition from the Right may pose the risk of ousting the president from power through extra-electoral means. Mass mobilizations in the streets and/or the threat of political impeachment creates a political crisis in which opposition from the Right might lead, paradoxically, to more redistribution. The reason is that presidents may need to mobilize loyal organizations in the streets to demonstrate support and attempt to remain in office.

In “normal times”, i.e. when presidents can only be ousted through electoral means, presidents need only the *acquiescence* of social organizations -i.e. prevent them from staging disruptive protests in the streets and/or the industrial arena. However, in times of political crises, the president will need the *active mobilization* of organizations to remain in office. Specifically, presidents may need to mobilize allied unions and social movements in the streets to counter the protests of opposition parties or rival interest groups, or to exhibit mass support to stop a potential political impeachment.

My theoretical prediction is that moving from *acquiescence* to *active support mobilization* will force governments to make more concessions to social organizations. Specifically, in this situation, presidents will respond to demands for power as well as income redistribution. Chapters 4 and 5 analyzes two episodes of political crises in Argentina and Brazil that support this claim. However, they also show that redistributive policies born out of political crises might be short-lived: after political crises were over and presidents regained their political strength, they reversed some of the redistributive policies that allowed them to remain in office.

³² Needless to say, the incentives for the Right are very different when it moves from the opposition to the executive office. The imperative of keeping fiscal surpluses or lower taxes to promote economic growth might force them —as also happened to be the case with many leftist administrations— to engage in welfare retrenchment. The Right turn in Latin America is one of such cases, and is discussed at length in the Conclusions.

V. Conclusions

I conclude by describing how my cases score on the independent and dependent variables presented. In Brazil, leftist presidents were hegemonic within the *Workers Party*, the party faced no competition on the left, and unions and social movements were subordinated to the party. In this scenario of high party, electoral, and organizational control, presidents had incentives to adopt the least redistributive strategy: *Poverty Alleviation*.

In Argentina, the Kirchners faced significant electoral and organizational threats: not only did they face electoral competition from rival Peronist candidates in elections, but took office in a context of high disruptive mobilizations staged by unions and unemployed workers' social movements. However, they did control one key dimension of the leftist movement: the Peronist party. Party control not only allowed them to deal with electoral and organizational threats through the use of political targeting, but also to exclude social organizations from top positions in the state. In other words, leftist presidents could respond to strong electoral and organizational threats through generous income and power redistribution between social classes, but without giving away state power (*Left Populism*).

Lastly, leftist presidents in Uruguay were in the weakest position vis-à-vis the leftist movement. Leftist presidents did not control the party organization: factions, party base organizations and unions had considerable influence over party decisions. Further, the president's faction faced constant electoral challenges from rival factions, both in legislative and executive (primary) elections. Lastly, unions were very autonomous from the party, and could credibly threaten to mobilize against the president. In the presence of this triple threat (electoral, organizational and party), leftist presidents had to build coalitions among leftist actors through the more costly strategy: *Social Democracy*. This included not only redistribution of income and power between social classes, but also sharing state power with factions and unions.

Chapter 3

Brazil: Poverty Alleviation

This chapter explains the contours and causes of *Poverty Alleviation* in Brazil under the two presidents of the Workers Party (PT): of Lula Da Silva (2003-2010) and Dilma Rousseff (2011-2016). It analyzes why the PT governments adopted the most limited strategy of redistribution, targeting only the poorest outsiders and not engaging in any form of power redistribution. The PT government adopted two flagship policies to reduce poverty levels among outsiders: a new CCT called *Bolsa Família*, targeted at informal workers at the bottom of the income ladder, and a generous minimum wage increase that benefited a broader segment of labor-market outsiders. But the government neglected labor-market insiders, curtailing public workers' pensions, refusing to reverse Neoliberal reforms to the private pension system, and failing to promote unions' main demand: a reform of the labor law that would empower unions. Instead, its main strategy towards popular sectors organizations was cooptation: union and social movement leaders were incorporated into symbolic state positions with no substantial decision-making power over redistributive policies.

The PT was able to adopt this limited model of *Poverty Alleviation* because the highly centralized control exercised by PT presidents over the left movement insulated them from effective demand-making by popular-sector constituencies. PT presidents had high electoral, organizational, and party control. Low electoral competition on the Left (electoral control) made labor-market insiders a reliable support base with little opportunity to threaten defection, giving presidents few incentives to appeal to them with generous income redistribution policies. Nor did these presidents need to adopt power redistribution policies to court the support of strong unions and social movement, since they were already subordinated to the president's party (organizational control). Last, both Lula and Dilma were elected with the support of the hegemonic faction within the PT, *Articulação*, which had total control over the party organization. Thus, their main challenge was electoral competition from the Center-Right, and they tried to neutralize that moderate challenge through a timid redistributive policy: income redistribution targeted at labor-market outsiders. Moreover, this strategy allowed the PT to reassure private investors and international financial markets by bolstering its economic credentials as a party committed to 'responsible' fiscal policies and market-friendly regulations.

The chapter is divided in two sections. The first section explains the adoption of the PT's early *Poverty Alleviation* policies: the expansion of CCTs towards poor outsiders, as well as the retrenchment of welfare policies for insiders. The second section deals with a later phase (2005-6), when the PT expanded social policies to a broader group of outsiders through minimum wage increases. Moreover, during this phase there was a brief state empowerment of unions in 2005-2006. I show that these two policies were a response to new political challenges faced by Lula: (1) increased competition from the Right, and (2) the threat of extra-electoral removal from power, which forced the president to increase union support to actively mobilize in the streets in his defense.

The expansion of income redistribution toward outsiders is consistent with my argument: an electoral challenge from the Right triggered social expansion toward outsiders, but not to insiders. The brief state empowerment of unions is theoretically interesting because it helps us refine the concept of “organizational control.” This analysis shows that while during normal political times presidents are interested in securing the *acquiescence* of organizations, in moments of political crisis they may need to secure their *active mobilization*—a strategy that allows social organizations to demand more redistribution in exchange for their increased, active cooperation.

I. The Political Origins of *Poverty Alleviation* in Brazil: Welfare Expansion towards the ‘Deserving Poor’

October 27, 2002 was a watershed moment in Brazil: a country that had been run by economic and military elites for centuries elected its first working-class president. Luis Ignacio ‘Lula’ Da Silva was Brazil’s most prominent leftist leader. He was an emblematic leader of Brazil’s labor movement, who in the late 1970s organized automotive industry workers on the shop floor against the military dictatorship. He was also the founder of the *Workers Party* (PT), a party created by unions and social movements to advance the redistributive demands of the popular sectors in a country marked by deep social inequalities and ruled by political parties deeply connected to Brazil’s economic elites. What made Lula’s election unique was not the presence of a president sympathetic to unions’ demands: from Getúlio Vargas to João Goulart, Brazil had been ruled by populist presidents who mobilized the popular sectors ‘from above’ through the use of the state apparatus. Rather, Lula’s election was unique because for the first time in Brazil’s history, a political party created by labor unions reached the apex of Brazil’s political system by appointing one of its own. Brazil’s first working-class president seemed destined to change the course of Latin America’s most inegalitarian country.

Yet, once in office Lula faced competing pressures: the redistributive demands from his party base often clashed with the governing and electoral needs of the administration. The PT had strong links to some of the most powerful unions and social movements in the region. Unions in São Paulo’s industrial belt, Progressive Catholic activists in the North and Landless Peasant movements in the South were central actors in the creation and/or expansion of the party (Keck 1992)³³. Because the majority of PT leaders had been activists in these organizations, they hoped that a PT government would finally turn these historic redistributive demands into public policies. Unions had fought for decades for a union reform that would dismantle state-corporatist laws: they advocated for a new labor code that would weaken state-sponsored unions, deepen union democracy and empower labor vis-à-vis business. Landless peasants’ movements had been successful in pushing for land reform in the 1990s, during Fernando Henrique Cardoso’s (FHC) center-right administration (1995-2002). They expected that a new, left-leaning administration would expand upon Cardoso’s timid agrarian reform by pursuing a more aggressive policy of land expropriation. Lastly, popular sector voters hoped that Lula would adopt social programs to alleviate extreme poverty in the Northeast, increase minimum wages—which had grown at a slow rate during Cardoso’s administrations—and reverse pension reforms that had cut workers’ benefits during the 1990s.

However, Lula also faced strong electoral and economic incentives to moderate his redistributive policies. These pressures came from international financial markets and business, as well as from center and center-right parties. Lula’s past credentials as a socialist leader generated great concern among financial markets; after all, Lula had advocated for radical socialist policies in the past, such as sweeping agrarian reform, defaulting on Brazil’s foreign debt, and the nationalization of Brazilian banks (Keck

³³ The role of Catholic activists linked to priests enrolled in liberation theology is well documented in scholarly work on the formation of the PT (Keck 1992). These groups formed the *Comunidades Eclesias de Base* (CEBs),

1995). During the 6 months that preceded the 2002 presidential election, investors' fears that Lula could reverse pro-market reforms and steer Brazil towards a populist model were expressed through multiple economic indicators. Brazil's stock exchange index plummeted: Standard and Poor's stock market index for Brazil showed a drop of almost 50% between April and October 2002 (Campello 2015:96). The *real*—Brazil's currency—depreciated, causing a spike in inflation, such that by April 2003, the annualized rate of inflation in Brazil had doubled, reaching 15% (Campello 2015:99). Interest rates rose from 18% to 26.5%. In sum, markets were skeptical of the PT's commitment to a market economy and threatened Lula with a gloomy prospect: a new leftist administration facing economic stagnation, rising foreign and domestic debt, and skyrocketing inflation. In response, and less than four months before the 2002 presidential election, Lula published a '*Carta ao povo Brasileiro*' (Open Letter to the Brazilian People). In this letter, he expressed his firm commitment to keep in place not only Cardoso's economic reforms, but also Cardoso's orthodox macroeconomic policies, which had brought stability to Brazil's economy after years of hyperinflation and meager growth rates.

The logic of electoral competition gave the PT further incentives to moderate its agenda and compete as center-left party. Indeed, there were two reasons that caused the PT to moderate its programmatic platform after its defeat in the 1994 presidential elections. First, the logic of partisan competition forced the PT to move to the center-left. Before 1994, Cardoso's *Partido da Social Democracia Brasileira* (PSDB) was the main center-left party in Brazil, while the PT represented the far-left option. However, Cardoso's neoliberal reforms in the 1990s entailed the PSDB moving to the center-right of the political spectrum, leaving a political vacuum in Brazil's ideological space that the PT rapidly occupied (Hunter 2010:458). Second, substantial parts of Brazil's electorate did not embrace radical leftist policies. The success of FHC's *Plano Real* in fighting inflation had proved crucial in Lula's defeat in the 1994 presidential election, especially among the middle class and the poor, whose purchasing power increased as inflation fell (Hunter 2010:460). Moreover, most of Brazil's electorate was not very ideological and did not identify with any party (Zucco Jr. 2007, Lucas and Samuels 2010, Mainwaring 1999). Lastly, center and center-right parties dominated Congress. Although Lula was able to craft a stable legislative coalition with centrist parties that lacked a clear programmatic orientation, this coalition would limit his political capacity to enact reforms.

In sum, Lula faced competing demands: on the one hand, the PT was a powerful, cohesive party apparatus strongly linked to unions and social movements, whose base demanded far-reaching redistributive reforms. The support from PT's core base of party activists, unionists and social movement leaders had been crucial to get him elected in the first place. On the other hand, economic and political constraints pushed him in a more moderate direction. Pursuing the historic redistributive demands of the PT base would collide with voters' demands for economic stability. Furthermore, markets demanded a strong commitment from Lula to cut fiscal deficits and pursue tight monetary policy. Failing to court financial markets' support could lead to capital flight, depreciation of the real and increasing difficulties servicing Brazil's already onerous public debt.

A. High Presidential Control over the Left Movement

Lula had a key resource that allowed him to retain both constituencies at the same time: his centralized control over Brazil's Left movement during his two administrations. Centralized control allowed him to neutralize redistributive pressures from below without losing his support base among popular sector individuals and organizations. This, in turn, allowed him to appeal to international financial markets and business through fiscally conservative policies and by forgoing power redistribution towards the working-class. Three traits of Brazil's Left movement allowed Lula to exert a centralized control over it: the absence of electoral competition on the Left, the subordination of strong unions and social movements to the PT, and the president's internal control over a disciplined party apparatus (Table 3.1). In the following sections I provide empirical data to substantiate each of these claims.

Lack of electoral competition on the Left ensured that insiders were a secure constituency for PT. This allowed Lula to focus his social policy expenditures on outsiders, the swing constituency that was more vulnerable to center-right competition. Control over social organizations allowed Lula to successfully resist unions' and social movements' demands for power redistribution. Both factors facilitated the PT's strategy of courting the support of business and financial markets: while social policies benefitting informal workers were fiscally cheap (thus affording the government the capacity to maintain fiscal surpluses, just as markets demanded), the lack of power redistribution—that is, neither empowerment of unions in industrial relations nor agrarian reform for landless peasant movements—enabled Lula to maintain his support among domestic business and agrarian elites. Finally, Lula's internal control over the PT diminished unions' and social movements' capacity to push for their empowerment in the state.

Table 3.1: Level of Presidential Control over Brazil's Left Movement

Electoral Control Over other parties and factions on the left	High <i>PT monopolizes competition</i> on the Left
Organizational Control Over unions and social movements	High <i>Strong unions subordinated to the PT</i> CUT (hegemonic) <i>Strong social movements with strong ties to PT</i> MST (landless peasants)
Party Control Over the party apparatus	High <i>Legislators disciplined</i> by PT leadership <i>Local party chapters subordinated</i> to national leadership <i>Lula's faction</i> (Articulação) <i>dominates</i> the party

High Electoral Control: No Electoral Rivals on the Left

Lula assumed Brazil's presidency in 2003 as the uncontested leader of the most centralized leftist movement in Latin America, whose main traits are described in Table 3.1. The PT had exhibited two salient characteristics since the return of democracy in 1985: it faced no significant partisan competition on the left side of the country's political spectrum (Samuels 2003, Roberts 2013), and Lula's faction has been always hegemonic within the party.

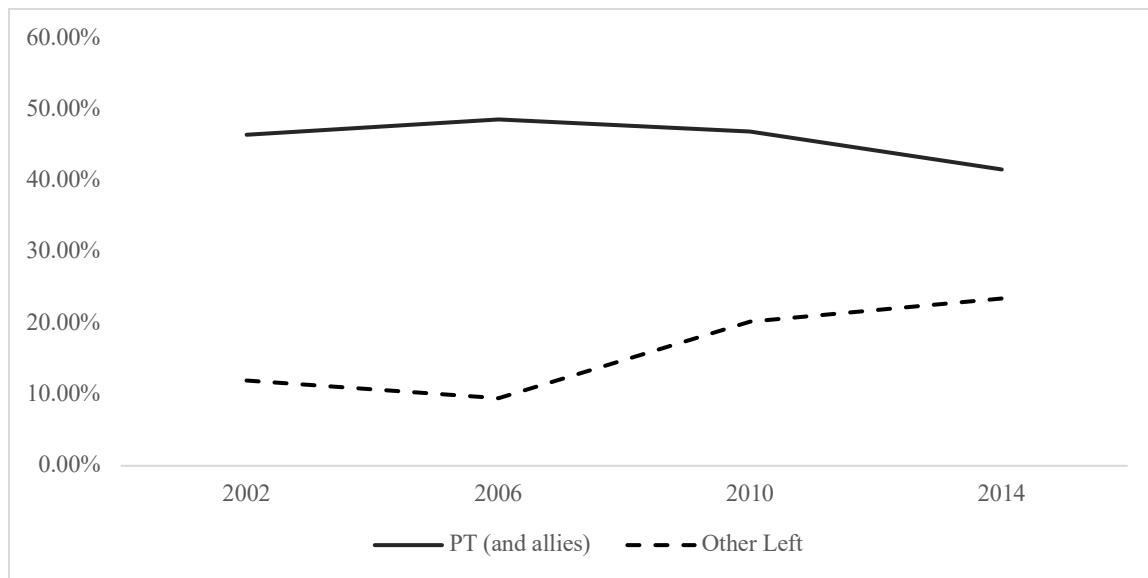
From the return of democracy in 1985 until 2014,³⁴ the PT led a broad electoral and legislative coalition that included the main Brazilian parties on the left: *Partido Socialista do Brasil* (PSB), *Partido Comunista do Brasil* (PCdoB), the *Partido Democrático Trabalhista* (PDT), the *Partido Verde* (PV) and the *Partido Comunista Brasileiro* (PCB). Despite the existence of these different parties, the PT had uncontested hegemony within the Left.

Indeed, the PT has been absolutely hegemonic within the left in presidential elections. The PT's main competitors were center-right candidates from the PSDB, not

³⁴ An important splinter occurred in 2014 when the Socialist party decided to run with its own candidate against Dilma Rousseff.

leftist challengers: between 2002 and 2010, PT presidential candidates obtained between 70% and 83.67% of the vote share within the Left (Figures 3.1 and 3.2). Figure 3.1 refers to ‘PT and allies’ because the PT’s presidential candidates were consistently endorsed by other, less powerful parties in presidential elections. There were four main parties on the left that supported the PT’s presidential candidates: the *Partido Comunista do Brasil* (PCdoB), the *Partido Comunista Brasileiro* (PCB) and, since 2010, the *Partido Democrático Trabalhista* (PDT) and the *Partido Socialista Brasileiro* (PSB). There were also other center and center-right parties that endorsed the PT’s presidential candidates. Since 2010, the most prominent of these were the centrist *Partido do Movimento Democrático Brasileiro* (PMDB), as well as other minor, center-right parties such as the *Partido Liberal* (PL)—later rebranded as the *Partido da República* (PR)—and the *Partido Republicano Brasileiro* (PRB).

Figure 3.1. PT’s vs. Other Leftist Candidates’ Vote Share – Executive Elections (% of Total Votes).



Source: Author’s elaboration with data from the Political Database of the Americas <http://pdba.georgetown.edu/> PT Coalition in each election: 2002: PT-PL-PCdoB-PMN-PCB; 2006: PT-PRB-PCdoB; 2010: PT-PRB-PDT-PMDB-PTN-PSC-PR-PTC-PSB-PCdoB; 2014: PT-PMDB-PSD-PP-PR-PROS-PDT-PCdoB-PRB. Other Left in each election: 2002: PPS-PDT-PTB Coalition; 2006: PSOL-PSTU-PCB Coalition, PDT; 2010: PV, PSOL; 2014: PSB-PHS-PRP-PPS-PPL-PSB-PSL Coalition, PSOL, PV

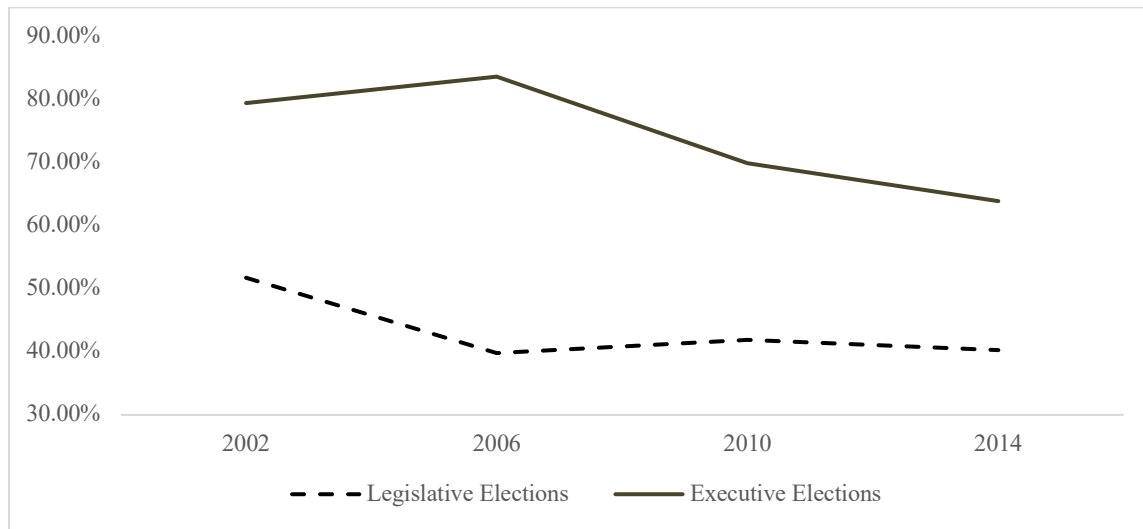
Figure 3.2. PT's Vote Share – Legislative Elections (% of Votes).



Source: Author's elaboration with data from Banco de Dados Eleitorais Do Brasil <http://www.tse.jus.br/>). Other Left in each election: 2002: PCdoB, PDT, PSB, PPS, PV; 2006: PCdoB, PDT, PSB, PPS, PV, PSOL, PHS; 2010: PSB, PDT, PV, PCdoB, PPS, PSOL, PHS; 2014: PSB, PDT, PPS, PCdoB, PV, PSOL, SD

In terms of legislative elections, Brazil presents a more complex picture. If we only look at the vote share of the PT, the data may suggest some competition, because the PT obtained only between 41.88% and 51.76% of the votes among the Left (Figures 3.1 and 3.3). For the lower chamber, legislators are elected based on an open-list, proportional system.

Figure 3.3. PT's Vote Share, National Executive and Legislative Elections (% of Total Votes for the Left).

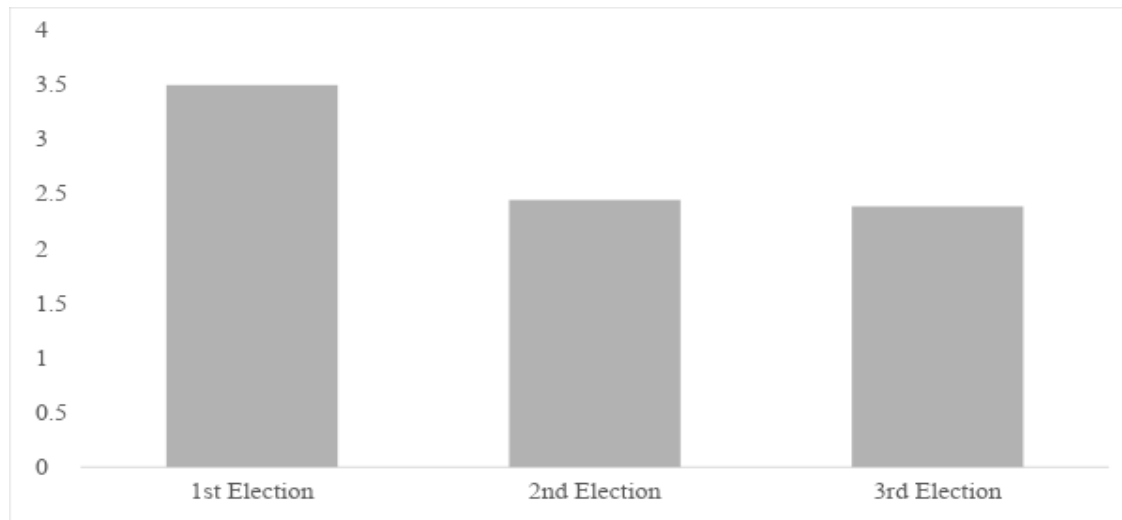


Source: Author's elaboration based on data from Banco de Dados Eleitorais Do Brasil (Legislative Elections) and the Political Database of the Americas <http://pdba.georgetown.edu/> (Executive Elections). Classification from left parties follows the same criteria as in figures 1 and 2.

However, the PT managed to become the dominant force on the Left in the Brazilian legislature largely because its leftist rivals were extremely atomized (Table 3.2). Measured by incumbent-challenger ratios,³⁵ the PT's vote share was between 2.4 and 3.5 times higher than that of the second largest leftist party in parliament (Figure 3.4).

³⁵ As was explained in Chapter 2, the incumbent-challenger ratio measures the ratio between the votes obtained by the incumbent's party (in this case, the PT), and the leftist party receiving the second, largest number of votes.

Figure 3.4. Incumbent/Challenger Ratio on the Left, Legislative Elections in Brazil.



In sum, the PT ruled within the left because it was the only large, cohesive party in a leftist political space marked by atomization. Because of this hegemony, during most of the PT administrations, almost all major leftist parties with parliamentary representation were part of the PT-led legislative caucus and supported the PT's presidential candidates (Limongi 2007).³⁶ Furthermore, for most of the period, leftist parties other than the PT did not run their own presidential candidates or hold primaries to select a candidate from among the different leftist options. On the contrary, they mostly supported Lula's presidential candidacy from the inauguration of direct presidential elections in 1989 until 2014.³⁷

As can be observed in Table 3.2, the Left never achieved legislative majorities in Congress. However, this did not lead to legislative gridlock because of the non-programmatic character of most Brazilian political parties. Indeed, with the exception of its two main programmatic parties, the center-right *Partido da Social Democracia Brasileira* (PSDB), and the center-left PT, most Brazilian parties did not have a marked political ideology (Mainwaring 1999). This allowed Lula to craft a legislative coalition with Brazil's largest political party in Congress: the *Partido do Movimento Democrático Brasileiro* (PMDB), a centrist party without a clear programmatic profile. In exchange—

³⁶ This scenario somehow changed in 2014, when the *Partido Socialista Brasileiro* (PSB) left the PT-led coalition. In 2009, Marina Silva—a former PT member who abandoned the government in 2009—emerged as an important rival in presidential elections by putting together a diverse and changing coalition of small progressive parties discontented with the PT's policies. However, her electoral appeal was strictly a function of her favorable public image. She had no stable partisan structure of her own and her opposition to the PT rested more on post-materialist issues that appeal to the middle-class, such as environmental policies and the fight against corruption, rather than on the classic, materialist redistributive policies that were at the center of the PT's appeal to popular sector voters.

³⁷ There are, however, some exceptions to this. In 1990 and 1994 the PDT ran its own presidential candidate, Leonel Brizola, but the results he obtained were so meager in 1994 (3.18% of the votes) that the party never attempted to run for the presidency again. In 2002 Ciro Gomes, from the PPS, ran for president with the support of the PDT and the PTB, but since then the PPS and PDT have always supported the PT's candidates for the presidency.

as will be explained in greater detail below—Lula appointed PMDB leaders to several ministries.

Table 3.2. Leftist Parties' Performance in National Legislative Elections (% of votes).

	2002	2006	2010	Averages
PT	18.76	15.30	16.96	17.01
PCdoB	2.29	2.17	2.86	2.44
PDT	5.23	5.31	5.05	5.20
PSB	5.38	6.27	7.13	6.26
PPS	3.13	3.97	2.64	3.25
PV	1.38	3.68	3.86	2.97
PSOL		1.26	1.19	1.23
PHS		0.48	0.80	0.64
Total Left Votes	36.17	37.95	40.50	38.21
% PT Over Left	52.00	40.00	42.00	44.67

Source: Author's elaboration based on data from Banco de Dados Eleitorais Do Brasil. Classification from left parties follows the same criteria as in figures 3.1 and 3.2.

High Organizational Control: Social Organizations Subordinated to the Party

In most of this chapter I will focus on the PT's relationship with unions for three reasons: (1) there were no strong social movements representing *urban* informal workers; (2) the main organization representing rural organizations was a union (CONTAG); and (3) the second-most-important association representing the rural popular sectors, the MST, fought for land reform, a policy realm that lies outside the scope of this dissertation. However, I will devote some space to examining the relationship between the PT and the MST to demonstrate that the PT also exerted organizational control over this organization, albeit a lesser degree of control than it exercised over the CUT.

Brazil exhibited some of the most vibrant civil society organizations in the world. The Brazilian labor movement was among the most powerful in Latin America. Labor's mobilization capacity was high: labor laws provided state funding to labor unions, guaranteed their monopoly of representation, and extended collective bargaining to non-unionized workers. Brazil's main labor confederation, CUT, had high mobilization capacity and controlled the vast majority of unionized workers.

That said, PT had hierarchical ties to CUT that eventually subordinated Brazil's powerful unions to the agenda of the leftist party. Ties between CUT and the PT were strong: a vast majority of PT legislators had a background as union leaders, and a majority of CUT leaders had had prior experience as PT politicians before taking

leadership positions in CUT. In other words, because CUT members were also PT politicians, these strong ties created a double allegiance among them: they wanted to maximize not only redistributive gains for their union base, but also the governing and electoral performance of the party. However, rather than giving them influence over the party, these ties were hierarchical and subordinated unions to the party.

These ties were hierarchical for three reasons. The first reason concerns its identity: since its origins, CUT conceived of itself as the union arm of the *Workers' Party*.³⁸ Second, most CUT unionists had career ambitions to progress within the party which entailed leaving union positions in order to move up the party ladder. This dynamic subordinated unionists to the PT's leadership: those more observant of the party's directives were more likely to move up the party ladder. Finally, because there were no political divisions on the partisan Left, unions could not increase their bargaining power by threatening to ally with a rival, leftist party if their redistributive demands were not met.

Unions: High Power in Industrial Relations

In order to fully account for the extreme centralization of the Brazilian Left movement, it is necessary to explain the PT's capacity to control the mobilizational activity of powerful unions and social movements through strong, hierarchical ties to them. Unions in Brazil traditionally have been strong and remained an important actor in Brazilian politics through the period of neoliberal reforms in the 1990s (Cook 2007). Four factors are crucial in accounting for their strength: a corporatist labor code that grants considerable resources to unions, a broad and stable representation of workers in collective bargaining, a remarkably strong mobilization capacity, and the hegemony within the labor movement of the PT's affiliated labor confederation, the *Central Única dos Trabalhadores* (CUT) (Table 3.3).

³⁸ The PT was founded in 1980, and CUT was founded in 1983. Although the PT was created by unions, it was conceived of from the very beginning as a broader political instrument of class struggle and transformation that involved groups beyond unions and formal workers (see Seidman 1994).

Table 3.3. The Brazilian Labor Movement: Dimensions of Strength.

Labor Law Provisions for Union Organizations	Supportive Monopoly of representation Union tax
Unions' Representativeness in Industrial Relations	High, Stable High union density rates Uninterrupted collective bargaining negotiations Collective bargaining extends to non-unionized workers
Mobilizational Capacity	High Considerable capacity to stage massive protests
Horizontal Centralization (Number of Effective Labor Confederations)	Intermediate Many labor confederations, but CUT is hegemonic
Vertical Centralization (within economic sectors)	Intermediate Monopoly of representation and collective bargaining at the municipal level

Protective Labor Law: Monopoly of Representation and Union Tax

First, Brazil's labor law granted labor unions considerable resources. During the period of neoliberal reforms Brazilian unions were able to block governmental attempts to deregulate labor markets, hence preserving the collective labor laws inherited from the period when the ISI model guided the economy. These corporatist laws granted unions many benefits. One was the monopoly of union representation at the sectoral level. The second was the 'union tax': by law, all workers in Brazil (irrespective of whether they were affiliated with unions) were forced to contribute one day's worth of their yearly salary to the union representing their economic sector (Cardoso 2015). Lastly, the Brazilian labor code states that collective bargaining agreements signed by employers and unions are applicable to union and non-union members alike. This provision grants unions an enormous influence over workers' wages and working conditions in industrial relations (Cook 2007). It is important to acknowledge that the labor code was approved in 1943 by the authoritarian *Estado Novo*, and included provisions through which the state could exert considerable control over unions (Collier and Collier 1991). However, as Collier and Collier argue, these provisions were double-edged in that they could serve as both constraints on and inducements for union activity depending on who controlled the executive office (Collier and Collier 1979). Since Brazil's transition to democracy in 1985, the president can no longer use these provisions to control unions, and therefore they have mostly benefited unions.

Unions' Representativeness in Industrial Relations: High and Stable

Unlike neoliberal governments in Argentina and Uruguay, which practically forbade collective bargaining for more than a decade, in Brazil president Fernando Henrique Cardoso (FHC) allowed unions to continue negotiating wages and working conditions through collective bargaining during the 1990s (Cook, 2007: 60). This helped Brazilian unions to preserve their ascendance over the Brazilian working class during neoliberal reforms. The robustness of union representation in Brazil as compared to in Argentina and Uruguay can be observed in Table 3.4: while in Argentina and Uruguay union density rates plummeted during the neoliberal reforms of the 1990s, in Brazil they remained stable during most of the period—from 28.5% in 1993 to 28.1% in 2001.

Table 3.4. Union Density Rates in Argentina, Brazil and Uruguay.

Year	Argentina	Brazil	Uruguay
1990/1991	49	32.1	20.4
1998	30.0	26.73	12.0
2000/2001	31.7	28.1	15.9
2005/2006	37.0	30.3	19.0

Source: Botero *et al* 2004 (1990/1991 and 1998, three countries; 2000-2001 and 2005-2006, Brazil), Senén González, Medwid, Trajtemberg 2008 (Argentina 2000-2001), ILOSTAT (Arg 2005-2006), Mazzuchi 2009 (Uruguay 2000-2001, 2005-2006)

High Mobilization Capacity

Third, Brazilian unions had a remarkably high mobilizational capacity. Brazil's main labor confederation, CUT, was especially able to stage massive protests due to its strong grass-roots organizations at the shop-floor level (Seidman 1994, Cook 2007). For example, at the height of its militant activity in the late 1980s/early 1990s, the CUT staged 3,943 strikes involving 18,380,000 workers in 1989, and 2,357 strikes involving 20,300,000 workers in 1990 (Beltrao 2010:179). According to some scholars, no union movement in the world could match such a high level of participation in worker protests (Noronha 1994).

Horizontal Centralization: Plurality of Labor Confederations, but CUT is hegemonic

Fourth, although the Brazilian labor movement has always been fragmented into different labor confederations, there is one confederation that has always been hegemonic within it: CUT. By the early 2000s, there were two main labor confederations in Brazil that had a relevant role within the labor movement: the *Central Única dos Trabalhadores* (CUT), which was leftist and organically linked to the PT, and *Força Sindical* (FS), a

more pragmatic and results-oriented confederation with instrumental links to different parties³⁹. There were also three smaller confederations,⁴⁰ but they would not have any real influence in the labor movement until they united under the *União Geral dos Trabalhadores* (UGT) in 2007, giving birth to Brazil's third largest labor confederation.

Despite the competition between CUT and FS, CUT was the hegemonic labor confederation in Brazil: it controlled the vast majority of unionized workers and exercised the leadership role within the labor movement. By 2002, CUT's ascendance over the working class was far superior to *Força's*. According to a union census conducted by Brazil's national statistics agency (IBGE) in 2001, 71.01% of unionized workers affiliated with a labor confederation were enrolled in CUT (Table 3.5). Only 16.98% were affiliated with FS, and the remaining 12.01% with other, smaller labor confederations.⁴¹

Table 3.5. Workers Affiliated with Labor Confederations in Brazil, 2001 (%).

Central Única dos Trabalhadores (CUT)	71.02
Força Sindical (FS)	16.99
Social Democracia Sindical (SDS)	6.46
Confederação Geral dos Trabalhadores (CGT)	3.84
Central Autônoma dos Trabalhadores (CAT)	1.17
Others	0.53

Source: 'Pesquisa Sindical 2001', IBGE

Despite these strengths, I characterize the Brazilian labor movement as 'strong' rather than 'very strong' because of its fragmentation at both the horizontal and vertical levels since the return to democracy. Although CUT is hegemonic within the labor movement in the interest arena, the existence of several labor confederations produces some coordination problems at the political level, especially when it comes to reaching consensus on approving or modifying national level legislation. In Brazil this problem is more acute because labor confederations are typically linked to different political parties.

³⁹ FS was close to the ruling PSDB during FHC's governments, but had stronger links with the PDT by the time Lula became president. FS plays a prominent political role because its leader, Paulinho, has served as a prominent federal deputy and the labor confederation is the organizational and electoral base of his political career. By the end of the PT administrations, Paulinho had formed his own party, *Solidaridade*, that had its own legislative group in Congress.

⁴⁰ These were the Confederação General dos Trabalhadores (CGT), Social Democracia Sindical (SDS) and Central Autônoma dos Trabalhadores (CAT).

⁴¹ IBGE 2001

Vertical Centralization: Intermediate

Unions in Brazil are vertically fragmented *within* each economic sector. Indeed, Brazil's corporatist legislation mandates that the monopoly of union representation—including the right to negotiate collective bargaining agreements with employers—be granted at the municipal level. Although some unions do negotiate at the national level—for example, in the banking and oil sectors—or at the provincial level—e.g., metalworkers—most collective bargaining takes place at the municipal or inter-municipal level.⁴² This provision contributes to the fragmentation of the union movement both by giving more power to lower level—that is, municipal—union organizations, and also by atomizing unions vis-à-vis employers during collective bargaining negotiations. However, this has not been a problem in terms of undermining unions' mobilization capacity in Brazil at the national level. CUT, the dominant labor confederation, has shown since the 1980s a remarkable capacity to coordinate the mobilization of unions at different levels for common labor struggles (Cook 2007).

Unions: Hierarchical Ties Subordinate them to the Party

Despite its strength, the Brazilian labor movement was subordinated to the PT. Four factors explain this subordination: strong ties between CUT and the PT, CUT's identity, labor leaders' professional ambitions, and the lack of divisions within the partisan Left (Table 3.6). These factors created strong, hierarchical ties between the PT and CUT. And because CUT was hegemonic within the labor movement, these hierarchical ties allowed leftist presidents to control unions' protest activity as well as reduce their ability to advance redistributive demands from within the left movement.

Table 3.6. Hierarchical Ties Between the PT and Unions.

Trait	Score	<i>Consequence for Party-Union Relations</i>
Union Ties to the Party	<i>Strong</i>	Necessary Condition for Union Subordination
Identity	<i>CUT created as PT's Union Arm</i>	Unions with Double-allegiances (to party and to union base)
Unionists' Professional Ambitions	<i>Electoral</i>	Union Leaders Subordinated to Party Leadership
Divisions on the Partisan Left	<i>Low</i>	Threat of Defection to Obtain Concessions is not Credible

⁴² Frequently one union would represent workers in one economic category across several, neighboring municipalities.

Strong Party-Union Ties

The literature widely acknowledges the strong ties between the PT and CUT (Riethof 2004, Samuels 2004, Galvao 2014). However, in order to obtain an accurate estimate of the strength of these links, I conducted an original biographical analysis of the *Workers Party's* legislators elected to the lower house in the 1998 and 2002 legislative elections. This analysis provides three main insights regarding the relationship between unionists and the PT. First, as Table 3.7 shows, most PT legislators had a background as union activists: between 60% and two-thirds of elected PT legislators had occupied a leadership position in some union affiliated with CUT before becoming PT legislators. Second, these legislators served as unionists in some of Brazil's most relevant economic sectors and/or in those that generate more employment, such as steel, banking, public administration, oil, public utilities, education, and the rural sector. These sectors are CUT's strongholds and it is where the PT-affiliated labor confederation concentrates most of its mobilization capacity. In other words, these legislators had been part of Brazil's mainstream unionism.

Table 3.7. PT Legislators with Union Background (Lower House).

Congress	% Legislators that were previously unionists	Main sectors of union activism
1998	67.24	Education (11), Banking (5), Steel (5), Public Administration (3), Rural (3)
2002	61.11	Education (16), Banking (7), Rural (6), Public Utilities (6), Steel (4), Oil (3)

Source: Author's elaboration based on publicly available information on legislators' profiles. I analyze the biographical profile of each legislator based on publicly available data. This includes their publicly available biographies as well as research done on each legislator in newspaper archives. For some legislators this information was gathered through personal interviews or by contacting them directly.

Another way to measure party-union ties is to analyze the leadership of the main labor confederation (CUT) and estimate the percentage of labor leaders that had participated in the PT *before* they were appointed to CUT's leadership. As Table 3.8 shows, in Brazil 50.44% of CUT's leaders had participated in the PT before being appointed to CUT's leadership.⁴³

⁴³ Interestingly, there seems to be a downward trend. This is not surprising. Because the PT was founded before CUT by Brazil's main unionists, all CUT leaders previously had been PT leaders. But as time went by, more and more union cadres had developed professional careers as union activists.

These ties, however, were not only strong but also hierarchical. Unionists were tied to the PT in way that made them subordinate the union's redistributive demands to the electoral and programmatic goals of the party.

CUT's Identity: Union Branch of the Party

One aspect that facilitated union subordination was CUT's ideology. While in Uruguay, PIT-CNT's leaders zealously guarded their organizational autonomy vis-à-vis the *Frente Amplio* (describing themselves as '*Independientes pero no Indiferentes*' (see Chapter 6). CUT openly defined itself as the *Workers Party's* labor confederation.⁴⁴ CUT was actually founded by unionists who were also PT activists, and it has been organically linked to the party ever since. Unlike the relationship between the *Frente Amplio* and the PIT-CNT in Uruguay (where unionists' main loyalty was towards their union base), in Brazil unionists had a 'double allegiance.' That is, their loyalties were divided between their union base and the party.⁴⁵

Unionists' Professional Ambitions and their Double-Allegiance

Another aspect that facilitated union subordination was unionists' professional ambitions: they had political ambitions (Samuels 2003) to advance from the union to the electoral arena. Unionists' professional careers in Brazil follow a common path: they start as activists in a sectoral union and as rank-and-file, PT members. Then they move to an important position within the CUT, and ultimately they use their connections with the PT (in which they had developed a parallel career as party activists) to pursue a career in the PT, either as electoral candidates, as party leaders at the subnational or national level, or as executive officials in a PT subnational administration.

⁴⁴ Interview with Artur Henrique, CUT's President, 04.08.2011, Sao Paulo; Interview with Nelson Barbosa, Functionary at the Minister of Labor, 05-30-2014, Sao Paulo.

⁴⁵ 'Today legislators with a union background behave more like party cadres, not only as unionists. And many unionists started to have positions of power in the government', Interview with Jose Genoino, PT's President, 08-01-2011, Brasilia.

Table 3.8. CUT Leaders with Prior Participation in the PT (%).

CUT National Executive	Political Participation	Party Post	Government (Subnational Executives or Legislature)
1984-1986	70.0	20.0	50.0
1986-1988	90.0	50.0	40.0
1988-1991	70.0	40.0	30.0
1991-1994	50.0	33.3	16.6
1994-1997	33.3	16.6	16.6
1997-2000	23.0	15.4	7.7
2000-2003	16.6	8.3	8.3
TOTAL	50.4	26.2	24.2

Source: Author's elaboration based on publicly available information on unionists' profiles. See methodology in Table 3.7.

These professional ambitions are crucial in shaping unionists' incentives because they compete in two arenas: the labor and the electoral arena. Hence, they also have professional careers as politicians competing for legislative and executive posts, and are eager to move up the party ladder in order to compete for better electoral positions. What eventually happens is that their electoral ambition trumps their allegiance to the union: the strongman of any given union ends up leaving his/her leading position in the union to devote all his or her time to his/her electoral career as a PT legislator, mayor or governor. And when the PT is in power, union leaders face a particular acute dilemma: the party leadership will demand that they subordinate themselves to the party's programmatic and electoral goals (which may clash with their union's redistributive demands) in exchange for promotion within the party structure.

An important piece of evidence that supports the claim that union leaders had these ambitions to pursue political careers that trumped their career ambitions as unionists is provided by their political trajectories. Most of the PT's representatives in Congress with a union background (see Table 3.7) had, by 2002, a profile more similar to that of professional party bureaucrats than to that of corporatist representatives of unions. Indeed, by examining the biographies of the PT representatives with union backgrounds elected in 2002—that is, the year Lula was elected president—it is clear that most of them were professional politicians who had long ago abandoned their careers as

unionists. As Table 3.9 shows, among former unionists elected as federal legislators to the lower chamber in 1998, only 12.19% had held a union position in the four previous years. The vast majority of them (53.65%) had actually served in their last union position in the 1980s, and during the 1990s they had turned into professional PT politicians. For the 2002 Congress these figures are similar (Table 3.9). In other words, this evidence suggests that the PT deputies elected in 2002 were not the acting leaders of Brazil's main unions by the time the PT arrived in power. They had not abandoned their union posts to get elected to Congress simply in order to continue to pursue workers' class struggles in industrial relations in the realm of politics. On the contrary, by 2002 most of them were professional, PT politicians who long before had abandoned their executive responsibilities in unions.

Table 3.9. PT Representatives with Union Backgrounds: Last Period as Union Leader Before Becoming Federal Legislators (%)

	Last Period of Union Activism			
Legislative Elections (Federal)	1978-1989	1990-1993	1994-1997	1998-2002
1998	53.65	34.14	12.19	0.00
2002	28.85	25.00	25.00	21.15

Source: Author's elaboration based on publicly available information on legislators' profiles. See methodology in Table 3.7.

Absence of Divisions on the Partisan Left: Threat of Union Defection or Mobilization is not Credible

Union subordination to the party was enhanced by the lack of electoral competition on the left. In the previous section I provided extensive evidence that the PT was the only game in (the Left's) town: it faced no competition from rival leftist parties, and Lula's faction—*Articulação*—dominated the party. This lack of alternatives on the left subordinated unionists even further to the PT's leadership. When the president's party is the only game in town, unions cannot credibly threaten to support an alternative leftist party if their policy preferences are not met. Further, unions have limited capacity to escalate protests to twist the government's arm: absent an alternative leftist party, disruptive protests may lead to the government's replacement by a center-right party less friendly to union demands. This scenario deprived Brazilian unions of the capacity to advance their redistributive demands through threats of defection or mobilization. While

unions in Argentina and Uruguay (see Chapters 4 and 5) would use these threats repeatedly, in Brazil this threat was simply not credible, leaving unions with scarce bargaining power to advance their redistributive demands.

In sum, CUT unionists in Brazil were subordinated to the PT even before Lula won the presidency. The strong, hierarchical links between the PT and CUT allowed the party leadership to subordinate unionists' goals in the industrial arena to the party's broader objectives in the political arena. Unionists' capacity to push for workers' redistributive demands autonomously thus was very reduced in the Brazilian case. Once the PT gained access to the executive office in 2002, Lula had at his disposal not only the powerful party apparatus described above, but also the enormous financial resources and numerous political posts of the Brazilian federal state. As will be shown in greater detail below, these resources would reinforce CUT's subordination to the ruling party even further.

Peasant Movement: High Mobilization Capacity, Strong Links to the PT

Although land reform is not part of my dependent variable, it is important to dedicate a few paragraphs to the organization of the *Movimento dos Trabalhadores Rurais sem Terra* (MST) and its links to the PT, because it was the largest movement representing labor-market outsiders in Brazil. Many of the seminal studies on the relationship between the MST and the PT administrations argue that the PT's record on land reform has been very poor, that the PT redistributed even less land than former, market-oriented presidents Fernando Henrique Cardoso (Ondetti 2008, Vergara-Camus 2009). However, the purpose of this section is not to explain why this was the case, but to provide empirical evidence that demonstrates the PT's control over rural organizations. The objective is to demonstrate that the PT exercised organizational control not only over unions (the focus of this chapter), but over the most important social organizations in Brazil, both in the urban and rural sectors.

In contrast to the Argentinean case, Brazil's urban informal sector never organized itself in a massive social movement. In the late 1990s, with the rise of unemployment, the MTS created an urban movement named *Movimento dos Trabalhadores sem Teto* (MTST), but it did not become a massive social movement (Garay 2010). On the contrary, unions have retained the monopoly of popular sector representation in urban areas (Carter 2010).

The MST was founded in the early 1980s to fight for land reform in Brazil. Its origins can be traced back to the key influence of Brazil's *Comissão Pastoral da Terra*, an organization created by the progressive Brazilian church during the military dictatorship (1964-1985) to improve the living standards of the rural poor (Ondetti 2008:72). The MST's tactics were considerably disruptive, ranging from the occupation of private and public lands to blocking highways and occupying governmental buildings (Ondetti 2006:67).

The MST had a substantial mobilization capacity and strong ties to the PT. During the second half of the 1990s, the movement's mobilizational capacity grew considerably. From an annual average of 100 land occupations in the early 1990s, it reached more than 600 land occupations in 1998-9⁴⁶. This expansion of its mobilizational capacity was

⁴⁶ Data from the Comissão Pastoral da Terra (CPT)

effective in terms of policy gains. Under center-right president Fernando Henrique Cardoso (1994-2002), Brazil undertook the largest land reform in its history. According to official estimates, approximately 600,000 families were settled on new lands (Ondetti 2006:77).

Further, the MST had strong ties to the PT. Because the PT was originally an urban-based party with strong links to unions, its reach across the countryside was weaker. However, the PT and the MST developed in parallel in the countryside during the 1980s. In many cases, activists with dual affiliations (members of both the PT and the MST) were in charge of expanding both organizations in the same localities (Ondetti 2008:72). A majority of MST members support the PT and participate in political campaigns for PT candidates (Vergara-Camus 2009:186). Indeed, the MST campaigned very actively for the PT in the 2002 election, and even moderated its use of disruptive tactics in that year in order to increase Lula's chances of winning the presidential election (Ondetti 2008:206).

In order to measure the strength of the PT's links to rural workers' social movements, I follow the same methodology as when measuring the PT's ties with unions. Specifically, I estimate the percentage of PT legislators in the lower house (1998 and 2002) that had a background as: (1) MST or MSTs leaders, or (2) as activists of two types of church organizations that were committed to improving the living standards of the rural poor: the *Comissão Pastoral da Terra* (CPT), and the *Comunidades Eclesiais de Base* (CEBs).⁴⁷ Between 8.60% (2002 Congress) and 10.17% (1998 Congress) of PT legislators had participated in these types of organizations before the PT administrations (Table 3.10). Although these numbers are smaller than the percentage of those who had party-union ties (Table 3.7), it is important to note that, in absolute terms, the number of union members in Brazil was more than 30 times higher than that of participants in rural movements.⁴⁸ Therefore, these percentages actually show a strong relationship between the PT and social movements of the rural poor before the PT administrations.

⁴⁷ I excluded rural unions, as their links to the PT are measured in the section on party-union ties.

⁴⁸ While by 2001 there were 19,528,311 workers affiliated with some labor union in Brazil (IBGE, "Sindicatos: Indicadores Sociais 2001", 2001), at the height of Cardoso's land reform there were only 600,000 families living in settlements for landless peasants (Ondetti 2006:77).

Table 3.10. PT Legislators with Background as Leaders of the Rural Poor - Lower House (%).

	1998 Congress			2002 Congress		
	MST/MTST	CEBs/CPT	Total	MST/MTST	CEBs/CPT	Total
Leaders	3.39	6.78	10.17	4.30	4.30	8.60
Leaders + Advisors	5.08	6.78	11.86	8.60	4.30	12.90

Source: Author's elaboration based on publicly available information on legislators' profiles. See methodology in Table 3.7.

The MST's high mobilizational capacity, as well as its strong ties to the PT, suggests strong similarities with CUT: both were the most important organizations in their respective sectors, and were strongly tied to the main party within the left. However, there was an important difference between the two. While CUT's relationship to the party was one of subordination, MST's relationship to the PT was, in comparison, more autonomous. There are two reasons for this. First, the MST's grassroots organizations were more powerful: the MST relied heavily on participatory democracy at the community level, and each settlement had considerable autonomy within the movement (Vergara-Camus 2009:182). This organizational feature hindered the national leadership's capacity to subordinate the movement's redistributive demands to the PT's electoral and programmatic objectives. Second, unlike CUT's identity as the union branch of the PT, the MST officially rejects becoming organically linked to any political party (Vergara-Camus 2009:186). However, *de facto* it always held strong ties to the PT.

High Party Control: Control over Legislators, Rival Factions and Local Chapters

PT presidents exerted high internal control over the party apparatus. This internal control was manifest in three dimensions: (1) Lula and Dilma's faction was hegemonic within the party, (2) legislators were disciplined by the party's leadership, and (3) local chapters were subordinated to the national leadership.

In addition to the absence of external challenges from other leftist parties, presidents Lula Da Silva and Dilma Rousseff faced no internal challenges from other candidates within the ruling PT. They both belonged to the hegemonic PT faction *Articulação*, which won all internal elections since the PT's founding. Indeed, Lula exerted an iron-fist control over the PT. Although the *Workers Party* has comprised many

factions since its origins, Lula's faction, *Articulação*,⁴⁹ has always been hegemonic within the party (Amaral 2010). This faction represents the ideologically more moderate groups within the party. As Table 3.11 shows, Lula's faction won all internal elections for the presidency of the PT from 1995-2009, and in all but two elections his faction won with an absolute majority of the votes in the first round. By contrast, rival factions within the PT are atomized and were unable to win the PT's presidency even once. As a matter of fact, these factions are considerably less cohesive than *Articulação*. For example, their names frequently change from election to election, such that I have found it expedient to label them generically in Table 3.11 simply as "Faction 1," "Faction 2," etc. On top of that, Lula has traditionally been the charismatic and uncontested party candidate for the national presidential elections. The party nominated him to compete in every presidential election since Brazil's first direct elections in 1989; he lost three times in a row before he was finally elected president in 2002 (Hunter, 2010). In sum, Lula's faction has always been the largest, while the rest of the leftist factions have been splintered and have had short life spans.

Table 3.11. Internal Elections for PT's President, 1995-2001.

	Rival Factions						Lula's Faction
	Faction 1	Faction 2	Faction 3	Faction 4	Faction 5	Faction 6	
1995	46.00						54.00
1997	47.40						52.60
1999	32.70	12.50					54.80
2001	1.60	17.20	15.20	7.60	2.80		55.60
2005	1.3	14.7	14.6	13.4	0.7	13.3	42(FR)
							51.6(SR)
2007	0.6	1	12	3.7	19	20.3	43.4(FR)
							61.4(SR)
2009	0.7	1	10.7	17.2	12.4		57.9

Source: author's elaboration based on data from Amaral 2010. FR=First round, SR=Second round.

⁴⁹ This faction had taken many different names since 2001 –such as *Campo Majoritário* (CM) and later *Construindo um Novo Brasil* (CNB).

Many studies have demonstrated that in Brazil's legislature, the PT is the most disciplined party in the country. Mainwaring and Pérez Liñan (1997) studied the level of party discipline among Brazilian legislators by looking at contested roll calls in the Brazilian Constitutional Congress (ANC) of 1987-1988.⁵⁰ Their results are reproduced in Table 3.12. As can be seen in the table, the PT exhibited the second-highest level of party discipline in Brazil (98.5%, only surpassed by the Communist Party (PCdoB)). The degree of the PT's internal discipline is better grasped by comparing it to that of the two major Brazilian parties at that time: 65.2% among PMDB legislators, and 76.55% among PFL legislators. In this regard, the PT party stood as an exception within the Brazilian party system. While the scholarship on Brazilian parties has established the prevalence of non-ideological legislators who are more loyal to their constituents than to their parties (Mainwaring 1999, Ames 2001), the PT has emerged as a distinct party with legislators who are highly ideological and disciplined to the party leadership (Hunter 2010).

Table 3.12. Legislators' Internal Discipline among Brazilian Parties (% Votes in which Legislator Votes with the Party Leadership).

Party	Relative Discipline
PCdoB	99.8
PT	98.2
PCB	98.6
PSB	95.0
PDT	87.0
PDC	78.1
PFL	76.6
PDS	78.7
PL	70.6
PTB	70.3
PMDB	65.2
PSDB	82.6
Total	72.5

Source: Mainwaring and Perez Liñan (1997:464)

⁵⁰ The authors argue that because the ANC had an unusually high number of roll-call votes and the quality of the database is exceptionally high, the analysis of roll-call votes represents a unique opportunity to measure internal party discipline in Brazil. To measure internal party discipline, they take individual legislators as the unit of analysis and analyze the percentage of times a legislator voted with the majority of his or her party in highly contested roll calls (Mainwaring and Pérez Liñan 1997:461). Then they estimate a party discipline score that is the mean of the individual loyalty values of all legislators of the party (Mainwaring and Pérez Liñan 1997:461).

Further, the PT's municipal and state chapters were extremely disciplined towards the party leadership. Indeed, in addition to legislators' discipline towards the party, the party's national directorate wielded considerable power over the party's subnational chapters. As a seminal study on the PT claims, 'Since it was founded (the PT), it has...sought to develop a strong central organization and enforce cohesive legislative behavior' (Zucco and Samuels 2012:11). One way in which this centralization manifests itself is in the high proportion of the party's funding that is administered by the party's national directorate. Work by Pedro Floriano Ribeiro shows that, on average, the national directorate retained 55.5% of the party funding provided by the state (Table 3.13). This share is even greater than the 48% stipulated by the party statutes (Ribeiro 2014).

Table 3.13. Allocation of Party Funding Provided by the State to the Different Levels of the Party Organization (% of Total State Funds Received by the Party).

Year	Retained by the National Directorate	Transferred to the state-level organs	Fundação Perseu Abramo (party think tank)
1996	55.7	29.4	14.9
1997	45.3	34.7	20.0
1998	46.4	33.6	20.0
1999	46.4	33.6	20.0
2000	58.5	21.5	20.0
2001	52.2	27.8	20.0
2002	59.1	20.9	20.0
2003	45.4	34.6	20.0
2004	50.4	29.2	20.0
2007	66.4	12.6	21.0
2008	60.0	20.5	20.0
2009	65.0	15.1	20.0
2010	62.6	17.4	20.0
2011	59.1	20.9	20.0
2012	59.3	20.7	20.0
Average	55.5	24.8	19.7

Source: Ribeiro 2014

Electoral Competition from Center and Center-Right Parties

While the PT administrations did not have to deal with any serious challenge from within the left movement, they did face a threat from a strong, competitive opposition that had both electoral and legislative resources with the potential to both defeat the president in elections and blocking his/her policy initiatives in Congress.

Electoral Resources – Competing for Informal Workers' Votes

In most Latin American countries, leftist governments faced at some point an electoral challenge from center or center-right parties. My theory predicts that the Left's response to this challenge is income redistribution towards outsiders. The logic behind it is that outsiders are the swing voters among Latin America's popular sectors, alternating their support between leftist and right-wing candidates (Dion 2009). In Brazil there were three episodes during which the PT faced high electoral competition from the center-right: the 2002, 2006, and 2014 elections. In this section, I will discuss the evolution of electoral competition for informal workers between the PT and the Center-Right up to the 2002 elections.

Historically, the PT had faced enormous difficulties winning presidential elections. As can be observed in Table 3.14, Lula ran as the PT's candidate for president in every election between 1989 and 1998, and was defeated in all of those elections by center-right candidates. In 1989 he lost to Fernando Collor de Mello, from the right-wing PRN, and in 1994 and 1998 he lost to Fernando Henrique Cardoso, from the center-right PSDB. Only in 1989 did the PT face some competition from a center-left candidate, Leonard Brizola, from the *Partido Democrático Trabalhista* (PDT).⁵¹ In sum, in presidential elections, the main electoral threat to the PT came from the Right or Center-Right.

⁵¹ Although Brizola had a reasonable electoral performance in 1989, he subsequently entered into electoral decline.

Table 3.14. Presidential Elections in Brazil 1989-2002 (%).

Year	Party	Candidate	% Votes
1989 (1st Round)	PRN (R)	Fernando Collor de Melo	32.47%
	PT (L)	Lula da Silva	16.69%
	PDT (CL)	Leonel Brizola	16.04%
	PSDB (C)	Mario Covas	11.19%
	PDS (R)	Paulo Maluf	8.60%
	PL (R)	Guilherme Afif Domingos	4.70%
	PMDB (C)	Ulysses Guimaraes	4.60%
1989 (2nd Round)	PRN (C)	Fernando Collor de Melo	53.03%
	PT (C)	Lula da Silva	46.97%
1994	PSDB (CR)	Fernando Enrique Cardoso	54.29%
	PT (L)	Lula da Silva	27.03%
	PRONA (R)	Eneas Ferreira Carneiro	7.38%
	PMDB (C)	Orestes Quercia	4.38%
	PDT (CL)	Leonel Brizola	3.18%
1998	PSDB (CR)	Fernando Enrique Cardoso	53.06%
	PT (CL)	Lula da Silva	31.71%
	PPS (CL)	Ciro Pereira Gomes	10.97%
2002	PT-PL-PCdoB- PMN-PCB (CL)	Luiz Inácio Lula Da Silva	46.44
	PSDB-PMDB (CR)	José Serra	23.2
	PSB-TMP-PTC (CL)	Anthony Matheus de Oliveira	17.87
	PPS-PDT-PTB (CL)	Ciro Gomes	11.97
2002 (2nd Round)	PT-PL-PCdoB- PMN-PCB (CL)	Luiz Inácio Lula Da Silva	61.27
	PSDB-PMDB (CR)	José Serra	38.73
	PSDB-PMDB (CR)	José Serra	38.73

Source: Author's elaboration with data from Political Database of the Americas <http://pdba.georgetown.edu/>

PRN: Partido da Reconstrução Nacional; PT: Partido dos Trabalhadores; PDT: Partido Democrático Trabalhista; PSDB: Partido da Social Democracia Brasileira; PDS: Partido Democrático Social; PL: Partido Liberal; PMDB: Partido do Movimento Democrático Brasileiro; PRONA: Partido da Reedificação da Ordem Nacional; PPS: Partido Popular Socialista; PCdoB: Partido Comunista do Brasil; PMN: Partido da Mobilização Nacional; PCB: Partido Comunista Brasileiro; PSB: Partido Socialista Brasileiro; PTC: Partido Trabalhista Cristão; PTB: Partido Trabalhista Brasileiro.

R=Right, CR=Center-Right, C= Center, CL=Center-Left, L=Left.

The main cause of the PT's electoral defeats before 2002 was the narrow demographic profile of its voters (Hunter 2010, Singer 2012). Until the 2000s, the PT was predominantly an urban-based party born out of a labor movement that had its strongholds in the industrialized regions of the South and Southeast (Keck 1992). This trait inhibited the party from efficiently competing for the votes of the poorest segments

among the Brazilian population, who are mostly concentrated in Brazil's less developed regions of the North and Northeast (Singer 2012). As several studies show, informal workers in these regions tended to vote for conservative clientelistic parties (Hunter 2010).

One way to observe this trend is by analyzing vote intention for Brazil's presidential candidates by income level. As Table 3.15 shows, Brazilians earning less than two times the minimum wage tended to vote disproportionately for center-right candidates before the PT came to power in 2002. The vote intention among the poor for right-wing president Fernando Collor de Mello was almost triple that of Lula in the first round of the 1989 election. Likewise, the percentage of poor Brazilians opting for center-right candidate Fernando Henrique Cardoso in 1994 (first round) and 1998 was more than twice the number of those supporting Lula: 55% vs. 27% in 1994, and 64% vs. 28% in 1998 (Table 3.15).

The 2002 election of Lula was a watershed in terms of the relationship between socio-demographic status and vote intention in Brazil. For the first time in history, the PT defeated its center-right competitors both among the poor and among those earning between two and five times the minimum wage (Table 3.15). Although the PT did not yet control the national executive—and hence could not enact policies to benefit outsiders—these results hinted at the potential electoral payoff of appealing to outsider voters.

Table 3.15. Presidential Vote Intention by Income Level, First Round 1989-2002 (%).⁵²

	Household Income	PT Candidate	Main Rival
1989	< 2 MW	15	42
	2-5 MW	18	30
	5-10 MW	22	22
	>10 MW	18	12
1994	< 2 MW	27	55
	2-5 MW	27	52
	5-10 MW	23	55
	>10 MW	27	53
1998	< 2 MW	28	64
	2-5 MW	30	59
	5-10 MW	33	53
	>10 MW	25	58
2002	< 2 MW	45	20
	2-5 MW	50	21
	5-10 MW	48	24
	>10 MW	45	21

Source: author's elaboration based on data from Datafolha <http://datafolha.folha.uol.com.br/>. MW = 1 minimum wage.

⁵² In Table 3.14 I highlight the lowest income brackets, to show how the electoral behavior of the lowest socio-demographic segment (which is an imperfect measure of the electoral behavior of 'outsiders') changes between elections.

Socio-demographic divisions within the Brazilian electorate overlapped with geographic divisions: while the South and Southeast were the richest regions, the North and Northeast were disproportionately populated by the poor (Azzoni 2000, Hunter 2010). Table 3.16 compares the 1989 and 2002 second-round presidential elections by disaggregating votes by region. In the 1989 elections, the PT obtained a vote share more or less equal to that of its center-right opponents in the more developed, industrialized regions of the South and South-East, but lost by large margins to the center-right in most of the other regions. Specifically, the PT lost by 11.7% in the North-East and by 41% in the North (see Hunter 2010). As can be observed in Table 3.16, this electoral scenario changed completely in the 2002 presidential election: for the first time in history, the PT obtained more electoral support in these less developed regions than did its center-right rival. On average, the PT obtained 28.6% more percentage points in 2002 compared to in 1989. However, its performance improved the most in the North, Northeast, and Center-West, where the PT increased its vote share in by 57.4%, 34.4% and 41% percentage points, respectively. In its traditional bulwarks of the South and Southeast, the PT also increased its vote share, but not as dramatically as in the other regions.

Table 3.16. Regional Breakdown of Second-Round Presidential Elections 1989 and 2002 (%).

	1989		2002		PT - Rival		Gap between PT and rival
Region	Lula	Collor	Lula	Serra	1989	2002	
North	29.5	70.5	58.2	41.8	-41	16.4	57.4
Northeast	44.3	55.7	61.5	38.5	-11.4	23	34.4
Southeast	49.5	50.5	63	37	-1	26	27
South	51.7	48.3	58.8	41.2	3.4	17.6	21
Center-West	36.8	63.2	57.3	42.7	-26.4	14.6	41
Brazil: Total	47	53	61.3	38.7	-6	22.6	28.6

Source: Author's elaboration based on data from Hunter 2010

In light of these electoral results, by the mid-1990s it became obvious to the PT's leadership that in order to win elections, a new electoral coalition had to be forged between the PT and Brazil's informal poor. In other words, an archetypical mass-bureaucratic leftist party—one that had a radical program of socialist transformation that appealed to the formal working class and the progressive middle-classes—had to be

transformed into a more moderate, catch-all party that also appealed to Brazil's most destitute and non-ideological informal workers.

The novelty of the 2002 election was precisely the extent to which the PT's support base among the popular sectors differed from previous elections. For the first time in history, Lula received relatively equal support from the Northern and Southern regions (Table 3.16), as well as comparable support from voters differing in income level (Table 3.15). A crucial factor behind this success was a radical change in the PT's electoral strategy. In the previous elections, Lula was portrayed by PT campaigns as the archetypical leftist unionist from the South-East, committed to formal working-class issues and socialist transformation. By contrast, in the 2002 election, his campaign underlined Lula's background as a Northern immigrant himself, who had spent a harsh childhood in this backward region living in absolute poverty. It also described how he later moved to São Paulo with his family to fulfill their social upward-mobility ambitions by getting a job in an auto factory. The radical socialist slogans that promoted agrarian reform and the nationalization of private banks were replaced by the vague, more conciliatory slogan of "*Lulinha é Paz y Amor*" ("Lula is peace and love") (Nunes Larangeira 2006, Martins 2006, Bolshaw Gomes 2006, Gonçalves Couto 2010, Rubim 2002). Lula even changed his physical appearance for the campaign in order to discard his radical leftist militant look and project instead a more 'presidential' image. He exchanged red shirts with PT slogans for more elegant suits and even trimmed his legendary long beard normally associated with radical leftist activists.

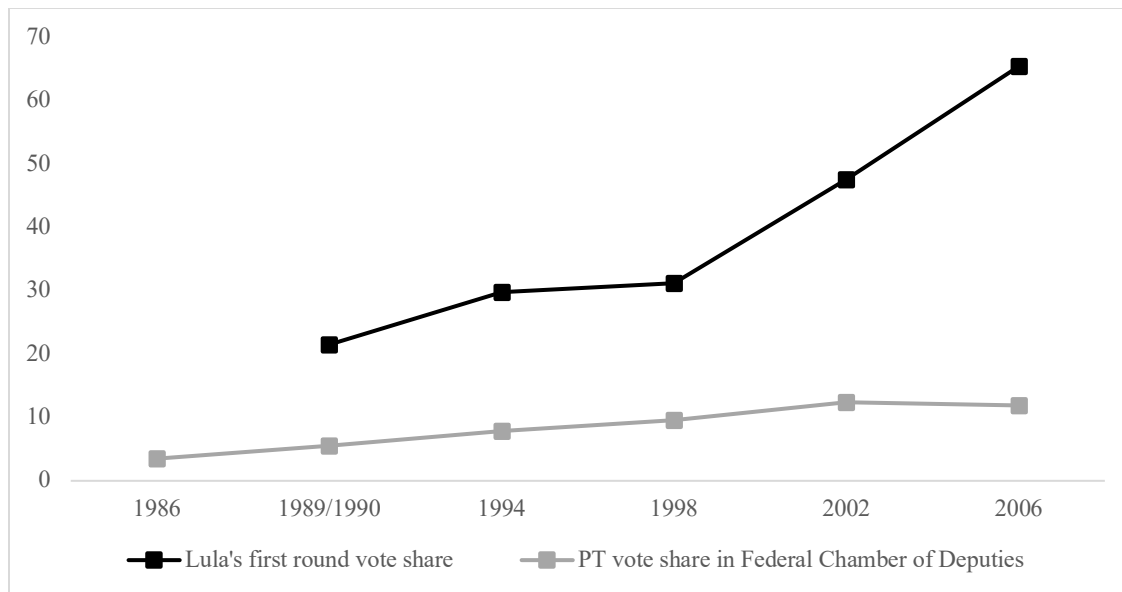
Despite this initial success in the 2002 election, the PT's electoral advantage among Brazil's poor electorate was still fragile. The absence of a strong link between them and the PT meant that their fleeting support could be lost at any time, and the party needed to consolidate this new electoral base through the expansion of social policies that benefited them. Indeed, Lula's victory was less the product of a deep penetration of the PT's party label among this electorate, and more the result of a presidential candidate who suddenly had become popular among them due to a smart campaign strategy portraying Lula as a conciliatory leader (Miguel 2006). Given that this same candidate had lost three presidential elections among this very same electorate, the PT leadership knew it had to build a more solid basis of electoral support among this electorate. Moreover, although Lula had become popular among this electorate, the party itself hadn't made major inroads among Brazil's poorest voters. As Figure 3.5 illustrates, the percentage of legislative seats for the lower house obtained by the PT did not show a major surge during the 2002 elections. It went from 9% in 1998 to 13% in 2002. By contrast, Lula's vote share rocketed from 31% in 1998 to 46% in 2002.⁵³ On the one hand, the new votes from the North and Northeast were crucial to win the presidential election. On the other hand, given the evanescent nature of a president's popularity, the PT was aware that it needed to forge a stronger coalition between informal workers and the governing party. As Lula's right hand claims:

⁵³ Although both represent approximately a 50% increase, clearly going from 31% to 46% implies a much greater increase in absolute number of voters.

“We had a deep knowledge of formal workers, of industrial workers, because the party was born with them. We knew even how they thought. But the informal sector, Brazil’s marginalized population, were complete strangers to us. There was a big gap between the attention that the PT gave to the formal working class and the very poor.”

*Luiz Dulci, General Secretary to the Presidency*⁵⁴

Figure 3.5. Presidential vs. Legislative Electoral Results for the PT in North/Northeast region.



Source: Hunter 2010.

Legislative Resources among Center and Center-Right Parties

Despite facing strong competition for presidential elections, the PT managed to diminish that threat through the social policies it adopted starting in 2003. As will be shown in the next section, these policies allowed the PT to become an unbeatable political machine in presidential elections. Another crucial resource the opposition had was a strong presence in the legislature. Center and center-right parties have historically enjoyed a majority of seats in Congress, and they continued to have decisive clout in the legislative arena during the PT administrations. As can be observed in Table 3.17, in every election for the lower house held since 2002, center and center-right parties obtained around 60% of the votes. Leftist parties other than the PT also received a fair share of the votes for Congress. However, as explained above, the PT faced no major problems in coordinating and leading these other parties’ voting behavior in elections and Congress. The main problem for the PT’s governing strategy was center and center-right

⁵⁴ Interview with Luiz Dulci, General Secretary of the Presidency, 7-27-11, São Paulo

parties: because these parties had such a large share of legislative votes, the government was forced to regularly forge legislative coalitions with some of them to get legislation approved in Congress (Cason and Power 2009, Samuels 2006, Power 2010, Hunter, 2010).

However, the outcome was not legislative deadlock or extremely unstable legislative coalitions. On the contrary, the PT's solution was to forge a broad and stable legislative coalition with Brazil's largest centrist political party, the *Partido do Movimento Democrático Brasileiro* (PMDB), as well as with other minor center and center-right parties (Cheibub Figueredo 2007, Samuels 2006). This was a politically attractive strategy for the PT; the PMDB is a pragmatic party with no clear ideological program and, despite being the largest Brazilian Party in Congress, does not run its own presidential candidates (Pasquarelli and Bizzarro Neto 2012).⁵⁵ This afforded the PT many advantages. including giving the governing coalition a majority of seats in Congress and rendering its main rival in the presidential election, the center-right PSDB, a minority force in Congress. However, the PT had to pay a significant price for attaining a legislative majority in Congress, namely a loss of political and policy autonomy. At the executive level, it had to cede many cabinet positions to its allied, centrist parties in Congress. At the legislative level, because these parties' legislators had strong connections with business and a more conservative outlook on public policies (Simionatto and Rodrigues Costa 2012, Machado 2013, Bruno 2015), the PT had to regularly make concessions on legislative bills that were strongly opposed by these allied parties and their constituencies (Gonçalves Couto 2010). The Right's legislative resources thus were part of the constraints Lula faced in seeking to enact ambitious redistributive policies. In the next section I will describe how electoral competition from the Right gave Lula an incentive to expand moderate income redistribution policies towards outsiders.

Table 3.17 – Opposition's Legislative Resources.

	2002	2006	2010	2014
	Lower	Lower	Lower	Lower
PT	18.76	15.3	17.09	13.99
Other Leftist Parties	17.41	23.13	23.54	34.69
Center/Center-Right Parties	63.83	61.57	59.37	51.32

Source: Author's elaboration with data from Banco de Dados Eleitorais Do Brasil (<http://www.tse.jus.br>). **Left:** 2002: PCdoB, PDT, PSB, PPS, PV; 2006, 2010: PCdoB, PDT, PSB, PPS, PV, PSOL, PHS; 2014: PCdoB, PDT, PSB, PPS, PV, PSOL, SD; **Center:** 2002, 2006, 2010: PMDB, PSDB; 2014: PMDB, PSDB, PTN; **Center-Right/Right:** 2002: PSC, PFL, PPB, PTB, PRONA, PSDC, PL, PMN, PSD, PST, PSL; 2006: PRB, PSC, PTC, PP, PFL, PTB, PRONA, PTdoB, PAN, PL, PMN; 2010: DEM (former PFL), PR, PP, PTB, PSC, PRB, PTdoB, PRTB, PRP, PTC, PMN, PSL; 2014: DEM (former PFL), PR, PP, PTB, PSC, PRB, PTdoB, PRTB, PRP, PTC, PMN, PSL, PROS, PSD, PHS, PSDC, PEN

⁵⁵ The party performed very poorly in the 1989 and 1994 presidential elections, and abandoned the presidential race altogether after 1998.

B. Income Redistribution towards Outsiders

Lula's high level of control over the left movement shielded him from redistributive pressures on the left, allowing him to focus his redistributive strategy on defeating his competitors on the Right. He had no incentive to redistribute income towards formal workers: they were already part of the party's core constituency, and could not be poached by rival parties on the left, who lacked the PT's electoral clout. Moreover, the PT's high degree of organizational control over unions and social movements meant that these organizations lacked bargaining power vis-à-vis the party. They could not threaten to ally with rival leftist parties, or escalate mobilizations without risking replacing the PT with a center-right administration more antagonistic to these organizations' interests. Lastly, the PT's high degree of internal control over the party apparatus meant that Lula had no incentive to build an alternative base of partisan support of his own through discretionary policies.

The main survival threat to PT administrations was electoral defeat by center-right rivals. The PT's social policies can be understood as a huge welfare investment to neutralize this threat. Their objective was to appeal to informal workers, that is, popular sector voters who historically had voted for center-right rivals. The PT's social policies can be divided in two periods that coincide with moments of high competition from the Center-Right. The first occurred right after the PT came to power. After winning a close election, it launched its flagship program, the conditional cash transfer *Bolsa Família*, to increase its support among the informal poor.⁵⁶ The second initiative was a response to a new phase of political vulnerability vis-à-vis the Center-Right: the 2005 political scandal known as Mensalão, which greatly negatively impacted the governments' chances of reelection in 2006. In response, the government launched its second, major social program: the Minimum Wage Increase Policy. If *Bolsa de Família* was targeted at the informal poor, minimum wage increases were designed to benefit other groups of "better-off" labor-market outsiders, such as informal salaried workers, pensioners earning the minimum wage, and low-wage, non-unionized formal workers.

I. Policies towards Outsiders: Income Redistribution towards the Informal Poor

"When Lula assumed the presidency, I was in charge of writing his speeches. So he wanted to talk about the priorities of the new government, and started mentioning three or four different things...I said to him 'Lula, we can include the four issues in the speech, but the message is going to get lost.' He agreed, and that's when he decided to make the fight against hunger and poverty the center of his message. Clearly, formal workers do not suffer from hunger"

*Luiz Dulci, General Secretary to the Presidency*⁵⁷

⁵⁶ As I explain below, this program was actually an expansion of a previous CCT adopted by former president Fernando Henrique Cardoso.

⁵⁷ Interview with Luiz Dulci, General Secretary of the Presidency, 7-27-11, São Paulo.

As the quote above indicates, during the first three years of his administration, Lula's new social policy initiatives were focused exclusively on poor, informal workers. This strategy was driven by electoral considerations. In particular, the PT leadership had debated the causes behind the party's past electoral performance—both its historic failures as well as the causes of the recent success—and concluded that the novelty of the 2002 election in which Lula was elected president was his stronger performance among the poor. As mentioned above, for the first time in history, he received approximately equal support from both the Northern and Southern regions, and voter support across income categories was also roughly equal (Hunter 2010). Given the evanescent nature of presidential popularity, the party needed to forge a stronger coalition between informal workers and the governing party. Several interviews confirmed that PT leaders placed great electoral importance on informal workers in the North and Northeast and that the leaders were aware of the PT's historical difficulty in appealing to this demographic group:

“The previous PT's political campaigns had been very ideological. And with every new electoral defeat, we doubled our efforts to get closer to—and have a greater dialogue with—the poorest segments of the population. With Lula's electoral victory in 2002 we conquered that electoral segment with the promise of making their hopes a concrete reality.”

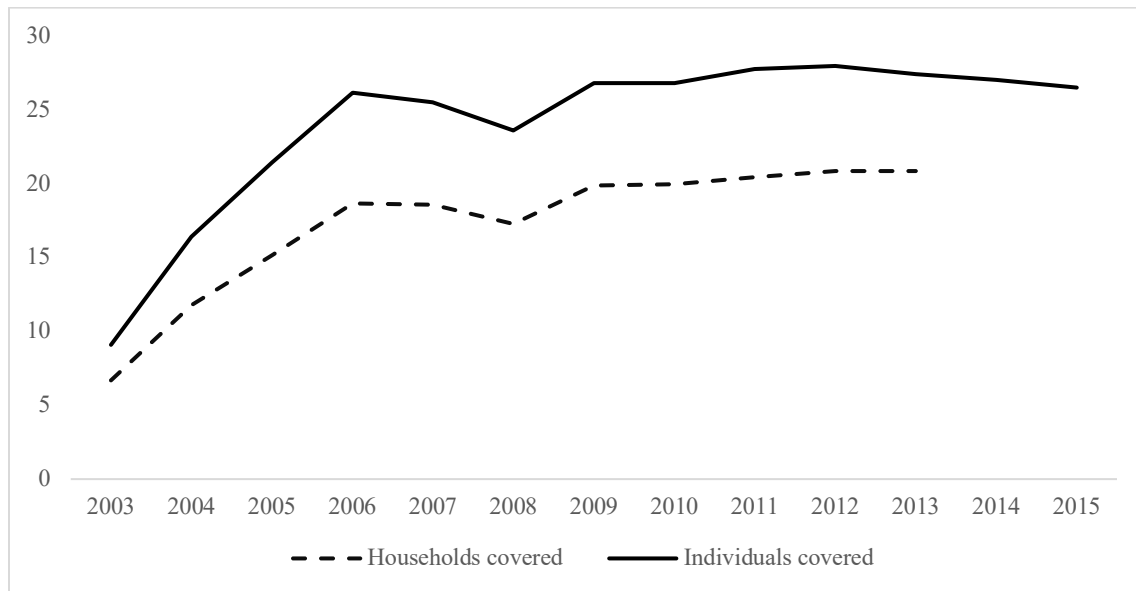
*José Genoino, PT's President*⁵⁸

In this respect, the adoption of *Bolsa de Família*, Brazil's major conditional cash transfer program, was the political strategy adopted by Lula to try to solidify his party's coalition with the informal sector. The program was adopted in 2003 and constituted a turning point in Brazil's fight against poverty. It was based on a similar program launched by former president FHC, *Bolsa-Escola*, in 2001. But *Bolsa Família* massively scaled up CCTs in Brazil. It is a conditional cash transfer for families below the poverty line.⁵⁹ Benefit levels depend on (1) the household's poverty level (based on self-reported, per capita family income), and (2) the number of children and teenagers in the household (Soares 2011). By 2011, families living in extreme poverty received R\$ 70 (US \$44.3) per month as a flat, basic income, as well as additional benefits per children/teenager. Benefits decreased for families that were above the *extreme* poverty line: they received R\$32 (US \$21) per child in the household and R\$ 38 (US \$24) per teenager, but they did not get the flat, basic income (Soares 2011). The average benefit level was R\$ 115 (US \$73). In its first year the program covered 6.7% of Brazilian households and 9.11% of Brazilian individuals; by 2006, the program had expanded to cover 18.7% of households and 26.4% of individuals (Figure 3.6).

⁵⁸ Interview with Jose Genoino, PT's President, 08-01-2011, Brasilia.

⁵⁹ In 2011, the poverty line was set at R\$140 (US \$88.60).

Figure 3.6. Coverage of Bolsa Familia (% Total Brazilian Population).



Source: Author's elaboration with data from Arza y Chahbenderian 2014 (Households) and the Non-contributory Social Protection Programmes Database, ECLAC (Individuals), available at <https://dds.cepal.org/bpsnc/programa?id=6>

What does the timing and pace of social policy expansion tell us about the politics of *Bolsa Família*? The expansion clearly coincides with the most competitive presidential elections faced by the PT during the 2002-2013 period. Between 2003 and 2006 the program's coverage rate for Brazilian households grew at an annual rate of 42.66%, while between 2007 and 2013 the growth rate was only 1.78%. In other words, after Lula was re-elected in 2006 and gained a more definitive hegemony among informal worker voters, there was no need to expand *Bolsa Família*—or any other income support program for the informal sector, for that matter—any further. After 2006 the PT became electorally unbeatable in the North and Northeast regions and among Brazil's poorest population.

Needless to say, PT cadres were progressive politicians who were enthusiastic about adopting a policy that would dramatically reduce poverty levels in Brazil. However, they also recognized the paramount role that electoral calculations played in the adoption of *Bolsa Família*. In particular, they had two objectives. One was augmenting their electoral support among the poorest populations of the North and Northeast through the adoption of *Bolsa Família*. Further, they wanted to eliminate the role of intermediaries—especially conservative parties' local party machines in the North and Northeast—in the provision of social welfare. Because this program was administered by the federal state through its local bureaucracies—who selected beneficiaries and deposited benefits in beneficiaries' bank accounts—conservative parties' local party machines would lose considerable power. Both objectives appear in interviews with PT politicians.

“Before 2002, the PT’s main problem with regards to getting the vote of the poorest segments of society was that it hadn’t had a governmental experience that would allow the party to provide concrete material benefits for the poorest sectors... Before, the PT was a promise of social citizenship... But when the PT came to power, that promise became concrete with public policies, and this capacity to make public policies for the poorest is what allowed the PT to get closer to these poorest sectors....the programs of social inclusion, the minimum wage increase policy, were all crucial to gain electoral support.”

José Genoino, PT’s President (2002-2005)

“One of the objectives of *Bolsa Família* was to put an end to the clientelistic system. We knew in advance that by implementing it, we were going to demolish the political and economic domination of elites. The idea was to launch a series of public policies that would put an end to the sociology of domination in the North and the North-east.”

Ricardo Berzoini, PT’s President (2005-2010)

While several studies have emphasized the electoral incentives behind the adoption of *Bolsa Família* (Hunter 2010, Martins de Moura 2007, Marques et al 2009, de Souza and Cribari Neto 2013), other studies have argued that social policy expansion towards the informal sector in Brazil was the result of social mobilization from below; specifically, of social mobilization by the MST (Garay 2016). As top PT politicians state, the MST was actually against this policy, as it feared that a rule-based policy such as *Bolsa Família* would diminish its support among poor, rural workers. In particular, the MST feared that its capacity to attract members’ support through the distribution of discretionary benefits would be diminished by the competition from a rule-based, conditional cash transfer offering higher benefit levels and granted by the federal government. As a top official in Lula’s administration claims:

“The MST was against *Bolsa Família*’s design, that mandated that benefits went directly to individuals. They wanted the program’s resources to be administered by social movements. During the first year of *Bolsa Família*, MST leaders were trying to convince people not to receive *Bolsa Família*”

*High Ranking Official, General Secretariat to the Presidency*⁶⁰

⁶⁰ Personal Interview #1, 7-15-11, São Paulo

II. Redistribution towards Insiders

While the government focused social policy expansion on the informal sector, policies to ameliorate formal workers' living standards were not a priority during the first years of the Lula administration. As a result, his approach to the formal working class was resented by both private and public sector unions. In the private sector, the government did not invest political capital in redistributing power towards unions, nor did it adopt active policies to increase workers' or pensioners' incomes. In the public sector, the government went even further: It neglected to strengthen collective bargaining rights for its core base of public sector unions, despite strong union pressure, and also reduced workers' benefits through a controversial pension reform despite strong labor mobilization against it. Furthermore, the government's refusal to grant real minimum wage increases during this period increased tensions between the union movement and the PT administration.⁶¹ In the political arena, unionists were incorporated *en masse* into the state. However, they were mostly excluded from political posts that had policy authority over labor or social policies.⁶²

Low Income Redistribution: Reduction of Pension Benefits, Governmental Resistance to Minimum Wage Increases

Pension Reforms in the Public Sector: Reducing Workers' Benefits

The public pension reform perfectly exemplifies two key arguments of my dissertation: (1) Even after neoliberal reforms, leftist governments still need to appeal to business interests when crafting social policies, and (2) Leftist governments' capacity to pass market-friendly welfare reforms in Congress depends on their control over unions and legislators on the left.

The first social policy initiative of the Lula government was the *Reforma da Previdência*, launched in January 2003. This reform of public workers' pensions was the most controversial issue between the labor movement and the government. Cardoso's center-right government had unsuccessfully tried to adopt a similar, parametric reform of public pension benefits in the past.⁶³ FHC's objective was to cut benefits in order to reduce fiscal deficits, as public workers' benefits were considerably higher than those of private workers (Nakao Nakahodo and Savoia 2006). Despite having crafted a majoritarian legislative coalition in parliament, FHC's proposal failed due to the joint opposition of PT legislators in the legislative⁶⁴ arena and the strong mobilization of Brazil's most powerful social organization, the CUT, in the streets (Jard da Silva 2007).

⁶¹ See sections below for a thorough explanation on why unions fought for minimum wage increases.

