



**RECONSTITUTING THE INSTITUTIONAL BASES OF  
CONSENT: NOTES ON STATE-LABOR RELATIONS AND  
DEMOCRATIC CONSOLIDATION IN THE SOUTHERN CONE**

**Paul G. Buchanan**

**Working Paper #160 - May 1991**

**Paul G. Buchanan** is Assistant Professor of Political Science at the University of Arizona and previously served as Western Hemisphere Area Coordinator and Assistant Professor of National Security Affairs at the Naval Postgraduate School. He has held visiting appointments at CEDES (Argentina), IUPERJ (Brazil), the Center for the Study of Foreign Affairs, the Foreign Service Institute, the Department of State, and the Kellogg Institute (spring semester, 1989). He has written articles on labor administration, labor relations, regime change, state terror, corporatism, and authoritarianism in the Southern Cone.

This paper is part of a larger project titled *State, Labor, Capital: Institutionalizing Democratic Class Conflict in the Southern Cone*. Financial support for the project has been provided by the Naval Postgraduate School Research Foundation, the USIS Fulbright Research Fellowship Program, and the Heinz Endowment. Portions of the paper were written at the Center for the Study of Foreign Affairs, Foreign Service Institute, Department of State, CEDES (Buenos Aires), IUPERJ (Rio de Janeiro), and the Kellogg Institute, to whom the author is indebted.

## **ABSTRACT**

This paper examines the theoretical and practical problems involved in establishing the institutional bases for the achievement of class compromise in postauthoritarian processes of democratic consolidation, with particular reference to Argentina, Brazil, and Uruguay. Understanding that a democratic class compromise among the working classes, capitalists, and the state involves a mixture of dominant group concessions and subordinate group consent provided by an institutionalized range of choice that has the state as arbiter and enforcer of the specific terms of sectorial agreements, the paper explores the procedural and substantive issues involved, the institutional vehicles offered, and the structural and superstructural obstacles to the achievement of institutionalized forms of class conflict resolution in the Southern Cone. Attention is devoted to the nature of tripartite concentration, the role of national labor administration, and the dynamics of collective action in contexts of economic crisis and political reconstruction, with emphasis on the preauthoritarian legacies that impede or facilitate the establishment of consensual modes of sectorial strategic interaction. Tentative conclusions are drawn about the extreme difficulties of institutionalizing a durable democratic class compromise in countries such as those examined, and about the essential role of national labor administration as the key state apparatus involved in the pursuit of that objective.

## **RESUMEN**

Este trabajo analiza los problemas teóricos y prácticos relacionados con el establecimiento de las bases institucionales para alcanzar un compromiso de clase en los procesos de consolidación democrática post-autoritarios, haciendo referencia particularmente al caso de Argentina, Brasil y Uruguay. Asumiendo que un compromiso de clase entre las clases trabajadoras, capitalistas y el estado implica una mezcla de concesiones de los grupos dominantes y el consentimiento de los grupos subordinados otorgadas mediante una serie de posibilidades institucionales que ponen al estado como árbitro y ejecutor de los términos específicos de los acuerdos sectoriales, el trabajo explora los procedimientos y temas sustantivos tratados, los medios institucionales ofrecidos y los obstáculos estructurales y superestructurales para alcanzar formas institucionalizadas para la solución de conflictos de clase en el Cono Sur. Se da atención a la naturaleza de la concertación tripartita, el papel de la administración nacional de trabajo y la dinámica de acción colectiva en el contexto de la crisis económica y la reconstrucción política, recalcando los legados preautoritarios que impiden o facilitan el establecimiento de modos consensuales de interacción estratégica sectorial. Se esbozan conclusiones tentativas sobre las dificultades extremas para institucionalizar un compromiso de clase duradero en países como los analizados y sobre el papel esencial de las administraciones nacionales de trabajo, la clave del aparato estatal para alcanzar estos objetivos.