⁶² I will present empirical evidence to substantiate this claim later in this chapter.

⁶³ 'Parametric reform' is a term used by the welfare state literature, and refers to changes in welfare policies that attempt to alter the main parameters of a given system rather than the structure of the system. For example, for pension policies, a parametric reform would entail a change in the retirement age or benefit levels, while a structural reform would entail the privatization of the pension system.

⁶⁴ Since pension benefits in Brazil were granted by the Brazilian constitution, any attempt to alter them requires a constitutional amendment that, in order to be approved needs 3/5 of the votes in Congress.

If during the 1990s the PT and its allied social organizations had been the guarantors of public workers' pension rights, shortly after assuming office, Lula resurrected Cardoso's failed proposal to reform the public pension system. This proposal entailed a parametric reform that modified several aspects of Brazil's pension system. It raised the retirement age for public sector workers (60 years for men and 55 for women); adjusted the estimation of benefit levels according to previous contributions (and not to workers' last salary, which was the preexisting rule under the principle of *integralidade*); changed the formula for benefit indexing (eliminating the automatic adjustment of pension benefits to wage increases obtained by active public workers, a principle known as *paridade*); taxed pensioners' incomes, and introduced a ceiling for public pension benefits (Marques and Mendes 2007). This last point was especially controversial for some public sector unions, as they saw it as the first step towards the 'privatization' of pension funds.⁶⁵ Indeed, high-income workers that surpassed this ceiling would make contributions to new, semi-public pension funds administered by the government and unions called *Fondos Complementares*.⁶⁶

Why would a labor-based party that had openly opposed—and successfully blocked—the very same pension reform advanced by the previous center-right government, now advocate for it? How was the government able to choose, as its first social policy initiative, a pension reform that went against its programmatic principles and hurt its main organized base: public sector unions? Some government officials claim that concerns about the equality of the pension system,⁶⁷ as well as the pressing need to control Brazil's fiscal deficit,⁶⁸ were important drivers behind this reform. These claims have some empirical support. However, they ultimately fail to explain the main motivations, as well as the timing, behind the adoption of the pension reform.

It is indisputable that Brazil's pension system was unequal: public workers' benefits were much more favorable than those of private sector workers. However, the PT never demonstrated a preference for making the pension system more equal while in opposition. On the contrary, its leaders had portrayed President Cardoso's attempt at reforming the system as a neoliberal offensive against workers' rights. In short, the equalization of private and public workers' pension rights was never a central issue advanced by the PT in its program or political campaigns.

The argument that the pension reform was adopted out of fiscal necessity stands on a somewhat stronger ground. Public workers' pensions did comprise a significant portion of the federal budget. By 2002, the deficit of the public pension system was 4% of Brazil's GDP (Figure 3.7). However, the timing and financial results of Lula's pension reform do not support the fiscal hypothesis. First, the magnitude of fiscal deficits generated by public workers had not increased considerably during the eight years that preceded Lula's government. While in 1996 the deficit was 3.7%, when Lula assumed office in January 2003, the deficit was around 4%. In other words, FHC had governed

⁶⁵ Interview with Pedro Armengol, Director of CONDSEF, 03-24-14, São Paulo.

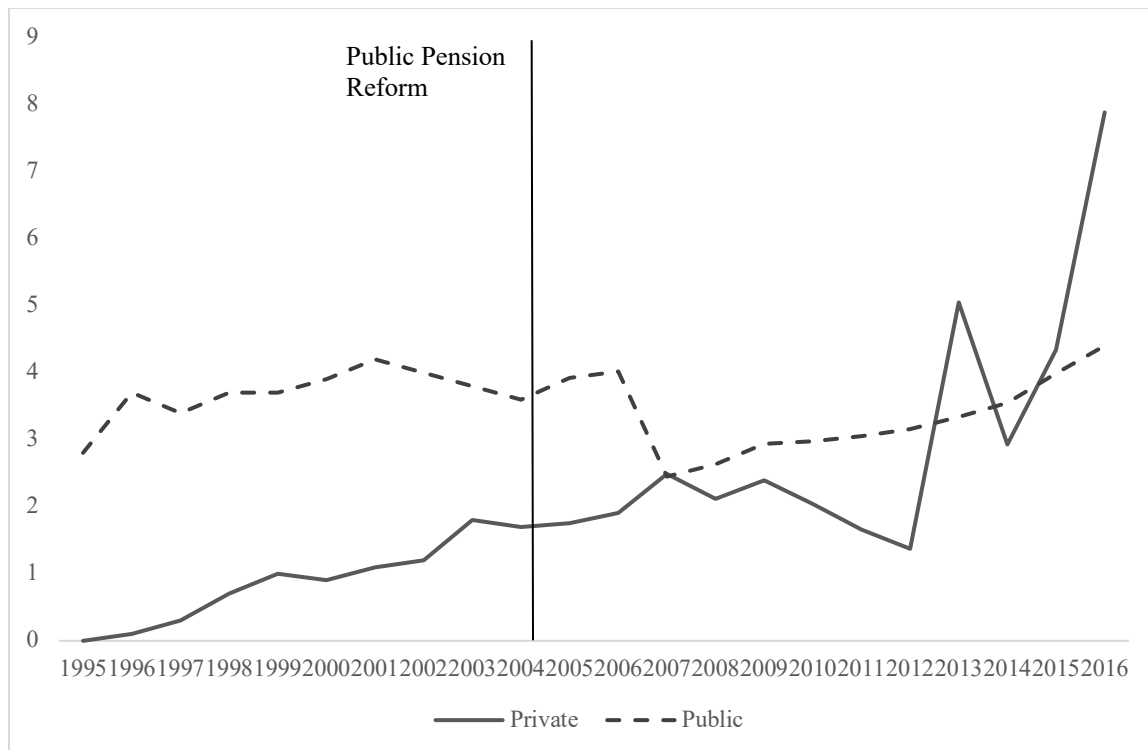
⁶⁶ Under this new system, high-income workers would make contribution for the portion of their incomes surpassing that ceiling, and would get in return, once retired, pension benefits calculated on actuarial principles, that is, according to the returns of these funds' investments. However, the implementation of these *fondos complementares* would be delayed—due in part to public sector unions' resistance—and would only start operating in 2013 when Dilma Rousseff finally approved a law regulating them.

⁶⁷ Interview with Ricardo Berzoini, Minister of Pensions, 07-29-2011, São Paulo.

⁶⁸ Interview with Carlos Gabas, Minister of Pensions, 03-24-2015, São Paulo.

Brazil for eight years with this deficit without facing any major collapse in public finances. Second, Lula's pension reform did not actually achieve any significant reduction in fiscal deficits. Although it curtailed public workers' rights, the actual deficit caused by public pensions in 2006—4.02% of GDP—was practically identical to the one Lula had inherited—4% of GDP (Figure 3.7). Part of this is explained by the fact that most of the reform was applied to new labor-market entrants, especially after the government softened some of the reform's more controversial aspects in 2005 with a new constitutional amendment.⁶⁹ Nevertheless, the hypothesis that the reform had a *fiscal* motivation makes little sense if the social security deficit did not fall.

Figure 3.7. Social Security's Deficits in Brazil (% of GDP).



Source: Author's elaboration with data from Tribunal de Contas da Uniao (TCU).

Two factors explain Lula's decision to spend most of his initial political capital on launching this unpopular pension reform during his first months in office: (1) the need to court financial markets, and (2) the centralization of the left movement. If the PT's need to court markets explains Lula's *incentive* to send a reform proposal to Congress, the centralization of the left movement explains his *capacity* to actually adopt it. What distinguishes Lula's success from FHC's failure in this policy area is that the latter lacked this capacity. Indeed, Lula's centralized control over the left movement was such that he was able to pass this reform without losing the PT's union base while minimizing its resistance.

⁶⁹ Interview with Paulo Paim, PT Senator, 03-24-2014, Brasília; Interview with Sergio Mendonca (First Interview), Secretary of Human Resources, 3-19-2014, Brasília.

In order to understand Lula's need to court financial markets, one must analyze the effects of Lula's 2002 election on financial markets. The PT's electoral victory caused significant distrust among financial markets because of his background as a radical socialist activist. As a consequence, the spread on Brazilian bonds rose abruptly after the elections were held in October 2002 (Campello 2015). This was an especially acute problem for Brazil, since its public debt as a proportion of GDP was high—78.1% by 2002—and the government was heavily reliant on financial markets to finance its fiscal deficits. Lula needed to send a signal to markets that, once elected, he would continue the sound macroeconomic policies of his predecessor. As a top government official explains:

“The first years of the Lula government were hard in fiscal terms. Lula's election generated an attack from financial markets. The dollar appreciated from 1.5 to 4 reals. Inflation went from 1% in 2002 to 20% in 2003. There was a fear that the leftist government would turn against markets. So he wrote the *Carta a Povo Brasileiro*. He chose a Treasury Minister who was very market-friendly. In 2003, Lula was cornered by inflation and launched a strong austerity program to show credibility.”

*Sergio Mendonça, Secretary of Labor Relations*⁷⁰

The public pension reform afforded the perfect showcase to exhibit this commitment. It allowed the PT government to show that, given a choice between abiding by sensible macroeconomic policies or expanding welfare benefits for its social base, the *Workers Party* would side with markets. Interviews with government officials confirm that the public pension reform had the objective of showing the PT's commitment to fiscal discipline, even if it caused a fallout with its own social base:

“The impact of the *Reforma da Previdência* on the fiscal deficit would be small, it was more symbolic, for markets. It showed a commitment to fiscal equilibrium...the idea was to send a signal, showing a commitment to reduce fiscal deficits...The idea behind it was that with (a commitment to) an increase in fiscal surplus, interest rates would fall”

*Former Minister of Pensions*⁷¹

If the power of financial markets explains the government's preference for launching this policy, the extreme centralization of Brazil's left movement made its adoption possible.⁷² This reform caused massive discontent among public sector workers, unions, PT activists and leftist legislators. It was a particularly sensitive reform for CUT, because by the 2000s, public sector unions had become the labor confederation's stronghold (Samuels 2004). Discontent among the PT's core base spread, and public

⁷⁰ Interview with Sergio Mendonça (First Interview), Secretary of Human Resources, 3-19-2014, Brasília.

⁷¹ Personal Interview #2, 07-10-2011, São Paulo.

⁷² For a similar argument about how the power of financial markets helps explain the adoption of the pension reform in Brazil, see Campello 2015.

sector unions organized numerous, massive mobilizations to Brasilia to force PT congressmen to vote against the reform.⁷³

However, two traits of Brazil's left movement helped Lula adopt the reform: the party's monopoly over the Left, and CUT's subordination to the party. Many PT legislators were torn between their allegiance to their working-class base and their loyalty to the party's leadership. The directives of the party's leaders, however, were clear: whoever voted against this bill would be immediately expelled from the party. For leftist legislators who had spent their entire careers in the party, and for whom the PT was the only 'game in town' in terms of a progressive, governing alternative to the center-right, the threat of expulsion posed a harsh dilemma, as their own political careers and partisan identities were at stake.⁷⁴ Only a handful of far-left PT legislators decided to vote against the party, and they were immediately expelled. These politicians, led by Heloísa Helena, would later form the *Partido Socialismo e Liberdade* (PSOL), a political party on the left that would compete against the PT in subsequent elections. This was the first significant splinter suffered by the PT in its entire history, a fact that attests to how highly sensitive the PT's base was to the pension reform issue.

The second trait of Brazil's leftist movement that facilitated the adoption of the reform was the subordination of CUT to the party's directives. Controlling CUT's mobilizational activity was crucial for the governing party, because large-scale mobilizations staged by CUT in the past—along with the opposition from PT legislators—had been crucial in blocking Cardoso's prior attempts to reform the pension system for public workers. However, CUT now refused to support public workers' unions and aligned, instead, with the government. Although it never publicly supported the reform, its lack of opposition effectively signified tacit support for it.⁷⁵ The strong, hierarchical ties between CUT and the PT forced labor leaders to subordinate the rank-and-files' economic interests to the broadest economic and electoral strategy of the party.

As a matter of fact, CUT leaders' support was also crucial for disciplining PT legislators who had a strong base in working class districts. CUT's support signaled to legislators that workers would not resent the approval of the law, and CUT's leadership even went to Congress to lobby reluctant PT legislators to vote for the bill. This dynamic, where unionists and their allied legislators privileged partisan allegiances over workers' immediate economic welfare, is illustrated by the visit paid by CUT's president Luiz Marinho to Congress on the day the pension reform law was put to a vote:

"In the debates over the pension reform, the CUT was against the government's proposal, but understood that its former union leaders were now part of the government, so they had to defend the government's proposals. This was clear in Marinho's (CUT's president) actions with regards to the pension reform. The day the proposal was voted in Congress, he went to talk with the PT's legislative group and said to them: 'Look, CUT is against the reform. However, you are now members of the government, and so when you vote, you have to vote as members of government, not as unionists'"

José Genoio, PT's President (2002-2005)

⁷³ Folha de São Paulo 25/03/2003, and 27/3/2003.

⁷⁴ Interview with Paulo Paim, PT Senator, 03-24-2014, Brasília

⁷⁵ Interview with Joao Felicio, CUT's President, 07-25-2011, São Paulo.

By December 2003, Lula's most controversial reform had been approved in Congress. Despite several attempts public sector unions made to shape policy outcomes from within the government coalition, the concessions given to them were minimal in the 2003 reform. The Minister of Pensions mainly refused to negotiate the legislative proposal with them, telling unionists that if they wanted to make modifications to the project, they would have to lobby legislators in Congress.⁷⁶ Some concessions were granted to public workers two years later, in a separate legislative bill approved in 2005, when the political scenario changed abruptly and the government desperately needed to solidify its support base among the working class⁷⁷.

Despite its successful approval, the pension reform entailed some political costs for the PT. Not only did it cause a (small) splinter in the party, as the more leftist legislators who voted against the reform formed a new party—PSOL—to the left of the PT, but it also generated some small splinters within CUT. Indeed, many union activists in the public sector, feeling betrayed by the PT's 'neoliberal stance' on the pension reform, abandoned CUT and created a new labor confederation that would later be named *Conlutas*. This new labor confederation, linked to Brazil's extreme-left *Partido Socialista dos Trabalhadores Unificado* (PSTU) and the PSOL, now has its stronghold in the public sector. Although it remains relatively small in terms of absolute membership levels, it has become an important rival to CUT-affiliated unions among public employees at the federal level.

Governmental Resistance to Minimum Wage Increases

Lula's initial reluctance to grant minimum wage increases shows that, in many cases, resistance to social policy expansion is not primarily the product of the power of the parliamentary opposition (which actually favored higher increases), or of organized business (the most important business associations did not care about this policy because their members paid wages way above the minimum wage). It was its impact on fiscal deficits that concerned the government. The PT administration's need to court financial markets through fiscal surpluses forced the government to neglect a crucial redistributive demand from labor and its voting base.

Minimum wage increases were part of Lula's 2002 campaign promises. He had promised to double their real value by the end of his first administration.⁷⁸ However, during his first years in office Lula refused to grant any significant increases, even when facing strong pressures from the labor movement. Despite the fact that minimum wage

⁷⁶ Personal Interview #2, 07-10-2011, São Paulo.

⁷⁷ In 2005 the government would approve a second constitutional amendment, the *Emenda 47*, that would soften some of the harsher aspects of the original *Emenda 41* through which the reform was initially adopted. Under *Emenda 41*, all public workers were subject to the new pension laws. However, the 2005 constitutional amendment relaxed this rule by making it applicable only to workers who had entered public service after 2004. This reform was adopted in large part due to the pressure of public sector workers' unions (Interview with Sergio Mendonca, Secretary of Human Resources, 3-19-2014, Brasília). This policy has to be understood as part of the government's effort to strengthen its links with the labor movements after the 2005-6 political crisis (see section II below).

⁷⁸ "Lula diz que críticos esperam sua 'trombada'", *Folha de São Paulo*, 03-25-2003. Available at: <https://www1.folha.uol.com.br/fsp/brasil/fc2503200311.htm>

increases benefited mostly outsiders in Brazil, there were three reasons why CUT pushed for them. First, the increases did benefit some unions representing low-income workers (for example, construction workers and—especially in the North/North-East—retail workers). Second, CUT still preserved some characteristics of *social movement unionism*: it conceived of itself as an organization representing the entire working class, with a mandate to represent both insiders and outsiders (Seidman 1994). Third, the issue of the minimum wage was included at the top of CUT's agenda *after* its primary policy preference (union reform) was not adopted by Lula. CUT needed to find another flagship social policy to mobilize in favor of. This was especially important to CUT for political reasons: it needed to show some social policy victory during the PT administration to avoid being accused by rival labor confederations of being 'coopted' by the leftist government.

Indeed, after the failure of the labor code reform (see next section), CUT focused all its efforts on pressuring the government to adopt this policy. CUT coordinated with the other major labor confederations in Brazil an important protest in Brasília on December 2004, advancing several union demands.⁷⁹ The main demand was the enactment of a Minimum Wage Increase policy. The government reacted to this protest by granting the first important real wage increase in Lula's administration—to be implemented in 2005—but the increase still fell short of unions' demand that the government adopt a technocratic formula that would guarantee real and automatic increases, as CUT demanded.⁸⁰ In response, labor confederations made another impressive show of force on Labor Day (May 1st), mobilizing 1.7 million people in Sao Paulo's main avenue. Both FS and CUT were very critical of the government's economic policies, especially the high interest rate policy that impeded economic growth and employment creation. However, CUT also continued to show its unconditional support for the *Workers Party's* government.⁸¹

The main obstacle against minimum wage increases did not come from the opposition; indeed, the opposition actually tried to approve higher increases in the legislature and criticized the government for its moderation in this policy area. On many occasions, center-right parties would vote in Congress for higher minimum wage increases than those proposed by the government, to force Lula to use his veto powers and make him erode his credentials as a leader committed to advancing working-class demands.⁸²

Opposition did not come either from business associations representing Brazil's big business. These associations were the ones with political power within Brazilian businesses, and paid wages well above the minimum wage. This claim is supported by interviews with top business representatives from different economic sectors. For example, the leaders of Sao Paulo's top business association in commerce, *Fecomercio-SP*, stated that 'in Brazil workers in commerce and industry earn wages above the

⁷⁹ "Uma nova lógica para o salário mínimo", *Folha de São Paulo*, 11-30-2004. Available at: <https://www1.folha.uol.com.br/fsp/opiniao/fz3011200409.htm>

⁸⁰ "Hora do Ajuste", *Folha de São Paulo*, 12-16-2004.

⁸¹ "Força Sindical e CUT reúnem 1,7 mi em SP", *Folha de São Paulo*, 05-02-2004. Available at: <https://www1.folha.uol.com.br/fsp/dinheiro/fi0205200508.htm>

⁸² See, for example: "Lula diz que tem a caneta para vetar R\$ 275", *Folha de São Paulo*, 06-19-2004. Available at: <https://www1.folha.uol.com.br/fsp/brasil/fc1906200408.htm>

minimum wage, so this policy ends up benefiting public sector workers.’⁸³ Along the same lines, a top official from Brazil’s premier association of industrial companies, the *Confederação Nacional da Indústria* (CNI), said ‘[Does] the minimum wage policy have an impact on companies’ average wage? It may have an impact, but for Brazil’s industries it does not have an impact, because they can afford higher wages.’⁸⁴

Indeed, Lula himself admitted that if the minimum wage had only affected private sector workers, there would have been no governmental resistance to its enactment during these first years. In a public statement, he claimed that “for workers in the private sector, we could already augment the minimum wage to R\$400 or R\$500, since many companies already pay that or more than that” (the minimum wage was R\$260 at the time).⁸⁵

The main opposition to minimum wage increases came from within the PT administration in the person of Treasury Minister Antonio Palocci. He argued against minimum wage increases on the grounds that they would undermine the government’s efforts to increase fiscal surpluses.⁸⁶ As explained above, minimum pensions in Brazil are automatically indexed to the minimum wage, and minimum wage hikes, therefore, can have a significant impact on social security expenditures. Instead, Palocci proposed to adjust minimum wage increases only to inflation levels, without granting real wage increases.⁸⁷ Lula sided with the Treasury Minister in every one of these political conflicts between him and the labor movement. Furthermore, a second, weaker nucleus of opposition to minimum wage increases came from municipalities in poor districts, because many of these municipalities paid the minimum wage to their employees. However, the main obstacle to minimum wage increases came from within the federal government.

The victory of the Ministry of the Treasury’s positions was an expression of the dominance of the more technocratic, conservative coalition within the PT administration during its first years. There were two main coalitions within the government. A first group had a more technocratic view, was concerned with attaining fiscal surpluses at all costs and believed that there was no need for more redistributive policies because *Bolsa Família* was already lifting millions out of poverty,⁸⁸ with a much more reduced fiscal cost than minimum wage increases.⁸⁹ The powerful Treasury Minister Antonio Palocci was the leading figure within this coalition, and the Ministry of Planning sided with his positions. Curiously, many members of the Social Development Ministry—the one in charge of adopting and implementing *Bolsa Família*—agreed with this perspective. Even though they were not against minimum wage increases *per se*, they were skeptical of the effects the increases would have on poverty reduction. For example, they feared that, given the limited fiscal resources available to the government at the time, any new social policy initiatives would have to be paid for by cuts to CCTs like *Bolsa Família*.⁹⁰

⁸³ Interview with Abram Szajman, President of Fecomercio-SP, 06-04-2014, São Paulo.

⁸⁴ Interview with Alexandre Furlan, Vicepresident of CNI, 03-25-2014, São Paulo.

⁸⁵ “Salário”, *Folha de São Paulo*, 05-04-2004.

⁸⁶ Interview with Ricardo Berzoini, Minister of Pensions, 07-29-2011, São Paulo.

⁸⁷ “Ajuste Petista”, *Folha de São Paulo*, 4-13-2004.

⁸⁸ Interview with Marco Antonio de Oliveira, former Vice-Minister of Labor, 03-26-2014, Brasília.

⁸⁹ Interview with Nelson Machado, Minister of Planning, 02-10-2014, São Paulo.

⁹⁰ Interview with Marco Antonio de Oliveira, former Vice-Minister of Labor, 03-26-2014, Brasília.

The second group was more progressive in its policy outlook. It tried to persuade Lula to end policies of fiscal austerity and to move towards redistributive policies and more interventionist economic policies. This group had a more Keynesian outlook. In their view, increasing fiscal spending on social policies—increases in the minimum wage being the keystone policy— would not only improve social equality, but also promote higher rates of economic growth by increasing the purchasing power of the popular sectors. In this Keynesian perspective, this redistributive strategy would lead to a virtuous cycle of greater aggregate demand, through the increased purchasing power of the popular sectors, and formal employment creation. The key members within this coalition were the CUT, the PT's allied social movements, and the *Secretaria General*, the Ministry in charge of the relationship with civil society actors.⁹¹

During the administration's first years, Lula would grant the more conservative, technocratic coalition a hegemonic role in decision-making. This entailed embracing orthodox economic policies and keeping social spending to a minimum, forgoing the adoption of more ambitious redistributive policies such as minimum wage increases. The conservative stance of the Lula administration during these first years was clearly expressed by a top governmental official:

"In 2003 and 2004 the issue of minimum wage increases was absent from the government's policy agenda, since they were years of hardship and the government had to keep the commitment with FHC's stabilization policies: flexible exchange rate, low inflation and fiscal equilibrium...Moreover, the government even deepened some of those economic policies, such as further increasing fiscal surpluses. There was a lot of tension within the government given the economic and social policy choices the government had made. There was a prioritization of the reform of public workers' pensions (in the social realm), and in the economic realm there was a focus on economic stabilization and augmenting fiscal surpluses. I remember that many of us within the government joined for dinner just to criticize the government's choices, of the wrong path the government had chosen by not fulfilling its social policy commitments made in the campaign"

*Marco Antonio de Oliveira, Vice-Minister of Labor (2005-2007)*⁹²

Low Power Redistribution: No Empowerment in Industrial Relations, Cooptation in the Political Arena.

The PT administrations did not redistribute power toward social organizations. The government did not prioritize a union reform advocated by CUT, which meant that the leftist administrations did not redistribute societal power toward unions. Further, unions were not empowered in the state: union leaders were given symbolic positions in the executive with no real influence over the design of public policies.

⁹¹ Interview with Luiz Dulci, General Secretary to the President, 02-21-2014, São Paulo.

⁹² Interview with Marco Antonio de Oliveira, former Vice-Minister of Labor, 03-26-2014, Brasília.

The Union Reform and the Failure to Empower Unions in the Private Sector

During the first years of the Lula administration, the government sponsored a tripartite forum with unions and employers to adopt a union reform. This reform included provisions to democratize the labor movement and empower unions vis-à-vis employers, and had been CUT's main demand since its founding in the early 1980s. However, the government did not invest its political capital in getting this reform approved. In this section I show that the (failed) union reform illustrates two key arguments of this dissertation. First, this political event shows that Lula's need to court business and financial markets was key in the failure of this reform. Given a choice between his union base and markets, Lula chose to side with the latter. Second, Lula could do this because his centralized control over the leftist movements shielded him from redistributive pressures on the left, allowing him to focus his strategy on courting business and financial markets. Specifically, I show how two traits of Brazil's centralized leftist movement (hierarchical ties between CUT and the PT, and divisions between labor confederations) contributed to the failure of the reform. Lastly, this section addresses an important alternative explanation, namely that Lula did not approve a labor code because he lacked legislative majorities in Congress. I will show that this was not the case by (1) providing evidence that the government did not even try to move forward with this reform in Congress, and (2) showing that the defeat was more the result of Lula's need to appeal to markets than because of business' active lobbying in Congress (as power resource theory would predict).

When Lula won the presidential elections in 2002, Brazilian unionists were thrilled: for the first time, the government seemed to be on their side. After decades of fighting against both military and democratic conservative governments, the *Workers Party*, the political party created by them to advance workers' rights, had finally achieved power. Their main expectation centered around one issue: the adoption of a union reform that would radically transform Brazil's old corporatist legislation, the very same system of industrial relations against which CUT leaders had fought their entire lives.⁹³ Indeed, CUT was formed in the early 1980s as an alternative, unofficial labor confederation that opposed existing labor unions and confederations. CUT unionists characterized those unions as '*pelego*'—"yellow"—unions that usually colluded with business and state officials at the expense of workers' interests. Crucial for the survival of these *pelego* unions was the existence of a corporatist legislation established under the first, authoritarian government of Getulio Vargas (1930-1945), who granted organizational benefits to these unions and strengthened the influence of business and the state in industrial relations.

According to CUT leaders, Brazil's labor code had three main problems.⁹⁴ First, the state granted a monopoly of representation and provided state-subsidies to unions that, in many cases, had no real support base among the rank-and-file. Second, those benefits, combined with the substantial capacity of the judicial system to interfere in collective bargaining disputes, granted state officials considerable leverage over unions. Finally, it fragmented unions in the industrial arena: the corporatist legislation from the Vargas era mandated that unions had to be organized at the municipal level. The CUT

⁹³ Interview with Sergio Nobre, Secretary General to the CUT, 07-26-2011, São Paulo.

⁹⁴ Interview with Artur Henrique, CUT's President, 04-08-2011, São Paulo.

was founded in the early 1980s in opposition to this corporatist system, and it advanced four main principles: (1) labor's autonomy vis-à-vis the state, (2) unions' internal democracy, (3) the establishment of strong workers' organizations at the shop-floor level, and (4) a re-balancing of power relations between workers and employers in industrial relations.

Based on those principles, CUT advocated for a new labor code that would empower Brazilian unions by promoting internal democracy and increasing their leverage vis-à-vis employers. In CUT's view, internal democracy would actually strengthen Brazilian unions by making unionists more accountable to their base, favoring the election of more militant leaders and diminishing the leverage held by the *pelego* unions within Brazil's labor movement.⁹⁵ Specifically, CUT's original proposal for a *Reforma Sindical* (union reform) included the following provisions: (1) a new system of industrial relations that would favor the centralization of collective bargaining, ideally, by economic sector at the national level.⁹⁶ (2) the introduction of plurality and internal democracy in union organizations; (3) the use of members' voluntary contributions instead of mandatory state funding to finance unions, and (4) the establishment of mandatory shop-floor union organizations for companies over 200 employees.⁹⁷

The government's initial reaction to CUT's demand seemed favorable: it announced the creation of the *Fórum Nacional do Trabalho* (FNT) in July 2003. The FNT was a tri-partite council formed by representatives from the Ministry of Labor, business associations and labor confederations that would discuss the outlines of a new labor code.⁹⁸ Once all parties were in agreement, this proposal would be sent to Congress for its approval. Discussions were heated in the FNT, since many of CUT's proposals encountered important resistance from business associations and other labor confederations.

Employers had three objections to the initial *Reforma Sindical* proposal advanced by CUT. First, the centralization of collective bargaining and mandatory union shop-floor organizations in large companies were perceived as excessively empowering unions vis-à-vis employers.⁹⁹ Second, because business associations are regulated in Brazil under the same corporatist laws that regulate labor unions, many business associations feared that with the elimination of monopoly of representation and the union tax (the *Imposto Sindical*), these organizations would not be able to survive under the new labor code¹⁰⁰ (the labor code also guaranteed state funding for business associations). Finally, business associations were more interested in approving a reform that would make *individual* labor laws more flexible, that is, those laws that regulate labor contracts in Brazil, commonly referred to as a *Reforma Trabalhista*, than in a reform of *collective* labor laws—known in Brazil as the *Reforma Sindical*. Business was wary that a *Reforma Sindical* without a

⁹⁵ Interview with Artur Henrique, CUT's President, 04-08-2011, São Paulo.

⁹⁶ But the exact level of centralization would ultimately depend on the results of bargaining between unions and employers in each economic sector.

⁹⁷ Interview with José Pastore, Business' representative in the Fórum Nacional do Trabalho, 02-21-2014, São Paulo.

⁹⁸ "Centrais refutam indicação de Marinho", *Folha de São Paulo*, 07-30-2003.

⁹⁹ Interview with Valter Sanches, International Secretary from the metalworkers' labor confederation, 08-03-2011, São Paulo; Interview with José Pastore, Business' representative in the Fórum Nacional do Trabalho, 02-21-2014, São Paulo.

¹⁰⁰ Interview with Patricia Duque, Chief of Union Division to the CNC, 03-16-2015, Rio de Janeiro.

Reforma Trabalhista would give too much to workers.¹⁰¹ And although the Lula government had promised employers a *Reforma Trabalhista* would eventually be undertaken *after* the enactment of a *Reforma Sindical*, business was distrustful of the government's ultimate intentions.¹⁰²

Labor confederations other than CUT also feared that the end of monopoly of representation and the union tax would jeopardize their organizational survival, eventually giving CUT an important advantage in their historic competition to recruit Brazilian unions.¹⁰³ However, CUT's main rival in the labor movement, *Força Sindical* (FS), decided to support the bill after some initial reluctance. CUT forged this coalition with FS in exchange for some concessions.¹⁰⁴ CUT agreed to place some limitations on union plurality as well as introduce new provisions to finance unions.¹⁰⁵ Eventually *Força Sindical* ended up supporting the reform because it was not a *pelego* labor confederation: on the contrary, it had considerable support among a segment of Brazilian workers. Since this reform would undermine the power of *pelego* unions, FS's political calculation was that its approval could actually enlarge its base by recruiting part of their union base.¹⁰⁶

In sum, by the end of the FNT in March 2004 the union reform seemed possible: the two main labor confederations (CUT and FS) supported it, and business associations were 'reluctant supporters': business did not embrace the reform, but would not oppose it unless the union shop-floor organization clause became mandatory.¹⁰⁷ The most energetic opposition came from the *pelego* labor confederations; however, they lacked the resources to stall it.¹⁰⁸ All the parties involved signed an accord to transform the consensus reached in the FNT into a legislative bill. However, as mentioned above, business associations made it clear that they would oppose the reform if the clause concerning mandatory union shop-floor organizations were included in the bill proposal.

The government delayed sending the bill to Congress: only one year later, in March 2005, was the bill submitted to the lower house. The final proposal did include the provision concerning shop-floor organizations demanded by unions and strongly resisted by business.¹⁰⁹ Ultimately, the bill never left the Labor and Social Security Committee, and by mid-2005 most actors involved in the process were aware that the reform would

¹⁰¹ Interview with Magnus Ribas, former Labor Relations Director for FEBRABAN, 02-03-2014, São Paulo; Interview with Silvy Lorena, Legal Advisor to the CNI, 03-19-2014, São Paulo.

¹⁰² Interview with Silvy Lorena, Legal Advisor to the CNI, 03-19-2014, São Paulo.

¹⁰³ Interview with Wagner Gomes, Secretary General to the CTB, 02-21-2014, São Paulo.

¹⁰⁴ Interview with Joao Carlos 'Juruna' Goncalvez, General Secretary of Força Sindical, 06-05-2014,

vInterview with Artur Henrique, CUT's President, 04-08-2011, São Paulo.

¹⁰⁵ Regarding monopoly of representation, FS and CUT agreed that plurality would only be accepted at the national and provincial level, but that at the municipal level –the locus of union power in Brazil– only the most representative union organization in the district would be allowed to negotiate collective bargaining agreements. Moreover, regarding union finances, FS accepted the elimination of the *Imposto Sindical*.

¹⁰⁶ Interview with Joao Carlos 'Juruna' Goncalvez, General Secretary of Força Sindical, 06-05-2014, São Paulo.

¹⁰⁷ Interview with José Pastore, Business' representative in the Fórum Nacional do Trabalho, 02-21-2014, São Paulo.

¹⁰⁸ Interview with Jose Calixto, President of the Nova Central Sindical de Trabalhadores, 03-27-2014, São Paulo.

¹⁰⁹ Interview with José Pastore, Business' representative in the Fórum Nacional do Trabalho, 02-21-2014, São Paulo.

never succeed. Until the end of the PT administrations (2003-2016), the *Workers Party* would never again attempt a labor code reform.

Two factors are crucial in understanding the failure of this bill: Lula's need to court markets, and the centralization of the leftist movement. As with the public pension reform, while Lula's need to court markets gave the government an incentive to withdraw support for the bill when it became a political liability, the centralization of the Brazilian leftist movement considerably reduced the costs the government paid for this withdrawal among its organized base in the popular sectors.

Brazil's business community was against this reform, and this opposition is key to understanding its failure. As explained above, Lula needed to show his credentials as a pro-market leader during his first administration, and enacting a labor code that was resisted by business would certainly undermine this objective. Moreover, business had considerable influence over legislators in center and center-right parties in Congress: the approval of this bill would involve harsh political conflicts in the legislative arena. But Lula's need to court the business community is more important in explaining the failure of this reform. Indeed, Congress wasn't the battleground where the fight over the union reform took place. On the contrary, business leaders directly approached top governmental officials to advocate the abandonment of the bill. These government officials would later communicate to unions that, due to strong resistance from business, they were going to kill the bill.¹¹⁰

Business also opposed union empowerment in Argentina and Uruguay, yet reforms were enacted, nonetheless. The most important factor that explains the lack of union empowerment in Brazil is the centralization of Brazil's leftist movement. While leftist presidents in Argentina and Uruguay experienced competing pressures from business and labor demands, in Brazil Lula was shielded from labor's redistributive demands because of his high control over CUT. This allowed him to court business support by refusing to sponsor a union reform that would hurt business interests. Specifically, Lula's control over the labor movement undermined the labor reform in two ways: (1) hierarchical links between the PT and the CUT allowed the government to neutralize labor opposition, and (2) the horizontal division of Brazil's labor movement into different labor confederations prevented the labor movement from having a unified position that would have augmented its capacity to pressure a reluctant government.

The unconditional subordination of CUT to the PT's leadership allowed the Lula government to rapidly abandon a bill proposal that generated too many political costs for the government and too little political gains. In a context in which the business community was still very distrustful of the new leftist administration, the strategy that maximized Lula's political capital was withdrawing support for the bill. Indeed, by refusing to support the bill, he augmented his political capital among the business community, showing himself to be a market-friendly president vis-à-vis a policy that was mostly disliked by business associations. Moreover, the strong and hierarchical ties between the PT and CUT meant that this strategy did not have major political costs for Lula, because unions would not defect from the governing coalition in any case. In other words, from a cost-benefit calculation point of view, it made little sense to adopt a reform

¹¹⁰ Interview with Joao Carlos 'Juruna' Goncalvez, General Secretary of Força Sindical, 06-05-2014, São Paulo

that would bring political payoffs to a concentrated constituency—organized labor—that was already an unconditional supporter of Lula and the PT.

As the following transcripts show, top government officials from the Ministry of Labor acknowledge that (1) for the government this reform was low priority from the very beginning; (2) it was perceived by Lula as a policy with considerable political costs and scarce political payoffs, and (3) the lack of governmental support was crucial in the reform's failure:

“Lula’s government did not make labor relations a governing priority. For those of us who came from the labor movement that was a surprise. His main fear was to create a problem where there wasn’t one. He didn’t invest much in that, in supporting a reform to Brazil’s industrial relations system, and that mattered a lot in terms of the reform’s defeat...Lula said to me ‘if there is a consensus, I am going to approve the reform’. But without a consensus around the reform, he was not going to fight for it in Congress. The government lacked a real will to fight for it”

*High Ranking Official, Secretariat of Labor Relations (2003-2006)*¹¹¹

“The problem with the *Reforma Sindical* was that the government had many ongoing political battles at the same time, many reforms it was launching. So some of the political fronts had to be appeased, and the government chose to abandon the *Reforma Sindical*, which was one of the most controversial ones...After his reelection in 2006, Lula decided that the path to be taken was to accelerate economic growth and redistribute incomes through public policies. So he didn’t see the *Reforma Sindical* as a priority, because it was a very complicated reform, it touched many vested interests and, to be honest, it did not promised much benefits in terms of electoral payoffs”

*Former Labor Minister, PT Administration*¹¹²

The second aspect of Brazil’s centralized leftist movement that impeded the adoption of the reform was the horizontal fractionalization of the labor movement, a structural feature that weakened unionists vis-à-vis the Lula government. First, although *Força Sindical*—the second-most-important labor confederation in Brazil after CUT—supported the reform after some concessions made by CUT, many unions that constitute FS’s base resisted a union reform.¹¹³ So once the *Reforma Sindical* started to lose support, FS did not exert much effort to push for its enactment. Second, as was mentioned above, the other, smaller Brazilian labor confederations were openly against

¹¹¹ Personal Interview #3, 03-29-2014, São Paulo.

¹¹² Personal Interview #4, 07-01-2011, Brasília.

¹¹³ Interview with Joao Carlos ‘Juruna’ Goncalvez, General Secretary of Força Sindical, 06-05-2014, São Paulo.

the *Reforma Sindical*. And although their organizational power was very low compared to that of CUT or *Força Sindical*, they had a considerable lobbying power in the Brazilian Congress. Indeed, although these confederations did not put much effort into organizing and representing workers in industrial relations, they invested most of their (state-provided) resources in financing the political campaigns of legislators who specialized in labor or social security legislation.¹¹⁴ And given that their own survival as *pelego* organizations was at stake, they invested all their political capital and material resources in lobbying against the bill in Congress.¹¹⁵

The failure of Brazil's labor reform generated vast disappointment among unions and the rank-and-file. For unions, this was *the* historical opportunity missed by the Brazilian proletariat. The *Workers Party* had one and only one chance to radically empower workers' organizations in the industrial arena, but chose instead to focus on other policy priorities. Interviews with labor leaders confirm that they felt this was the main debt of the PT administrations towards its union base, and they acknowledge the low priority that this union reform had for the government.

"The failure of the labor code's reform was the biggest debt of the Lula government...During a government that had, in our view, everything to advance it...Since its reelection in 2006, there was a change of priorities from the point of view of the government...in its second mandate, Lula gave great importance to accelerating the rate of investment...he made the decision to give priority to other policy areas.. From my point of view, it was a mistake. The government made the following decision: we are generating employment posts...getting millions of people out of poverty...why get into an issue (the labor code reform) that has no consensus?...In my opinion, it was a deliberate governmental decision not to get into a controversial issue..."

*Former CUT President*¹¹⁶

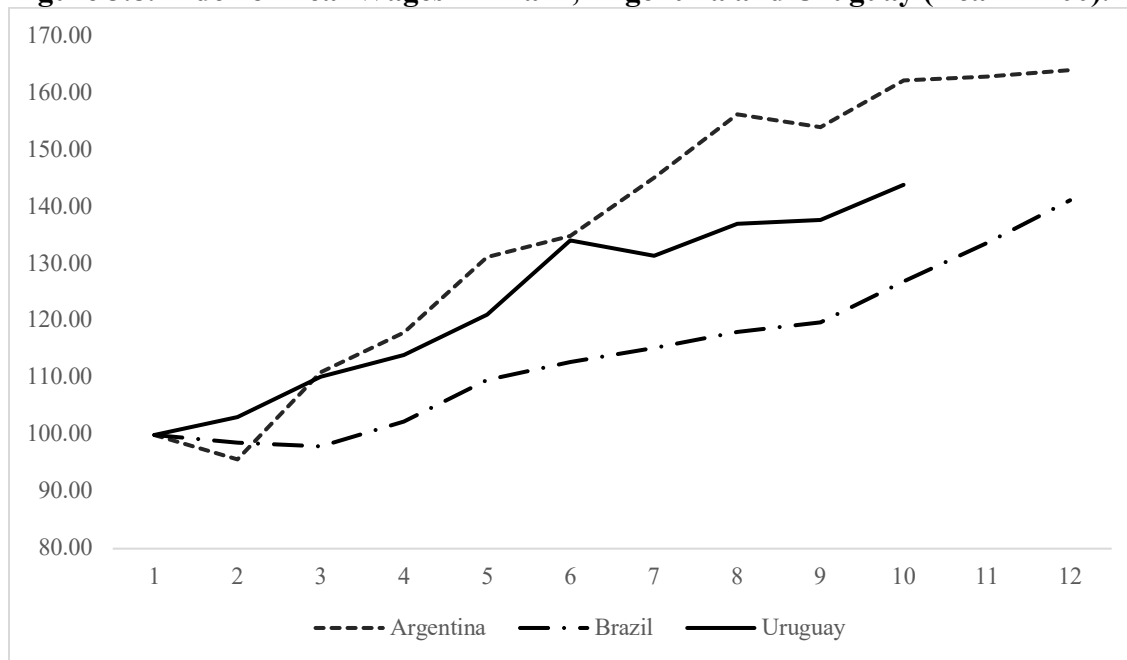
For the welfare of the workers they represented, unions' lack of empowerment would certainly have an impact on workers' incomes. Specifically, their wage levels would rise at a slower pace than in Argentina and Uruguay, where unions were in fact empowered through changes in labor codes. Figure 3.8 shows the evolution of workers' real wages in the three cases under study. First, it shows that workers' real wages actually dropped during the first years of the Lula presidency. As a matter of fact, Brazilian workers' wages would not surpass the pre-Lula, 2002 levels until 2006, when the Minimum Wage Increase Policy was approved (see next section). In other words, when left to their own devices, unions were unable to secure important wage increases for their base without state support. Second, even when accounting for the effects of the Minimum Wage Increase Policy, annual wage increases for Brazilian private workers during the whole period (2.47% annual increase) lagged those of Uruguay (3.76%) or Argentina (4.69%).

¹¹⁴ Interview with Antônio Augusto de Queiroz, "Toninho", Departamento Intersindical de Assessoria Parlamentar (DIAP), 03-31-2014, Brasília.

¹¹⁵ Interview with Antônio Augusto de Queiroz, "Toninho", Departamento Intersindical de Assessoria Parlamentar (DIAP), 03-31-2014, Brasília.

¹¹⁶ Personal Interview #5, 04-25-2011, São Paulo

Figure 3.8. Index of Real Wages in Brazil, Argentina and Uruguay (Year 1=100).

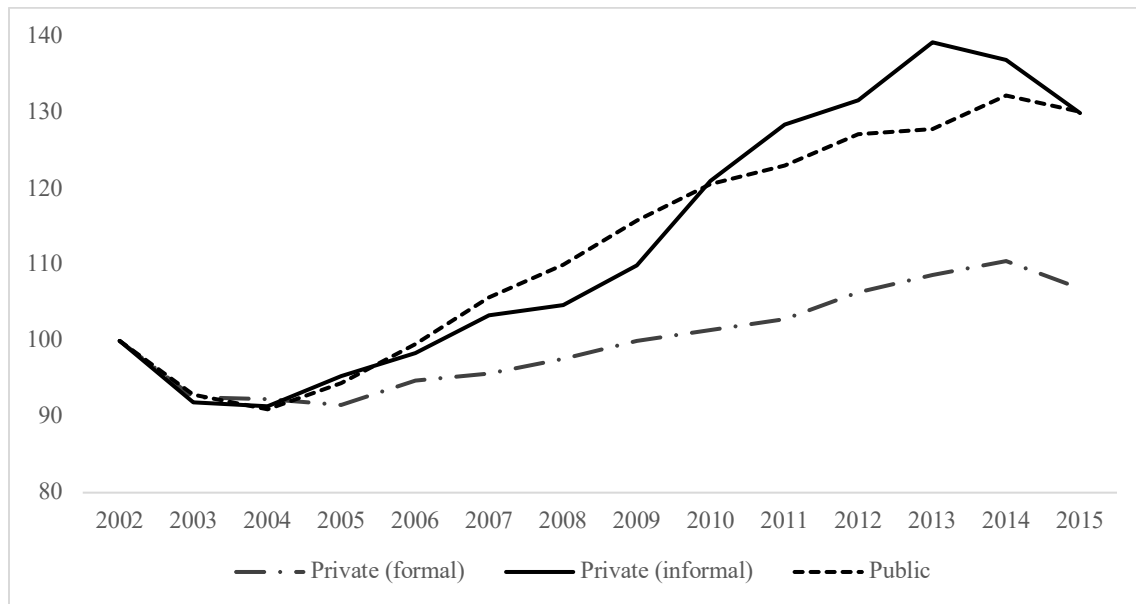


Year 1 = Year Preceding the first leftist Administration (Argentina and Brazil = 2002, Uruguay=2004).
 Source: SEDLAC for nominal values. Inflation: INDEC (Argentina 2002-2006), proxy for INDEC
 CPI using prediction methodology, author's elaboration (Argentina 2007-2010), Estudio Bein (2011-
 2015), IBGE (Brazil), INE (Uruguay).

Furthermore, Figure 3.9 clearly shows that much of Brazil's wage increase shown in Figure 3.8 is due to increases in public sector wages and in the wages of informal workers. For those workers covered by collective bargaining agreements in the private sector (that is, those who would have benefited from the failed union reform), real wages increased during the PT administrations by only 6.86% over 13 years. In contrast, real wages for public and informal workers increased by 30% over the same period.¹¹⁷ In other words, it is not that private formal workers fared poorly during the PT administrations. The crucial point is that they received far smaller wage increases than did workers who were the direct beneficiaries of redistributive policies. As will be explained in greater detail in the second section, both informal and public workers' wages are very sensitive to increases in minimum wages. The PT increased the minimum wage considerably after 2005. As can be observed in Figure 3.10, that is when public and informal workers' wages began to grow faster than the wages of private, formal workers.

¹¹⁷ Between 2003 and 2015, informal workers' wages increased by 30.02%, and public sector wages increased by 30.13%.

Figure 3.9. Real Wages in Brazil (Private –formal and informal- and Public).



Source: author's elaboration based on data from IBGE

Public Sector (Federal Government): Government's Opposition to Union Empowerment

While the union reform was CUT's demand in the private sector, public sector members of CUT pushed for the extension of collective bargaining rights to public workers. Although the 1988 Brazilian Constitution had recognized public workers' right to organize and strike, workers still lacked collective bargaining rights. By contrast, private sector workers already had collective bargaining rights and wanted Lula to increase unions' leverage in negotiations with employers. It was natural that once the PT came to power—and given that its main union base was in the public sector—it would extend these rights. However, the government did not do so. There were two reasons for this: (1) the prioritization of attaining fiscal surpluses, and (2) the great degree of control the PT exerted over the labor movement.

Furthermore, the failure to extend collective rights to public workers constitutes an important test for power resource theory. This theory would predict that a leftist government would expand these rights without much difficulty, because the Right and business do not care about labor-market regulations in the public sector. Unlike union empowerment in the private sector, business' interests are not negatively affected by this type of power redistribution. However, this section shows that other factors, such as market constraints and the president's control over the leftist movement, are better able to explain this case of failed reform.

When Lula was elected in 2002, public sector unions had high expectations that a PT government would transform labor relations at the federal level. Indeed, the policies of the previous, center-right administration of FHC (1994-2002) had been particularly detrimental for public sector workers and unions. First, as explained above, FHC

approved a public pension reform that curtailed workers' benefits. Second, while FHC professionalized Brazil's public sector by prioritizing top public servants with college degrees, his policies towards 'rank-and-file' public sector workers were adverse. For example, during his administration the government unilaterally determined wages, and wage levels for public workers stagnated.¹¹⁸ Lastly, Brazil's 1988 Constitution did not grant collective bargaining rights to public workers, and there was no law regulating strike activity in the public sector. Given this adverse context, public sector unions campaigned heavily for Lula's election in 2002. They hoped that under the new PT administration, the expansion of collective working rights to public workers would be imminent.¹¹⁹

Their hopes were not realized. There were three episodes in which the government showed some initial predisposition to expand collective bargaining rights to public sector workers; in each of them, this reform failed due to strong resistance from actors within the PT administration. The first episode was the creation, in 2003, of the "*Mesa Nacional de Negociação Permanente*". The objective of this committee was to democratize labor relations. The top ministries involved in the committee were the Treasury Ministry, the Planning Ministry, the Chief of Staff's office (*Casa Civil*), and the General Secretariat (the office in charge of relations between civil society organizations and the government). This committee was an improvement with respect to the previous administration of FHC. While between 1994 and 2002 public sector wages at the federal level were determined unilaterally by the executive (with virtually no real wage increases), since 2003 there have been informal negotiations between unions and the government to set wage levels, and there has been improvement in public sector wages.¹²⁰ However, the committee's work never accomplished its central mission, which was to create a legal framework for enabling collective bargaining and regulating strike activity in the public sector.

The main obstacle came from top officials in the PT administration.¹²¹ The three principal ministers (those in charge of the Treasury, Planning and *Casa Civil*) opposed the expansion of collective bargaining rights for public workers. The reasons were varied: the Treasury and Planning ministries opposed it because they feared that collective bargaining rights for public workers would lead to higher fiscal spending, because it would increase unions' bargaining power vis-a-vis the federal government.¹²² *Casa Civil* was against it because it did not want to see its control over Brazil's federal government diminished; if the new law was approved, the government would have to negotiate its decisions on wage policies and public sector reforms with a new, empowered actor recognized by law.¹²³

The only governmental actors in favor were the General Secretariat, as well as the key actor promoting the expansion of collective bargaining rights in the PT government,

¹¹⁸ Interview Paulo Rizzo, Union Leader CONLUTAS, 3-27-2015, Brasília.

¹¹⁹ Interview Paulo Rizzo, Union Leader CONLUTAS, 03-27-2015, Brasília.

¹²⁰ Interview Paulo Rizzo, Union Leader CONLUTAS, 03-27-2015, Brasília.

¹²¹ Personal Interview #6, 03-02-2014, Brasília.

¹²² Interview with Sergio Mendonca (Second Interview), Secretary of Human Resources, 3-27-2014, Brasília.

¹²³ Interview with Sergio Mendonca (Second Interview), Secretary of Human Resources, 3-27-2014, Brasília.

the Secretariat of Human Relations.¹²⁴ Secretary Sergio Mendonca was a key figure within Brazil's labor movement: he had been director of DIEESE, a think tank financed by labor confederations that advise unions on collective bargaining and labor policies. However, Mendonca's office was under the authority of the Planning Minister, who, as mentioned above, actually opposed the empowerment of public sector unions.

A second episode took place in 2008-2009, when, thanks in part to the pressures exerted by the labor movement, Lula sent to Congress a bill to ratify ILO's 151 convention, which mandates collective bargaining rights in the public sector. In this case, the main obstacle to unions' empowerment in industrial relations was not direct governmental opposition, but unions' lack of control over the Labor Ministry. As will be explained in greater detail below, since 2007 the Labor Ministry was controlled by the PDT, a party with ties to CUT's rivals within Brazil's labor movement. This meant that two competing offices were in charge of relations with public sector unions. The principal office was the Secretariat of Human Relations under the Planning Ministry, which was occupied now by Duvanier Paiva Ferreira, another union cadre who had spent a substantial portion of his career working for CUT. In this context, Lula's legislative initiative allowed CUT to use its close links with the Secretary of Human Relations to start drafting a new law that would legalize collective bargaining.¹²⁵

Because CUT's rivals were excluded from these negotiations, they feared that the new law would advance CUT's position within the labor movement at their expense.¹²⁶ However, they had a key ally within the state, Labor Minister Carlos Luppi, a top leader from the PDT. These labor confederations used their strong connections with Luppi to stall the negotiation between CUT and the Secretary of Human Resources within the Planning Ministry.¹²⁷

As was the case with the failed union reform in the private sector, divisions among Brazil's labor confederations had some influence in preventing union empowerment. However, the government's decision to not prioritize labor demands was a necessary condition for the divisions within the labor movement to actually have an effect on union empowerment. In other words, this necessary condition was Lula's decision to grant the Labor Ministry to an allied party (the PDT) that had no connections with CUT. Moreover, this party had no agenda to alter the balance of power in industrial relations.¹²⁸ By using the Labor Ministry as a bargaining chip with other political parties in exchange for legislative support, the government allowed labor confederations with little leverage within the public sector and no real agenda of power redistribution to stall CUT's demands for union reform even in an economic sector where the PT's labor confederation had its stronghold, that is, the public sector.

The third (failed) attempt to enact union reform took place in 2012-2013. Dilma Rousseff (2011-2016) had succeeded Lula in the presidency. Lula and Dilma had very different orientations towards the labor movement. While Lula's own past as a labor union leader made him sympathetic towards labor unions, Dilma, an economist who had

¹²⁴ Interview with Pedro Armengol, Union Leader CONDSEF, 3-21-2014, Brasília.

¹²⁵ Interview with Sergio Mendonca (Fourth Interview), Secretary of Human Resources, 3-13-2015, Brasília.

¹²⁶ Interview with Sergio Mendonca (Third Interview), Secretary of Human Resources, 3-11-2015, Brasília.

¹²⁷ Interview with Sergio Mendonca (Third Interview), Secretary of Human Resources, 3-11-2015, Brasília.

¹²⁸ Interview with Manoel Dias, Minister of Labor, 03-25-2015, Brasília.

no record either as a unionist or as a PT activist, had a more technocratic style that rejected the influence of civil society organizations in public policy decisions.¹²⁹

Dilma's attempt to create a legal framework that regulated labor relations in the public sector was actually triggered by a *conservative* calculation: it was a response to a massive strike among federal state workers in 2012.¹³⁰ This strike made the government rethink its approach to public sector unions, as it made clear the perils resulting from the lack of laws regulating strike activity.¹³¹ Specifically, the government initiated a dialogue with public sector unions with the expectation that creating a legal framework would reduce conflict levels in the public sector.

Once again, the two governmental agencies with an agenda closer to unions' demands (the General Secretariat and the Secretary of Human Resources within the Planning Ministry), attempted to take advantage of this opportunity to advance a more comprehensive (and progressive) labor reform, to implement a new legal framework that would regulate *both* collective bargaining and strikes in the public sector.¹³² Unions and governmental officials once again engaged in negotiations, and in 2013 Dilma Rousseff issued a new decree that 'integrated' ILO convention 151 (ratified during Lula's presidency) within Brazil's legal framework.

What did this 'integration of ILO convention 151 into Brazil's legal framework' actually mean? According to top governmental officials involved in this process, this decree's ambiguous language was purposefully equivocal. It was a consequence of the lack of consensus, within the PT government, with regards to how to regulate labor relations in the public sector.¹³³ Specifically, the three most powerful ministries involved in the negotiations (Planning, Treasury and *Casa Civil*) once again opposed the expansion of collective bargaining rights to public sector unions, choosing to focus instead only on enacting regulations concerning strike activity.¹³⁴ Given this strong opposition within the PT government, progressive actors within the PT coalition were unable to push for change.

In sum, under the PT administrations, public sector unions suffered two major political defeats: passage of a public pension reform that reduced workers' benefits and the government's opposition to extending basic collective bargaining rights to public sector workers. These political defeats were partly offset by other actions taken by the PT government, including a law approved in 2005 that moderated the worst effects of the pension reform, and an increase in federal employees' real wages during the Lula administration. However, the main reason why the PT administrations could inflict these political defeats on the labor movement was that it had strong, hierarchical ties to Brazil's main labor confederation, CUT. CONDSEF (CUT's labor confederation in the public sector) was hegemonic among federal employees,¹³⁵ and despite all these political setbacks, it continued to be a crucial ally within the PT coalition.¹³⁶

¹²⁹ Personal Interview #5, 04-25-2011, São Paulo

¹³⁰ Personal Interview #7, 05-02-2014, Brasília.

¹³¹ Personal Interview #8, 2-12-2014, São Paulo.

¹³² Interview with Sergio Mendonça (Fourth Interview), Secretary of Human Resources, 3-13-2015, Brasília.

¹³³ Personal Interview #7, 05-02-2014, São Paulo.

¹³⁴ Personal Interview #7, 05-02-2014, São Paulo.

¹³⁵ Interview Paulo Rizzo, Union Leader CONLUTAS, 3-27-2015, Brasília. However, the PT did pay a price for these labor policies: radical labor unions to the left of CUT and the PT grew among federal

Based on the timid policies towards formal workers described above, many observers on the radical left characterized the PT governments as anti-labor (Galvão 2006). However, Brazilian opposition parties on the right frequently denounce the Lula government for turning the state apparatus into a “*República Sindicalista*” (“republic of unionists”).¹³⁷ These apparently antithetical characterizations of the PT government actually capture the two most salient features of Lula’s strategy towards Brazil’s formal working class: timorous when it came to redistributing income or empowering unions vis-à-vis employers, but unquestionably generous regarding the appointment of party activists with a union background to governmental positions.

The cooptation of Brazil’s social organizations was the flipside of the ‘no empowerment’ strategy that the government had adopted towards unions and social movements in the societal arena. Given the strength of unions and social movements in Brazil, as well as the strong ties between the PT and these organizations, neglecting social organizations’ demands altogether would have been unfeasible for the PT’s leadership. Some sort of compensation had to be given to Brazil’s strong civil society organizations, especially when the government’s income and power redistribution strategies had been so disappointing for the party’s base. Cooptation, understood as the appointment of popular sectors’ leaders to political positions without substantial authority over the formulation and adoption of public policies that directly affect their base, was the PT’s strategy to appease unions’ and social movement’s discontent.

I measure political access by calculating the percentage of high-ranking officials who had a background as labor leaders. Specifically, I analyze the biographical profiles of 517 high-ranking public officials during PT administrations,¹³⁸ focusing on the first two levels of political authority within each ministry, that is, ministers and secretaries under ministers’ direct authority.¹³⁹ I also measure the degree of state empowerment by analyzing appointments in the labor and pension ministries. These ministries are crucial for unions’ interests because they have direct policy authority over labor affairs.

Table 3.18 shows the extent of unionists’ incorporation into the Brazilian state. Brazilian unionists held 16.67% of ministries, and 10.19% of top executive posts. Most of these labor leaders had been activists in CUT’s traditional strongholds, such as bank workers, metalworkers, professors, oil workers, public servants and physicians.

workers, as dissatisfaction with the PT government increased among public workers. CONLUTAS, a new labor confederation founded by the far-left party PSOL (founded by former PT legislators expelled after they voted against the 2003 pension reform), grew considerably in the public sector: unions affiliated with this labor confederation became the most important actors representing employees and teachers in federal universities and research institutes. So although the PT-allied CONDSEF continued to be the hegemonic confederation among Brazil’s public workers, CONLUTAS became an important sponsor of workers’ militancy to the left of the PT among federal employees (Sergio Mendonça).

¹³⁶ Interview with Pedro Armengol, Union Leader CONDSEF, 3-21-2014, Brasília.

¹³⁷ “Serra diz que país vive uma ‘República sindicalista’”, *Folha de São Paulo*, 07-15-2010.

¹³⁸ I analyze the first three PT administrations: Lula’s (2003-2010) and Dilma’s (2011-2014).

¹³⁹ For Brazil, I examine ministers and secretaries.

Table 3.18. Unionists' Political Access to the Brazilian State.

	TOTAL	Ministers	Secretaries
Lula (1st term)	14.12%	24.49%	9.92%
Lula (2nd term)	4.40%	4.65%	4.31%
Dilma Rousseff (1st term)	8.62%	13.8%	5.04%
Total	10.19%	16.67%	7.06%

Sources: Author's elaboration based on publicly available information on ministers and secretaries' profiles. See methodology in Table 3.7.

Political access, however, does not equal state empowerment. For these political appointments to be characterized as 'state empowerment', two elements must be present: unionists must occupy top positions within the PT administration, and these positions must have a significant decision-making power over public policies that affect unions' and workers' welfare. The second condition was not present in Brazil under the PT.

I assess state empowerment by measuring unionists' representation in ministries with authority over areas that are sensitive to unions' interests, namely the Ministry of Labor and Ministry/Institute of Social Security). Table 3.19 shows the percentage of labor and social security offices held by unionists in Brazil and Uruguay measured on a yearly basis. The comparison with Uruguay is useful to the extent that it gives us a metric of the extent of unions' state empowerment in Brazil.¹⁴⁰ While Uruguay saw union empowerment, Brazilian unionists were mostly excluded from offices with authority over union affairs. First, while in Uruguay unionists controlled half the positions (50.68%), in Brazil only 22.5% of positions were filled with unionists. Second, unionists' capacity to retain control of these ministries over time is substantially different. While in Uruguay both the Labor Ministry and the Social Security Institute were headed by ministers with a union background during the three FA administrations, in Brazil union leaders only controlled these ministries for a third of the time the PT was in office. Third, while unions in Uruguay achieved substantial representation in both ministries, in Brazil the Social Security Ministry had few officials with union backgrounds (only 8.33%).

¹⁴⁰ I do not include Argentina under the Kirchners because it is a case where unions were denied access to the political arena.

Table 3.19. High-Ranking Officials with Union Background - Ministries of Labor and Social Security (%).

	Brazil	Uruguay
Labor Ministry	31.94	51.06
Ministers	33.33	92.31
Secretaries	31.67	44.44
Social Security Ministry	8.33	50
Ministers	33.33	100
Secretaries	0	33.33
Total (Labor + Social Security)	22.5	50.68

Sources: Author's elaboration based on publicly available information on ministers and secretaries' profiles. See methodology in Table 3.7.

The trajectory of the Labor Ministry during the PT administrations is illustrative of this broader pattern of exclusion of union leaders from posts with authority over policies that have a redistributive impact on their base (Table 3.20). Appointments to the Labor Ministry signaled a bad start for unions: until 2004, no proper Labor Minister was designated for the office, which was run by interim ministers. By 2004 the former strongman of the bank workers' union, Ricardo Berzoini, was finally designated as Minister. However, by that time, Berzoini was much more a party cadre than a unionist. Before accepting the post as Minister of Labor, he served as Minister of Pensions when the PT adopted its most controversial reform against the labor movement, the reform of public workers' pensions. It was only in mid-2005 that unions actually took control of the Labor Ministry for their first and only time, with the designation of CUT's leader, Luiz Marinho, as Minister. His designation—and the temporary empowerment that it entailed for the labor movement—will be explained in more detail in the next section.

However, once Lula was re-elected in 2006 and allied with the centrist PMDB party, he decided to reinforce his legislative coalition in Congress by ceding control of some ministries to allied parties. The Labor Ministry came under the control of a small, center-left party with no connections to CUT, the *Partido Democrático Trabalhista* (PDT), and would remain controlled by the PDT until (almost) the end of the PT administrations (Table 3.20). Interestingly, other social ministries, such as the Ministry of Social Development or the Ministry of Family Agriculture, would remain under PT control, constituting additional evidence that labor issues were not at the top of the government's agenda. In Table 3.20, for PT ministers I distinguish between 'party cadres'—leaders who had important careers as *party* politicians before being appointed to

a ministry—from union leaders, who went directly from a leadership position in a union to a ministry.

Other key ministries for labor’s redistributive demands exhibit similar trajectories. The Ministry of Pensions was only briefly occupied by two unionists: Ricardo Berzoini (2003-2004)—as mentioned above, a hardcore party cadre who adopted the reform of public workers’ pensions—and Luiz Marinho (2007-2008). Marinho’s passage through this ministry was brief, and he was replaced by party cadres Carlos Gabas and José Pimentel, the latter being another key actor in the reform of public workers’ pensions. When Dilma Rousseff assumed the presidency, she handed the Ministry of Pensions to another allied party in Congress, the PMDB. Lastly, the General Secretary of the Presidency, in charge of relations with civil society organizations, was occupied by two renowned party cadres from the PT: Luiz Dulci (2003-2010), a key member of Lula’s inner circle who had not participated in union activities since the late 1980s, and Gilberto Carvalho (2011-2015).

Table 3.20. The Labor Ministry under the PT’s Administrations.

	Minister	Party	Type
2003	3 ministers, two of them interim	PT	Party Cadres
2004-2005	Ricardo Berzoini	PT	Party Cadre
2005-2007	Luiz Marinho	PT	Union Leader (CUT’s president)
2007-2011	Carlos Luppi	PDT	Politician
2011-2012	Interim	PDT	Politician
2012-2014	Brizola Neto	PDT	Politician
2013-2015	Manoel Dias	PDT	Politician
2015-2016	Miguel Rossetto	PT	Party Cadre

Source: author’s elaboration.

If PT cadres or allied political parties occupied top ministerial positions, where were unionists appointed within the Brazilian state? Some of them were appointed to ministries that did not have policy authority over labor, pension or social policies. Most of them were appointed *en masse* to second-tier positions. This is shown by an important study conducted by Marina Celina D’Araujo on Brazil’s ruling political elite during the Lula administrations. Her study shows that among top political positions in the Brazilian state that rank just below ministries and secretaries, 40.8% of them were occupied by unionists (D’Araujo 2009:63). Beyond the appointment to second-tier positions in ministries, another typical form of unionists’ cooptation was their designation to serve as members in different policy councils, from the Council for Economic and Social Development (CDES) to more specific councils such as those that supervise the administration of workers’ unemployment funds (CODEFAT) or workers’ pension funds in public companies (Previ, Petros, Funcef). Lastly, unionists were also appointed to

serve on the board of directors of many Brazilian state enterprises, such as the oil giant Petrobras.

As explained by one of CUT's historical leaders and a leading figure of the *bancada sindical* within the Brazilian Congress, this process of political cooptation had a negative impact on unions' capacity to advance workers' redistributive demands:

"Unionists are also members of the PT, and that crew—and the legislative representatives also, many representatives also—are co-opted by the government. The government is evil? Of course not, it is our government. So there is no evil in that. But I would like to have more representatives fighting for a 40-hour-work week, for the rights of domestic workers, for the rights of workers from many occupations. We have few...When unionists get a position in the government, they disappear from the labor movement, they don't do anything for the labor movement, they don't keep their links to unions. We really feel the lack of unionists that advance the labor movement's agenda within the government"

*Former CUT president*¹⁴¹

In sum, the PT administrations faced a problem common to all leftist parties in the 2000s: how to deal with the demands of allied social organizations once the Left comes to power. Organizations expect some sort of compensation for their long-lasting alliance with the party. But the party's margin of action is limited by the fiscal and financial constraints of the global economy. The Brazilian Left gave to this problem a particular solution: the political cooptation of allied organizations. This solution was only possible because the leftist party had hierarchical ties to social organizations. By remaining loyal to the party's directives, many unionists now appointed to the state could scale up the party ladder and eventually compete for important elective posts. In this regard, the party apparatus constituted for Lula an indispensable device of political discipline: it kept union officials subordinated to the party directives once they were incorporated into the government.

¹⁴¹ Personal Interview #5, 04-25-2011, São Paulo

II. Broadening the Scope of Poverty-Relief Programs: From the Informal Poor to Low-Income Workers and Pensioners

The 2005-2006 juncture is crucial because it marks an important expansion of Brazil's social policy strategy: from a very narrow approach to poverty alleviation focused on poor informal workers to a somewhat more expansive approach that included other types of labor-market outsiders: low-income formal workers, salaried informal workers and poor pensioners. Moreover, the government (briefly) empowered unions in the political arena. This episode of redistribution, which was more generous than Lula's initial social policy approach—but still falls within the boundaries of a *Poverty Alleviation* strategy—is both consistent with the theory presented in this analysis, but also allows us to refine it. The expansion of income redistribution toward outsiders follows the predictions of my theory: increased competition from the Right forced the PT government to expand social policies to outsiders, but not to insiders. Furthermore, the brief state empowerment of unions suggests—as I explain in Chapter 2—that the type of cooperation presidents need from organizations is different under 'normal times' and 'political crises', and thus the type of redistributive policies necessary to secure their support. This episode illustrates a political logic that will also emerge in the Argentine case: while during normal times presidents are interested in securing the *acquiescence* of social organizations, in times of political crisis they may need to secure their *active mobilization* in the streets to maintain their hold to power. In return, when the government faces a political crisis, social organizations can demand more generous redistributive policies. However, this episode also illustrates that such redistributive gains may be short-lived: once the political crisis passed, policies of state empowerment were immediately reversed.

Indeed, this new expansion of social policy towards labor-market outsiders was caused by the emergence of an acute political threat from the Right. In 2005, the government was involved in a corruption scandal of large proportions known as the *Mensalão*. This set in motion an important political crisis within the government. Lula's popularity levels plummeted. Also, the opposition staged a legislative blockade against any governmental proposal and even suggested the possibility of initiating an impeachment process. The governing party became seriously concerned about the possibility that Lula might not only lose the 2006 presidential elections, but also be unable to finish his constitutional mandate.

The government responded to this political crisis with two measures: expanding social policies to labor-market outsiders, and (briefly) empowering unions in the state. For the first, and only, time during PT administrations, unions were given the command of the Ministry of Labor. Moreover, Lula gave unionists in this ministry full authority to formulate and adopt a minimum wage increase policy. This law strengthened the government's alliance with unions, which was particularly important at a time when it desperately needed to mobilize its troops in the streets to remain in power and neutralize the threat of impeachment. The minimum wage increases also deepened the PT's income redistributive strategy by expanding social benefits to new groups of labor-market outsiders previously neglected by the PT's social policies, such as salaried informal workers, low-income formal workers and poor pensioners. Both measures not only gave

Lula the political muscle needed to remain in power, but also allowed him to win by wide margins in the 2006 elections.

The 2005-2006 political crisis and the government's redistributive policies to deal with it are theoretically interesting because they help us refine the concept of 'organizational control' and its impact on redistributive policies. In Chapters 1 and 2 'organizational control' was introduced as a resource presidents need to neutralize the threat of social unrest. I argued that when presidents already have organizational control over unions and/or social movements, they have no need to expand redistributive policies towards organizations. However, this framework assumed that presidents' most important goal was organizations' *acquiescence*, that is, the absence of disruptive mobilizations. In normal times, this is indeed presidents' main concern when it comes to dealing with social organizations.

In exceptional times, however, when presidents are experiencing an acute political crisis that jeopardizes their survival in office, presidents may need a more active cooperation from organizations. For example, they may need to mobilize allied unions and social movements in the streets to counteract the protests of opposition parties or rival interest groups, or even attempts by the opposition to initiate a political impeachment against the president. In this type of context, securing organizations' *acquiescence* is not enough; presidents need to secure their *active mobilization*. My theoretical prediction is that moving from *acquiescence* to *active mobilization* will be more expensive for governments, as organizations will charge a higher price for their more active cooperation. They will demand policies of power redistribution as well as income redistribution for their base. This is what I show in the discussion of the 2005-6 political crisis in Brazil. Moreover, in Chapter 4 I show that a similar political dynamic took place in Argentina during an acute political crisis in 2008-9.

A. From Electoral Competition to Political Crisis: New Challenges from the Right.

The Mensalão Scandal and the PT's Political Crisis

The political constraints under which Lula exercised his power changed dramatically with the emergence on May 2005 of the political scandal known as Mensalão ('big monthly allowance'). This scandal was important because it represented an acute political threat to Lula's survival in office. The media exposed a large corruption scheme that involved government officials bribing legislators from allied parties on a systematic basis. Since the PT did not have legislative majorities in either house of Congress, one strategy to craft those coalitions was to give generous monthly payments to legislators from allied parties in exchange for their support for governmental legislative bills.¹⁴² In other words, the government engaged in systematic corruption as a strategy to secure stable legislative majorities in Congress.

This scandal reached vast proportions and involved some of the top political figures within the PT. Although corruption had been endemic among the Brazilian political elite for decades, this scandal had especially devastating effects on the PT's party brand (Hunter 2010). Indeed, the PT had run every electoral campaign since the 1980s based on two principles: the reduction of Brazil's deep social inequalities and the fight against corruption.¹⁴³ The electoral contract between the PT and its electorate resided to a large extent on the promise that, once in power, the PT would bring to the Brazilian state cadres of committed, ethical public officials who would put an end to decades of corrupt federal administrations. In this scenario, the Mensalão scandal produced an important dilution of the PT's party brand as an anti-corruption party (Hunter 2010:).

The Mensalão scandal represented an acute electoral threat for the PT government. It posed a serious electoral challenge that compromised more than just Lula himself. If the president was facing the prospect of a dramatic electoral defeat; the magnitude of this potential defeat was so big that the survival of the PT brand seemed to be at stake. Further, many officials within the government feared a potential removal from power through political impeachment before the end of his mandate.

"In 2005 I was telling my fellow PT colleagues that this was not going to end well. The general perception was that there was an ideological opposition to Lula: the Brazilian elite did not want power to be in the hands of a working-class president from the PT. The opposition would do anything to avoid Lula's reelection. So, we believed they would do anything to prevent Lula's reelection. My colleagues in the labor movement already believed that the government was over. I was very upset: thirty years building a political project and now suddenly we were not going to be able to even finish our term in office"

¹⁴² Singer, André 2012. *Os sentidos do lulismo: reforma gradual e pacto conservador*. São Paulo: Cia. das Letras.

¹⁴³ Samuels (2009).

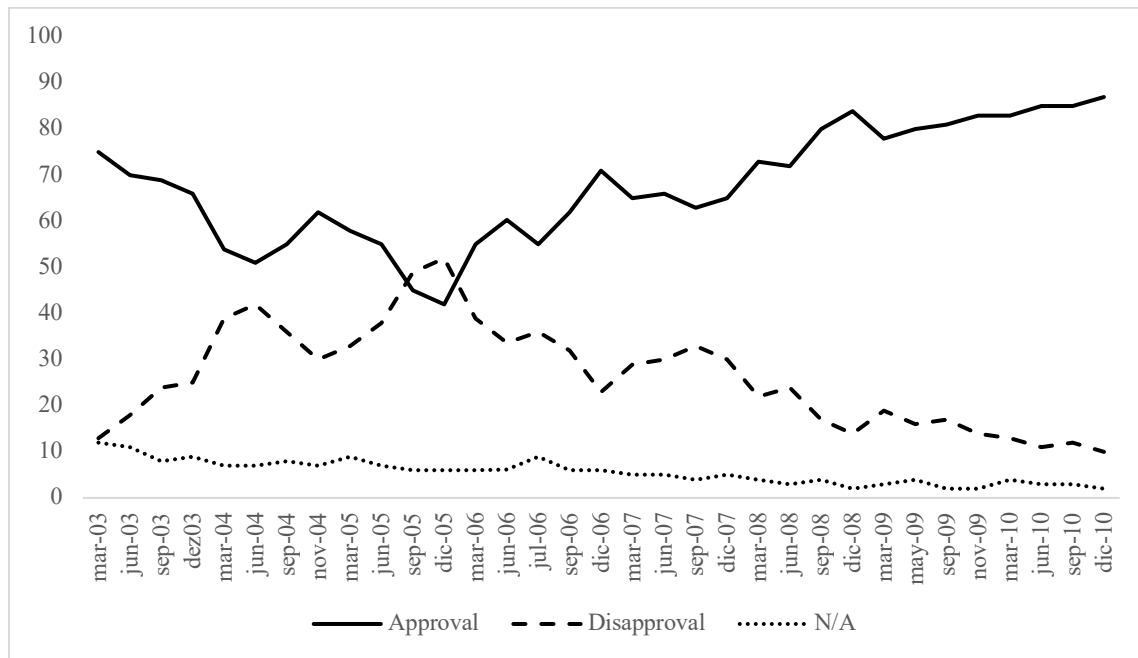
The political dynamic during the Mensalão had three related features. First, the president's popularity levels plummeted as the details behind the corruption scandal unraveled, a fact that seriously jeopardized Lula's chances of winning the 2006 presidential elections. Second, the president lost his capacity to govern, as the opposition staged a legislative blockade against the government and instead focused all its efforts on establishing special commissions to investigate the corruption charges against the government. This had obvious electoral consequences: under a complete political and policy paralysis, the government would hardly be able to win the forthcoming 2006 presidential elections. Finally, both the government and the opposition seriously contemplated the possibility that the government could be ousted before the end of its constitutional mandate through a political impeachment. Although an impeachment was not imminent, it was perceived by all the relevant political actors as one of the possible political outcomes resulting from the corruption scandal. Below I examine each of these features in greater detail. In Chapter 4 I will show how these features were also present during an acute political crisis experienced by the Kirchners in Argentina in 2008-9, and led to similar redistributive outcomes.

Plummeting of the Government's Approval Ratings

The Mensalão scandal practically monopolized Brazil's political scene from May 2005 until the end of the year. As can be observed in Figure 3.11, in this period the Lula administration's image reached its lowest level. For the first and only time under Lula's administrations, the percentage of Brazilians who disapproved of the government (49% by September 2005) surpassed the percentage of those that actually approved the government (45% by September 2005). These figures worsened by December 2005, as the percentage of Brazilian that disapproved of the PT administration (52%) far surpassed the percentage of those that approved of it (42%). From March 2005—that is, before the Mensalão scandal started—the government's approval rate had dropped 13 percentage points in just six months (from 58% in March 2005 to 45% in September 2005).

¹⁴⁴ Personal Interview #7, 05-02-2014, São Paulo.

Figure 3.11. Government's Approval Rate (%).



Source: author's elaboration based on data from IBOPE

Incapacity to Govern: Legislative Blockade

The second element of the government's electoral crisis was its incapacity to govern due to legislative paralysis. Indeed, both opposition parties and many former partisan allies refused to approve or move forward the legislative bills proposed by the executive.¹⁴⁵ The opposition's objective was to create a climate of 'governmental paralysis' that would further erode the government's image among the electorate. Most opposition legislators' efforts were concentrated on creating a special Congressional commission to investigate the corruption charges against the government, called 'CPIs' in Brazil. They eventually created three different CPIs, and as the corruption scandal unraveled, many top governmental officials and PT leaders were forced to resign, including Lula's right-hand man José Dirceu, (Minister of the *Casa Civil*, the second most powerful political position in Brazil's executive after the president) and PT president José Genoino.¹⁴⁶ From the opposition's point of view, this political scenario positioned them ideally vis-à-vis the PT. The continuation of the legislative blockade, which conveyed to the Brazilian electorate the image of governmental paralysis, combined with the ongoing corruption investigations against the PT, which appeared every day in CPI's investigation and the media, would irrevocably erode the government's public image, making it appear both corrupt *and* ineffective. Given that the 2006 elections were just one year away, many in the opposition thought that if they could

¹⁴⁵ "Crise política paralisa projetos tidos como prioritários para o país", *Folha de São Paulo*, 07-18-2005.

¹⁴⁶ "Só 2 deputados renunciaram, e Câmara abre 11 processos", *Folha de São Paulo*, 10-18-2005. Available at: <https://www1.folha.uol.com.br/fsp/brasil/fc1810200502.htm>; "Durante crise, ministros sugeriram renúncia", *Folha de São Paulo*, 10-30-2006.

maintain the legislative blockade and congressional corruption investigations long enough, the PT would be crushed in a landslide electoral defeat in 2006.¹⁴⁷

The Specter of Political Impeachment

However, the political consequences of *Mensalão* seemed to be much more long-lasting—and potentially more disruptive—than a ‘regular’ electoral defeat. With plummeting popularity levels, a legislative paralysis, and a PT party brand that seemed to be irreversibly damaged by the corruption scandals, many actors within both the government and the opposition believed that the era of PT administration was over.¹⁴⁸

The main uncertainty was not *whether* the PT administration was over—many were certain of its upcoming electoral defeat during the PT’s darkest hours—but *how* the government would abandon the executive office.

The more optimistic among the governing coalition believed in an exit from power through electoral defeat. Foreseeing a continuation of the systematic legislative blockade staged by the opposition and continuation of the ongoing corruption investigations, the expected the president’s image would reach rock bottom and the PT would be displaced from the executive office through a landslide electoral defeat in 2006.¹⁴⁹ The more pessimistic feared a more disruptive end. Based on the corruption charges investigated by the CPIs, the opposition could move forward and initiate an impeachment process.¹⁵⁰ This was not unheard of in Brazil’s recent history. Former president Fernando Collor de Mello, for example, was impeached in 1992 under similar circumstances. Indeed, Collor de Mello’s political decline started with corruption charges against top government officials. Similar to the PT government, he did not have legislative majorities in Congress that could protect him against a potential, early removal from power. When opposition legislators decided to proceed from CPIs investigating corruption charges against his administration to a special committee to start his impeachment process, his political fate was already sealed (Perez-Liñan 2007). Dilma Rousseff (2011-2016), Lula’s successor as PT president, would eventually be removed from power through the same, extra-electoral procedures in 2016.

Given this recent historical example, PT officials contemplated impeachment as a possible political outcome. This fear within the governing coalition that the president might not be able to finish his constitutional mandate is clearly expressed by his former chief of staff:

¹⁴⁷ “Marinho defende valor menor e diz que Senado tomou decisão política”, Folha de São Paulo, 08-12-2005.

¹⁴⁸ See cites above.

¹⁴⁹ Interview with Luiz Marinho, former Ministry of Pensions (2006-7), 08-03-2011, São Paulo.

¹⁵⁰ Interview with Mario Barbosa, Minister of Labor, 03-13-2014; Interview with Marco Antonio de Oliveira, former Vice-Minister of Labor, 03-26-2014, Brasília.

“The worst moment for the PT was, without doubt, the 2005 crisis, when there were a lot of people convinced that the government was over, that the president’s impeachment was imminent. There was a famous night in which Palocci (former Minister of Finance) and Márcio Thomaz Bastos (former Minister of Justice) went to convince Lula to forge a pact with the opposition. Lula would not run for reelection, and in return the opposition would allow the government to survive until the end of its mandate”

*Gilberto Carvalho, Lula’s Chief of Staff (2003-2010)*¹⁵¹

¹⁵¹ Revista Veja (2008), 2067, no.26

B. Redistributive Policies: Income Redistribution towards Labor-Market Outsiders and (brief) State Empowerment of Unions

Labor Policies: Minimum Wage Increases and CUT's control over the Labor Ministry

Facing these electoral and extra-electoral threats, Lula initiated a strategy of “going back to the base” by strengthening his support among the PT’s core organizations: the unions of Sao Paulo’s industrial belt and the MST (Hochstetler 2008). This episode is theoretically interesting to the extent that it helps refine the concept of ‘organizational control’. In Chapters 1 and 2 organizational control was presented in terms of the need to secure organizations’ *acquiescence*: that is, presidents’ need to limit disruptive social protests. Moreover, I argued that in the case of pre-existing, hierarchical ties between the governing party and social organizations, presidents did not need to ‘buy’ organizations’ acquiescence through redistributive policies. On the contrary, this acquiescence could be taken for granted. Brazil under the PT proved this point. Despite the government having enacted labor and pension policies that either neglected or withdrew workers’ rights—putting considerable strain on the relationship between Lula and unions—labor did not abandon the governing coalition.

However, securing unions’ *acquiescence* is different from convincing them to engage in *active mobilization*. Sometimes the problem of organizational control is not just about avoiding social protests; in some circumstances, presidents need to actively mobilize their social base to defeat their political rivals. This is typically the case when opposition forces mobilize in the streets against the government, or when the opposition tries to advance with an impeachment process. In these cases, the government’s institutional resources may not be enough to secure its survival, and it may need to show its strength in the streets to counter the opposition’s actions.

In this context, governments may need to secure stronger organizational control, that is, they need to move from a strategy of securing organizations’ *acquiescence*, to one of promoting their *active mobilization*. Buying organizations’ active mobilization is more costly than just securing their acquiescence, and thus a government will have to expand redistributive policies to secure their active cooperation.

This was precisely the scenario faced by Lula in 2005 during the *Mensalão* scandal. In July 2005, Lula launched a strategy of rapprochement towards unions. The president personally travelled from Brasília to unions’ traditional stronghold, the city of Sao Bernardo do Campos,¹⁵² and discussed with Brazil’s historical union leaders the strategy to move forward in the midst of the crisis. In these meetings, unions expressed to Lula their commitment to support the government through a strategy of widespread street mobilizations in the event that the opposition tried to move forward with an impeachment strategy.¹⁵³ Unions signaled this commitment by staging several mobilizations in Sao Bernardo and Sao Paulo in support of the president.¹⁵⁴

¹⁵² Sao Bernarndo do Campos was the place were Lula initiated his career as a metalworkers’ unionist and the stronghold of Brazil’s metalworkers unions, which is CUT’s backbone. This union led the creation of CUT in the early 1980s.

¹⁵³ Interview with Nelson Barbosa, Functionary at the Minister of Labor, 05-30-2014, São Paulo; Interview with Artur Henrique, CUT’s President, 04-08-2011, São Paulo.

¹⁵⁴ Interview with Nelson Barbosa, Functionary at the Minister of Labor, 05-30-2014, São Paulo.

In return, unions obtained two major concessions from Lula: control over the Labor Ministry and full authority to formulate and adopt a minimum wage increase policy.¹⁵⁵ These two concessions constituted an important turn from the coalitional and policy strategies of the first years of the PT's administration. The 2003-2005 period was characterized by no power redistribution (choosing instead to co-opt popular sectors' organizations), and an income redistribution strategy focused only on *poor* informal workers. However, the *Mensalão* scandal forced Lula to expand his social policy strategy, from a strategy of income redistribution focused on the informal poor to a strategy that reached broader segments of Brazil's labor-market outsiders such as salaried informal workers, low-income formal workers and poor pensioners.

The first concession was the (brief) state empowerment of unions. For the first (and only) time, Lula appointed CUT's president Luiz Marinho to the Ministry of Labor in July 2005. This entailed a significant change in government-union relations. As explained above, before Marinho's appointment, unions had been mostly excluded from the Labor Ministry. Moreover, the Labor Ministry itself was, until then, an office without much policy influence. The Treasury Ministry had the final call when it came to all decisions regarding increases in public expenditures, including, of course, wages and social policies.¹⁵⁶ But with Marinho's appointment, the government temporarily abandoned its strategy of union *cooptation* and chose, instead, a strategy of (brief) *state empowerment*. The government did not, however, promote societal empowerment. The Labor Ministry, now under CUT's control, had for the first time real authority to shape labor policies.¹⁵⁷

The second concession made to unions was a reorientation of the government's *income redistribution* strategy. The CUT, now in control of the Labor Ministry, had full autonomy to enact a minimum wage increase policy.¹⁵⁸ This was the condition Marinho set in order to accept the position as Minister. His condition entailed two aspects. First, he demanded autonomy to negotiate a minimum wage increase policy with Brazil's major labor confederations. Second, he asked Lula to give him full political authority within the government to enact a wage increase, which entailed having a role equal to that of the Ministry of Finance in negotiating the extent of the increases.

"At that time (2005) there was an important crisis, and Lula needed to reinforce his strength in the parliament and in some governmental areas...So he proposed that I become the Minister of Labor, and when I asked him why, he said: 'I need to strengthen the government's relationship with unions and social movements.' So I agreed, but under one condition: that I would have full autonomy to negotiate a minimum wage increase policy with the labor confederations...I discussed with Lula the electoral importance that the minimum wage increases would have. That with the boost to the internal market that minimum wage increases would bring about, the government would win the re-election for sure"

*Luiz Marinho, Ministry of Labor*¹⁵⁹

¹⁵⁵ Interview with Luiz Marinho, former Ministry of Pensions (2006-7), 08-03-2011, São Paulo.

¹⁵⁶ Interview with Carlos Gabas, Minister of Pensions, 03-24-2015, São Paulo.

¹⁵⁷ Interview with Miguel Pereira, Official at the Ministry of Labor, 08-04-2011, Brasília.

¹⁵⁸ Interview with Luiz Marinho, former Ministry of Pensions (2006-7), 08-03-2011, São Paulo.

¹⁵⁹ Interview with Luiz Marinho, former Ministry of Pensions (2006-7), 08-03-2011, São Paulo.

This strategy was not only a concession to CUT but also an expansion of the government's *income redistribution* strategy that had the objective of recovering its electoral support among the popular sectors to win the 2006 elections.¹⁶⁰ Whereas *Bolsa Família* focused exclusively on *poor* informal workers, minimum wage increases extended welfare benefits to new groups of labor-market outsiders, including informal salaried workers, low-income formal workers and pensioners.¹⁶¹ In the next section I describe in greater detail how minimum wage increases benefited each of these groups. Here I briefly summarize the effect of the wage increases on these constituencies. Informal salaried workers benefit because of the 'lighthouse effect,' that is, increases in informal workers' wages tend to follow increases in the minimum wage in Brazil. Low-income pensioners benefit from minimum wage increases because the 1988 Constitution mandates that the minimum pension, rural pensions and non-contributory pensions for the poor (the BPC) must be equal to the minimum wage. Lastly, low-income formal workers benefit because their wages are close to the minimum wage. An increase in the minimum wage, therefore, usually translates into an increase in their wages.

The government ran regular polls during Lula's first years as president, and all yielded the same result: among low-income voters, the main source of dissatisfaction with the government was the lack of substantial minimum wage increases:

"At that time opinion polls conducted by the PT showed that the issue of (the lack of) minimum wage increases had a negative impact on the electorate, because the first increase approved by Lula was extremely minimal compared to the expectations of the PT's electorate"

*Luiz Dulci, General Secretary to the Presidency*¹⁶²

In sum, minimum wage increases were a policy response to a political crisis: the *Mensalão* scandal increased the government's vulnerability vis-à-vis the center-right opposition, forcing Lula to consolidate both his *organizational* and *electoral* support among the popular sectors. First, the coalitional value of unions increased dramatically under this political crisis, forcing the government to strengthen its alliance with unions: it had to show that the PT was ready and able to mobilize its troops in the streets in the face of a potential impeachment attempt. Second, government officials conceived minimum wage increases as an electoral strategy that would improve the PT's electoral performance vis-à-vis the Center-Right. This policy achieved this aim by targeting new demographic segments among labor-market outsiders, such as pensioners, low-income workers and salaried informal workers. The PT's strategists thought that these groups were less anchored in their voting. The support from these groups was crucial in rehabilitating Lula's negative image and allowing the PT to win the 2006 elections. Government officials confirm that these were the government's top concerns and objectives at this time (see also Mairinho's quote above):

¹⁶⁰ Personal Interview #1, 07-15-11, São Paulo

¹⁶¹ This will be explained in more detail in the next section.

¹⁶² Interview with Luiz Dulci, General Secretary of the Presidency, 7-27-11, São Paulo

“The *Mensalão* forced the government to widen its social base of support....The government realized with the *Mensalão* that either it formed a wider support base with social movements, coordinating with them, outside of Congress—which was completely against the government—or it could suffer an impeachment. The *Secretaria General* (the ministry in charge of relations with unions and social movements) played a fundamental role by deepening the dialogue with the popular sectors, mobilizing unions in the streets, preparing in advance for the possibility of a heavier conflict. The idea was to organize a counter-movement against a National Congress that wasn’t under the control of the government”

*Marco Antonio De Oliveira, Vice-Minister of Labor (2005-2007)*¹⁶³

What was the effect of this welfare policy on the popular sectors? As explained above, the adoption of the Minimum Wage Increase Policy (*Política do Valorização do Salário Mínimo*) in 2006 was crucial because it significantly expanded the number of demographic groups that benefited from the PT’s welfare policies. While *Bolsa Família* focused exclusively on the poorest segments among the informal sector, the addition of the Minimum Wage Increase Policy expanded welfare benefits towards three new constituencies: low-income formal workers (those earning wages equal to or slightly higher than the minimum wage), the elderly who earned minimum pensions (in Brazil both informal and formal workers receive this pension), and *salaried* informal workers (that is, the ‘better off’ informal workers who earn a monthly wage and frequently do not qualify for *Bolsa Família*). In sum, the Minimum Wage Increase Policy expanded the PT’s beneficiaries from an original, narrow segment of the population comprising very poor informal workers (a narrow segment of the population of labor-market outsiders), to one that also included the upper segments of the informal sector and the lower segments of the (mainly non-unionized) formal sector. I label this coalition a broad, labor-market outsider coalition because most, though not all, of the new beneficiaries were not represented by unions.

What were the technical aspects of this policy, and why did it have such a huge impact on the welfare of all these different demographic groups? This policy mandates annual minimum wage increases adjusted both by inflation as well as by Brazil’s GDP growth.¹⁶⁴ Conceptually, this formula attempts not only to protect workers’ purchasing power from inflation but also incorporates the innovative idea that labor is an important input for economic development, and therefore workers need to be rewarded with *real* wage increases when the economy is growing.¹⁶⁵ Although this policy would only be approved by law at the beginning of Dilma Rousseff’s presidency in 2011, it has been

¹⁶³ Interview with Marco Antonio de Oliveira, former Vice-Minister of Labor, 03-26-2014, Brasília.

¹⁶⁴ Specifically, the minimum wage increase for year x is determined by the sum of the % increase in inflation in $x-1$ plus the % increase in GDP growth for $x-2$. The GDP growth estimates are calculated for $x-2$ because GDP growth estimates for the immediately previous year are not available in Brazil by January, when the minimum wage has to be raised by law.

¹⁶⁵ DIEESE.2010. *Salário mínimo: instrumento de combate a desigualdade*. São Paulo: DIEESE.

recognized since 2007 by both the executive and the legislative branches of government as *the* parameter to use to adjust minimum wages in Brazil.¹⁶⁶

First, low-income pensioners—both formal and informal—earning the minimum pension benefit tremendously from this policy. Indeed, according to Brazil's 1988 Constitution, no pension benefit granted by the state—either contributory or non-contributory pensions—can be set below minimum wage levels.¹⁶⁷ Therefore, any increase in the minimum wage entails a very significant rise in social security expenditures for the Brazilian state. This constitutional rule forces government officials to augment the benefit levels of its two most important non-contributory pensions, the *Benefício de Prestação Continuada* (targeted at the urban informal poor) as well as the rural pensions, which are granted to almost every rural laborer or peasant.¹⁶⁸ Moreover, the state also has to augment the minimum pensions earned by millions of low-income, retired formal workers enrolled in the contributory social security system.

Second, it also benefits informal salaried workers, that is, those who are employed as proletarians off the books. Indeed, in Brazil, the minimum wage has a 'lighthouse' effect on informal workers' wages: it is a reference point around which employers and their employees negotiate workers' salaries. Therefore, several studies have shown that, historically, a great percentage of informal salaried workers actually earn wages very similar to the *formal*, minimum wage.¹⁶⁹ As Figure 3.12 shows, the case of Brazil under the PT administrations has not been an exception. While informal workers' wages seem to follow closely the upward trend of minimum wage increases, formal workers' wages in the private sector do not follow this upward trend and exhibit very moderate increases.

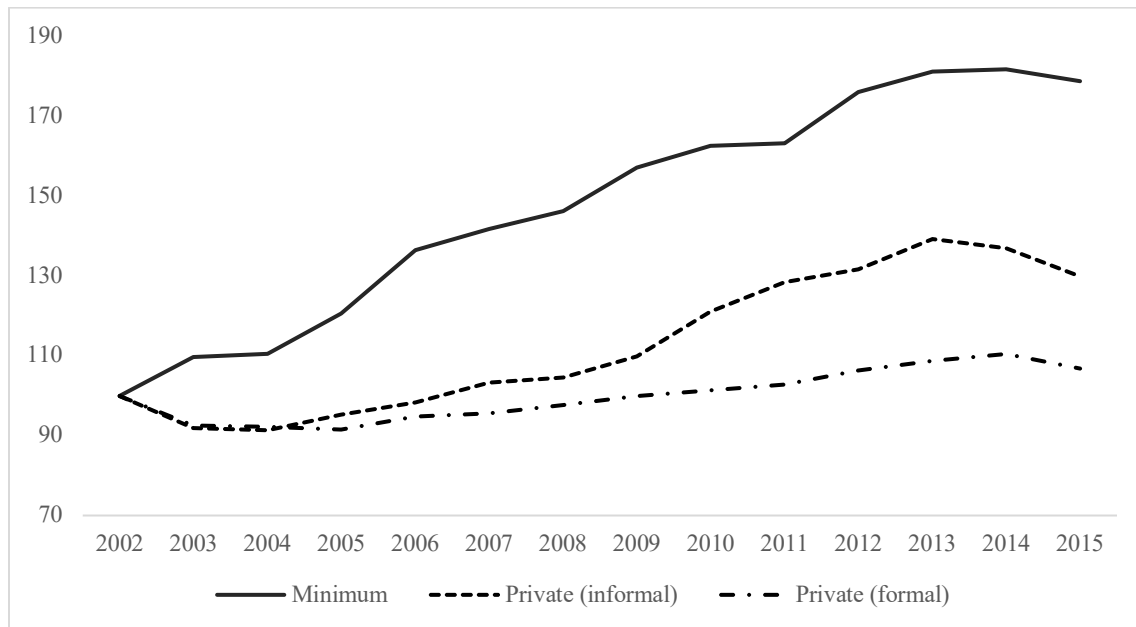
¹⁶⁶ From a legal standpoint, the Brazilian Congress has the prerogative to set minimum wage levels. Historically, the pattern of minimum wage increases has been one in which the Executive sends the increase proposal to Congress, and Congress approves the Executive's proposal, although not without some political controversies. The Minimum Wage Increase Policy adopted by Lula in December 2006 attempted to alter this pattern by adopting a law that would set minimum wage levels on an annual basis according to the technocratic formula described above. So both the Executive and the Legislature would lose their discretion over minimum wage levels. However, by 2007, the Congress, controlled by the opposition, did not want to lose the formal prerogative to set minimum wages. Therefore, what happened between 2007 and 2011 was that the Executive would send each year a legislative proposal identical to the annual increase set by the formula, and Congress would approve it without any modification. In 2011 the formula became a law and both the Executive and Congress lost their capacity to set the minimum wages. The law approved in 2011 was valid for five years and was renewed for another five years in 2015.

¹⁶⁷ Fleury, S. and Alves, R. 2004. Reforma previdenciária no Brasil em três momentos. *RAP*, 38, no.6: 979-1022.

¹⁶⁸ Delgado, G.C. and Cardoso Jr., J.C. 1999. *O Idoso e a Previdência Rural no Brasil: A Experiência Recente da Universalização*. Rio de Janeiro: IPEA.

¹⁶⁹ Neri, Marcelo, Gustavo Gonzaga, Jose Marcio Camargo. 2000. "Efeitos informais do salário mínimo e pobreza". FGV EPGE Economics Working Papers, 372. FGV EPGE - Escola Brasileira de Economia e Finanças, Getulio Vargas Foundation (Brazil).

Figure 3.12. Informal Workers' Real Wages and Minimum Wage Increases (2002=100).



Source: IBGE (informal and formal workers' wage), and Ministério do Trabalho e Previdência Social (minimum wage)

Third, increases in the minimum wage benefit low-income, formal workers through two mechanisms. They obviously benefit non-unionized workers with earnings equal to or slightly higher than the minimum wage; in such cases, any increase in the minimum wage immediately pushes these workers' income upward. In Brazil, the number of workers with earnings equal to or slightly above the minimum wage is considerable. According to Brazil's last census, in 2010, 32.7% of the population earned between one and two times the minimum wage (IBGE 2010).

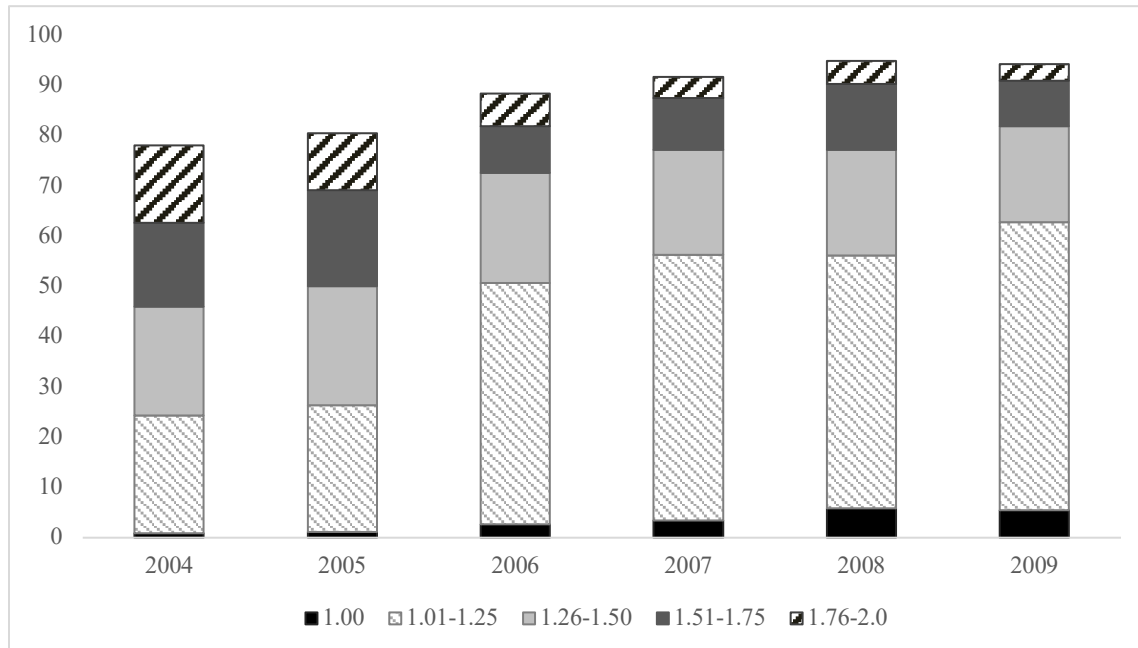
Furthermore, these increases also have some impact on low-income, unionized workers whose wages are negotiated through collective bargaining. Indeed, if their wages are close to the minimum wage, which happens to be the case in some occupations that require low skills such as construction, retail or the cleaning sector, increases in minimum wages allow unions to negotiate higher wages in collective bargaining. This is explained by the fact that in Brazil, unions representing low-income workers demand that the difference between their wage and the legal minimum wage—that is, the premium for being represented by a union,—be maintained.¹⁷⁰

Indeed, by analyzing wages negotiated through collective bargaining in Brazil as multiples of the minimum wage, it seems to be the case that formal workers at the bottom of the income scale were those most benefited by Lula's policies. As can be observed in Figure 3.13, while in 2004—that is, before the Minimum Wage Increase Policy—54% of

¹⁷⁰ Interview with Canindé Pegado, Secretary General to the UGT, 08-05-2011, São Paulo. Interview with Antônio Ramalho, Unionist in the Construction Sector, 08-01-2011, São Paulo.

annual collective bargaining agreements set wages that were more than 1.5 times the minimum wage,¹⁷¹ by 2009 only 18% of annual, collective bargaining agreements stipulated wages that were more than 1.5 times the minimum wage.¹⁷² This means that wages established in collective bargaining agreements could not keep up with increases in minimum wages, thus providing evidence against the hypothesis that minimum wage increases had a ‘trickle-up’ effect on insiders’ wages.

Figure 3.13. Collective Bargaining Agreements in Brazil Measured in Multiples of the Minimum Wage (% of Total Collective Bargaining Agreements).



Source: DIEESE.

In sum, Lula’s generous minimum wage policies certainly helped low-skilled workers with earnings close to minimum wage levels, as these workers were able to negotiate better wages with their employers. However, middle and high-income workers were unaffected by Lula’s wage policies. As Figure 3.14 shows, they were unable to keep up with the pace of the frenetic collective bargaining activity that took place at the bottom of the income ladder.

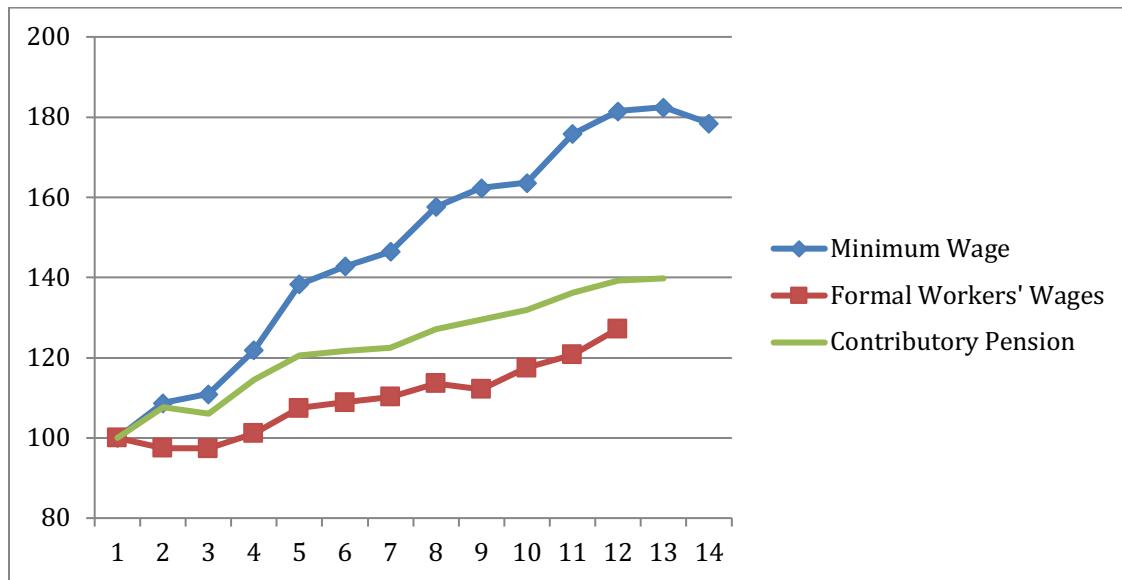
But this policy was important not only because of the breadth of the demographic groups covered but also because it provided generous benefits. As can be observed in Figure 3.14, the minimum wage and minimum pension, which is pegged by law to the

¹⁷¹ I use 1.5x the minimum wage as a reference point to see which percentage of collective bargaining agreements set wages around the area of the minimum wage. Collective bargaining agreements are always set wages at more than the minimum wage. Setting 1.5 as the upper threshold seems a reasonable indicator to measure what percentage of collective bargaining agreements set wages ‘near’ the minimum wage level.

¹⁷² What is more striking, the category that grew the most under the Lula government was the one that includes workers reaching wage settlements that were between 1 and 1.25x the minimum wage: while in 2004 only 24.4% of collective bargaining agreements set wages in that range, by 2009 62.8% of them belonged to this category.

minimum wage, increased by 81.88% in real terms between 2002 and 2014. Moreover, this increase was considerably higher than those experienced by middle and high-income formal workers and pensioners. While average pensions for formal workers increased by 39.30%, wages for middle/high-income formal workers increased by 27.2% in real terms (Figure 3.14).

Figure 3.14 – Index of Real Wages and Pensions vs. Minimum Wage, 2002-2015 (2002=100)



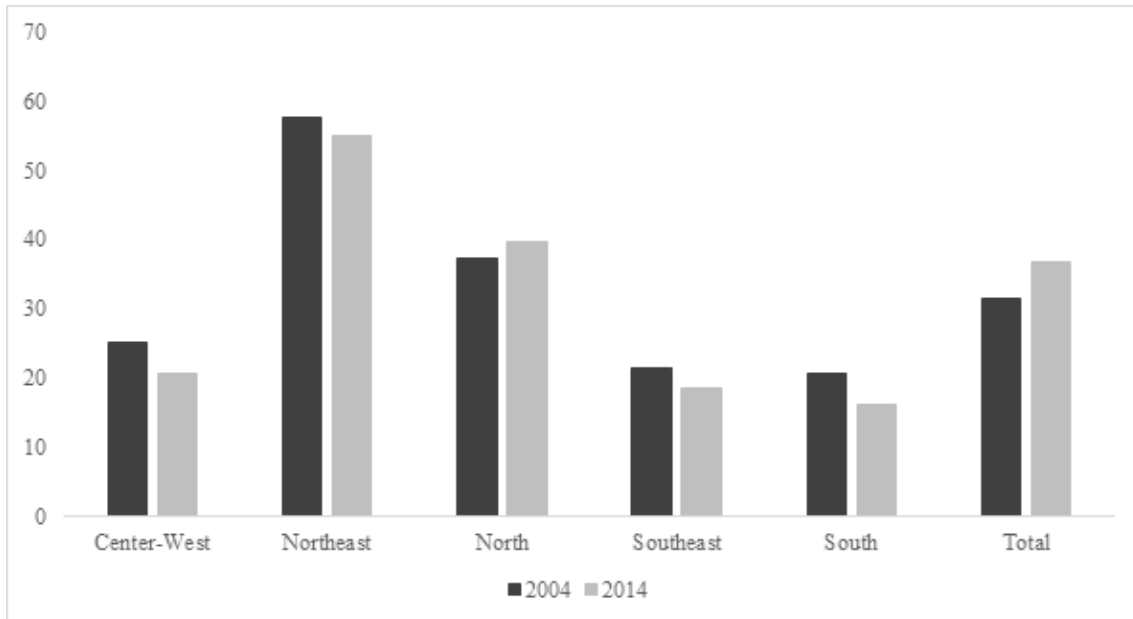
Source: Author's elaboration based on data from SEDLAC (nominal values) and IBGE (inflation).

Finally, it is important to note that the regional profile of the beneficiaries of minimum wage increases is similar to the profile of *Bolsa Família*'s beneficiaries in that they are concentrated in the North and Northeast regions. This is not surprising: these are the least developed, most rural areas of the country with a smaller formal economy. For example, many of the beneficiaries of non-contributory pensions –i.e. rural pensions and BPC beneficiaries- are concentrated in these very poor and rural areas.¹⁷³ Moreover, for many families in the poor North and Northeast, pensions granted by the state are the only steady income a household receives. Therefore, increases in the minimum pension have an important effect on the income levels of whole families and not just on the elderly who act as heads of the family. Lastly, most workers earning the minimum wage are not employed in the industrial, more developed South and Southeast regions; on the contrary, they are mostly employed in retail or in poor municipalities in the North and Northeast. Figures 3.15 and 3.16 show the importance of minimum wage increases for voters in the North and North-East. In the Northeast, almost 60% of workers have earnings up to the minimum wage, and more than 80% have earnings up to twice the minimum wage. In the

¹⁷³ Schwarzer, H. and Costanzi, R. 2011. Globalización y Distribución del Ingreso: la Importancia de la Previdencia Rural y los Beneficios de Prestacao Continuada en Brasil. In Novick, M. and Villafañe, S. (eds.), *Distribución del Ingreso. Enfoques y políticas públicas desde el Sur*. Buenos Aires: PNUD, Ministerio de Empleo, Trabajo y Seguridad Social.

North, almost 40% have earnings up to the minimum wage, and more than 70% earn up to twice the minimum wage.

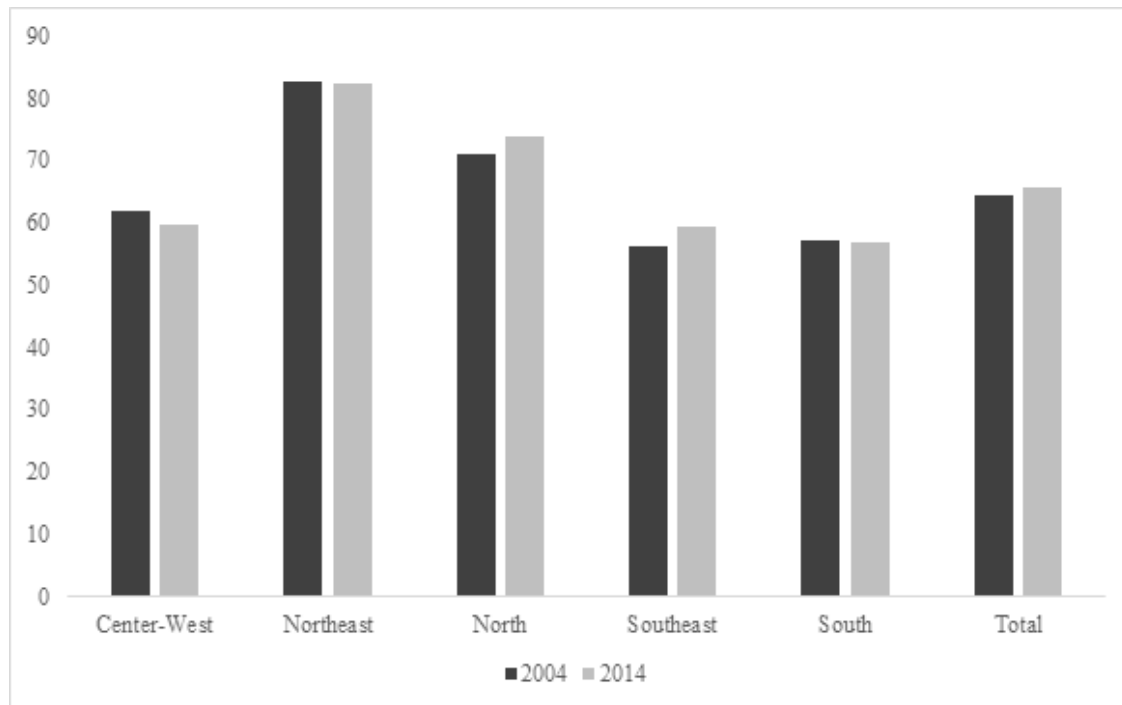
Figure 3.16 – Population Earning up to 1 Minimum Wage – By Region (%)



Source: Author's elaboration based on data from DIEESE.

In sum, the electoral rationale behind minimum wage increases was similar to that of *Bolsa Família*: targeting benefits to the poorest segments of the Brazilian electorate located in the North and North-East.

Figure 3.17 – Population Earning up to Two Times the Minimum Wage, By Region (%).



Source: Author's elaboration based on data from DIEESE

Reforming Pensions for Private Workers: A Failed Attempt to Reverse Neoliberalism

Despite the important redistributive policies enacted in 2005-6, in retrospect these were exceptional years for the PT's welfare program. Lula was re-elected in 2006 allied with the centrist PMDB party. As the political crisis triggered by *Mensalão* vanished, CUT lost its leverage over the government. Lula decided to reinforce his legislative coalition in Congress by ceding control of some ministries to allied parties. The Labor Ministry came under the control of a small, center-left party with no connections to CUT, the *Partido Democrático Trabalhista* (PDT), and would remain controlled by allied parties until the end of the PT administrations. Unions' golden years of state empowerment were over. Moreover, after the Minimum Wage Increases Policy was firmly established, the PT saw no need to embark on another major social policy expansion. Even when Lula was at the height of his power after his 2006 reelection, there were no new redistributive policies.

During the last years of Lula's second administration, there was a failed attempt to reform the contributory pension system for private workers—the *Previdência Social*. This initiative emerged out of the pressure exerted by labor confederations on legislators and the government. President Cardoso had reformed the private pension system in the late 1990s to reduce pension deficits. When his attempt to introduce a minimum retirement age for private workers failed due to resistance from the opposition and from

unions, he adopted instead a formula for pension benefits calculation, the *Fator Previdenciário*, that considerably reduced pension benefits for early retirees.¹⁷⁴

Why were unions so fervently against the *Fator Previdenciário*? Because of its technical design, it imposed high penalties on individuals who retired before age 64 and/or did not achieve 35 years of contributions (or 61 and 30 in the case of women).¹⁷⁵ According to unions, this formula produced a significant, structural disadvantage for working class individuals vis-a-vis middle and upper class individuals in two respects. First, because of the different age of entry to labor markets, working-class individuals had to work significantly more years than middle-class individuals to get the same pension benefits. While a working-class individual would enter the workforce between the ages of 16 and 18, a middle-class individual would do so between the ages of 23 and 25, after s/he had finished university.¹⁷⁶ But if both individuals had to retire at the same age to get full pension benefits, as the *Fator* incentivized them to do, then working-class individuals would need to work on average between 5 and 9 years more than middle-class individuals in order to get the same pension benefits. Second, Brazil's labor markets have a tremendously high index of labor turnover. For example, between 2003 and 2013 the average turnover index was 58.92%.¹⁷⁷ This indicates that workers—and, especially, working-class individuals—spend considerable time in unemployment or informality. Given that they are unable to make contributions to social security during those periods of informality or unemployment, they have to work past the implicit retirement age suggested by the *Fator* (65/60 years old) in order to achieve the 35/30 minimum years of contributions that would grant them full pension benefits. In sum, unions argued that the *Fator Previdenciário* had a significant class-bias against workers, and its elimination was one of the labor confederations' main demands when Lula came to power.¹⁷⁸

The political struggles behind this reform started in 2007 when the government, pressured by unions' demands to end the *Fator Previdenciário*, launched the *Forum Nacional da Previdência* (FNP): a tri-partite forum where representatives from the government, labor confederations and business associations would discuss structural reforms to the *Previdência Social*, the contributory, pay-as-you-go pension system for private workers. However, these negotiations came to nothing for two reasons. One problem was that business and labor came to the table with radically different agendas.¹⁷⁹

¹⁷⁴ The *Fator Previdenciário* adjusted pension benefits based on three parameters: years of contributions, age of retirement and life expectancy. If the *Fator* was equal to or above '1', workers could retire with pension benefits equal to 80% of their average wage since 1994. But if the *Fator* was less than one, then the pension benefits a retired worker would obtain would be less than 80% of their average wages, because this number was multiplied by the *Fator*. Nogueira de Camargo, I. 2010. *Previdência Social no Brasil: Origem, desenvolvimento e análise introdutória do Fator 95/85*. Trabalho de Conclusão de Curso, Universidade de São Paulo.

¹⁷⁵ CUT.2012). Mudanças nas aposentadorias. Saiba mais. Available at <https://www.cut.org.br/acao/pela-valorizacao-das-aposentadorias-4884>.

¹⁷⁶ Interview with Artur Henrique, CUT's President, 04-08-2011, São Paulo.

¹⁷⁷ DIEESE.2013. Os Números da Rotatividade no Brasil. Um olhar sobre os dados da Rais 2002-2013. Available at:

https://www.dieese.org.br/notaaimprensa/2014/numerosRotatividadeBrasil.pdf?fbclid=IwAR2dv1Yp2SalgNnSSFwB4v8yY2W0ocX69qPCb75S0TgI8QG8Co-0J_tAdrA.

¹⁷⁸ "Governo quer regra de servidor para as aposentadorias do setor privado", *Folha de São Paulo*, 05-12-2008.

¹⁷⁹ Interview with Artur Henrique, CUT's President, 04-08-2011, São Paulo

Unionists' first priority was the elimination of the *Fator Previdenciário* and its replacement with a more generous formula of benefits calculation.¹⁸⁰ Business, by contrast, was concerned with making the *Previdencia Social* more financially sustainable, as well as allowing the private financial sector to play a greater role in it. These objectives would be achieved by mandating a minimum retirement age and creating a second pillar of private pension funds for workers earning more than three times the minimum wage.

However, the bigger obstacle was not lack of consensus between business and labor, but the government's lack of interest in a pension reform. Unlike unions or business, the government did not believe that a major transformation in the *Previdencia Social* was needed. The Ministry of Pensions, led now by former labor leader Luiz Marinho, as well as the Ministry of Finance and the Ministry of Planning, were all convinced that FHC's pension reforms in the 1990s had actually guaranteed the financial sustainability of the *Previdencia Social*, and were therefore against the elimination of the *Fator Previdenciário* (unions' most important demand).¹⁸¹ Ultimately, setting the *Fórum Nacional da Previdencia* was a strategy that allowed the government to maintain the status quo—its first preference—while also maintaining its leftist credentials. Indeed, it signaled its commitment to 'do something' about the *Previdencia Social* by setting up a Forum that it knew from the very start would end up in a deadlock due to business opposition and its own lack of interest in any reform of private workers' pensions.¹⁸²

The turning point in the politics of pension reform occurred in April 2008, when a PT legislator who was somewhat of a maverick within the party, Senator Paulo Paim, was able to secure approval in the Senate of a legislative project that put an end to the *Fator Previdenciário*.¹⁸³ Paim was a senator with tight links to *Pelego* labor confederations and pensioners' associations, and he received support from many opposition legislators to approve the bill. This sent government officials into a panic: if the legislation were to be approved in the lower house, the government would have to apply the old, pre-neoliberal reforms rules for calculating pension benefits, which were very beneficial to workers but also fiscally ruinous for the federal government.¹⁸⁴ Given that its approval in the lower chamber was very likely, Lula would face a stark choice: either veto the legislation—a costly option given the upcoming presidential elections—or try to advance his own, more moderate reform proposal to replace the *Fator Previdenciário*. The government initially chose the latter, since vetoing pro-worker legislation in the midst of a presidential campaign would cause an important political setback.

After several negotiations between labor confederations, PT legislators and government officials, the government sent a legislative project to Congress named the "85/95 Formula". This formula would replace the *Fator Previdenciário* with a more favorable formula for calculating pension benefits that had two main advantages. First, it allowed workers to combine age of retirement with years of contribution, so that if the

¹⁸⁰ Interview with Sergio Nobre, Secretary General to the CUT, 07-26-2011, São Paulo.

¹⁸¹ Personal Interview #2, 07-10-2011, São Paulo.

¹⁸² "During the beginning of the Lula administration, the issue of reforming the pension system did not have much importance. It was at a certain moment, in 2006/7, also thanks to the influence of the media, that this issue started to gain importance among unions. So unions and legislators went to pressure Lula to address this issue", Personal Interview #4, 07-01-2011, Brasília.

¹⁸³ "Demagogia no Senado", *Folha de São Paulo*, 04-11-2008.

¹⁸⁴ Personal Interview #1, 7-15-11, São Paulo

sum of both was equal or superior to 95 for men and 85 for women, they would be awarded their full pension benefits—that is, the average of the 70% best wages, without applying the discount factor of the *Fator Previdenciário*.¹⁸⁵ For example, a male worker at age 60 could retire with full benefits if he had 35 years of contribution (since the sum of 60 plus 35 is 95), or with 38 years of contribution and 57 years old—if he had started working as a poor worker when he was 19. This formula would equilibrate some of the class inequalities in labor markets mentioned above. It would not only compensate for the differential ages at which working-class and middle-class individuals enter labor markets but also count the years during which workers were on unemployment-insurance as years of contribution, given the high turnover rate among poor Brazilian workers.¹⁸⁶

The negotiations between labor confederations around this proposal were almost successful. As was mentioned above, after government officials engaged in arduous negotiations with all the labor confederations, they reached an agreement that was submitted to Lula. The president accepted this proposal, as long as all the labor confederations were on board¹⁸⁷. This was important for Lula in terms of preserving his leftist credentials. Because the government was advancing a reform that was more moderate than the one that had been approved in the Senate, having all the labor confederations and leftist legislators on board was crucial to signal to voters that the government was not betraying workers by advancing a ‘moderate’ alternative to the pure elimination of the *Fator Previdenciário*.

As happened with the previous (failed) union reform, two factors were crucial in this proposal’s defeat: (1) the lack of substantial governmental support for the policy initiative, and (2) divisions among labor confederations. At the last minute, a relatively new labor confederation that was a splinter from the CUT, the *Central dos Trabalhadores e Trabalhadoras do Brasil* (CTB), linked to the pro-Lula *Partido Comunista do Brasil* (PCdoB), turned down this proposal. They speculated that the more radical legislative proposal—the one that put an end to the *Fator Previdenciário* and replaced it with the old formula that existed prior to the neoliberal reforms—would be approved in Congress anyway. This defection set off a chain reaction among competing labor confederations as well as PT’s allied political parties on the left. The other two main labor confederations, *Força Sindical*, UGT and other minor labor confederations (CGTB and *Nova Central Sindical*) withdrew their support fearing that they would be labeled as ‘*pelego*’ (bureaucratic) unions vis-à-vis the more radical stance now embraced by the CTB. This chain reaction also spread to these confederations’ allied leftist parties in Congress: the PCdoB turned against the proposal because of its organic alliance with the CTB, and *Força Sindical*’s defection meant that many of its allied legislators in Congress, such as those from the center-left PDT, would also vote against the reform. The other main leftist party in Congress, the *Partido Socialista Brasileiro* (PSB), would not stand alone as the only leftist party voting for a moderate proposal, and decided to withdraw its parliamentary support for the ‘*Fórmula 85/95*’.

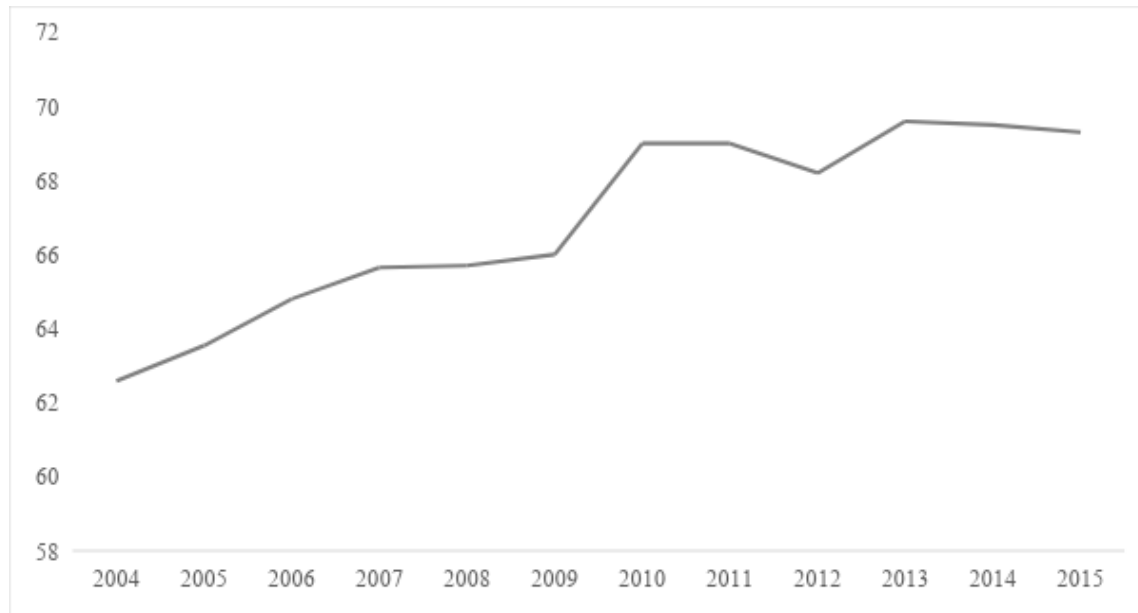
¹⁸⁵ “Nova regra aumentará aposentadoria em até 29%”, *Folha de São Paulo*, 08-27-2009. Actually, the *Fator Previdenciário* took into account the 80% best wages, so this formula, by taking the 70% best wages across a workers’ lifespan, was more beneficial for workers.

¹⁸⁶ Interview with Artur Henrique, CUT’s President, 04-08-2011, São Paulo. There were two other modifications: the freezing of life expectancy tables and prohibiting employers from firing workers who are about to retire in the next 12 months.

¹⁸⁷ Interview with Luiz Dulci, General Secretary to the President, 02-21-2014, São Paulo.

The lack of any change in benefit levels for contributory pensions, combined with the rise in minimum wages described above, led to a flatter distribution of benefits across Brazil's pensioners. While at the beginning of the PT administrations around 60% of pensioners earned the minimum wage, by 2005 almost 70% of Brazilian pensioners earned the minimum pension (Figure 3.17). In other words, while low-income pensioners were clear beneficiaries of the PT's policies, middle and high-income pensioners were not.

Figure 3.17. Pensioners earning the Minimum Pension in Brazil (%).



Source: Author's elaboration based on data from INSS (2004-2007) and DIEESE (2008-2015).

Divisions and competition among labor confederations are crucial to understand this political outcome. By positioning itself as a more radical, pro-worker confederation, the CTB—which was a relatively new confederation produced by a splinter within the CUT—expected to expand its new and still fragile support base by attracting some of the unions affiliated with CUT. But by doing so, they set in motion a chain reaction of competition among labor confederations and their allied leftist parties. Indeed, no labor confederation or leftist party was willing to risk supporting a ‘timid’ reform such as the ‘*Fórmula 85/95*’—and therefore jeopardize their credentials as militant representatives of working-class interests—when there was a real chance that a more radical policy reform would be approved in Congress. In the end, the government-sponsored ‘*Formula 85/95*’ fell apart, and the lower house ended up voting for the end of the *Fator Previdenciário* – the very same scenario the government wanted to avoid in the first place. Lula eventually vetoed this legislation, making the *Workers Party* pay a high political cost.

However, equally important was the government's lack of interest in promoting a reform that would entail higher fiscal costs for the Treasury. It is reasonable to assume that when the (minoritarian) CTB defected from the proposal, the government could have invested its political capital in keeping the majoritarian coalition in favor of the ‘*Formula*

85/95' proposal. Instead, the government left labor confederations (and their leftist parties) on their own, allowing competition dynamics to unfold in a way that was detrimental for the approval of the reform.

The failed reform to private workers' pensions illustrates how the existence of a centralized leftist movement conspires against the adoption of more ambitious policies of redistribution. In the Brazilian case, this took place through two different mechanisms that also explain the failure of the union reform: (1) the government's insularity vis-à-vis pressures 'from below'—i.e. from social organizations and leftist legislators/parties, and (2) a fragmented labor movement that cannot reach consensus on social policy reforms.

First, the failed reform of Brazil's private pension system certainly shows the government's lack of support for social policy reforms that benefit labor-market insiders. Not only did the government avoid dealing with a reform to the *Previdência Social*—a demand advanced in isolation by the labor movement—as long as it could, including setting up a symbolic, tri-partite forum to discuss this issue led by a Minister of Pensions who stood openly against any reform. Moreover, the government only took the initiative when the opposition was on the verge of approving a pension reform that would jeopardize public finances.

Second, it illustrates the problem of having multiple labor confederations negotiating social policies vis-à-vis a strong leftist president. As had happened previously with the failed union reform, competition among labor confederations impeded the formulation of coherent social policy proposal within the labor movement. Moreover, this lack of consensus was functional to a leftist government that did not want to adopt any progressive social policy reform from the start: it could shift the blame for social policy failure to the labor movement and preserve its credentials as a leftist alternative.

Finally, this example illustrates the limitations of traditional power resource theory to explain social policy expansion during the left turn in Latin America. Indeed, as was the case with the politics surrounding the minimum wage increases, neither business nor the center-right opposition played any role in obstructing progressive social policy reforms. First, business had no real input into policy decisions: it played a symbolic role during the FNP in 2007 and was completely excluded from the negotiations between the labor movement and the government on the 'Formula 85/95'. Second, the partisan opposition actually voted in Congress for the more radical alternative: ending the *Fator Previdenciário*. As was the case with minimum wage increases, this example illustrates that in many cases the politics behind social policy expansion cannot be understood as a political conflict between the Left and the Right or labor vs. business. On the contrary, usually these political conflicts take place within the left movement: leftist partisan factions and unions/social movements pressing for social policy expansion against leftist governments that, in a post-neoliberal era, are concerned about preserving fiscal surpluses and moderate market regulations.

In sum, the (failed) attempt to reform private pensions shows how a leftist government with sufficient control over the left movement can easily block pension reforms that increase workers' benefits at the expense of maintaining fiscal surpluses. The government only attempted to sponsor its own pension bill when the opposition was on the verge of approving a reform that would be highly detrimental to public finances. Further, this section illustrates how divisions within labor confederations, which help

leftist presidents centralize power even further, can also conspire against unions' capacity to push redistributive policies vis-à-vis reluctant leftist presidents.

III. Conclusions: Opportunities and Perils of *Poverty Alleviation* as a Coalition-Building Strategy

This chapter has shown how *Poverty Alleviation* in Brazil had a clear political objective: attracting the political support of Brazil's most destitute sectors and reassuring the business community. Brazil's poorest sectors were informal workers, low-income pensioners and formal workers earning the minimum wage, all of whom were disproportionately concentrated in the North and Northeast regions of the country. These socio-demographic groups had been the bulwark of conservative parties, and had been key constituencies that contributed to many of the PT's electoral defeats between 1989 and 1998. The adoption of the PT's two key social policies—*Bolsa Família* and the Minimum Wage Increase Policy—transformed Brazil's electoral geography by targeting precisely these sectors.

Furthermore, I have shown that this redistributive strategy that maximized the PT's *electoral* performance with moderate fiscal costs and mild market regulations, was possible because of the high centralization of Brazil's left movement. Control over electoral rivals on the left allowed Lula to concentrate benefits among labor-market outsiders, while at the same time neglecting the redistributive demands of unionized workers. The PT's control over unions allowed Lula to attract business support by avoiding unions' empowerment in labor-markets, as well as by excluding them from political posts that had policy authority over labor or social policies. Lastly, Lula's internal control over the PT gave him few incentives to engage in discretionary policies.

But what was the long-lasting impact of this redistributive strategy? Successive electoral cycles would prove that the PT's social policy strategy was extremely successful in electoral terms: labor-market outsiders have become the PT's most loyal electorate in Brazil.

These 'effects' of the PT's social policy strategy on vote intention by social class and region can be observed in Tables 3.21 and Table 3.22. The real turning point that actually stratified the Brazilian electorate's political preferences according to social class was the 2006 presidential election. Not coincidentally, during this election *Bolsa Família* had already been adopted and expanded, and the government had started its Minimum Wage Increase Policy by approving the highest real increase in the entire PT administrations. In that election, the PT obtained for the first time an absolute majority among the poor in terms of vote intention, and these majorities would be consolidated throughout subsequent elections: 61% in 2006, 53% in 2010, and 49% in 2014 (see Table 3.21). At the same time, the wealthiest segments among the middle and upper classes increasingly voted for the PT's opposition. Table 3.21 highlights electoral support for the PT among the poorest and richest income brackets of the population, and shows how the PT went from having an electoral advantage among the highest earners in 1989 to having an overwhelming electoral advantage among the poor since 2002. If in 1989 the PT outperformed its rivals among these segments, after 2006 the PT's presidential competitors would perform much better among voters earning more than 5 times the minimum wage.

Moreover, these social policies had an important effect on regional voting patterns. As was mentioned above, the PT's initial comparative advantage lay in the

industrialized, more developed regions of the South and Southeast. It was during the 2006 elections, again, that this tendency changed. As Table 3.22 illustrates, while in second-round elections Lula obtained 65.9% and 77.1% of the votes in the North and Northeast regions, respectively, in the South and Southeast regions the PT and PSDB obtained a roughly similar percentage of votes. These results were similar to those in the 2010 and 2014 second-round of the presidential elections. In sum, the decisive electoral advantage that the PT had over the PSDB in presidential elections is explained by the disproportionate number of votes it received from the poor in the North and Northeast regions, which have become the party's strongholds.

Table 3.21 – Vote Intention for President by Income Level (%)

	Household Income	PT Candidate	Main Rival
1989	< 2 MW	15	42
	2-5 MW	18	30
	5-10 MW	22	22
	>10 MW	18	12
1994	< 2 MW	27	55
	2-5 MW	27	52
	5-10 MW	23	55
	>10 MW	27	53
2002	< 2 MW	43	19
	2-5 MW	46	20
	5-10 MW	50	17
	>10 MW	50	22
2006	< 2 MW	61	32
	2-5 MW	46	41
	5-10 MW	35	47
	>10 MW	26	54
2010	< 2 MW	53	26
	2-5 MW	43	31
	5-10 MW	37	34
	>10 MW	31	38
2014	< 2 MW	49	17
	2-5 MW	37	26
	5-10 MW	28	33
	>10 MW	24	41
2018	< 2 MW	44	38
	2-5 MW	30	58
	5-10 MW	28	62
	>10 MW	30	62

Source: Datafolha. <http://datafolha.folha.uol.com.br/eleicoes/index.shtml>, MW = 1 minimum wage

However, there seems to be a downside to this *electoralist* strategy: the loss of *mobilizational* capacity to face extra-electoral threats to presidents. Indeed, by co-opting the PT's allied unions and social movements, the PT lost an historical opportunity to strengthen the organizational power of workers' organizations in industrial relations, poor

urban neighborhoods and the countryside. The downside of this strategy was not immediately apparent. In 2006 and 2010, the party had the best electoral results ever obtained by a leftist party in Brazil's history. Much of this success was attributed to Lula's ability to reconcile moderate social policy expansion with prudent macroeconomic policies, leading Brazil to years of high economic growth *and* the reduction of social inequalities.

Table 3.22 – Second-Round Presidential Elections by Region (%)

	North	Northeast	Southeast	South	Center-west
1989					
Lula	29.5	44.3	49.5	51.7	36.8
Collor	70.5	55.7	50.5	48.3	63.2
2002					
Lula	58.2	61.5	63	58.8	57.3
Serra	41.8	38.5	37	41.2	42.7
2006					
Lula	65.9	77.1	56.9	46.5	52.4
Alckmin	34.4	22.9	43.1	53.5	47.6
2010					
Dilma	57	71	52	46	49
Serra	43	54	48	54	51

Source: Hunter 2010, Singer 2012.

The limitations of this redistributive strategy, however, became more visible once economic and political conditions turned sour, and Dilma Rousseff was subjected to an impeachment process that began in 2015. In this process, each side's capacity to deploy its mobilization power—in other words, the battle in Brazilian streets—was crucial in shaping the political outcome of this struggle. And while the opposition, with the aid of the mainstream media, was able to rapidly mobilize millions of unorganized citizens against the government in the streets, unions and social movements affiliated with the PT—which had once been some of the strongest in Latin America—were not able to mobilize more than 100,000 members. Interestingly, just 10 years before, these unions had been able to mobilize, almost 2 million workers in São Paulo for Labor Day. They were the same unions and social movements that in 1992, through their disruptive, massive mobilizations in the streets, forced president Fernando Collor de Mello to resign in the face of an imminent impeachment. But after more than a decade of systematic cooptation by the governing party, these organizations had lost their ability to mobilize their own troops in the streets to defend the *Workers Party*. Lacking a mobilized working class that would come to her defense, the road was paved for Dilma Rousseff's impeachment by Congress, the bulwark of Brazil's conservative forces.

Chapter 4

Argentina: Left Populism

This chapter explains the contours and causes of *Left Populism* in Argentina. *Left Populism* redistributed income to a broad segment of the popular sectors and also redistributed societal power, but not state power. Leftist presidents excluded social organizations from the state, and used political targeting to try to convert organizations into political supporters. Income redistribution was broad, benefiting both outsiders and insiders. While generous income support programs and non-contributory pensions redistributed income toward outsiders, new labor and pension laws redistributed income toward insiders. Popular-sector organizations were societally empowered. Unions were empowered vis-à-vis business through changes in labor codes and wage policies. Informal workers' organizations were empowered by granting them the administration of social programs (income support programs, housing projects).

However, leftist presidents did not redistribute state power. Social organizations were excluded from top positions in the state, and the government engaged in the political targeting of benefits in a way that built dependence of the organizations on the government. Néstor and Cristina Kirchner used political targeting to build their own basis of organizational support in the popular sectors. But by rewarding loyal social organizations and marginalizing those that opposed the government, the leftist administration threatened the autonomy of social organizations.

Left Populism in Argentina is explained by the intermediate control exerted by Néstor and Cristina Kirchner over the leftist movement. Most notably, they had low electoral and organizational control. Néstor Kirchner assumed the presidency in 2003 with only 22% of the votes, and both he and Cristina Kirchner faced constant challenges in subsequent elections from rival, Peronist candidates who competed with diverse, neo-Peronist electoral labels. Further, unions and social movements of unemployed workers had considerable autonomous mobilization capacity—their mobilizations had been crucial in ousting two presidents during the 2001-2002 economic crisis—and had weak ties to the Peronist party. If electoral challenges from Peronist rivals forced the Kirchners to expand broad income redistribution policies, the autonomous mobilizational capacity of unions and social movements led Néstor and Cristina Kirchner to court their support through policies of societal empowerment.

The one dimension of the left movement the Kirchners did control was the party. Because the PJ was historically a personalistic and weakly institutionalized party, political leaders that occupied the presidency always controlled the party apparatus. The degree of institutionalization was further weakened by the recent divisions in the party that had resulted in rival Peronist candidates for the presidency in the 2003 elections won by Néstor Kirchner. After 2003, there was no competition *within* the Peronist party. Rather, rival Peronist leaders competed against the Kirchners outside of the party in elections, by forming their own, “neo-Peronist” political parties. Hence, there were no strong institutions or internal actors that could constrain the president's actions. Party control impeded the state empowerment of social organizations. The lack of influence of

unions and social movements in the party deprived them of the necessary strength to push for political positions in the state. Further, the absence of strong party factions with institutionalized power or party base organizations with influence over the party apparatus allowed the president to engage in the political targeting of benefits without any constraints.

The analysis exploits an interesting, within-case variation in the Argentine case, specifically, the extent of the Kirchners' electoral and organizational control over the left movement. There were three distinctive phases: one of high vulnerability when the president had low electoral and organizational control (2003-2005); a second phase of low vulnerability when presidents had high electoral, organizational, and party control (2005-2009); and, last, a new period of intermediate vulnerability after 2009, when the electoral threat from other Peronist rivals reemerged. This chapter shows how the reemergence of the electoral threat in 2009 led to new expansions of income redistribution policies. Further, it shows how most of the societal empowerment policies were adopted during the first Kirchner years, when the Kirchners had low organizational control.

I. Left Populism under Néstor Kirchner (2003-2007): Electoral and Organizational Threats

Néstor Kirchner's presidency was marked by the expansion of generous income and power redistribution policies towards the popular sectors. He implemented wage increases by decrees that not only improved workers' incomes, but also strengthened unions' leverage vis-à-vis business. Moreover, he passed a new labor code that empowered unions by derogating most of the labor reforms adopted by neoliberal presidents Carlos Menem (1989-1999) and Fernando De la Rúa (1999-2001). Further, he created a non-contributory pension that granted social security coverage to outsiders for the first time in Argentina's history.

However, he did not redistribute state power toward social organizations. Despite strong pressures from unions and social movements, Kirchner denied them access to top positions in the state. They were appointed to minor positions in ministries without significant influence over public policies.

Further, Kirchner engaged in the political targeting of benefits to reduce social protests, creating a loyal base of support among unions and unemployed workers movements. With unions, his success was important but still moderate: he sponsored an alternative labor confederation—the *Central de Trabajadores de la Argentina* (CTA)—to counteract the power of the more established, Peronist *Confederación General del Trabajo* (CGT). Moreover, he promoted the growth of new, alternative leaders within the CGT. He was more successful in recrafting the unemployed workers movement (the *piquetero* organizations), which was by then the most powerful force in the popular sectors. Political targeting allowed him to completely reshape the landscape of *piquetero* organizations: by the end of his administration, loyal Kirchnerista organizations became hegemonic within the *piquetero* movement.

Kirchner's redistributive strategy was a response to two main challenges from the left movement: electoral challenges from Peronist rivals and disruptive protests staged by unions and *piquetero* organizations in the streets. Generous income redistribution policies allowed him to defeat his Peronist rivals in the 2005 mid-term election, consolidating his electoral control over the left movement for a couple of years. After he achieved electoral control over the left movement in 2005—and despite the large coverage gaps in welfare policies towards outsiders that still existed—he would not adopt new income redistribution policies.

Further, policies of societal empowerment were aimed at building coalitions with the most disruptive social movements and unions in Argentina. This strategy was highly successful: by 2005, the problem of social protests was well under control. Last, Kirchner's control over the Peronist party organizations allowed him to withhold state power. On the one hand, the lack of influence of unions and social movements within the party deprived them of the leverage necessary to obtain political access. Further, the weakly institutionalized character of the party meant that he did not face any internal actors who could constrain him in the use of political targeting. Unfettered by the party organization, Néstor Kirchner made extensive use of political targeting to control social protest and outdo Peronist rivals in elections.

I.A. Intermediate Presidential Control over the Left Movement

Although Néstor Kirchner did not exert electoral or organizational control within the Left movement, he did exert control over the Peronist party organization. Table 4.1 summarizes his control (or lack of thereof) over these different dimensions.

Table 4.1. Argentina: Presidential Control over the Left Movement

Electoral Control	Low <i>Electoral Competition from Rival, Peronist Candidates</i>
Organizational Control	Low <i>High Mobilization Capacity</i> (Social Movements and Unions) <i>Autonomy between Social Organizations and Peronist Party</i> (weak party-union links, no links between party and social movements)
Party Control	High <i>Weak institutionalization of the party</i> <i>No powerful institutionalized factions, social organizations or party base organizations that can veto the president's decisions within the party</i>

Low Electoral Control: Competition from Rival Peronist Candidates in General Elections

Néstor Kirchner faced considerable electoral competition during his first administration. However, that competition did not stem from opposition center and center-right parties. On the contrary, his main competition came from Peronist candidates in general elections, and this competition was stronger during the first years of his administration (2003-2005). After the 2005 mid-term elections, he was able to consolidate his electoral control for some time (Calvo 2005, Ollier 2010). Kirchner's

situation thus differed crucially from the electoral challenges that the Left faced in Brazil, because in Argentina the government had to compete with candidates who had a core electoral base among the popular sectors. Both the insiders and outsiders were disputed by different Peronist candidates with equally strong credentials as populist leaders with a concern for the welfare of those at the bottom of the income ladder (Lucca 2014:31). Peronism was the main, almost monopolistic political movement on the left side of the political spectrum.

In the 2003 presidential elections different Peronist candidates competed for the presidency. Néstor Kirchner, an inconspicuous governor of a remote province in Patagonia, competed against two former presidents: Carlos Menem (1989-1999), the Peronist president who led the party's shift towards neoliberal policies in the 1990s, and the brief interim president Adolfo Rodríguez Saa (2001), former governor of San Luis and more populist in his programmatic views. Despite his initial weakness, Kirchner enjoyed the invaluable support of president Eduardo Duhalde (2002). Duhalde was the strongman of the Peronist party in Buenos Aires, the key partisan machine that defines national elections in Argentina. With his support, Kirchner managed to obtain second place in the first round of the 2003 presidential election by getting 22.24% of the vote. When Menem, who had obtained 24.45% of the vote, dropped out because of his negative image among the broader electorate, Kirchner became Argentina's president.

Kirchner's lack of electoral control originated in two main major weaknesses. He faced a problem of electoral legitimacy vis-à-vis citizens, since he had to rule with the electoral support of only a fifth of the population. In addition, he was in a position of extreme weakness within the Peronist movement: not only had he been challenged—and defeated—by another Peronist candidate (Menem), but he did not belong to any of the existing major groups within the Peronist movement (Montero and Vincent 2013:128, Montero 2015:125).¹⁸⁸ He obtained 22.24% of the votes primarily because of Duhalde's help in mobilizing the Peronist clientelistic machine from the Buenos Aires province.¹⁸⁹ In return, Duhalde expected Kirchner to be a weak, malleable president.¹⁹⁰

However, in the 2005 mid-term elections. Kirchner attempted to gain more autonomy vis-à-vis Duhalde's partisan machine, leading to a split between the *Kirchnerista* and *Duhaldist* groups that forced them to compete under two rival, neo-Peronist partisan labels. Duhalde appointed his wife, 'Chiche' Duhalde, to compete against Kirchner's wife, Cristina Fernández de Kirchner, in the contest for the Senate seats for the Buenos Aires province. The elections in the Buenos Aires province were crucial in settling this leadership dispute within Peronism, since no Peronist candidate can win without the support of the Buenos Aires' territorial machine run by mayors. Kirchner won both in Buenos Aires and at the national level under the *Frente para la Victoria* (FPV) electoral label (see Tables 4.2 and 4.3), and was subsequently able to

¹⁸⁸ See also: "Kirchner lanzó su corriente nacional para construir un modelo alternativo". *Diario La Nación*, 12-16-2000. Available at: <https://www.lanacion.com.ar/politica/kirchner-lanzo-su-corriente-nacional-para-construir-un-modelo-alternativo-nid45142>

¹⁸⁹ "Kirchner reconoció el valor del apoyo de Duhalde". *Diario La Nación*, 05-18-2003. Available at: <https://www.lanacion.com.ar/politica/kirchner-reconocio-el-valor-del-apoyo-de-duhalde-nid497172>

¹⁹⁰ "Kirchner al gobierno, ¿Duhalde al poder?". *Diario La Nación*, 01-12-2003. Available at: <https://www.lanacion.com.ar/opinion/kirchner-al-gobierno-duhalde-al-poder-nid465539>; "Duhalde volvió a darle un fuerte respaldo a Kirchner". *Diario Clarín*, 02-09-2003. Available at: https://www.clarin.com/politica/duhalde-volvio-darle-fuerte-respaldo-kirchner_0_BJpbPFzl0Fe.html

briefly monopolize the leadership of the Peronist movement. Until 2009, Kirchnerism was electorally hegemonic within Peronism.

Table 4.2- Electoral Results for Executive and Legislative Elections, Argentina 2003-2007 (%)

	2003		2005	2007	
	Presidential	Legislative	Legislative	Presidential	Legislative
FPV	22.24	46.91	50.01	45.29	50.29
Left/Labor-based Parties combined (including FPV)	64.36	54.54	58.68	55.87	58.88
Center/Center-Right Parties	35.64	45.46	41.32	44.13	41.12

Source: Author's elaboration based on data from Dirección Nacional Electoral. Left/Labor-based Parties: PJ, Socialismo (2003 and 2007), ARI-Socialismo (2003 and 2007), Proyecto Sur (2007). Center/Center-Right Parties: UCR, ARI, PRO (2005 and 2007)

Kirchner did not face significant competition from the Center-Right. The non-Peronist opposition counted on scarce electoral support to challenge his leadership. In presidential elections, the electoral weakness of Non-Peronist candidates was notorious: although in the 2003 presidential elections Néstor Kirchner got an advantage over his main Center-Right rival, Ricardo López Murphy, of only 8 percentage points, the electoral advantage of all Peronist candidates combined over Center/Center-Right candidates on that election was overwhelming: 64.36% votes for presidential candidates on the left vs. 35.64% for presidential candidates on the Center/Center-Right (Table 4.2).

In the 2007 presidential elections, when Cristina Fernández de Kirchner run to succeed her husband, the advantage over the second candidate, Elisa Carrió form the Centrist *Coalición Cívica*, was substantial: 45.29% vs 23.04%. In terms of legislative elections, the scenario was similar: Center and Center-right parties never got a considerable share of legislative votes. For elections to the lower house, they got 45.46% of the votes in 2003, 41.32% in 2005 and 41.12% in 2007.

Table 4.3 - Electoral Results for Legislative Elections, Buenos Aires Province 2003-2007 (%)

	2003	2005	2007
FPV	40.73	43.04	46.02
Left/Labor-based Parties combined (including FPV)	59.17	62.92	52.87
Center/Center-Right Parties	26.92	31.72	42.68

Source: Author's elaboration based on data from Dirección Nacional Electoral. Left/Labor-based Parties: PJ, Frente Popular Bonaerense (2003), Izquierda Unida (2003), Partido Obrero (2003 and 2005), Partido Humanista Ecológico (2003 and 2005), MST (2005 and 2007), Frente Justicia, Unión y Libertad (2007), Partido Socialista Auténtico (2007). Center/Center-Right Parties: UCR, ARI, PRO (2005 and 2007), Recrear (2003 and 2007), Unidad Federalista (2005 and 2007), Coalición Cívica (2007).

Low Organizational Control: Strong, Autonomous Unions and Social Movements.

In addition to electoral challenges, Néstor Kirchner had to deal with strong unions and social movements that had weak ties to the Peronist party. Unemployed worker social movements were the strongest associations in the popular sectors, and during the 2001-2 economic crises had displayed a remarkable disruptive capacity. Unions, especially in the transport sector, also had a strong mobilizational capacity. These two actors had frequently mobilized together, and played an important role in the ousting of former presidents Fernando De la Rúa (1999-2001) and Eduardo Duhalde (2002). Furthermore, none of these actors had strong ties with the Peronist party and as a result had considerable autonomy vis-à-vis the party leadership. The Peronist party had been de-unionized during the neoliberal reforms of the 1990s, effectively detaching unionists from the political fate of the party. Unemployed workers were led by Marxist groups or by leftist Peronists who played no role in the Peronist party. This lack of ties meant that the Peronist party had no leverage over Argentina's strong unions and social movements.

Unions: High Mobilization Capacity, Weak Links to the Peronist Party

Unions remained a comparatively strong actor in Argentinean politics (Carnes 2014). More specifically, by the early 2000s Argentinean unions were in a complex position: although weaker than they had been historically, the unions remained strong from a comparative, regional perspective. Neoliberal reforms in the 1990s diminished unions' power considerably (Torre 2004). First, through large-scale unemployment and the adoption of laws that suspended corporate wage-setting mechanisms and

decentralized collective bargaining, unions experienced a sharp decrease in their membership base and were deprived of their main role in Argentina's political economy, namely, representing workers in wage-setting institutions. As Table 4.4 shows, union density rates decreased dramatically during the 1990s from 49% in 1990 to 31.7% in 2000. Second, the union movement became increasingly fragmented during the 1990s as a direct consequence of neoliberal reforms. During the period of ISI all unions were Peronist and were enrolled in one monopolistic labor confederation, the *Confederación General del Trabajo* (CGT). In the 1990s, however, the CGT experienced two major splinters as a direct consequence of Menem's neoliberal policies: the creation of the leftist and non-partisan *Central de Trabajadores de la Argentina* (CTA) in 1992, as well as the creation of a dissident, more populist faction within the Peronist CGT named *Movimiento de los Trabajadores Argentinos* (MTA). The MTA frequently allied with the CTA in staging several, massive protests against Menem's neoliberal reforms, and both confederations exhibited a remarkable disruptive capacity.

Table 4.4. Union Density Rates in Argentina, Brazil and Uruguay (%).

Year	Argentina	Brazil	Uruguay
1990/1991	49	32.1	20.4
1998	30	26.73	12
2000/2001	31.7	28.1	15.9
2005/2006	37	30.3	19

Source: Botero *et al* 2004 (1990/1991 and 1998, three countries; 2000-2001 and 2005-2006, Brazil), Senén González, Medwid, Trajtemberg 2008 (Argentina 2000-2001), ILOSTAT (Arg 2005-2006), Mazzuchi 2009 (Uruguay 2000-2001, 2005-2006).

Although weakened by neoliberal reforms and internal fragmentation, unions continued to be a relevant actor in Argentinean politics. First, because Argentinean unions were the strongest in Latin America during the ISI period, union density rates, despite plummeting in the 1990s, continued to be the highest in the region. By the early 2000s, only Brazil had comparable rates. Second, at the same time that the rank-and-file was being decimated by neoliberal reforms, union leaders were able to preserve considerable organizational benefits, such as the administration of health funds, that granted them significant bureaucratic power (Etchemendy, 2008; Murillo 2001). In sum, by the early 2000s, unions were a weakened actor that, nevertheless, no leftist president could ignore due to their still considerable organizational power.

Thus, when Kirchner assumed the presidency in 2003, he was confronted with a powerful labor movement that was, nevertheless, fragmented in three labor confederations: an "official" CGT composed of unions that had supported Menem, a 'dissident' CGT formed by unions enrolled in the MTA, and the CTA. The most challenging problem for Néstor Kirchner in this regard was that neither he nor the Peronist party could count on the type of personal or partisan ties with unions that could subordinate the latter to the government's broadest electoral and programmatic strategy.

With regards to personal ties, none of these union factions had prior links with Kirchner. The two CGTs had actually supported Kirchner's rivals in the 2003 presidential elections. The 'official' CGT had supported Menem, while the 'dissident' CGT had supported populist candidate Rodríguez Saa. CGT leaders were reluctant to embrace the Kirchners' leadership. One reason was that Kirchner was an outsider within the Peronist establishment. More important, however, in explaining unionists' reluctance were the Kirchners' sympathies in the 1970s with the Montoneros, a leftist, armed Peronist faction that had clashed violently with unions on several occasions back in the day.¹⁹¹ The only personal ties Kirchner had with the labor movement were with union leaders from the CTA, which was actually the most marginal labor confederation in Argentina and the only one that had no ties with the Peronist party. However, even Kirchner's ties with the CTA were extremely feeble. Several union leaders commented in interviews about the distant relationship between Kirchner and the labor movement at the moment he came to office:

"In the CGT they had a lot of suspicions about Kirchner. Many of the main union leaders had supported Menem, and they were surprised that he had declined to participate in the second round of the presidential elections. They became the 'widows of Menemism'...Moyano (from the dissident CGT) gambled on another Peronist candidate, Rodríguez Saa, and was taken by surprise by Kirchner's victory....he was the governor of a distant and small province, practically a stranger to us. We viewed his presidential candidacy with considerable skepticism"

*Hugo Yasky, CTA's General Secretary*¹⁹²

"Many of us in the CGT were with Menem, and others with Rodríguez Saa... Kirchner had more links with the CTA, the Peronist unions supported other candidates. Even Moyano supported Rodríguez Saa"

*Andrés Rodríguez, Secretary General of UPCN, (public sector workers)*¹⁹³

Kirchner's lack of personal ties with unions reinforced a structural feature of the Peronist party, namely, the deep de-unionization of the party since the 1990s. As was explained in Chapter 2, ties between unions and the party had been severely weakened as a consequence of Menem's neoliberal turn (Levitsky 2003, Torre 2004). In order to analyze the extent of the de-unionization of the PJ, I analyzed the biographical profiles of PJ's national deputies who were elected in 1999 and 2001, that is, in the elections that immediately preceded the arrival of Néstor Kirchner to power. The baseline for this analysis should be party-union ties during the ISI period, when the informal rule of the *tercio* was in place. This rule mandated that one third of all PJ legislators had to be unionists (Levitsky 2003). Against this baseline, the results in Table 4.5 show a profound

¹⁹¹ Interviews with Ricardo Pignanelli, Secretary General, Automobile Workers' Union, and Jorge Lobais, Secretary General, Textile Workers' Association (AOT). 04-17-2015.

¹⁹² Interview with Hugo Yasky, Secretary General to the CTA, 02-23-2015, Buenos Aires.

¹⁹³ Interview with Andrés Rodríguez, Secretary General of UPCN, 04-13-2014, Buenos Aires.

de-unionization of the PJ by the late 1990s. According to my estimates, in 1999 only 12.5% of PJ legislators had some prior background as unionists, and in 2001 this percentage dropped to 8.77%. Moreover, these unionists did not belong to Argentina's mainstream unions. Indeed, the most powerful unions—those representing teamsters and workers in the steel, auto, food and oil industries—had no single representative in the PJ's legislative lists for the 1999 and 2001 elections. In other words, even those few PJ deputies that had a union background were not part of the union elite that was hegemonic in Argentina's labor movement.

Table 4.5. Unionists' Representation in Left Party's Legislative Caucus –Lower House (%).

	Legislators with Union Background (%)		Economic Sector of Union Activism	
	1st Congress	2nd Congress	1st Congress	2nd Congress
Argentina (PJ)	12.5	8.77	Transport - Railways (2), Construction (1), Public Administration (1), Restaurants and Hotels (1)	Public Administration (1), Public Utilities (1), Actors (1), Brewing (1)
Brazil (PT)	67.24	61.11	Education (11), Banking (5), Steel (5), Public Administration (3), Rural (3)	Education (16), Banking (7), Rural (6), Public Utilities (6), Steel (4), Oil (3)
Uruguay (FA)	42.50	38.46	Banking (5), Education (5), Oil (1), Public Administration (1), Transport (1), Health (1)	Education (4), Banking (3), Public Administration (2), Health (3), Construction (2), Oil (1), Transport (1), Beverages (1), Rural (1), Textiles (1), Fishing (1)

Source: Authors' own elaboration. I analyze the biographical profile of each legislator based on publicly available data. This includes their publicly available biographies as well as research done on each legislator in newspaper archives. For some legislators this information was gathered through personal interviews or by contacting them directly. '1st' and '2nd' Congress refer to the two Congresses that immediately preceded the leftist administration (1999 and 2001 in Argentina, 1998 and 2002 in Brazil, 2000 and 2005 in Uruguay, Chile 1994 and 1998).

While unions had scarce representation in the Peronist party, prominent union leaders also were not party cadres. If we analyze the participation of the CGT leadership in the Peronist party from the return of democracy in 1983 up to 2003, almost half of the CGT leadership (48.05%) had officially participated in politics before becoming prominent leaders of Argentina's most important labor confederation (Table 4.6). To be

more precise, this group of unionists had held positions in the Peronist party, had participated in a subnational government, or had held a legislative position at either the subnational or national level.

Table 4.6. Prior participation of Labor Confederation Leaders in Politics (%)¹⁹⁴.

	Period I	Period II	Total
Argentina	30.56	38.89	31.58
Brazil	72.73	15	48.72
Uruguay	32.26	54.17	44.23

Source: Author's elaboration (see methodology in Table 4.5). Period I for Argentina: 1983-1995; for Uruguay: 1983-1996; for Brazil: 1983-1994, and for Chile: 1988-1996. Period II for Argentina: 1996-2003; for Brazil: 1994-2003; for Uruguay: 1996-2006; and for Chile: 1996-2000.

However, two factors help explain the complete autonomy that the CGT had vis-à-vis the Peronist party by 2003. First, most of the 48.05% of CGT leadership who had participated in Peronist politics had actually held low-level positions within the Peronist party or in politics. They definitely had not moved up the party ladder. Rather, their main position of power was, by far, the leadership positions of the sectoral unions they commanded. Second, from the second Menem administration until Kirchner's election in 2003, the labor movement had increasingly come under the command of labor leaders who had no prior participation in Peronist politics. For example, between 1983-1994, 60% of CGT leaders had participated in Peronist politics prior to being elected to the CGT while during the 1995-2003 period, only 16.36% of the CGT leadership had held a political position as a Peronist politician. This 'de-Peronization' of the labor movement after 1995 seems to be the flipside of the 'de-unionization' of the Peronist party that Menem initiated in the 1990s. This represented an important problem for any Peronist president in office: s/he lacked disciplined party cadres within the labor movement who could somehow moderate its redistributive demands or protest activity.

Informal Workers' Social Movements: High Mobilization Capacity, No Links to the Peronist Party

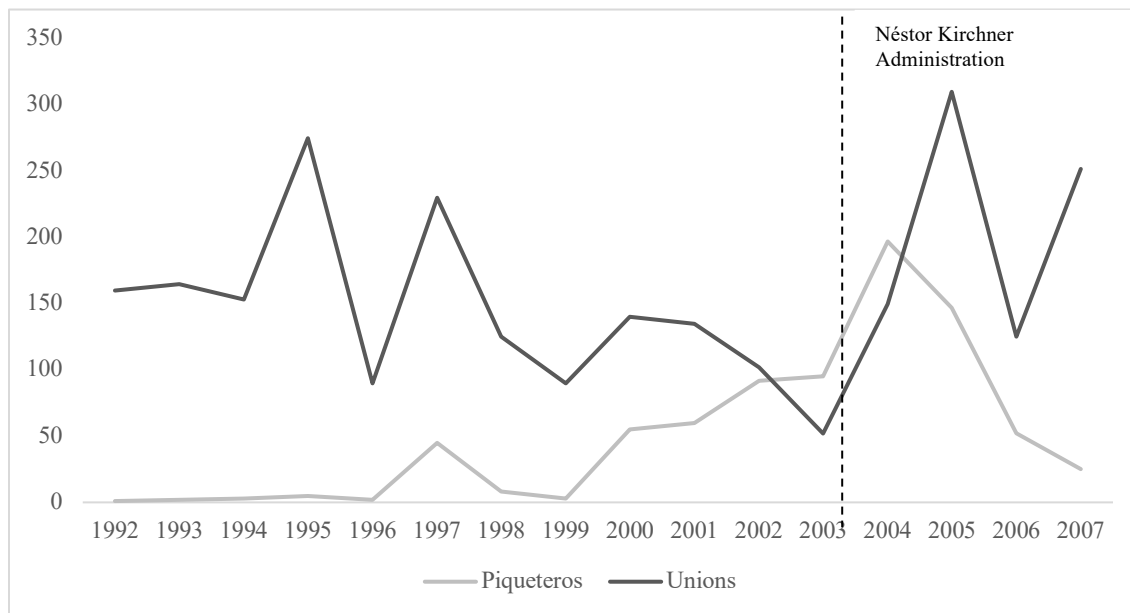
In addition to strong and autonomous unions, Kirchner also faced powerful social movements in the informal sector over which he had no control. Neoliberal reforms generated unprecedentedly high levels of unemployment in Argentina, and by the late 1990s these workers had organized in powerful social movements—the *piquetero* organizations—that became central actors in Argentinean politics (Svampa and Pereyra 2003, Torre 2016). These organizations were capable of staging massive mobilizations and road blockades in demand of state assistance (Garay 2007) and, until 2005, even

¹⁹⁴ The entire period between the return of democracy and the first year of the leftist administration in each country is divided into two segments of roughly equal time. The purpose is to observe whether the period of neoliberal reforms and their aftermath are associated with some variation in the composition of the union leadership in each country.

surpassed unions in terms of their mobilizational capacity (Etchemendy and Collier 2007). Prior to Néstor Kirchner's election, during Argentina's 2001-2 crisis, these organizations were, along with middle-class protesters and unions, the main actors behind the street protests that ousted several presidents from office.

Indeed, in 2001 these protests forced president De la Rúa (1999-2001), who sponsored harsh austerity measures under an IMF stand-by program, to resign. This event inaugurated a period of deep presidential instability in Argentina during which disruptive protests played a paramount role. As can be observed in Figure 4.1, the 2000-2005 period witnessed a significant rise in the number of disruptive street protests in Argentina by *piquetero* organizations. In 2003 and 2004, the number of *piquetero* protests even surpassed the number of protests staged by unions (Figure 4.1). This cycle of protest played a pivotal role in the instability of Argentine presidents during those years. The presidency underwent a deep authority crisis, with unemployed workers blocking the country's main routes, workers staging general strikes, the poor looting supermarkets, and middle-class citizens trying to break into the presidential palace. These massive and widespread social protests instilled a deep fear in political elites that lasted for years to come, a fear of politicians resigning in the face of popular unrest. Indeed, the idea that crowds of discontented citizens could oust a constitutionally elected president at any moment was pervasive after De la Rúa resigned and abandoned the presidential palace by helicopter.

Figure 4.1. Protests by Unions and *Piquetero* Organizations, Argentina 1989-2007 (Absolute Number).



Source: Author's elaboration with data from the Grupo de Estudios sobre Protesta y Acción Colectiva (IIGG-UBA).

The instability of the presidential office continued after De la Rúa's resignation. Eduardo Duhalde (20002-2003) was elected by the parliament to serve as interim president to complete De la Rúa's unfinished term (Novaro 2009: 615). In a context of

high social unrest, the government decided to repress unemployed workers' protests. This strategy backfired as two *piquetero* leaders were killed by the police, and widespread social protests against the government took place all over the country. In order to appease these protests, Duhalde announced that he would abandon the executive office 6 months before the end of his term by holding early elections.

The *piquetero* organizations were a destabilizing force in Argentinean politics not only because they had an enormous mobilization capacity but also because of their lack of links to the Peronist party (or to any mainstream political party, for that matter). This absence of links deprived presidents of any capacity to control the organizations' protest activity or moderate their redistributive demands. According to a survey I conducted among *piquetero* leaders in 2005, the majority of the members of the *piquetero* movement (53.53%) were enrolled in organizations led by political activists who belonged to Marxist political parties or groups (See Table 4.7).¹⁹⁵ In Argentina, Marxist parties and groups have always been extremely marginal in partisan competition, and have been historically opposed to any alliance with the Peronist party. According to my survey, only 30.23% of the members of *piquetero* organizations were enrolled in organizations whose leaders would identify themselves as 'left Peronist,' and another 16.25% were enrolled in organizations whose leaders subscribed to some form of leftist nationalism. However, neither of these two political groups had any relationship with the PJ; on the contrary, these activists had actually competed against the Peronist territorial machine for years or even decades. In other words, Kirchner could not count on a partisan organization able to discipline *piquetero* organizations and control their remarkable disruptive capacity because these organizations had no links to the PJ or to any other mainstream political party. In sum, neither Kirchner nor the Peronist party had the capacity to control the disruptive capacity of strong unions and social movements in Argentina.

¹⁹⁵ A more thorough discussion on the ideological preferences of the *piquetero* leadership can be found in Schipani (2008).

Table 4.7. Informal Workers' Organizations and Lack of Ties to Mainstream Parties.

Piquetero Organization	Political Orientation	Membership Base(%)
BDP	Left Nationalism	15.11
CCC	Marxist	22.67
CTD Anibal Veron	Left Nationalism	1.13
CUBA	Marxist	1
FTV	Left Peronism	30.23
MST	Marxist	3.78
FTC	Marxist	1.51
MTD Anibal Veron	Autonomism	2.27
MTL	Marxist	1.51
MTR	Marxist/Autonomism	1.89
POLO	Marxist	18.89
Total		100
Marxist		51.25
Left Peronism		30.23
Left Nationalism		16.25
Autonomism		2.27
Total		100

Source: Based on author's survey of piquetero leaders. See Schipani (2008) for a thorough discussion of the methodology.

High Internal Control over the Party: The Weak Institutionalization of the *Partido Justicialista*

Lastly, Néstor and Cristina Kirchner exercised a high degree of control over the Peronist party apparatus. This was the consequence of four factors: (1) the weak institutionalization of the Peronist party, (2) the lack of organized factions or rank-and-file organizations in the party, (3) the exclusion of unions and social movements from the party, and (4) presidents' capacity to achieve high levels of legislative discipline among Peronist legislators.

The *Partido Justicialista*'s weak institutionalization dates back to the very origins of the Peronist movement (Levistky 2003). Juan Domingo Perón was a charismatic leader who exercised a strong grip on the Peronist movement. Moreover, the long periods of authoritarian rule that followed the military coup against Perón in 1955 deprived Peronist politicians of the ability to develop a strong partisan machine to compete in elections. Instead, Peronist politicians had to rely for their survival on the only popular sector organization that could survive under both democratic and authoritarian leaders, namely, Peronist unions. Therefore, until the mid 1980s, unions constituted the main

organizational backbone of the Peronist party, hindering the development of a proper party bureaucracy. As a consequence, the *Partido Justicialista*, unlike other populist parties such as AD in Venezuela or the PRI in Mexico, did not develop a national party apparatus with bureaucratic authority over party legislators or national party chapters. This was certainly an advantage for Peronist presidents, who could generally use the abundant resources of the national executive to control the weak party apparatus.

Furthermore, this weak institutionalization meant that there were no internal factions or party base organizations that could veto the president's decisions. Rank-and-file organizations were strong. Steven Levitsky (2003), for example, has documented the extent and the intense organizational activity of the *unidades básicas* in the Buenos Aires province. *Unidades básicas* were local party chapters at the neighborhood level, run by full-time party activists and usually located in poor areas. These activists recruited outsiders through the distribution of clientelistic benefits (Levitsky 2003, Auyero 2001). These organizations were crucial to keep the party alive on the ground. However, because of Peronism's low levels of formal institutionalization, these local organizations had no influence on the upper levels of the party organization. On the contrary, the *unidades básicas* were very dependent on provincial and national governments for the provision of material resources to keep their clientelistic machines running. (Levitsky 2003).

This weak institutionalization also meant that internal factions were short-lived. Internal disputes within the party were important, but once a faction became victorious and imposed its presidential candidates, the members of the losing factions usually "jumped on the bandwagon" and joined the victorious faction (Levitsky 2003). Finally, as was shown above, although unions had been an important force within the party, they never possessed formal mechanisms to influence party decision making (Levitsky 2003). Moreover, the informal rule of the *tercio*, which allowed unions to nominate a third of the party's legislative candidates, had been eliminated during Menem's presidency. In sum, Peronist presidents did not face powerful factions, rank-and-file organizations or social organizations that constituted powerful veto points within the party.

Lastly, the design of fiscal federalism in Argentina granted Peronist presidents considerable resources to discipline Peronist legislators in Congress. In Argentina, Peronist legislators answer to subnational Peronist leaders, mainly governors. This state of affairs predated Néstor Kirchner. Studies of Argentina's party system have found that Peronist territorial machine actors, as well as Peronist national legislators, answer first and foremost to provincial Peronist leaders (Calvo and Abal Medina 2001). The reason is that Peronist governors also happen to control Peronism's provincial branches (Galván 2011), have considerable resources to finance political campaigns (Gonzalez y Lodola 2017, Gervasoni 2011), and have the prerogative –as local party leaders– to control the nominations for the national legislature (Galván 2011; Lodola 2009).

At the same time, however, presidents have considerable resources to discipline governors, and, hence, the party legislators in the national Congress (Bonvecchi and Lodola 2010). Because of the design of fiscal federalism in Argentina, governors are extremely dependent on the fiscal resources the national executive sends to provinces (Gervasoni 2011, Scherlis 2008, Benton 2003). And because most provinces are governed by Peronist leaders, these governors are always subordinated to the Peronist who happens to be president: they were as disciplined towards neoliberal president Carlos Menem in the 1990s, as they were towards left populists Néstor and Cristina Kirchner in

the 2000s (Scherlis 2008). This fiscal dependence on the national executive meant that Peronist presidents had a disciplined legislative caucus in Congress (Scherlis 2008, Jones 2002, Zelaznik 2014). Unlike the *Frente Amplio* in Uruguay, Argentinean presidents usually did not have to negotiate the content of legislation with Peronist legislators or factions. Most of the negotiations to pass a legislative bill entailed direct negotiations between provincial governors and the president, and involved the distribution of fiscal resources—more than policy concessions—in exchange for governors’ support for the president’s bill (Bonvecchi and Lodola 2010).

I.B. Redistributive Policies: Broad Income Redistribution, Societal Empowerment of Unions and Social Movements

Electoral and organizational threats faced by Néstor Kirchner informed his power and income redistribution strategies. Kirchner faced two main threats from the leftist movement: (1) *organizational threats* from autonomous unions and social movements, and (2) *electoral threats* from rival Peronist candidates. Generous income and power redistribution towards *organized* workers—i.e. workers directly represented by unions and *piquetero* organizations—was a response to the *mobilizational* threat. Organizations were empowered vis-à-vis their societal rivals (business, mayors and governors) and governmental policies increased the income levels of their base. Further, electoral competition from Peronist rival Eduardo Duhalde in the 2005 mid-term elections explains the government's adoption of the first laws that would initiate the expansion of non-contributory pensions for outsiders.