The recent emergence and resurgence of democratic regimes the world over has prompted a spate of work detailing the differences and similarities of each case, particularly the conditions and motives for the re-opening of the political arena, and the terms and character of the ensuing political competition. Although attention has most recently focused on the demise of Stalinist regimes in Eastern Europe, the literature on authoritarian regime transitions in Southern Europe and Latin America is both sophisticated and extensive.<sup>1</sup> Even so, much less work has been devoted to analyzing the institutional frameworks used to consolidate the nascent democratic systems. This includes the Southern Cone of Latin America, where regime change brought with it a rebirth of political thought. Whereas much attention has been devoted to the frameworks erected in Argentina, Brazil, and Uruguay by the previous military-bureaucratic regimes to establish and maintain their political domination,<sup>2</sup> little has been written on the institutional networks erected by their freely elected successors to establish the procedural and

---

<sup>1</sup> The literature on redemocratization in Southern Europe and Latin America has grown exponentially over the last five years, and cannot be cited in full here. A good overview of the major points addressed by this body of work can be found in C. Acuña, and R. Barros, "Issues on Democracy and Democratization: North and South. A Rapporteur's Report," Kellogg Institute *Working Paper* #30 (October, 1984); G.A. O'Donnell, "Notas para el estudio de procesos de democratización política a partir del estado burocrático-autoritario," *Estudios CEDES*, Vol. 2. No. 5 (1979); E. Baloyra, ed., *Comparing New Democracies* (Boulder: Westview Press, 1987); J. Malloy and M. Seligson, eds., *Authoritarians and Democrats* (Pittsburgh: University of Pittsburgh Press, 1987); G.A. O'Donnell, P. Schmitter, and L. Whitehead, eds., *Transitions from Authoritarian Rule: Prospects for Democracy* (Baltimore: Johns Hopkins University Press, 1986); K. Middlebrook, "Notes on Transitions from Authoritarian Rule in Latin America and Latin Europe," *Working Paper* of the Latin American Program, Woodrow Wilson International Center for Scholars, #82 (1981); K. Middlebrook, "Prospects for Democracy: Regime Transformation and Transitions from Authoritarian Rule," Wilson Center *Working Paper* #62 (1980); R. Scholk, "Comparative Aspects of the Transitions from Authoritarian Rule," Wilson Center *Working Paper* #114 (1982); K. Remmer, "Redemocratization and the Impact of Authoritarian Rule in Latin America," *Comparative Politics*, Vol. 17, No. 3 (April 1985), pp. 253-276; E. Viola and S. Mainwaring, "Transitions to Democracy: Brazil and Argentina in the 1980s," *Journal of International Affairs*, Vol. 38, No. 2 (Winter 1985), pp. 193-219; C. Gillespie, "Review Essay: From Authoritarian Crises to Democratic Transitions," *Latin American Research Review* Vol. 22, No. 3 (Fall, 1987); and, for a study of the role of social movements in these processes, Viola and Mainwaring, "New Social Movements, Political Culture, and Democracy: Brazil and Argentina in the 1980s," *Telos*, No. 61 (Fall 1984). For a more descriptive survey of the Southern Cone, see the special issue of *Government and Opposition* Vol. 19, No. 2 (Spring 1984), titled "From Authoritarian to Representative Government in Brazil and Argentina."

<sup>2</sup> Besides the now classic work by G.A. O'Donnell, *Modernization and Bureaucratic-Authoritarianism: Studies in South American Politics* (Berkeley: Institute for International Studies, University of California, 1973), see his *El Estado Burocrático-Autoritario* (Buenos Aires, Editorial de Belgrano, 1982). Other good examinations of military-bureaucratic authoritarianism and its impact on the state are found in J. Malloy, ed., *Authoritarianism and Corporatism in Latin America* (Pittsburgh: University of Pittsburgh Press, 1977) and D. Collier, ed., *The New Authoritarianism in Latin America* (Princeton: Princeton University Press, 1979).

substantive bases required for the maintenance of capitalist democracy.<sup>3</sup> Such is the object here.