However, the government did not empower social organizations in the state. Social organizations' lack of influence within the Peronist party deprived them of the leverage needed to obtain appointments in the national executive. Furthermore, the president's control over the party allowed him to engage in the political targeting of benefits without much resistance. Political targeting helped him achieve two objectives: (1) control social protests by rewarding loyal organizations and punishing those that refused to ally with the new government, and (2) build an alternative, personalistic electoral machine to defeat Peronist rivals in elections. While these selective incentives helped him rapidly turn many *piquetero* organizations into loyal *Kirchneristas*, they also created an organizational dependence on the national government's largess, which ultimately limited the extent of social movements' empowerment in the informal sector. This strategy also helped Kirchner create a loyal support base among unions.

Social Policies towards Insiders: High Income Redistribution, Societal Empowerment and Political Targeting

Forging a coalition with unions and their members was a key concern for Néstor Kirchner. There were two reasons for this. First, the fragmentation within Peronism—and, hence, the possibility that unions would support rival Peronist factions or mobilize against the president—led Kirchner to forge an alliance with unions. This threat had actually materialized in the 2003 presidential election, when the main labor confederations had supported Kirchner's Peronist rivals. Second, the broader context of widespread social unrest gave the Kirchners an incentive to forge alliances both with unions and with the more moderate organizations within the *piquetero* movement to weaken the more radical ones and reduce the level of disruption. In terms of its labor strategy, the government engaged in an organizational reshaping strategy to strengthen the more institutionalized and moderate labor unions, in an attempt to counter the mobilization capacity of the most disruptive and radical factions within the *piquetero* movement. The logic behind this strategy was that by strengthening institutional actors (unions), the appeal of 'extra-institutional' actors (the *piquetero* organizations) would

decrease among the popular sectors. In interviews, several top government officials explained this rationale:

“Our strategy had two aspects. On the one hand, to normalize social conflict and in that regard the Ministry of Social Development played a crucial role in organizing workers’ cooperatives that helped to reduce conflict...On the other hand, to promote formal employment so that unions would increase their base, to strengthen unions and allow them to recover their power...This allowed the government to normalize the potential social conflict in the streets, channeling social conflict instead through unions and collective bargaining institutions. The idea was that civil society, or the so-called ‘*piqueteros*’, would not be led only by radical leftist parties. From the Ministry of Social Development there was an attempt to co-opt these people so that they wouldn’t be only led by radical leftist parties”

*High-Ranking Official, Ministry of Labor*¹⁹⁶

“When Kirchner came to power we were in the aftermath of the ‘*que se vayan todos*’. There were the *piquetero* groups that had become extremely strong, and Duhalde had dealt with them by granting them the administration of social programs. The empowerment of the CGT with a strong union leader leading it helped to counterbalance the power of the *piquetero* groups. If you take what I say literally, it may sound as if we didn’t want people to protest. I would put it this way: we wanted to appease social unrest. We wanted to normalize so much chaos. (In this regard), unions are an institutional vehicle of representation, the *piqueteros* are not. We wanted to normalize that...and the way to achieve that was through the existing labor confederations”

*Minister, Néstor Kirchner Administration (2003-2007)*¹⁹⁷

How did Kirchner build this organizational coalition with unions? On the one hand, he built it through a strategy of *societal empowerment* of existing unions and by redistributing income toward workers the unions represented. On the other hand, he did it through a strategy of *political targeting* that attempted to diminish the relative power of more traditional unions by altering the balance of power between the different unions within the CGT and by altering the balance of power between the mainstream CGT and the more marginal CTA.

Societal Empowerment and Income Redistribution towards Peronism’s Core Union Base

First, during the 2003-2005 period, the government adopted a wage policy that increased unions’ power and workers’ wages simultaneously. In the context of an economy that was still recuperating from the worst economic recession since the 1930s and that had 20.4% unemployment at the time Kirchner took office, unions were extremely weak and had no power to pressure employers to engage in collective bargaining, an institution that had been inactive for 13 years after Menem banned it by

¹⁹⁶ Personal Interview #9, 04-01-2015, Buenos Aires.

¹⁹⁷ Personal Interview #10, 04-30-2015, Buenos Aires

decree in 1991. The Kirchner administration decided to use the state's administrative resources to empower this actor, issuing several decrees that increased private workers' wages and, more importantly, mandating that those general increases be incorporated in each industry through tripartite agreements between unions, employers and the state (Etchemendy and Collier 2007). This policy was crucial to force employers to enter into wage negotiations with unions through collective bargaining and, more importantly, to empower unions that had been severely weakened vis-à-vis employers in industrial relations during that period.

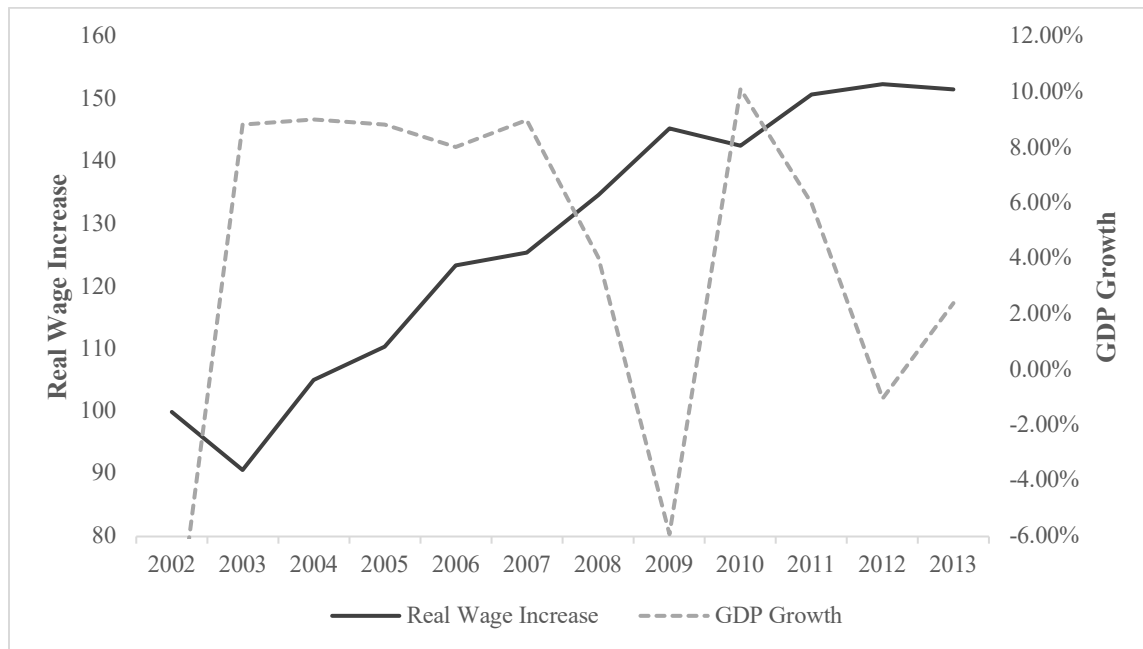
A second governmental initiative that strengthened unions was the new labor code adopted by the government in 2004. The *Ley de Ordenamiento Laboral* revoked most of the flexibilizing labor laws adopted by neoliberal governments in the 1990s. The most important was the repeal of the *Ley de Reforma Laboral*, a very controversial labor reform adopted in 2000 that weakened unions by decentralizing collective bargaining and eliminating collective agreements' *ultraactividad*, a provision establishing that the last collective agreement signed by unions and employers continues to protect workers until a new one is signed.¹⁹⁸ Moreover, the new legislation made individual labor contracts more protective by reestablishing the old and more generous formula of severance payment calculation and reduced the probationary period for work contracts.

These policies benefited not only unions, but also the formal workers represented by them. Indeed, the wage increases mandated by decree, as well as strengthening unions' collective bargaining power through the new *Ley de Reforma Laboral*, inaugurated a period of government-sponsored, annual tripartite collective bargaining agreements that increased workers' real wages considerably. In these negotiations the government had the explicit objective of promoting wage settlements well above inflation levels in an attempt to boost real wages.¹⁹⁹ As a result of this policy, real wages for formal workers increased by an average 4.69% per year during the 2003-2015 period (see Figure 4.2).

¹⁹⁸ This provision is crucial because it allows unions to refuse to sign collective agreements during adverse times.

¹⁹⁹ Interview with Roberto Lavagna, Minister of Economy and Production, 04.15.2015, Buenos Aires, Argentina.

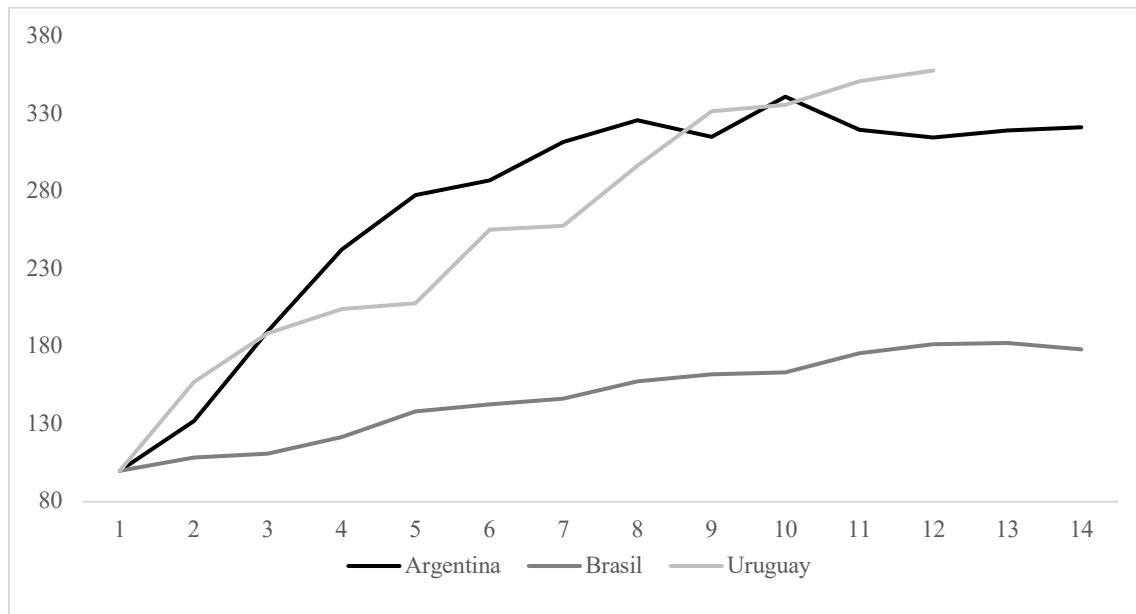
Figure 4.2. Real Wages Increases in Argentina, Formal Workers (2002=100)



Year 1 = Year Preceding the First Leftist Administration (Argentina and Brazil = 2002, Uruguay=2004).
 Source: Author's elaboration with data from SEDLAC for nominal values. Inflation: INDEC (Argentina 2002-2006), proxy for INDEC CPI using prediction methodology, author's elaboration (Argentina 2007-2010), Estudio Bein (2011-2015), IBGE (Brazil), INE (Uruguay).

These policies described above, which focused on labor-market insiders—that is, formal workers represented by unions—were complemented by other policies that increased the wage levels of those at the bottom of the formal working class, namely workers earning the minimum wage. Although a law adopted in 1991 during Menem's administration (the *Ley de Empleo*) mandated the establishment of a tri-partite minimum wage council to set minimum wages, this provision of the law was never actually implemented. As a consequence, minimum wage levels had remained frozen since 1991. The Kirchner administration decided to implement this law and establish the first minimum wage council in Argentina's history. Through tripartite agreements with unions and employers, the state promoted substantial increases in minimum wages. Between 2003 and 2015, the annual *real* increase of Argentina's minimum wage was 17.06% per year (see Figure 4.3). This increase was three times higher than that granted to formal workers represented by unions (Figure 4.2).

Figure 4.3. Index of Real Minimum Wages (Formal Workers) – Argentina, Brazil and Uruguay.

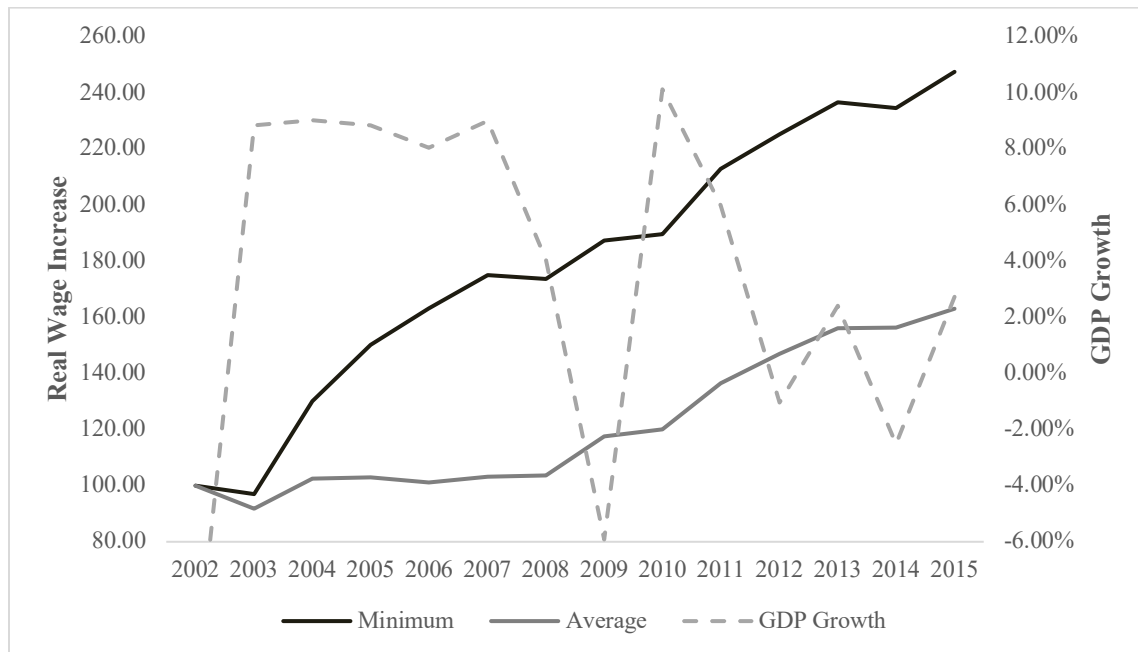


Source: Author's elaboration with data from MTEySS (Argentina), MTPS (Brazil) and MiDes Social Observatory (Uruguay) for nominal values. Year 1 = Year Preceding the First leftist Administration (Argentina and Brazil = 2002, Uruguay=2004). Inflation: INDEC (Argentina 2002-2006), proxy for INDEC CPI using prediction methodology, author's elaboration (Argentina 2007-2010), Estudio Bein (2011-2015), IBGE (Brazil), INE (Uruguay).

However, Kirchner's policies towards the unorganized formal sector (in Argentina, mainly retired workers with contributory pensions) were modest compared to the generous benefits received by unionized formal workers. On the one hand, efforts to increase the minimum pension were substantial. As a matter of fact, minimum pensions' benefit levels had been frozen between 1990 and 2001. In order to reverse that situation, the Kirchner administration engaged in a very generous policy of increasing minimum pensions' benefit levels that entailed a 247.55% real increase between 2003 and 2015 (Figure 4.4).

On the other hand, formal workers did not receive a similar increase in their average pensions, which remained practically flat in real terms during the 2003-2008 period (Figure 4.4). As can be observed in Figure 4.4, average contributory pensions actually started to grow in real terms only after 2009. This caused a flattening of income distribution among pensioners, dramatically increasing the percentage of total pensioners earning the minimum pension. Therefore, retired labor-market insiders, that is, pensioners who used to be formal workers represented by unions, did not have many gains during the 2003-2008 period. To experience a real increase in their income, they would have to wait until the government underwent a sharp increase in its electoral vulnerability in 2008-9.

Figure 4.4. Real Increase in Minimum and Average Pensions 2002-2015, Argentina (2002=100).



Source: Author's elaboration with data from MTEySS

Societal Empowerment and Income Redistribution towards New/Marginal Unions: Moderate Political Targeting of the Union Movement

In the previous paragraphs I explained two strategies through which the government engaged in both organizational empowerment and reshaping. On the one hand, the government empowered unions in collective bargaining and, by doing so, simultaneously increased the wage levels of formal workers. Moreover, the government engaged in political targeting to change the balance of power between formal and informal sector organizations. By strengthening labor unions, the traditional institutions that had historically represented the working class, the government attempted to weaken the appeal of radical *piquetero* organizations among the popular sectors.

In addition to the policies described above, the government also engaged in a moderate strategy of *political targeting* within the formal sector that attempted to alter the balance of power between labor confederations. Empowering more marginal unions was crucial for Kirchner because of his lack of ties with unions. More specifically, he had to counterbalance the power of mainstream CGT unions. Not only did he lack ties to these unions, but they had also supported his main rival, former president Carlos Menem, in the 2003 presidential elections. This strategy had two main objectives: (1) promote alternative leadership within the Peronist CGT, and (2) bolster the power of the non-partisan, left-wing CTA.

As explained above, when Kirchner assumed power the CGT was divided, consisting of the 'official' CGT that comprised Argentina's largest industrial and service

sector unions, and the ‘dissident’ CGT that comprised the more militant unions in the transport sector who opposed neoliberal reforms. Kirchner attempted to forge an alliance with this last group while keeping a more distant relationship with union leaders in the ‘official’ CGT, but not necessarily antagonizing them. Kirchner had political reasons to engage in this strategy. The ‘official’ CGT was part of the union establishment that had supported Menem and his neoliberal program in the 2003 elections. Therefore, not only did the union lack ideological affinities with Kirchner’s leftist program; it could potentially align with his political rivals within the Peronist party. By contrast, the ‘dissident’ CGT shared with Kirchner similar programmatic goals. Further, it had been circumstantially allied with a populist Peronist faction—that of former interim president Rodríguez Saá (2001)—that was marginal within the Peronist party and represented no real threat to Kirchner. Lastly, although the ‘official’ CGT greatly surpassed the ‘dissident’ CGT in terms of the number of union members, the latter had an asset that, in the context of the 2001-2 cycle of protest, was invaluable for state elites, namely, its enormous mobilizational capacity. In this regard, an alliance with the ‘dissident’ CGT actually increased the government’s chances of achieving social peace on the union front. In interviews, Labor Ministry officials and CGT unions agreed with this characterization of Moyano’s strength and gave similar reasons for why Moyano became so empowered by Kirchner:

“Néstor Kirchner valued in Hugo Moyano (head of the ‘dissident’ CGT) the fact that he had strong participation in the transport sector, his strong presence in Argentina’s routes...He gave Moyano many benefits in exchange for his support for the government. I believe Kirchner forged an alliance with Moyano because of the political necessity to strengthen his government, because he came to power with a limited number of votes...in political terms, the unions contributed to the government by providing social peace. They guaranteed that workers would go to their workplaces without much social conflict”

*High Ranking Official, Ministry of Labor*²⁰⁰

“Most unions supported Menem in the presidential elections, and the rest gave their support to Rodríguez Saa...Néstor didn’t want to negotiate with us in a corporative fashion. That is why he gave Moyano some organizational advantages that allowed him to rise. In the union leadership Moyano was a second-rank leader, he wasn’t liked among the union establishment...It was Kirchner who made Moyano General Secretary of the CGT. At the beginning Kirchner thought that Moyano would be more malleable, that negotiating with him would be cheaper than having to deal with the whole union leadership...Obviously then the strategy went wrong (when Moyano abandoned the Kirchners’ coalition): no leader in the history of the labor movement attained so much power as Moyano: General Secretary of the CGT, Vicepresident of the PJ, national legislators in strategic positions.”

*Andrés Rodríguez, General Secretary of UPCN (public sector union)*²⁰¹

²⁰⁰ Personal Interview #8, 04-01-2015, Buenos Aires.

²⁰¹ Interview with Andrés Rodríguez, General Secretary of UPCN (public sector union). 04-13-2015, Buenos Aires.

The government adopted two measures that altered the balance of power within the Peronist labor movement in favor of the ‘dissident’ CGT and its mighty leader, teamsters unionist Hugo Moyano. First, the government supported Moyano in the contest for leadership of the CGT, which finally united in 2004 under his command. Second, the Ministry of Labor actively supported Moyano in its efforts to increase its union affiliates at the expense of other unions enrolled in the ‘official’ CGT, especially in the service sector. The Ministry of Labor systematically ruled in favor of Moyano in unions’ disputes over affiliates, a policy that allowed the teamsters’ union to triple its membership from 50,000 in 2003 to 182,000 in 2013,²⁰² becoming the most powerful union in Argentina.

A similar logic—that is, high mobilizational capacity and an ‘outsider’ status within the labor movement—explains Kirchner’s decision to empower the CTA, another marginal labor confederation vis-à-vis the ‘official’ CGT. Unlike the CGT, the CTA, since its creation in 1992, had been an unofficial labor confederation without state recognition. When Kirchner came to power, the CTA had two valuable assets to offer him. First, teachers unions, the unions with the greatest mobilizational capacity in Argentina, were the CTA’s core constituency.²⁰³ In a context in which numerous societal groups were staging disruptive protests against political elites, having the cooperation of teachers’ unions was paramount in order to control protest levels.²⁰⁴ Second, as explained above, because the Peronist CGT had closer links to other, mainstream leaders within the Peronist party, forging an alliance with the CTA was a strategy that allowed Kirchner to increase his leverage over the labor movement by creating his own, alternative basis of organizational support outside the CGT.

Two policies were central in this strategy of political targeting that strengthened the CTA vis-à-vis CGT unions: (1) granting collective bargaining rights to teachers’ unions, and (2) including the CTA in official, tri-partite policy councils. First, the Kirchner administration adopted in 2005 the *Ley de Financiamiento Educativo*. This law increased investment in public education from 4.6% of Argentina’s GDP in 2005 to 6.4% in 2009, *de facto* providing the Ministry of Education the necessary funds to pay for increases in teachers’ wages. Furthermore, this law created the first institution of collective bargaining at the national level for teachers’ unions, the *Paritaria Nacional Docente* (PND).

Before the law’s adoption, teachers’ unions negotiated their wages and working conditions at the provincial level, because education is an administrative prerogative of provinces. This created an adverse scenario for teachers’ unions: wage negotiations were fragmented across provincial boundaries, and unions in most provinces faced conservative governors who, for the most part, refused to grant them any collective bargaining rights at all.

The new law radically empowered teachers’ unions vis-à-vis governors in Argentina. It established, for the first time in Argentina’s history, national-level,

²⁰² Source: Ministry of Labor, Employment and Social Security (2013).

²⁰³ The other one were workers in the public administration.

²⁰⁴ “When Kirchner came to office, one of his main fears was a national teachers’ strike. In the private sector there wasn’t much union conflict because of high unemployment rates. The major sources of social conflict by this time were state employees and the *piqueteros*.” Interview with Roberto Baradel, leader from the Buenos Aires teachers’ union (SUTEBA), 12-12-2014, Buenos Aires.

collective bargaining agreements in the education sector, thus setting a *national* minimum wage for teachers. This law redistributed both income and power to teachers. Second, it dramatically empowered provincial teachers' unions vis-à-vis provincial governors. Indeed, governors were now forced to sit every year with teachers' unions and negotiate wages *above* the minimum, national wage, forcing them to pay important costs both fiscally and in terms of social conflicts associated with collective bargaining institutions. In this regard, this law is an important example of how governments can empower social organizations vis-à-vis subnational elites. On the one hand, through this law, a key policy that sustained that CTA's alliance with the Kirchners, the government was able to dramatically reduce the number of *national* protests against the national executive. On the other hand, union conflict increased in most provinces because as the new national minimum wage for teachers increased every year, it empowered teachers' unions. Indeed, it provided an opportunity for unions at the provincial level to negotiate new provincial wages that would surpass—or maintain the proportional difference with regards to—the national minimum wage.

Ultimately, the *Paritaria Docente* not only empowered unions vis-à-vis governors, but also had the unintended consequence of empowering them vis-à-vis the national government. Indeed, the president was now obliged to negotiate every year with a powerful, unified national union. And this would become a problem once economic growth slowed and the fiscal space to grant wage increases narrowed after 2009. This fear of creating a too-powerful national union was already a concern among many government officials, and was one of the main reasons why the national government delayed its adoption. As a matter of fact, it only implemented the part of the law that empowered teachers' unions in 2008. But by then—as will be explained in greater detail below—a harsh conflict between the Kirchners and rural producers had erupted. When the CTA staged several mobilizations in favor of the government, it proved to the Kirchners the need to strengthen those popular-sector organizations that had proven loyal to the government. As one of the officials in charge of creating the *Paritaria Nacional Docente* explains:

“Néstor Kirchner wasn't very convinced of the PND at first, the Minister of Education delayed signing the decree because he was afraid of creating something he could not control, and the Ministry of Labor wasn't very convinced either. Néstor Kirchner was afraid of creating a sort of Frankenstein, creating something too complicated, too inconvenient, that would strengthen teachers' unions too much. At first he didn't get along with them, because he had had a very conflictive history with them as governor of Santa Cruz...But Néstor realized how Yasky (CTA's leader) supported the government in the conflict with rural producers. CTERA (the teachers union) was and continues to be very pro-Kirchners, and that support heavily influenced the adoption of the PND (in 2008). It was important to have Yasky as an ally...By 2009, Néstor Kirchner already regretted the adoption of the PND, because he realized it gave too much power to unions...”

*High Ranking Official, Ministry of Education*²⁰⁵

²⁰⁵ Personal Interview #11, 12-14-2014.

As my theory predicts, government officials are wary about policies that empower public sector unions at the national level: they are aware that they may backfire in the form of higher wages (and hence, induce higher fiscal spending) or more conflict in industrial relations in situations where the state is the employer. As the interview excerpt above notes, Néstor Kirchner himself had had very conflictive relations with teachers' unions when he served as Santa Cruz's governor and was therefore not favorably disposed toward empowering them. However, when facing more acute threats, such as the mobilizational power of unions and social movements he did not control, as well as the mobilization of agrarian elites, empowering teachers' unions seemed, at the time of its adoption, a less costly solution that would counterbalance powerful mainstream unions and *piquetero* organizations by empowering a marginal actor (the CTA).

The last power redistribution policy that cemented the CTA-government alliance was the CTA's incorporation into the *Consejo del Salario Mínimo, Vital y Móvil*. This council, formally approved in 1991, was in charge of setting the national minimum wage through negotiations between the government, unions and employers. However, as explained above, this council only started to deliberate and make binding decisions in 2004 under Néstor Kirchner's government. And while under its original design only members from the state-recognized CGT could sit on its board, Kirchner expanded its composition to include CTA officials in the council. This was the first time in Argentina's history that a labor confederation without state recognition was included in Argentina's labor institutions.

Keeping Unions at Arms' Length from the State

Despite the significant empowerment of unions in industrial relations, the Kirchners refused to empower them in the state. Notwithstanding strong pressure from union allies who sought appointments in the executive as well as greater representation in FPV's legislative lists, the government repeatedly refused to meet the unions' demands. This refusal, in turn, triggered harsh conflicts between the leftist administration and the labor movement.

I measured political access by calculating the percentage of high-ranking officials who had a background as labor leaders. Specifically, I analyzed the biographical profiles of 964 high-ranking public officials during leftist administrations in four countries (Argentina, Brazil, Chile and Uruguay), focusing on the first two levels of political authority within each ministry, that is, ministers and secretaries under ministers' direct authority.²⁰⁶

Table 4.8 makes use of comparative data to situate Argentine unions' lack of state empowerment in comparative perspective, and presents a puzzling finding: although all four countries were ruled by leftist governments with pro-worker orientation, unionists were not equally successful in all four countries at gaining access to political office. While in Uruguay and Brazil unionists obtained political access—17.87% and 10.19% of

²⁰⁶ For Brazil and Argentina, I examine Ministers and Secretaries. For Uruguay and Chile, I examine Ministers and Under-Secretaries—'Secretaries' do not exist—and for Chile I also consider chiefs of division given the low number of Under-Secretaries.

executive posts, respectively—in Argentina and Chile unionists’ access was negligible (2.51% and 0.66%, respectively). This contrast is even greater when we focus on ministries: while a third of Uruguayan ministers and almost 20% of Brazilian ministers had a background as union leaders, no minister during the Kirchners’ administrations in Argentina and only 2 out of 144 ministers in Chile (1.4%) had a background as union leader.

Table 4.8. High-Ranking Officials with Union Background - Total (%).

	TOTAL	Ministers	Secretaries/Under-Secretaries/Chief of Division
Argentina	2.51	0	2.32
Brazil	10.19	16.67	7.06
Uruguay	17.87	33.33	11.68
Chile	0.66	1.39	0.33

Sources: Author’s elaboration. See methodology in Table 4.5.

The CGT leadership resented the government for this exclusion. The government not only refused to incorporate unionists in the state; it also denied unionists positions in FPV’s legislative lists. A major conflict emerged in the Buenos Aires province over the selection of the FPV’s legislative candidates and party leadership positions. Once unions became stronger in the industrial arena, they mobilized to increase their share of representatives in the FPV’s legislative lists. For example, in October 2010, CGT leader Hugo Moyano mobilized 70,000 workers and his speech focused on the need to expand unions’ power into the political arena: ‘Workers must cease being a pressure group and instead become a collective with political power. We do not only contribute to the government with votes. We have the right and the obligation to participate in politics’.²⁰⁷

However, the Kirchners remained reluctant to grant the CGT any positions within the state apparatus or legislative nominations. Weak party-union ties gave the Kirchners few incentives to incorporate unionists in the political arena: because unionists did not have electoral careers in the Peronist party, the government faced the risk of rent-seeking. Moreover, unions did not have sufficient leverage within the party organization to push for this demand. Although unions had (weak) ties to the Peronist party, since the 1990s they were no longer key electoral machines that could deliver the party a substantial number of votes (Torre 2004). An anecdote illustrates the prevalence of this concern among government officials. Facing strong pressure from the CGT, Néstor Kirchner convened Labor Ministry officials to discuss the possibility of including one of Moyano’s aides in the Ministry of Labor. The Labor minister’s reply was unambiguous: ‘Are you crazy? If Moyano gets into the Labor Ministry, he is going to destroy it, he is going to set in on fire. Not only I won’t be able to control him. You (Kirchner) won’t be able to

²⁰⁷ “Moyano llenó River y pidió un esfuerzo por los jubilados”. *Diario La Nación*, 10.16.2010. Available at: <https://www.lanacion.com.ar/politica/moyano-lleno-river-y-pidio-un-esfuerzo-por-los-jubilados-nid1315561>

control it.²⁰⁸ By 2011, Moyano had resigned from the PJ, frustrated by his unsuccessful attempts to include more unionists as legislative candidates for the Peronist party.²⁰⁹ He created a new labor confederation that would antagonize the leftist administration in the years to come.

Policies towards Outsiders: Societal Empowerment, Political Targeting and Income Redistribution

Outsiders benefited both in terms of power and income redistribution. In terms of income redistribution, Néstor Kirchner adopted in 2005 a non-contributory pension that dramatically expanded social security access to outsiders. Power redistribution, however, was only partial: there was societal empowerment, but no state empowerment. While allied *piquetero* organizations were rewarded with the administration of discretionary social programs that considerably increased their mobilization capacity, those organizations that were not aligned with the Kirchner administration were excluded (political targeting). Furthermore, none of these organizations were empowered in the state; they were granted instead minor political positions with very limited influence on the design of public policies.

It is important to note that Néstor Kirchner's strategy of politically targeting benefits to popular-sector organizations was more successful among outsiders than insiders. This difference is explained by the different nature of popular-sectors organizations in each sector. Because unions are regulated by laws, have a more stable support base among formal workers and (usually) are financed through non-discretionary rules, they are less vulnerable to governments that want to reshape the organizational landscape through discretionary social policies. In contrast, social movements representing outsiders usually lack laws regulating their organizations, have an unstable membership base, and rely on discretionary funding from the state or NGOs for their survival. These differences made *piquetero* organizations in Argentina much more dependent on, and vulnerable to, the government, allowing the Kirchners to adopt a fully-fledged strategy of reshaping the map of popular-sector organizations in the informal sector. Through the political targeting of benefits, they were able to build their own structure of loyal, *piquetero* organizations as well as buy the support of Peronist mayors, while considerably marginalizing those who antagonized the government (Rossi 2017:197).

Societal Empowerment through Political Targeting: The Organizational Reshaping of the 'Piquetero' Movement

The construction of organizational support in the informal sector served two purposes for the Kirchners: it prevented the reemergence of another cycle of contention

²⁰⁸ Personal Interview #12, 07-02-2015, Buenos Aires.

²⁰⁹ In the 2011 elections, only two unionists were included in the PJ's legislative lists. "La CGT logró apenas dos lugares y casi no asiste al acto en Olivos". *Diario La Nación*, 6-26-2011. Available at: <https://www.lanacion.com.ar/politica/la-cgt-logro-apenas-dos-lugares-y-casi-no-asiste-al-acto-en-olivos-nid1384623>

such as the one that occurred during the 2001-2002 crisis that could destabilize the presidency, and it neutralized their partisan and union rivals within the Peronist movement by building an alternative basis of support. Regarding the first dimension, as explained above, by 2003, the number of social protests remained extremely high (Figure 4.1) and political elites were extremely concerned that these protests could force the removal of the president before the end of his constitutional mandate. In this context, the Kirchners invested considerable resources in creating their own, loyal base of support among outsiders to neutralize that threat.

However, another crucial motivation was the political struggles taking place within the Peronist party. As an outsider within the party, Néstor Kirchner distrusted traditional Peronist party bosses. Indeed, by 2003, most of the Peronist territorial bosses of the Buenos Aires province answered to former president Duhalde, not Kirchner, and this distrust would become more acute during 2005, when Kirchner competed against Duhalde in the mid-term election and some mayors sided with Duhalde against the president. These mayors control powerful clientelist machines that are not only important in defining national elections, but also have the potential to create scenarios of social unrest. As academic research has shown, these machines played a pivotal role in organizing the lootings of supermarkets and small businesses in Greater Buenos Aires that contributed to the resignation of president De la Rúa (Auyero 2007). In this context, promoting informal workers' organizations loyal to the Kirchners increased the government's leverage over poor districts. Indeed, funding loyal *piquetero* organizations allowed the government both to rely on alternative organizational devices to reach informal workers directly, that is, without the mediation of Peronist mayors, as well as to discipline Peronist mayors, because the government's strategy was to give more funding to *piquetero* organizations in districts where mayors were not loyal to the government (Zarazaga 2015: 347). In other words, promoting the growth of loyal social movements in poor neighborhoods became an important tool to defeat Kirchner's main rival within the party, Eduardo Duhalde, by creating a parallel, personalistic electoral organization that bypassed Duhalde's territorial organization. As a public official in charge of relations with *piquetero* organizations stated:

"The relationship between (Néstor) Kirchner and the Peronist mayors was one of mistrust at the beginning... So at the beginning what you had (in the territory) were *piquetero* organizations led by the radical Left that were against the government, and Peronist mayors that didn't trust the government This mistrust originated in Kirchner's political ideology, which was different from that of mayors. The mayors had been loyal to Menem until his last day in office. They were more orthodox, more traditional Peronists. So by strengthening social organizations that had mobilizational capacity and a strong social base in the territory, Kirchner created precisely a counterweight to those mayors. Above all to constrain mayors. Needless to say, mayors resented this strategy, and entered into bitter struggles with these social organizations"

*Enrique Deibe, Secretary of Employment, Ministry of Labor*²¹⁰

²¹⁰ Interview with Enrique Deibe, Secretary of Employment, 07-21-2015, Buenos Aires, Argentina.

This strategy entailed a political targeting of benefits that was more far-reaching than that carried out in the formal sector. This strategy comprised two main elements: (1) empowering non-Marxist *piquetero* organizations, and (2) creating new ones from scratch.

On the one hand, Néstor Kirchner radically transformed the internal balance of power within the existing *piquetero* movement. As explained above, before he came to office leaders linked to the radical, Marxist Left controlled the majority of the *piquetero* movement (Schipani 2008). The president was aware from the start that these groups were never going to enter into a long-lasting alliance with a Peronist government: their political objectives were too radical, and they refused to abandon disruptive tactics to achieve their goals. In response, the government attempted to alter the balance of power within the *piquetero* organizations by weakening the most prominent Marxist *piquetero* organizations and sponsoring those whose leaders embraced ideologies programmatically more akin to left Peronism. Some of these organizations had a large following, but in aggregate terms, they did not represent the majority of *piquetero* members. However, their membership grew rapidly along with the new resources provided by the Kirchners' governments. The most important ones were the *Federación de Tierra y Vivienda*—led by left Peronists—and *Barrios de Pie*, a left Nationalist organization.²¹¹ The paramount importance that the government gave to the marginalization of the Left within the *piquetero* movement appears clearly in interviews with several government officials:

“Our strategy had two aspects. On the one hand, to normalize social conflict and in that regard the Ministry of Social Development played a crucial role in organizing workers’ cooperatives that helped reduce conflict...On the other hand, to promote formal employment so that unions would increase their base, to strengthen unions and allow them to recover their power...This allowed the government to normalize the potential social conflict in the streets, channeling instead social conflict through unions and collective bargaining institutions. The idea was that civil society, or the so-called ‘*piqueteros*,’ would not be led only by radical leftist parties. From the Ministry of Social Development there is an attempt to co-opt these people so that they wouldn’t be only led by radical leftist parties”

*High Ranking Official, Ministry of Labor*²¹²

“All the radical leftist parties had their own *piquetero* organizations and all were financed by the state. It was an impossible thing to unravel. We progressively dismantled that by generating employment and changing the method of distribution of social programs”

*Minister, Néstor Kirchner Administration (2003-2007)*²¹³

On the other hand, the government engaged in an important effort to create its own, new informal-sector organizations from scratch. By 2003, many small *piquetero* organizations that sympathized with Néstor Kirchner came together, with the

²¹¹ *Barrios de Pie* would eventually leave the Kirchners’ coalition in 2008.

²¹² Personal Interview #9, 04-01-2015, Buenos Aires.

²¹³ Personal Interview #10, 04-30-2015, Buenos Aires

government's support, into one, main organization named the *MTD Evita* (Movement of Unemployed Workers Evita). Although some of these groups had a prior trajectory within the *piquetero* movement,²¹⁴ their own leaders acknowledge that their power within the movement was extremely marginal until 2003.²¹⁵ The formation of this group had the explicit objective of providing political support for the new leftist government among the *piquetero* movement. Its name had a clear ideological connotation: as Eva Perón had been the emblematic symbol of the more radical sectors within Peronism, the *MTD Evita* aimed to represent a leftist, alternative base of organizational support for the government vis-à-vis more traditional—and ideologically more moderate—union and party leaders.

The government started to deliver considerable resources to this variegated group of inconspicuous organizations. These organizations united under a *Kirchnerista*, *piquetero* umbrella organization called the *Asamblea Nacional de Organizaciones Populares* in June 2004. Its main organizations were the pre-existing FTV and *Barrios de Pie*, as well as the recently created *MTD Evita* and the CTA's *Frente Transversal Popular* (Rossi 2017:199).²¹⁶ One year later, in the midst of the 2005 electoral dispute within Peronism between Kirchner and Duhalde described above, Kirchner encouraged many of these organizations to move into the electoral arena and compete within the Peronist party as a pro-Kirchner faction.²¹⁷ These leaders accepted Kirchner's request. The organization with the deepest commitment to this transition to political participation was the *MTD Evita*, which in 2005 changed its name to '*Movimiento Evita*.' This new name represented the broader political aspirations of the organization: as a leftist Peronist organization, it would combine a social welfare function through the administration of social programs for informal workers with an electoral apparatus of its own within the Peronist party. If by 2003 it was a marginal organization, by the end of Cristina Kirchner's second term, *Movimiento Evita* had become the most important organization representing informal workers in Argentina, and had its own legislative caucus in the national Congress.

How were these organizations empowered in the societal arena? The government did so through relatively new social programs: (1) *Programa de Empleo Comunitario* (PEC), and (2) *Manos a la Obra*. Although PEC was created by former president Duhalde in 2003, during the Kirchner administration it increased considerably. Most *piquetero* organizations had thrived with the administration of *Planes Trabajar* (under Menem), and later with *Planes Jefes y Jefas de Hogar Desocupados* (PJHD, under Duhalde). Both were income support programs for the unemployed financed by the national government. But the government distributed a portion of them among *piquetero* organizations. By granting organizations considerable discretion in the selection of beneficiaries, they empowered *piquetero* leaders vis-a-vis the rank and file in Argentina's poor neighbourhoods. Moreover, they empowered *piquetero* organizations vis-a-vis their historical societal rivals: Peronist mayors. Because both organizations competed for the allegiances of the same population—poor and unemployed informal workers—these

²¹⁴ Actually, one of them had taken this name before Kirchner came to power.

²¹⁵ Interviews with Fernando "Chino" Navarro, 05-26-2016, and with Emilio Pésico, 06-25-2016, leaders of Movimiento Evita, Buenos Aires, Argentina.

²¹⁶ This CTA organization never achieved a massive following, and would rapidly disintegrate.

²¹⁷ Interview with Fernando "Chino" Navarro, leader of Movimiento Evita, 05-26-2016, Buenos Aires, Argentina.

programs considerably empowered *piquetero* organizations vis-a-vis Peronist mayors' territorial machines (Zarazaga 2015:347).

As was mentioned above, Kirchner wanted to disempower rival *piquetero* organizations linked to Marxist parties. He achieved that objective by changing the portfolio of social programs: (1) he diminished the number of existing PJJHDs, hence reducing the number received by rival *piqueteros* organizations, and (2) he compensated allied organizations with the expansion of two new programs (1) PEC and *Manos a la Obra*. The PECs were administered by the Labor Ministry, were allocated to organizations, not to individuals, and gave funding to *piquetero* organizations to run their own cooperatives. The criteria for allocating benefits to a given organization was completely determined by organizations' sympathies toward the national government. This allowed the government to consolidate its base of allied *Kirchnerista* organizations.²¹⁸ *Manos a la Obra* followed the same logic: administered by the Social Development Ministry, it was also a program aimed at promoting workers' cooperatives run by *piqueteros*.²¹⁹ However, in terms of the number of beneficiaries, it was much smaller than PEC.

The Kirchners also invested in organization-building beyond the Buenos Aires province, the epicenter of *piquetero* organizations. The most notorious of these initiatives was the huge governmental support to *Tupac Amaru*, an indigenous organization that organized informal workers in the Northern province of Jujuy. By the time Kirchner came to power, the dominant organization in Jujuy was the *Corriente Clasista y Combativa* (CCC), the second-largest *piquetero* organization in Argentina. The *Tupac Amaru* was a very small organization at that time. It was founded in 1999 by indigenous leader Milagros Salas. Because the Marxist CCC had refused to ally with the Kirchners, the national government invested considerable resources in empowering the *Tupac Amaru* as an alternative organization. As many studies show, it became the biggest social movement in the North due to its pragmatic alliance with the national government (Battezzati 2012, Rossi 2017:199). Through the organization of cooperatives in charge of building housing, schools, hospitals and swimming pools for Jujuy's poor with public funding, the *Tupac Amaru* by 2013 reached 73,298 members just in Jujuy,²²⁰ and an equal number from other provinces for an impressive total of 150,000 members (Torres 2017).²²¹ This number is really impressive if we take into the account that in the heyday of the *piquetero* movement in 2001-2002, the largest *piquetero* organization, the FTV, had only half the number of members—80,000—as did the *Tupac Amaru* (Table 7).²²² In other words, through discretionary social policies, the government had created from scratch the largest *piquetero* organization that ever existed in Argentina.

The *Tupac Amaru* received considerable media coverage at the national level due to its frequent use of disruptive tactics against the provincial government, which was held

²¹⁸ Personal Interview #12, 07-02-2015, Buenos Aires.

²¹⁹ Personal Interview #13, 05-30-2015, Buenos Aires.

²²⁰ "Milagro Sala sumó afiliados y quiere dar pelea electoral". *Diario La Nación*, 01-11-2013. Available at: <https://www.lanacion.com.ar/politica/milagro-sala-sumo-afiliados-y-quiere-dar-pelea-electoral-nid1544760>

²²¹ Torres, F. (2017). Estado y movimientos sociales: disputas territoriales e identitarias. La Organización Barrial Tupac Amaru – Jujuy-Argentina. *Revista Nera*, 20(39), 86-106.

²²² To be precise, the *Tupac Amaru* joined the FTV formally and was part of it until 2006 (Rossi 2017). However, the FTV's main support base was in the Buenos Aires province (with its epicenter in the municipality of *La Matanza*).

by a conservative Peronist governor who was also part of the Kirchners' coalition. But more importantly, thanks to the Kirchners, it constituted itself as an alternative provider of welfare benefits and jobs to the provincial state. This was achieved mainly by cooperative housing construction projects financed by the federal government but administered by the organization (Battezzati 2012). The organization also provided a wider array of services, from social infrastructure for schools and hospitals to building swimming pools for the poor (Rossi 2017:199). The influence of this organization on Jujuy's society was so large that the national media and politicians described the rise of the *Tupac Amaru* as the establishment of a 'parallel state' in Jujuy, a province where this organization and the provincial government competed for the provision of basic state services.²²³

Appointments of Piquetero Leaders to Minor Positions in the State.

As was the case with unionists, *piquetero* leaders were not empowered in the state. In order to analyze the level of access gained by the *piqueteros* in the state, I performed an analysis of all the Ministers and Secretaries that served under the Kirchners' three administrations, similar to the analysis I conducted to estimate the percentage of government officials with a union background, to estimate the percentage of top public officials with a *piquetero* background. The findings are telling: during the entire Kirchner administrations (2003-2015), not a single Minister or Secretary had a background as a *piquetero* leader.

To be precise, a fair number of *piquetero* leaders were *appointed* to positions within the state. According to some informal estimates, by June 2006 there were more than 50 *piquetero* leaders occupying positions within the national executive.²²⁴ Table 4.9 shows the highest positions obtained by members of the main *piquetero* organizations allied with the government in the national executive. This is not an exhaustive list, but it does include the top positions obtained by members of each organization.

To understand the status of these positions within the governmental hierarchy, it is important first to understand the structure of Argentina's ministries. The hierarchy of any Argentinean ministry consists of the following, ordered from most to least important position: (1) Minister, (2) Secretary, (3) Under Secretary, and (4) National Director. Only Ministers and Secretaries are regarded as top political positions with substantial influence over public policies.

Given this hierarchy, it is clear from Table 4.9 that *piquetero* leaders were not appointed to positions in the state that would grant them influence over the design of relevant redistributive policies. No member of the *Kirchnerista* organizations obtained a

²²³ "Milagro Sala consolida su poder ". *Diario La Nación*, 08-10-2011. Available at: <https://www.lanacion.com.ar/politica/milagro-sala-consolida-su-poder-nid1396407> . "El Gobierno comenzó a auditar con drones la construcción de viviendas sociales". *Diario La Nación*, 11-8-2016. Available at: <https://www.lanacion.com.ar/economia/el-gobierno-comenzo-a-auditar-con-drones-la-construccion-de-viviendas-sociales-nid1954173> . "Milagro Sala quiere gobernar Jujuy ". *Diario La Nación*, 08-05-2012. Available at: <https://www.lanacion.com.ar/politica/milagro-sala-quiere-gobernar-jujuy-nid1496391> .

²²⁴ "Cada vez más piqueteros son funcionarios municipales". *Diario La Nación*, 09-14-2006. Available at: <https://www.lanacion.com.ar/politica/cada-vez-mas-piqueteros-son-funcionarios-municipales-nid840311>

position as Secretary or Minister in any ministry. As a leading expert on the *piquetero* movement explains: “*The piqueteros went on to occupy several posts within the executive branches of the state at the national, provincial and municipal levels but only had a secondary role in the decision-making process in the piquetero policy domain.*”²²⁵

Table 4.9 - Appointment of *Piquetero* Leaders to Political Positions

	Minister of Social Development	Ministry of Federal Planning	Ministry of Education	General Secretary of the Presidency	Ministry of Justice	Ministry of International Relations
FTV		Undersecretary of Land and Social Habitat		Advisor to the Secretary		Social Organizations Committee (member)
Barrios de Pie	National Director of Critical Assistance		Coordinator for the Literacy and University Will Program	Advisor to the Secretary	Coordinator for the Anti-Impunity Program	Undersecretary for Latin American Politics
	Undersecretary for Training and Popular Organizations					
	Underchief for the "Promoters" Program					
Movimiento Evita	Undersecretary for the Comercialization of the Popular Economy	Advisor to the Minister		Advisor to the Secretary		
Frente Transversal Nacional y Popular	Direction of Non-Contributory Pensions (member)					

Sources: Author's elaboration based on Rossi (2017) and Escudé (2009)

Why was this the case? The government's objectives did not require them to incorporate social movements into the public policy process. As explained above, the Kirchners had two main objectives with regards to the *piquetero* organizations: demobilizing them in the streets, and building a new, alternative territorial network to compete with Duhalde for the electoral support of popular-sector voters (Rossi 2017:205,207). None of these objectives required the Kirchners to appoint them to high positions in the state. Furthermore, including them in top positions would have been

²²⁵ Rossi, F. (2017). *The Poor's Struggle for Political Incorporation: The Piquetero Movement in Argentina*. Cambridge: Cambridge University Press. P. 192.

politically costly, because government officials would have had to negotiate public policies with these leaders. Moreover, the lack of previous links made government officials wary of incorporating outsider, *piquetero* leaders in the state. The most prominent example were the tensions and deep distrust that existed between *piquetero* leaders and the Minister of Social Development Alicia Kirchner, who used all means at her disposal to keep *piquetero* leaders away from key positions in the ministry. As one of the most prominent *piquetero* leaders allied to the Kirchners states:

“*Kirchnerism* did not believe in social organizations. Social organizations were a reality and they had to deal with them, but it did not try to empower those organizations. It didn’t believe in giving organizations power. Alicia Kirchner (Minister of Social Development) believed she had the solution: alleviating the situation of the poor, but by no means filling up the (social development) Ministry with *negros*.”

*Social movement leader, Movimiento Evita*²²⁶

Income Redistribution: Expansion of Non-Contributory Pensions, Opposition to Conditional Cash Transfers

The government adopted a major income redistribution policy during this period, the expansion of non-contributory pensions. However, for ideological reasons it opposed the adoption of income support programs for outsiders of working age. This is not to say that income support programs were not expanded. They were, but their expansion was very moderate and targeted mainly at *piquetero* organizations, not unorganized outsiders.

In terms of income support programs, until 2009 the government basically continued the same social policies launched under Duhalde’s administration. The only change was the reassignment of beneficiaries from existing programs within the Ministry of Labor, such as *Plan Jefes y Jefas de Hogar Desocupados* (PJJHD),²²⁷ into new programs, such as *Familias* and *Manos a la Obra*, run by the Ministries of Labor and Social Development. *Familias* was adopted in 2005 and was targeted at those beneficiaries of PJJH who were deemed non-employable. It was designed as a conditional cash transfer for poor families with three or more children and reached 500,000 households. On the other hand, the government started to transfer beneficiaries of PJJH who were deemed ‘employable’ into the new labor training programs created by the Ministry of Labor. However, these labor-training programs run by the Ministry of Labor had a massive scope only under Cristina Fernández de Kirchner. As Figure 4.5 shows, the net expansion of beneficiaries of income support programs during 2003-2007

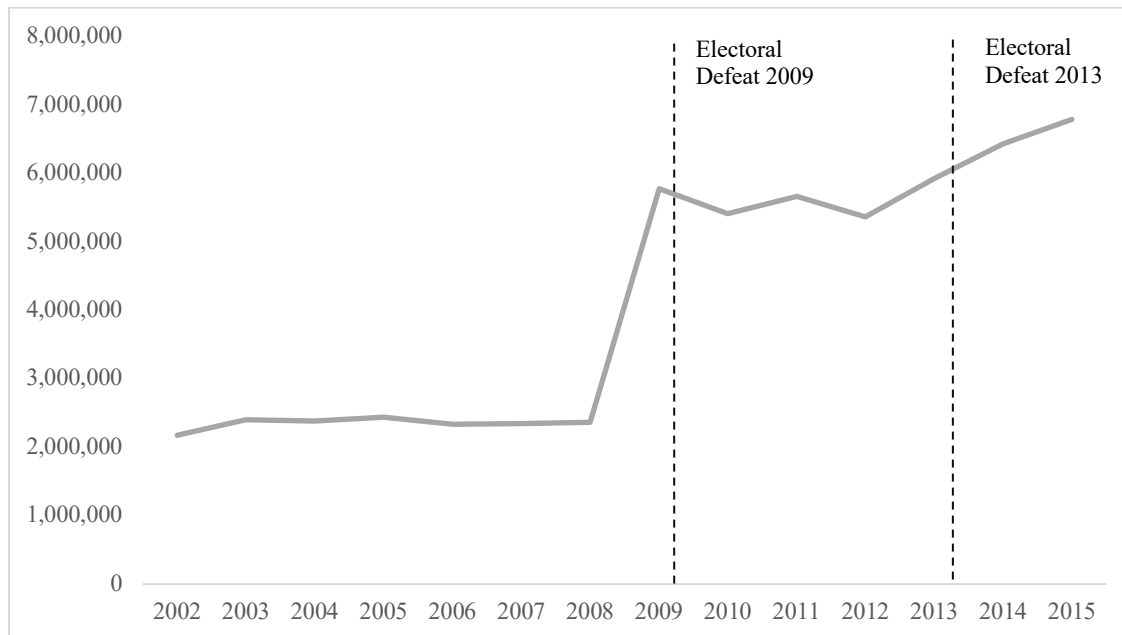
²²⁶ Personal Interview #14, 05-02-2016, Buenos Aires

²²⁷ PJJHD was a cash transfer program launched by Duhalde in 2002 with a very discretionary component. It reached 2,200,000 households by 2002, and was implemented on the ground by Peronist territorial bosses and social movements.

only took place during the first year of Kirchner's administration (2003), and was moderate in scope, creating 435,000 net new beneficiaries.²²⁸

²²⁸ It is difficult to assess how much of it took place during the last months of Duhalde's administration—who ruled until May 2003—and how much during the Kirchners' initial months in office, as official data is only available on an annual basis.

Figure 4.5: Beneficiaries of Income Support Programs, 2002-2015 (Number of Benefits)



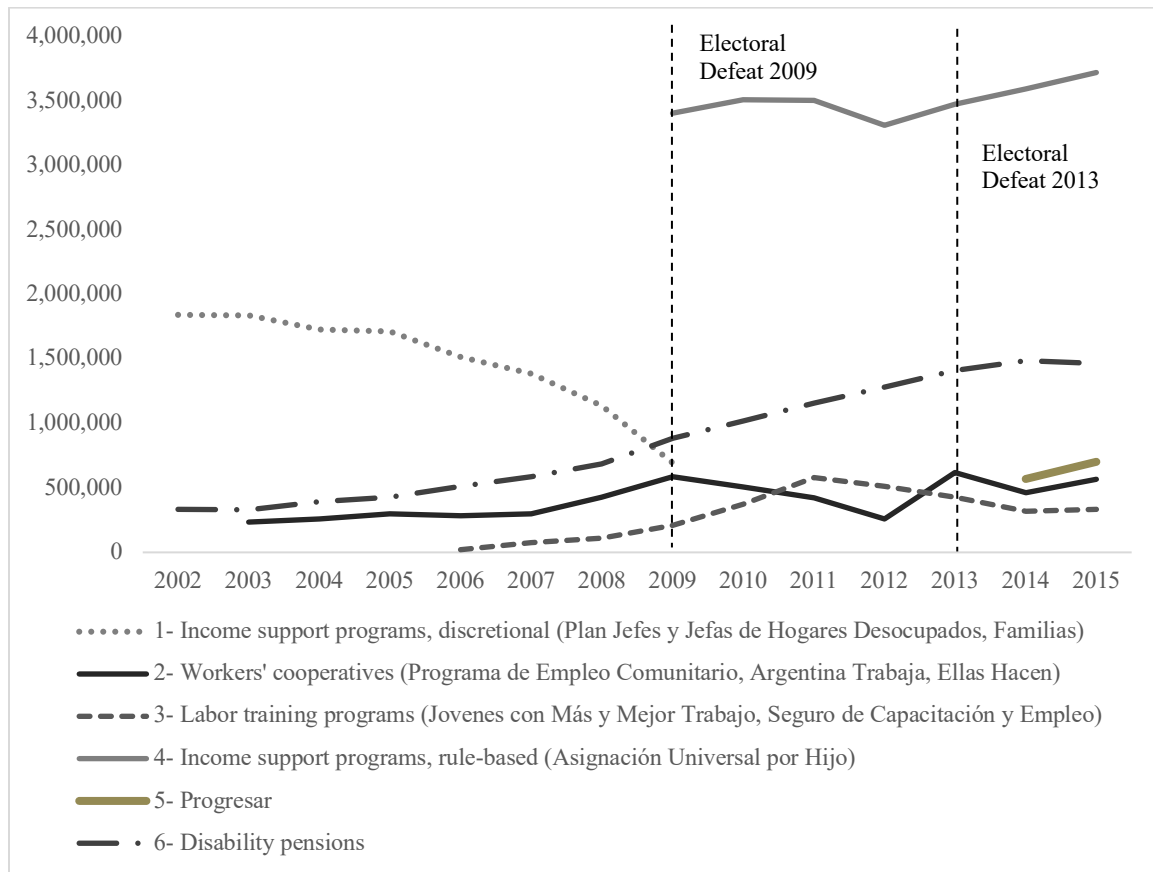
Source: Author's elaboration with data from the Database on non-contributory social protection programs in Latin America and the Caribbean, ECLAC-Social Development Division.

Furthermore, most of this expansion consisted of programs targeted at *piquetero* organizations, rather than at unorganized informal workers. The only pre-existing social program that actually increased its number of beneficiaries was the *Programa de Empleo Comunitario* (PEC): it reached 235,000 beneficiaries by the end of 2003, and 297,000 by 2007. As explained above, it was a workfare program used to reward loyal *piquetero* organizations.²²⁹ A smaller program run by the Ministry of Social Development to form workers cooperatives and called *Manos a la Obra* was created in 2004, and had a similar political objective.²³⁰

²²⁹ Personal Interview #12, 07-02-2015, Buenos Aires; Rossi (2017).

²³⁰ However, this program was quite small, and never reached more than 25,000 beneficiaries.

Figure 4.6. Beneficiaries of Income Support Programs 2002-2015 (Number of Benefits, By Type of Program)

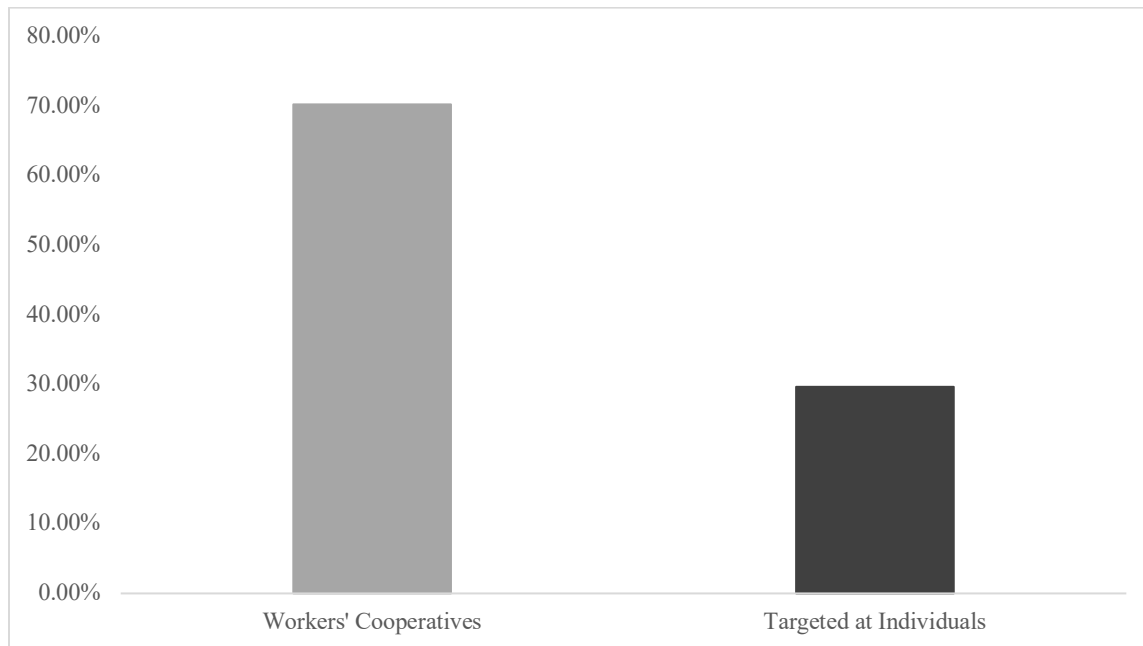


Source: Author's elaboration with data from ECLAC Database

Figures 4.6 and 4.7 support the argument that new benefits were mainly targeted at *piquetero* organizations: most (70.3%) of the expansion that occurred during 2003-2007 is explained by the inclusion of new beneficiaries into income support programs administered by workers' cooperatives—mainly PEC beneficiaries. Indeed, PEC and disability pensions, which will be covered later in the chapter, are almost the only income support programs that did not decline during the 2003-2007 period.²³¹ Most of PEC's expansion took place in 2003, the year of its adoption. In contrast, only 29.7% of the new beneficiaries were incorporated into programs targeted directly at individuals. In sum, the features of social policy expansion during Néstor Kirchner's administration (2003-2007) are consistent with the political logic described above: a social policy strategy more concerned with building *organizational* support among *piquetero* organizations and Peronist mayors than with building *electoral* support among unorganized, informal workers.

²³¹ The other program that shows sustained growth is non-contributory pensions.

Figure 4.7. Expansion of Income Support Programs, Argentina 2003-2007 (by type of program).

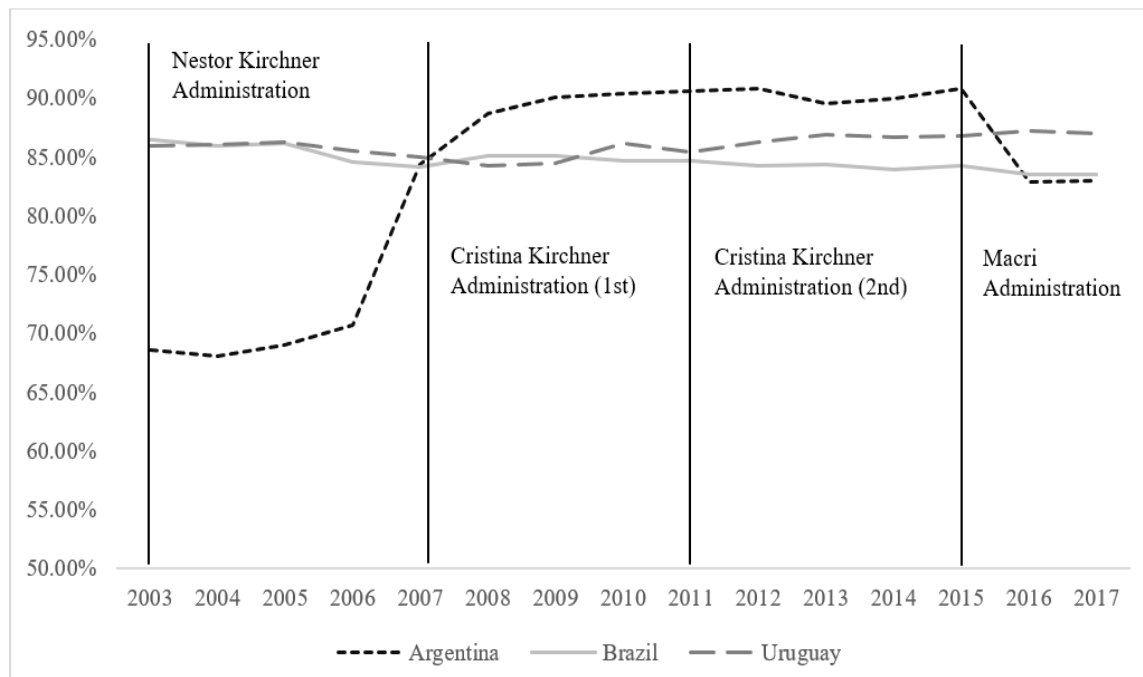


Source: Author's elaboration with data from the database on non-contributory social protection programs in Latin America and the Caribbean, ECLAC-Social Development Division.

The moderate expansion of income support programs for informal workers of working age contrasts with a bold initiative in the area of pensions, namely the massive expansion of non-contributory pensions through the *Plan de Inclusión Previsional* in 2005. This program entailed a radical change in Argentina's welfare state. It was the first of the two legislative initiatives during the Kirchners' administrations that dramatically expanded pension coverage for citizens with insufficient contributions. Both formal and informal workers could apply for this program, and those with insufficient contributions would be incorporated into the contributory pension system by subtracting part of the contribution they owed from their future pension benefits.²³² This initiative was a watershed in Argentina's pension system: 2.7 million new pensioners were incorporated, increasing pension coverage by 30%, from 69% of the population in 2005 to 90.08% in 2009 (Figure 7). Although the law that adopted this system was approved in December 2004, the final administrative policies that would allow for its implementation were adopted in July 2006. This delay meant that most older adults would start to receive these pensions in 2006 and 2007. With this new program, Argentina's social security system became the most encompassing in Latin America.

²³² Although in practice they would never make up their missing contributions, because there was a limit to the percentage of benefits and the amount of years that pensioners could contribute.

Figure 4.8. Population over 65 covered by social security, Argentina 2003-2017 (%).



Source: Author's elaboration with data from Sociómetro-IDB.

There are two factors that explain the adoption of non-contributory pensions during this period: (1) the mid-term 2005 elections, where Kirchner and Duhalde competed for the leadership of the Peronist movement, and (2) the fact that this program also benefited low-income, formal workers. First, these programs were launched during a period of harsh competition between Néstor Kirchner and Duhalde in the mid-term legislative elections of 2005. That is, in a context where partisan competition within Peronism was still important. Top officials from ANSES, the Social Security Institute, acknowledge that the Kirchners' need to consolidate an electoral base among popular-sector voters was a crucial motivation in the expansion of non-contributory pensions. "For Kirchner the 23% of votes with which he was elected always played an important role in his policy decisions. It provoked in him a necessity to win over popular support...In 2005 we started with the *Plan de Inclusión Previsional* in order to win over a segment of the Argentinean population that had work but didn't have social rights."

*High Ranking Official at ANSES (Social Security Institute)*²³³

Second, this social policy expansion towards informal workers is partly explained by the fact that the *Plan de Inclusión Previsional* was not a program designed *exclusively* for the informal sector. It is a *sui generis*, universal pension that benefits both formal and informal workers because formal workers with insufficient contributions as well as informal workers with no contributions were both eligible for this program. Therefore,

²³³ Personal Interview #15, 04-03-2015, Buenos Aires

although this policy brought about a significant improvement in informal workers' living standards, its technical design is consistent with the Kirchners' social policy preference for a Bismarckian, *contributory* welfare state with expanded coverage and benefit levels.

By contrast, the Kirchners vehemently opposed social programs targeted exclusively toward informal workers. And while part of the opposition and the CTA had advocated for income support programs for informal workers, the Kirchners countered them by claiming that the problem of informal employment was temporary. From their perspective, informal workers would progressively disappear as rapid economic growth and massive expansion of formal employment would transform them into formal workers. Ultimately, this policy approach would experience a radical change in 2009, when electoral defeat unveiled the vast political perils of ignoring the informal sector.

II. Left Populism under Cristina Kirchner (2007-2015)

The 2008-2009 period marks a watershed in the Kirchners' social policy strategy, which entailed a huge expansion of income support programs towards the informal sector and a radical transformation of the pension system. The transformation involved nationalization as well as a significant increase in social security's benefit and coverage levels. This expansion is explained by an increase in the *electoral* vulnerability of Cristina Fernández de Kirchner. A harsh conflict with rural producers in 2008 considerably weakened the Kirchners' popular support as well as their control over the Peronist party machine, leading to their first electoral defeat in the 2009 mid-term elections. The government responded to these defeats through an expansion of income redistribution to appeal to informal sector voters, as well as an increase in political targeting to outdo their Peronist electoral rivals. In the 2013 mid-term elections Cristina Fernández de Kirchner would face a second electoral defeat by another Peronist candidate, and a similar social policy response—income redistribution policies towards outsiders—was enacted shortly after her defeat.

II. A. Low Electoral Control: Challenges from Rival Peronist Parties

The president's weakness within the left movement increased significantly as a consequence of two, related processes: a harsh conflict with rural producers in 2008 that virtually paralyzed the country and led to a steep decline in popular support for the Kirchners and two electoral defeats in the 2009 and 2013 mid-term elections by other Peronist candidates. The president not only lost support among Peronist voters, but also among a considerable number of Peronist mayors who chose to support the Kirchners' rivals in the elections. These mayors had powerful territorial political machines that were key for Peronist candidates in elections.

The 2008 Rural Protests: The Kirchners' Popularity Levels Plummet and Loss of Control over the Peronist Party.

The 2008 Rural Protests

In the context of a commodities boom that benefited agricultural producers with extraordinarily high prices, in March 2008 the government adopted Executive Order 125, which mandated a significant increase in taxes on agricultural exports. Since 2002, Peronist governments had increased this tax rate several times, considerably augmenting the fiscal burden on rural producers. Executive Order 125, however, was a watershed. Adopted in March 2008, it increased export taxes on agricultural products by imposing 'a mobile tax': the tax rate would vary depending on the price of agricultural products in international markets. For the case of soy (by far the largest agricultural export), it could range from 23.5% to 58.47% depending on the international price of soy. With soy prices around US \$500 in March 2008, this would entail a tax rate of around 43%. Rural

producers were outraged and decided to respond by mobilizing against the government across the entire country.

These protests had three characteristics that considerably weakened the Kirchners' popularity: they were massive, incredibly disruptive, and had a strong anti-governmental, political tone. Between the time the increase was announced in March 2008 until the bill that attempted to transform Executive Order 125 into a law was defeated in Congress in July 2008, rural producers repeatedly blocked Argentina's main routes and often engaged in lock-outs, refusing to sell their products. Furthermore, this cycle of protest was the most widespread ever experienced by the Kirchners. In 2008 there were 5,608 road blockades, a four-fold increase over the number that occurred in the heyday of the *piqueteros* protests under the Kirchners in 2003, when there were 1,278 road blockades. Lastly, these protests extended beyond the countryside. While they started as a narrow, sectoral opposition to a specific tax, they evolved into widespread protests that questioned the very legitimacy of the Kirchners' government. The urban middle classes, both in provincial cities as well as in Buenos Aires, also staged massive mobilizations in solidarity with rural producers. These protests expressed a broader discontent with the Kirchners' administration and their general policy orientation.²³⁴

Challenge to the Kirchners' Electoral and Internal Party Control

These protests challenged the Kirchners' hold on presidential power in unprecedented ways. The mobilizations produced an authority crisis for the government, challenging its ability to keep public order, control the Peronist party and maintain popular support. First, the disruptive road blockades represented a direct challenge to the president and her ability to keep public order. The political conflict over export taxes had its central battlefield in Argentina's streets and highways, where both *Kirchnerista* social organizations (unions, movements, and, to a lesser degree, mayors) and anti-governmental social actors (rural associations, social movements from the radical Left and political parties from the opposition) constantly staged mobilizations and counter-mobilizations. While the latter aimed at pressuring the government, the former aimed at neutralizing those protests' effects by demonstrating political support for the government.

Second, key Peronist legislators sided with rural producers during this conflict. Because Peronists had a majority of seats in both houses of parliament, until 2008 they had delivered the Kirchners solid majorities for their legislative initiatives. However, after 2008 many Peronist legislators and mayors, many of them representing rural districts, perceived the government's conflict with rural producers as the end of the Kirchners' era. Therefore a considerable number of them sided with rural producers when the bill on export taxes was sent to Congress, granting a definitive political victory to rural producers. The Executive's bill was defeated in the Senate because of the negative votes casted by many Peronist legislators. Those votes led to a tie, and it was Cristina

²³⁴ In Buenos Aires, 250,000 citizens—mostly from the city's middle and upper classes—mobilized in support of the rural producers.

Kirchner's own vice-president, Julio Cobos, who ultimately delivered the *coup de grâce* by voting against the bill.²³⁵

This event was the most traumatic episode ever experienced by the Kirchner administrations, and it changed the course of Argentinean politics for years afterwards. The Kirchners felt cornered by the political opposition and middle-class protests. More alarming, however, was their loss of control over their own Peronist base, without which they would find it extremely difficult to govern. According to a top official in the government, this political crisis was so severe that, during the days that followed the defeat of the export tax bill in Congress, the Kirchners seriously entertained the possibility of resigning from office:

"With the conflict around Executive Order 125, we ended up losing everything. When we lost in Congress, the Kirchners came up with the idea of resigning from office... Néstor Kirchner felt that he wasn't conducting his own troops anymore, because he had lost in Congress with the votes from Peronist legislators, and considered that his role as president of the Peronist party had failed. He said to me that with the defeat of Executive Order 125, neoliberals had won the battle... He was furious, he wanted to leave office. He said 'let's leave the government to (Julio) Cobos'"

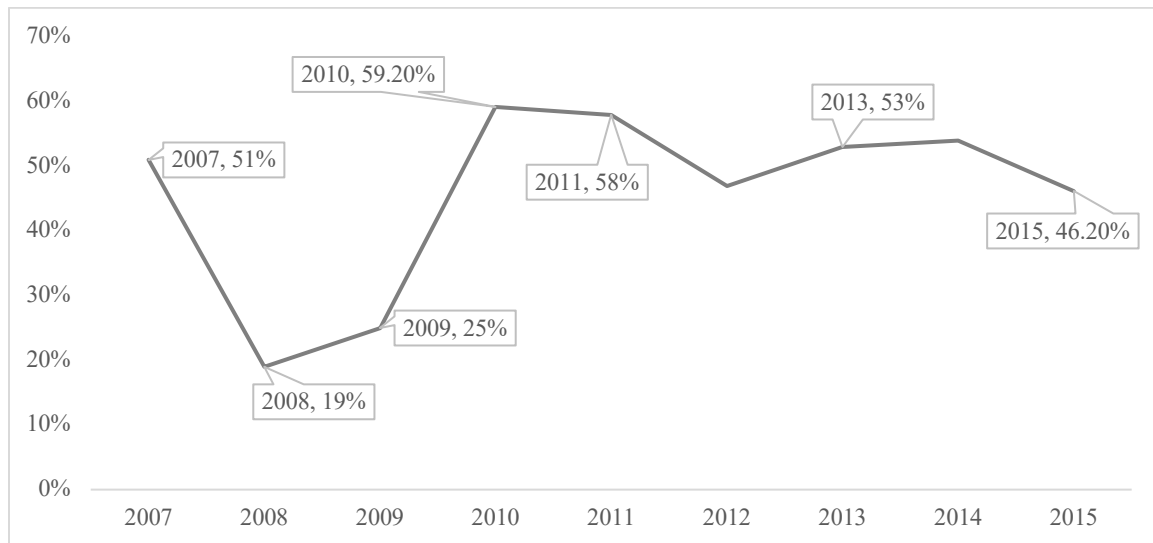
*Minister, Cristina Fernández de Kirchner Administration (2007-2015)*²³⁶

Third, the direct consequence of this conflict was that the Kirchners' popularity levels plummeted. While Cristina Fernández de Kirchner had won the presidential election by a landslide (45.28% vs. 23.05% for her main rival), six months later her popular support plummeted. Figure 4.8 shows the approval rates of the Kirchners' administrations. While in 2007 it was 51%, by mid-2008 it had plummeted to 19%. Equally important was the fact that this was not only a sharp fall in popularity levels, but also a lasting one. By 2009, the year of the mid-term election, the government's approval rates remained considerably low (Figure 4.9). This sharp fall in approval represented a severe electoral threat for the upcoming mid-term elections in 2009.

²³⁵ For the 2007 presidential elections the Kirchners made an alliance with a faction from the Radical Party. This alliance was expressed in the presidential formula with the appointment of Julio Cobos (former governor from Mendoza and member of the Radical Party) as vice-president. The Argentine Constitution states that the vice-president can cast his/her vote for or against a law in the Senate when there is a tie among legislators –as was the case with Executive Order 125.

²³⁶ Personal Interview #10, 04-30-2015, Buenos Aires

Figure 4.9. Approval Rate of Cristina Fernández de Kirchner, 2007-2015.



Sources: Author's elaboration with data from Poliarquía Consultores (2007-2009, 2011-2012), Nueva Comunicación (2010), Centro de Estudios de Opinión Pública (2013-2015).

The 2009 Mid-Term Election: Competition from Rival Peronists and Electoral Defeat among the Poor

The political defeat of Executive Order 125 had a direct effect on the second political event that weakened the Kirchners' leadership during the 2008/9 period, namely their electoral defeat in the 2009 mid-term elections. As was mentioned above, the conflict with rural producers precipitated a dramatic fall in Cristina Kirchner's popularity levels. The government would not recover from this fall. In the 2009 mid-term elections, and for the first time since the Kirchners gained office, they were defeated by another Peronist candidate in the Buenos Aires province. Peronist mayors played a crucial role in this defeat. Perceiving that the 2008 rural protests signaled the end of *Kirchnerismo*, they decided to mobilize their clientelistic machines in support of an alternative Peronist candidate, Francisco de Narváez. De Narváez was a Peronist politician who was an outsider within the party. He had not held any elective political posts and had a center-right program. The 'mayors' treason,' as Néstor Kirchner named it at that time, was decisive in delivering De Narváez victory in the Buenos Aires province. With the support of their strong territorial machines, they defeated Néstor Kirchner, who ran as a candidate for the lower house, in districts—such as Buenos Aires' poorest neighborhoods—that were supposed to be *Kirchnerismo*'s strongholds.

Table 4.10. National Electoral Results, 2009-2013(%).

	2009	2011		2013
	Legislative	Presidential	Legislative	Legislative
FPV	35.91	54.11	59.69	34.35
Left/Labor-based Parties (including FPV)	64.47	87.04	80.88	71.91
Center/Center Right Parties (All)	35.53	12.96	19.12	28.09

Source: Author's elaboration with data from Dirección Nacional Electoral

These results can be observed in Tables 4.10, 4.11 and 4.12. As Table 4.10 indicates, 2009 was the first time that the Kirchners' electoral label, *Frente para la Victoria* (FPV), did not obtain an absolute majority of the votes in elections for the lower chamber.²³⁷ FPV obtained only about one third of the votes (35.91%), and this adverse electoral result caused the FPV to lose its majority in the lower house (Table 4.10). The share of votes obtained by rival Peronist factions was smaller than FPV's (19.47%). However, it would be misleading to conclude from these numbers that the Kirchners still exerted a firm and uncontested leadership over the Peronist movement. As a matter of fact, many Peronist candidates for the lower chamber in Argentinean provinces competed under the FPV label during 2003-2015 as a mere formality. Governors, who control these local candidates, were never *Kirchneristas* themselves: they are pragmatic, swing actors within Peronism, and compete under the electoral label of whoever leads Peronism at the national level. That is why analyzing the electoral results in the Buenos Aires province, where Peronist presidents can actually select their own candidates and measure their electoral muscle vis-à-vis internal rivals, is crucial. In this regard, the 2009 electoral results in the Buenos Aires province were conclusive. As can be observed in Table 4.11, Peronist rival De Narváez defeated Néstor Kirchner—who ran himself as candidate for the lower house—by 2.5%. All political actors in Argentina interpreted this defeat as a huge blow to the Kirchners' aspiration to win reelection in the 2011 presidential elections. Lastly, Table 4.12 shows the electoral results by district in Buenos Aires' *conurbano* (where provincial and national elections are ultimately won or lost). As can be observed, in many districts De Narváez outperformed Kirchner.

²³⁷ I exclude the 2003 elections because the FPV was not fully developed as an electoral vehicle, and in many provinces Kirchner's allies competed under the PJ label.

Table 4.11 – Electoral Results, Buenos Aires Province 2009-2013(%)

	2009	2011	2013
FPV	32.18	57.10	32.33
Left/Labor-based Parties (including FPV)	74.88	85.91	82.86
Center/Center-Right Parties	25.12	14.09	17.14

Source: Author's elaboration with data from Dirección Nacional Electoral

Why was this electoral defeat in one province so relevant for the Kirchner's survival? As was the case in the 2005 mid-term elections in which Kirchner competed against Duhalde, the electoral results in the Buenos Aires province were crucial because the future leadership of the Peronist movement was at stake: the political leader that achieved electoral majorities in Buenos Aires could potentially lead the Peronist movement at the national level. And the results showed that a majoritarian segment of Peronist voters –as well as many Peronist mayors- had decided to support De Narváez in this political dispute. In other words, the results of the 2009 mid-term elections indicated that the Kirchners had lost the support of many Peronist mayors and voters, who had now sided with the Peronist opposition. Moreover, for the first time since they were in office, this defeat caused the Kirchners to lose their majority in the Chamber of Deputies.

Table 4.12. Electoral Results in *Conurbano* Districts, Buenos Aires, 2009-2013(%).

Municipality	2009		2011		2013	
	FPV	Unión PRO	FPV	FAP	FPV	FR
Almirante Brown	43.14	30.41	65.06	10.75	33.27	48.36
Avellaneda	33.81	31.9	54.56	14.81	35.89	41.47
Berazategui	42.25	33.72	64.25	9.91	43.53	37.06
Esteban Echeverría	41.52	31.59	64.38	9.74	38.55	42.74
Ezeiza	49.29	32.33	67.76	7.02	41.85	41.93
Florencio Varela	47.54	32.48	73.86	6.84	46.65	39.33
General San Martín	31.7	34.22	55.25	14.52	26.98	51.73
Hurlingham	33.68	31.51	57.8	12.96	30.88	47.36
Ituzaingó	28.38	28.78	53.44	15.73	31.31	44.3
José C. Paz	52.73	26.24	70.74	6.76	41.13	46.23
La Matanza	42.63	31.75	67.75	9.21	43.75	40.18
Lanús	32.16	33.75	54.81	15.19	33.7	45.87
Lomas de Zamora	36.23	33.84	60.96	12.43	48.34	32.5
Malvinas Argentinas	41.9	34.19	68.31	5.87	27.3	59.48
Merlo	39.46	28.97	67.2	8.61	38.31	47.14
Moreno	40.65	34.46	67.06	8.65	36.33	47.89
Morón	18.24	22.96	48.43	19.36	27.46	44.04
Quilmes	35.9	31.58	59.91	13.08	36.75	41.47
San Fernando	29.75	43.31	54.9	14.15	22.00	62.16
San Isidro	17.22	42.57	32.66	20.04	16.04	57.51
San Miguel	29.75	33.35	57.24	11.16	27.63	53.55
Tigre	39.12	34.73	61.35	11.66	19.54	65.53
Tres de Febrero	30.9	33.65	50.54	15.94	27.56	48.96
Vicente López	16.52	38.12	31.71	25.42	16.85	49.89

FAP: Frente Amplio Progresista; FR: Frente Renovador.

Source: Author's elaboration with data from Dirección Nacional Electoral (electoral results) and DINREP (households with unsatisfied basic needs).

As a result, most of the political elite—including politicians and social leaders who were part of *Kirchnerismo*—read this electoral defeat as a symptom of a much deeper political dynamic: the end of the Kirchners' political era. Some assessed that, at the very least, they were going to be crushed in the next 2011 presidential elections. Others shared a much gloomier perspective. With plummeting popularity levels and an inability to control their own party, many believed that the Kirchners would have a hard time surviving until the end of their mandate. In this regard, it is important to understand that

in the perspective of many *Kirchneristas*, the 2008 political defeat against rural producers and the 2009 electoral defeat against De Narváez were both seen as being part of one single, more general political event. It constituted—in their view—the victory of the economic elites (rural producers) and political elites (the partisan opposition and established, conservative Peronist elites) against a government that wanted to transform both Peronism and Argentina’s economic and political structure in a more progressive direction.

“In 2008 and 2009 there is a decay of *Kirchnerismo* because society turned its back against us. We lost the battle against rural producers and we lost the elections in the Buenos Aires province. That was a setback for our political camp....and we had a panic attack thinking that everything was going to hell. We were very afraid. When we lost the 2009 elections, we really freaked out, we thought we wouldn’t survive until 2011. We thought we had been defeated by the *Sociedad Rural* (the association of large rural producers), that we were going through a crisis. Having lost to De Narváez was inconceivable”

*‘Chino’ Navarro, leader of the Movimiento Evita*²³⁸

“The defeat by rural producers was very strong for us, we had lost the streets. Before that there were *opositores*, but there was no opposition. But in 2008 an actor antagonistic to the government consolidates itself and manifests itself with a capacity to articulate discontent and it also wins over the streets. That was a slap in the face for us. And after that they defeated us in elections. In 2008-9 there was a political crisis, a political crisis starts. It is not a coincidence that in that time the upper classes determined that this was the time to stage a coup.”

*High-ranking Official, Ministry of Social Development*²³⁹

In sum, during 2008-2009 the initial conditions of weakness in which the Kirchners assumed the presidency in 2003 reemerged, but now an *electoral* threat was the main challenge to the leftist government. This lack of electoral control would continue until the end of Cristina Fernández de Kirchner’s presidency. Another Peronist candidate would seriously challenge her in the 2013 and 2015 elections.

²³⁸ Interviews with Fernando “Chino” Navarro, Leader of *Movimiento Evita*, 05-26-2016, Buenos Aires.

²³⁹ Personal Interview #16, 07-24-2015, Buenos Aires

II. B. Redistributive Policies: Expansion of Income Redistribution towards Outsiders, Increase in Political Targeting

The government's increased weakness within the left movement had a direct effect on social policy expansion. The Kirchners' emerged from the 2008-2009 defeats with two conclusions. First, the loss of popular-sector votes to Peronist rivals meant that, in order to become electorally competitive again, *Kirchnerismo* had to deepen income redistribution. This entailed courting the support of the unorganized popular sectors that had been previously neglected by governmental policies: outsiders and retired workers in the contributory system. Because the Kirchners' 2009 electoral defeat had taken place in Buenos Aires' poorer districts, the need to attract outsiders' support was paramount.