For reasons addressed elsewhere<sup>4</sup> the consolidation of democracy in the Southern Cone involves a two-phase transformation at the institutional level. One side involves a purgative phase in which the authoritarian vestiges are removed from institutional life, both public and private. Another side involves a constructive phase in which democratic structures are promoted and placed in their stead. This is designed to open an institutional space in which democratic modes of interaction are promoted throughout society. Recent Latin American attempts to install concertative mechanisms that are designed to secure economic and political agreements among key social groups can be seen as part of the latter process, and will be a major focus of attention here.

Whatever the “transitional path” to democratization taken,<sup>5</sup> a central step towards the achievement of substantive democracy involves the institutionalization of democratic forms of interest group representation and intermediation. Substantive institutionalization of this sort provides a major foundation for regime legitimation and maintenance. Legitimacy is best seen as *organized* consent, where consent is defined as acquiescence motivated by objective agreement with (and preference for) a given set of values, norms, and rules governing sectorial competition.<sup>6</sup> The creation of democratic institutions that organize political and economic consent occurs at the mutually reinforcing levels of state and civil society. This is most readily seen in the procedural

---

<sup>3</sup> The foremost substantive base of democratic capitalism is a class compromise on structural terms. By structural bases of class compromise, I am referring to the economic and material benefits awarded the organized working classes in return for their acceptance of liberal bourgeois democratic rule (i.e. in exchange for these benefits, they agree to renounce class-based revolutionary struggle designed to fundamentally change the political and economic systems). The structural bases of class compromise are most often worked out via collective bargaining, state mediation, and political agreements among organized labor, employer’s associations, and the political authorities. The structural bases of class compromise encompass both institutional and substantive guarantees, the former having more long-term binding qualities and than the latter. The notion that the maintenance of democracy requires structural bases is derived from arguments offered in A. Przeworski and M. Wallerstein, “The Structure of Class Conflict in Democratic Capitalist Societies,” *American Political Science Review*, Vol. 76, No. 2 (June 1982), pp. 215-238; Przeworski, “Material Bases of Consent: Economics and Politics in a Hegemonic System,” in M. Zeitlin, ed. *Political Power and Social Theory*, Vol. 1 (1980); Przeworski, “Class Compromise and the State: Western Europe and Latin America,” unpublished paper, Department of Political Science, University of Chicago, June, 1980 (a Spanish version of this essay can be found in N. Lechner, ed., *Estado y Política en América Latina* [Mexico, D.F.: Siglo XXI, 1981]; and Przeworski, “Economic Conditions of Class Compromise,” unpublished paper, Department of Political Science, University of Chicago, December 1979.

<sup>4</sup> P.G. Buchanan, “State, Labor, Capital: Institutionalizing Democratic Class Compromise in the Southern Cone” (unpublished MSS, Dept. Political Science, University of Arizona, 1989, Chapter One).

<sup>5</sup> A. Stepan, “Paths Towards Redemocratization: Theoretical and Comparative Considerations,” in O’Donnell, Schmitter, and Whitehead, *Transitions from Authoritarian Rule*.

<sup>6</sup> A. Przeworski, “Some Problems in the Study of the Transition to Democracy,” p. 11.

neutrality of the state apparatus, in the legal equality granted political parties and the collective agents of differently endowed social groups when addressing their specific demands and ongoing interests before other groups and the state, and in the organizational rules and procedures governing intra- and inter-group competition. These frameworks provide institutional foundations for reaching the class compromise that, however implicit or mythologized, is the foundation of democratic capitalist regimes.

This is a “vertical” class compromise among socioeconomic groups represented by collective agents that also involves the state (either as a partner or mediator), as opposed to a “horizontal” politicoeconomic compromise among sectorial elites and/or dominant social groups. “Vertical” compromises involve the formal, organized exchanges of sectorial consent and concession that establish the material and political conditions for hegemonic regime maintenance. Although it is clear that “horizontal” elite “pacts” are often necessary for successful democratic transitions, it is equally clear that the achievement of some institutionalized form of “vertical” class compromise is essential for substantive democratic consolidation.

This points to one of the fundamental moments in the move from democratic transition to democratic consolidation in capitalist societies. Except where labor-based parties are important political agents, or where the vacuum produced by an authoritarian collapse led to a quick electoral competition for working-class votes on the part of nonlabor based parties, working-class support is most often sought as a last resort during the transition from authoritarian to democratic capitalism. Especially in top-down processes of liberalization leading to limited democratization, the key support bases for the move towards procedural democracy are the upper and middle bourgeoisie, many of whom are former authoritarian regime supporters. Given the uncertainties inherent in the transition process and until the democratic government is formally installed, the “radical” nature of appeals to the working class makes most political actors tailor their strategies to secure bourgeois support for the transition, something that is most often done by tendering guarantees that property rights and “proper” economic policies will be continued. In such a context, center-right party alliances appear to be the most viable minimum winning electoral coalition. Admitting the particulars that differentiate among them, the electoral victories of the Radical Party in Argentina (1983), the Colorado Party in Uruguay (1985), and PMDB in Brazil (1985) can all be seen in this light. In these transitions, it was the consent of the bourgeoisie that was most stringently cultivated.

Once elected authorities are installed, and given continuation of capitalist relations of production, the eventual key to democratic consolidation rests on securing the political support and economic cooperation of organized labor (as the collective agent of the working classes), for it is through the labor movement that working-class consent to the material and ideological terms of a class compromise is initially given and thereafter reproduced. This is not only important for the

move to democratic consolidation, for the mutual exchange of consent between capitalists and labor is also what differentiates democratic from authoritarian capitalism (or in Gramscian terms, hegemonic and nonhegemonic regimes). Thus, whereas modern democratic transitions often require agreements between political and economic elites, substantive democratic consolidation requires that institutionalized guarantees be extended by democratic authorities (through the state apparatus) to capitalists and the collective agents of subordinate groups, especially organized labor, in order to reproduce the socioeconomic system in consensual fashion. In postauthoritarian contexts such as those of the Southern Cone and elsewhere, there is an increased appreciation for the intrinsic value of capitalism's "best possible political shell."<sup>7</sup>

In South America, the only democracies to survive the authoritarian tides of the 1960s and 1970s were the "pacted" democracies of Columbia and Venezuela. In both cases initial elite "horizontal" pacts on the terms for the restoration of elected rule were eventually replaced by "vertical" pacts with the collective agents of subordinate groups. The former served as vehicles for transition, while the latter served as vehicles for regime consolidation and reproduction. A variation on this sequential theme is provided by the Mexican semicompetitive, inclusionary authoritarian regime, where the "pact sequence" was initially played out within a single party framework (the Partido Revolucionario Institucional) rather than among different sectoral elites and organizationally autonomous political actors and collective agents (a situation that may be changing at present, as seen in the debate over the *pacto de solidaridad económica* and the emergence of new political parties such as the Partido de Acción Nacional [PAN]).

We can infer from the relative success of these cases that "pacted" democracies may have the best chance of survival in late 20th-century Latin America, although this depends in the short to medium term upon their ability to transform the initial elite "horizontal" compromise into a "vertical" class compromise with the collective agents of subordinate groups, and over the long term, on the relative "depth" of its institutionalization. To the contrary, if power-brokering elites do not deepen the initial "horizontal" agreements that helped lead to the procedurally democratic transition, the continued elitist nature of sectoral pact-making will instead institutionalize a conservative and narrow sectoral bias in the political sphere that runs counter to substantive democratic consolidation. Since such a "pact sequence" is by no means an assured outcome, some framework has to be developed in which this "deepening" process can occur. From this stems the need for institutional foundations for substantive democratic consolidation.

In countries where the democratic rules of the game are well entrenched, or in which the class lines are unclearly drawn or overlapped, the terms of the class compromise may be implicit

---

<sup>7</sup> The phrase comes from Lenin. For a recent discussion, see B. Jessop, "Capitalism and Democracy: The Best Possible Political Shell?" in G. Littlejohn et al., eds., *Power and the State* (London: Groom Helm, 1978).

rather than explicit. Consecrated and obscured in popular folklore and political myth, the institutionalization of class conflict may allow it to recede from the public memory and political debate, as well as permit the elevation of general elections to the status of political ritual (witness the United States).