Second, the emergence of Peronist rivals entailed a new dispute over the allegiances of Peronist mayors. The Kirchners and their rivals competed not only for voters, but for the allegiance of Peronist mayors. In 2009 many Peronist mayors had aligned with the Kirchners' rivals. These mayors were crucial for delivering the Kirchners electoral majorities in key electoral districts of the Buenos Aires province. Given the absence of an institutionalized party apparatus that could resolve differences between Peronist candidates through party institutions, the Kirchners attempted to defeat their rivals through political targeting. This entailed two main strategies: (1) expand new power redistribution policies that would empower loyal *piquetero* organizations (this would offset the ascendancy of undependable Peronist mayors over poor neighborhoods), and (2) increase political targeting to augment their control over undependable Peronist mayors. Only mayors that were disciplined to the Kirchners would continue to receive these programs. This political logic is explained by both state officials as well as loyal *piquetero* organizations:

“After we were able to recover from the panic (of the political defeats), we started to discuss with Néstor a lot about the causes of the defeat. Néstor starts to think about the *Ley de Medios*²⁴⁰, but above all about the (income support program) *Asignación Universal*. And Néstor explicitly says in a meeting of *Carta Abierta*²⁴¹ that ‘we lost because we didn’t deepen (the social reforms) enough’. And that is when the government started to devote a lot of resources towards the popular sectors. In one year, it transferred a volume of resources only comparable to the best years of Peron’s government. The government transferred between 6 and 7 percentage points of Argentina’s GDP to the popular sectors in a direct way, and 3 and 4 in an indirect way”,

‘Chino’ Navarro, leader of the *Movimiento Evita*²⁴²

²⁴¹ *Carta Abierta* was a political discussion forum of in which intellectuals who supported *Kirchnerismo* regularly met.

²⁴² Interviews with Fernando “Chino” Navarro, Leader of *Movimiento Evita*, 05-26-2016, Buenos Aires.

“The coup...produced fragility and lack of credibility for the government...Look at this: we suffered the conflict with the rural producers and we counterattacked with the AUH and other policies. We counterattacked with a lot of social policy initiatives. If you don't have the capacity to politically react, they (the government's enemies) will devour you”

*High Ranking Official, Ministry of Social Development*²⁴³

Four main policies were adopted during this period: (1) a law that increased benefit levels for contributory pensions, (2) new income support programs for outsiders that not only redistributed income, but also empowered *piquetero* organizations and disciplined Peronist mayors, (3) the expansion of existing, non-contributory disability pensions, and (4) labor-market training programs targeted at young workers.

These different programs share two characteristics. First, they were a direct response to the two dramatic electoral/political defeats experienced by the Kirchners in 2008-2009 and 2013. Second, all the programs except the first, included both rule-based and political targeting. That is, for every income support, labor-training program and non-contributory pension the Kirchners launched on a rule-based basis, they would adopt a parallel program that was politically targeted. If rule-based policies allowed them to reach unorganized voters without the intermediation of undependable Peronist mayors, in the long run the Kirchners were dependent on these Peronist mayors to win. The political targeting of social programs allowed them to outdo their Peronist rivals in elections and they offered loyal mayors the right to administer an attractive pool of social programs to enlarge their clientelistic machines in exchange for the mayors defecting from their electoral alliance with alternative Peronists candidates. Moreover, political targeting would allow the Kirchners to check the power of these mayors by strengthening their alternative support base among the *piqueteros* in poor neighborhoods.

Income Redistribution towards Pensioners: Response to Declining Support after the 2008 Political Crisis

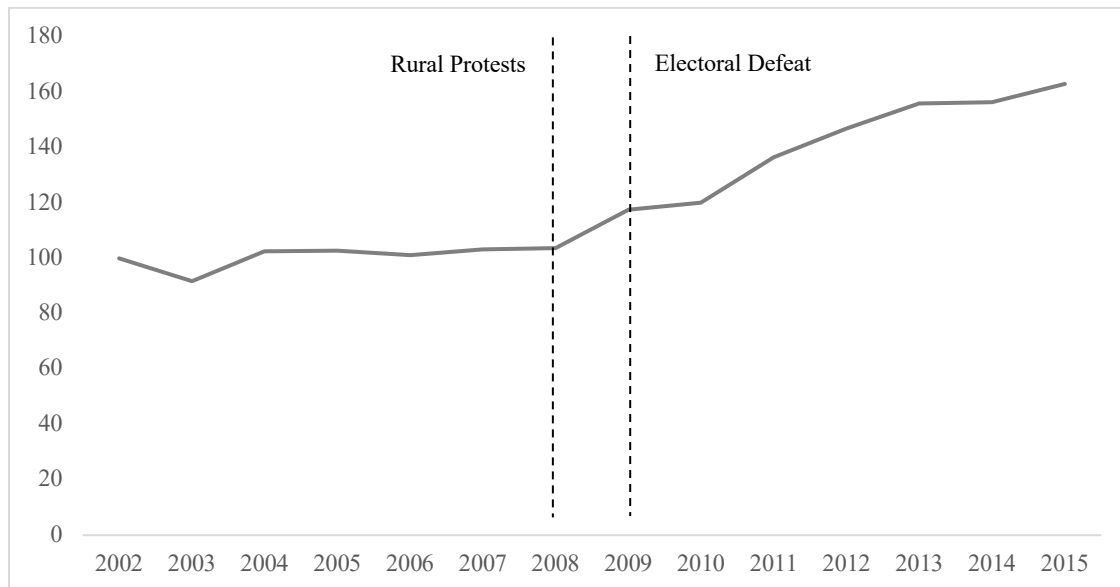
The first social policy initiative to offset the fall in popularity levels after the 2008 conflict with rural producers came right after the legislative defeat of the export tax bill. Cristina Kirchner decided to appoint Sergio Massa, the head of the Social Security Institute (ANSES), as her new chief of staff. Massa was a very popular figure among the elderly, both because of his pivotal role in the *Plan de Inclusión Previsional*, which, as explained above, incorporated 2.7 million new pensioners into the contributory system, and because he implemented successive increases in minimum pensions benefits. Despite these important achievements in pension policies, the Kirchner governments had a long-lasting feud with pensioners in the contributory system because of the government's refusal to ensure benefit levels maintained their inflation-adjusted value (Figure 4.4). The government had systematically refused to increase contributory pensioners' benefits during Néstor Kirchner's administration, despite strong pressure from the opposition to improve the incomes of this unorganized segment of Argentina's society.

²⁴³ Personal Interview #17, 04-30-2016, Buenos Aires

However, twelve days after the legislative defeat of the export tax bill, the government sent to the Congress a new bill: the *Ley de Movilidad Jubilatoria*. This law mandated automatic, biannual real increases in *all* pension benefits (that is, for both formal and informal workers) based on the evolution of real wages and ANSES's financial resources. This was the first law of its kind in Argentina's history, since increases in pension benefits had been granted with total discretion by governments in the past. Why was the adoption of a law that automatically increased pension benefits so important for Argentina's pensioners? The reason lies in the history of Argentina's social security system. While, during the 1980s, high inflation allowed the government to grant nominal increases below inflation levels, during the 1990s the neo-liberal government refused to increase minimum pension benefit levels, which remained frozen between 1993 and 2001. Needless to say, all these forms of governmental discretion had a negative impact on pensioners' well-being.

In contrast, the new *Ley de Movilidad Jubilatoria* increased the living standards of *all* pensioners, from outsiders to insiders who earned high wages. Outsiders benefited because most of them had been included in the contributory system in 2005. Therefore, they all received benefits equal to the minimum pension of the contributory system, which, under the new law, would be automatically increased twice a year by a technocratic formula that adjusted benefits by inflation as well as fiscal resources. Insiders also benefited because all the contributory pension benefits—and not just the minimum pensions—were to be adjusted by the new indexing mechanism. The effects of the new law on pensioners' well-being can be observed in Figure 4.9. Between 2003 and 2008—that is, before the implementation of the *Ley de Movilidad Jubilatoria*—the average annual, real increase was 0.63%. After implementation of the law in 2009, increases were, on average, 8.48% per year in real terms. In other words, between 2009 and 2015 pensioners experienced a 59.33% real increase in their earnings due to the adoption of this law, compared to a meager 3.76% between 2003 and 2008. In sum, the conflict with rural producers in 2008 and the drop in popular support it generated, forced the Kirchners' administration to embark on a substantial expansion of pension benefits. If they had not done so, the drop in popular support would certainly have translated into an electoral defeat in the 2009 mid-term elections.

Figure 4.9. Real Increase in Contributory Pensions, 2003-2015 (2002=100).



Source: Author's elaboration with data from MTEySS.

Another major innovation in pension policy that occurred as a direct consequence of the 2008 rural protests was the nationalization of private pension funds. Although the government's programmatic orientation did coincide with this policy decision, ultimately this decision was adopted by fiscal necessity. Indeed, since the beginning of the Kirchners' administration, the government had a long-term aspiration of increasing the state's role in Argentina's privatized pension system. As a matter of fact, the nationalization of the pension system had been entertained among ANSES's officials as one of the possible strategies to achieve that aim.²⁴⁴ Just one year before the nationalization, in 2007, the government adopted the *Ley de Reforma Previsional*, a pension reform that considerably increased the state's leverage over private pension funds by augmenting regulations of private investment portfolios, setting caps on the administration fees they could charge and providing workers with incentives to opt for the public system.²⁴⁵

Despite these earlier statist inclinations, the main reason behind the nationalization of the pension system was the government's pressing fiscal needs. Since Kirchner assumed office in 2003, government spending as a percentage of GDP had increased by 8 percentage points, from 16.7% of GDP in 2002 to 24.7% in 2008. As Figure 4.10 shows, this stands in sharp contrast with most Latin American countries, which during the same period increased government expenditures, on average, only by 3%. During the first years, the government was able to afford this increase by augmenting

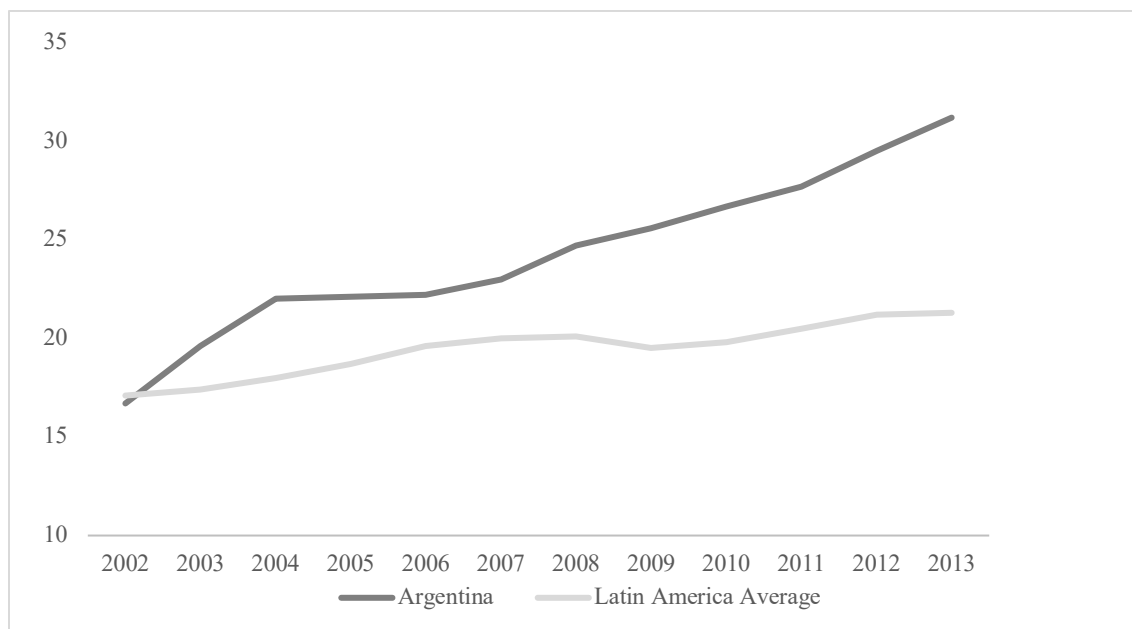
²⁴⁴ Interview with Miguel Angel Fernández Pastor, Director of ANSES, 05-01-2015, Buenos Aires, Argentina.

²⁴⁵ The government both allowed pensioners in private pension funds to opt for the public system – something that was previously forbidden—and increased the benefit levels of public pensions. As consequence of these changes, over 1 million pensioners transferred from the private to the public pension system.

taxes in general and export taxes on agricultural products in particular. After the 2008 defeat in the battle with rural producers it was not possible to increase these taxes any further, so the government chose another, more radical strategy: the nationalization of the private pension funds.

How was this nationalization brought about? In the 1990s Argentina had established a mixed system, with a public and a private pillar. The private pillar was administered by private companies (AFJPs), most of them subsidiaries of large banks or insurance companies. These firms administered the savings of each individual worker collected through payroll taxes. With the nationalization, the government seized all assets from the AFJPs (both financial as well as their employees). Workers with private accounts would be reabsorbed in a fully public, pay-as-you-go system. Because, as a result of the 2007 pension reform, the public option already offered higher benefits to workers compared to those enrolled in the private option, nationalization did not trigger major opposition from Argentina's society.

Figure 4.10. Government's Expenditures as a % of GDP, 2002-2013.



The nationalization of the pension funds was crucial for the Kirchners' administrations because it became the main source of financing for the new social programs. After 2009, all the major new social programs launched by the government were financed by the nationalized pension funds. As many state officials admit, the main logic behind the nationalization of pension funds was to increase the governments' fiscal resources:

"The nationalization of the pension funds was a fiscal decision. Amado (Boudou, the Economic Minister), said 'we have a financial problem, and we have this *caja* (the private pension funds).'"

*High Ranking Official, ANSES*²⁴⁶

“Facing a lack of access to international markets, the government opted for this alternative road: the resources from the private pension funds. They were a treasure too tempting (for the government)”

*High Ranking Official, ANSES*²⁴⁷

Income and Power Redistribution towards Outsiders: Response to the 2009 Electoral Defeat

Despite the expansion of pension benefits, popular sector support continued to elude the government. In June 2009 the Kirchners lost the mid-term election to Peronist rival Francisco De Narváez. The social policy response to this defeat was immediate. In August 2009, just one month after the electoral defeat, the government launched the income support program *Argentina Trabaja* (AT). This program was not targeted directly at poor individuals, but at organizations. It funded workers' cooperatives by providing them with capital as well as by paying their workers' wages. These cooperatives operated mostly in economic sectors that require low-skilled workers, such as construction and textiles, and were administered mainly by Peronist mayors and social organizations linked to *Kirchnerismo*. This program was discretionary at two levels: (1) first, the government could choose which *piquetero* organizations or mayors would receive the programs, and (2) second, once these organizations were selected as recipients, organizational leaders had considerable discretion over which individuals to select as workers for the cooperatives. By 2015, *Argentina Trabaja* reached 283,000 informal workers. In 2013, this program was extended through the '*Ellas Hacen*' program. *Ellas Hacen* also encouraged recipients to form workers' cooperatives, but with two differences: (1) it also promoted labor-market training and the improvement of educational attainment; (2) it was targeted exclusively at women.²⁴⁸ The two programs combined would reach almost 400,000 beneficiaries by December 2015.²⁴⁹

Why did the government come up with this program, especially after almost seven years of stubbornly resisting income support programs for outsiders? This social policy initiative was first brought to Néstor Kirchner by his allied *piquetero* organizations right after the 2009 electoral defeat.²⁵⁰ The *piquetero* leaders tried to persuade Néstor Kirchner to adopt this program by portraying it as a policy that would increase the organizational and electoral support for the government among outsiders. The poor had been the key demographic group he had just lost to De Narváez (Talavera 2015).

²⁴⁶ Personal Interview #15, 04-03-2015, Buenos Aires

²⁴⁷ Personal Interview #18, 05-23-2015, Buenos Aires.

²⁴⁸ Luna (2014), Pacífico (n/d), Hoop (2016).

²⁴⁹ Source: ECLAC Database.

²⁵⁰ Interviews with Fernando “Chino” Navarro, leader of Movimiento Evita, 05-26-2016, and with Enrique Deibe, Secretary of Employment, 07-21-2015, Buenos Aires, Argentina.

Specifically, this program would allow the Kirchners to increase their influence over outsiders in two important ways.

First, it would augment the organizational base of loyal *Kirchnerista* social movements. This strategy was crucial given the particular characteristics of the 2009 defeat. Since Peronist mayors had worked decisively against the government in the election, the Kirchners needed to bolster an alternative organizational base of support in poor neighborhoods. This strategy had already been adopted by the Kirchners during 2003-2005. When Peronist mayors were still loyal to Duhalde, the Kirchners decided to bolster loyal social movements in poor neighborhoods to counter the influence of mayors over outsiders.

Further, the president needed to bolster her organizational support among popular-sector organizations to strengthen her capacity to counter-mobilize against the rural and urban mobilizations staged in 2008. If in 2003 the main objective of the alliance with the *piquetero* movement was *demobilizing* citizens, now the main objective was to actively *mobilize* the popular sectors to support the government in the face of organized, large-scale mobilizations by the economic and political opposition that could destabilize the presidency. And while during the 2008 rural protest Peronist mayors had been almost absent when it came to defending the government, social movements and unions had been at the forefront of the government's defense. They staged massive mobilizations in defense of the government during 2008, and these mobilizations proved crucial in keeping the president in power in a context of destabilizing mobilizations from rural producers and the middle-classes.

"We adopted the Argentina Trabaja after many discussions with Néstor...It was a program that attempted to empower popular organizations, and Néstor conceived it as that at that time...Néstor understood the importance of empowering organizations. He said: 'This program has to enable us to have 200,000 activists in the streets defending our political project' "...And there was also an electoral consideration, because the poorest sectors had voted for De Narváez...So we said 'let's reorient the subsidies so that we can reach the most vulnerable populations'. We said to Néstor: 'This was the social group we lost, the one that didn't vote for you, because they are not well, in the slums, in the squatter settlements. We have to invest more money there. And that is when the government adopted the AUH, the Argentina Trabaja",

Emilio Pérsico, Under Secretary, Ministry of Social Development and leader of Movimiento Evita

Second, because this program was politically targeted, it also attempted to bring swing Peronist mayors back into the government's coalition (Zarazaga 2014). Indeed, Peronist mayors were too strong to be simply ignored; merely forging alliances with the social movements was not enough. Therefore, the government ultimately decided to also include mayors in their implementation. This decision entailed a political exchange between the two actors: by granting mayors discretionary social programs through which they could increase their electoral base, they had to accept in return the Kirchners' monopoly over the leadership of the Peronist movement. Ultimately, a majority of the

Argentina Trabaja programs ended up being administered by Peronist mayors, and the rest by *piquetero* organizations (Zarazaga 2014). The discretionary element of this program was crucial for keeping the loyalties of both types of organizational leaders (*piquetero* leaders and mayors). Indeed, discretion gave the president selective incentives to punish those social movement leaders and mayors that attempted to mobilize against the president or support alternative Peronist candidates.

Along with these discretionary policies aimed at increasing the government's *organizational* support in poor districts, in October 2009 Cristina Kirchner adopted another policy to increase the government's electoral support after the 2009 electoral defeat: the *Asignación Universal por Hijo* (AUH). This was the largest, rule-based income program in Argentina's history. By 2015 it covered almost 2 million households and 3.72 million infants under 18 years old.²⁵¹ It is a conditional cash transfer for which all informal workers with children are eligible, regardless of their income level, and is funded by the nationalized pension funds. It is the social policy equivalent of Brazil's *Bolsa Família* or Uruguay's *AFAM-PE*.

The programs' adoption, however, differs in one crucial aspect from the processes of social policy adoption in those other Latin American countries. In Brazil and Uruguay flagship CCT programs toward the informal sector were adopted shortly after the Left came to power. On the contrary, in Argentina the Kirchners refused to adopt this type of program during their first six years in office. Many interviews support the claim that the government was initially against CCTs for informal workers, claiming instead that the 'true' road to poverty alleviation was through economic growth and the expansion of 'genuine' formal employment.

The turning point for the Kirchners' social policy strategy was the 2009 electoral defeat. After outsiders' electoral support shifted massively to other Peronist candidates, they decided to launch their first massive income support program. Indeed, public officials explicitly recognize that the adoption of this program, a few months after the 2009 electoral defeat, had the objective of augmenting the government's electoral support among outsiders.

"Cristina was fonder of the *Argentina Trabaja* (than the AUH), and she said 'no, here we don't need to make a universal social insurance scheme, what we need to enact are policies that allow people to work'. But after the electoral defeat (of 2009), there was an acknowledgment that that perspective was wrong, that there is a need to enact those kind of (universal) policies".

*High Ranking Official, Secretariat of Employment, Ministry of Labor*²⁵²

"The government didn't want to adopt the AUH, they preferred to have social programs that worked around workers' cooperatives... Those who didn't believe in universal programs ended up implementing them, more because of the crisis than because of a true commitment. Two months after I resigned from office, they adopted the AUH because of

²⁵¹ By 2015, 1.897.418 households and 3.723.763 infants were covered by the AUH. Source: ECLAC

²⁵² Personal Interview #12, 07-02-2015, Buenos Aires.

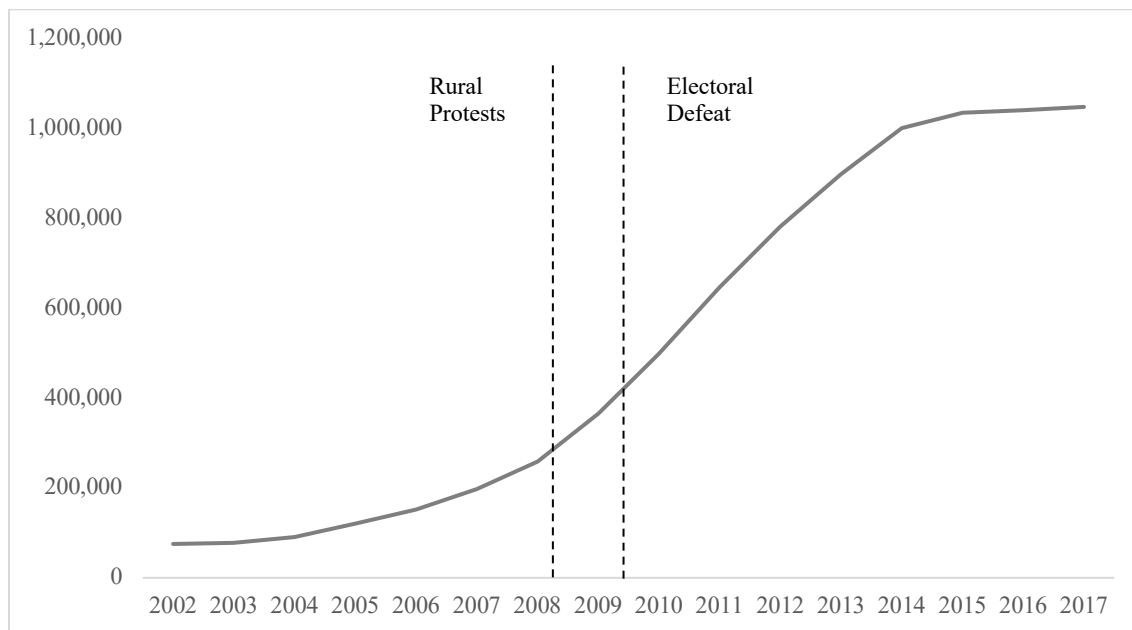
the electoral defeat of *Kirchnerismo*. AUH and *Argentina Trabaja* are a clear consequence of having been electorally defeated in the Buenos Aires province”

*High Ranking Official, Ministry of Social Development*²⁵³

Expansion of Non-Contributory Pensions: The Boom of Disability Pensions (Political Targeting)

Along with income support programs for informal workers, since 2008 the Kirchners considerably increased the rate at which they expanded the number of beneficiaries of disability pensions. The objective, again, was to consolidate their electoral and organizational base of support among outsiders. Argentina’s program of non-contributory pensions for disabled individuals and mothers with more than 6 children predated the Kirchners. However, before them there were very strict quotas, and new beneficiaries could only be accepted after old recipients died. They were targeted at a minority of Argentina’s pensioners and disabled workers. The program had 138,230 beneficiaries by 2003. Since the Kirchners came to power, the Ministry of Social Development had been consistently increasing the number of beneficiaries, from 138,230 in 2003 to 381,000 in 2007 (Figure 4.11). However, after the 2008 political crisis with rural producers, this expansion accelerated considerably. By 2015, 1,370,000 Argentines were beneficiaries of this program (Figure 4.11).

Figure 4.11. Beneficiaries of Disability Pensions, Argentina 2002-2017 (Absolute Number).



Source: Authors’ elaboration with data from ANSES.

²⁵³ Personal Interview #17, 04-30-2016, Buenos Aires

Unlike AUH, which is rule-based, this program is very discretionary in the selection of beneficiaries. Mayors play a key role in selecting beneficiaries, and the government has considerable discretion in the distribution of programs across districts. The discretion in the selection of beneficiaries was evident once *Peronism* lost the presidency in 2015. The new authorities in the Social Development Ministry audited the program and found a huge number of irregularities in the allocation of benefits.²⁵⁴ But this discretion is also obvious from the aggregate figures.

First, it is unlikely that the total number of disabled people had increased *tenfold* in 12 years. Second, the geographical allocation of beneficiaries does not seem to follow any clear, technocratic criteria. As Table 4.13 shows, and assuming that the percentage of disabled people in each province is proportional to its population, the geographic allocation seems to be quite arbitrary. For example, in Formosa, Chaco and Santiago del Estero—all poor, northern provinces run by Peronist governors with strong clientelistic machines—between 7 and 8 percent of the *total* population received a disability pension. In contrast, among provinces governed by the opposition the allocation of benefits was meager. In Santa Fe, governed by the Socialist party, only 1.14% of the population received disability pensions. In Tierra del Fuego, run by ARI-Coalición Cívica, only 0.48%. And in the City of Buenos Aires, run by the center-right PRO, only 0.74%. Two conclusions can be drawn from this table. First, in many provinces these programs were used to politically reward voters. Indeed, it is unlikely that 8% of a province's population is disabled. Moreover, it was precisely in these districts were the FPV obtained surprisingly high support in the 2011 presidential elections. The FPV received 82.11% of the vote in Santiago del Estero, 79.27% in Formosa, and 65.24% in Chaco. Second, Table 10 clearly shows that provinces allied with the FPV are rewarded, and those governed by the opposition penalized, with the distribution of disability pensions.

²⁵⁴ “El Gobierno detecta irregularidades en 10 mil pensiones por discapacidad”. *Diario Clarin*, 02-05-2019. Available at: https://www.clarin.com/politica/gobierno-detecta-irregularidades-10-mil-pensiones-discapacidad_0_vDIAE0FEX.html. “Por irregularidades, revisan más de un millón de pensiones por invalidez”. *Diario La Nación*, 06-14-2019. Available at: <https://www.lanacion.com.ar/sociedad/por-irregularidades-revisan-mas-de-un-millon-de-pensiones-por-invalidez-nid2033414>.

Table 4.13. Distribution of Disability Pensions by Province (2014).

Province	Total Number of Disability Pensions	Disability Pensions/Total Population	Governor's Partisanship
Santiago del Estero	99,067	8.18%	FPV
Formosa	58,803	7.29%	FPV
Chaco	11,707	7.19%	FPV
Misiones	10,805	6.00%	FPV
Corrientes	78,853	5.02%	UCR
La Rioja	23,316	4.23%	FPV
Catamarca	23,265	4.06%	FPV
Tucumán	9,41	3.89%	FPV
Salta	77,581	3.74%	FPV
San Luis	25,156	3.69%	PJ (not aligned with FPV)
San Juan	37,927	3.14%	FPV
Jujuy	36,139	2.94%	FPV
Entre Ríos	54,273	2.70%	FPV
La Pampa	1,594	2.09%	FPV
Río Negro	20,492	2.09%	FPV
Córdoba	103,121	2.01%	PJ (not aligned with FPV)
Mendoza	55,376	1.94%	FPV
Neuquén	15,326	1.63%	MPN
Buenos Aires	387,617	1.55%	FPV
Chubut	13,021	1.40%	FPV
Santa Fe	66,924	1,14%	Socialist Party
Santa Cruz	5,296	0,98%	FPV
Ciudad Bs. As.	36,352	0,74%	PRO
Tierra del Fuego	1,952	0,48%	ARI-Coalición Cívica

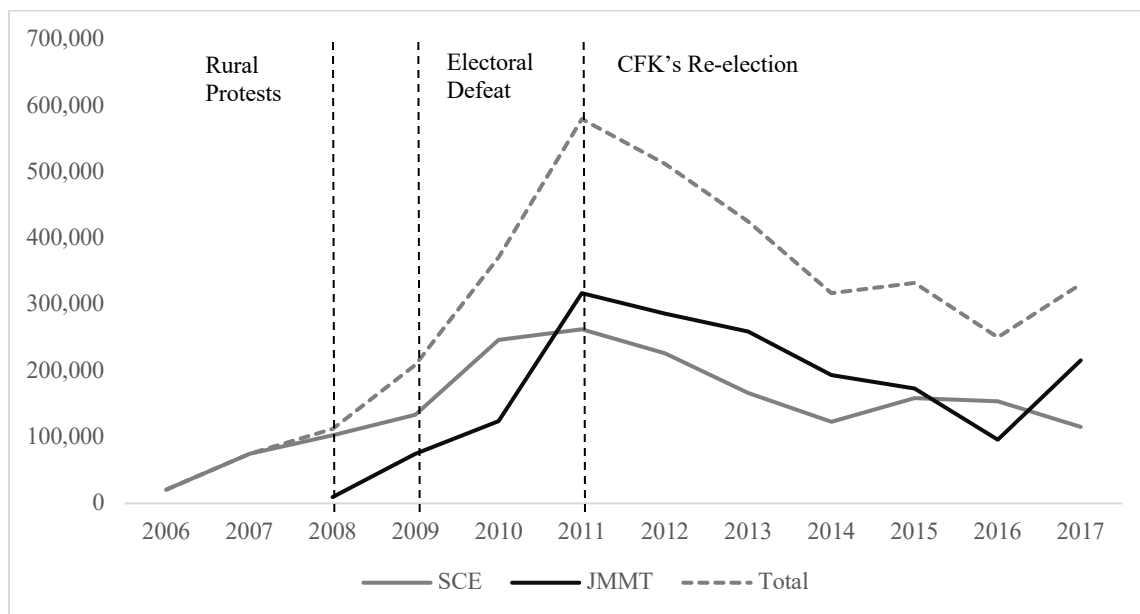
Source: Author's elaboration based on data from the Boletín Estadístico de la Seguridad Social, 4th trimester 2017, MTEySS.

Why did the government adopt (or expand) two different discretionary programs, *Argentina Trabaja* and disability pensions, after the 2008-9 political defeats? *Argentina Trabaja* was aimed at gaining the support of mayors in the Buenos Aires province. By contrast, the expansion of disability pensions was directed at building electoral alliances with the governors and mayors from Argentina's interior. As *Kirchnerism's* electoral fate became grim after 2008, the government substantially increased the number of beneficiaries to solidify its support among Peronist governors and mayors in the interior. This was of the utmost political importance given that many of these political elites in the interior had been cross-pressured between the national government's need to increase taxes on agricultural exports and their constituency's demand for lower taxes. The government desperately needed to solidify its support among Peronist political elites.

Adoption of Labor-Market Training Programs: Income Redistribution towards Informal Workers

Finally, after 2008 the Ministry of Labor created new labor-market training programs and expanded very marginal ones targeted at outsiders. The two most important programs were the *Seguro de Capacitación y Empleo*, and *Jóvenes con Más y Mejor Trabajo*. Both were programs that provided a monthly income for unemployed workers who invested their time in improving their labor-market qualifications. Created in 2006, the number of beneficiaries from *Seguro de Capacitación y Empleo* increased dramatically after 2008 from 148,000 beneficiaries in 2007 to 557,000 beneficiaries in 2015. *Jóvenes con Más y Mejor Trabajo* was actually created in 2008. It went from 3,500 beneficiaries in 2008 to 638,400 in 2015. Although it is hard to assess the level of discretion of these programs, government officials in the Labor Ministry agree that some of these programs were distributed to allied social movements.²⁵⁵ What is clear from Figure 4.12 is that after 2009 these programs expanded at an increasing rate and continued to increase up to the 2011 presidential election.

Figure 4.12. Beneficiaries of Labor-market Training Programs (Number).



Source: Author's elaboration with data from ECLAC.

In sum, the combination of two types of programs adopted in 2008-2009—politically targeted programs to build both electoral and organizational support, rule-based programs to augment electoral support—dramatically increased the number of working-age informal workers (i.e. not counting retirees) receiving non-contributory, income support. Including both politically targeted and rule-based programs, the number increased from 2,540,000 in 2008 to 6,200,000 in 2009 (Figure 4.5). This dramatic increase in the number of beneficiaries in just one year can only be explained by the

²⁵⁵ Personal Interview #12, 07-02-2015, Buenos Aires.

Kirchners' need to recover their electoral support among voters, as well as the allegiance of many Peronist mayors who were crucial to win elections. Both of these groups had been partially lost to rival Peronist candidates during the 2008-2009 political crisis.

What was the electoral 'effect' of these programs? Although there is an ongoing academic debate concerning the precise effect of this program on vote intention, it is reasonable to assume that they must have played some role in Cristina Kirchner's landslide electoral victory in the 2011 presidential election. She won by 54%, one of the highest electoral margins in Argentina's history. Most importantly, she won in the very municipalities in the Buenos Aires province where she had lost in 2009 (Table 4.12). Indeed, the new social programs allowed her to recover *Kirchnerismo's* support among outsiders.

The 2013 Electoral Defeat: Income Redistribution towards Outsiders and Retirees

After 2009, there was no major innovation in social policies. In 2010 opinion polls showed a marked increase in CFK's popularity, and by early 2011 it was clear that CFK would win the presidential election by a landslide. The three dimensions of the left movement were under the president's control: there were no substantial challenges from presidential candidates on the left, the Peronist party was controlled by CFK, and the majority of outsider social movements and unions were allied with CFK. As my theory would predict, there was no social policy expansion between 2010 and 2012. This finding goes against power resource theory. Despite the fact that in 2011 CFK won with 54% of the votes and regained her parliamentary majorities (she had lost FPV's majority in the lower house in the 2009 mid-term elections), the president did not expand social policies toward the popular sectors. My theory makes sense of this puzzling finding (a strong leftist president unwilling to expand social policy): when the president controls all dimensions of the left movement, s/he has few incentives to expand social policies to secure a support base. That base is already there and is deemed 'safe' by the president.

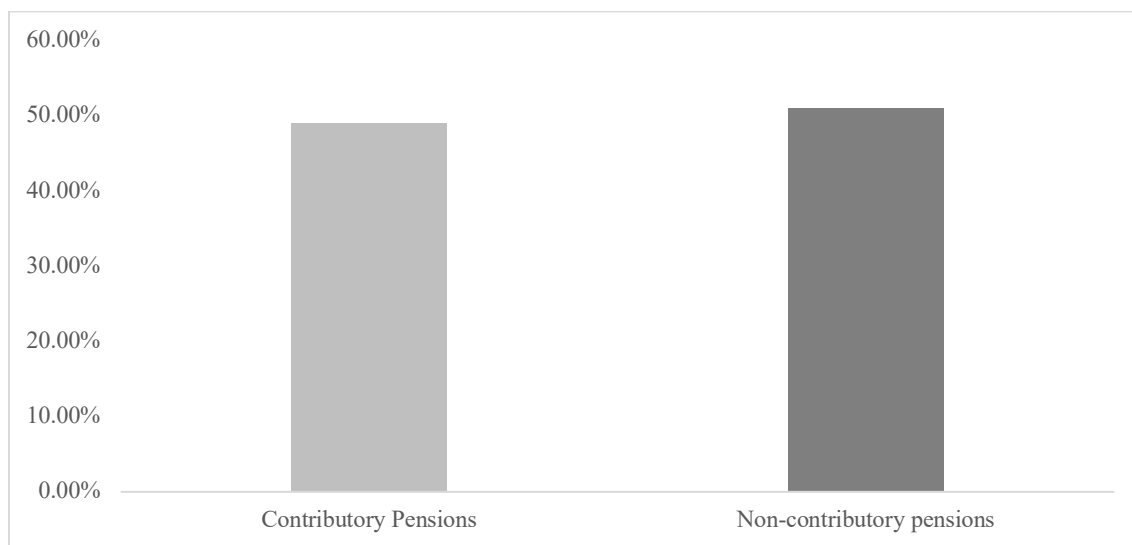
However, a major turning point occurred in 2013 when, once again, Cristina Kirchner faced electoral competition in the mid-term election. As in 2009, that competition came from within the Peronist party. This time it was Sergio Massa, the former head of the Social Security Institute under the Kirchners' governments, who ran against her candidates in the Buenos Aires province. Massa defeated Cristina Kirchner's candidates in the elections held in October 2013. Although at the national level the FPV won the election, in the Buenos Aires province, where the leadership of the PJ is defined, Massa defeated Cristina Kirchner's candidates by a significant electoral margin (Tables 8, and 9). Peronist candidates that did not belong to the FPV obtained 49.38% of the votes—Massa obtained 43.92%—while FPV candidates only received 32.18% of the votes. As did De Narvaez in 2009, Massa won in many of Peronism's electoral strongholds, the poor districts in Buenos Aires' *conurbano*.

After this defeat, the government launched two major social programs to recover its support among popular-sector voters. The first was an income support program adopted a few months after the election held on October 27th, 2013. In January 2014, the government launched *Progresar*. It was an income support program targeted at young, unemployed people between 18- and 24-years-old who belonged to families earning less than twice the minimum wage. The program's objective was to incorporate this

population into the labor market. It provided a monthly income for recipients who enrolled in high school or university education or attended workshops to learn trades. This program, similarly to *Asignación Universal por Hijo*, was funded by the nationalized pension funds and reached 696,494 people by 2015.²⁵⁶

The second initiative came a few months later, in June 2014, when the government sent to Congress a bill to expand the *Plan de Inclusión Previsional* (non-contributory pensions). Because the initial expansion adopted in 2005 had an end date (the end of 2007), a considerable number of individuals who would be close to their retirement age after 2007 could not access the program's benefits. After Cristina Kirchner lost to Sergio Massa, however, she included them by launching the second expansion of non-contributory pensions, which incorporated 650,000 new pensioners into Argentina's social security system between 2014 and 2015. The two expansions of the *Plan de Inclusión Previsional* meant that, for the first time in Argentina's history, the percentage of the population who were beneficiaries of non-contributory pensions—50.94%—actually surpassed the percentage of the population (49.06%) that received contributory benefits (Figure 4.14).

Figure 4.14. Beneficiaries of Social Security by Type of Benefit (%).



Source: Author's elaboration with data from ANSES. Available at: <https://www.anses.gob.ar/informacion/datos-abiertos-pasivos>.

²⁵⁶ Source: ECLAC Database.

III. Conclusions

The Argentinean case shows how low organizational and electoral control force presidents to generously redistribute income and power. Néstor Kirchner's administration (2003-2007) faced an important problem of lack of organizational control, and had to reduce this vulnerability by redistributing societal power and income toward unions and social movements in order to forge coalitions with them. The Kirchners' most important societal empowerment policies (a new labor code, extension of collective bargaining rights for teachers, and new social programs administered by *piquetero* organizations) were adopted during this period.

Moreover, electoral competition from Peronist rivals forced him to expand income redistribution toward insiders and outsiders. Because competition came from candidates with a voting base in the popular sectors, his income redistribution policies had to be broad. Kirchner needed to prevent both insiders and outsiders from switching their electoral support to alternative Peronist candidates. Wage increases and the expansion of non-contributory pensions were all adopted during this period of intense electoral competition within Peronism.

Moreover, this chapter showed how within-case variation provides additional evidence for my hypotheses. As electoral competition from rival Peronists increased after 2009, so did income redistribution policies. The Kirchners' flagship programs toward outsiders (AUH, *Progresar*), as well as the new law that granted automatic increases to contributory and non-contributory pensions, were adopted during this period of high electoral competition within Peronism. Furthermore, Cristina Fernández de Kirchner exercised greater control over social organizations than did Néstor, which meant that she had less need to expand societal empowerment policies during her administration. In sum, within-case variation in two of my independent variables (electoral and organizational control) seems to support the predictions of my theory with regards to their effects on redistributive policies.

The only exception was the adoption of *Argentina Trabaja*, an income support program adopted after the 2008-9 political crisis that empowered *piquetero* organizations. The political context in which this program was adopted bears a strong resemblance to that of CUT's (brief) state empowerment during *Mensalão* in Brazil. During 2008-2009, CFK underwent an acute political crisis that threatened her survival in the executive office. In order to counter this threat, she had to move from a strategy centered on securing organizations' acquiescence in the streets to one that fostered their active mobilization in the streets in defense of her government. As with Lula in Brazil, the government achieved this aim by expanding power redistribution policies towards allied social organizations.

Finally, *Left Populism* did not redistribute state power to organizations. Unions and social movements could not get access to positions of power in the national executive. The weak influence of unions and social movements within the Peronist party was key to this exclusion. If the absence of prior links made the Kirchners fearful of incorporating unions and social movements, the organizations' lack of positions of power within the party deprived them of the necessary political influence to push for that objective. Moreover, because the government was unconstrained by internal party actors,

it could engage in the political targeting of benefits. This strategy was far more successful among outsiders than among insiders, as organizations of outsiders were much more dependent on state resources for their survival. Nevertheless, this strategy of political targeting was extremely successful in terms of reshaping popular-sector organizations. By the end of Cristina Fernández de Kirchner's second administration, she had built a solid organizational base of support among social movements and unions.

Chapter 5

Uruguay: Social Democracy

In Uruguay the leftist government adopted a strategy of *Social Democracy*. This strategy not only adopted broad income redistribution policies but also redistributed societal and state power toward social organizations. Income redistribution benefited both outsiders and insiders. Leaders of social organizations were appointed to top positions in the state, and social policies were implemented through rule-based policies that preserved the autonomy of social organizations.

Social Democracy in Uruguay is explained by leftist presidents' low level of control over the Left movement. *Frente Amplio* was a coalition of different leftist parties that competed against each other in legislative elections and presidential primaries. These parties will be considered as "factions" of a broader party, the *Frente Amplio*, because they present a single presidential candidate in elections, they compose one legislative caucus in Congress, and they participate in the the party directorate of the *Frente Amplio*. Further, presidents had low party control: *Frente Amplio*'s decentralized power structure gave considerable voice to both the party base organizations and to the other leftist factions that composed the FA. Last, Uruguayan unions not only had considerable autonomy from the party (low organizational control), but also exerted considerable influence within the party.

This configuration of power within the Left gave presidents strong incentives to enact generous redistributive policies. Because legislators answered to the party leadership and factions—and not to the president—the government needed to adopt generous income and power redistribution policies to build broad coalitions with different party factions and with the party base organizations, whose members demanded these types of policies. Moreover, electoral competition from other leftist factions meant that presidents had to continuously update and deepen their redistributive agenda: otherwise, they would run the risk of being electorally defeated and replaced by other factions. Further, while unions' autonomy vis-à-vis the party prevented their subordination to the new leftist administration, their considerable power within the party allowed them to push for both societal empowerment as well as political access to top positions in the state. Last, because presidents were highly constrained by internal party actors (factions, party base organizations and social organizations), redistributive policies were rule-based.

Uruguayan presidents, in comparison to those in Argentina and Brazil, had less control over the left movement. If Lula controlled the three dimensions of the leftist movement (electoral, organizational and party), and the Kirchners controlled only one (the party organization), *Frente Amplio* presidents controlled none of the left movement actors. This lower level of control over the left movement explains why *Social Democracy* in Uruguay was the most redistributive strategy. Unlike in Brazil, leftist presidents in Uruguay did not control electoral competition on the Left: factions competed against each other in legislative elections with their distinct party label. Nor did presidents control unions either, which forced the presidents to enact broad income

redistribution and empower unions vis-à-vis business. These outcomes were similar to Argentina's. However, the main difference between Argentina and Uruguay is that in the latter leftist presidents did not control the party organization. This forced presidents to also redistribute state power: not only by including unionists in relevant positions in the state, but also by adopting rule-based policies that preserved organizations' autonomy vis-à-vis governments.

I. The Left Movement in Uruguay: Low Presidential Control

In this section I describe in greater detail the low level of control that presidents had over Uruguay's left movement. Table 5.1 summarizes the different dimensions of the left movement, showing how, for each of the three dimensions, different actors within the left movement constrained FA's presidents. These actors were party factions, the party leadership, and the rank-and-file and unions.

Table 5.1 – Uruguay's Left Movement: Low Presidential Control

Electoral Control	Low
Electoral Control over Legislative Elections	Competition between Factions in General Elections
Electoral Control over Executive Elections	Competition between Factions in Primary
Organizational Control	Low
Organizations' Mobilizational Capacity	Intermediate
Autonomy of Unions vis-a-vis the President's Party	High
Party Control	Low
Control over Party Base Organizations	Low
Control over the Party Leadership	Low
Control over Leftist Legislators	Low
Union Power within the Party	High

1. Low Electoral Control: Partisan Competition within the *Frente Amplio*

The *Frente Amplio* (FA) was founded in 1971 as an electoral front of socialists, communists, Christian democrats, and splinters from Uruguay's traditional parties. After the transition to democracy in 1985, it monopolized leftist opposition to Uruguay's two traditional parties: the *Partido Colorado* (center) and the *Partido Nacional* (center-right) (Yaffé 2005). In the 1990s, the party opposed neoliberal reforms embraced by both traditional parties. This consistent opposition to market reforms, among other factors, allowed the FA to retain its working-class support and expand its electoral base among former voters of traditional parties who suffered the negative effects of market reforms (Roberts 2014: 232). As Table 5.2 shows, during the 1990s, the party became increasingly competitive in presidential elections, challenging traditional parties' hold on the national executive.

Table 5.2. Presidential Elections 1985-2004 (% of national vote).

	1984	1989	1994	1999	2004
Partido Colorado	41.41%	30.28%	32.36%	32.70%	10.61%
Partido Nacional	35.01%	38.89%	31.18%	22.30%	35.13%
Frente Amplio	21.25%	21.23%	30.63%	40.20%	51.66%
Nuevo Espacio	-	9.00%	5.17%	4.60%	-
Unión Cívica	2.32%	-	0.10%	0.20%	0.22%
Partido Independiente	-	-	-	-	1.88%

Source: Author's elaboration with data from Uruguay's Electoral Court.

Despite this increase in electoral support, the FA's electoral base was somewhat confined to specific socio-demographic groups within the Uruguayan electorate. Its two core constituencies were not that different from those that initially supported the party during its founding moment in the 1970s, namely formal workers and the urban, progressive middle-classes. Two key constituencies within the popular sectors, informal and rural workers, were still co-opted by traditional parties' clientelistic machines and remained elusive electorates for the FA during the 1990s (Luna 2007:6).

In order to comprehend how the FA works, it is crucial to understand that the FA is not a party, but a coalitional front of more than ten parties with parliamentary representation. The relevant factions have changed throughout the years as a result of splinters and fusions between them, but by 2004 there were five main factions within the FA: *Asamblea Uruguay* (center-left), *Vertiente Artiguista* (center-left), the Socialist Party (itself divided into a center-left and a more leftist faction), *Movimiento de Participación Popular* (left), and the Communist Party (left).

Uruguay's electoral system for legislative elections, the double simultaneous vote (DSV), plays a crucial role in reinforcing this fragmentation among parties with different ideological orientations within the FA. On the one hand, because the total number of FA seats is distributed among parties in proportion to the votes they each obtain, the electoral system grants parties within the FA incentives to compete against each other in legislative elections. On the other hand, because the total number of FA seats is determined by the

sum of votes obtained by all FA parties, the system also induces some cooperation among parties (Buquet, Chasquetti and Moraes 1998).

The electoral system for presidential elections also produces mixed incentives for cooperation and competition among FA's parties. On the one hand, because Uruguay's two-round system requires that presidents obtain 50% of the votes to be elected, parties within the FA have an incentive to present one single FA candidate. On the other hand, the electoral law also mandates that parties should hold open primaries, thereby giving FA parties incentives to nominate different candidates in internal elections (Buquet, Chasquetti and Moraes 1998, Buquet and Piñero 2011).

Therefore, although the FA runs a single candidate for presidential elections, parties within the FA support different candidates in the presidential primaries. Internal competition is organized around two main factions: the leftist faction *Espacio 609* and its allies, led by former president José 'Pepe' Mujica (2010-2014), which has the MPP and the Communist Party as its main parties; and the center-left factions grouped in the *Frente Liber Seregni*, led by president Tabaré Vázquez (2005-2010, 2015-) and including *Asamblea Uruguay*, *Vertiente Artiguista* and the Socialist Party as its main parties. Although legislators within the FA's legislative caucus represent first and foremost these different parties, FA's internal conflicts in the legislature and the party organization are structured around these two main factions.

Tables 5.3, 5.4 and 5.5 show the level of fragmentation within the FA. Table 3 shows the number of parliamentary seats obtained by each faction of the FA in the lower and upper chambers, and illustrates two features of the FA. First, power within the FA is extremely fragmented: no party has a majority of seats within the FA. Second, no faction is hegemonic within the FA: majorities in the FA's legislative caucus alternate between the center-left and leftist factions.

Table 5.3. Parliamentary Elections in Uruguay - Lower Chamber (number of seats).

Lower Chamber				
Group	Faction	2005-2010	2010-2015	2015-2020
Center-Left	Partido Socialista Uruguayo	10	9	5
	Asamblea Uruguay	8	6	6
	Alianza Progresista	3	1	0
	Nuevo Espacio	3	3	3
	Vertiente Artiguista	4	1	0
	Agrupación Humanista Armando Aguirre	-	1	-
	TOTAL CENTER-LEFT	28	21	14
Left	Movimiento de Participación Popular	21	25	24
	Partido Comunista de Uruguay	1	1	1
	Liga Federal Frenteamplista	1	1	2
	Corriente de Acción y Pensamiento-Libertad	0	2	0
	Compromiso Frenteamplista	0	0	6
	Ir	0	0	1
	Congreso Frenteamplista	0	0	1
	Casa Grande	0	0	1
	TOTAL LEFT	23	29	36

Source: Author's elaboration with data from Uruguay's Electoral Court.

Table 5.4. Parliamentary Elections in Uruguay –Upper Chamber (number of seats).

Upper Chamber				
Group	Faction	2005-2010	2010-2015	2015-2020
Center-Left	Partido Socialista Uruguayo	2	2	2
	Asamblea Uruguay	3	5*	3*
	Alianza Progresista	1		
	Nuevo Espacio	1		
	Vertiente Artiguista	2	1	0
	TOTAL CENTER-LEFT	9	8	5
Left	Movimiento de Participación Popular	6	6	6
	Partido Comunista de Uruguay	1	1	1
	Liga Federal Frenteamplista	0	0	0
	Corriente de Acción y Pensamiento-Libertad	0	1	0
	Compromiso Frenteamplista	0	0	2
	Ir	0	0	0
	Congreso Frenteamplista	0	0	0
	Casa Grande	0	0	1
	TOTAL LEFT	7	8	10

Source: Author's elaboration with data from Uruguay's Electoral Court.

*Asamblea Uruguay, Alianza Progresista and Nuevo Espacio formed the Liber Seregni Front (FLS). These seats are actually attributed to the FLS.

Table 5.5 illustrates the levels of challenge FA presidents face from the competing faction (that is, from the rival faction that does not hold the presidency). Table 5.5 looks at the factions holding the presidency as well as which faction controls the majority of seats within the FA's legislative caucus during leftist governments. Two points are worth mentioning. First, no single faction controls the presidency. Rather, it alternated between the two factions. The leftist faction defeated the center-left, ruling faction in the 2009 primaries, and the center-left faction won the presidency again in 2014. Moreover, the leftist incumbent in Parliament faced considerable challenges from its rival faction. For example, two out of three legislative elections saw a 'divided leftist government' where the political faction that held the presidency did not control the majority of seats within the left's legislative caucus.

Table 5.5. Control of the Presidency and the FA's legislative caucus by Center-Left and Leftist factions (% of votes in primaries for presidential primaries, % of seats in the FA's legislative caucus for legislative elections).

	2005		2010		2015	
	% Presidential Primaries*	% Legislative Seats	% Presidential Primaries	% Legislative Seats	% Presidential Primaries	% Legislative Seats
Center-Left	100	54.90	39.65	42.00	82.13	28.00
Left	-	45.10	52.09	58.00	17.87	72.00

Source: Author's elaboration with data from Uruguay's Electoral Court.

*FA presented only one candidate for this primary.

2. Low Party Control: The Influence of Factions and Party Base Organizations

Four features considerably limit the power of leftist presidents within the FA: the institutionalized participation of party base organizations in party decisions, the autonomy of the party leadership vis-à-vis the president, the power of factions within the party, and the influence of unions in the party. Party base organizations have substantial voice in the party's decision (Pribble 2013). They have institutionalized channels through which it exerts considerable influence over three key aspects of the party, namely the nomination of FA presidential candidates, the elaboration of the party program, and the election of the party's National Executive Board (Pérez Betancur, Piñeiro Rodríguez and Rosenblatt 2018:9).

Institutionalized Participation of the Rank-and-File

To understand the influence of the rank-and-file on the party, it is important first to comprehend the composition and role of the party congress. The congress is elected once every five years, and it plays an important role in two aspects of FA politics: it nominates the FA's presidential candidate, and elaborates the FA's program. Its members are rank-and-file members, that is, they are delegates elected by FA Base Committees, which are the party's neighborhood-level unit of organization, that is, local organizations of party grassroots activists (Pérez Betancur, Piñeiro Rodríguez and Rosenblatt 2018:10).

The FA's presidential candidate is chosen in a two-step procedure, and in each of them the rank-and-file plays a crucial role. First, the party congress chooses the FA candidates for presidential nominees: it may choose only one candidate, or allow different candidates to compete for the nomination. Second, if the party congress chooses to nominate more than one candidate, the FA's presidential candidate is elected in an open primary. This two-step procedure, where the rank-and-file intervenes at every step of the

FA's presidential nominee selection process, guarantees that the president remains accountable to the rank-and-file's preferences.

Moreover, the party program is also elaborated by the party congress. This is crucial because, unlike many center-left, catch-all parties, where the party program is a collection of vague (and often contradictory) statements, the FA's party program is a crucial document carefully crafted after long debates and political negotiations among activists and factions. These debates and negotiations are then transformed, for each policy area, into specific guidelines that the FA leadership must follow through once they are elected as public officials. Furthermore, this program is binding for the president: any FA president who departs from it risks paying a substantial political cost among the party base, as several key governmental and party leaders attest:

"The program is the gravity center of the party. The big problem for us was that after 2004 we had to assume that we were the party in office, and so we had to fulfill the promises we made in the program. If the president did not fulfill the program's objectives, he would have been held accountable by the FA's legislative caucus."²⁵⁷

Jorge Brovetto, FA president

"Tabaré Vázquez always said that he governs with the constitution in one hand and the party program in the other. The program is important so that presidents cannot go against it. The president would never dare go against it. The political cost of abandoning it would be huge, the political party and the FA's legislative caucus would turn against the president"

*Gonzalo Fernández, President Vázquez' Chief of Staff*²⁵⁸

Lastly it is important to note that a considerable number of the FA's rank-and-file are also union members. According to Collier and Handlin, 18 per cent of FA partisans attend a union meeting at least once a year and 12 per cent attend at least one a month (Collier and Handlin 2011:148). This figure is 2.5 times higher than Brazil, the other case with the strongest links between unions and a leftist party in post-neoliberal Latin America (Collier and Handlin 2011:148). The institutional representation of the rank-and-file within the FA therefore assures that union preferences are well represented within the party.

Power of Factions within the FA

I have already described the key role that FA's factions play in electoral competition within the Uruguayan Left. They also, however, play a key role in party decisions between elections. They participate in the party's Executive Board and in the elaboration of the party program, two topics already discussed in other sections. But they also have a tremendous influence over FA legislators. Indeed, legislators are extremely

²⁵⁷ Interview with Jorge Brovetto, FA's President, 11-27-2015, Montevideo.

²⁵⁸ Interview with Gonzalo Fernandez, President Vázquez' Chief of Staff, 11.10.2015, Montevideo.

disciplined toward the national leadership of the faction to which they belong (Chasquetti 2004). This is largely explained by the design of Uruguay's electoral system. Lower-house representatives and senators are elected according to a closed-list, proportional system.²⁵⁹ Because leaders from factions control both who is included in the electoral list and the order in which legislative candidates appear on the list, Uruguayan legislators have strong incentives to follow directives from the factions' leaders to win reelection. (Chasquetti 2004:48). Equally important is the fact that these electoral lists are elaborated by factions' *national* leaders.

Autonomy of the Party Leadership

In addition to the fragmentation of the FA in different political parties and the power of the rank-and-file within the FA, leftist presidents in Uruguay are also constrained by the autonomy of the FA's Executive Board vis-à-vis the president. The FA's Executive Board comprises two main institutions: the National Council and the Political Committee. The National Council meets every two months to debate proposals and government plans, and sets the party strategy (Pribble 2013:129). The Political Committee meets weekly to execute resolutions passed by the party congress and ensures that the party platform is being implemented by the president (Pribble 2013:129).

The Executive Board is a key actor within the *Frente Amplio*. Its resolutions are binding for FA legislators, and it has considerable autonomy in its decision-making process vis-à-vis the national government –sometimes even opposing governmental policies and calling for a different course of action (Pribble 2013:129). This autonomy is explained by the rules by which its members are elected: half of the representatives on the Executive Board are elected by political parties (factions) and half by the Base Committees (the party base organizations) (Pérez Betancur, Piñeiro Rodríguez and Rosenblatt 2018:10).

Moreover, FA legislators follow a well-established, informal institution within the FA that mandates that once the FA's leadership makes a decision, all factions have to abide by that decision (Yaffé 2014). In other words, FA legislators are extremely disciplined in conforming to the will of FA's Executive Board once this board makes a decision. So although each legislative proposal sponsored by the Executive is intensely debated within the FA and must obtain support from different party factions, once a majoritarian decision is made within the FA, all parties (as well as their legislators in Congress) obey the FA's decision. This informal rule has been crucial in maintaining the FA's cohesion; it guarantees the FA's internal discipline even when power is shared by different political factions within the party (Yaffé 2014).

Union Influence over the FA

Lastly, the decentralized power structure of the FA granted unions considerable leverage within the party. I have already described the fragmented power structure of the

²⁵⁹ For the lower-chamber, the electoral districts are Uruguay's departments. For the Senate the country represent one single electoral district.

FA, which grants both party factions and the rank-and-file considerable influence within the party. The fact that the FA is a coalitional front of more than ten parties with parliamentary representation that compete against each other in legislative elections increases labor's influence over the party because labor's resources can help alter the power balance between different factions within the FA. Indeed, unionists enjoy legitimacy among working class voters, provide free labor for political campaigns, and are represented in the party's internal organization and legislative caucus. As one of Uruguay's most important labor leaders stated:

“Last year, the union movement organized a massive action with the slogan that change shouldn't stop. And although we didn't say explicitly that people should vote for the FA, we said that if the others won, things would be worse...The (2015 presidential) campaign reached a turning point after that. The party base started to mobilize more, more *pegatinas*, more FA flags in the streets”

*Fernando Gambera, president of the bank workers union*²⁶⁰

In sum, power within the *Frente Amplio* is extremely atomized: factions, party base organizations and the government are all part of a power-sharing structure in which none can impose its will over the others. This structure severely constrains the president: if his/her proposals do not reflect the preferences of the different parties, s/he faces the threat of a legislative rebellion in Parliament. If the government's objectives do not reflect the preferences of party base organizations as well as those of unions, unions and party base organizations might help elect a different candidate from a rival faction in the next FA presidential primary. And if the executive departs from the party program, the FA's Executive Board may oppose the government's agenda and try to stall it through its connections to party base organizations and FA's legislators.

3. Low Organizational Control: Autonomous Mobilization Power of Unions

Uruguay's generous power redistribution strategy is puzzling from the standpoint of power resource theory (Korpi 2006, Huber and Stephens 2012): Uruguayan unions were much weaker in industrial relations than were their counterparts in Argentina and Brazil, countries with lower levels of power and income redistribution. Their mobilization power in industrial relations was 'intermediate.' It was certainly lower than in Argentina and Brazil. But while unions in the private sector had been decimated by neoliberal reforms, they remained strong in the public sector. However, what labor lacked in terms of mobilization capacity in industrial relations was compensated for by its high level of influence within the FA.

²⁶⁰ Interview with Fernando Gambera, President of the Bank Workers Union, 10-12-2015, Montevideo.

Intermediate mobilization power in industrial relations

Private Sector Unions

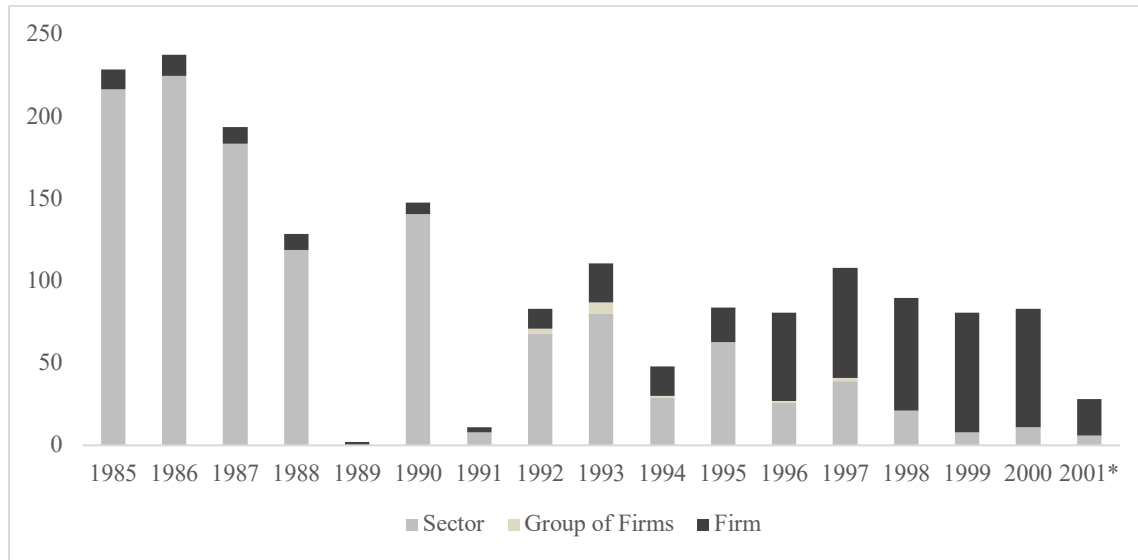
Although there is one monopolistic labor confederation, the PIT-CNT, two factors severely weakened private sector unions during the 1990s. First, the state abandoned its role as arbiter and enforcer of collective bargaining agreements between labor and capital. Second, the absence of legal protections or state subsidies for union activity facilitated employers' offensive against labor during the period of neoliberal reforms.

During the Industrialization by Import Substitution (ISI) period, the Uruguayan state played a central role in industrial relations. The *Consejos de Salarios* (Wage Councils) law adopted in 1943 granted the Ministry of Labor the legal prerogative to force unions and business associations to negotiate wages by economic sector at the national level. The *Consejos de Salarios* not only established the *level* at which collective bargaining had to take place (at the national level, by economic sector), but also made that the outcomes of these negotiations *binding* for the entire workforce in that sector, regardless of whether workers were unionized or whether employers belonged to the sectoral business associations (Rodríguez, Cozzano and Mazzuchi 2001:86). By centralizing collective bargaining at the national, sectoral level and making collective-bargaining agreements legally binding for all workers, the *Consejos de Salarios* was the key source of union power in industrial relations in Uruguay (Notaro 2010, Mansilla 2004).

Neoliberal governments in the 1990s undermined this institution by refusing to summon labor and business to the negotiation table. Absent state intervention, collective bargaining became bipartite, decentralized and limited in its coverage. Because trade liberalization and the deregulation of the economy drastically decreased labor's leverage vis-à-vis business, the move towards voluntary, bipartite bargaining meant that in most economic sectors, collective bargaining either ceased to exist or was decentralized to the firm level (Rodríguez, Cozzano and Mazzuchi 2001).²⁶¹ As Figure 5.1 shows, while between 1985 and 1989—the period that immediately preceded neoliberal reforms—94.07% of collective bargaining agreements were signed at the sectoral level, during 1995-1999—that is, after most neoliberal reforms had been implemented—only 35.36% of collective bargaining agreements were sectoral. The remaining two thirds were signed at the firm level.

²⁶¹ The only four sectors in which collective bargaining remained centralized at the sectoral level were construction, inter-departmental transportation, health and milk distribution.

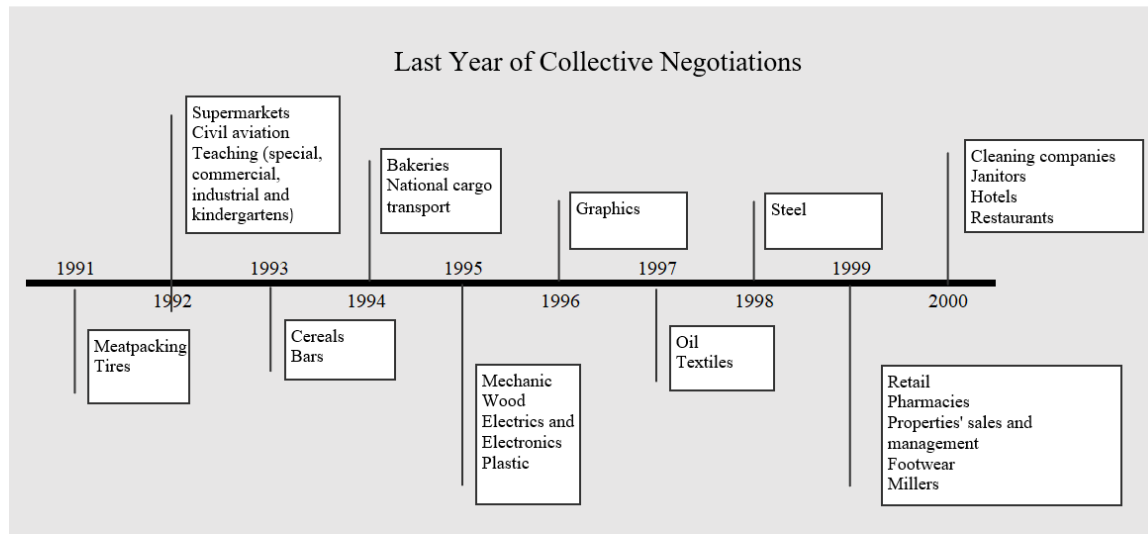
Figure 5.1. Collective Bargaining in Uruguay – Centralization Level.



Source: Author's elaboration based on data from Rodriguez, J.M. et al.2001. *La transformación en las relaciones laborales : Uruguay, 1985-2001*. Montevideo: Servicio Universitario de Información, Universidad Católica del Uruguay.

In addition to collective bargaining being decentralized to the firm level, its coverage levels were dramatically reduced. Indeed, by the early 2000s, the vast majority of Uruguay's working-class was not covered by collective bargaining agreements. During the *Colorado* government of Jorge Battle (2000-2004), 115 categories of workers in key economic sectors were not covered by *any* collective bargaining agreement (neither sectoral nor at the firm level) (Rodriguez et al 2001). As Figure 5.2 may help illustrate, these categories employed the vast majority of Uruguay's private sector labor force: wood products, bars and restaurants, retail, hotels, plastics, civil aviation, meat industry, textiles and steel, among many others. By the time the FA won the presidential election of 2004, 84% of Uruguayan workers were not covered by any collective bargaining agreement (Doglio, Senatore and Yaffé 2004:281).

Figure 5.2. Interruption of Collective Bargaining in Uruguay (last year of bargaining, selected economic sectors).

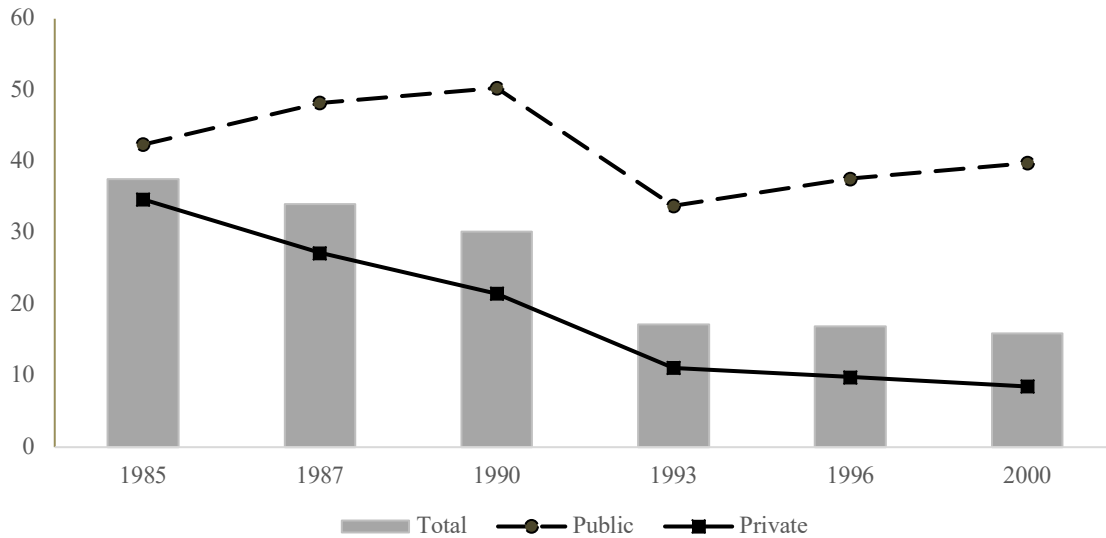


If state elites dismantled Uruguay's system of industrial relations, employers gained considerable economic leverage vis-à-vis labor to launch a stark offensive against union organizations. In this regard, unions' historical autonomy from the state during ISI made them particularly vulnerable to this type of employer offensive. In contrast to Argentina or Brazil, the state never adopted a labor code that regulated union activity, guaranteed state funding for unions, or protected union activists from arbitrary dismissal by employers (Rodríguez, Cozzano and Mazzuchi 2001:25). Because the labor movement was dominated by the Communist party during ISI, the absence of a legal framework for union activity was perceived as beneficial by labor leaders because it constituted a protection against the intervention of conservative parties in power in union affairs.

However, this legal vacuum constituted a pitfall for unions once conservative parties abandoned ISI and embraced neoliberal reforms in the 1990s. As the Uruguayan economy became more open and deregulated, and corporatist systems of interest intermediation were partially dismantled, unions could not resort to corporatist labor laws to partially offset their diminishing power in industrial relations. While the lack of legal protections for union activists allowed business to launch a stark offensive against unions in the private sector, the lack of state subsidies for union organizations (such as the *imposto sindical* in Brazil or union-run health insurance in Argentina) considerably weakened Uruguayan unions in the 1990s. These organizations were financially dependent on voluntary union dues. But the context of accelerated de-unionization of the workforce severely weakened unions' finances. In sum, in a context of businesses' increased power vis-à-vis labor, the combination of the state's retreat from industrial relations and the absence of a legal framework for union activity that could moderate unions' decline caused a sharp decrease of unionization rates in the private sector. As Figure 5.3 shows, while in 1985 the union density rate in the private sector was 34.7% (comparable to Argentina's and Brazil's in the same time period), by 2003 it fell to 11.6%. This figure is comparable to the rate in the United States, a liberal economy

characterized by a very flexible labor market and a hostile environment for union organizations (Hall and Soskice 2001).

Figure 5.3. Union Density Rates in Uruguay (% Private, Public, and Total).

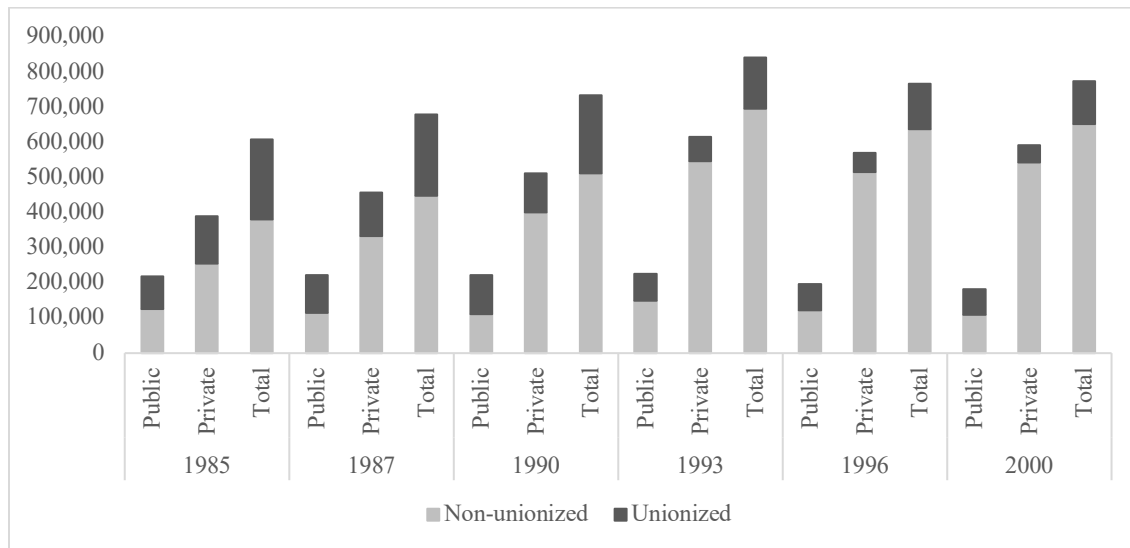


Source: Author's elaboration based on data from Rodríguez, J.M. et al. 2001. *La transformación en las relaciones laborales : Uruguay, 1985-2001*. Montevideo: Servicio Universitario de Información, Universidad Católica del Uruguay.

Public Sector Unions

The scenario for public sector unions was somewhat less adverse. As Figure 5.3 shows, union density rates in the public sector remained stable in the years following democratization in 1985, from 42.4% in 1985 to 41.3% in 2003. This is partly explained by the fact that public sector workers were able to stall the administrative reforms promoted by *Blanco* and *Colorado* governments, which attempted to reduce the size of the public sector. As Figure 5.4 shows, both the *absolute* number of public employees and the number of unionized public employees remained stable during the 1990s. Unions in the private sector present a contrasting scenario: while the absolute number of private workers increased by 27% between 1985 and 2000, the number of unionized workers decreased by 37%.

Figure 5.4. Unionized vs. Non-Unionized Workers in the Public and Private Sector (absolute number).



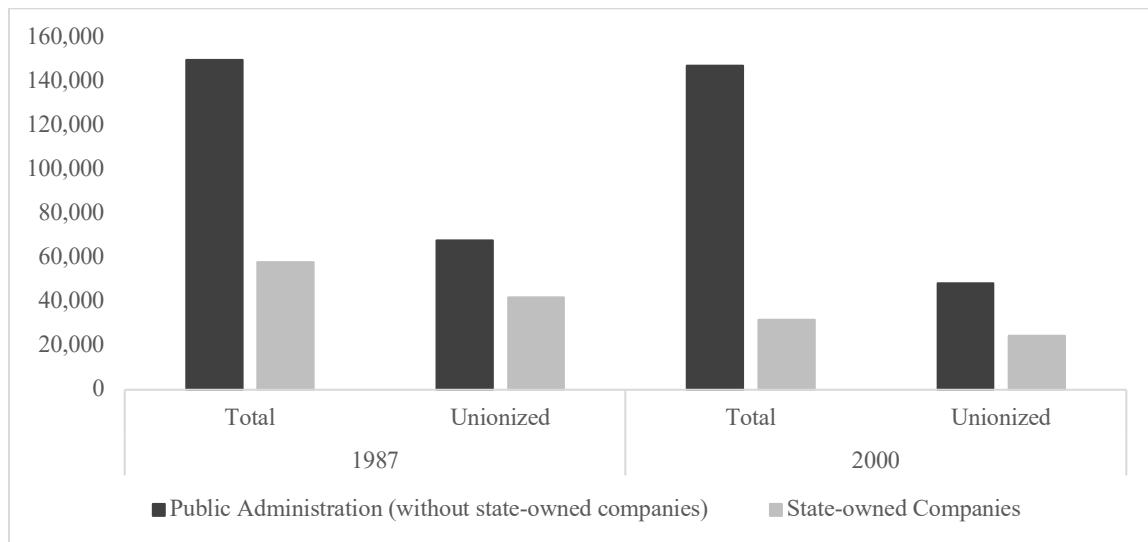
Source: Author's elaboration based on data from Rodríguez, J.M. et al.2001. *La transformación en las relaciones laborales : Uruguay, 1985-2001*. Montevideo: Servicio Universitario de Información, Universidad Católica del Uruguay.

Aggregate union density rates in the public sector, however, are somewhat misleading because they mask the enormous power gap between strong unions in state-owned companies, on the one hand, and weak unions in the public administration and education sector, on the other. Unions in state-owned companies remained strong during the 1990s. They were at the forefront of union struggles and were able to negotiate wages and working conditions with the state. These unions remained strong because, unlike other countries in the region, Uruguay did not privatize its main state enterprises. Oil, finance, ports, and public utilities—electricity, telecommunications, water and gas—remained under the control of monopolistic state companies.²⁶² By contrast, unions representing workers in public administration and teachers were on the defensive in the 1990s. Despite staging numerous mobilizations, they were unable to force public authorities to negotiate wages, which were unilaterally set by the executive (Rodríguez, Cozzano and Mazzuchi 2001:115, 135).

Furthermore, it is important to note that unions in state-owned companies represented a small, working-class aristocracy within the vast universe of Uruguay's public workers. As Figure 5.5 and 5.6 shows, not only were unionization rates much higher in state-owned companies, but by 2000 unionized workers in state-owned companies represented only 33.7% of unionized public sector workers. In other words, the vast majority of public sector workers were represented by unions in public administration or education that were unable to secure wage increases or better working conditions through mobilization in the 1990s.

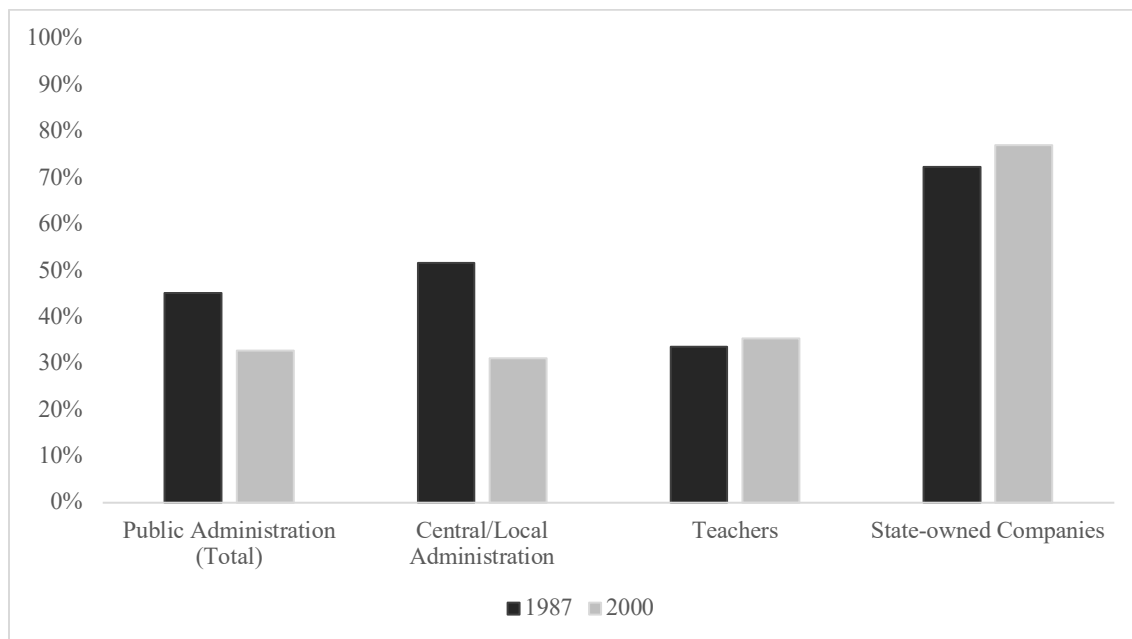
²⁶² In the financial sector private banks increased their market share, but the state-owned *Banco de la República* remained the largest company in the sector.

Figure 5.5. Total and Unionized Workers in the Public Sector by Type of Sector – Public Administration and Education vs. State-Owned Enterprises (absolute number).



Source: Author's elaboration based on data from Rodriguez, J.M. et al.2001. *La transformación en las relaciones laborales: Uruguay, 1985-2001*. Montevideo: Servicio Universitario de Información, Universidad Católica del Uruguay.

Figure 5.6. Unionized Workers in the Public Sector by Type of Sector (unionization rates by sector).



Source: Author's elaboration based on data from Rodriguez, J.M. et al.2001. *La transformación en las relaciones laborales : Uruguay, 1985-2001*. Montevideo: Servicio Universitario de Información, Universidad Católica del Uruguay.

In sum, by the beginning of the first *Frente Amplio* administration, union strength in industrial relations was intermediate. Private sector unions were devastated: with some exceptions, most of them had not negotiated collective bargaining agreements since the early 1990s. Moreover, union density rates had plummeted to levels comparable to those in the United States, which has one of the most liberalized labor markets in the world. In the public sector, union density rates remained high. However, with the exception of workers in state-owned companies, the vast majority of workers belonged to unions incapable of securing gains for their base.

High Union Autonomy vis-à-vis the Frente Amplio

Despite their weakness in industrial relations, unions had considerable leverage vis-à-vis the party leadership. Unions' links to the FA were strong. But unlike the CUT in Brazil, these strong links did not entail PIT-CNT's subordination to the party. On the contrary, unions were considerably autonomous from the FA's leadership. PIT-CNT's slogan is '*independientes pero no indiferentes*.' It claims to be independent from political parties but not indifferent to politics, and plays an active role in FA's electoral campaigns. As an important study on the relationship between unions and the FA states: "The close relationship between unions and leftist parties coexisted with the mutual autonomy of unions and leftist parties. Nor have unions been the social expression of leftist parties, nor the former the political instrument of unions" (Doglio, Senatore y Yaffé 2004:254).

Unions' autonomy vis-à-vis the *Frente Amplio* is explained by three factors: unions' internal institutions, the power of the rank and file within unions, and the lack of political overlap between the union and the party leaderships. Sectoral unions' organizational structure gave considerable power to shop-floor organizations and internal opposition. This structure limited unionists' capacity to subordinate the rank and file's redistributive preferences to the party's directives: the risk of rank and file revolt or defeat by internal opposition was too high. Moreover, PIT-CNT's internal rules forbade union leaders from holding political posts in the executive or the legislature. This rule prevented potential conflicts of interests that union leaders might face between advancing the rank and file's redistributive demands, on the one hand, and furthering the electoral and governing objectives of the ruling party, on the other. Lastly, the lack of political overlap between the party and union leaderships made the political subordination of unions virtually impossible as both center-left and leftist *Frente Amplio* presidents faced a PIT-CNT controlled by rival political parties. I begin by describing the strength of party-union ties in Uruguay. In the following sections, I discuss the three factors that granted unions considerable autonomy in relation to the party.

Strong Ties between FA and PIT-CNT

Because in Uruguay labor-market informality was historically low and urbanization and land concentration high, peasants' organizations and organizations representing informal workers were not relevant actors in Uruguay: labor unions monopolized popular-sector representation. Despite their autonomy, unions were a

central actor in the creation of the *Frente Amplio* in 1971, and have remained strongly linked to the party ever since (Yaffé 2005). In order to measure the strength of party-union ties, I look at two indicators: the percentage of leftist legislators with a union background and the percentage of leaders from the PIT-CNT that had participated in the FA in the past. Table 5.6 looks at the first indicator, and shows that almost half (42.39%) of FA legislators had some background as union leaders. Results are similar for the participation of leaders of the PIT-CNT in the FA. Table 5.7 shows that almost half of PIT-CNT's leaders (44.23%) had participated in the governing leftist party before the 2000s.

Table 5.6. Leftist legislators with union background (%).

Legislatures (lower chamber)	% for each Legislature	% for Legislatures Combined
2000	42.50	42.39
2005	38.46	

Sources: Author's elaboration. I analyze the biographical profile of each legislator based on publicly available data. This includes their publicly available biographies as well as research done on each legislator in newspaper archives. For some legislators this information was gathered through personal interviews or by contacting them directly.

Table 5.7. Party-Union Ties: Leaders from Labor Confederations that had Prior Participation in a leftist party (%).

1985-1995	1995-2006
48.00	43.58

Sources: Author's elaboration. See methodology in Table 5.6.

Lastly, Table 5.8 reproduces the findings of Dogglio, Senatore and Yaffé (2004), who also look at unionists' representation in the legislature, but from a different perspective. They look at the FA's nominees, by political party and faction in the FA, for the first positions in the legislative lists for the lower chamber.

Table 5.8. Unionists in First Positions of Legislative Lists by Political Party (% lower chamber).

	1971		1984		1989		1994		1999	
	1 to 3	1 to 6	1 to 3	1 to 6	1 to 3	1 to 6	1 to 3	1 to 6	1 to 3	1 to 6
VA (CL)					0	0	0	16	0	33
PCU (L)	33	33	0	0	33	16	66	33	66	33
PSU (CL/L)	0	16	33	50	66	33	100	83	66	33
MPP (L)					0	16	0	16	0	0
ASU (CL)							33	16	33	33
Others	8	6	0	0	0	0	25	19	7	76
Total FA	10	10	7	10	16	11	31	24	20	16

Author's elaboration based on data from Rodriguez, J.M. et al. 2001. *La transformación en las relaciones laborales : Uruguay, 1985-2001*. Montevideo: Servicio Universitario de Información, Universidad Católica del Uruguay.

As can be observed in Table 5.8, unionists have considerable representation in all political parties, both center-left and left. Not surprisingly, in 1999, 33% of PCU's top 6 candidates for Uruguay's lower chamber were unionists. But also 33% of AU's top candidates (the most moderate party within the FA) were unionists –as well as 33% of Socialist Party candidates). These numbers provide additional evidence in support of my hypothesis that political parties with different political orientations within the FA compete to attract unionists to their organizations.

Power of the Rank and File

Despite these strong ties, unions had considerable autonomy in relation to the party. One of the factors that helps account for this autonomy is unions' internal structures, which make union leaders very accountable to the rank and file. Unions hold internal elections every two or three years, and competition among different union factions within each union is high. In some unions the average number of lists that compete for the union leadership can be five or six, and leadership positions are distributed according to a proportional formula.²⁶³ Moreover, shop-floor organizations within unions are strong and have considerable leverage vis-à-vis union leaders. This means that even if leaders had incentives to subordinate unions' redistributive demands to the overall objectives of the ruling party, they would be highly constrained in their ability to do so by the internal structure of unions as they would face the threat of defeat by rival

²⁶³ Interview with Fernando Gambera, President of the Bank Workers Union, 10.12.2015

factions in elections or the rebellion of shop-floor organizations. As a member of PIT-CNT claims:

“You can be the most skilled labor leader, but still workers won’t follow you unconditionally. We have a system of assemblies. It has happened that a direction of a union federation was designated, and the assembly would overturn the decision. It’s an anarchist tradition we inherited. No labor leader takes a decision without putting the decision to a vote in an assembly. On top of that, every two or three years they face elections in which they can lose. Juan Castillo, while being the coordinator of the PIT-CNT (the position with greatest authority), lost the elections in the union he directed, the dock workers union.”²⁶⁴

Hector Zaporain, legal advisor for the PIT-CNT and the Ministry of Labor and Social Security

Unions’ Internal Institutions

Further, PIT-CNT’s internal structure minimizes the possibility that union leaders will subordinate unions’ redistributive demands to the party’s objective. Particularly, PIT-CNT has an informal rule that states that unionists elected to (or appointed to) executive or legislative posts cannot hold positions of power within the labor confederation.²⁶⁵ This institution guarantees that the PIT-CNT leadership will never overlap with political leaders in the executive. Its objective is to prevent a scenario where the labor leadership is subject to contradictory incentives:²⁶⁶ mobilizing against state officials and employers to obtain more benefits for the union base, on the one hand, and moderating unions’ demand to maintain macroeconomic and fiscal balances, on the other.