In formerly authoritarian capitalist countries lacking traditions of democratic political culture or in which class lines and class conflict are clearly demarcated, the terms of democratic class compromise have to be made explicit and are codified in laws and other legal measures enforced by the state (such as in Portugal, Spain, Italy, and Greece). In either case, the fluid nature of economic and social development forces regular renegotiation of the terms. More generally, the state apparatus must be organized so that it provides an institutional forum in which the structural and ideological bases of class compromise can be adjusted via regular negotiation.

It should be stressed that in the 1980s formal agreements were seldom used as transitional devices in the Southern Cone. This stemmed from the dangers inherent in the transition process. The lack of agreed upon "rules of the game" and the related risks and uncertainties that characterized the period preceding the restoration of democratic rule made secret, informal, and often nonbinding pacts among political elites the preferred vehicles for sectoral dialogue, since each actor could violate and renegotiate the terms of such agreements based upon shifting assessments of the dynamics at play at different moments in the transition. Collective actors were often simultaneously involved in negotiations on several fronts with different agents, some with mutually contradictory objectives, in order to evaluate potentialities and establish an internal hierarchy of tactical and substantive agreements that best served the requirements of expediency and long-term goals.

For example, in Uruguay the accord reached by opposition leaders regarding how to approach the military regime on the issue of transition (the Concertación Nacional Programática) proved far more binding than the subsequent terms negotiated with the military leaders at the Club Naval meetings. Among other things, this showed who held the dominant position in the latter negotiations. Witness as another example the secret military-orthodox Peronist reapproachment initiated in 1983 in Argentina, which was abandoned once public attention to the subject was raised by the press and Radical Party, then criticized by "renovating" Peronist factions. Despite that contretemps, the *gorilla* factions in the military allied with *ortodóxo*s within the Peronist movement continued to pose the most serious authoritarian challenges to the Radical government, and served as the basis for a military-Peronist *entente* once Carlos Menem was installed as president in 1989.

In sum, transitional pacts are most often fluid and informal in nature, and therefore subject to a wide range of sectoral interpretations. This adds to the uncertainties involved in each stage of the process. However, once the procedural transition to democracy is achieved, the common fear

of authoritarian regression and other destabilizing factors forces democratically oriented collective agents to look for formal, legally codified, and enforced agreements that reduce social and political uncertainties, promote intersectoral cooperation and peaceful negotiation in the political and economic markets, and thus serve as institutional bases for democratic regime consolidation. Foremost of these is the achievement and reproduction of a “vertical” class compromise based on the mutual exchange of organized sectoral consent and concession, the economic and political bases of which must be institutionally guaranteed by the state.

For the moment let us dwell on the fact that whatever its initial phase, the full achievement of democracy requires substantive change at the institutional level, since it is at this level that the political, legal, and organizational guarantees underlying societal and economic democracy are formulated and enforced. Phrased differently, establishing institutional means for the achievement of the structural and ideological bases of a “vertical” class compromise is crucial for the consolidation of democratic capitalist regimes, as it provides tangible ground upon which dual sectoral consent is secured.

The macroeconomic core of any democratic class compromise, as Przeworski and Wallerstein have shown, rests on establishing a mutually acceptable aggregate rate of (re)investment out of profit. Maintained at levels that guarantee increases in productivity, such agreements ensure that the material standards of living of both workers and employers increase over time.<sup>8</sup> In order to guarantee satisfactory rates of (re)investment, regardless of short-term fluctuations in profit, the democratic state offers a series of legal and material inducements and constraints that are designed to ensure compliance on both sides.<sup>9</sup> This is how the state serves as guarantor of system maintenance and primary agent of hegemonic reproduction.