Lack of Political Overlap Between PIT-CNT’s and FA’s Leadership

Lastly, the lack of political overlap between the FA’s leadership and the PIT-CNT’s leadership is another trait of Uruguay’s leftist movement that guarantees unions’ autonomy vis-à-vis the FA. The elites that control the party and those that control the union movement do not belong to the same political groups. In Chapter 3 I described how Lula’s moderate faction (Articulação) was not only hegemonic within the PT, but also within the party’s allied labor confederation, CUT. Furthermore, I showed how this overlap between the party and union leaderships was crucial to facilitate the subordination of labor to the party’s objectives. In the case of Uruguay, such political overlap does not exist: many political parties within the FA with the largest parliamentary representation have negligible representation within the PIT-CNT. Conversely, some of the parties with the most important representation in the labor movement have a

²⁶⁴ Interview with Hector Zaporain, legal advisor for the PIT-CNT and the Ministry of Labor and Social Security, 9.29.2015, Montevideo.

²⁶⁵ Interview with Fernando Gambera, President of the Bank Workers Union, 10.12.2015, Montevideo; and with Juan José Betancor, PIT-CNT member, 10.13.2015, Montevideo.

²⁶⁶ Interview with Alvaro Padron, Director of the Friedrich Ebert Foundation in Uruguay, 9.30.2015, Montevideo; and with Juan José Betancor, PIT-CNT member, 10.13.2015, Montevideo.

negligible parliamentary representation. And clearly no single FA faction is hegemonic within the labor movement.

Two main factions exist within the PIT-CNT: one led by the Communist Party (which is part of FA's leftist faction), and another faction named *Articulación*, linked to the more moderate faction within the FA. Both groups are quite powerful within the labor movement. This can be observed in Tables 5.9 and 5.10, which analyze the partisan composition of the PIT-CNT's leadership during the first FA administration. As can be observed in Table 5.10, while the moderate faction held 3 out of 13 seats in the PIT-CNT's leadership by 2003, the leftist faction held 9 out of 13. Two conclusions can be drawn from this: as table 5.9 shows, no single political party holds a majority of seats within the PIT-CNT's leadership. Further, as Table 5.10 shows, by 2005 the majority of the PIT-CNT leadership was controlled by the leftist faction, in opposition to the center-left faction that controlled Uruguay's presidency. Moreover, by the time the leftist faction won the presidency with José 'Pepe' Mujica (2010-2015), the moderate faction had won considerable power within the labor movement. In sum, the divisions within the labor movement made union subordination to any FA government extremely difficult.

Table 5.9. Representation of FA's parties in PIT-CNT's leadership (absolute number)

	1985	1990	1993	1996	2001	2003
PCU	8	7	2	2	5	3
PARANINFO	0	0	6	4	2	2
MLN/MPP	1	1	0	1	2	1
PSU	3	3	4	2	2	3
PVP	2	0	0	1	1	1
M26	0	0	1	0	0	0
CI	0	0	0	0	1	2
IDI/VA	1	0	0	1	0	0
ASU	0	2	2	1	0	0
Indep.	0	1	1	1	0	1
Total	16	14	16	13	13	13

Sources: Author's elaboration. I analyze the biographical profile of each unionist based on publicly available data. This includes their publicly available biographies as well as research done on each unionist in newspaper archives. For some unionists this information was gathered through personal interviews or by contacting them directly.

Table 5.10. Representation of FA's factions in PIT-CNT's leadership (absolute number)

	1985	1990	1993	1996	2001	2003
Center-Left	4	5	6	4	2	3
Left	11	8	9	8	11	9
Total	16	14	16	13	13	13

Sources: Author's elaboration. See methodology in Table 5.9.

Lastly, there is little political overlap between the main parties in the legislature and those that are hegemonic within the PIT-CNT. Within the PIT-CNT, the Communist or former Communist Party activists were one of the leading forces in the PIT-CNT by 2003. For example, almost 40% of the PIT-CNT's leadership belonged to the Communist Party or were former Communist leaders. Communist leaders control some of Uruguay's most powerful unions, such as those representing construction, dock and steel workers. However, as we saw in Table 3, the PCU's representation in the chamber of deputies was negligible; it only obtained one seat (2% of the FA's legislative caucus in the lower chamber).

Conversely, the MPP is the party with the strongest parliamentary representation within the *Frente Amplio*. In the 2004 elections, it obtained 41.17% of the *Frente Amplio*'s seats in the lower chamber (See Table 5.3). However, and despite being one of the most leftist parties within the FA, it never achieved substantial representation within the labor movement. During the first FA administration, only one member from PIT-CNT's *Secretariado* belonged to the MPP (7.69% of the *Secretariado*, Table 5.9). But center-left political parties within the FA also experience this divergence between parliamentary and union representation; while *Asamblea Uruguay* had 15% of FA's parliamentary representation and held some of the most prominent positions during FA administrations (the Economy Ministry and the Central Bank), it had no single representative within PIT-CNT's *Secretariado*.

II. Redistributive Policies under the *Frente Amplio*

Labor Policies

In Uruguay the leftist government adopted a strategy of generous income and power redistribution towards the formal sector. Governmental policies increased workers' wages substantially, and unions were empowered both in the industrial relations and political arenas. This was the result of the decentralized power structure of the Uruguayan left, which gave unions, leftist factions and the rank and file considerable influence over policy.

Although Uruguayan unions were comparatively weaker than their counterparts in Argentina and Brazil, their strength in the public sector granted them considerable mobilization capacity. Moreover, *Frente Amplio's* decentralized power structure gave two key union allies, the party base and leftist factions, considerable institutional influence within the party. First, because FA presidents had to build coalitions among the different party factions and the party base to retain their parliamentary majorities, they had to take into account their redistributive demands. These redistributive preferences of factions and the party base generally were to the left of the government's preferences and were also shaped by the demands of the party's closest societal ally, the labor unions. Second, unions' autonomous mobilization capacity posed a threat to the president. Unions could use their leverage within the party to autonomously push for their demands from within the FA. This combination of considerable mobilization capacity in the public sector, high autonomy vis-à-vis the party leadership, and influence among party factions granted unions considerable leverage to advance their preference for broad income redistribution as well as for the societal and state empowerment of unions.

Societal Empowerment: Union Influence over the Party, Party Factions, and The Crafting of FA's Labor Program

Unions were significantly empowered vis-à-vis employers during the *Frente Amplio* administrations. President Tabaré Vázquez reinstated the wage councils (*Consejos de Salarios*), a corporate mechanism to set wages at the sectoral level which had been abandoned since the market-oriented governments of Luis Lacalle (1990-1995). Moreover, Vázquez approved new laws that granted legal protections for union activism (*Ley de Libertad Sindical*) and extended collective bargaining rights to a new group of workers, namely rural and domestic workers, workers in the public administration, and teachers. Finally, he adopted a new law of collective bargaining in the private sector that increased unions' power vis-à-vis employers as well as augmented unions' autonomy vis-à-vis the state by diminishing the state's capacity to veto collective bargaining agreements.

These policies of societal empowerment are explained by unions' considerable power vis-à-vis the *Frente Amplio*. This was an asymmetric power relationship, for while

unions had significant leverage within the party, the party leadership had little control over unions. As explained above, unions had considerable influence over the party due to three factors: (1) unions had linkages to leftist factions and were well represented among the party base organizations, two actors that had considerable power in the party; (2) unions had significant mobilization capacity in the public sector; and (3) unions' autonomy vis-a-vis the FA's leadership. This 'embedded autonomy' of unions within the party allowed them to shape the party's labor program from within. Anticipating a likely electoral triumph in the 2004 presidential elections, in 2002 the party plenary (where the base has considerable representation) mandated the creation of a special commission with representatives from unions and the party. The objective of the commission was two-fold: (1) to strengthen the relationship between an autonomous labor movement and future government officials, and (2) to set the guidelines for the labor policy agenda of a future FA government.²⁶⁷

The working of this commission illustrates the political logic behind the crafting of the FA's labor program. First, all political parties had equal representation on this commission.²⁶⁸ Given the fragmented structure of the FA, its leaders understood that only by achieving consensus among the different FA political parties on policy proposals would the FA's coalition stay together. Needless to say, this gave leftist factions with close links to unions considerable influence over the crafting of the FA's labor program. Second, unlike Argentina and Brazil, where Labor Ministry officials came to power with their own policy agendas, the objective behind the *Comisión de Relacionamiento* was to establish a FA labor program over which unions and FA's political parties would have equal influence. Third, a major reason why the party decided to establish this commission was that government officials feared a potential clash between the FA government and an autonomous labor movement.²⁶⁹ In this regard, the commission would serve to bridge the gap between positions and, as some officials claimed, 'build bridges' and 'massage the relationship'.²⁷⁰

This objective was especially important for the incoming governments given the bad precedent of deeply conflictive relationships that the local FA administration in Montevideo had had with the municipal workers' union (ADEOM) before 2004. Eduardo Bonomi, Labor Minister of the first FA government, stated clearly how this autonomy of the labor movement was seen as a potentially destabilizing force by the future FA administration, a threat that needed to be addressed by the future government by building coalitions with labor leaders:

"The commission originated in the *Frente Amplio*. The idea emerged as a result of an important conflict that the third FA administration in Montevideo had with ADEOM. Workers' demands became very strong and as a result there was an intense conflict. From that conflict emerged the idea of establishing a *comisión de relacionamiento* with social organizations and the labor movement. I was the president of that commission"

²⁶⁷ Interview with Rubén Villaverde, former Director of the Cuesta Duarte Institute (PIT-CNT), 10.13.2015; Eduardo Bonomi, former Minister of Labor and Social Security, 10.16.2015; Mario Pomatta, PIT-CNT's lawyer for the public sector, 11.26.2015, Montevideo.

²⁶⁸ Interview with Ivonne Passada, Representative for the MPP, 10.9.2015, Montevideo.

²⁶⁹ Interview with Nelson Loustaunau, Subsecretary of Labor and Social Security, 10.6.2015, Montevideo.

²⁷⁰ Interview with Ivonne Passada, Representative for the MPP, 10.9.2015, Montevideo.

After three years of intense deliberation and negotiations, the members of the *Comisión de Relacionamento* reached a consensus on four main labor policies: (1) re-establishing corporate institutions of collective-bargaining in the private sector (*Consejo de Salarios*); (2) expanding collective bargaining rights to public sector workers; (3) granting legal protections to union activity (*Ley de Libertad Sindical*); and (4) increasing real wages by a percentage equal to the real wage loss experienced during the previous conservative administration of Jorge Batlle (2000-2005). As one of the representatives of this commission explained:

“In 2002 the FA decided to create, in a party plenary, a *comisión de relacionamiento* between the PIT-CNT and political cadres. The objective was to intensify the relationship between the labor movement and the party, to massage the relationship, to come up with common positions given the fact that it was likely that the FA would win the presidency in 2004... the PIT-CNT elected its representatives to the commission and the FA did the same...in those negotiations all the different FA factions were equally represented, the FA’s leadership always tries to achieve that equal representation...Eduardo Bonomi (the future Labor Minister) was represented there, and was one of the crucial links between the labor movement and the party...The commission started to function on a regular basis and we came up with a labor program for the future *Frente Amplio* government. There we agreed on the re-installation of sectoral collective bargaining for the private sector, the expansion of collective bargaining rights for public workers, and a foundational law that would be the *Ley de Libertad Sindical*. If that law wasn’t adopted first, it would become extremely difficult to make progress on the other laws, because during the 1990s there had been considerable persecution against union leaders by employers.”

*Ivonne Passada, PIT-CNT’s representative to the Comisión de Relacionamento and FA’s Vice-President.*²⁷²

The commission’s recommendations were later incorporated into the party’s program. This step was crucial: the FA’s program is binding for presidents, and the fractionalized power structure of the FA allows the party base and factions—which have their own parliamentary representation—to hold the president accountable. Once Tabaré Vázquez became president, therefore, he adopted these policies without changing a comma. In sum, the main labor policies of the FA government were crafted by unions and representatives from the FA’s main parties before the FA Labor Ministry even came to office.

What was the impact of these policies on union empowerment? The re-establishment of collective bargaining in the private sector was a watershed for union power. Almost fifteen years after the suspension of collective bargaining in the private sector, the government’s mandate that wage negotiations had to be undertaken in each

²⁷¹ Interview with Eduardo Bonomi, Ministry of Labor and Social Security, 10.15.2015, Montevideo.

²⁷² Interview with Ivonne Passada, Representative for the MPP, 10.9.2015, Montevideo.

economic sector revitalized many union organizations that were severely undermined. Moreover, the adoption of the *Ley de Libertad Sindical* allowed unions to thrive in a previously low-unionized sector by granting them new protections against a common tactic used by employers in the 1990s: the arbitrary dismissal of union activists. All actors involved in industrial relations acknowledge the effect of these labor laws on union empowerment:

“Without doubt, the fifteen years between 1990 and 2005 were negative for the labor movement (because of deindustrialization, liberalization of imports, technological changes), entire economic sectors were destroyed, destroying jobs. The labor movement became 80% based in the public sector. Private sector unions were symbolic, our union activists kept stoically the union rights flag in adversity. Even a flagship union such as the SUNCA (construction workers) was turned into ashes because there was no employment in the sector. After 2005, it wasn’t a set of enlightened labor leaders that took the labor movement from 100,000 to 400,000 members. It was the consequence of more than 60 labor laws, but three or four at the beginning were crucial: *ley de libertad sindical*, collective bargaining laws in the public and private sector. That generated a legal framework that allowed us to grow.”²⁷³

Fernando Gambera, president of the Bank Workers Union

“The collective bargaining law for the private sector was a law that gave everything to unions...Before there was less negotiation between employers and unions. Under the new law, we have to start negotiating minimum wages per economic sector. The turning point is the collective bargaining law, because the state adopted policies that directly benefited unions.”

*Juan Mailhos, Labor Lawyer of Uruguay’s Chamber of Commerce*²⁷⁴

The combination of government-sponsored collective bargaining and new legal protections for unionists augmented both the number of union members as well as unions’ leverage over the working class dramatically. As Table 5.11 shows, in terms of coverage of collective bargaining agreements, the percentage of workers covered by collective bargaining agreements went from 21.6% in 1995 to 98.5% in 2010. In other words, while in the 1990s most Uruguayan workers set their wages through individual negotiations with employers –or did not negotiate wages at all, by the end of the second FA administration almost all formal workers relied on unions to set their wages.

²⁷³ Interview with Fernando Gambera, President of the Bank Workers Union, 10.12.2015, Montevideo.

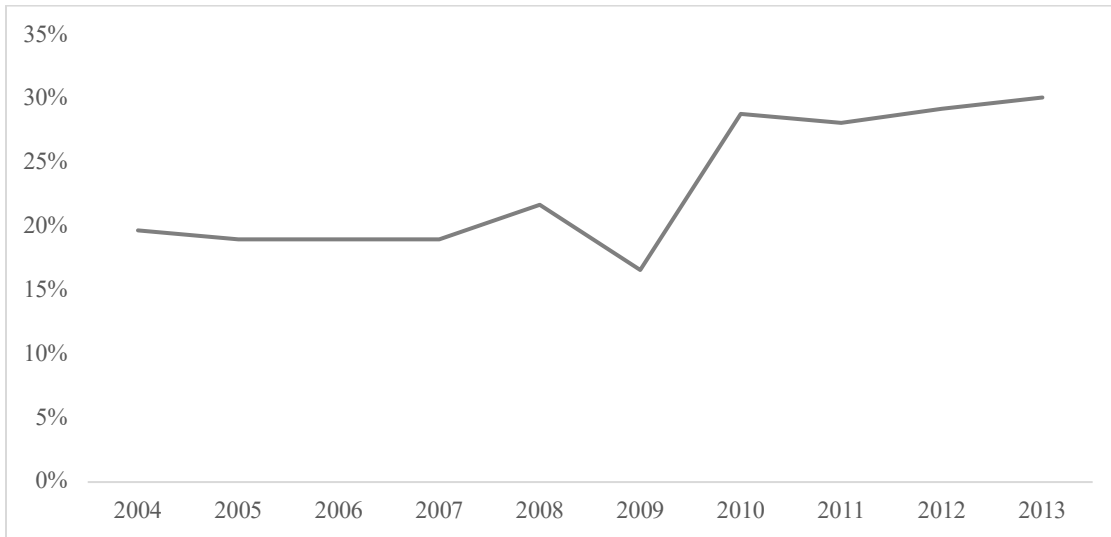
²⁷⁴ Interview with Juan Mailhos, Labor Lawyer of Uruguay’s Chamber of Commerce, 10.7.2015, Montevideo.

Table 5.11. Coverage of Collective Bargaining Agreements (Private Sector)

	Collective Bargaining Coverage
1995	21.6%
2007	89.0%
2010	98.5%
2013	95.2%
2016	94.6%

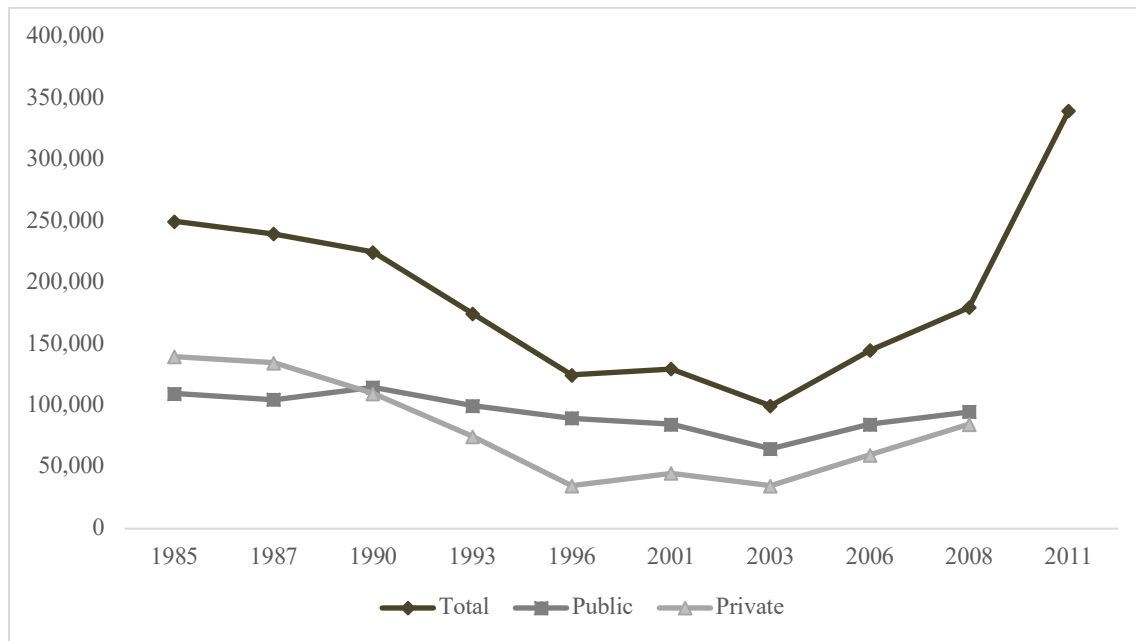
Sources: Author's elaboration with data from ILO (2007-2016), ECLAC (1995).

Furthermore, unionization increased substantially, from 19.70% in 2003 to 30.10% in 2013 (Figure 5.7). This means that the PIT-CNT almost quadrupled their number of members, from around 110,000 in 2004 to more than 400,000 in 2015 (Figure 5.8). This recovery was particularly significant in the private sector. As Figure 5.8 shows, the previous decline in the number of affiliated workers was deeper within the private sector, but by 2008, the number of union members in the private sector practically matched the number in the public sector.

Figure 5.7. Unionization Rate in Uruguay, 2004-2013 (% salaried workers).

Source: Author's elaboration with data from ILO

Figure 5.8. Number of PIT-CNT Members, 1985-2011 (absolute number).



Source: Méndez y Senatore.2011., in Antía, F. et al.2013. La renovación del sistema de protección uruguayo: el desafío de superar la dualización. *Revista Uruguaya de Ciencia Política*, 22, no.2: 171-194.

A similar process took place in the public sector. However, starting conditions were, from a legal standpoint, worse. With the exception of a minority of workers in public enterprises, public workers in most sectors (such as the federal public administration or teachers, the two biggest employers in the public sector) never enjoyed collective bargaining rights in Uruguay. That is, union cadres had no experience whatsoever in negotiating wages and working conditions with the state. As explained above, through negotiations between party leaders and unionists, public sector unions were able to include the expansion of collective bargaining rights for public workers in the party platform. The influence of unions in the party was crucial for including this provision. Indeed, FA presidential candidate Tabaré Vázquez was particularly hesitant about empowering public sector unions given the negative precedent of FA's relationship with municipal workers (ADEOM) in Montevideo described above. These fears were also shared by the first FA Labor Ministry.²⁷⁵ An important member of the *Comisión de Relacionamento* described the importance of this concern during the meetings between unionists and party leaders at which the FA's labor program was crafted: "One day the FA's president came to me (as a member of the *Comisión de Relacionamento*) and said: 'look, Tabaré doesn't want to create another ADEOM.' Tabaré was concerned about not making the same mistakes of re-creating the unequal labor relations between the state and public sector unions that took place when he was mayor of Montevideo."²⁷⁶

²⁷⁵ Personal Interview #19 10.23.2015, Montevideo.

²⁷⁶ Personal Interview #20, 09.08.2015, Montevideo.

Ultimately, however, public sector union demands could not be neglected by the FA. The labor movement was powerful within the party and, by 2005, public sector unions practically *were* the PIT-CNT (Figure 5.8). Their interests would ultimately override any initial hesitation Vázquez had and collective bargaining rights for public workers were eventually included in the program without much resistance from within the party.

Unions' power within the party not only allowed them to shape the FA's initial labor program, but also to move the FA governments to the left of their initial preferences on labor policies. Indeed, the existence of rival factions within the FA allowed unions to use their alliances with leftist factions to force the FA administrations to expand redistributive policies. Two episodes are illustrative of this political dynamic in which competition among FA factions allowed unions to extract more benefits from the government: the expansion of legal protections for union activists and the discussions concerning the education budget.

The *Ley de Libertad Sindical* adopted in 2006 was a watershed for Uruguay's industrial relations system. For the first time in Uruguay's history, the state implemented legal protections for union activity. Although the adoption of this law was part of the initial labor program negotiated between unions and party leaders,²⁷⁷ the specifics of this law had to be negotiated in Congress. During Congressional debates, one of the most controversial topics was the question of who, among the union base, would enjoy legal protection against layoffs by employers. Unions made a radical proposal: both union leaders and union 'activists' would be protected against dismissal by employers. Business opposed the law, arguing that virtually any worker could claim 'activist' status to avoid being fired. The Economic Minister Danio Astori, a key leader of FA's moderate faction, sided with business and opposed the law, labeling it as a 'law from the old left.'²⁷⁸ However, unions' preferences prevailed: the PIT-CNT mobilized and pressured its allied factions in Congress, leaving Astori with no party support on this issue. As the chair of the labor legislation committee explained:

"The PIT-CNT mobilized and pressured its allied factions in Congress. So PIT-CNT's programmatic positions are channeled through legislators, and they end up leaving a blueprint in the legislation. They are discussions that originate in the labor movement and *se meten para adentro*. Astori was in a minority position because of the strong union pressure over the FA. It was very complex, and no one left this discussion unharmed."

Ivonne Passada, Chair of the Labor Legislation Committee in the lower house, former PIT-CNT leader and FA's Vice-President

²⁷⁷ Interviews with Mario Pomatta, PIT-CNT's lawyer for the public sector, 11.26.2015; Juan Castillo, National Director of Labor Relations, Ministry of Labor and Social Security Official, former leader of the dock workers union and FA's vice-president, 10.6.2015, Montevideo; Nelson Loustaunau, Subsecretary of Labor and Social Security. 10.6.2015, Montevideo.

²⁷⁸ Press Release from the CNCS, Montevideo.

Similar tensions emerged during debates over the education budget. The party program mandated that the FA government should allocate 4.5% of Uruguay's GDP to education. This reform was crucial for teacher unions, as it would provide the fiscal space for wage increases. Astori opposed the reform, as it deemed the 4.5% target too ambitious, potentially jeopardizing fiscal surpluses. He even threatened to resign if the increase was approved, triggering a serious political crisis within the FA. However, the power of the FA's leftist factions and unions prevailed. After some concessions to Astori were made, the 4.5% target was approved:

"Vazquez always says that he governs with the Constitution in one hand and the party program in the other. You can't go against it, the party will turn against you. There is always the threat of parliamentary rebellion against the president. If we didn't deliver on education, we would face a problem with teachers' unions, but also a violation of the program would bring about a huge cost with the party's base. At the same time, Astori's reputation among the business community was huge, and so his resignation would have been a huge blow for us."

*Minister, Tabaré Vázquez Administration (2005-2010)*²⁷⁹

State Empowerment: Social Ministries Run by Unionists

Besides their empowerment in industrial relations, unions demanded their fair share of representation in the executive. At first, president Vázquez was hesitant about granting unionists too much power in the Labor Ministry, as he feared that being 'on both sides of the counter' would incentivize governmental officials against moderation. He was especially fearful of a Labor Ministry run by someone from the Communist Party (PCU). Leaders from the PCU were the 'natural' candidates for this position due to the fact that it was the party with the strongest representation among unions. As a former Labor Ministry official recalls:

'Tabaré was hesitant about giving the Labor Ministry to the Communists because he would have two people on the same side of the counter. He was looking for someone without prior compromises with unions.'

*High Ranking Official, Ministry of Labor*²⁸⁰

Following this logic, Vázquez appointed to the Labor Ministry Eduardo Bonomi from the MPP. Although he had been appointed to the *Comisión de Relacionamento* to represent the MPP in the negotiations regarding FA's labor program, Bonomi himself was not a union leader. He had had a brief stint as a union activist in the early 1970s, but later joined the *Tupamaro* guerillas that would eventually join the FA in the late 1980s after the transition to democracy. He was part of the same group from which José 'Pepe'

²⁷⁹ Personal Interview #21, 11.21.2015, Montevideo.

²⁸⁰ Personal Interview #22, 10-06-2015, Montevideo.

Mujica, Uruguay's former president (2010-2015), came. As explained above, despite the MPP being one of the most leftist parties within the FA, it has a very marginal representation within Uruguay's labor movement.

Despite Bonomi's appointment and the initial exclusion of the PCU from the Labor Ministry, two factors ultimately allowed unions to gain considerable representation in the executive: unions' influence over the party and the strong links between the party and the union movement. First, union influence over the party allowed them to ultimately obtain considerable representation in the ministry. Second, the strength of links between unions and the FA guaranteed that unionists, once appointed to office, would try to accommodate unionists' demands to the overall macroeconomic and electoral objectives of the party.

Table 5.12 shows the level of unionists' representation in the Executive during the FA administrations. It shows, for each ministry, the percentage of ministers and secretaries with a union background. In terms of the aggregate level of political appointments, in Uruguay unionists achieved a considerably high level of political representation in the Executive. In total, 17.87% of executive posts were filled by FA members who had a union background.

Equally important, however, is to analyze union representation in the two key offices that have policy authority over the welfare policies unions care the most about, the Labor Ministry and the *Banco de Previsión Social* (Social Insurance Bank, BPS). Control over the Labor Ministry and the BPS was crucial to enact unions' redistributive agenda. The Labor Ministry had the capacity to call the *Consejo de Salarios*, that is, to summon unions and business to negotiate collective bargaining agreements at the sectoral level. Moreover, it had the legal prerogative of *homologación*—that is, of making collective bargaining agreements legally binding for workers in the entire economic sector. Finally, the Labor Ministry has the capacity to conduct labor inspections. In an initial context where informality levels were high, controlling the institutional levers through which the state could formalize workers—hence, making collective bargaining agreements and wage increases actually binding for workers—was crucial for unions as it would allow them to considerably broaden the universe of beneficiaries of the FA's progressive labor agenda.

Table 5.12. Unionists Appointed to Top Executive Positions 2005-2017 (%).

	Total Years in Office (Ministers+ Secretaries)	Unionists' Years in Office	% Unionists' Years in Office	Advisors' Years in Office	% Advisors' Years in Office
Secretary of the Presidency	24	5	20.83	0	0.00
Ministry of Interior	94	17	18.09	1	1.06
Ministry of Economy and Finance	154	5	3.25	4	2.60
Ministry of Foreign Affairs	134	2	1.49	0	0.00
Ministry of Defense	80	11	13.75	0	0.00
Ministry of Transport and Public Work	108	25	23.15	5	4.63
Ministry of Public Health	57	34	59.65	6	10.53
Ministry of Agriculture, Livestock and Fisheries	138	7	5.07	0	0.00
Ministry of Industry, Energy and Mining	100	12	12.00	5	5.00
Ministry of Education and Culture	118	14	11.86	5	4.24
Ministry of Labor and Social Security	86	43	50.00	9	10.47
Office of Planning and Budget	24	2	8.33	0	0.00
Ministry of Housing, Land Planning and Environment	94	10	10.64	0	0.00
Ministry of Tourism	58	0	0.00	0	0.00
Ministry of Social Development	152	17	11.18	11	7.24
Social Insurance Bank	48	24	50.00	5	10.42

Source: Author's elaboration. See methodology in Table 5.6.

As was explained in Chapter 2, the BPS is the institute in charge of administering social security in Uruguay. The BPS has a tripartite directorate: it has one representative from unions, one from business, one from pensioners, and four directors appointed by the Executive. Moreover, it has a president and a vice-president also appointed by the Executive. Controlling the BPS was crucial for unions for two reasons. First, the BPS has autonomy to determine annual increases in pension benefits as well as rules determining access to these benefits. As will be explained in the section on pensions, controlling this institution—and hence, the content of these rules—was crucial to increase benefits for the union base. Second, the BPS shares with the Labor Ministry the legal prerogative to undertake labor inspections. For the reasons mentioned above, controlling labor inspections was crucial for unions. Moreover, as we will examine in greater detail below, the BPS developed a specific system to carry out labor inspections among domestic

workers. This was crucial to make access to pensions easier for domestic workers and to effectively expand their labor rights.

How well were unionists represented in the Labor Ministry and the BPS? As Table 5.13 shows, the percentage of officials with a union background in these two key offices was particularly high. Indeed, 92.31% of Labor Ministers had a background as unionists (and 44.44% of secretaries in the Labor Ministry). Although Bonomi had a distant past as a unionist, the two officials who served right under Bonomi were union cadres and eventually dictated the Labor Ministry's agenda.²⁸¹

Table 5.13. High-Ranking Officials with Union Background - Labor Ministry and BPS (%).

Labor Ministry	51.06
Ministers	92.31
Secretaries	44.44
Social Security Ministry	50
Ministers	100
Secretaries	33.33
Total	50.68
(Labor + Social Security)	

Sources: Author's elaboration. See methodology in Table 5.6.

Further, all BPS presidents (as well as a third of the directors appointed by the Executive) had a union background. The BPS president during FA's first administration was Eduardo Murro (2005-2015). His links with unions were extremely strong. He had served as the former unions' representative on the BPS's board before the FA came to power. Moreover, 33% of directors appointed by the Executive had a union background. Overall, 50% of the BPS leadership appointed by the Executive (the president, vice-president and half the directors) had some union background. As we will show in greater detail below, this was crucial for shaping the FA's labor policies in ways that benefited the working class.

Finally, it is important to note that the prior links between unions and government officials—which, among other things, allowed both actors to set agreed-upon goals regarding labor policies—allowed the incorporation of unionists into key political positions in the Executive without the risk that appointed unionists would push for wage increases that would undermine the Economic Ministry's economic agenda. Former

²⁸¹ Personal Interview #22, 10-06-2015, Montevideo.

Economy Minister Fernando Lorenzo explains how this trust between government officials and unions, based on the strong, pre-existing links between unions and the party, was crucial for moderating demands from both unionists leading union organizations as well as those appointed to the Labor Ministry:

“We worked very well with the Labor Ministry, if there wasn’t that level of political accord and trust with the team there...the history would not have been so good. We set the *pautas salariales* by mutual accord. And the Labor Ministry defined an objective that helped us a lot. It said: “The objective of the government is to recover the (wage levels) lost during the economic crisis.” That allowed us to undertake gradual reform and obtain moderation from social actors. All actors knew what the objective was. We didn’t have to veto one single agreement at the beginning.”²⁸²

Fernando Lorenzo, Economy Minister

Another top official from the Labor Ministry mentioned how strongly unionists identified with the government and how committed they were to contribute to the overall government performance of the first FA administration:

“Unions had a government that would protect them, with which they identified. The majority of them had voted for the FA. They said: ‘We are not going to betray the party we voted for, and we are going to do whatever is in our power to help them achieve their governing objectives.’”²⁸³

Nelson Loustaunau, Subsecretary of Labor and Social Security

Income Redistribution to Insiders: The Key Role of FA’s Factions and Party Base Organizations in Shaping the Party Program.

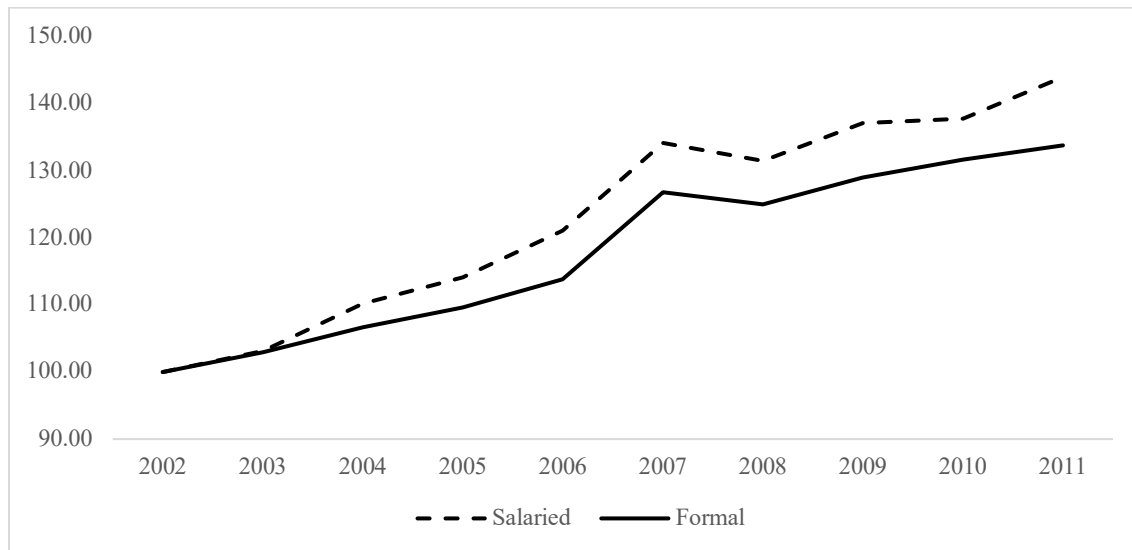
In terms of wage policies for unionized formal workers, in the private sector the leftist governments used two main policy tools to augment workers’ wages: reactivating mandatory collective bargaining at the sectoral level and setting formal parameters for wage increases. In terms of the former, I have already explained how the reactivation of sectoral collective bargaining was crucial for union empowerment. This, in turn, allowed unions to negotiate wage increases with employers, driving wages up. Second, the government set annual, formal parameters for wage increases for the whole economy (*Pautas Salariales*). Each year, government officials would establish a parameter of nominal wage increase that would serve as a reference for all economic sectors. Although this yearly figure would be discussed with unions and employers, it was ultimately set by the Economic Ministry. In practice, this *pautas* served as a lower bound for wage negotiations in each economic sector. Unions and employers would negotiate wage increases that were around or above the *pautas*. Therefore, by setting *pautas* that were

²⁸² Interview with Fernando Lorenzo, Minister of Economy and Finance, 10.15.2015, Montevideo.

²⁸³ Interview with Nelson Loustaunau, Subsecretary of Labor and Social Security, 10.6.2015, Montevideo.

always above inflation, the government effectively helped unions in the private sector achieve significant real wage increases during the FA administrations. As can be observed in Figure 5.9, salaried workers' wages grew more than 30% in real terms, and formal workers' wages—those represented by unions—increased by almost 50% in real terms. These wage increases followed closely the *pautas salariales* set by the government (Etchemendy 2019).

Figure 5.9. Evolution of Private Sector Wages, 2002-2011 (Real Increase).



Source: Author's elaboration with data from Instituto Nacional de Estadística (Statistics' National Institute, INE).

In the public sector, wage demands from unions are a particularly difficult issue for leftist governments, because they face with much more intensity the competing pressures of their core constituents (unions), on the hand, and markets, on the other. Specifically, leftist governments have to balance the contradictory objectives of maintaining fiscal surpluses and advancing the redistributive demands of their organized base in public sector unions.

The Uruguayan Left faced particularly severe fiscal and financial constraints at the beginning of the first administration of Tabaré Vázquez (2005-2010). Having inherited a public debt of 101.6% of GDP, the government relied on international financial institutions to finance its fiscal deficit. Therefore, the governments' priority during the initial years was to close deals with the IMF, the World Bank and the Interamerican Bank to guarantee access to funding to pay Uruguay's foreign debt. These lending institutions demanded high primary fiscal surpluses, limiting initial opportunities to increase social spending.²⁸⁴

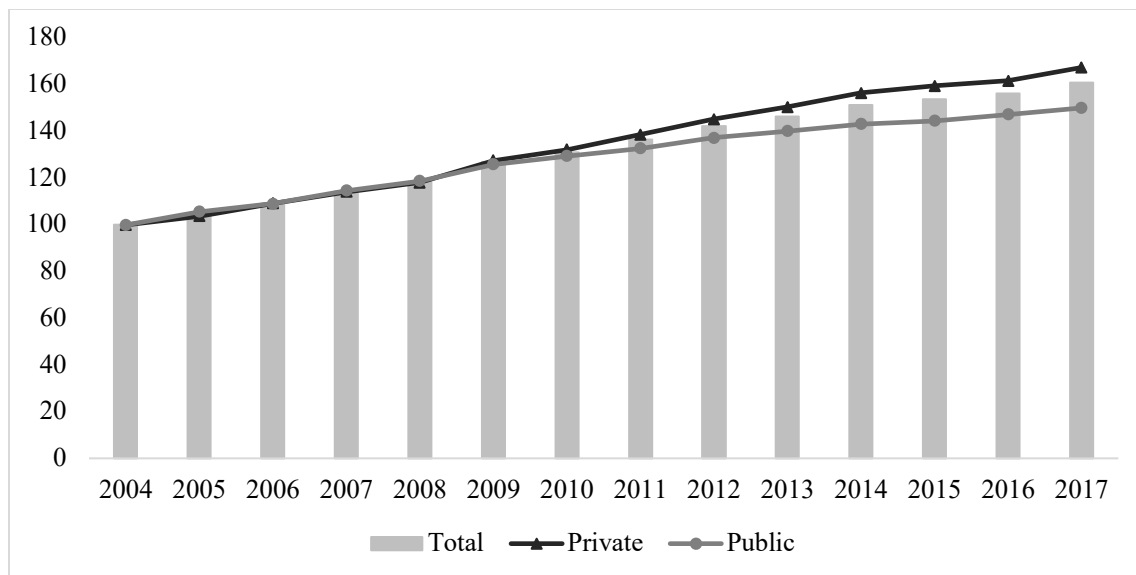
In the context of these fiscal constraints, and given the high levels of poverty inherited from the previous administration, which had faced one of the most severe economic recessions in the country's history, the government's priority was to devote its

²⁸⁴ Interview with Fernando Lorenzo, Minister of Economy and Finance, 10.15.2015, Montevideo.

scarce fiscal resources to alleviate extreme poverty. In fact, government officials made official statements in which they argued that wage increases in the public sector was a low priority, and would have to wait due to severe fiscal constraints and the harsh situation that poor families were suffering.

This scenario generated considerable tension between the government and its base in public sector unions at the beginning. While private sector unions were given considerable wage increases, during 2005-2006 real wages in the public administration stagnated, as the government made the choice to only grant increases to keep up with inflation levels.²⁸⁵ However, once the fiscal situation improved, the government eventually started raising wages in the public administration in 2007, and in only three years matched the real wage increases granted to private, formal workers as well as to other public sector workers with higher bargaining capacity. Indeed, as Figure 5.10 shows, real wages for public sector workers increased by almost 40% in real terms between 2005 and 2017. The government could afford these policies because of two factors. One was Uruguay's remarkably high economic growth rates. It grew at an average rate of 4.5%, during leftist administrations. Furthermore, it adopted a tax reform that increased fiscal revenues by creating an income tax, which, surprisingly, did not previously exist in Uruguay.

Figure 5.10. Wage Increases in the Public and Private Sector, 2004-2017 (Real Increase)



Source: Author's elaboration with data from Instituto Nacional de Estadísticas (Statistics' National Institute, INE).

What explains the government's efforts to enact a battery of policies to substantially increase formal workers' real wages? How can we explain the significant fiscal effort that the government made, between 2007 and 2010, to increase public sector wages to match the increases that had been given to private sector workers since the beginning of the FA administration?

²⁸⁵ Interview with Fernando Lorenzo, Minister of Economy and Finance, 10.15.2015, Montevideo.

The officials in the Economic Ministry had the leading voice in setting the annual *pautas salariales*.²⁸⁶ Top economic officials were progressive activists from the moderate FA factions, and were programmatically in favor of promoting real wage increases for workers. However, they did not believe that sectoral collective bargaining was the most efficient wage-setting procedure to boost economic growth and productivity. On the contrary, they believed in more decentralized forms of wage setting.²⁸⁷ Moreover, in setting the annual *pautas salariales*, they were interested in balancing different economic objectives that were sometimes contradictory, such as wage increases, augmenting employment, low inflation and high fiscal surpluses. And although the Economy Ministry had considerable discretion in setting the ‘*pautas salariales*’ each year, both the *total amount* of real wage increases during the entire first FA administration, as well as the *format* through which these increases were to be granted—sectoral collective bargaining—were set by the party before the FA came to power. In the words of a top Economy Ministry official, these objectives were ‘political constraints’ that were given to them by the *Frente Amplio*.²⁸⁸

“In terms of sectoral collective bargaining, we observed there were some positive experiences (for example, in the Nordic countries), but in others there wasn’t such a positive experience. But at a technical level, for us (sectoral collective bargaining) it was an input, a fact of political reality, something that was imposed by the Frente Amplio. It was like that and we had to work with it.”

*Andrés Masoller, Viceminister of Economy and Finance*²⁸⁹

Indeed, as explained above, one of the central points of the labor program included in the party program elaborated in 2004 was to recover the wage loss experienced by workers during the previous, conservative administration of Jorge Battle (2000-2005), a government that faced a severe economic crisis in 2001-2002. Moreover, that program established that these real wage increases would be set through the reenactment of the Consejos de Salarios. The Economy and the Labor Ministries worked with that constraint in mind when elaborating the annual *pautas salariales* in order to fulfill the objective established in the program.²⁹⁰

²⁸⁶ Interview with Fernando Lorenzo, Minister of Economy and Finance, 10.15.2015, Montevideo, and with Nelson Loustaunau, Subsecretary of Labor and Social Security. 10.6.2015, Montevideo.

²⁸⁷ Interview with Fernando Lorenzo, Minister of Economy and Finance, 10.15.2015, Montevideo, and Mario Bergara, President of the Central Bank and Minister of Economy and Finance, 10.13.2015, Montevideo.

²⁸⁸ Interview with Mario Bergara, President of the Central Bank and Minister of Economy and Finance, 10.13.2015, Montevideo.

²⁸⁹ Interview with Andres Masoller, Viceminister of Economy and Finance, 10.8.2015, Montevideo.

²⁹⁰ Interview with Fernando Lorenzo, Minister of Economy and Finance, 10.15.2015, Montevideo, and with Nelson Loustaunau, Subsecretary of Labor and Social Security. 10.6.2015, Montevideo.

Labor Policies Towards Outsiders: Electoral Competition with Center-Right Parties and the Role of Unions with Political Access

The governments adopted several labor policies that benefited outsiders. Through generous minimum wage increases, the government increased the living standards of non-unionized, formal workers. Furthermore, the FA extended collective bargaining rights to two sectors in which unionization was absent or very weak, where informal workers represented the majority of the labor force, namely domestic and rural workers.

In this redistribution of income and power to outsiders through labor policies, two political factors played a crucial role. One was electoral competition with center-right parties for the votes of outsiders, which gave the FA an incentive to expand outsiders' income. This was particularly the case for rural workers, who had traditionally voted for the conservative *Blanco* party in Uruguay. Furthermore, unionists appointed to executive positions used their new regulatory powers to expand social rights to groups within the popular sectors with weak organizational capacity. This was clearer in the case of the expansion of collective bargaining rights to domestic workers, as well as in minimum wage increases.

These cases of labor policy expansion toward outsiders are interesting to the extent that they help us refine the theory presented in Chapters 1 and 2. In those chapters, income and power redistribution are treated as two different dimensions of the dependent variable. However, as the cases below illustrate, state power can sometimes be used by social organizations to advance the rights and claims of some categories of workers who lack the sufficient strength to fight for their own rights in industrial relations.

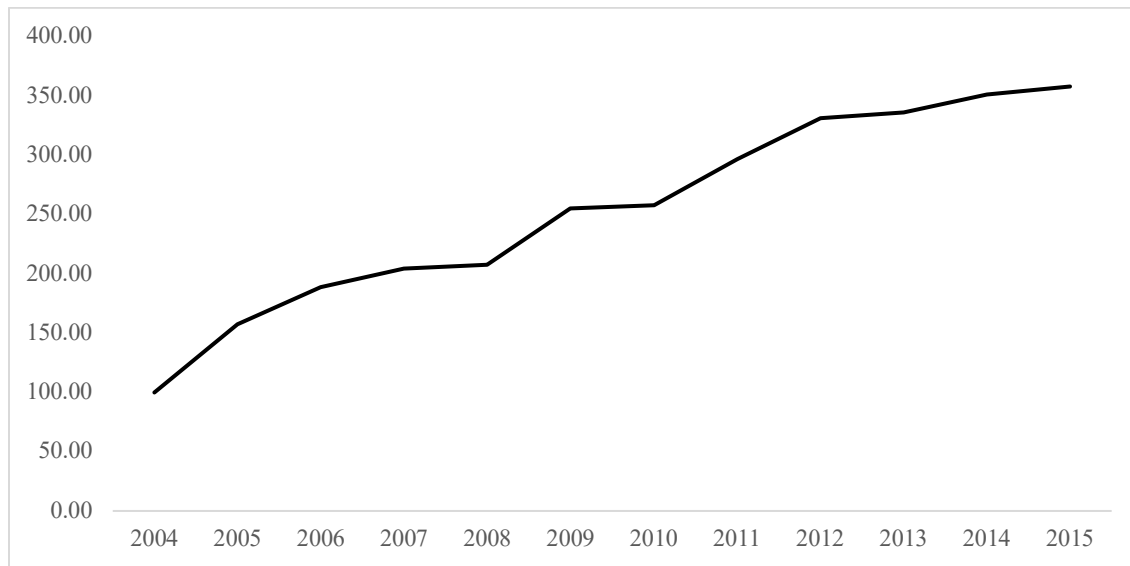
Non-Unionized/Weakly Unionized Workers Earning the Minimum Wage

The government expanded income and power towards low-income, formal workers through three main instruments: (1) *pautas salariales*; (2) setting new special, higher wage increases for low-income workers; (3) increasing the minimum wage. The role of the *pautas salariales* was described above. What is important to note is that, in the minds of governmental officials, one of the main roles performed by the *pautas* was to increase the wages of those formal workers at the bottom of the income ladder. As the former Economy Minister explained: 'The 'pautas' helped low-income workers a lot. They were designed with that aim in mind.'²⁹¹

But the government also devised a special policy to grant extra wage increases (that is, above the annual *pauta*) to workers in sectors that paid wages near the minimum wage. This was typically the case for workers in retail and for domestic and rural workers. The third policy was the increases in the minimum wage. As can be observed in Figure 5.11, the minimum wage in Uruguay increased by 250% between 2005 and 2017.

²⁹¹ Interview with Fernando Lorenzo, Minister of Economy and Finance, 10.15.2015, Montevideo.

Figure 5.11. Minimum Wage 2004-2017 (Real Increase).



Source: Author's elaboration with data from Instituto Nacional de Estadística (Statistics' National Institute, INE)

Expansion of Collective Bargaining Rights to Rural and Domestic Workers

The other important labor strategy toward low-income, unorganized workers was the expansion of individual and collective bargaining rights to rural and domestic workers. Unions were extremely weak in these sectors, lacking the pressure capacity to promote their demands for better wages and working conditions or the expansion of collective bargaining rights.²⁹² In this context, the government attempted to create new social actors from above by expanding their collective bargaining rights. Specifically, by creating tripartite councils to negotiate sectoral wages for these sectors, workers had incentives to organize themselves in unions and employers were forced to sit at the negotiating table to negotiate with these new unions, hence legitimizing their existence as partners in industrial relations.

What explains this expansion of income and power toward low-income, non-unionized workers? Two factors are crucial in this expansion: while income redistribution toward rural and domestic workers is explained by the FA's electoral competition with traditional parties for the votes of this sector, the expansion of individual and collective bargaining rights to domestic and rural workers (as well as the increase in *salarios sumergidos*) is mainly explained by the influence of the PIT-CNT over the party and the government.

In electoral terms, I already showed how the FA's main weakness vis-à-vis traditional parties was its lack of support among urban informal and rural workers. Domestic workers comprised a large share of informal workers in Uruguay. In this regard, the FA's expansion of labor rights toward these sectors is partly explained by the

³⁴ Interview with Nelson Loustaunau, Subsecretary of Labor and Social Security. 10.6.2015, Montevideo.

need to consolidate its support among this group of popular-sector swing voters. As a prominent PIT-CNT and FA leader and legislator stated:

“Our strategic debates were around the following question: How do we achieve a situation in which social groups identify with the FA’s political project? That consideration was behind the expansion of labor rights to domestic and rural workers. Those sectors were strategically very important from an electoral standpoint to strengthen our political project. The idea that the FA has to accumulate political capital among the social forces of progressive change by expanding social rights to these groups...These were the discussions we had with (the Labor Minister) Bonomi.”

Ivonne Pasada, FA’s Vice-President

Because these sectors had extremely weak, almost non-existent unions, they lacked the bargaining power to push for these changes by themselves. So, as we will see in the next section regarding the expansion of income support programs in Uruguay, electoral competition for unorganized workers vis-à-vis center and center-right parties played an important role in the expansion of social policies toward rural and domestic workers. But the expansion of rural and domestic workers’ rights—and in this regard both unionists and government officials give the same account—was in the beginning an initiative that originated in the PIT-CNT and for which PIT-CNT strongly lobbied.

The PIT-CNT was able to exert this influence in favor of these policies through two channels: its power within the party, which allowed the PIT-CNT to shape the government’s labor program, and through the appointment of unionists and unionists’ aides to top governmental positions in the Labor Ministry. The first mechanism was explained above: as part of the outline of the FA’s labor program negotiated between party leaders and unionists, expanding rural workers’ collective bargaining rights was part of the PIT-CNT’s agenda. The expansion of domestic workers’ rights and increasing *salarios sumergidos* is better explained by the second mechanism. Although they were not part of the FA’s original labor program, the appointment of unionists and union lawyers to top positions in the Labor Ministry shaped the ministry’s agenda in a more progressive way. In this process, the role of the *Instituto Cuesta Duarte* was key: as the PIT-CNT’s think tank, it provided new ideas and data through which new problems faced by unorganized workers could be identified, policy proposals formulated and then transmitted to the union allies in the Labor Ministry.

Moreover, the BPS and the Labor Ministry share competencies on the administration of welfare benefits and labor inspections. Union control over both agencies facilitated the implementation of new labor laws in sectors with weak unions, such as rural and domestic workers, where businesses would have otherwise evaded labor legislation. The government designed several campaigns of labor inspection in residential homes, carrying out inspections in affluent families’ homes in Montevideo that were innovative and received considerable coverage in the news. As a result, the percentage of formalized domestic workers increased dramatically. Formalization of this sector was actually crucial for making advances in collective bargaining rights concrete for domestic and rural workers. Without these formalization campaigns carried out by the Labor

Ministry and the BPS, the new rights would have remained theoretical and not have been realized.

Income Support Programs

Uruguay is a case of generous income redistribution towards outsiders. The FA's policies towards outsiders radically transformed the way the Uruguayan state dealt with poverty. While the Uruguayan state had developed strong welfare institutions that provided generous benefits to formal workers and pensioners, outsiders had been excluded from the Uruguayan welfare state. Furthermore, the existing array of policy relief programs were the turf of traditional parties, who distributed them through clientelistic networks among their electoral base in the popular sectors, rural and urban, informal workers. Finally, these programs were not institutionalized and had limited coverage.

The FA transformed the status quo by creating a new Ministry of Social Development (MIDES) with the policy authority to adopt social policies toward outsiders. This ministry adopted two income support programs with wide coverage that considerably reduced poverty levels in Uruguay. The first program was the PANES, which was designed to be temporary; it had a formal end date in 2007. It was targeted at families in extreme poverty, which had increased considerably in the aftermath of the 2001-2 economic crisis. In 2008 the government replaced PANES with a more comprehensive and long-lasting program towards outsiders, the *Plan Equidad*. Its main component was a conditional cash transfer for poor families with children that considerably increased the coverage of poverty relief programs in Uruguay. Unlike previous administrations, the FA's social programs provided, for the first time in Uruguay's history, social benefits for outsiders that were granted on the basis of objective needs evaluated through transparent and technocratic criteria.

The FA's social policies toward outsiders are explained by two political factors: (1) the party base's commitment to diminishing the high levels of poverty caused by the 2001-2002 economic crisis, and (2) the need to attract electoral support from rural and urban outsiders, two groups that had traditionally supported the *Colorado* and *Nacional* parties.

The party base's commitment to devote substantial resources to diminish poverty levels was incorporated into the party program for the 2005-2010 period. As explained above, incorporating an issue in the party program made it a binding commitment for FA presidents. Once he came to power, Tabaré Vázquez (2005-2010) followed through on this commitment by launching PANES.

Electoral incentives, however, were equally important. The FA's electoral weakness among rural and urban outsiders had given the Blanco and Colorado parties a decisive electoral advantage that kept the FA out of power for decades. FA politicians knew that if they wanted to turn their recent increase in electoral support into a long-lasting, electoral coalition, they had to use the resources available to the Executive to build a permanent base of support among these rural and urban outsiders. Because poverty disproportionately affected these sectors, policies targeted at them would certainly improve the electoral support for the FA among this electorate. Moreover, the adoption of technocratic criteria to allocate social policy benefits would help dismantle the clientelistic machines established by the *Nacional* and *Colorado* parties in rural areas and poor urban neighborhoods. The electoral effects of these policies were substantial: in the 2010 and 2015 elections, the FA's electoral support among rural and urban outsiders

grew dramatically, turning the FA into a powerful electoral machine that has not suffered one single electoral defeat in national elections ever since.

Finally, unlike Left governments in Argentina and Venezuela, Left governments in Uruguay did not engage in power redistribution towards outsiders through the use of political targeting. There were two reasons for this. First, there were no relevant informal workers' organizations in Uruguay before the FA came to power. Second, the structure of the *Frente Amplio* limited presidents' capacity and incentives to engage in political targeting.

The Poverty Question and the Design of PANES: Role of FA's Political Parties and the Party Base in Shaping the Party Program

The debates about how to deal with the increased levels of poverty in Uruguay had begun within the FA in the late 1990s. In the 1999 party program, the party expressed its intention to launch a program to fight poverty. However, debates about a poverty relief program became more salient after the 2001-2002 economic crisis, which increased poverty and informality levels by 14% and 7%, respectively, between 2001 and 2004.²⁹³ This forced the *Frente Amplio's* *Comisión de Programa* (the commission in charge of drafting the FA's program) to start working on a public policy program to deal with the social consequences of the crisis.²⁹⁴

For the 2004 campaign, the FA's program already mandated the establishment of the PANES (*Plan de Atención Nacional a la Emergencia Social*), which would entail a multi-dimensional approach to reducing poverty levels. The program would include job training to reincorporate unemployed workers to the workforce, improve access to pensions for informal workers, investment in housing infrastructure, health provision targeted at vulnerable populations, and education.²⁹⁵ However, PANES's main component would be an income support program, the *Ingreso Ciudadano*, that would guarantee a minimum income to families living in extreme poverty.

This incorporation into the party program was crucial for the future adoption of the PANES and gave FA's political parties a key role in its adoption and implementation for two reasons. First, because its incorporation into the party program made this commitment binding for the president, and gave FA parties a considerable role in the implementation process. Indeed, right after the FA won the 2004 presidential elections, several more specialized commissions were created in each of the program's main areas to discuss the implementation of concrete policies in each area. The commission in charge of social policies had representation from all the different parties within the FA, and was eventually the one that decided *how* the PANES would be implemented.²⁹⁶ This process took place even before the heads of the Ministry of Social Development were appointed, a fact that shows the importance of the FA and its political parties in shaping social policies.

²⁹³ Sources: Instituto Nacional de Estadísticas (INE, Statistics' National Institute) and Ministry of Social Development.

²⁹⁴ Interview with Christian Mirza, Head of Social Policy, Ministry of Social Development, 9.24.2015, Montevideo.

²⁹⁵ Interview with Marina Arismendi, Minister of Social Development, 9.23.2015, Montevideo.

²⁹⁶ Interview with Christian Mirza, National Director of Social Policies, 9.24.2015, Montevideo.

Second, because many of the members in charge of writing the social policy proposals of the FA programs were later the ones who would occupy the key positions in the National Council for Social Policies (the council in charge of designing the FA's social policies) once the FA took office. The importance of incorporating the PANES into the party program to get it enacted was explained by a top official in the Ministry of Social Development:

“The majority of those who were in the *Comisión de Programa* were later the ones in the *Consejo Nacional de Políticas Sociales*... We had prior agreements. The program, for us, is the bible. The political disputes are always disputes around the program, and the discussions over the potential detours from the program are the ones that take up much of our time. For example, Tabaré (Vázquez) had a lot of political authority, but nevertheless he always used the program as a reference. And if he had some discretion, he would always do so within the room to maneuver granted by the program. If someone tried to depart from the party program, Tabaré would remove him immediately...he was very institutionalist with respect to the program, a zealot in terms of fulfilling the program's directives.”

*Christian Mirza, National Director of Social Policies, Ministry of Social Development*²⁹⁷.

Further, the different FA political parties played a crucial role in shaping the party program. The party made sure that all the different factions were represented in the *Comisión de Programa* that would shape the FA's social policy program. This would guarantee that the most leftist factions within the FA—those more interested in social policy expansion—would have a crucial voice. As the deputy Minister of Social Policy claimed:

“In the Frente Amplio we always go as far as we can go together, especially in terms of the party program...in the *Comisión de Programa*, all the factions within the *Frente Amplio*, as well as all sectors within the FA with parliamentary representation, were represented. No faction was left outside of the process.”

*Ana Olivera, Vice-Minister of Social Development*²⁹⁸

The Creation of the Ministry of Social Development: A Multi-party Cabinet

One of the FA's first measures was the creation of the Ministry of Social Development (MIDES). The Minister and Deputy Minister positions were given to the leaders of the Communist Party. This strategy followed the general logic of cabinet nominations adopted by Tabaré Vázquez. Indeed, the president used cabinet nominations

²⁹⁷ Interview with Christian Mirza, Head of Social Policy, Ministry of Social Development, 9.24.2015, Montevideo.

²⁹⁸ Interview with Ana Olivera, viceminister of Social Development, 9.28.2015, Montevideo.

as a strategy to build coalitional support among FA's political parties. He would distribute cabinet positions to the leaders of the main political parties within the FA. The political calculation was that by having all parties within the government—therefore, making them part of the discussion and elaboration of public policies—they would deliver the votes of their parliamentary groups in Congress to support the government's initiatives (Chasqueti 2004).

Marina Arismendi, leader of the PCU, was named Minister of Social Development. Because she knew she needed to get support from different FA factions in the party and Congress to get the PANES approved in Congress, she decided to replicate Tabaré Vázquez's cabinet nomination strategy within the MIDES. Each of the MIDES directorates were given to a member of a different FA faction. The objective was to have input from all the different factions in the elaboration of social policies so that they would not become veto actors in the party and in Parliament:

“There was a back and forth with each of the factions. Marina decided to form a cabinet that was multi-partisan and plural...Her idea was to have the representation of all the voices within the FA. Each FA faction was represented in a directorate. Each director would take the discussion (of the policy proposals elaborated in the MIDES) to his/her own faction, and then come back with suggestions from his/her faction. In that way factions did not become veto points for the government”.

Christian Mirza, National Director of Social Policies, Ministry of Social Development

The Implementation of PANES: Fighting Extreme Poverty through Rule-based Policies

With the mandate of the party program and the consensus of the different factions represented in the MIDES, the FA government adopted in 2005 the PANES. This program reached 84,000 households. This represented 338,000 people, or 8% of Uruguay's population. It had a cost of US \$228 million, which was around 0.41% of Uruguay's GDP,²⁹⁹ and its benefit levels were around US \$55 per household. The objective was to cover families that were within the first quintile of Uruguay's population, and that were below the poverty line, including all people in extreme poverty, who represented half of the target population.³⁰⁰ As was mentioned above, PANES attempted to fight poverty with a multi-dimensional approach, providing labor training, better infrastructure, health benefits—such as making dental care and eye doctors more accessible to poor families—and literacy campaigns. However, its main component was the *Ingreso Ciudadano*, a monthly income granted to poor households.

Equally important was the fact that, for the first time in Uruguay's history, poverty relief programs for outsiders were granted through rule-based criteria. MIDES elaborated the ICC (*Índice de Carencias Críticas*), an index that classified households' levels of poverty based on their incomes and assets. Economist from the *Universidad de*

²⁹⁹ Amarante, V. and Vigorito, A. (2012). *La Expansión de las Transferencias no Contributivas en Uruguay en los Últimos Años*. Brasília: International Policy Center for Inclusive Growth.

³⁰⁰ Udelar and MIDES, “Final report on PANES”, Montevideo

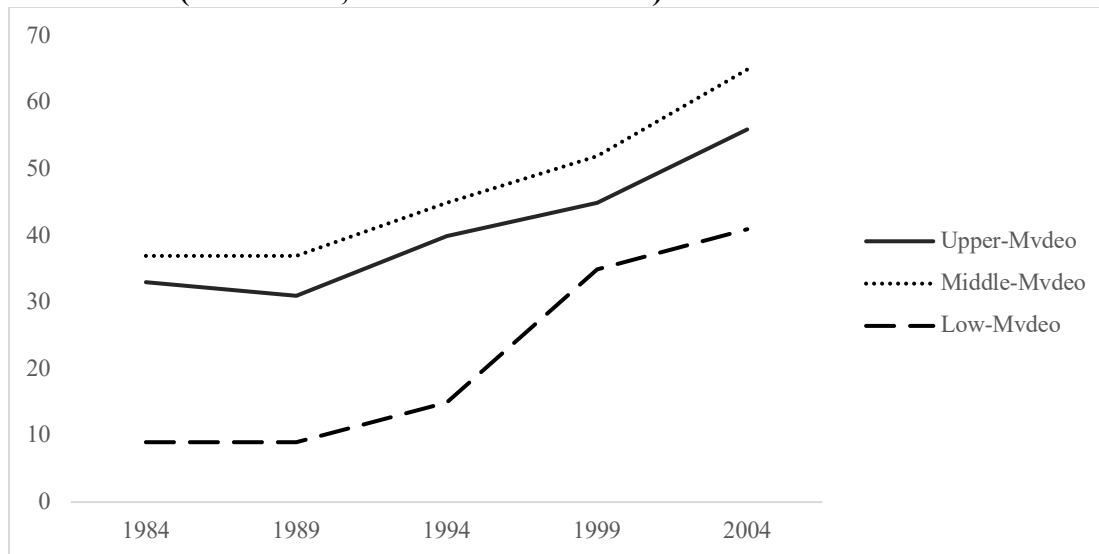
la República, the most prestigious university in the country, played a crucial role in creating the ICC. Applicants to PANES were assigned an ICC score, and would have access to PANES' benefits if applicants fell below a given threshold.

Lastly, an important dimension of PANES is that it was defined as a temporary program. Unlike similar income support programs in Argentina and Brazil, in Uruguay the FA conceived PANES as a temporary relief for poor people who were affected by the 2001-2002 economic crisis. The central idea was that as the Uruguayan economy grew at a consistent, high rate, the labor market would eventually reabsorb poor unemployed and informal workers and that the faster people could get out of the program, the better.³⁰¹

The Electoral Logic behind PANES: Defeating Opposition Parties among Labor-market Outsiders

As explained above, the role of the different FA political parties in the inclusion of PANES in the FA program was crucial to get this policy enacted once Tabaré Vázquez came to power. However, an equally crucial motivation was the need to court the support of rural and urban outsiders, two key popular-sector constituencies that tended to vote disproportionately for traditional parties. This voting pattern can be observed in Figures 5.12 and 5.13, based on data from Luna (2014).

Figure 5.12. Electoral Support for *Frente Amplio*, by Socio-Economic Status – Montevideo (% of Votes, Presidential Elections).

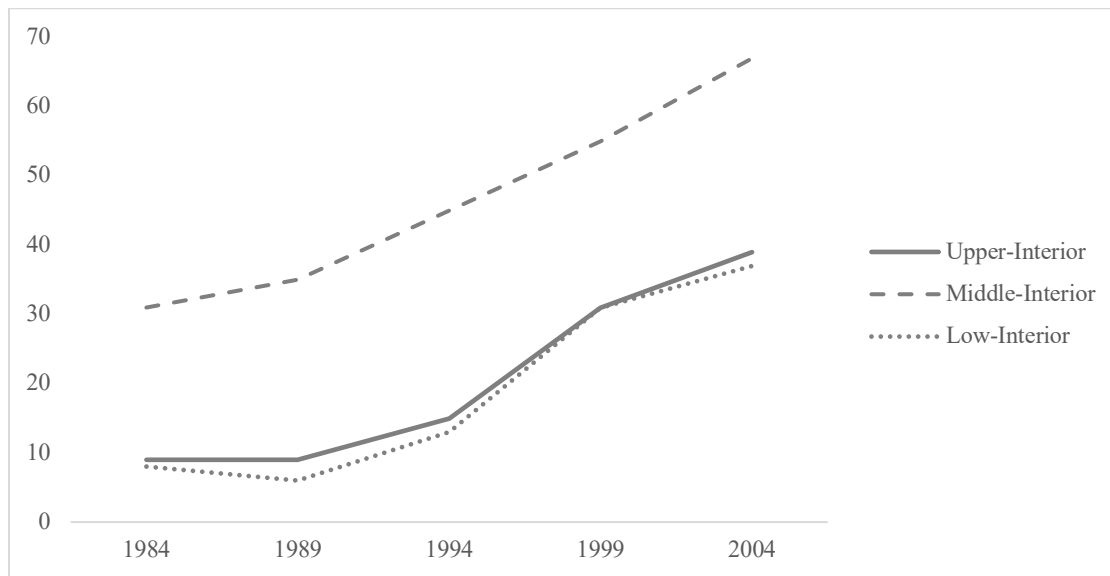


Source: Luna (2014)

³⁰¹ Minister of Social Development Marina Arismendi to *El País*, 3.2.2005: “It is not about governing five years with an emergency plan, but about generating genuine work conditions.”

“We were assisting the emergency/we were doing emergency assistance. We thought of ways out for those who did not come from chronic poverty or indigence but had fallen in them because of the economic crisis”, interview with Ana Olivera, viceminister of Social Development, 9.28.2015, Montevideo.

Figure 5.13. Electoral Support for Frente Amplio, by Socio-economic Status – Interior (% of Votes, Presidential Elections).



Source: Luna (2014)

This figure shows two characteristics of Uruguay's electorate. First, FA's worst electoral performance was among the lower classes both in Montevideo (its electoral stronghold in geographic terms) as well as in the interior (the stronghold of traditional political parties). The poorest demographic group in Montevideo, the informal sector, continued to vote for traditional parties (in Montevideo, they voted disproportionately for the *Colorado* party). In the interior, the lower classes (rural labor) voted disproportionately for the *Blanco* party. Since 1999, the FA had made substantial electoral inroads into these sectors (Figure 5.13). But even in the 2004 election that gave the presidency to the FA, support for the FA among the lower classes in Montevideo and the interior was below 40% (Figure 5.12 and 5.13). Second, by 2004, the FA continued to have its stronghold among its two historic, core constituencies: formal workers, among whom they received above 60% of the vote, and the middle and upper-middle classes in Montevideo, among whom they received above 50% of the vote (Figure 5.12).

How were traditional parties able to maintain their strong grip over the lower classes in Montevideo as well as in the interior? These parties had leverage over this sector through the use of clientelistic networks. The role of Blanco and Colorado mayors was crucial in this regard. The main instrument was the distribution of food supplies and materials for the construction of houses. The INDA (*Instituto Nacional de Alimentación*), which had been controlled at the national level by *Colorado* and *Blanco* elites, distributed *cajas de comida* among mayors, who would then distribute them with considerable discretion among the urban poor and rural workers. The distribution of *materiales* for building or repairing the homes of poor households was another crucial good distributed by these mayors. As the deputy minister of social development explained:

“I remember when I went to a municipality to prepare the launch of PANES and I met with the mayor. He couldn’t understand that the program was not targeted politically. Before, social policies at the local level (such as *los palos para el rancho*) were granted based on political criteria. Mayors were used to clientelism, to the discretionary distribution of the *canastas de alimentos*”

*Ana Olivera, Viceminister of Social Development*³⁰²

In this regard, one of PANES’ objectives was to weaken the electoral ties between rural and urban outsiders and traditional parties. This was achieved through two key characteristics of PANES. First, by targeting benefits directly to households according to technocratic criteria, it dismantled the oppositions’ clientelistic networks. Indeed, the rule-based character of PANES eliminated mayors as intermediaries of social welfare provision and allocated benefits, instead, according to need-based, technocratic criteria. Mayors initially opposed this policy, as it deprived them of the main tool with which to build political support among the poor.³⁰³ They complained directly to Tabaré Vázquez about their exclusion from implementation of PANES during its adoption phase. As Social Development Minister Marina Arismendi claimed: “Of course they were against (PANES) at the beginning, because some of the key tools that they had, such as the *Canastas*, we were taking them off.”³⁰⁴ Many poor families even stopped picking up their *canastas alimentarias* delivered by mayors, fearing that if they did, they would not get access to PANES.

Second, the fact that the national state increased the coverage of social assistance and allocated benefits directly to beneficiaries would increase FA’s support among these two demographic sectors.³⁰⁵ Because poverty disproportionately affected outsiders, policies targeted at this sector would certainly improve the electoral support for the FA among this electorate. Indeed, 71% of PANES beneficiaries were in the interior—that is, outside Montevideo, which was FA’s bulwark since it first won the departmental elections in 1990. Government officials clearly explained this logic:

“When the FA launches the program there is a redistributive concern. But obviously if one looks at the program, it’s impossible not to look at its political effect. We always knew that when we launched the program, it would transform the political landscape...we were aware that 71% of the beneficiaries were in the interior and that that (demographic sector) had always had more affinity with traditional parties...for us it was very clear that we had to alter the balance of power, we knew that that by accumulating support, that would turn into electoral support. More importantly, we wanted to promote people capable of defending the political project.”

*High-Ranking Official, Ministry of Social Development*³⁰⁶

³⁰² Interview with Ana Olivera, viceminister of Social Development, 9.28.2015, Montevideo

³⁰³ Personal Interview #22, 09.05.2015, Montevideo.

³⁰⁴ Minister of Social Development Marina Arismendi to El País, August 2005.

³⁰⁵ Personal Interview #23, 9.07.2015, Montevideo.

³⁰⁶ Personal Interview #22, 09.05.2015, Montevideo.

“We thought that PANES could give us an electoral benefit, but we also thought that it was indispensable to reduce poverty. We thought about improving poor people’s living conditions, but we also thought about its electoral effects...We knew that if we implemented PANES and it had good results, as it turned out, we were going to get more votes, and that’s why we were able to get reelected two times”

*Minister, Tabaré Vázquez Administration (2005-2010)*³⁰⁷

Lack of Parliamentary or Business Opposition to Income Redistribution

Lastly, as predicted by my theory, neither the center-right opposition nor business opposed redistribution towards outsiders. Although the *Colorado* and *Blanco* parties would experience significant electoral losses as a consequence of this program, they did not oppose it in Parliament. On the contrary, PANES was approved unanimously in Congress. The explanation is simple: although PANES would certainly diminish their electoral support among rural and urban outsiders, opposing a policy that would increase poor people’s living standards would only hurt their electoral support among these sectors even further. As Social Minister Arismendi claims: “I remember the mayor from Durazno (who initially opposed PANES). He realized that if he resisted the policy, the population of Durazno would turn against him.”³⁰⁸ Moreover, because this policy was relatively cheap in fiscal terms (0.41% of GDP), it did not require the creation of new taxes nor an increase in the rate of existing taxes to finance it. Therefore, business had few incentives to oppose it.

There were, however, some economic constraints to PANES during its adoption phase. Specifically, the IMF had some hesitations about the plan at the beginning. That opposition was not based on ideological grounds: after all, the IMF by that time had embraced CCTs as part of the repertoire of “good” tools to fight poverty in developing countries. The IMF had concerns about Uruguay’s capacity to repay debt after the renegotiation of its foreign debt in 2003. Specifically, the IMF demanded higher fiscal surpluses from Uruguay (from the 3.5% of primary fiscal surplus to 4.5%), which would hinder the government from adopting PANES. But because PANES was already a promise made in the FA program, it was politically shielded from IMF’s pressures. The disagreement did not last long, and after some negotiations the IMF backed off. As former Economic Minister Fernando Lorenzo claims:

³⁰⁷ Personal Interview #21, 11.21.2015, Montevideo.

³⁰⁸ Interview with Marina Arismendi, Minister of Social Development, 9.23.2015, Montevideo.

“We put some important political constraints (in the negotiation with the IMF), such as PANES. That was the most clear political constraint the government placed on finances and fiscal policies...The accord with the IMF was about to go under, because they wanted us to augment fiscal surpluses by one percentage point. They wanted to guarantee the sustainability of our finances, but that would have impeded us from doing PANES, which was not negotiable.”

Fernando Lorenzo, Minister of Economy and Finance

Transition to *Plan Equidad*: Expanding Coverage and Benefits Levels

As explained above, PANES was set to expire in 2007. Anticipating this deadline, the National Council of Social Policies, where officials from the Ministries of Social Policies, Labor, Economy and the BPS were represented, met regularly during 2007 to debate what type of social program would replace PANES. The government wanted to adopt an income support program that, unlike PANES, would be permanent. But there was considerable debate regarding the format of this new program.

The most important debate was between advocates of continuing with targeted programs such as PANES, versus those who wanted to transition towards a universal basic income. The first group was represented by the more moderate factions within the FA (AU and VA); the second group comprised members from the more leftist groups within the FA (MPP, PCU). The moderate factions' opposition was not ideological, it was pragmatic: because it controlled the Economic Ministry, it was extremely concerned about the adverse effect on fiscal surpluses that a universal basic income could have.³⁰⁹ After some internal struggles, the different groups reached a consensus. The position of the Economic Ministry would prevail in terms of continuing with targeted social programs. However, the coverage and benefit levels of PANES would increase substantially under the new program.

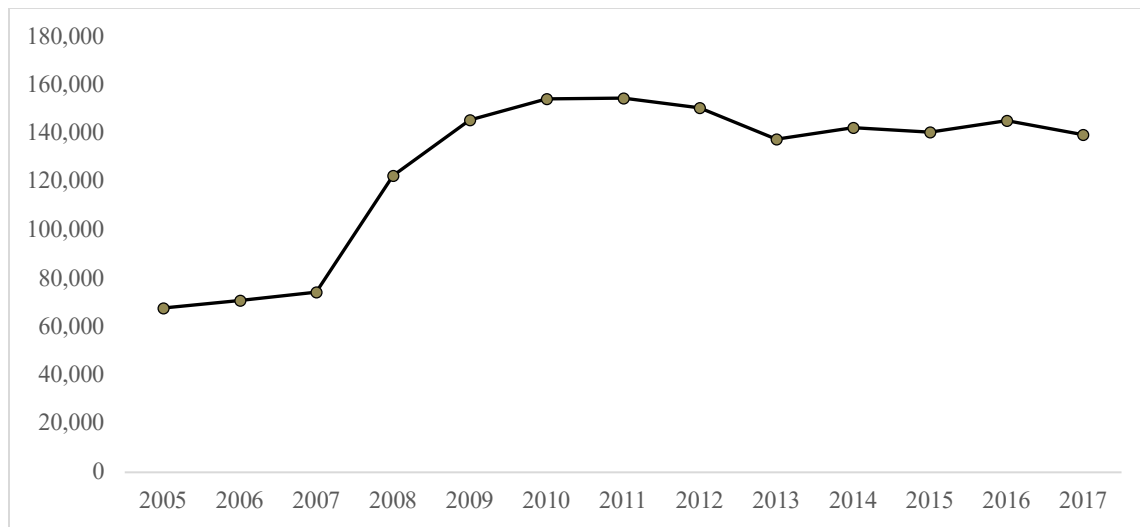
In 2008, the government decided to replace PANES with the new program: the *Plan Equidad*. This plan also employed a multi-dimensional approach to poverty relief. But its most important component was the adoption of family allowances targeted at children from poor families. These were conditional cash transfers: each family would receive a family allowance per child, and in return, these children would have to meet educational and health goals. Although family allowances for poor families had been adopted in Uruguay during the administration of Jorge Battle (2000-2004), their benefit levels were meager and were focused on families, not children. In contrast, the new family allowances of the *Plan Equidad* (AFAM-PE) were much more generous in benefit levels, had wider coverage and were targeted at children, not families.

How was this program different from PANES? First, coverage among poor families was considerably expanded under AFAM-PE (Figure 5.14). While PANES reached approximately 80,000 families, AFAM-PE could potentially reach up to 500,000 people (which equaled the number of non-retired, poor individuals in Uruguay in 2008). And while poverty levels fell dramatically in Uruguay after 2008, the government

³⁰⁹ Interview with Christian Mirza, Head of Social Policy, Ministry of Social Development, 9.24.2015, Montevideo.

committed to maintain the maximum number of beneficiaries at 500,000 (although the number of beneficiaries never reached that upper bound) . This meant that an increasing number of families who were just above the poverty line, but who nevertheless faced a high risk of falling back into poverty due to economic or labor-markets shocks, would be covered by AFAM-PE. Second, benefit levels were more generous.: While PANES offered an average benefit of US \$56, AFAM-PE offered an average benefit of US \$85 (Figure 5.15). It initially offered \$1000 Uruguayan pesos (US \$55) for children in elementary school, and \$700 Uruguayan pesos (US \$32) for children in high-school.

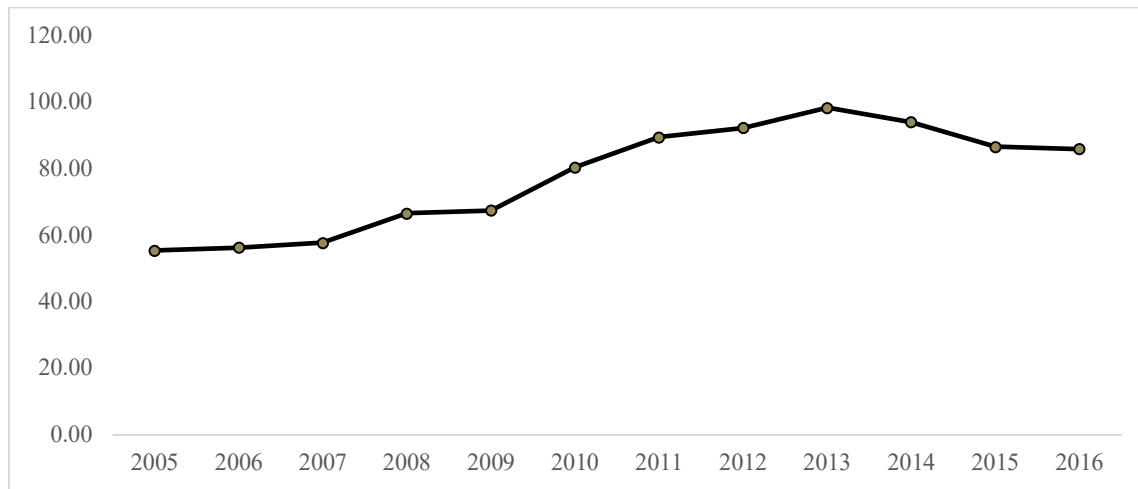
Figure 5.14. Coverage of Poverty Relief Programs – PANES (2005-2007) and AFAM-PE (2008-2017) (absolute number of families).



Source: ECLAC; 2005-2007

Finally, another important change in the transition from PANES to AFAM-PE was that social programs were now targeted at children instead of families. This opened a debate within the government around what to do with retirees (and families without children) that fell below the poverty line. These groups would be left without social protection in the transition from PANES to AFAM-PE. In the next section I will explain how the government dealt with these demographic groups through new pension policies. What does the transition from PANES to AFAM-PE tell us about the politics of income redistribution toward outsiders? Clearly the division within political parties in the FA, as with most policies under the FA government, played a crucial role in expanding income redistribution. On the one hand, the power of the moderate factions and their control over the strategic Economic Ministry prevented the move toward a universal basic income favored by more leftist factions. The Economic Ministry ultimately controlled the fiscal space available to expand social policies. But they were acting in response to the broader economic constraints imposed by the international economy on the FA government; particularly, Uruguay's need to maintain high fiscal surpluses to improve its access to foreign debt markets. These broader economic constraints found an institutional expression in the officials of the Economic Ministry, who were able to counterbalance the more radical proposals of FA's leftist factions.

Figure 5.15. Benefit Levels of Poverty Relief Programs – PANES (2005-2007) and AFAM-PE (2008-2016) (US \$ per family).



Source: Banco de Previsión Social (BPS). For AFAM-PE (2008-2016), I estimated an average of two children per household.

On the other hand, leftist parties' power within the FA, which gave them considerable representation in the government, allowed them to exert considerable push back against the Economic Ministry's more conservative approach to fiscal spending. Leftist factions and unions controlled the three key agencies in charge of welfare policies: the Labor Ministry (MPP and unions), the Social Development Ministry (PCU), and the BPS (unions). This allowed them to exert considerable leverage in the discussion within the cabinet and the National Council for Social Policies, and hence extract substantial concessions from moderate factions in terms of social programs' coverage levels. The substantial increase in fiscal expenditures that the transition from PANES to AFAM-PE entailed is a key example of this type of political dynamic.

Explaining the Rule-Based Character of Social Policies

Lastly, there is the question of why the FA decided to adopt rule-based social programs instead of distributing benefits through political targeting. This is a key difference with Left administrations in Argentina and Venezuela, which used political targeting to build a loyal base of organized support among outsiders.

One important difference with Argentina is that there were no relevant, pre-existing organizations in the informal sector. Unions not only had historically monopolized the representation of the popular sectors in Uruguay, but during the 2001-2002 crisis unions had also taken up the responsibility for providing relief to unemployed workers. This strategy limited the possibilities for the emergence of alternative, unemployed workers' organizations such as the *piquetero* organizations in Argentina. But this does not explain why, unlike Chávez in Venezuela, the *Frente Amplio* administrations did not attempt to build new organizations from scratch among unorganized outsiders (see Chapter 6).

This difference is partly explained by the fact that, unlike the cases of Argentina and Venezuela, the *Frente Amplio* already had strong links to the most powerful popular-sector organizations (unions). Leftist presidents in Argentina and Venezuela used political targeting in order to build a base of support that was an alternative to established popular-sector organizations, in order to undermine the power of existing unions and social movements that were not allied to the president. However, in Uruguay none of these strategic calculations made sense: PIT-CNT was FA's strongest societal ally. This meant that FA presidents had no need to create a new organizational base from scratch by building new, loyal associations in the more organizationally malleable informal sector.

Furthermore, the use of political targeting would have also undermined the president's support among party factions, party base organizations and unions, which were all strong party actors in favor of rule-based programs. These actors had the power to block any attempt to adopt discretionary policies that would compromise organizations' autonomy. As a matter of fact, the debate regarding politically targeted vs. rule-based policies (and the use of political targeting to strengthen loyal, popular-sector organizations) was never even an issue in FA's internal debates:

"We always preferred to work with more rule-based policies. No political party within the FA raised the proposal of trying to use social policies to create popular-sector organizations loyal to the government. If the *Comités de Bases* wanted to do activities, they could do whatever they wanted, but not from the state, because we always wanted to be very careful about the institutional aspects of social policies. We wanted to be done with that thing of the *tarjetita* and the *club politico* (the clientelistic instruments of traditional parties).

Marina Arismendi, Ministry of Social Development

Last, the FA's electoral appeal was based on the idea that it was a new party that would come to power to govern differently from traditional parties. 'Govern differently' meant, among other things, ending the corruption practices of prior governments. Because transparency was then a trademark of the FA "brand," engaging in political targeting would certainly devalue the FA's brand among its middle-class supporters in Montevideo. As the MIDES minister explained:

"Our obsession with transparency in social programs is explained by the fact that while we were in the opposition, we were very critical of clientelistic practices in the provision of social programs by traditional parties. We tried to work very hard at explaining that anyone could apply to MIDES's programs, that there was an algorithm that decided who was eligible to receive (or not) the programs"

*Marina Arismendi, Ministry of Social Development*³¹⁰

³¹⁰ Interview with Marina Arismendi, Minister of Social Development, 9.23.2015, Montevideo.

Pensions

Reforms in the pension system were more limited than those in the labor market or social assistance. There were three types of pension reforms advanced by FA's leftist parties and unions: reforms to increase social security coverage, increases in minimum pension benefits, and reforms to regulate Uruguay's private pillar. Uruguay had made the transition to a mixed social security system in 1996, with both the state and private pension funds playing a crucial role. Leftist factions were considerably successful in augmenting social security coverage and pension benefits. The partial privatization of social security in 1996 had decreased coverage by making eligibility for contributory pensions stricter. After 2005, the FA's leftist parties and unions—represented in the BPS—were able to both reform the contributory system and adopt a new, non-contributory pension that increased coverage among Uruguay's elderly population. Although the FA's moderate factions initially opposed some of these measures based on fiscal constraints, they eventually gave in. The fact that these reforms did not entail high fiscal costs or threaten Uruguay's access to financial markets was crucial for bringing the moderate factions in charge of the Economic Ministry on board.

However, reforms to regulate Uruguay's private pillar failed, and private pension funds remained unregulated under the FA governments. After 1996 Uruguay's social security system transitioned from a public, contributory system to a two-pillar, contributory pension system: (1) a contributory public pillar to which all workers contributed, and a second, private pillar to which workers earning higher wages contributed and which was administered by private pension funds. Leftist parties within the FA and the PIT-CNT had long advocated for the elimination of the private pillar and a return to a public social security system. While this was their ultimate goal, they also wanted to advance more gradual reforms to regulate private pension funds more strictly. These proposals included laws to increase workers' capacity to opt out of private pension funds, as well as legislation that would limit the level of administrative fees private pension funds could charge to workers.³¹¹

Most of these reforms to eliminate or regulate private pension funds failed. Leftist factions and unions were not able to include the nationalization of private pension funds in the party program: moderate factions within the FA blocked this attempt. Moreover, moderate factions in charge of the Economic Ministry also opposed legislation to regulate private funds more extensively. As explained above, the power of moderate factions within the FA gave political articulation to the economic constraints faced by the Uruguayan government. The crucial issue was that pension funds played a crucial role in funding the Uruguayan state by buying Uruguay's state bonds. Therefore, officials from the Economic Ministry feared that by regulating private pension funds, they would somehow jeopardize the state's capacity to finance itself through bond issuances. Moreover, the nationalization of private pension funds was out of the question for officials in the Economic Ministry: it would undermine financial markets' trust in Uruguay's economy.

In sum, while in many battles over social policy expansion moderate factions had to give in to the preferences of leftist factions and unions, in a policy area where the

³¹¹ Interview with Ariel Ferrari, Director of the BPS representing Unions/Workers/Labor, 11.30.2015, Montevideo.

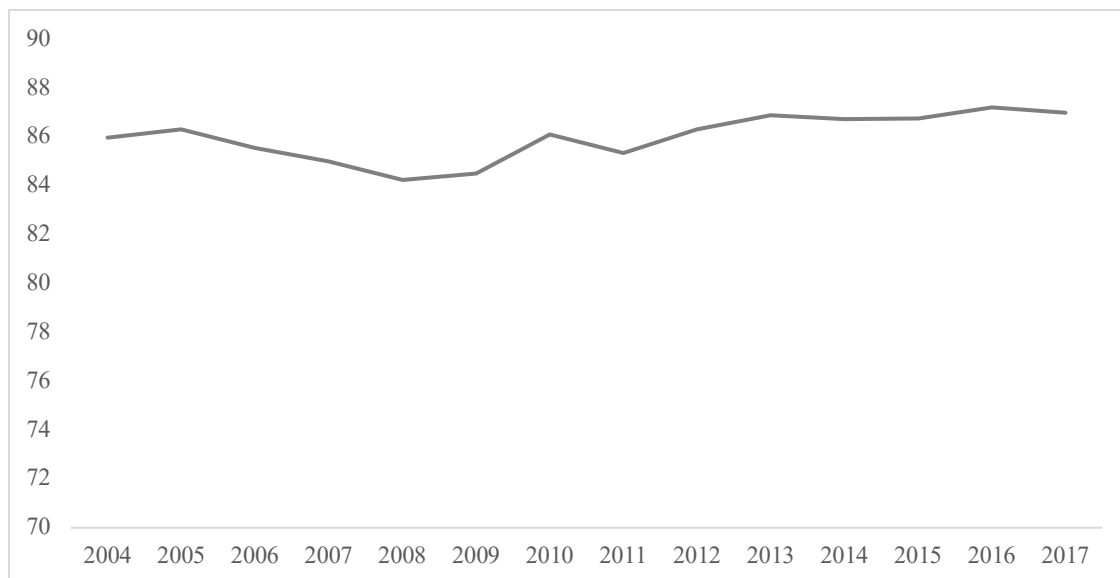
stakes for the Uruguayan economy were too high—the structure of Uruguay’s social security system—moderate factions battled hard and were ultimately successful in maintaining the status quo.

Expansion of Social Security Coverage: The First Social Dialogue on Social Security

Uruguay’s social security system historically had one of the highest coverage rates in Latin America. Three factors contributed to it: Uruguay’s historically high formalization rates, the ‘flexible’ criteria through which employees could show proof of their prior contributions, and the existence of non-contributory pensions since the early 20th century. However, Uruguay’s social security reform in the 1990s created coverage problems for the system. Specifically, by mandating an increase in contributory years from 30 to 35, it forced many workers around 60 years old—the legal retirement age—to remain in the labor market for several extra years in order to become eligible for a contributory pension. The main losers of this reform were low-skilled workers and women, who spent part of their working-age years in informality, unemployment or at home (Busquets 2013). According to some estimates, only 32% of private sector workers would be able to retire at the legal age of retirement under these rules (Busquets 2013).

This problem can be observed in Figures 5.16 and 5.17. Until 2008/9, when the National Dialogue for Social Security (see below) was in session, coverage rates had been slightly decreasing in Uruguay (Figure 5.16). Moreover, the annual number of workers who applied for a contributory pension was substantially lower before the National Dialogue for Social Security (Figure 5.17).

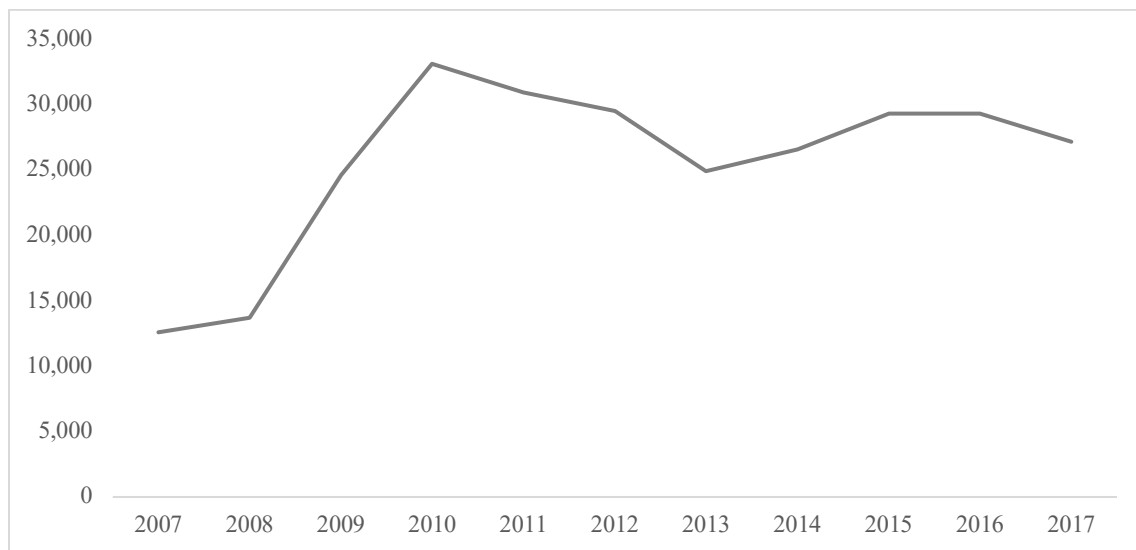
Figure 5.16. Coverage Rate of Social Security in Uruguay (% of population over 65).



Source: Sociómetro-IDB.

As explained above, the FA's arrival in power meant that unionists were appointed to the main directive positions within the BPS, the institute in charge of the social security system. BPS directors were all former union officials who had served as unions' representatives in the BPS before the FA came to power. The main priority of unionists in charge of the BPS was to enact a reform that would allow workers with insufficient contributions to access a contributory pension.³¹² In order to do that, the government established a council, the *Diálogo Nacional por la Seguridad Social* (DNSS), that would debate reforms to Uruguay's social security system. Representatives from the Economy, Labor, Health and Social Development ministries, the Office of Budgetary Planning (OPP), the BPS, as well as representatives from social actors (unions, pensioners' associations and business) were represented in the DNSS to discuss these reforms.

Figure 5.17. Annual Applicants to Contributory Pensions (absolute number).



Source: Author's elaboration with data from Banco de Previsión Social (BPS)

The BPS had the leading voice in these debates. BPS directors thus pushed hard to adopt the reforms they had been elaborating for almost a decade as unions' representatives in the BPS. As a BPS president explained: "I was part of unions' representation within the BPS from 1995 to 2005, as well as the other three *compañeros* that commanded the BPS. So there was a pretty consolidated and studied vision about the problems of the social security system as well as its possible solutions."³¹³

³¹² Interview with Ariel Ferrari, Director of the BPS representing Unions/Workers/Labor, 11.30.2015, Montevideo.

³¹³ Interview with Heber Galli, BPS' President, 12.4.2015, Montevideo.

Flexibilizing Access to Contributory Pensions

When the BPS advanced its proposal to flexibilize eligibility requirements for contributory pensions, the rest of the ministries and social actors came on board.³¹⁴ The BPS proposal included three main changes. The main demographic group directly affected by the 1996 social security reform was workers in their fifties, who either lacked sufficient contributions because they had been previously in the informal sector or unemployed during part of their working history, or because they had been fired during the 2001-2002 economic recession and were too old to be hired again by employers. The most important change was lowering the mandatory years of contribution from 35 to 30. Furthermore, several modalities of early retirement were created for workers above 55 years old. Access to disability pensions was made easier by eliminating the requirement of having made previous contributions to social security. Another important, new modality was the creation of the ‘transitory subsidy for compensated inactivity.’ This was directed toward workers at least 58 years old and with 28 or more years of contributions, who were in a situation of forced unemployment for more than a year. The BPS would pay these workers 40% of their previous earnings, and then at 60 they would be able to retire with their full pension.

Lastly, the government allowed workers to retire with different combinations of contributory years and age, but only with partial benefits. While previously to the reform workers could only retire at 65 years old and with 35 years of contributions, now workers could retire with different combinations of years of contributions and age. For example, workers could retire at age 70 with 15 years of contributions, at age 67 with 21 years of contributions, or at age 65 with 25 years of contributions (as well as other possible combinations of retirement age and contributions for the remaining retirement ages not included here in the example).

These three measures were targeted directly at PIT-CNT’s base. Specifically, they were targeted at active workers in their fifties who, by suffering prolonged periods of unemployment or informality in the nineties, or/and by being currently unemployed due to the consequences of the 2001-2002 crisis, would not be able to retire at the legal age of retirement. As one of BPS directors explained:

“We wanted to expand coverage, lower mandatory contributory years to 30, create new modalities of early retirement for those unemployed in their fifties but with insufficient contribution. All these proposals were part of the alternative, social-security program of the PIT-CNT.”

*Ariel Ferrari, BPS director*³¹⁵

These policies, designed by the former PIT-CNT representatives in the BPS and now in charge of it, would greatly improve their chances of being eligible to the

³¹⁴ Interview with Ariel Ferrari, Director of the BPS representing Unions/Workers/Labor, 11.30.2015, Montevideo.

³¹⁵ Interview with Ariel Ferrari, Director of the BPS representing Unions/Workers/Labor, 11.30.2015, Montevideo.

contributory system. Applicants for contributory pensions more than doubled after this reform was enacted in 2009 (Figure 5.17).

Expansion of Non-contributory Pensions

There was a segment of the Uruguayan population, however, that, regardless of these changes, would still lack access to contributory pensions. These were informal workers with scarce presence in formal labor markets. Uruguay had been a pioneer in attending to the needs of this demographic group. Since the early 20th century, it adopted the *Pensión a la Vejez* and the *Pensión por Invalidez*. The *Pensión a la Vejez* allowed workers to retire at age 70 with 15 years of contributions. Although it was a pioneering law for Latin America in the early 20th century, in the 2000s it was somewhat outdated. Specifically, with the later developments in contributory pension systems, it seemed unfair that informal workers, due to their more precarious labor-market status, had to retire at 70, 10 years later than workers in the contributory system, who retired at 60.

This situation was partially (but temporarily) solved by the adoption of PANES in 2005. As explained above, this program launched by the MIDES covered Uruguayan families in extreme poverty. Because it was targeted at families, households with poor retirees were also covered by PANES. But as explained above, PANES had an end date in 2007, and the transition to the family allowances of *Plan Equidad* (AFAM-PE) would only cover households with children. In sum, once PANES ended in 2007, informal workers who were under the poverty line and were under 68 years old before the adoption of PANES, now faced the risk of falling below the poverty line again once PANES was eliminated.

This challenging scenario led to intense debates within the government between the different FA parties. The Economic Ministry, in alliance with the Labor Ministry, was against expanding non-contributory pensions to people between 65 and 70. The Labor Ministry made an argument against it on the grounds that it would discourage formalization among the workforce.³¹⁶ The Economic Ministry was against on fiscal grounds, because pensions are financially much more costly than family allowances, and the Economic Ministry did not want to have an extra fiscal burden on its shoulders. This was an especially important concern in a context in which other, fiscally expensive social policies were being enacted, such as the expansion of family allowances or the health reform. BPS and MIDES lobbied hard to get the expansion enacted, and finally reached a compromise with the Economic and Labor Ministries. Instead of lowering the retirement age of the existing, non-contributory pension run by the BPS (*Pensión a la Vejez*), the Economic Minister agreed to the creation of a separate program called *Asistencia a la Vejez*—run by MIDES and targeted at retirees between 65 and 70 years old—that would only provide 3,000 pensions.

Why was this option preferable for officials in the Economic Ministry? The main reason was that by creating a social program run by MIDES with a strict cap on the number of potential beneficiaries (3,000), the government would have a guarantee that fiscal spending would be under control³¹⁷ By contrast, if the BPS prevailed in its position of granting this benefit as a right—that is, everyone who met the eligibility criteria would

³¹⁶ Interview with Marina Arismendi, Minister of Social Development, 9.23.2015, Montevideo.

³¹⁷ Interview with Heber Galli, BPS' President, 12.4.2015, Montevideo.

be automatically enrolled in the program—then the number of beneficiaries—and, hence, the fiscal cost—would be uncertain and potentially high. This was especially important for the Economic Ministry because pension benefits in Uruguay are particularly high.

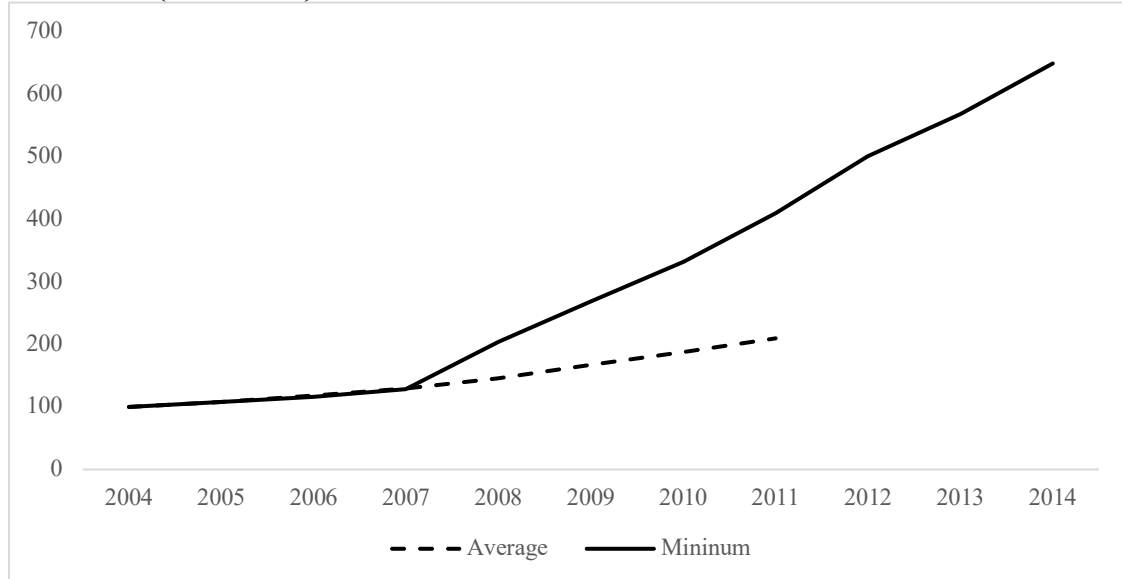
What does this say about the politics of pensions in Uruguay under the FA? As was mentioned above, the fragmented power structure of the FA gave two type of actors a powerful voice in the party. On the one hand, leftist parties, party base organizations and unions had a say in all decisions concerning redistributive policies. On the other hand, moderate factions also were able to articulate their interests, and by giving them the powerful Economic Ministry, Tabaré Vázquez gave them an effective veto within the government. The expansion of non-contributory pensions was a compromise solution between the two groups: non-contributory pensions were extended for those age 65 years or older, but in a manner that would not jeopardize the fiscal surplus objectives of the moderate factions.

Income Redistribution: Increases in Pension Benefits

Pension benefit increases were very generous under the FA administrations. As can be observed in Figure 5.18, the average contributory pension in Uruguay increased by more than 50% between 2005 and 2011. The increases in minimum pensions were even higher, increasing by more than 500% between 2005 and 2017. The increase in contributory pensions cannot be separated from the government's decision to increase real wages. Indeed, after a referendum carried out in 1989, Uruguayan pensioners were able to include in the Constitution a clause that establishes that yearly increases in pension benefits have to follow the evolution of the average wage among active workers. In that regard, when the government decided to increase real wages for formal workers through *pautas salariales* and the reopening of the *Consejos de Salarios*, it was also effectively making the decision to increase pension benefits by the same amount.

The government had more discretion to set the level of the minimum pension. In this regard, the BPS—controlled by union representatives, but in coordination with the Economic and Labor ministries—was crucial in pushing for an agenda of giving additional increases for pensioners receiving the minimum pensions. This was the first time in Uruguay's history that the government granted differential, higher pension benefits for those at the bottom of the income ladder. It is important to note that, unlike Argentina and Brazil, where a majority of pensioners earned the minimum pension, in Uruguay only about a fifth of pensioners earned the minimum pension. Regardless, Uruguay's minimum pension increases were more than ten times higher than the increases in contributory pensions (and therefore, of average wages) granted by the FA governments. In other words, having former union representatives at the head of the BPS made a significant difference in terms of promoting an agenda of improving the living standards of retirees at the bottom of the income ladder.

Figure 5.18. Pension Benefits – Contributory (Mean) and Minimum (real increase), 2004-2014 (2004 =100)



Source: Author's elaboration with data from Banco de Previsión Social (BPS).

Failed Reform to Regulate Private Pension Funds: The Second National Dialogue on Social Security.

Finally, one of the biggest debates within the FA was what to do with private pension funds within Uruguay's social security system. As with labor law reforms by conservative parties and the attempt to privatize public enterprise in the 1990s, the FA opposed the partial privatization of the social security system that took place under the Colorado government of Julio Sanguinetti in 1996. However, unlike the other reforms in the 1990s (around which there was a consensus that changes had to be made), by 2005 there was a division within the FA as to what to do with private pension funds.³¹⁸

The leftist factions, such as the MPP and the PCU, as well as the PIT-CNT, wanted to nationalize private pension funds and go back to the old, fully state-owned social security system.³¹⁹ These actors had even managed to get the FA's Executive Board to approve a referendum proposal to eliminate private pension funds in 1999.³²⁰ As explained above, the Constitution granted the labor movement one institutional seat in the social security institute, the BPS. This meant that the PIT-CNT had a group of labor leaders with solid training in social security issues that had a clear and comprehensive vision of the public system to which they wanted to transition. These were the labor leaders who would later head the BPS under the FA administrations. Moreover, these leaders were also very concerned about the two main adverse effects that the 1996 social security reform had brought to the working class, namely lower coverage rates and high

³¹⁸ Interview with Gabriel Lagomarsino, BPS' vice-president.

³¹⁹ Interview with Jorge Bruni, Interview with Ariel Ferrari, Director of the BPS representing Unions/Workers/Labor, 11.30.2015, Montevideo.

³²⁰ Interview with Ariel Ferrari, Director of the BPS representing Unions/Workers/Labor, 11.30.2015, Montevideo.

financial costs. The first problem was not caused by the private pillar itself, but by the parametric changes that came with the reform (the increase in the number of mandatory contributory years from 30 to 35). The second problem was the high administrative fees charged by the AFAPs (the private pension funds) to active workers.

The moderate factions led by *Asamblea Uruguay* had an opposite position on this issue. Its members believed that, for pragmatic reasons, it was more prudent to keep the status quo with regards to private pension funds. Because AFAPs were the main holders of Uruguay's bonds, any reform that attempted to regulate (or worse, eliminate) private pension funds was perceived as a potential threat to Uruguay's reputation in international financial markets. As explained above, one of the main objectives of the team in the Economy Ministry (under the control of the moderate factions) was to renegotiate Uruguay's debt payments with the IMF, the World Bank and the Inter-American bank, so as to allow Uruguay to finance itself in secondary bond markets. In that regard, any reform to private pension funds was seen by the Economic team as potentially undermining their efforts to make Uruguay's bonds—as well as foreign direct investment—more attractive to foreign investors.

This divisions regarding the question of private pension funds found its expression in the party program for 2005-2010. As we saw for almost every policy area analyzed in this chapter, the content of the party program was crucial because the president was bound by it. In labor and social policies, the program gave very detailed guidelines on how the president was supposed to act.

Because the program was so important as a policy guideline, and given that the divisions within the FA regarding private pension funds was so deep, party delegates in charge of elaborating the party program decided to write the chapter on social security with deliberate ambiguity. With regards to private pension funds, the program dictated that the party 'committed itself to eliminating profit from social security.' What did that entail? Nationalizing private pension funds? Putting caps on commissions charged by AFAPs to workers? Obviously, each faction could make its own interpretation of this vague statement within the program. It was a compromise formula that did not infuriate any faction. But the implication was that by failing to set specific guidelines, it preserved the status quo.

This divergence of positions within the FA led to the failure of the Second Dialogue on Social Security, which took place under the administration of José 'Pepe' Mujica (2010-2015). This dialogue, as did the first one, brought together representatives from business, labor, pensioners, and the government, to discuss modification to the existing social security system. But it differed from the first one in one fundamental way: while in the first DNSS all actors agreed that the main problem with the system was the reduction of social security coverage for workers, in the second DNSS there was no agreement among actors as to what the fundamental problems of the Uruguayan social security system were once the problem of coverage was solved.

Cognizant of the fact that the nationalization of private pension funds was not politically feasible, the BPS and unions came to the negotiation table with two, more reformist objectives: reduce by law the amount of administrative fees charged by AFAPs, and eliminate Article 8 of the Social Security Reform act, which mandated that workers were automatically enrolled in a private pension fund if they failed to make a deliberate choice for the public option. The Economic Ministry opposed to both reforms because of

the reasons explained above, and business was also against them. As a BPS director explained:

“The mixed social-security system, the AFAP system, was called into question from the beginning, not only by the *Frente Amplio*, but also by other social actors. But the government was clear from the beginning that it was not possible to dismantle the AFAP and the mixed system. That was a directive that came directly from the Executive. High-ranking government officials made it clear from the beginning that the mixed system was not going to be reformed.”

*BPS Director*³²¹

The result was that neither of these reforms was fully implemented by the government. With regards to administrative fees, the Economic Ministry successfully blocked the adoption of a law that would regulate administrative fees charged by AFAPs. Instead, it agreed to a more moderate solution: the public AFAP controlled by the state-owned bank, *Banco República*, would attempt to bring down AFAP's administrative fees indirectly, by lowering its own fees. The results were quite successful: administrative fees were reduced considerably.

Unions and leftist factions were not able to persuade officials from the Economy Ministry to alter Article 8 either. Instead, two modifications were adopted. First, public workers between 40 and 50 years old could opt out of private pension funds and switch to the public option. Second, by default, new active workers would be enrolled in the AFAP that charged the lowest administrative fee.

What are the lessons we can draw from the (failed) experience of the second DNSS? The main lesson is that divisions within the FA do not work always in favor of the more leftist factions. When it came to social and labor policies, I showed how the fragmented nature of the FA, which gave power to the FA's political parties and the party base, allowed more leftist positions on policies to gain considerable voice within the party and ultimately be translated into public policies. Sometimes these leftist positions prevailed even in the presence of strong opposition from the Economic Ministry. The most eloquent example in this regard was the discussion over the education budget, which almost led to the resignation of the Economic Minister (and leader of the moderate faction) Danilo Astori. However, unions and leftist factions were ultimately able to impose their preferences.

The political dynamics around social security worked somewhat differently. Unions and leftist factions did get their first preference enacted: the extension of coverage for outsiders (low-income workers and informal workers). This was the most pressing problem for their base, and they faced little resistance to this reform from other actors. But in the regulation of private pension funds the dynamic worked in the opposite direction: the fractionalization of the FA allowed the moderate factions to act as a veto point against reforms. Why was this the case?

Probably this is related to differences in the intensities of the preferences each actor held on different dimensions of social security. Unions and leftist factions' first preference was the expansion of coverage, and the nationalization (or regulation) of

³²¹ Personal Interview #24, 12-06-2015, Montevideo.

private pension funds was a secondary concern. The moderate faction had no strong preference against an expansion of coverage—it was primarily concerned with limiting the fiscal cost of that expansion. However, it had a strong, first preference regarding social security, namely that the government does not regulate private pension funds in any way that might jeopardize Uruguay's capacity to borrow in financial markets. Moreover, for leftist factions and unions the nationalization of private pension funds was a somewhat abstract, ideological position that could not be easily linked to the delivery of concrete benefits to their base. Therefore, it was not defended as strongly as was the expansion of collective bargaining rights or social policies for the popular sectors.

III. Conclusions

The Uruguayan case illustrates how presidents adopt the most redistributive policies when they are highly constrained by forces on the Left. The power of party factions and party base organizations played a key role in sponsoring some of the most important income and power redistribution policies. Moreover, this chapter showed how powerful, progressive party factions and rank and file organizations could offset unions' lack of mobilizational power, as the latter had been decimated by neoliberal reforms. In this regard, the Uruguayan case provides an interesting lesson on how a leftist party with a decentralized power structure can foster the reconstruction of social organizations weakened by market reforms.

The most important difference with *Left Populism* in Argentina was the redistribution of state power toward social organizations. Unionists were appointed to key positions in the Labor Ministry and the social security institute. Moreover, despite strong tensions between the leftist administration and the labor movement—which always showed considerable levels of autonomy and staged many general strikes against the government—leftist presidents never attempted to use political targeting to control social protests or strengthen their political support. Both organizations' political access and the absence of political targeting are explained by the constraints exerted by powerful, internal party actors over leftist presidents. On the one hand, unions' influence in the party allowed them to obtain—despite the president's initial resistance—numerous positions of power in the Executive. Moreover, the institutionalized power of factions, party base organizations and unions within the *Frente Amplio* prevented any leftist president from using political targeting to outdo their internal rivals or control social protests.

Chapter 6

Strategies of Redistribution in Bolivia, Chile and Venezuela

In this chapter I expand my theoretical framework to three cases: Chile under socialist presidents Ricardo Lagos (2000-2006) and Michelle Bachelet (2006-2010, 2014-2018), Bolivia under Evo Morales (2006-), and Uruguay under the *Frente Amplio* (2005-). I argue that these cases correspond to the three ideal types of redistributive strategies: *Poverty Alleviation* (Chile), *Social Democracy* (Bolivia), and *Left Populism* (Venezuela). Moreover, in this chapter I show how the same political factor—the degree of control presidents had over the Left movement—explains the adoption of different redistributive strategies.

Further, the analysis of these cases helps to rule out alternative hypotheses. The three cases show within-case variation in the power resources of the Right. Left presidents in Chile, Bolivia, and Venezuela did not have legislative majorities during their first mandates. However, each was able either to adopt generous redistributive policies despite lacking parliamentary majorities (Bolivia, Venezuela), or they continued to sponsor timid redistributive policies even after they obtained legislative majorities (Chile). In the analysis of these cases, I show how presidents' control over the Left movement is a better predictor of redistributive outcomes than is the power resource theory.

Moreover, the analysis of the Bolivian case offers two advantages: (1) it allows me to test my theory in a less-developed country where outsiders represent the vast majority of the population, and (2) it presents inter-sectoral variation in the way the leftist party was tied to outsider and insider organizations. With regards to this last point, while the leftist party had strong, organic links with powerful outsider organizations (peasants, indigenous persons) that gave them power both outside and within the party, its relationship with unions representing formal workers was more arm's length. In this chapter, I show how this variation explains the difference in power redistribution across sectors: full empowerment (political and societal) for outsider organizations, but only societal empowerment for unions. Further, in Bolivia, informality was higher and urbanization lower than in my three main cases. Because of this, outsider organizations (mainly those representing peasants and indigenous peoples) were more powerful than unions who represented formal, urban workers. Despite these differences, in this chapter I show how my theoretical framework helps explain redistributive policies in less-developed countries.

Lastly, the inclusion of Venezuela under Chávez is helpful because it is the only other case of *Left Populism* in the region. Argentina and Venezuela were the only countries where political leaders tried to build their own, personalistic political movements from above: *Kirchnerismo* and *Chavismo*. The 'ismos' are the characteristic signature of this type of redistributive strategy, and cannot be found in the other countries governed by the Left. Specifically, these were the only countries where leftist presidents used the political targeting of benefits to build their own basis of organizational support. I

will show that the same political conditions that were present in Argentina—low electoral and organizational control combined with high party control—explain the emergence of *Left Populism* in Venezuela. The analysis of the Venezuelan case is limited to the Chávez administrations (1999-2013) for two reasons. In this period there were still reasonable levels of political pluralism in Venezuela, making this case comparable to Argentina (although after 2007 important problems of democratic accountability emerged). Moreover, most of *Chavismo*'s redistributive policies date back to the first two Chávez administrations (1999-2007).

Chile

Chile under socialist presidents Ricardo Lagos (2000-6) and Michelle Bachelet (2006-2010, 2014-2018) followed a *Poverty-Alleviation* model. Income redistribution was narrow and targeted at outsiders. Leftist administrations expanded existing CCTs and adopted new, non-contributory pensions that benefited outsiders. But there was no income or power redistribution towards insiders. Private pension funds established under the Pinochet dictatorship (1973-1990) remained unregulated, and the Left adopted a meager unemployment insurance program that did not improve Chile's social safety net. Lastly, there was no power redistribution: the second Bachelet administration (2014-2018) approved a timid labor reform that did not empower labor vis-à-vis business in industrial relations.

Chile's *Poverty-Alleviation* strategy is explained by the high degree of control socialist presidents exerted over the Left movement. Leftist presidents were elected as part of broader electoral coalitions that included both centrist (the *Concertación*) as well as leftist parties (*Nueva Mayoría*)³²². However, socialist presidential candidates did not face strong challengers from the Left, either from within or from outside those coalitions. Electoral competition came from the Right, and socialist presidents attempted to neutralize that threat by redistributing incomes towards outsiders. Further, leftist presidents had considerable organizational control. The labor movement had low mobilizational capacity: its power had been decimated by the Pinochet dictatorship (1973-1990) (Buchanan 2008, Frank 2002, Cook 2002). Further, informal sector organizations, which had exhibited a remarkable mobilizational capacity during the Pinochet dictatorship, had been completely demobilized during the democratic transition by activists from the *Concertación*'s more moderate party, the Christian Democrats (Oxhorn 1995, Hipsher 1996). Lastly, the main parties within the ruling, center-left coalition, the Socialists and the Christian Democrats, had a top-down, technocratic structure that did not allow for participation by the rank-and-file and social organizations in party decisions (Pribble 2013). This structure insulated socialist presidents from pressures from below, enabling them to exclude unions from political offices and resist pressures from below for broader income redistribution.

Power Redistribution

Labor legislation had severely limited union power since the return of democracy in Chile. When socialist presidents came to power, the labor code implemented by the Pinochet dictatorship (1973-1990) remained mostly unchanged. This labor code decentralized collective bargaining to the firm level—even allowing individual companies to negotiate with different unions within the same firm (Alvarez Vallejos

³²² Until the end of Bachelet's first government, the ruling party coalition was the *Concertación*, formed by the Socialist Party (PS), the Christian Democratic Party (PDC), the Party for Democracy (PPD) and the Social Democrat Radical Party (PRSD). During Bachelet's second government, the coalition was broader, and was called *Nueva Mayoría*. It included the *Concertación* parties but also parties to the left of the Socialist Party: the Communist Party (PCCh, which had already joined the coalition for the 2009 legislative elections), *Izquierda Ciudadana* (IC) and the *Movimiento Amplio Social* (MAS).

2012:95). This design impeded workers' coordination during wage bargaining (Zapata 1992:707, Alvarez Vallejos 2012:95). Further, it limited unions' mobilization capacity by allowing employers to replace workers during strikes (Bogliaccini 2012).

During the Lagos administration (2000-2006), there were no attempts to empower unions in collective bargaining. There was only a minor modification that forbade employers from firing union officials during collective bargaining negotiations (Antía 2014:170). On the contrary, socialist president Michelle Bachelet (2006-2010, 2014-2018) came to office with a more leftist agenda, promising to strengthen unions in industrial relations (Antía 2014). During her second term, she enjoyed legislative majorities in parliament that allowed her to enact bold progressive policies. She approved a reform of college education that made it more affordable (Guzmán-Concha 2017, Martinic 2017, Altman and Toro 2016) and a tax reform that increased taxes on corporations and the affluent (Fairfield 2015, Altman and Toro 2016). Moreover, she overhauled Chile's electoral system—an institutional design enshrined in the Constitution designed by the Pinochet dictatorship in 1980—which had traditionally benefited parties on the Right (Gamboa and Morales 2016, Gamboa and Segovia 2016).

Despite having legislative majorities that allowed her to enact these bold, progressive reforms, her tepid labor reform disappointed unions and leftist voters. In 2016, she approved a labor reform that made some marginal changes: intra-firm bargaining was prohibited, and unionists were allowed to spend a larger portion of their workweek on union affairs (Cámara de Comercio de Santiago 2017:6-8). However, the central features of Pinochet's labor code remained unaltered. Collective bargaining continued to be decentralized at the firm level (Cámara de Comercio de Santiago 2017:6). Moreover, employers retained their capacity to replace striking workers³²³ (Diario El Mostrador, 2016). Further, public sector workers remained deprived of collective bargaining rights. Bachelet submitted a symbolic bill a few days before leaving office to expand this right to public workers, but this bill was never put to a vote³²⁴ (Revista Pulso 2018). By the end of the second Bachelet administration, public sector workers, domestic workers and public teachers still lacked collective bargaining rights (Varas Marchant 2017, Perez 2015, Órdenes Carvajal 2016).

Further, unions were not empowered in the state. Table 6.1 shows the percentage of top governmental officials with a union background during the Lagos and Bachelet administrations. Compared to the other cases examined above, political appointment of unionists was negligible. For example, while in Uruguay and Brazil unionists obtained considerable political access—17.87% and 10.19% of executive posts, respectively—in Chile they were excluded from the state (0.66%). Chile's contrast with the other cases is even greater when we consider appointment of union members to government ministries: while a third of Uruguayan ministers and 16.67% of Brazilian ministers had a background as union leaders, in Chile only 2 out of 144 ministers—less than 2%—had a union background.

³²³ “Reforma Laboral: Bachelet acepta reemplazo interno en huelga en concesión a senadores DC y ante presión del empresariado”, *Diario El Mostrador*, 3 de marzo de 2016. Available at: <http://www.elmostrador.cl/mercados/2016/03/03/reforma-laboral-bachelet-acepta-reemplazo-interno-en-huelga-en-concesion-a-senadores-dc-y-ante-presion-del-empresariado/>

³²⁴ “Proyecto de nueva Constitución revive titularidad sindical y posibilita huelga en el sector público”, *Revista Pulso*, 7 de marzo de 2018. Available at: <http://www.pulso.cl/economia-dinero/proyecto-nueva-constitucion-revive-titularidad-sindical-posibilita-huelga-sector-publico/>

Table 6.1. Percentage of High-Ranking Officials with Union Background

	TOTAL (%)	Ministers (%)	Secretaries/Under-Secretaries/Chiefs of Division (%)
Brazil	10.19	16.67	7.06
Uruguay	17.87	33.33	11.68
Argentina	2.51	0	2.32
Chile	0.66	1.39	0.33

Source: Author's elaboration based on publicly available information on officials' profiles. I analyze the biographical profile of each official based on publicly available data. This includes their publicly available biographies as well as research done on each official in newspaper archives. For some officials this information was gathered through personal interviews or by contacting them directly.

The lack of societal and state empowerment in Chile is explained by the high level of organizational control that leftist presidents exerted over the labor movement. Unlike the other countries examined in this dissertation, unions in Chile were weak in industrial relations. Union density rates were 13.2% by 2000 (Durán and Kremerman: 2015). As was mentioned above, Pinochet's labor laws had weakened unions in industrial relations. Moreover, although many union leaders belonged to the Socialist and Christian Democratic parties (the main parties within the center-left, governing coalition), these union leaders had no leverage within their parties (Antía 2014:121)³²⁵. The top-down character of these parties concentrated power in technocratic elites and the party leadership (Pribble 2013). In sum, unions did not represent a mobilizational threat to presidents either from outside or from inside the party. Under these circumstances, socialist presidents had few incentives to empower unions in the societal or political arenas.

Lastly, in the informal sector, there were no strong, autonomous organizations that could pose a mobilizational threat to the government. These organizations had been considerably stronger between the late 1960s and the 1980s (Schipani 2008). Since the presidency of Eduardo Frei Montalva (1964-1970), Chilean political parties on the Center and the Left had competed against each other in Santiago de Chile's lower-income neighborhoods, the *poblaciones*, by organizing rival shantytown organizations that could articulate the demands of the urban poor (Campero 1987). These organizations had been at the vanguard of civil society's resistance to the Pinochet regime in the early 1980s: they staged widespread, disruptive mobilizations that strained the regime to the verge of collapse (Schneider 1992). The Communist and Christian Democrats competed for the leadership of the movement until the mid 1980s, after which the Christian Democrats

³²⁵ However, after the mid 1990s, activists from the Communist Party played an important role in CUT's leadership.

gained considerable leverage over the *pobladores* movement (Hipscher 1994). Facing the challenge of negotiating a democratic transition with the Pinochet regime, Christian Democrats decided to demobilize the once vibrant *pobladores* movement in exchange for institutional positions of power during the democratic transition (Hipscher 1994). Once the first Christian-Democrat president was elected in 1989 as part of the center-left, *Concertación* coalition, the party's had even greater incentives to demobilize the *pobladores* organizations (Garretón 1991). As a result of this process, by the beginning of the Lagos administration, there was no informal sector organization that could pose an important mobilizational threat to the president.

Income Redistribution

Income Support Programs

Socialist presidents saw two main expansions of income support programs: a new program named *Chile Solidario*, as well as the expansion of family allowances adopted during the Pinochet dictatorship, the SUF (*Subsidio Único Familiar*). *Chile Solidario* was created by president Lagos in 2004. This program's aim is to assist families in extreme poverty and provides an integrated system of social protection that combines three types of assistance: (1) counseling by social workers, (2) small cash transfers, and (3) help with the process of applying to existing social programs such as non-contributory family allowances and pensions. *Chile Solidario* also facilitates access to public services such as health care, education, and housing programs (Ruz and Palma 2005:54, Serrano and Raczynski 2004).

The benefit levels and coverage of *Chile Solidario* were quite limited. This program provided very modest monthly payments for two years (between US \$11 and US \$21 per month), and these benefits decreased over time³²⁶ (Raczynski 2008:11, Larrañaga et al. 2015:4). Moreover, its coverage was low: by 2009, around 300,000 families—or 7% of Chile's population—had participated in the program (Larrañaga y Contreras 2010:1).

The reason behind *Chile Solidario*'s low level of income redistribution is explained by the lack of influence social organizations and the party base had in the design of the program. This allowed technocrats and the Finance Ministry, who had a more conservative outlook on social policies, to craft this program from above in a way that prioritized the minimization of fiscal spending (Pribble 2013:77). Indeed, the considerable influence of the Finance Ministry in the policy-making process allowed it to successfully block attempts by the Social Development Ministry (Mideplan) to launch a more universal social program (Pribble 2013:77). The Finance Ministry opposed a program with broader coverage because of fiscal constraints; officials were worried that the enactment of a social program with broader coverage would entail high fiscal costs that would be politically costly to retrench during an economic downturn (Pribble 2013:77).

The other main innovation was the expansion of existing family allowances for low-income outsiders, the SUF. This program was enacted by Pinochet in 1981, and was

³²⁶ If during the first six months families earn US \$21 per month, in the last six months this benefit decreases to US\$ 11 (Pribble 2013:76).

targeted at poor families with children who were not eligible for contributory family allowances (Antía 2013:8; Schkolnik and Salamanca 1997). Its coverage was limited because it was a means-tested program with a fixed quota³²⁷. This design excluded many eligible, low-income families from the program (Garay 2016:292).

In 2007, Bachelet sent a bill to Congress to eliminate the quota system, allowing all eligible families to access the program. Waitlists were eliminated, and all families who had a ‘household vulnerability score’ below a certain threshold became eligible for the program (Larrañaga and Contreras 2010:12, Galasso and Carneiro 2008:7). Opposition parties on the Right did not oppose the reform in Congress. These parties acknowledged that this would hurt their electoral chances among outsiders (Garay 2016:292). This social policy expansion, however, was extremely modest: it cost around 0.1% of Chile’s GDP (Garay 2016:292). Despite this modest fiscal cost, coverage among outsiders increased considerably. According to Candelaria Garay’s estimates, coverage increased from 30% of children in outsider households before the expansion to 58% in 2010 (Garay 2016:294). On the other hand, benefit levels were low; they represented only 5% of the income considered to be poverty-level for a typical household with two children in 2006 (Garay 2016:294).

The expansion of the SUF was a direct reaction to a rise in electoral competition for outsiders between the *Concertación* and the Center-Right *Alianza*³²⁸. After the *Alianza* candidate Lavín had an outstanding electoral performance among outsiders in the 1999 presidential elections, the *Concertación* governments embarked on social policy expansion to neutralize competition from the Right (Garay 2016:297). This outcome seems to support the theoretical expectation of my model: electoral competition from the Right only motivates leftist governments to redistribute incomes towards outsiders, but not to labor-market insiders.

Pensions

One of the worst legacies of the Pinochet dictatorship was the privatization of Chile’s pension system. This reform limited access and benefit levels for both insiders and outsiders. For insiders, the reform entailed many drawbacks. The privatization of the pension system in 1981 required workers to contribute to individual accounts managed by pension fund administrators (AFPs). Employers were not obligated to make contributions on behalf of their workers anymore, shifting the social risk associated with old-age entirely to workers. Further, the shift to individual pension accounts considerably decreased benefit levels for insiders (Pribble 2013:72, Sehnbruch 2006:57). Moreover, eligibility criteria to apply for contributory pensions became tighter (Uthoff 2001:14). Lastly, transformations in labor markets during neoliberal reforms had worsened the problem of social-security coverage. Because workers’ position in formal labor markets became more precarious with the expansion of temporary work contracts and rising

³²⁷ Each year the government established a fixed number of benefits to be distributed among the poor in each municipality according to available fiscal resources.

³²⁸ *Alianza* was an electoral coalition of the two main Center-Right parties in Chile: *Renovación Nacional* (RN) and the *Unión Democrática Independiente* (UDI).

informality in the 1980s, insiders that had partially contributed to social security did not have sufficient contributions to be eligible for contributory pensions.

The transition to the new privatized system created a significant coverage gap in Chile's social security system and also increased inequality among those covered by the new system. According to some estimates, by 2005 40% of the labor force had never contributed or contributed only irregularly to a private pension fund (Pribble 2013:72). Further, the transition from a public system with defined benefits to a private system with defined contributions deepened inequalities, as pension benefits became more tightly linked to workers' past salaries. Lastly, the administrative costs charged by AFPs to workers were incredibly high: they represented around 24% of the total contributions made by workers (Uthoff 2001:36), and between 2% and 5% of the average wage (Uthoff 2001:23).

The second problem with Chile's private pension system was its lack of coverage—as well as insufficient benefits—for outsiders. In 1975 the Pinochet dictatorship adopted PASIS, a non-contributory pension for outsiders. It provided a subsidy payment for poor individuals over 65 years old, but its benefit levels were low: from its creation until 1987, the program's benefit levels represented one third of the minimum pension (Robles Farías 2013:8). The first *Concertación* government substantially increased the benefit levels of this program, but not enough. Benefit levels increased by 86%, but still represented only 50% of the minimum pension (Gana 2002:131). Further, PASIS had limited coverage: because of strict means-tested procedures to select beneficiaries as well as the establishment of quotas based on available funding, many outsiders in Chile were not covered by any form of social-security (Pribble 2013:72).

In sum, Pinochet's privatization of the pension system was detrimental to both insiders and outsiders. The establishment of tighter eligibility criteria meant that many formal workers lacked the required minimum number of employment years to be eligible for a pension (Ewig and Key 2011:77). Further, the transition from a defined-benefit system to a defined-contribution system of individual capitalized accounts with high administrative fees resulted in lower benefit levels for pensioners. At the same time, however, means-tested, non-contributory pensions had eligibility criteria that were also too strict; they were targeted at the very poor. This state of affairs left many Chilean workers caught in a “pension gap”—not poor enough to be eligible for non-contributory pensions, but lacking stable, well-paid jobs that would guarantee them access to a decent pension—without any social security coverage³²⁹. In other words, the problem of social security coverage not only affected informal workers, but also low-income, formal workers with temporary work contracts or irregular contributory records (Berstein, Larraín, and Pino 2006:228-229).

President Bachelet came to power in 2006 with a clear agenda to address all these problems through a major reform of the pension system. In 2008 she approved a reform to the non-contributory pension system that considerably increased social security coverage among the Chilean population. The reform was designed by a pension reform committee appointed by Bachelet, in which representatives from all the *Concertación* parties worked together along with technical experts (Pribble 2013:79). It created a new

³²⁹ The state also guaranteed a minimum pension, but only workers with at least 240 months of contributions were eligible.

system of state-guaranteed pensions for individuals in the bottom 60% of the income distribution—the *Sistema de Pensiones Solidarias*. This system comprised two types of non-contributory pensions targeted at different populations: the *Pensión Básica Solidaria*—targeted at families with little or no contributions to social security—and the *Aporte Previsional Solidario*, which subsidizes pension benefits for low-income workers who were eligible for a minimum pension (Robles Farias 2013:22). This new system would replace both the old PASIS (the non-contributory pension for those families in the lowest deciles of the income ladder) as well as the existing minimum pension (Arza and Chahbenderian 2014).

For individuals who had never contributed to social-security—many of them enrolled in PASIS—benefit levels were raised significantly: from US \$96.6 per month in 2008 (prior to the reform) to US \$159.7 in 2009 (Robles Farias 2013:22). For low-income workers who had contributed to social security but had not contributed enough to be eligible for a full, contributory pension—earning instead the moderate, minimum pension granted by the state—the state would subsidize their benefits up to a maximum of US \$504 per month (Arza and Chahbenderian 2014). This expansion was financed by general revenue as well as by the pension reserve fund, which is funded by the savings generated from copper earnings (Pribble 2013:81). Further, the replacement of PASIS—which had a quota—by the *Pensión Básica Solidaria* considerably expanded the number of non-contributory pensions: between 2004 and 2009 it grew by 145%³³⁰ (Arza and Chahbenderian 2014). Moreover, 237,978 low-income workers received the *Aporte Previsional Solidario*, the new pension subsidy for low-income workers (Arza and Chahbenderian 2014).

It is important to mention that although coverage expansion was substantial under the first Bachelet administration, many outsiders did not benefit from it. According to Garay's estimates, the *Pensión Básica Solidaria* reached 54.3% of outsiders (Garay 2016:290). Moreover, benefit levels were moderate: they represented 50% of the lower benefit provided by the contributory system, and 43.6% of the minimum wage (Garay 2016:290).

Despite *Concertación's* significant expansion of pension rights to outsiders, there was no analogous expansion for insiders. Bachelet initially wanted to introduce three changes in the contributory pension system: (1) allow private funds to invest a larger share of savings in foreign markets; (2) reduce the administrative fees charged by fund managers; and (3) allow banks to create their own pension funds (Pribble 2013:81, Garay 2016:286). The reduction of AFP's administrative fees was a primary concern of unions and parties on the Left, as some low-income workers paid as much as 20% of their contributions in fees (Mesa-Lago 2008:397). Allowing banks to create their own pension funds was the key aspect of the reform, for it would enable the state-owned bank, *BancoEstado*, to create a state-run AFP (Pribble 2013:81, Arenas de Mesa 2010:71). The government's idea was that the establishment of a state-run AFP would regulate competition and force private AFPs to lower their commissions (Arenas de Mesa 2010:71).

However, these reforms were strongly opposed by the AFP lobby as well as by parties on the Right. The AFP lobby—closely linked to the center-right party UDI—

³³⁰ In 2004 there were 162,804 beneficiaries of PASIS, while in 2009 the number of beneficiaries of the *Pensión Básica Solidaria* was 398,828 (Arza and Chahbenderian 2014).

feared that this measure would expose them to increased competition (Maldonado Valera and Palma Roco 2013:43). Facing this opposition from business and the Right, Bachelet removed this article from the pension reform bill (Pribble 2013:81).

What explains Bachelet's initiative to reform the pension system, compared to Lagos' inaction in this area? The reform was the result of electoral competition from the Right. In the 2005 presidential election where Bachelet competed with center-right candidate Sebastián Piñera, pension reform was a central theme of the campaign: both candidates promised to expand coverage to elderly citizens (Quiroga 2008:32, Lara Cortés and Silva Flores 2014:119), as they represented a key constituency for both parties. Moreover, Piñera promised to expand pensions to housewives during this campaign (Garay 2016: 285).

However, as explained above, this reform was limited: it expanded non-contributory pensions for outsiders, but did not promote reforms to the contributory system that would have benefited insiders. On the one hand, expansion of non-contributory pensions for outsiders was driven by electoral competition, and the Right could not oppose this expansion without losing its own electoral constituency among outsiders (Garay 2016:289, Pribble 2013). However, the introduction of a public AFP, as well as the regulation of private AFPs, were highly controversial reforms, and were not approved. The failure to win approval is attributable to three factors: the top-down nature of the *Concertación* parties (Pribble 2013), the weakness of labor (Garay 2016), and the power of the Right (Pribble 2013:81, Garay 2016:289).

The *Concertación* team in charge of designing the reform was opposed to nationalizing the pension system: it feared that nationalization could bring about huge economic costs in terms of markets' confidence (Pribble 2013: 79)³³¹. This team was highly technocratic: its leader was Mario Marcel, a former official from the Finance Ministry whose top concern was the fiscal sustainability of the pension system (Pribble 2013: 79). Further, the committee explicitly sought to limit the role of party militants and social organizations in the deliberation process (Pribble 2013: 79). None of the proposals advanced by unions and social movements—including reinstating employers' contributions eliminated under the Pinochet reform—was included in the government's bill proposal (Garay 2016:288). This was partly the result of the top-down nature of the *Concertación* parties and partly because labor unions and social movements lacked mobilizational power, and thus lacked the sufficient leverage to impose their redistributive preferences.

Further, the Bachelet administration excluded social organizations from the debates on pension reform because it feared that including them would open the door to all sorts of 'populist' demands (Pribble 2013: 79). In addition, the design of the pension reform committee, which was dominated by officials concerned with fiscal sustainability and excluded party activists and social organizations, had one clear political objective, namely appeasing opposition from the Right (Pribble 2013: 79). In particular, the committee sought to appease business qualms about the prospects of a 'radical' reform that would alter the status quo by jeopardizing the position of the AFPs (Pribble 2013: 79)

³³¹ Additional factors were the power of the AFPs and the opposition from the Right to nationalization (Pribble 2013:79).

Finally, the strength of the Right played an important role in blocking reform of the contributory system. AFPs not only had considerable financial power (Garay 2016:289), but also had strong links with the center-right UDI, allowing private pension funds to block reforms to the contributory pension system in Congress (Pribble 2013).

Labor Policies

There were two main labor market regulations to improve workers' incomes during center-left administrations: the adoption of an unemployment insurance program under the presidency of Ricardo Lagos (2000-6), and sustained increases in the minimum wage. Unemployment insurance did not exist in Chile, and its adoption was one of Lagos' campaign promises during the 1999 presidential election. Shortly after assuming office, he sent a bill to Congress. However, the new unemployment insurance program Lagos proposed disappointed the unions (Ramos and Acero 2010:23). Its design featured three main problems: its benefits were extremely low, it was not redistributive, and its coverage was very limited (Sehnbruch 2006).

The unemployment 'insurance' was more of a compulsory saving scheme with an insurance component for a small fraction of better-off workers, rather than a traditional unemployment insurance (Sehnbruch 2006:66). It was financed through two mechanisms: a Solidarity Fund (*Fondo Solidario*) and an individual savings account for each worker. If the funds accumulated in the individual account were insufficient, then workers were eligible to receive a subsidy from the Solidarity Fund (Sehnbruch 2006:144). Employers and employees made contributions to individual workers' accounts: employees contributed 0.6% of their monthly wage to their individual account, while employers paid 1.6% of each employee's monthly wage. Further, employers contributed an additional 0.8% of employees' wages to the Solidarity Fund (Sehnbruch 2006:144). The government provided some additional funding to the Solidarity Fund, but these funds were very limited (Sehnbruch 2006:161). One main problem with this scheme is its low benefit levels: over the course of one year, workers would accumulate in their accounts only a quarter of their monthly wage (Sehnbruch 2006:144).

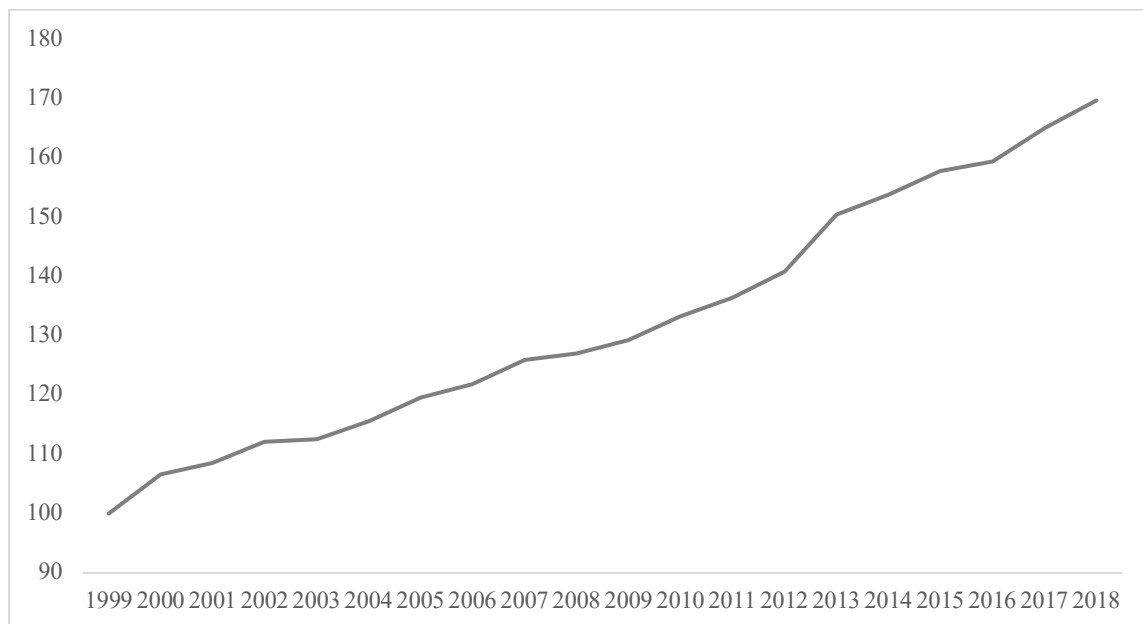
In sum, the unemployment insurance is a very modest welfare policy. For the most part, it does not collectivize social risks: it is more of a compulsory saving scheme for workers, with a very small insurance component that is redistributive (the Solidarity Fund). Moreover, its benefit levels are extremely low, preventing this welfare policy from fulfilling its main task, namely, protecting workers from the social risk of unemployment. Lastly, its coverage is very modest: only 10%-15% of unemployed workers in Chile are eligible for unemployment insurance (Sehnbruch 2006:66).

The limited nature of Lagos' unemployment insurance is explained both by government officials' conservative outlook on this issue and by the government's attempt to appease concerns among business and the Right. Government officials, business and the Right were extremely worried about the possibility that unemployed workers would 'abuse' the insurance (either because employed informal workers would claim it, or because formal workers would try to spend as much time in it as possible (Ramos and Acero 2010:12, Sehnbruch 2004:12). This potential 'moral hazard' problem trumped concerns about social equality in the design of the policy (Sehnbruch 2006:150).

Another important labor policy was the sustained increase in the minimum wage, Socialist presidents Lagos and Bachelet promoted substantial increases: between 2000 and 2018, the minimum wage increased by 69.64% in real terms (See Figure 6.1). Center-left governments used this policy as a tool to reduce poverty (Lopez 2009). Each year representatives from Chile's main labor confederation, the *Central Unitaria de Trabajadores* (CUT), would meet with governmental officials to negotiate the minimum wage increase. However, these negotiations were not legally binding, and the executive's positions generally tended to predominate (Fundación Sol 2011:3). The executive then sent its proposal to Congress, which had to approve the increase after several parliamentary debates. The government tried to grant increases according to two criteria: inflation and productivity gains (Fundación Sol 2011). Further, it included an adjustment clause that moderated increases in case there was a large surge in unemployment (Fundación Sol 2011:3).

Although increases in the minimum wage have been considerable, two caveats should be noted. First, government officials have conceived of the wage increase mostly as a poverty-relief measure, not as a policy to redistribute incomes. Second, the center-right administration of Sebastián Piñera (2010-2014) has actually been more generous than the center-left in terms of minimum wage increases. While during the center-left administrations of Lagos and Bachelet the average increase was 3.23%, during the Piñera administration the average increase was 5.28% (Figure 6.1). As predicted by my theory, welfare policies towards outsiders, such as CCTs or minimum wage increases, are not opposed by the Right. Because these constituencies are crucial for crafting electoral majorities, the Right does not tend to roll back welfare policies that benefit outsiders. As this case illustrates, they might even expand the social policy initiatives adopted by the Left.

Figure 6.1. Minimum Wage in Chile, 2000-2018 (Real Increase). (2000=100)



Sources: National Congress (nominal values), INE (inflation rates)

Conclusions

The analysis of welfare expansion under the Lagos and Bachelet administrations provides additional empirical evidence for the theory of redistributive politics under leftist governments presented in Chapter 2. First, it shows that power resource theory cannot explain variation in redistributive policies under the Left. During the second Bachelet administration, the center-left coalition enjoyed legislative majorities that allowed Bachelet to adopt major redistributive policies in higher education, taxation, and the electoral system. However, the Left's control over unions, combined with the hierarchical structure of the *Socialist* and *Christian Democratic* parties and the lack of electoral competition on the Left, gave leftist presidents few incentives to adopt income or power redistribution policies that would benefit insiders.

Second, the Chilean case supports one of the main arguments of this dissertation: left to their own devices, progressive politicians face strong pressures to govern on the right. This was evident during the expansion of CCTs as well as the pension reform. Technocrats within the *Concertación* were extremely concerned about letting social organizations participate in the design of social policies, out of fear that 'populist' demands from them could jeopardize the fiscal sustainability of the reforms. Moreover, the Finance Ministry preferred conditional cash transfers that were fiscally cheap, blocking attempts by the Social Development Ministry to sponsor CCTs with a broader coverage. Further, the decision not to regulate AFPs was partly caused by the Left's need to appease business qualms about a potential 'radical' reform to the system.

In sum, the forces that led socialist presidents to moderate redistributive policies did not stem from the political strength of the center-right opposition. Rather, they originated in the broader economic context in which the Left had to govern. The need to attain fiscal surpluses, as well as business' pressures to minimize market regulations, are two paramount concerns of leftist politicians in a post-ISI world. These concerns, in turn, may hamper the adoption of bold redistributive policies. When these politicians are not constrained by forces on the Left, they will govern on the Right despite their partisanship.

Lastly, the political dynamics behind welfare expansion towards outsiders also confirms another hypothesis: when there is electoral competition from the Right, presidents have strong incentives to redistribute incomes towards outsiders, but very few incentives to expand welfare policies towards insiders. Electoral competition from UDI and RN, the two center-right parties, was an important motivation behind the expansion of CCTs and non-contributory pensions towards outsiders. However, this competition did not affect the Left's inclination to redistribute incomes or power towards insiders. Presidents' control over the three dimensions of the Left movement (electoral, organizational, and party) provided few incentives to redistribute towards insiders. Instead, they invested in the type of redistributive strategy that allowed them to maximize electoral *and* business support at the same time: *Poverty Alleviation*.

Bolivia

Bolivia under Evo Morales (2006-) is a case of *Social Democracy*. Income redistribution was broad, benefiting both insiders and outsiders. Social organizations were benefited by the redistribution of societal and state power. The government increased legal protections and material resources for unions, peasants and indigenous organizations, promoting the increase of their membership base and mobilization capacity. In the national executive, most ministries were staffed by members of the different social organizations linked to Evo Morales's party, the *Movimiento al Socialismo* (MAS).

Bolivia's *Social-Democratic* model is explained by Morales's low control over the Left movement. Although the MAS did not face competition on the Left, the president lacked organizational and, initially, party control³³². The main driver of Bolivia's welfare state has been strong, autonomous social organizations. Unions, peasants, indigenous and informal workers' organizations had two key resources by the time Evo Morales came to power: high autonomous mobilization capacity and considerable power within the party. Their mobilization capacity was remarkable: unions and social movements had coordinated massive mobilizations against the privatization of natural resources promoted by neoliberal president Sánchez de Lozada (2002-2003), forcing his resignation³³³. Further, these organizations had considerable power within the MAS. Because the MAS lacked a strong party bureaucracy, these associations constituted *the* backbone of the party, serving as the *de facto* party organization on the ground (Anria 2009, Zuazo 2010, Madrid 2012). However, these organizations retained considerable tactical autonomy vis-à-vis the party leadership: they frequently staged mass demonstrations against the Morales administration when they wanted to influence the government's policy agenda³³⁴ (Niedzwiecki and Anria 2019, Anria and Bogliacini 2018). In sum, social organizations had considerable power both *outside* and *inside* the party. This power allowed them to push for generous income and power redistribution policies.

³³² Morales's control—especially over the MAS—would increase considerably over the years, as he became an extremely popular leader among the Bolivian electorate. However, social organizations would continue to be very autonomous (Silva 2017), and most of MAS's welfare policies were adopted during his first administration.

³³³ These were the 'Water War' (2000) and 'Gas War' (2003). In 2000, when the local government privatized the public water company in Cochabamba, peasants, students, and unions united to mobilize against it, initiating what was later called the "Water War." In October 2003 the Gas War began, when informal workers in El Alto, one of Bolivia's main cities, protested against president Sánchez de Lozada's decision to give concessions to transnational corporations to transport natural gas from Bolivia's eastern lowlands to Chilean ports for export. The social organizations involved in these wars included coca growers from Cochabamba (led by Evo Morales), the CSUTCB (peasants union), miners (represented by COB), and indigenous movements. These organizations mounted massive demonstrations for six weeks. After harsh governmental repression that led to many civilian deaths, Sánchez de Lozada was forced to resign (Postero 2010:61)

³³⁴ This continued to be the case even long after Evo consolidated his power over the party and became practically unbeatable in presidential elections.

The power social organizations had within the MAS allowed them to obtain top political positions in the Bolivian state. As Niedzwiecki and Anria show, during the first MAS administration (2006-2009), social organizations controlled most ministries (Niedzwiecki and Anria 2016). Bolivia's main labor confederation, the *Central Obrera Boliviana* (COB), obtained two ministries: the Ministry of Labor, and the Ministry of Health and Sports. Further, a leader from the miners' union was appointed Minister of Mining. The union representing coca growers controlled the Ministry of Justice, and peasant organizations had considerable influence over the Ministry of Rural Development and the Ministry of the Environment (Silva 2017). Lastly, the most important organization representing urban informal workers, the *Federación de Juntas Vecinales de El Alto* (FEJUVE-El Alto), was given control over the Ministry of Water (Niedzwiecki and Anria 2016). In sum, one of the defining features of Bolivia under the MAS is the extent to which social organizations co-govern with the president.

This influence is exercised through two mechanisms. There is a set of core organizations—coca growers, peasants organizations (CSUTCB and the *Bartolinas*³³⁵), colonists (mestizo peasants in frontier zones), and part of the indigenous movement³³⁶ (Zegada et al 2011:249, Silva 2017)—that occupy top positions in the state and have a seat at the table where public policies are designed. But there is another set of organizations that exert their influence over public policies more through informal consultations with the government as well as through street protests (Zegada et al 2011:255, Silva 2017). These groups are the unions (represented by COB), urban informal workers (FEJUVE-El Alto), associations of cooperative miners, and part of the indigenous movement (Silva 2017)³³⁷. Although these groups were linked to the MAS, their ties were not as strong as were those of the other groups. Therefore, their influence over social policy is more reactive. Eduardo Silva calls their complex relationship to the government 'contestatory interest intermediation' (Silva 2017). Specifically, these organizations exert bottom-up influence over the government through 'outside channels' (Niedzwiecki and Anria 2019): if, after informal consultations with the government, they still oppose a governmental decision, they proceed to protest in the streets. The government usually corrects the public policy in accordance to these groups' preferences and their bottom-up influence (Niedzwiecki and Anria 2019, Zegada et al 2011).

The most prominent case of state empowerment is that of indigenous peasant organizations: the CSUTCB (the largest peasant union, which represents mainly highland indigenous peasants) and colonists (mestizo peasants in frontier zones). Leaders from both groups have been appointed to top positions in the Ministry of Rural Development—where they had considerable influence in the development of agrarian policies—as well as in the Ministry of the Environment, where they helped craft a new

³³⁵ The CSUTCB is Bolivia's peasant confederation. The *Bartolinas* are the federation of female, indigenous peasants.

³³⁶ The indigenous confederation that participates in decision-making is the faction of CIDOB that is loyal to Morales.

³³⁷ The faction of CIDOB that is not loyal to Morales.

environmental law (Silva 2017:102). Moreover, the CSUTCB appointed members to the national, departmental, and local branches of government, and nominated candidates for elective office at all three levels (Silva 2017:102).

The considerable political and societal empowerment of social organizations in Bolivia is the result of their immense power both outside and inside the party. I have already explained the extent to which Bolivia's social organization had high, autonomous mobilizational power (power *outside* the party). Their influence *within* the party is more complex, and deserves a more thorough explanation. The MAS is not an institutionalized, mass bureaucratic party such as the *Frente Amplio* in Uruguay or the PT in Brazil. It does not have a party bureaucracy and its candidates are not career politicians (Madrid 2012:65). It is a party of 'indirect affiliation': social organizations (rather than individuals) are linked to the party, and through these links activists from social organizations become party members (Zuazo 2010:126). In this regard, Evo Morales went as far as saying that 'where social organizations work well, there is no need for a parallel party structure' (Zuazo 2010:126). Because the MAS was a relatively new party by the time Morales came to power (it was founded in 1997), its links to social organizations allowed the party to rapidly gain a dense network of voters and activists throughout the country (Vergara 2011:83). In sum, to say that the MAS is strongly linked to social organizations is an understatement: MAS's building blocks *are* Bolivia's social organizations. This grants social organizations considerable leverage vis-à-vis the government, allowing them to obtain both societal and state empowerment.

But this also meant that those organizations not so strongly linked to the party found it more difficult to obtain societal and, especially, state power. This was the case for unions enrolled in COB. The labor confederation had been a strategic ally of the MAS, but at the same time always maintained an arm's-length relationship with the party (Silva 2017). When the MAS came to power, unions were empowered in the societal arena, but not to the same extent as in Uruguay. And while they wielded considerable state power during the first Morales administration, unions' state power subsequently faded as tensions between the government and the COB escalated. After the second Morales administration, the COB oscillated between being an ally and an adversary of the MAS administrations (Trujillo and Spronk 2018). In terms of societal empowerment, unions successfully pushed for the derogation of the neoliberal reforms approved during Víctor Paz Estenssoro's administration (1985-1989). These laws had weakened unions by reducing workers' protections against dismissals and enabling outsourcing (Aillón Gómez, Castro López and Piejko Patiño 2015:22). Further, the government reinstated legal protections for union activists (Aillón Gómez, Castro López and Piejko Patiño 2015:22). Moreover, the new Constitution adopted in 2009 extends collective bargaining rights to all workers (including rural workers, who were previously deprived from this right in the old labor legislation), extends protections to all union leaders (Trujillo and Spronk 2018).

The government also adopted policies to actively promote unionization: union density rates in Bolivia increased from 26.6% in 2006 to 39.1% in 2014³³⁸. Unions in the mining, manufacturing and construction sectors were empowered by active governmental

³³⁸ ILOSTAT 2015.

policies of unionization (Aillón Gómez, Castro López and Piejko Patiño 2015:42)³³⁹. This increase in union empowerment was expressed in higher levels of protests: by 2011, protest levels had surpassed the 2003-2004 levels³⁴⁰—a period of widespread social protests in Bolivia when the ‘gas wars’ took place.

However, state empowerment was limited. COB’s control over the Labor Ministry was brief, lasting from 2006 to 2009. The COB’s tense relationship with the Evo Morales administration eventually forced labor to abandon the government. The political event that soured the relationship was the withdrawal of fuel subsidies announced by the government in December 2010. Known as the *Gasolinazo*, this decision triggered a massive mobilization by COB that eventually forced the government to back down (Trujillo and Spronk 2018:143)³⁴¹. These tensions were also intensified by the government’s attempt to pass a new ‘general labor law’ that would restrict unions’ capacity to strike and organize (Trujillo and Spronk 2018). This project was launched in 2010, the same year as the *Gasolinazo*. The most controversial provisions included denying public sector workers the right to strike, requiring unions to obtain two-thirds of the votes to go on strike, and prohibiting workers in microenterprises from joining unions (Trujillo and Spronk 2010:145-6). However, unions’ protests impeded the government from moving forwards with this law: COB called for a general indefinite strike, and the government backed off (Trujillo and Spronk 2018:146). There were many instances during the MAS administration in which COB and the government set up negotiation tables to draft the bill, but tensions between the two sides persisted and the law was never adopted (Trujillo and Spronk 2018:146).

Lastly, the MAS administrations were not involved in the political targeting of benefits. Unlike in Venezuela or Argentina, the government did not attempt to pursue a state-led reorganization of the popular sectors from above. As Eduardo Silva claims, in most instances ‘the government respected the autonomy of popular sector organizations and negotiated with them’ (Silva 2007:101). And while in Argentina and Venezuela a key aspect of political targeting was the delegation of welfare policies’ implementation to loyal organizations, in Bolivia this was not the case. Although organizations did participate extensively in the design of social policies, they did not participate in its implementation: social policies were highly institutionalized in law, public administration, and legislatively approved budgets (Silva 2017:103).

Income Redistribution: Universal Coverage, Increases in Welfare Benefits

Pensions

Pension reforms under the MAS administrations illustrate how social organizations that wield considerable power can force governments to enact broad welfare policies that benefit both insiders and outsiders. During the first MAS

³³⁹ However, the government did not undertake the same initiatives in the public sector (Aillón Gómez, Castro López and Piejko Patiño 2015:22).

³⁴⁰ See Aillón Gómez, Castro López and Piejko Patiño 2015:42.

³⁴¹ The COB intended to promote “energy sovereignty” and prevent trafficking to neighboring countries (Trujillo and Spronk 2018:143).

administrations, COB was a ‘strategic ally with privileged access to set-up the agenda’ (Anria y Bogliaccini 2018:21, see also Trujillo and Spronk 2018). Because COB controlled the Ministry of Labor and Social Security, as well as many MAS legislators, it was able to introduce the issue of pension reform in the governments’ agenda (Anria y Bogliaccini 2018:21). COB wanted to roll-back the privatization of the pension system that had taken place in 1996 under neoliberal president Sánchez de Lozada, favoring a renationalization that would also increase benefit levels and lower the retirement age (Anria y Bogliaccini 2018:21). However, negotiations between COB, the governments and the other social actors linked to MAS were not easy, lasted four years, and were marked by negotiations, contestation and compromise between the different actors (Anria y Bogliaccini 2018).

One significant problem was that different actors within the MAS had different objectives. COB was interested in nationalizing the pension system and improving benefits for insiders³⁴². However, it opposed the inclusion of outsiders in the new nationalized system³⁴³. The organizations lobbying for the inclusion of outsiders in the contributory system were unions representing workers with a more precarious standing in labor-markets, such as transport sector unions (Anria and Bogliaccini 2018:21-22). These unions were able to negotiate the incorporation of a semi-contributory component within the contributory system. Under the new system, workers with 10 years of contributions would be allowed to retire through the contributory system. Their benefits would be paid through a new fund, the *Fondo Solidario*, financed by the Treasury as well as by contributions from better-off workers as well as employers. If transport sector unions were crucial in effecting the inclusion of this reform in the agenda, the mobilization of other organizations of outsiders that would benefit from this reform (rural workers, coca growers and cooperative miners) was crucial for the final approval of the bill (Anria and Bogliaccini 2018:22).

Another important modification to Bolivia’s pension system was the adoption of *Renta Dignidad* in 2008. This is the only truly universal pension in Latin America: all Bolivian citizens over 60 are entitled to it. The move towards a universal, basic pension had already begun in 1997, when president Sánchez de Losada launched *Bonosol*, a universal basic pension that aimed at compensating workers for market reforms. However, *Bonosol* had two major problems. First, its coverage was limited; because it was designed as a ‘compensation’ measure during the transition from a public to a private pension system, only the generation that underwent that transition was eligible for this non-contributory pension (Willmore 2006:25, Barrientos 2006:375)³⁴⁴. Second, its source of financing was not very reliable, as it depended on the variable profits from the state’s shares in state firms that were (partially) privatized during the period of neoliberal reforms (Martínez 2004:9, Willmore 2006:26)³⁴⁵.

³⁴² COB demanded higher monthly payments and a lower retirement age.

³⁴³ COB leaders argued that it was unfair that workers with insufficient contributions to the contributory system would have access to the same benefits as would workers that had paid contributions in full (Anria and Niedzwiecki 2016)

³⁴⁴ Bolivians that were born after 1974 were not eligible.

³⁴⁵ *Bonosol* was financed by 50% of the proceeds from the shares of ‘capitalized’ state enterprises that had been privatized during neoliberal reforms. The partial privatization of state-owned enterprises was known as “capitalization.” 50% of those shares were sold to private investors, while the other 50% remained

The Evo Morales administration improved *Bonosol* by replacing it with *Renta Dignidad*. The new program had four main advantages. First, the retirement age was lowered from 65 to 60 years old (Escobar Loza et al 2013:32). Second, benefit levels were increased: from US \$229 (annually) in 2007 to US \$342 in 2009 (Mesa-Lago and Ossio Bustillos 2013:117). In comparison to other Latin American countries, these benefits were still very low. Third, the pension was made universal by extending it to all Bolivian age cohorts. Finally, the mechanism through which this non-contributory pension was financed changed, making it more sustainable in the long run. Specifically, it was financed by a tax on hydrocarbons (Monterrey Arce 2013:18). In 2005 president Carlos Mesa, pressured by social mobilizations from below, adopted into law the ‘direct tax on hydrocarbons’—*Impuesto Directo a los Hidrocarburos* (IDH). The law taxed companies that extracted hydrocarbons in Bolivia. Most of the welfare policies adopted by the Evo Morales administrations were partially or entirely financed by this tax.

The main political conflicts regarding *Renta Dignidad* did not concern its design, but, rather, the allocation of the revenues from the tax that financed it, the IDH (Anria and Niedzwiecki 2016:320). Because the revenues of the IDH were shared between the national government, departments (i.e., state governments), municipalities and universities, allocating a portion of IDH’s revenues to finance the *Renta Dignidad* entailed an important loss of revenues for local governments. What made this conflict politically explosive was that many of the departments and municipalities that possessed hydrocarbon reserves—and hence, received a greater share of the IDH’s revenues—were controlled by the opposition. And because center-right parties had a majority in the Senate, their opposition to *Renta Dignidad* put the whole project at risk (Anria and Niedzwiecki 2016:311).

The key political resource that allowed Evo Morales to pass this bill was the mass mobilization of MAS’s social organizations (Anria and Niedzwiecki 2016). Organizations representing peasants, urban informal workers and retirees, as well as indigenous movements and even the COB—which, as explained above—initially opposed universal pensions—organized mass demonstrations in support of the bill (Müller 2008:168). These demonstrations served two purposes: (1) they countered the show of force displayed by the opposition, which had mobilized its base on the streets, and (2) the neutralized the legislative opposition in Congress (Anria and Niedzwiecki 2019). Social movements allied with the MAS went so far as to prevent some opposition legislators from entering Congress, hence facilitating the approval of the bill (Anria and Niedzwiecki 2019). Both the disruptive mobilizations organized by the political and economic elites opposed to the MAS, as well as the universal character of the new social program, gave the diverse social organizations comprising the MAS’s base the necessary incentives to mobilize together to secure approval of the reform, despite their disparate economic interests (Niedzwiecki and Anria 2019).

nominally in possession of the state. The profits from those state shares were accumulated in a fund administered by the private pension funds, and were used to finance *Bonosol* (Martínez 2004:9).

Income Support Programs

The MAS administrations saw the massive expansion of universal conditional cash transfers. The two main social programs were the *Bono Juancito Pinto* and the *Bono Juana Azurduy*. *Bono Juancito Pinto* is a CCT for school-age children, and is conditional on children's attendance at school. It was adopted by decree in 2007, and was later expanded to also cover high-school students (Aguilar Pacajes 2014:48). As was the case with the *AFAM-PE* in Uruguay, both insiders and outsiders are eligible, and its coverage is almost universal (Cena and Chahbenderian 2015:130). However, benefit levels are very modest: it grants 200 Bolivianos annually per child per year, which in 2017 equaled US \$28.9³⁴⁶. This policy was also financed by the IDH.

The other major initiative in terms of income support programs was the *Bono Juana Azurduy*. It is a CCT targeted at pregnant mothers, and was adopted in 2009. As with *Bono Juancito Pinto*, its coverage is almost universal: any Bolivian mother that is neither enrolled in social security nor covered by a private health plan can apply to the program. According to these criteria, 80% of the Bolivian population is eligible (Fuentes, Martínez, Celhay and Gómez 2015). Recipients must attend regular medical check-ups for both mothers and their infants. It is financed by the IDH as well as by resources from international cooperation (Monterrey Arce 2013:20). As with *Bono Juancito Pinto*, benefit levels were extremely low³⁴⁷.

The political process behind the adoption of both CCTs fits the theory presented in Chapter 2: they were adopted to neutralize competition from the Right among the poor. In the 2005 presidential elections, the center-right coalition PODEMOS had as one of its central campaign promises the adoption of a CCT for the poor (McGuire 2013:11). Further, the opposition mayor of El Alto—the stronghold of organizations representing urban, informal workers in Bolivia—had already adopted a CCT for the poor at the local level in 2003³⁴⁸. This mayor joined the center-right alliance PODEMOS in 2005. In sum, the opposition was not only promising to enact a CCT for the poor during the 2005 elections, but had already adopted these types of programs at the local level. This situation gave Evo Morales an incentive to neutralize this threat by launching his own CCT: the *Bono Juancito Pinto* (McGuire 2013). The adoption of the *Bono Juana Azurduy* followed a similar political logic: it was launched just eight months before Evo Morales ran for re-election in 2009 (McGuire 2013:17). Moreover, in the 2002 presidential election, the MAS's main rival, the *Movimiento Nacional Revolucionario (MNR)*, had incorporated into its campaign platform a very similar CCT called 'Bono Salud' (McGuire 2013:19)³⁴⁹.

³⁴⁶ It represented 3.17% of the minimum wage in 2007, and only 0.38% of the minimum wage in 2017.

³⁴⁷ Payments were not monthly, as with conventional CCTs, but were made at specific stages of the pregnancy. For example, the bonus for prenatal care was US \$7.1, the bonus for institutional delivery and postnatal monitoring was US \$17.1, and the bonus for comprehensive health checks after pregnancy was US \$17.8 (data for 2009).

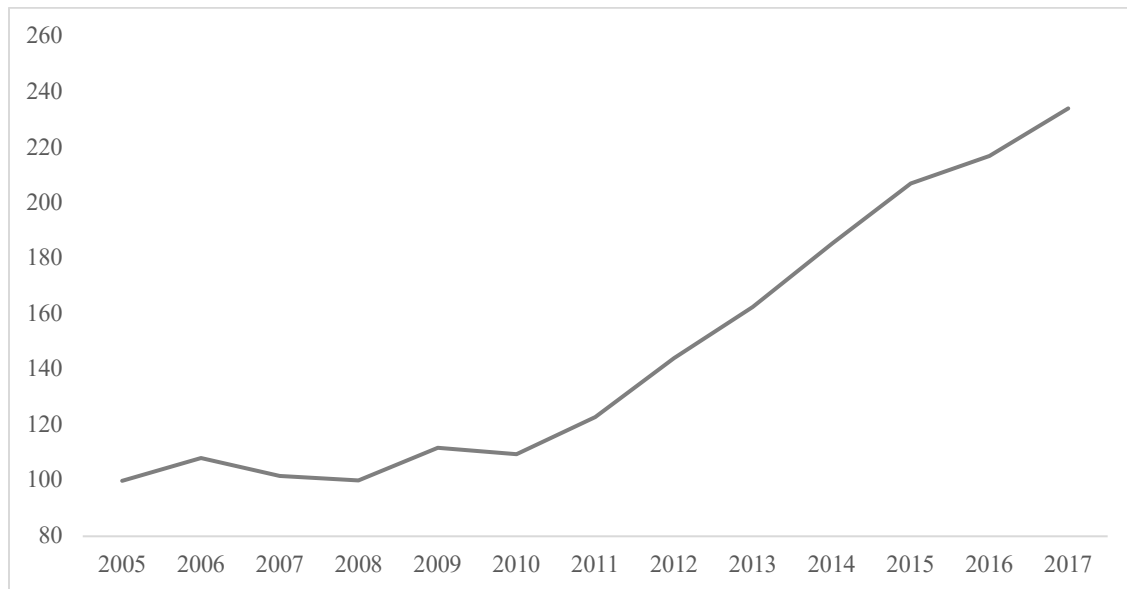
³⁴⁸ It was named *Bono Esperanza*.

³⁴⁹ This was an idea incorporated into the *Movimiento Nacional Revolucionario (MNR)*'s platform for the 2002 elections. The center-right MNR defeated the MAS in those elections. This program would grant, to each child under 5 living in a poor household, a 'health card' with 25 *Bolivianos*, that would allow them to pay for up to two medical visits per year (McGuire 2013:19).

Lastly, minimum wage increases under the MAS illustrate, once again, how social organizations with autonomous mobilizational capacity can force reluctant governments to expand welfare policies. As explained above, although COB openly declared itself a strategic ally of the MAS, it always maintained an arm's length relationship with the party (Silva 2017:100). Evo Morales's career as a union leader unfolded in the CUSTCB, the indigenous peasant organization that whose most powerful component was the coca growers' union from the Cochabamba region (Silva 2018:34). By contrast, COB's leaders operated in a very different setting: their strongholds were the urban regions of the Altiplano, they represented formal sector workers, and the COB was traditionally led by the miners' union (Fornillo 2009, Zapata 2002). The disparate trajectories of, on one hand, Evo Morales and the indigenous peasant organizations he led, and, on the other hand, the unionist leaders enrolled in COB, is key to understanding the considerable autonomy that COB had vis-à-vis both the MAS and its leader.

COB's autonomy vis-à-vis the MAS leadership, combined with its high mobilization power, granted the labor confederation sufficient bargaining power to obtain policy concessions from the government (Silva 2017:2013). The most prominent example was the minimum wage increases adopted under the Evo Morales administration. Indeed, COB's links to the MAS allowed the labor confederation to have a significant influence over wage policy (Silva 2017:100). The government set up generous policy guidelines for minimum wage increases: the official guidelines stated that wage increases should always exceed inflation (Aillón Gómez, Castro López and Piejko Patiño 2015:22). Since 2005, minimum wages have been negotiated on an annual basis between the government and the COB. Frequently COB pushed for higher increases than the government was willing to give, and organized multiple mobilizations and strikes to force the government to approve the higher increases. In many instances these mobilizations and strikes were successful, forcing the government to grant more generous concessions (Silva 2017:102). As a result, minimum wage increases have been substantial: between 2005 and 2017, the minimum wage grew by 134% in real terms (Figure 6.2).

Figure 6.2: Real Minimum Wage Increases in Bolivia 2005-2017 (100 = 2005)



Sources: ILOSTAT (nominal values) and Banco Central de Bolivia (inflation rates).

Conclusions

Bolivia under the MAS administrations provides further evidence for my hypotheses. One important finding is that my theory seems applicable to less-developed countries, where social movements representing outsiders are the main social organizations. Despite Bolivia having a much higher informality rate than Uruguay, the same political drivers of the *Social-Democratic* model seem to be at play: when there are organizations with high levels of power both inside and outside the leftist party, leftist governments adopt broad income and power redistribution strategies. Moreover, social organizations' ties to MAS varied, thus providing additional within-case variation to test the hypotheses of this analysis. The Bolivian case shows that social organizations need to be powerful both in the interest and partisan arenas to achieve full empowerment. Peasants' organizations and the indigenous movement were powerful in both arenas before Morales came to power. Once in office, Morales adopted policies that empowered them both in the national state as well as vis-à-vis their societal rivals. By contrast, COB was powerful in the streets but had an arm's-length relationship with the MAS. As my theory predicts, COB's relatively low level of power in the party inhibited its empowerment in the Bolivian state.

Further, the Bolivian case provides two insights that were also present in the Chilean case: (1) Power resource theory is insufficient to explain variation in social policies during Latin America's left turn, and (2) Leftist presidents have incentives to limit income and power redistribution when they are unconstrained by social organizations. Most of Evo Morales's redistributive policies were enacted during his first administration, when he lacked parliamentary majorities in Congress. However, the Bolivian case illustrates the variety of tools Latin American presidents can use to circumvent parliamentary opposition. The most salient are presidential decrees,

Constitutional assemblies, and social mobilization. All CCTs, as well as the derogation of labor laws from the neoliberal period, were adopted by presidential decrees under the Morales administration. Further, the nationalization of the pension system was established in the new Bolivian constitution; lacking parliamentary majorities, Morales organized a special election for a new Constituent Assembly. Finally, the universal pension *Renta Dignidad* was strongly resisted by parliament, but Morales was able to circumvent that opposition by mobilizing his allied social organizations in the streets.

Moreover, Morales's tense relationship with COB shows the incentives presidents have to curtail the organizational power of unions as well as to limit fiscal spending in post-ISI economies. At the same time, however, it shows how strong, autonomous organizations can limit these efforts when they threaten their interests. By 2010, COB's strong mobilizational activity was a headache for Morales, and he tried to adopt a new labor law that significantly limited unions' organizational and mobilization capacity. However, COB's resistance prevented the government from moving forward with this initiative. Further, despite being depicted as part of the 'populist' Left by pundits, Morales has always shown an ironclad commitment to macroeconomic orthodoxy, including to maintaining high fiscal surpluses. This commitment entailed harsh clashes with COB, especially when the government tried to withdraw public oil subsidies. Once again, COB's mass demonstrations in the streets forced the government to back down. In sum, leftist presidents face acute trade-offs between, on the one hand, promoting private investment and maintaining fiscal surpluses, and, on the other, redistributing incomes and power towards their social base. As the Bolivian case shows, the presence of social organizations with autonomous mobilizational power is crucial for keeping leftist presidents committed to a redistributive agenda.