State-mediated or -enforced measures used to this effect include regulating rates of interest and exchange, tax on profits and/or capitalist consumption, investment tax credits and low-interest loans, depreciation allowances, differential taxation of capital gains, lower import and export duties for raw materials and finished goods respectively, legal restrictions on capital flight abroad, surcharges, fines, plus other incentives and disincentives that help spur employers’ interest in pursuing high rates of saving out of profit, which is essential for fulfilling the structural terms of the compromise. Similarly, state-provided public goods and services such as cost of living allowances, social security and other welfare benefits, low-interest mortgage rates and/or public housing, ceilings on public transportation rates, medical and other forms of guaranteed

---

<sup>8</sup> Przeworski and Wallerstein, “The Structure of Class Conflict,” p. 232.

<sup>9</sup> The notion of inducements and constraints used here is derived from that offered in R.B. Collier and D. Collier, “Inducements versus Constraints: Disaggregating ‘Corporatism’,” *American Political Science Review*, Vol. 73, No. 4, (December 1979), pp. 967-986. Some of the specific types of inducements offered to capitalists are drawn from Przeworski, “Class Compromise and the State,” p. 24.



leave programs, guarantees on job security, insurance and pension plans, etc., and more generally, certain basic rights of association and monopoly of representation awarded their collective representatives, all of which are designed to mitigate wage militancy and promote wage restraint, do the same for workers. With regard to the latter, this institutional network includes agencies of the state charged with formulating and implementing “policies relating to wages, industrial relations, labor disputes, social security, promotion of equal rights, occupational safety and health, protection of migrant workers, conditions of work, participation in the process of economic and social planning, inflation, vocational training, productivity, and protection of the environment.”<sup>10</sup>

The broader institutional network underpinning democratic class compromise encompasses the provision of public goods such as public health, social security, and welfare services. The provision of social security benefits is one area where the impact of regime type and individual regime approaches towards organized labor has been particularly evident, and as such now constitutes a primary conditioner of the possibilities of class compromise in the new democracies of the Southern Cone. As Malloy and Rosenberg point out,

direct citizen participation has never been an issue or real possibility in the area of social security policy in Latin America. The issue has been one of “representation” of “classes” or “groups” of interests, defined vocationally, before the state by organizations officially empowered (by recognition) to articulate such interests... Coverage as a rule was not extended to citizens as such or to broad classes of citizens; rather, wage and salary earners were divided (fragmented) into discrete occupational groupings for purposes of social security coverage... Social security coverage in general evolved on a piecemeal, group-by-group basis... By and large, the quality of coverage was positively correlated with the sequence of coverage. Both the sequence and quality of coverage were determined by the power of groups to pose a threat to the existing sociopolitical systems and the administrative logic of the contractual type of social insurance schemes developed within the region ..The upshot was the incremental evolution of social security systems that were both highly fragmented and unequally stratified in terms of the quality of programs... These structures, which were often part of a general corporatist approach to labor relations, reflected the goal of established elites to undercut the emergence of a broad class-conscious movement of workers.<sup>11</sup>

---

<sup>10</sup> International Labour Organization, *Public Labor Administration and Its Role in Economic and Social Development*, Eleventh Conference of American States Members of the International Labour Organization, Report II, Medellín, Colombia, September-October, 1979 (Geneva: International Labour Office, 1979) p. 46.

<sup>11</sup> M.B. Rosenberg and J.M. Malloy, “Indirect Participation versus Social Equity in the Evolution of Latin American Social Security Policy,” in J. Booth and M. Seligson, eds., *Political Participation in Latin America, Vol. 1: Citizen and State* (New York: Holmes and Meier, Inc., 1978), p. 168. For an overview of social security programs in Latin America, see C. Mesa-Lago, *Social Security in Latin America* (Pittsburgh: University of Pittsburgh Press, 1978) which includes discussions of Argentina and Uruguay. For Brazil, see J.M. Malloy, “Social Security Policy and the Working Class in Twentieth Century Brazil,” *Journal of Interamerican Studies and World Affairs*, Vol. 19, No. 1 (February, 1977), pp. 33-60; and Malloy, *The Politics of Social Security in Brazil* (Pittsburgh: University of Pittsburgh Press, 1979).