Venezuela

Venezuela under Hugo Chávez (1999-2013) was a case of *Left Populism*. Welfare policies under *Chavismo* were broad, benefiting both insiders and outsiders. Before Chávez, Venezuela's welfare state only protected insiders. His massive expansion of welfare policies towards outsiders represented a watershed in Venezuela's history, including millions of citizens in Venezuela's welfare state. Further, power redistribution represented an extreme version of *Left Populism*: to a larger extent than in Argentina, the government politicized distribution by creating new, loyal organizations from above and marginalizing those that opposed the government. The informal sector was not organized before Chávez, allowing him to create a plethora of loyal organizations from above. The most important were the *Misiones* and the *Consejos Comunales*³⁵⁰. These organizations served a multiplicity of functions: distributing welfare benefits, articulating informal workers' demands vis-à-vis the state, and serving as an organized support base for the regime. In the formal sector the situation was different: Venezuelan unions were powerful and strongly linked to Venezuela's traditional parties—Chávez's political foes. These unions represented a threat to Chávez: they provided the opposition with a powerful mobilization device against him. He attempted to reshape Venezuelan unions through two main strategies: (1) undermining the power of Venezuela's traditional labor confederation, the *Confederación de Trabajadores de Venezuela* (CTV), and (2) promoting a parallel structure of *Chavista* unions and workers' cooperatives. Lastly, although Chávez actively promoted the creation of popular sector organizations from above, these organizations were excluded from positions of power in the state. Chávez's leadership was highly personalistic, and top political posts were occupied by loyal party cadres and the military (Corrales 2010:33).

Left Populism in Venezuela is explained by a combination of high internal control over the party, and low control over the electorate and social organizations. In other words, Chávez faced the threats of social protest and electoral defeat, but his personalistic party apparatus was unable to process social demands or compete effectively in elections. Chávez was a complete outsider within Venezuela's political system. In 1998, he ran for the presidency against the party establishment. Once elected, he needed to make the transition from a popular, outsider candidate into a strong presidential leader with a stable base of votes. The expansion of generous welfare policies to both insiders and outsiders allowed him to cement that support among the electorate. Moreover, the main organizations representing Venezuela's popular sectors, the unions enrolled in the CTV, staged disruptive strikes against Chávez to oust him from power. Chávez tried to neutralize CTV's protests by creating a network of loyal social organizations through the political targeting of benefits. Two strategies were central to this approach: (1) creating state-sponsored organizations in the informal sector, and (2) promoting a parallel structure of *Chavista* unions and workers' cooperatives in the formal sector. Political targeting was possible because of Chávez's control over the party apparatus: he had no constraints on his ability to pursue this strategy. Further, party control allowed him to forgo the state empowerment of social organizations.

³⁵⁰ Other organizations were the *círculos bolivarianos*, *unidades de batalla electoral* (UBEs) and *comandos tácticos*.

Informal Sector

Chávez's largest innovation was the expansion of welfare policies and popular sector organizations in the informal sector. While unions had been historically strong, organizing a large share of the formal sector (Roberts 2003), the informal sector was not organized (Crisp y Levine 1998)³⁵¹. It was an unorganized popular mass that was 'available' to be politically mobilized by a populist leader. Chávez organized these sectors from above by promoting two types of organizations: the *Misiones* and the *Consejos Comunales*.

The *Misiones* were initially conceived of as emergency operations to provide relief in working-class neighborhoods. These organizations were funded by the state and provided a plethora of services, from health to education and subsidized products³⁵². However, their organizational status was somewhat ambiguous. On the one hand, they were created as administrative structures that were to deliver welfare benefits 'parallel to' state bureaucracies (Penfold-Becerra 2007:64, D'Elia and Cabeza 2008:5,15). On the other hand, they placed great emphasis on the need for communities who received welfare benefits to organize themselves (D'Elia and Cabeza 2006:210). Their ambiguous nature comes from the fact that they were both 'organizations' of informal workers as well as an administrative device through which the state delivered welfare services (D'Elia and Cabeza 2006:208). *Misiones* were run by both political activists as well as personnel from the armed forces, who were politically loyal to Chávez (Lopez Maya 2013:224, Handlin 2017). All these missions were approved by decree, and were financed by the extraordinary rents from oil production (Pribble 2013:160, Penfold-Becerra 2007:64-65)

From the point of view of income support programs, there were two main *Misiones*: the *Mercal* and the *Madres del Barrio* missions. *Mercal* was adopted by Chávez in 2003. Through a network of supermarkets established in low-income neighborhoods and run by the government, they sold basic food products at a subsidized price (Penfold-Becerra 2007:74). This *Misión* was the one with the broadest coverage (Pribble 2013:165). According to Hawkins, in 2007, 40% of Venezuelans shopped at *Mercal* supermarkets at least once a week in (Hawkins et al 2014:588, Lopez Maya 2013:224). *Madres del Barrio* was a social program targeted at mothers living in extreme poverty. It provided recipients with both work training and cash subsidies (Fischer-Hoffman 2008).

³⁵¹ There were two main types of organizations before Chávez came to power: cooperatives and neighborhood organizations. They were mainly atomized, and had very narrow objectives: from better access to public utilities, to easier access to consumption goods through cheaper prices and credits. (Crisp y Levine 1998: 41).

³⁵² The first *Misiones* were the Robinson Crusoe *Misiones*, which attempted to eradicate illiteracy and provide elementary school education (Lopez Maya 2013:224). They were followed by the Ribas mission, which provided secondary education to the adult population who had not finished their studies, and the Sucre mission, that expanded access to university training (Pribble 2013:160). The *Barrio Adentro* *Misiones* provided health care—especially preventive medicine—and were staffed by Cuban doctors (Cuba was a key ally of the Chávez administration). Lastly, the *Mercal Misiones* provided subsidized food, and 40% of food products in Venezuela were distributed through this channel (Penfold-Becerra 2007:7).

Consejos Comunes were the second type of popular sector organization in low-income neighborhoods promoted by Chávez, and were launched in early 2006 (Alvarez 2007:278). They were created by the *Ley de Consejos Comunes*, and the official objective was to promote the participation of social organizations in the direct administration of public policies (Alvarez 2007:278). The Communal Council program provided a legal framework that allowed neighborhoods to create their own organizations with state support (Handlin 2017). This legal framework allowed them to apply for state funding to launch development projects at the local level (García-Guadilla 2007). Moreover, the *Consejos* assured local residents preferential hiring in the public works projects that were designed by them and financed by the state (Ellner 2011:424). There were around 30,000 *Consejos Comunes* in Chávez's Venezuela (Ellner 2011:424).

The expansion of *Misiones* and *Consejos Comunes* were a direct reaction to two problems Chávez faced: his lack of organizational control over unions and the threat of electoral competition, which was aggravated by the absence of a strong party infrastructure. Although Chávez assumed office in 1999, it is telling that the expansion of the *Misiones* did not start until 2003 (Corrales and Penfold 2011:26). Instead, during his first years in office Chávez invested his political capital in transforming Venezuela's political institutions. He advocated for a Constitutional reform that would concentrate political power in the executive office. In 1999 he called for a referendum on the new *Constitución de la República Bolivariana de Venezuela*, and the referendum passed (Corrales and Penfold 2011:16). However, until 2002 there were neither significant moves towards a statist economy nor major innovations in welfare policies.

The origins of Chávez's redistributive strategy can be traced to 2002. In April of that year, the opposition staged a coup against Chávez. It was coordinated between military officials, unions, opposition parties and business associations. It started with the opposition of the management and workers from PDVSA (Venezuela's state-owned company) against Chávez's oil policies. The CTV sided with this group and called for a general strike (Lopez Maya 2002:8). Two days later, one million protesters marched to the presidential palace to demand Chávez's resignation. The military high command sided with protestors, removed Chávez from office and appointed a business representative, Pedro Carmona, as interim president (Corrales and Penfold 2011:22).

But Carmona's rule would be short-lived: Chávez's supporters rapidly congregated at the presidential palace in protest, demanding his reinstatement in office. The pro-Chávez groups within the military retook the presidential palace and put Chávez back in power. Despite its defeat, the opposition did not cease its efforts to oust Chávez by any means necessary. In December 2002, PDVSA's workers staged another prolonged oil strike in opposition to Chávez's oil policy. These strikes, by paralyzing the production of Venezuela's main export commodity, had a deleterious impact on the Venezuelan economy: Venezuela saw negative GDP growth rates in 2002 (-8.9%) and 2003 (-7.8%). (Lopez Maya 2013:223).

The failed coup attempt and the oil strikes in 2002/3 were a watershed in Venezuelan politics. It became evident that if Chávez wanted to remain in power, he needed to accomplish two objectives: (1) strengthen his support among Venezuela's electorate, and (2) build a permanent base of organizational support for the *Chavista* project. Control over the streets had proven to be politically decisive: both to oust Chávez from power, but also to reinstate him in office when his loyal supporters mobilized to

demand his return. He needed to transform that unorganized support into a permanent, organizational base of support that could mobilize in defense of *Chavismo*.

The problem of strengthening his electoral support was directly linked to the 2004 recall election. In the context of the opposition's insurgent strategy, and a stagnant economy due to the oil strike, Chávez's popularity was severely damaged (Penfold-Becerra 2007:71). This fall was all the more worrisome given that, due to the political crisis of 2002-3, the opposition had called for Chávez to face a recall election in 2004. Ironically, the very same constitution approved by Chávez in 1999 allowed citizens to hold referendums on elected officials. After two failed attempts to oust Chávez through popular mobilization and military coups, the opposition turned to this electoral institution to oust him (Lander and López Maya 2004:61). His ability to survive the recall election or win the 2006 presidential elections was highly uncertain (Handlin 2011, Hawkins 2010:24). Chávez had a short time window within which to overcome his unpopularity and build a majoritarian electoral coalition.

But Chávez lacked a strong party infrastructure that would allow him to run electoral campaigns across the territory and craft that majoritarian coalition. The electoral device with which he won the 1998 presidential elections, the *Movimiento V República* (MVR), was more of a movement than a party (Alvarez 2006:22), a loose aggregation of anti-party, retired military officers and leftist activists. Many of these military officers had participated in Chávez's 1992 failed coup attempt against democratic president Carlos Andrés Pérez (Gonzalez 2014:94, Tinker Salas 2015)³⁵³. Leftist activists participated in Venezuela's far Left parties: they comprised members of the Venezuelan Communist Party as well as splinters from two radical leftist parties: the *Movimiento al Socialismo* and *La Causa R* (Lopez Maya 2011:216-217). But Chávez had not invested in creating a proper party infrastructure that could unite this loose aggregation of disparate groups in a coherent apparatus. On the contrary, MVR was merely designed as an electoral vehicle to compete in the 1998 and 2000 elections (Pereira 2001:7). It was a highly personalistic organization that concentrated power in Chávez and lacked formal mechanisms for internal democracy (López Maya 2016: 161-162).

A second objective Chávez needed to accomplish was to build an organizational base of support to defend his government in the streets. The spontaneous mobilization of Chávez's sympathizers on the streets had been crucial for his survival in office. Now, however, the president needed to transform this unorganized sympathy into an organized base of support. Until then, Venezuela's street had been controlled by his political foes: activists from opposition parties and their union allies. Moreover, the parties that were part of the MVR had proved incapable of defending the president in the streets (Lopez Maya 2013-217).

The *Misiones* and, later, the *Consejos Populares*, were the solution Chávez found to augment his electoral support, and build a permanent base of organizational support for the *Chavista* project, ready to mobilize in the streets to defend the president.

The timing of the *Misiones* reveals the political motivations behind their adoption. Before 2003, Chávez had not invested his political capital in expanding social policy. As explained above, much of his efforts were focused on reshaping Venezuela's political institutions through a Constitutional reform in 1999 that considerably increased the

³⁵³ They were part of the MBR 200 movement led by Chávez, who later adopted the MVR label to compete in elections.

executive's legal powers (Pribble 2013:158, Penfold-Becerra 2007:70–71; Haggard and Kaufman 2008:275–276). The lack of attention that Chávez had paid to welfare spending was reflected in social spending, which remained constant during his first two years in office (Pribble 2013:158). However, after the 2002 coup attempt, the oil stoppages in 2002-3, and facing very uncertain electoral results in the upcoming 2004 recall election, Chávez launched his major social policy innovation: the *Misiones*. According to research done by D'Elia and Cabezas (as cited in Pribble 2013:167), Chávez himself admitted that the decision to adopt the *Misiones* was made after polling experts showed him survey data that predicted that he was going to lose the 2004 recall election.

Misiones were as much an instrument to deliver welfare benefits as they were an infrastructure through which Chávez attempted to politicize recipients, advertising the accomplishments of the *Chavista* revolution through meetings and discussions among members and recipients (Handlin 2011:146). Although it is extremely difficult to assess the 'causal effect' of *Misiones* on recipients' political beliefs, descriptive data is telling. For example, survey data show that a vast majority of beneficiaries from educational missions were *Chavista* supporters (Hawkings, Rosas and Johnson 2011). Further, a vast majority of recipients exhibited a strong, charismatic linkage to Chávez (Hawkins, Rosas and Johnson 2011).

The *Misiones* also served a second function: building a more stable, organizational support base for the *Chavista* project. In this regard, two traits of the MVR gave Chávez both the incentives and political capacity to undertake this task: (1) its lack of a proper infrastructure, and (2) its highly personalistic configuration. The lack of a partisan infrastructure gave Chávez an incentive to invest in parallel, loyal social organizations to build a more permanent base of organizational support (Pereira 2001, Álvarez 2006). Further, his total control over the MVR structure allowed him to undertake this task without any internal resistance to the politicized distribution of benefits. Indeed, the political targeting of benefits to loyal organizations—a necessary condition to build a loyal organizational base within a short period of time—could not be resisted by social organizations or party factions, since none of them had power within the party. Lastly, the MVR's personalistic structure deprived social organizations of any positions of power within the state. Most executive positions were filled by military officials or party cadres' from Chávez's inner circle. In 2006 the MVR would be replaced by a new political party, the *Partido Socialista Unido de Venezuela* (PSUV)³⁵⁴. However, the undemocratic and personalistic characteristics of the MVR would be reproduced in the new PSUV (Lalander 2008).

Lastly, one sees in the political motivations behind the creation of the *Consejos Comunes* both similarities and differences with *Misiones*. As with the *Misiones*, one important motivation was the creation of an organizational base of support for *Chavismo*. The government politically targeted benefits to councils run by *Chavista* activists (Handlin 2013). Handlin describes them as 'de-facto' local mass organizations of the Bolivarian movement and the *Partido Socialista Unido de Venezuela* (PSUV) (Handlin 2016). Governmental support was crucial for these organizations' survival: along the creation of the *Consejos Comunes*, Chávez had created a special fund, the *Fondo Nacional de Los Consejos Comunes* (FONACC), that allocated funds to finance

³⁵⁴ This new party would unite under one main party all political parties that had supported Chávez under the loose umbrella of the MVR (Azcargorta 2007:16)

Consejos' local development projects (Lovera 2008). This fund was financed by the oil rents from PDVSA as well as by general revenue. But another important objective of *Consejos Comunes* was to limit the power of the opposition, who had its last strongholds in local governments. Because these councils were directly elected by their communities, from a legal standpoint they had the legal capacity to control (and impose mandates on) local and regional authorities (Alvarez 2007:278). In other words, *Consejos Comunes* were another tool through which Chávez tried to weaken the political opposition to his government.

Formal Sector

Unlike the informal sector, where there was an unorganized mass of lower-class citizens available for state-sponsored organization from above, in the formal sector there were strong unions linked to traditional parties, Chávez's political foes. This lack of organizational control forced Chávez to try to neutralize unions' mobilizational threat by reshaping Venezuela's labor movement from above.

Chávez and Venezuela's main labor confederation, CTV, had an antagonistic relationship from the early days of the *Chavista* administration. In 1998 Chávez ran his electoral campaign denouncing Venezuela's political establishment, claiming that the leadership of Venezuela's main parties, *Acción Democrática* (AD) and COPEI, as well as their union allies in the CTV, were corrupt elites who had enriched themselves at the expense of millions of poor Venezuelans (Ellner 2018:162). In the campaign, he referred to the CTV's leadership as the 'union mob' (Lopez Maya 2013). This confrontational relationship was further exacerbated by CTV's key role in the failed coup attempt of 2002 and the oil strikes of 2002-3. As explained above, the CTV's general strike of April 2002 played a key role in the (failed) coup, and unions played a fundamental role in the oil strike orchestrated by PDVSA's management against Chávez.

Chávez could not neutralize the threat of union protest by forging an alliance with the existing union leadership. These elites were too closely tied to Chávez's enemies in the partisan arena. Instead, he pursued a strategy of reshaping the union structure from above, creating state-sponsored *Chavista* unions. The political targeting of benefits was key to achieving this objective. He granted legal recognition and material resources to loyal union leaders who operated on the fringes of Venezuela's union movement, and he withdrew those benefits from established union leaders aligned with the opposition.

Chávez's labor strategy can be divided in two distinct phases that correspond to different challenges faced by the Chávez administration in the political and labor arenas. During 1998-2001, Chávez attempted to win control over the CTV by defeating traditional leaders in union elections. But when this strategy eventually failed in 2001, followed by the CTV's commitment to ousting the government through general strikes in 2002 and 2003, Chávez radicalized his labor strategy. He realized that the only way to neutralize the CTV's mobilizational threat was by building a parallel, *Chavista* structure in the formal sector. This objective was achieved through two main strategies: (1) sponsoring a parallel, *Chavista* union confederation, and (2) promoting the creation of workers' cooperatives.

The 1998-2001 period was characterized by Chávez's attempt to fight for the leadership of the union movement from within the CTV. In 2000, he called for a union

referendum that would vote on the continuity of the CTV's leadership (Iranzo 2011:19)³⁵⁵. Chávez urged voters to participate in order to 'demolish the old and corrupt Venezuelan political elite'³⁵⁶. The option of revoking unionists' mandates won, all leaders from labor centrals, confederations and federations were forced to resign, and Venezuela's National Electoral Council intervened union confederations and federations for 180 days. But when new union elections were held in 2001, union leaders linked to AD and COPEI regained their positions in the CTV³⁵⁷. The government's strategy to win the CTV to the *Chavista* cause was over. This turn of events, combined with CTV's active role in the April 2002 coup and the 2002-3 oil strikes, convinced Chávez of the need to build an alternative base of support among Venezuela's working class (Ellner 2018:165).

The second phase of Chavez's labor strategy, which began during the 2002-3 political crisis, combined two strategies in tandem: (1) sponsoring a parallel, *Chavista* union structure, and (2) promoting the creation of workers' cooperatives. The first strategy entailed the creation of a *Chavista* labor confederation called *Unión Nacional de Trabajadores* (UNT) in 2003. It was a coalition of different political groups; among them, Trotskyist currents supportive of Chávez played a critical role in leading some of the most important workers' mobilizations of the period (Ellner 2018:166). This confederation paid special attention to preserving unions' autonomy vis-à-vis the state, and promoted a sort of 'critical support' approach to the Chávez administration (Ellner 2018:165).

UNT advocated for workers' participation in decision-making at the company level and for the adoption of a new labor law that would increase workers' rights. Regarding workers' participation in companies, after some initial hesitation, Chávez accepted UNT's bold initiative. For the case of private companies that were on the brink of bankruptcy, the state would provide conditional financial aid: in exchange for governmental loans, firms had to accept workers' participation in decision-making at the company level (Ellner 2018:166). In many cases, these companies were already experiencing harsh conflicts between management and workers before the state intervened. In some cases, state intervention came in the form of financial aid. In other cases, the state decided to intervene by nationalizing these companies.³⁵⁸ This governmental policy of promoting workers' participation in decision-making was formalized in the *Plan Guayana Socialista* in 2009 (Blanco Muñoz 1998:392–93).

It is important to note that these were policies of societal empowerment: they augmented workers' power vis-à-vis employers. However, this type of societal

³⁵⁵ The question on the referendum was whether workers wanted to renew the union leadership. The 'yes' option prevailed (62% voted 'yes'), but turnover was extremely low (23%) (Consejo Nacional Electoral – CNE 2002). All elected union leaders had to resign and Venezuela's electoral commission intervened with union confederations and federations for 180 days, after which a new election to elect union leaders was held (Salazar 2001:149).

³⁵⁶ "Venezuela: Chávez llama al pueblo a demoler sindicatos". *Emol Internacional*, 11-11-2000. Available at: <https://www.emol.com/noticias/internacional/2000/11/11/37984/venezuela-chavez-llama-al-pueblo-a-demoler-sindicatos.html>

³⁵⁷ In these elections AD and COPEI competed under the same label, the *Frente Unitario de Trabajadores* (FUT), that defeated the pro-Chávez front, the *Fuerza Bolivariana de Trabajadores* (FBT).

³⁵⁸ Typically the state would decide to nationalize companies for one of three main reasons: because they were undergoing financial troubles, were accused of causing 'artificial shortages', or were considered strategic for economic development (Corrales 2010:41).

empowerment was of a different nature than the kind of policies adopted by the Left in Argentina or Uruguay. In these latter countries, the focus of governmental policies was on empowering unions vis-à-vis business in collective bargaining. In Venezuela, by contrast, labor policies have been more focused on empowering workers vis-à-vis management at the firm level³⁵⁹. One exception was the *Ley Orgánica del Trabajo* of 1999: adopted during the early days of the Chávez administration, it established for the first time in Venezuela's history the right of public workers to strike (Marin Boscan and Perelló Gomez 2013:155, López Maya, n.d.)

The second main demand of the *Chavista* labor movement was the adoption of a new labor law. Unions were not only interested in reversing the market-oriented labor reforms of the 1990s, but also in establishing new workers' rights. It is important to note that by 2011 the UNT experienced a splintering, which formed a new labor confederation, the *Central Bolivariana Socialista de Trabajadores* (CSBT). This labor confederation was more tightly linked to the Chávez regime. Unlike UNT, which tried to balance its political support for the Chávez administration with the preservation of union autonomy, the new CBST openly stated that the political defense of the Chávez government was its main goal, an objective that took precedence over the advancement of workers' immediate economic demands (Ellner 2018:167).

Despite these divisions, both confederations were able to pressure the government for the adoption of a new labor law. In 2012, the Chávez administration approved the *Ley Orgánica del Trabajo, los Trabajadores y las Trabajadoras* (LOTT). This new law reinstated the retroactive character of severance payments—eliminated by neoliberal president Rafael Caldera (1994-1999) in the labor reform of 1997³⁶⁰—prohibited outsourcing, reduced the workweek, and increased postnatal paid leaves of absence, among other measures (Ellner 2018:174). Many of this law's provisions were included despite strong resistance from several top officials in the Chávez administration (Ellner 2018:173).

Besides approving a new labor law, Chávez expanded pension benefits through two important changes included in the 1999 constitutional reform. The first was the abolition of the partial privatization of social security, approved in 1997 under president Rafael Caldera³⁶¹. Chávez reinstated the public, pay-as-you-go pension system. This change was beneficial for workers to the extent that they went back to a defined-benefit system. Moreover, for the first time in Venezuela's history, pension benefits were set (in accordance to the existing legislation) above the minimum wage. This rule had always been stipulated in the law, but had never previously been enforced in Venezuela (Ellner 2010:92). The second transformation in the pension system was the extension of pension rights for housewives over 65-years-old who lacked sufficient contributions to retire.

³⁵⁹ There is not sufficient literature on the evolution of collective bargaining under Chávez. It is possible, however, to assess the *formal* changes in the laws governing collective bargaining. In terms of collective bargaining, since 1958, the law allows for bargaining at both the firm and sectoral levels. Traditionally most collective bargaining had taken place at the firm level, but many key sectors had held collective bargaining at the sectoral level, among them, oil, construction, teachers and the public sector. The new labor law approved by Chávez in 2012 did not make substantial modifications to this formal aspect of collective bargaining. (Mirabal Rendon 2017:54).

³⁶⁰ This was a very controversial reform for the union movement in Venezuela (Ellner 2018:159).

³⁶¹ However, this partial privatization had not been implemented because of the short period between its approval (1997) and Chávez's election in 1998 (Rodríguez A. 2000).

Under the new legislation, they were now entitled to earn the minimum wage (Montaño Virreira et al 2010:42)³⁶². Taken together, these policies considerably increased social security coverage in Venezuela. According to figures from the Inter-American Development Bank, coverage increased from 20.6% of adults over 65 years old in 1998, to 37.2% in 2009³⁶³.

Another important strategy adopted by the Chávez administrations was the promotion of workers' cooperatives. The government, as well as private companies, used these cooperatives to hire services and activities that were previously done by wage workers, as they operated under labor regulations and tax exemptions that were more favorable to employers (Lucena 2007). Moreover, the government provided ample financial credits to promote the expansion of these cooperatives (Lucena 2005:89). The government's bet on workers' cooperatives had the explicit objective of eroding traditional unions' influence over the popular sectors, as participants in cooperatives were not wage earners (and therefore, could not be organized by unions) (Lucena 2005:89). There was a 'boom' of workers' cooperatives under Chavismo: by 2005, there were almost 84,000 workers' cooperatives in Venezuela (Veltmeyer 2018:89).

To conclude, it is important to highlight two consequences of Chávez's labor strategy: the extent of its success, and the constant tensions it generated between unions' political loyalty to the government, on the one hand, and their efforts to preserve their autonomy, on the other. By the end of the 2000s, CTV's hegemony over Venezuela's working class was ended. The CTV went from one million members and 70 affiliated labor federations at the height of its power, to only 50,000 members and ten federations by the end of the decade (Ellner 2018:169). Further, these organizations (especially unions enrolled in the UNT) were not mere appendices of the state. Despite being supportive of the Chávez regime, they faced a tension between advancing workers' rights and providing political support for the Chávez administration (Ellner 2018:176).

Conclusions

Venezuela under Hugo Chávez casts light on some of the common political dynamics behind the adoption of *Left Populism*. In particular, the parallels with the Argentinean case under the Kirchners are remarkable. In both cases the political targeting of benefits arises as a consequence of presidents' inability to control disruptive protests in the streets. In the case of Chávez, the main threat came from unions linked to traditional parties. For Kirchner, the main threat were *piquetero* organizations in the informal sector led by radical leftist leaders. Regardless of this sectoral difference, populist presidents seemed to experience a particular type of problem: they faced an acute problem of (lack of) organizational control in the streets, but at the same time they did not have available to them the type of party organization that could potentially moderate this problem by processing social organizations' demands within party institutions.

³⁶² Even though this right was originally granted in the 1999 Constitution (Rakowski 2003:401), it was only in 2007 that the government issued a decree establishing the implementation of an old-age pension for housewives (Montaño Virreira et al 2010:4).

³⁶³ Sociómetro-BID.

Unlike the cases of the *Frente Amplio* in Uruguay or the MAS in Bolivia—who also faced strong social organizations—populist presidents did not have party machines linked to social organizations and/or mechanisms of internal democracy to solve disputes. On the contrary, they led personalistic machines with weak links to social organizations and no internal democracy. In this scenario, social organizations frequently expressed their demands through some form of *Praetorian* politics. In response, presidents needed to neutralize this mobilizational threat by punishing rival organizations at the same time as they built their own basis of organizational support (political targeting).

Another problem faced by populist leaders was the lack of a strong party infrastructure to compete in elections. When faced with the prospect of electoral defeat, these presidents—leaders of personalistic machines—needed to rapidly mount a party infrastructure from scratch across the national territory. Political targeting was also extremely useful in accomplishing this goal. In other words, although political targeting *arose* in both cases to control social protests from rival social organizations, populist presidents also used it as a means to rapidly build a party machine from above through the discretionary distribution of selective incentives. In Venezuela, this problem arose out of the very nature of Chávez's rise to power: because he ran as an outsider against the traditional party elite, he lacked a party infrastructure of his own. In the case of Néstor Kirchner, the problem was not so much that the Peronist party lacked a party machine, but that some mayors that were part of the party machine on the ground could potentially ally with electoral rivals. In both cases, these presidents responded to the threat of electoral defeat by strengthening their electoral machines from above through political targeting.

Chapter 7

Conclusions

In this dissertation I examined the strategies of redistribution adopted by leftist governments in Latin America during the 2000s. I showed that, despite the fact that these governments were all elected with a common mandate for redistribution, they varied in their strategies of income and power redistribution towards the popular sectors. Three main ‘models of redistribution’ were adopted in the region: *Poverty Alleviation* (Brazil and Chile), *Left Populism* (Argentina and Venezuela), and *Social Democracy* (Uruguay and Bolivia). *Poverty Alleviation* is a strategy that redistributes only income and only to those at the very bottom of the income ladder, without empowering the popular sectors. *Left Populism* redistributes income and societal power to a broad segment of the popular sectors, but does not redistribute state power. Last, *Social-Democracy* not only redistributes incomes and power to broad segments of the popular sectors, but also strengthens social organizations relative to the state.

I argued that left to their own devices, economic constraints and electoral incentives make presidents engage in very limited redistribution. But the extent to which leftist presidents succumb to pressures from the Right depends on their degree of control over the Left movement. The less control a president has, the more he or she engages in redistribution. Presidents need to exert control over three actors in the Left movement: (1) electoral rivals on the Left (*electoral control*), (2) unions and social movements (*organizational control*), and (3) actors within the president’s party (*party control*). The fewer dimensions that are under the president’s control, the more redistribution. My main argument is that less control entails greater internal threats for the president, forcing him/her to expand social policies to neutralize those threats.

This concluding chapter explores both the consequences and theoretical implications of my findings. The first section explores the political and social consequences of the Left’s redistributive policies after the end of the Left turn. By the mid 2010s, right and center-right parties came to power in the region with an agenda of fiscal austerity and welfare retrenchment. Despite this common agenda, their success varied across countries. This section explains how legacies from the left turn explain why retrenchment was far more successful in Brazil than in Argentina. It explores two aspects of this phenomenon: (1) the political conditions under which welfare policies adopted by the Left were able to survive despite the Right’s agenda, and (2) the long-term impact of these redistributive policies on political competition and social conflict. The second of this concluding chapter explores the theoretical implications of my argument. It shows how this dissertation’s findings contribute to four bodies of literature: the debates concerning the (always uneasy) relationship between globalization and democratic accountability, the politics of welfare retrenchment, the role of the insider/outsider divide in the politics of the welfare state, and how leftist governments can reconcile redistribution with economic growth in a globalized economy.

I. The Politics of Welfare Retrenchment under the Right Turn

In this section I begin by explaining the origins of the right turn in Latin America. I argue that the rise of the Right is partly explained by the shortcomings of leftist administrations. I then discuss the legacies of the left turn. On the one hand, I show how most leftist parties have been quite successful in terms of retaining their electoral support among the popular sectors. I argue that income redistribution policies towards outsiders, adopted by virtually all leftist governments in the region, played a crucial role in the left's persistent electoral strength across the continent. On the other hand, I show that not all leftist governments were equally able to lay the foundations for the long-term survival of their redistributive policies, especially when these welfare policies came under attack from the Right. Through a comparison of Argentina and Brazil under Right administrations, I explain how *Left Populism's* empowerment of social organizations was crucial for the preservation of welfare policies under the right.

Origins of the Right Turn

By the late 2010s, Latin America's 'pink tide' had receded. Center-right administrations came to power in most countries. Bolivia and Uruguay were the only countries in which leftist administrations remained in power, and both governments were facing serious chances of losing the upcoming 2019 presidential elections. In Venezuela, Nicolás Maduro clung to power through the consolidation of an authoritarian regime that increasingly used repression to control social protests. This shift to the right was in part a natural alternation in power between political parties. The Left's turn in government was the longest rule of progressive parties in Latin American history: the Left ruled for a decade or more in most countries, and voters voiced their desire for change by voting for alternative parties. Further, the expansion of welfare policies under the Left was possible because of an unprecedented period of economic growth in the region known as the 'commodities boom.' This boom was driven by the accelerated growth of China, which increased demand for Latin American exports (agricultural products, hydrocarbons and mining products). By 2014, however, the commodities boom was over: as governments experienced declining fiscal revenues and lower economic growth rates, their ability to court voters through new welfare policies or public investments in infrastructure—two signature policies of the Left—was limited.

Further, the Left's redistributive policies put in motion a large-scale process of upward social mobility that, ironically, created a new segment of voters with novel demands that the Left was unable to meet. The Left had been particularly effective at improving the living standards of the popular sectors. Public expenditures in social programs for the poor were huge, and, in some countries, welfare policies and wage increases for the formal working class were generous. High economic growth combined with welfare expansion generated a massive process of upward social mobility. Millions of poor, informal workers were incorporated into the formal working class. And millions of working-class families became part of the new middle class.

But while the Left had been particularly effective in delivering the kind of policies that improved the living standards of the popular sectors, it was less able to meet

other demands that had been long advocated by the middle classes (though not exclusively by them). These demands included improvements in the quality of public services (education, transport), in democratic governance (particularly, on the fight against corruption), and in public safety. In all these areas, leftist governments proved unable (or unwilling) to meet these demands.

The Left had proven very effective at improving the quantity of public services, but lacked the technical capacities to improve their quality. The most prominent example is that of education: the Left invested considerable resources in building more schools and universities, augmenting the number of students from working-class families and racial minorities in universities and improving teachers' wages. But the *quality* of education remained disappointing in most countries. For example, Argentina and Uruguay had invested considerable fiscal resources in public education; however, students regularly obtained low scores on international standardized tests (PISA tests). Further, since the 1990s there had been an significant surge of insecurity in Latin America (Brinks 2013:61). Because of the Left's historic commitment to human rights, it was not willing to take a 'heavy-handed' approach in the fight against crime. Instead of elaborating an alternative approach, however, the Left's response was mostly inaction, allowing the Right to monopolize the issue of 'public safety' in electoral campaigns.

Finally, in many countries public officials of Left administrations faced corruption charges. In Argentina, Brazil and Perú, former leftist presidents were either in jail or facing trials as a result of these charges. Members of the Latin American middle-classes (both new and old) placed concerns for democratic governance at the top of their agenda. As a result of these judicial processes, leftist parties lost a vast amount of middle-class voters. Because the Left failed to address the challenges described above, the middle classes became a solid electoral block for Center-Right parties that eventually came to power throughout the region.

Social Policies and the Persistent Electoral Strength of the Left

Despite being ousted from power, leftist parties maintained considerable electoral support among popular sector voters. This capacity to retain voters' allegiance was particularly impressive among outsiders, an electoral group that historically had been more elusive for the Left. In Brazil, the 2018 presidential elections presented an incredibly difficult test for the PT. With its main presidential candidate, Lula, imprisoned on corruption charges, the PT lacked a competitive figure who could defeat Jair Bolsonaro, the right-wing candidate who ran as an outsider. Unable to rely on Lula, the PT had to rapidly come up with a new presidential candidate. Fernando Haddad, former mayor of Sao Paulo, was practically an unknown figure in the North and Northeast, which had become the PT's electoral stronghold as a result of its redistributive policies. Haddad's campaign was short, improvised, and definitely lacked a candidate that could match the popularity of Bolsonaro, a right-wing populist. Bolsonaro crushed Haddad in the second round of the presidential elections by 55.13% vs. 44.87%. The PT lost in almost every Brazilian state and municipality outside of one region: the Northeast, where Haddad defeated Bolsonaro by 39.4 percentage points (69.7% to 30.3%). The PT's social policies, such as *Bolsa Familia* and minimum wage increases, had become extremely popular among outsiders in those regions. Despite corruption charges against prominent

PT figures, as well as the poor economic record of Dilma Rousseff's administrations, the poor disproportionately voted for the party that had included them in Brazil's welfare state for the first time in history.

In Argentina we observe the same phenomenon: popular sectors voters still voting disproportionately for Kirchnerism. In 2015, Mauricio Macri, leader of the center-right coalition *Cambiamos*, defeated Daniel Scioli, the Kirchnerista candidate in the presidential elections. But this defeat in no way signaled the end of Kirchnerism. Quite on the contrary, it remained the main partisan alternative on the Left. While *Cambiamos* also won the 2017 mid-term election, both the 2015 and 2017 elections continued to show strong electoral support for Kirchnerism among the popular sectors. In 2015, Daniel Scioli actually defeated *Cambiamos* in Buenos Aires's poorest districts. In the 2017 election, Cristina Fernández de Kirchner (CFK) decided to run as a Senate candidate for the Buenos Aires province. Although she lost to *Cambiamos*' candidate by a small margin, her performance in Buenos Aires' poorest districts was remarkably strong. The social policies of the Kirchners era consolidated a strong voting block for CFK among the popular sectors, even after she was ousted from power. The prospects for the 2019 presidential elections seem to confirm this hypothesis: despite facing multiple corruption charges in the courts, she is the candidate who polls highest in Argentina and her strongholds are the poorest neighborhoods of the Buenos Aires province.

Finally, leftist governments in Uruguay and Bolivia (the *Social Democratic* models) have been particularly successful in both economic and electoral terms, and redistributive policies have played an important role in securing that support. These countries saw the highest economic growth rates in the region. The average economic growth rates under the Left for Bolivia and Uruguay have been 4.9% and 4.5%, respectively, while the regional average growth rate has been 2.7%. Moreover, leftist parties in these two countries have won all elections since their first electoral success in presidential elections³⁶⁴. The *Frente Amplio* in Uruguay was reelected in 2010 and 2015, and studies show that social policy expansion had an important effect on its electoral support among the popular sectors. According to one important study, becoming a recipient of Uruguay's PANES, increased the probability of voting for the FA by a magnitude of 11 to 14 percentage points (Manacorda, Miguel and Vigorito 2009:4).

Welfare Retrenchment under the Right: Maintaining Policies for Outsiders, Rolling Back Protections for Insiders

This section shows that while social policies for outsiders were preserved by Right governments, protections for insiders came under attack by conservative forces. The new center-right administrations in Argentina and Brazil did not roll back protections for outsiders because they needed that electorate to remain in power. However, in both countries, the government launched initiatives to reform pension and labor laws. Despite this common trend, their success varied. The Right in Brazil was much more successful in rolling back protections for insiders than it was in Argentina. I argue that this is explained by the different political legacies of *Poverty Alleviation* and *Left Populism*. The former demobilized unions and social movements, leaving behind a weak network of

³⁶⁴ With the only exception that Morales lost a referendum to reform Bolivia's Constitution in 2016.

popular sector organizations that could not resist retrenchment by the Right. Conversely, in Argentina, *Left Populism* left empowered unions and social movements that mobilized repeatedly against the Right's attempt to reform labor laws and the pension system. These popular mobilizations were ultimately successful in blocking welfare retrenchment by the Right.

Welfare Retrenchment under the Right: The Agenda

While in Uruguay the *Frente Amplio* remained in power, in Argentina and Brazil center-right administrations ousted leftist parties through elections (Argentina) or impeachment (Brazil). These countries were experiencing severe economic problems by the time the Right came into office. The preceding administrations had ended with stagnant economies as well as pronounced fiscal deficits³⁶⁵. In this scenario, the new center-right governments had as their top priorities the reduction of public deficits as well as the adoption of market reforms that would promote private investment. Pension reforms and wage cuts for public workers were two central policies to reduce fiscal deficits. Further, these governments attempted to deregulate labor markets as a tool to attract private investment and resume growth.

Two traits characterize the politics of welfare retrenchment in Argentina and Brazil: (1) it was targeted exclusively at welfare policies for insiders (2) the extent of retrenchment varied, and is explained by the differing strength of social organizations. In both countries, welfare policies towards outsiders were not only preserved, but also expanded by center-right/right governments. In Argentina, Mauricio Macri expanded the CCT *Asignación Universal por Hijo* to self-employed, formal workers, reaching 270,749 new individuals (ECLAC 2019).

Continuity and Expansion of Social Policies for Outsiders

In Brazil, the center-right government of Jair Bolsonaro not only kept Brazil's most popular social policy, *Bolsa Família*, but also decided to expand it by granting beneficiaries the right to a thirteenth annual salary. In terms of the minimum wage increase policy, however, the government has been less generous. In early 2019, it proposed to change the indexing formula. As was explained in Chapter 3, the PT's minimum wage law indexed benefits to both inflation and previous GDP growth rates. The Bolsonaro government has sent to Congress a proposal to change this formula, indexing minimum wages only to inflation. At the time of writing, it remains to be seen whether the proposal will be adopted.

The stability of welfare policies for outsiders is not surprising: as predicted by my theory, the Right cannot oppose (or roll back) welfare policies for outsiders for electoral reasons. They need to court the support of this swing constituency to defeat the Left in elections. Moreover, because these policies are generally fiscally cheap and do not regulate labor markets heavily, they are not an obstacle for the Right's policies of fiscal

³⁶⁵ There were also other economic problems specific to each of the cases. In Argentina, CFK's second administration ended with high inflation levels as well as distorted relative prices (an artificially appreciated exchange rate and heavily subsidized public services). In Brazil, Dilma Rousseff's administration ended with the country's worst economic recession since the 1930s.

austerity and market deregulation. Bolsonaro's attempt to change the minimum wage policy in Brazil is the exception that proves the rule. We saw in Chapter 3 that Lula was initially reluctant to adopt this policy because of its high fiscal costs. Therefore, it is not surprising that Bolsonaro is attempting to partially roll-back this policy by changing its indexing formula, as doing so would have an important impact on Brazil's fiscal spending. In other words, while the Right is willing to maintain social policies for outsiders that are fiscally cheap, such as *Bolsa Familia*, it also attempts to roll back those policies that account for a larger share of public spending, such as the Minimum Wage Increase Law.

In Argentina, probably the least expected policy adopted by the Macri administration was the expansion of benefits towards organizations representing outsiders—the *piquetero* movement. The relationship between the *piquetero* movement and the Macri administration illustrates the long-term effects of power redistribution under the Left. Macri came into office with a difficult mission: adopt an austerity program in a country with strong unions and social movements. The last non-Peronist president that had tried to adopt an austerity program in Argentina, Fernando de la Rúa (1999-2001), had been ousted from power by disruptive mobilizations in which *piquetero* organizations played a key role. Fearing a similar scenario, since his early days in office Macri adopted a strategy of buying *piqueteros*' acquiescence³⁶⁶. He achieved this objective by expanding the number of beneficiaries of workers' cooperatives programs. This was the result of the approval of a new law favored by the *piquetero* organizations, the '*Ley de Emergencia Social*,' in December 2016 (Muñoz and Villar 2017:21, Hopp 2017:23, Vommaro and Gené 2017:240). This law declared the existence of a 'social emergency' in the Argentinean territory. Its main objectives were to strengthen the 'popular economy'—that is, workers' cooperatives—as well as alleviate the 'food emergency' that had emerged as a result of Macri's austerity policies³⁶⁷. These objectives would be met through two main policies. One was the increase in AUH's benefit levels (Niedzwiecki and Pribble 2017:15, Freytes and Niedzwiecki 2017:136). The other one was the expansion of a new program of workers' cooperatives, the *Proyectos Productivos Comunitarios* (PPCs)³⁶⁸. This program was administered by *piquetero* organizations, and

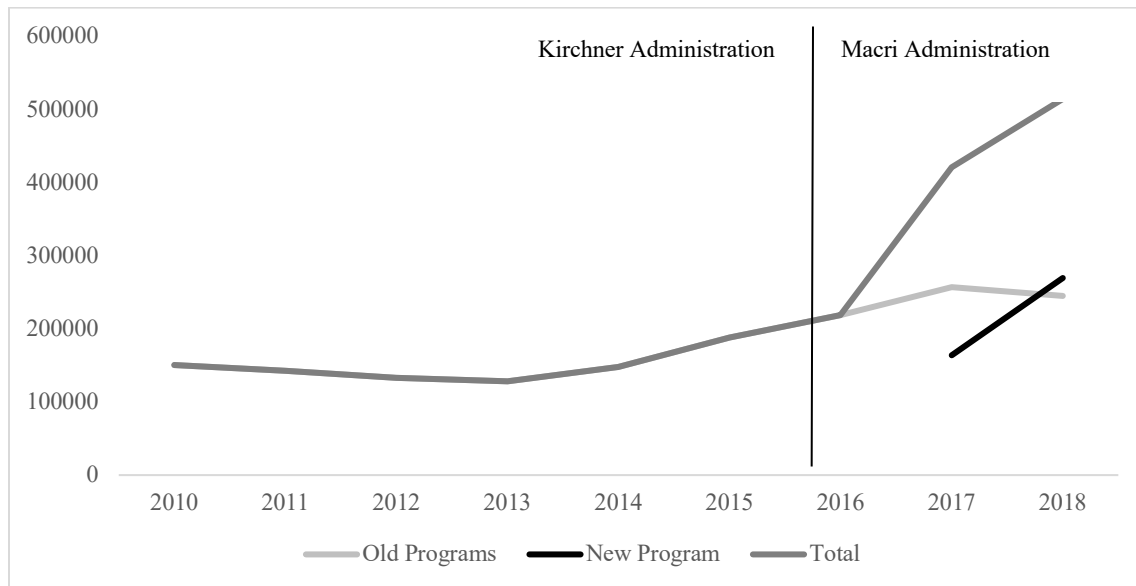
³⁶⁶ El día en que Mauricio Macri se sintió presidente". *Diario La Nación*, 12-20-2015. Available at: <https://www.lanacion.com.ar/opinion/el-dia-en-que-mauricio-macri-se-sintio-presidente-nid1855810>. See also: "El control de la calle y la psicosis por un 'ajustazo', los temores de la Rosada". *Diario La Nación*, 07-02-2017. Available at: <https://www.perfil.com/noticias/politica/el-control-de-la-calle-y-la-psicosis-por-un-ajustazo-los-temores-de-la-rosada.phtml>; "Macri cambió los planes para el 25 de Mayo por temor a protestas". *Diario Clarin*, 05-24-2016. Available at: https://www.clarin.com/politica/macri-cambio-planes-25-mayo-temor-protestas_0_Nymqk_6zZ.html; "Crece la inquietud en el Gobierno por el corte de calles". *Diario La Nación*, 12-12-2016. Available at: <https://www.lanacion.com.ar/politica/preocupa-al-gobierno-la-persistencia-de-los-piquetes-a-pesar-de-las-concesiones-nid1966120>; "Macri, ante los primeros síntomas de impotencia". *Diario La Nación*, 11-27-2016. Available at: <https://www.lanacion.com.ar/opinion/macri-ante-los-primeros-sintomas-de-impotencia-nid1960022>. "Se redibuja el mapa de las organizaciones sociales". *Diario La Nación*, 11-21-2016. Available at: <https://www.lanacion.com.ar/politica/se-redibuja-el-mapa-de-las-organizaciones-sociales-nid1958031>

³⁶⁷ "En qué consiste el proyecto de emergencia social". *Diario La Nación*, 11-16-2017. <https://www.lanacion.com.ar/politica/en-que-consiste-el-proyecto-de-emergencia-social-nid1956881>

³⁶⁸ "Por la emergencia, suman a 100.000 beneficiarios de planes". *Diario La Nación*, 02-11-2018. <https://www.lanacion.com.ar/politica/por-la-emergencia-suman-a-100000-beneficiarios-de-planes-nid2108360>

their distribution among organizations was decided by a council where both officials from the Ministry of Social Development and leaders of the main *piquetero* organizations were represented³⁶⁹. Its benefit levels equaled 50% of the minimum wage³⁷⁰. The adoption of PPCs represented a large expansion of benefits for *piquetero* organizations. As Figure 7.1 shows, the number of beneficiaries went from 187,288 in 2015—the last year of CFK’s administration—to 525,910 in 2019.

Figure 7.1. Beneficiaries of Cooperative Workers’ Programs (Absolute Number)



Sources: Author’s elaboration with data from ECLAC (2010-2015) and Ministry of Social Development (2016-2018). Old programs include: Argentina Trabaja (2010-2017), Ellas Hacen (2014-2017), Desde el Barrio (2016-2017) and Hacemos Futuro (2018-, which unified the previous programs). Total includes the old programs and the PPCs.

The relationship between the *piquetero* movement and the Macri administration illustrates the long-term effects of power redistribution under the Left. First, *piqueteros*’ continued power under a center-right administration illustrates how the power redistribution strategies of leftist governments may outlive them. Once these organizations are empowered, it is politically costly for the Right to try to dismantle them. Rather, the case of Argentina under Macri shows how the Right needs to invest heavily in buying the acquiescence of these organizations.

Further, it shows that the Kirchners’ use of political targeting to reshape the *piquetero* movement from above was extremely successful. The organizations that were negotiating with the Macri government were, to some extent, a product of the Kirchners’ era. Indeed, the landscape of *piquetero* organizations by 2015 was very different from the one that existed when Néstor Kirchner came to power. If by 2001-2002—the apex of the

³⁶⁹ “Crecieron 127% los fondos para el salario social”. Diario Perfil, 02-03-2019.

<https://www.perfil.com/noticias/politica/crecieron-127-por-cientos-los-fondos-para-el-salario-social.phtml>

³⁷⁰ “Debuta el Salario Social Complementario”. Diario El Economista, 05-08-2017.

<https://www.eleconomista.com.ar/2017-05-debuta-salario-social-complementario/>

piquetero movement—the majority of these organizations were linked to radical Marxist associations (Schipani 2008), by 2015 two of the three main *piquetero* organizations negotiating welfare programs with Macri had been second-level players during the apex of the *piquetero* movement³⁷¹. But by 2015 they had become the most powerful ones: they had been the greatest beneficiaries of the Kirchners' power redistribution strategy in the informal sector. Further, this strategy proved to have long-term benefits for CFK, as these organizations continued to be a key source of organizational support for *Kirchnerism* after 2015. They were the strongest supporters (along with the CTA labor confederation) of Cristina Kirchner's candidacy in the 2019 presidential elections.

Welfare Retrenchment against Insiders

The stability of welfare policies towards outsiders contrasts with the Right's offensive against protections for labor-market insiders. In both countries, the Right tried to reform public pensions and deregulate labor-markets. But the Right's capacity to roll back welfare policies for insiders varied. While in Argentina these efforts were mostly unsuccessful, in Brazil the Right was able to roll back key pillars of Brazil's welfare state. This difference is explained by the differing strength of unions and social movements in each country. In Argentina, the Kirchner administrations left empowered unions and social movements who were able to mobilize against welfare retrenchment. By contrast, in Brazil the PT's policy of co-opting unions and social movements weakened them vis-à-vis their base, depriving Brazil's welfare state of strong societal actors that could mobilize to preserve it.

Argentina: Status Quoism under the Center-Right

In Argentina, Macri attempted to pass a labor reform that reduced individual labor rights. The most important measures were the reduction of severance payments, curtailing employees' capacity to initiate legal actions against employers who fired them, lowering employers' contributions to social security, and the partial forgiveness of employers' fiscal debts with the state for workers they had hired off-the-books in exchange for the employers formalizing such workers³⁷².

The more moderate unions in the CGT were open to negotiating a union reform, and negotiations between the Labor Ministry, unions and Peronist legislators had made

³⁷¹ The '*Triunvirato Piquetero*' that negotiated with Macri was composed of the *CTEP/Movimiento Evita*, *Barrios de Pie* and the *Corriente Clasista y Combativa* (CCC). The first two had grown considerably due to the support of the Kirchners' administrations. Barrios de Pie would abandon the *Kirchnerista* coalition in late 2008, out of political differences with the government. But the organization would suffer a splinter in 2018 because a faction supported CFK's presidential nomination for 2019.

³⁷² "Todas las reformas laborales en detalle que propone el Ejecutivo". *Diario Perfil*, 11-2-2017. Available at: <https://www.perfil.com/noticias/politica/todas-las-reformas-laborales-en-detalle-que-propone-el-ejecutivo.phtml>; "Punto por punto, el proyecto de reforma laboral que quiere Macri". *Ambito Financiero*, 11-1-2017. <https://www.ambito.com/punto-punto-el-proyecto-reforma-laboral-que-quiere-macri-n4002136>

considerable progress³⁷³. However, Argentina's most militant unions and social movements mobilized against the reform. These organizations were the ones that had been most empowered during the Kirchners' administrations: the Teamsters union led by Hugo Moyano, the *Kirchneristas* social movements in the informal sector (the Confederación de Trabajadores de la Economía Popular (CTEP) and the *Movimiento Evita*), as well as the CTA labor confederation³⁷⁴. While moderate Peronist unions were negotiating the reform with the government, these actors coordinated several mobilizations against it. The definitive blow to the union reform came on February 21st, 2018 when the three organizations staged a massive mobilization in Buenos Aires with hundreds of thousands of participants³⁷⁵. The mobilization was so massive that Peronist legislators and moderate unions were compelled to back down and abandon the negotiation table, forcing the government to bury its union reform project for good.

The government was more successful in adopting a moderate pension reform. In Chapter 5 I described the adoption of the *Ley de Movilidad Jubilatoria* in 2008, a law that created a generous, automatic formula for adjusting pensioners' benefits. The Kirchners later adopted a law that applied this same formula to the indexing of AUH's benefits, making it the most important indexing mechanism for Argentina's welfare programs (Niedzwiecki and Pribble 2017:15). Because this law was fiscally onerous, in 2017 Macri tried to curb Argentina's fiscal deficit by changing the law. The reform he pursued was moderate: he did not want to overhaul the law, but, rather, wanted to change the technical criteria by which welfare benefits were indexed. The adoption of this law was highly contentious. Once again, moderate Peronist unions hesitated whether to mobilize against the bill. And once again, the crucial actors that opposed the reforms were the *piquetero* organizations, the Teamsters union led by Moyano, and the CTA confederations, the three key social organizations empowered by the Kirchners³⁷⁶. The day the bill was being voted on, these actors staged protests at the Congress to try to stall the bill. Mobilizations were highly disruptive.³⁷⁷ The police repressed protesters harshly, and the vote on the bill

³⁷³ "El Gobierno y la CGT negocian la reforma laboral", *Diario Perfil*, 09-19-2017.

<https://www.perfil.com/noticias/politica/el-gobierno-y-la-cgt-negocian-la-reforma-laboral.phtml>; "El Gobierno y la CGT acordaron cambios en la reforma laboral", *Diario La Nación*, 11-16-2017, <https://www.lanacion.com.ar/politica/el-proyecto-de-ley-de-reforma-laboral-tendra-el-aval-de-la-cgt-nid2082676>

³⁷⁴ "Los gremios críticos lanzaron advertencias contra los senadores". *Diario La Nación*, 11-30-2017. <https://www.lanacion.com.ar/politica/los-gremios-criticos-lanzaron-advertencias-contra-los-senadores-nid2086960>

³⁷⁵ Organizers claimed there were 500,000 participants, including 150,000 from the *piqueteros*. The government estimated there were 140,000. "¿Cuántos fueron? Moyano y el Gobierno también se pelean por los asistentes a la marcha". *Diario La Nación*, 02-28-2018. Available at: <https://www.lanacion.com.ar/politica/marcha-del-21-f-el-gobierno-estima-90000-asistentes-camioneros-400000-nid2111024>

³⁷⁶ "Sindicalistas y opositores redoblan la presión antes de la sesión por la reforma previsional". *Diario La Nación*, 12-14-2017. <https://www.lanacion.com.ar/politica/sindicalistas-y-opositores-redoblan-la-presion-antes-de-la-sesion-por-la-reforma-previsional-nid2091359>. "En un clima de tensión, el Gobierno busca lograr la reforma previsional". *Diario La Nación*, 12-18-2017. "Los movimientos sociales se suman al paro de hoy con cortes y marchas". *Diario La Nación*, 12-18-2017. <https://www.lanacion.com.ar/politica/los-movimientos-sociales-se-suman-al-paro-de-hoy-con-cortes-y-marchas-nid2092393>.

³⁷⁷ "Batalla campal en Buenos Aires para frenar la reforma de las pensiones". *Diario El País*, 12-19-2017. https://elpais.com/internacional/2017/12/18/argentina/1513615892_028372.html

had to be suspended³⁷⁸. The CGT leadership, once again pressured by militant unions and social movements, was forced to abandon its passivity and announced a general strike, but later backtracked. They finally announced a general strike *after* the reform was approved, but it was comparatively small³⁷⁹. Despite this resistance, the government was able to pass the law.

This reform fell short of being a resounding success for the Macri administration. The modification of the indexing formula was moderate, and was still generous by international standards³⁸⁰. This change was not a sweeping pension reform that would achieve the government's main objective of cutting fiscal deficits. As a matter of fact, shortly afterward, government officials began to express in media outlets their interest in promoting a second pension reform that would 'address the issue of the long-term sustainability of Argentina's social security system'. Further, the government was severely weakened by this reform. Public opinion support for Macri decreased considerably: polls showed that 80.6% of Argentines were against the pension reform³⁸¹. Moreover, the government was so shocked by the level of disruption the reform had caused in the streets that it abandoned any further attempt to roll back welfare policies enacted during the Kirchners' era.

Brazil: Welfare Retrenchment under the Right

Brazil under Michel Temer (2016-2018) and Jair Bolsonaro (2019-) presents a sharp contrast with the Argentine case. These presidents undertook sweeping policies of welfare retrenchment (which mainly affected insiders). Michel Temer was Dilma Rousseff's vice-president, but belonged to a different party, the centrist PMDB, the PT's main legislative ally in Congress. After engineering Dilma's impeachment in 2016 on charges of minor malfeasance in office, Temer became president, and adopted a harsh austerity program, as well as a package of structural reforms, to get Brazil out of its deep economic recession.

³⁷⁸ "Una reforma que salió a palazo limpio". *Diario Página 12*, 12-19-2017.

<https://www.pagina12.com.ar/83671-una-reforma-que-salio-a-palazo-limpio>

³⁷⁹ "Dividida, la CGT activó un paro con poca adhesión que resultó casi testimonial". *Diario La Nación*, 12-19-2017. See also: <https://www.lanacion.com.ar/politica/la-cgt-rechaza-la-reforma-previsional-y-define-entre-un-paro-parcial-o-una-movilizacion-nid2090737>

<https://www.lanacion.com.ar/politica/la-cgt-advirtio-que-habra-un-paro-general-si-aprueban-las-reformas-del-gobierno-nid2092124>

<https://www.lanacion.com.ar/politica/reformas-del-gobierno-la-cgt-anuncio-movilizacion-y-paro-nid2091143>

<https://www.lanacion.com.ar/politica/la-cgt-paro-general-contr-la-reforma-previsional-nid2091573>

<https://www.lanacion.com.ar/politica/omar-maturano-habra-paro-de-la-cgt-si-se-aprueba-la-ley-previsional-nid2092390>

³⁸⁰ The law stipulated that welfare benefits were to be adjusted in the following proportion: 70% by inflation, and 30% by the evolution of formal workers' wages (Di Costa 2018:128, Birenbaum 2018:2)

³⁸¹ "Encuesta sobre la reforma previsional y laboral de Macri arroja números adversos a Cambiemos". *Diagonales.com*, 11-21-2017. Available at: <https://diagonales.com/app.php/contenido/encuesta-sobre-la-reforma-previsional-y-laboral-de-macri-arroja-numeros-adversos-a-cambemos/6687>

One of the most controversial reforms was the reform of Brazil's labor code. This code had been adopted by Getúlio Vargas in 1943 and guaranteed unions considerable benefits, such as a monopoly of representation and state subsidies for unions (Collier and Collier 1991:187, Hall 2009: 151)). Temer's labor reform was a watershed for Brazil's union movement. In terms of collective labor laws, it eliminated the union tax,³⁸² a state subsidy to unions that was the main source of unions' finances³⁸³. Moreover, it established the predominance of collective bargaining agreements over labor rights enshrined in the Brazilian Constitution. That is, unions and employers can now negotiate working conditions that are less favorable than those guaranteed by the Constitution to Brazilian workers³⁸⁴. Finally, the law withdrew many individual rights. For example, the eight-hour workday can be extended up to 12 hours, unemployment compensations have been considerably reduced, and new types of work contracts that make working conditions more precarious have been introduced³⁸⁵. For example, the 'intermittent job' contract allows employers to employ workers *by the hour*, without any minimum wage guarantee³⁸⁶.

Paradoxically, we might have expected more retrenchment in Argentina. Indeed, Argentina had expanded public spending much more, and in many cases in fiscally irresponsible ways. For example, the massive expansion of public sector employment and the provision of subsidized public services had created an enormous fiscal deficit. Moreover, while Macri enjoyed the political legitimacy granted by the popular vote, Temer came to office with weak democratic legitimacy: he was Dilma Rousseff's vice-president, and was able to become president only by collaborating in her political impeachment. This political impeachment was regarded by many as illegitimate and, to some, even undemocratic. Why did Temer succeed where Macri failed?

One factor that may account for this difference is that Brazil was undergoing a deep economic recession by the time Temer became president. Possibly this gave him, in the eyes of public opinion, more leeway to impose concentrated costs on workers if, as the governments advertised, greater labor market flexibility would eventually attract private investment and promote economic growth and employment. But equally important was the lack of strong union mobilizations against this reform. Labor confederations mobilized against it, but the number of participants was extremely low³⁸⁷. This was particularly surprising given Brazil's history of strong unions.

The key factor that had weakened Brazil's unions and social movements was, ironically, the policies of the *Workers' Party* administrations. Its strategy of

³⁸² The union tax (*imposto sindical*) established that workers had to contribute the equivalent of one day of their annual salary to the union that had the legal prerogative to represent them, independently of whether workers were affiliated with the union.

³⁸³ "Com aprovação da reforma, imposto sindical não será cobrado em 2018, diz ministério". Estado de São Paulo, 07-12-2017. <https://economia.estadao.com.br/noticias/geral/com-aprovacao-da-reforma-imposto-sindical-nao-sera-cobrado-em-2018-diz-ministerio,70001887474>

³⁸⁴ "Mudam as leis do Trabalho". UOL, 11-10-2017, available at: <https://www.uol/economia/especiais/a-reforma-trabalhista.htm#mudam-as-leis-do-trabalho>

³⁸⁵ "Reforma trabalhista: saiba o que pode mudar". El País, 11-10-2017. https://brasil.elpais.com/brasil/2017/04/25/politica/1493074533_442768.html

³⁸⁶ "Mudam as leis do Trabalho". UOL, 11-10-2017, available at: <https://www.uol/economia/especiais/a-reforma-trabalhista.htm#mudam-as-leis-do-trabalho>

³⁸⁷ "Manifestantes protestam em SP contra Reforma Trabalhista". Globo, 11-10-2017. Available at: <https://g1.globo.com/sao-paulo/noticia/manifestantes-protestam-em-sp-contr-reforma-trabalhista.ghtml>

subordinating unions and social movements was initially beneficial for the PT, as it allowed the party to neutralize the qualms among business leaders and landowners over the prospects of a *Workers Party's* government. But in the long run, this strategy had enormous costs: it considerably reduced the capacity of unions and social movements to mobilize in the streets and the industrial arena. This deprived the PT of a key political tool that had proved to be extremely valuable when the party was in the opposition. For example, the mobilization of its allied civil society groups was crucial for forcing political elites to include many social rights in the 1988 Brazilian Constitution (Garay 2016).

By the time Dilma Rousseff was impeached, however, the strength of CUT's and MST's mobilization power was negligible. The mobilizations to defend Dilma assembled an extremely low number of participants—never more than 100,000 protesters. As was mentioned in Chapter 3, this number contrasts sharply with CUT's mobilizational power at the beginning of the PT administrations. For example, in 2005, labor confederations mobilized more than one million workers in Sao Paulo for the commemoration of Labor Day³⁸⁸. Lula had inherited particularly strong labor and social movements, but his deliberate attempt to demobilize them in order to gain the confidence of the business sector eventually backfired: without the resistance of popular sector organizations in the streets, Temer was able to decimate unions' power in industrial relations and roll back many labor rights enshrined in the Brazilian Constitution.

In sum, while *Poverty Alleviation* in Brazil and *Left Populism* in Argentina were both very successful in electoral terms, *Left Populism* was better able to guarantee the long-term sustainability of welfare policies for insiders. Both strategies expanded social policies towards outsiders, and these policies were very effective in consolidating a loyal voting base for leftist parties among informal workers. However, these strategies differed in their capacity to guarantee the long-term sustainability of welfare policies once the Left was ousted from power.

Left Populism in Argentina not only expanded workers' rights; it also empowered a set of unions and social movements that, once the Left was out of office, were able to defend welfare policies adopted by the Left. By contrast, *Poverty Alleviation* did not. This strategy involved a trade-off. In the short term, *Poverty Alleviation* was a convenient strategy for leftist presidents in Brazil because it redistributed income and maximized electoral success while at the same time it minimized conflicts with business. In the long run, however, it failed to create the sort of powerful social organizations that are necessary to defend the welfare state from retrenchment sponsored by the Right.

³⁸⁸ “Centrais sindicais revezam elogios e críticas ao governo Lula”. *Folha de Sao Paulo*, 05-01-2005. <https://www1.folha.uol.com.br/folha/brasil/ult96u68704.shtml>. “Discursos em festas da CUT e Força divergem sobre mínimo e reeleição”. *Folha de Sao Paulo*, 05-01-2005. <https://www1.folha.uol.com.br/folha/brasil/ult96u68706.shtml>

II. Globalization and the Crisis of Political Representation: How the Left Can Reconcile Redistribution, Economic Growth and Democratic Accountability

Globalization and Democratic Accountability

This dissertation contributes to the debates concerning the uneasy relationships between democracy and globalization. Many studies have shown how the constraints imposed by the global economy limit governments' capacity to pursue their partisan preferences (Rudra 2000). This problem is particularly acute for parties on the Left, which are frequently elected on platforms that promise broad redistributive policies. However, market constraints usually force them to renege on those promises: capital mobility, integration to international financial markets and fiscal constraints force them to adopt conservative economic and social policies (Campero 2015, Boix 1998). Specifically, they are forced to adhere to the tenets of macroeconomic orthodoxy and minimal labor regulations.

This problem is not just a dilemma for the Left: it represents a broader problem of democratic accountability. If voters express their preferences in elections and elected politicians cannot translate those preferences into public policies, globalization ends up eroding contemporary democracies. In Latin America, empirical research has shown the extent of this problem—as well as its deleterious effects on party systems—during neoliberal reforms in the 1980s and 1990s. Many presidents elected on populist platforms were suddenly facing harsh economic constraints from international financial markets, and engaged in 'policy switches' to the Right (Stokes 2001, Gibson 1997). These switches frequently had deleterious effects on democratic institutions: those parties that engaged in these switches were penalized by voters, leading to the collapse of established party systems (Roberts 2015). In some cases, this collapse led to the emergence of new party systems that were better able to represent popular sectors' interests (e.g., the case of Bolivia). But in other cases, such as Venezuela under Chávez, this collapse facilitated the emergence of anti-establishment politicians who undermined democratic institutions.

This problem is also pervasive in Europe, as new parties have emerged to challenge traditional social-democratic and conservative parties. Center-left parties that governed at the center have lost considerable electoral support. In Spain and Greece, for example, the market-friendly policies of socialist parties led many voters to defect, in the depths of the Great Recession, to new, radical leftist parties such as *Podemos* in Spain and *Syriza* in Greece. In other countries, voters' discontent with traditional parties have led them to embrace far-right alternatives such as The League in Italy, Brexit (previously "UKIP") in Britain, and the National Rally (previously "National Front") in France, among others. Despite the obvious differences between these parties' platforms, they share a common trait that makes them attractive to voters disenchanted with democratic institutions: they all run against traditional parties and claim that political elites are no longer responsive to voters' preferences. They are able to rally crowds by emphasizing how national political elites no longer have power; relevant decisions, they claim, are made somewhere else, such as by political elites in Brussels, economic technocrats in the European Central Bank, or by 'global economic elites.' These parties appeal to voters because they promise to restore them their agency in politics. In other words, part of the reason why new parties on the Left and the Right are increasingly successful is because

they promise to put into practice a fundamental premise of democracy: accountability. In light of these events, an important question emerges: how can parties deal with this new threat to democratic institutions? More specifically, how can parties on the Left neutralize the threat to democratic institutions presented by the Far-Right?

This dissertation provides an answer to this question by laying out the political conditions under which leftist parties can remain accountable to their voters and, by doing so, strengthen democratic institutions. My central contention is that leftist movements that are more decentralized will be more accountable to the preferences of voters and social organizations. Specifically, my study shows that when presidents face autonomous, strong social organizations, checks and balances within the party apparatus, and competition from leftist challengers, they are more likely to be responsive to citizens' demands for redistribution.

This type of political structure is not without pitfalls. In leftist movements with decentralized political structures, political coordination among actors on the Left is more difficult. The adoption of public policies requires more debate and negotiations, which may entail significant delays in approving policy reforms, harsh political conflicts between actors with conflicting interests, and even stalemate. This happened even in emblematic cases of 'good' Left governance, such as Uruguay under the *Frente Amplio*. As has been demonstrated by Jennifer Pribble (2013), these types of problems led to repeated governmental failures to reform the failing education system in Uruguay. Conflicts between teachers' unions and the Left government became unsurmountable.

However, decentralized political structures also have their benefits. Public debate allows for the improvement of public policies, weak actors have more chances to get a seat at the table where policies are negotiated, and, as I have argued throughout this dissertation, they prevent the worst possible scenario for leftist governments: presidents' succumbing to the pressures of the Right.

This finding offers an important, practical political lesson for leftist politicians, activists, and union and social movement leaders: the importance of building (and keeping) mechanisms of power-sharing within Left parties: rank-and-file participation, social organizations' influence in decision-making, as well as competition between factions, should be encouraged, because they help counterbalance presidents' gravitation towards economic elites' interests. Further, for unionists and social movement leaders, this dissertation provides a cautionary tale regarding their relationship to leftist parties. Although strong ties always help to push for redistributive policies, the paramount objective of these organizations should be the preservation of their autonomy. Organic ties can easily lead to cooptation. This not only conspires against the adoption of broad redistributive policies under the Left, but also renders welfare policies vulnerable to retrenchment once the Left is ousted from power.

Power Redistribution and Welfare Retrenchment

This dissertation also contributes to debates concerning the long-term stability of welfare states. It provides an answer to an important question: under what conditions do welfare policies outlast leftist governments? This dissertation argues that income redistribution policies are vulnerable to retrenchment if they are not accompanied by power redistribution towards social organizations. For example, the previous section on

Latin America's right turn provides suggestive evidence that in countries where the Left did not empower social organizations, welfare policies became more vulnerable to retrenchment by the Right.

The relationship between the strength of social organizations and welfare retrenchment is not a novel finding. Pierson (1994) has shown that when welfare policies mature and create their own set of beneficiaries, these constituencies will mobilize in defense of these policies, effectively blocking retrenchment attempts by the Right. My argument accords with Pierson's but takes it a step further. With Pierson, I argue that the organization of welfare beneficiaries is key to prevent retrenchment. As explained above for the cases of Argentina and Brazil, when there were no strong social organizations to mobilize in defense of welfare policies adopted by the Left, the Right easily dismantled them.

My argument, however, goes beyond Pierson's by problematizing one of its assumptions, namely that the creation of new social programs will automatically create a set of *organized* constituencies who will come to these programs' defense. Unlike the cases of the US and Europe, in Latin America welfare policies did not create their own organized constituency. Pensioner organizations were traditionally weak, and beneficiaries of CCTs are usually atomized. In order to guarantee the long-term stability of welfare policies, leftist governments needed to *create* and/or *strengthen* the social organizations that were more likely to defend the welfare state once the Left was ousted from power.

The Formal-Informal Divide and Redistribution

Another important debate on the Left is the role of unions and strong party bureaucracies in a post-Keynesian economy. Some authors argue that in countries where there is a deep divide between insiders and outsiders, strong unions can have a detrimental effect on the well-being of outsiders. In this view, strong unions push for higher wages and rigid work contracts that leave outsiders -immigrants, women, young people- unemployed or in informality (Rueda 2005, Esping-Andersen 1996). This literature predicts that Left parties with strong links to unions will favor insiders' interests at the expense of outsiders (Rueda 2005). The corollary to this line of argument is that leftist leaders who are shielded from union pressures will have more room to maneuver to redistribute towards outsiders.

Another literature acknowledges that there is variation among unions' strategies. When labor confederations have a narrow representation base that only includes privileged workers in the industrial sector and excludes the service sector, they will try to preserve their privileges—rigid labor contracts, higher wages—at the expense of including outsiders in formal labor markets (Thelen 2014).

A similar argument has been made to explain the political conditions under which populist parties will abandon their constituency among insiders to court outsiders. In Latin America, populist parties that were successful in courting the support of outsiders were those with informal links to labor and weak party bureaucracies (Levitstky 2003, Levitsky and Burgess 2003). Unconstrained by insiders—neither by unions nor by party elites sympathetic to their demands—, populist leaders could loosen their ties to their

traditional working-class constituencies and court the support of the growing informal sector.

This dissertation makes the opposite argument: strong allies among insiders can facilitate the adoption of redistributive policies for outsiders. Although all leftist governments appealed to outsiders by promoting conditional cash transfers, there were some programs that were more generous than others in terms of benefits and coverage levels for outsiders. For example, the adoption of minimum wage increases in Brazil was a more generous social policy for outsiders than the CCT *Bolsa Família*. However, it was only as a result of union mobilization that the government agreed to adopt minimum wage increases it previously had strongly resisted.

The problem for outsiders is that, with some notable exceptions (see Garay 2016), they are generally atomized in the workplace, depriving them of the necessary leverage to advocate for their redistributive preferences in the production sphere (Collier and Handlin 2009)³⁸⁹. However, other powerful groups within the Left (unions, party factions) can step in to compensate for this weakness and advance outsiders' demands. This has taken place through two main mechanisms: (1) organizational alliances between insiders and outsiders, and (2) powerful insiders' groups that advocated on behalf of outsiders' interests. An example of an insider-outsider coalition was the adoption of the universal pension *Renta Dignidad* in Bolivia, where the mobilization of unions along with social movements was crucial for its approval in Congress (Chapter 6). But in many cases unions and party factions can advocate on behalf of outsiders. As was mentioned above, the adoption of the Minimum Wage Law in Brazil is an important example: CUT's mobilization was in forcing the PT government to adopt a policy that mainly benefited outsiders. Lastly, Uruguay is a case where the influence of party factions and the rank-and-file has been crucial to advance outsiders' interest. For example, they were responsible for including the anti-poverty program *PANES* in the party program that Tabaré Vázquez implemented once he was elected.

This is not to say that insiders and outsiders do not have conflicting interests. They compete for (limited) fiscal resources and they may have opposite interests in terms of labor-market regulations. Empirically, these conflicts were not salient during the period under study. During Latin America's left turn, both formal and informal workers saw an improvement in their living standards. Rising wages went hand-in-hand with employment creation and sharp reductions in informality rates³⁹⁰. This absence of a zero-sum game between insiders and outsiders may be specific to the economic conditions of the period under study, which was characterized by a period of prolonged economic growth driven by a commodities boom. Future studies could analyze the dynamics of insider-outsider relations, as well as their redistributive impact, during the period of austerity that followed the end of the left turn. Do conflicts between insiders and outsiders become more salient as fiscal resources and jobs turn into scarce goods? Or do insider-outsider coalitions become more necessary than ever to oppose welfare retrenchment by the Right? These are all questions of the utmost importance that should be addressed by scholars.

³⁸⁹ However, as Collier and Handlin argue, they do not necessarily face this problem with respect to consumptionist policies -although they may have a problem scaling to the national level (Collier and Handlin 2009).

³⁹⁰ But the amount and type of benefits given to insiders and outsiders varied in each redistributive model.

The Left, Economic Management and Rebuilding Union Power: Lessons from Social Democracy

Lastly, *Social Democratic* models in Latin America provide interesting lessons for leftist parties across the globe. Two lessons are particularly important: how leftist governments can rebuild weak, working class organizations, and how they can reconcile the pursuit of equality with economic growth in the era of globalization. First, the Uruguayan case stands out for its remarkable capacity to rebuild a labor movement that had been decimated by neoliberal reforms. The extent of this achievement is quite impressive. Unionized workers increased by 240% between 2003 and 2011 (from 100,000 to 340,000). Moreover, the increase in the number of workers covered by collective bargaining was even more dramatic: the number increased 356% between the mid-1990s and the end of the first FA administration (from 21.6% of workers in 1995 to 98.5% in 2010). As was explained in Chapter 5, this reconstruction of the labor movement had been especially important in the private sector, where unions had been decimated by neoliberal reforms. By 2003, union density rates were 11.6% in the private sector (and 14.75% in total). However, the FA's efforts to promote unionization paid off: by 2011, unionization rates rose to 30.7%.

The Uruguayan case is important because it illustrates how leftist parties committed to progressive policies can use state power to rebuild social actors. This is of the utmost importance to promote equality: many scholars have demonstrated the positive relationship between strong unions and more equal societies, the Scandinavian countries being the paramount example. But at the same time, most scholars take the 'endowment' of social actors as given for any given country, rarely problematizing how the state can actually reshape the landscape of interest groups. This has been particularly salient in the study of Anglo-Saxon, liberal economies, where, after the conservative revolution presided over by Ronald Reagan and Margaret Thatcher in the 1980s, political economies became increasingly unequal and unions were decimated. After that experience, prominent scholars have argued that, given union weakness, the only way in which these political economies can thrive in the global economy is by maintaining (or even deepening) this unequal model of capitalism (Hall and Soskice 2001).

This dissertation takes a different view. The landscape of interest groups must not be taken as a fixed attribute of political economies. Presidents trying to promote egalitarian reforms do not need to take the balance of power between interest groups as a given, a fixed constraint that they need to take into account but that they cannot change. On the contrary, this dissertation shows how leftist presidents backed by strong, progressive leftist parties can actually reshape political economies and create the type of social actors that are more likely to foster egalitarian societies.

Another important lesson of the Uruguayan and Bolivian cases is that they show how generous, rule-based social policies can be compatible with sustainable economic growth. Several scholars claim that in the era of globalization, countries—and especially developing countries—are forced to choose between promoting economic growth at the expense of generous welfare states and pro-worker, labor-market regulations or maintaining high levels of social protection at the expense of economic development.

This type of argument has been prevalent in Latin America, where pundits have criticized leftist governments for their redistributive policies, claiming that they have often come at the expense of economic growth. They present Argentina under the Kirchners and Venezuela under *Chavismo* as the two paradigmatic cases that allegedly prove this point. These governments promoted redistributive policies that greatly reduced inequality, but at the same time inflation rates skyrocketed, private employment creation stagnated and had to be compensated for by large expansions of public sector employment. As a result, public deficits in these countries soared.

However, *Social Democracy* in Uruguay and Bolivia show that another form of progressive government is possible, one that reconciles the goals of economic development and ambitious redistributive policies. Indeed, the empirical evidence shows that the Latin American countries that grew the most during the last 15 years have been those that also redistributed the most. Indeed, Bolivia and Uruguay had the highest economic growth rates in the region during the left turn, 4.9% and 4.5%, respectively. The *Frente Amplio* in Uruguay and the *Movimiento al Socialismo* in Bolivia proved that broad income redistribution and rule-based, power redistribution is not inimical to economic growth.

An interesting question that arises from these cases is why *Left Populism* in Argentina and Venezuela promoted redistribution at the expense of economic growth, while in *Social Democratic* Uruguay and Bolivia the two objectives could be reconciled. There are two interesting contrasts that might point to some important clues. One is that while in *Social Democracy* the Left governed with social actors (they were incorporated into the state), in *Left Populism* presidents excluded social organizations from power. This exclusion, in turn, gave social organizations less of a stake in the economic and electoral performance of the leftist party in office, and therefore less incentive for moderation. In this respect, it is not surprising that the Uruguayan Left has been much more successful than the Argentinean Left in coordinating wage bargaining with unions. While in Uruguay real wage increases could be reconciled with moderate inflation, in Argentina the balance between these two objectives has been much more difficult to achieve (see Etchemendy 2019).

Another important difference between the two models is that whereas *Left Populism* is characterized by the centrality of individual political leaders, in *Social Democracy* the central actor is the leftist party. In the latter, leftist presidents did not govern with an absolute authority. Rather, they were constrained by powerful parties and/or social organizations that put limits on the type of policies they could pursue. These organizational actors, moreover, have long-term horizons; they are interested in the long-term performance of their party once the president finishes his or her mandate. By contrast, *Left Populism* is characterized by leaders who try to build personalistic political machines during a short time window. Their time horizons are short not only because they have a small time window within which to consolidate their grip on power, but also because these leaders are not interested in building an institutionalized party or movement that can outlive them.

It is not surprising that these differences in leaders' time horizons can have consequences for the type of economic policies each leader chooses to pursue. As a matter of fact, *Left Populism's* emblematic economic policies—soaring public deficits, high inflation and the artificial promotion of employment through the expansion of the

public sector—might not be so problematic for presidents that not only need to spend money fast to consolidate their personalistic machines, but also are not constrained by an institutionalized party that needs to remain competitive in elections once the leader is gone. Conversely, for leftist parties that are interested in the long-term, electoral competitiveness of the party, as is the case in *Social Democracy*, actors within the party care deeply about the damage that irresponsible macroeconomic management can have on their party brand. If they do not look out for the preservation of the party brand, they will certainly pay the price in future elections.

For all the reasons describe above, the *Social Democratic* model in Latin America serves as a beacon for leftist parties in the era of globalization. It illustrates how economic growth and redistribution can be reconciled in post-ISI economies. Further, it shows how the Left can rebuild social organizations after neoliberal reforms. And what is more, it illustrates how this can be done without jeopardizing organizations' autonomy, through the adoption of rule-based policies. If this dissertation has shown that simultaneous achievement of all these goals is feasible in the era of globalization, I hope that it has also provided some insight into the political underpinnings of social democratic models, so that leftist parties and activists can try to emulate them elsewhere.

Interviews³⁹¹

Argentina³⁹²

Arroyo, Daniel. Vice-Minister of Social Development, Néstor Kirchner administration. May 12, 2015.

Baradel, Roberto. Secretary General, Unified Teachers Union of Buenos Aires Province (SUTEBA). December 12, 2014.

Castagneto, Carlos. Vice-Minister of Social Development. April 7, 2016.

Deibe, Enrique. Secretary of Employment, Ministry of Labor. July 21, 2015.

Devries, Osvaldo. Undersecretary of Educative Planning, Ministry of Education. December 18, 2014.

Ezcurra, Daniel. High-ranking Official, Ministry of Social Development.

Fernández, Alberto. Chief of Staff, Néstor Kirchner administration. April 24, 2015.

Fernández Pastor, Miguel Angel. Director of ANSES. May 1, 2015.

Freire, Alberto. Senior official, ANSES. April 23, 2015.

Lavagna, Roberto. Minister of Economy and Production (2002-2005). April 15, 2015.

Lobais, Jorge. Secretary General, Textile Workers' Association (AOT). April 17, 2015.

Navarro, Fernando "Chino". Leader of *Movimiento Evita*. May 26, 2016.

Pérsico, Emilio. Leader of *Movimiento Evita*. June 25, 2016.

Pignanelli, Ricardo. Secretary General, Automobile Workers' Union.

Rial, Noemi. Vice-Minister of Labor (2002-2015). April 20 and 27, 2015.

Rodríguez, Andrés. Secretary General, UPCN. April 13, 2015.

Personal Interview #9: High-Ranking Official, Ministry of Labor. April 1, 2015.

Personal Interview #10: Minister, Néstor Kirchner Administration (2003-2007). April 30, 2015.

Personal Interview #11: High Ranking Official, Ministry of Education. December 14, 2014.

³⁹¹ Only interviews that appear in the chapters are listed.

³⁹² All interviews were carried out in Buenos Aires.

Personal Interview #12: High-ranking official, Labor Ministry. July 2, 2015.

Personal Interview #13: High ranking official, Ministry of Social Development. May 30, 2015.

Personal Interview #14: Social movement leader, Movimiento Evita. May 2, 2015.

Personal Interview #15: High Ranking Official at ANSES. April 3, 2015.

Personal Interview #16: High-ranking Official, Ministry of Social Development. July 24, 2015.

Personal Interview #17: High-ranking Official, Ministry of Social Development. April 30, 2015.

Personal Interview #18: High Ranking Official at ANSES. May 23, 2015.

Brazil

Armengol, Pedro. Director of CONDSEF. March 24, 2014. São Paulo.

Barbosa, Nelson. Functionary at the Minister of Labor, May 30, 2014. São Paulo.

Bargas, Osvaldo. Secretary of Labor Relations and General Coordinator of the FNT (2003-2006). March 14, 2014.

Berzoini, Ricardo. PT's President (2005-2010). July 29, 2011. Brasília.

Calixto, José. President of the Nova Central Sindical de Trabalhadores. March 27, 2014. São Paulo.

Carvalho, Gilberto. Lula's Chief of Staff (2003-2010).

De Oliveira, Marco Antonio. Former Vice-Minister of Labor. March 26, 2014. Brasília.

De Queiroz, Antônio Augusto, "Toninho". Departamento Intersindical de Assessoria Parlamentar (DIAP), March 31, 2014. Brasília.

Dos Santos, Artur Henrique. CUT's President. April 8, 2011. São Paulo.

Dias, Manoel. Minister of Labor. March 25, 2015. Brasília.

Dulci, Luiz. General Secretary of the Presidency. July 27, 2011. São Paulo.

Duque, Patricia. Chief of Union Division to the CNC. March 16, 2015. Rio de Janeiro.

Felicio João, CUT's President, July 25, 2011. São Paulo.

Furlan, Alexandre. Vicepresident of CNI. March 25, 2014. São Paulo.

Gabas, Carlos. Minister of Pensions. March 24, 2015. São Paulo.

Ganz, Clemente. Director of DIEESE, February 26, 2014. São Paulo

Genoino, José. PT's President. August 1, 2011. Brasília.

Gomes, Wagner. Secretary General to the CTB. February 21, 2014. São Paulo.

Lorena, Silvy. Legal Advisor to the CNI. March 19, 2014. São Paulo.

Machado, Nelson. Minister of Planning. February 10, 2014. São Paulo.

Marinho, Luiz. Minister of Pensions (2006-7). August 3, 2011. São Paulo.

Mendonça, Sergio. Secretary of Labor Relations. March 19 and 23, 2014, and March 13, 2015. Brasília.

Nobre, Sergio. Secretary General to the CUT. July 26, 2011. São Paulo.

Paim, Paulo. Senator (PT). March 24, 2014. Brasília.

Pastore, José. Business' representative in the Fórum Nacional do Trabalho. February 21, 2014. São Paulo.

Pegado, Canindé. Secretary General to the UGT. August 5, 2011. São Paulo.

Pereira, Miguel. Official at the Ministry of Labor. August 4, 2011. Brasília.

Ramalho, António. Unionist in the Construction Sector. August 1, 2011. São Paulo.

Rizzo, Paulo. Union Leader CONLUTAS. March 27, 2015. Brasília.

Ribas, Magnus. Former Labor Relations Director for FEBRABAN. February 3, 2014. São Paulo.

Sanches, Valter. International Secretary from the metalworkers' labor confederation. August 3, 2011. São Paulo.

Szajman, Abram. President of Fecomercio-SP. June 4, 2014. São Paulo.

Personal Interview #1: High Ranking Official , General Secretariat to the Presidency. July 15, 2011. São Paulo.

Personal Interview #2: Former Minister of Pensions. July 20, 2011 São Paulo.

Personal Interview #3: High Ranking Official, Secretariat of Labor Relations (2003-2006). March 29, 2014. São Paulo.

Personal Interview #4: Former Labor Minister, PT Administration. July 7, 2011. Brasília.

Personal Interview #5: Former CUT President. April 25, 2011. São Paulo.

Personal Interview #6: High ranking official at CONDSEF. March 21, 2014. Brasília.

Personal Interview #7: High ranking official, Secretary of Human Resources. May 2, 2014. Brasília.

Personal Interview #8: Official from DIEESE. February 12, 2014. São Paulo.

Uruguay³⁹³

Arismendi, Marina. Minister of Social Development. September 23, 2015.

Bergara, Mario. President of the Central Bank and Minister of Economy and Finance. October 13, 2015.

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