In Latin America, the extension of social security coverage was part of the initial period of labor incorporation into the national political “game” (a subject we shall return to later), and involved union control over state and employer-financed medical and pension programs, such as the *Obras Sociales* in Argentina and the *imposto sindical*-financed union benefit programs in Brazil. In turn, the large amount of resources made available to unions through such schemes allowed them to consolidate their organizational bases and reaffirm their positions as collective agents. Along with institutionalized and noninstitutionalized forms of graft and corruption, this provided union leaders with an important niche from which to project political leverage that often extended far beyond their constituencies or strategic location in the productive apparatus.

Union versus state operation of social welfare networks is a major issue in modern capitalist political economies, since state provision of erstwhile union-provided welfare and social security benefits helps erode organized labor's membership base. Thus, while political and organizational reasons may compel unions to exercise certain prerogatives in the area of benefit distribution, it is the source of revenues destined for benefit distribution that ultimately influences union strategies with regard to benefit distribution networks and their operation.

In countries in which the revenue source for union-operated social service agencies is primarily the dues of its membership (even in cases where the state subsidizes membership contributions with “matching” public funds), unions behave as inclusive, expansionist organizations that push for membership recruitment and extension of union control over benefit provision. In countries in which the revenue source for union-operated social service agencies is derived from a mandatory contribution extracted from the entire labor force in a given productive sector (organized or not) and employers, and in which the state may or may not subsidize these revenues, unions adopt exclusive and limiting postures that restrain or halt membership recruitment in order to increase the benefit share provided to current affiliates. This is also believed to make the union leadership more responsive to the interests of political elites and state bureaucrats rather than their union constituents.

Coupled with cooptive techniques and other legal and institutional restrictions characteristic of state corporatist labor administration, in the Southern Cone the latter approach was used to subvert union autonomy. Along with flagrant corruption in the provision of social services in union-operated agencies, this prompted criticism of both the *Obras Sociales* and the *imposto sindical*-financed welfare networks. In such instances, the extension of state operated welfare and social service agencies under conditions of democratic rule is believed to contribute to the expansion of both union membership and benefit coverage for members of the society at large (as Uruguay before the 1960s would suggest). The issue of control over union welfare benefit provision is thus central to the promotion of democratic class compromise and yet is still very much open, framed by both historical and conjunctural factors, and the subject of intense

conflicts between unions and governments, as well as among unions themselves, throughout the Southern Cone.

The traditionally wide range of state activities in Latin America make a number of other policy areas relevant to the democratic consolidation processes underway in the Southern Cone and elsewhere. These include direct state investment and support for private investment (which help defray the social costs of production and revitalize the dynamic components of the economy), maintenance of public and private employment, income, and consumption levels, public financing of production via the devaluing of social capital and the socialization of risks and losses, state intervention in the social relations of production, and compensatory or developmental strategies that are designed to overcome contextual and structural obstacles of the economic, political, and social type, along with the usual range of public goods and services provided by the state.<sup>12</sup>

With the democratic state offering a judicious mixture of institutional inducements and constraints over a broad range of policy areas, and with it often acting as a mediator in negotiations over more narrowly focused wage, productivity, and investment questions, employers and workers are free to negotiate mutually acceptable rates of (re)investment that promote the productivity increases that are needed for wages and profits to rise. Depending on the organizational characteristics of the union movement and business associations, these negotiations can occur on a national, regional, federational, sectoral, or industry level, although in each case the logic of collective action is governed by the rationale of mutual material interest in class compromise. In this fashion both sides have, on the basis of rational calculations of self-interest, reason to abide by the terms of the compromise.

The essence of the democratic class compromise envisioned here operates as follows: through their collective representatives, capitalists (employers) agree to the establishment of democratic institutions (e.g. collective bargaining, etc.) through which workers, represented by their respective collective agents, press claims for material gains in exchange for their acceptance of the institution of profit. Both sides follow the logic that capital accumulation and investment leads to the expansion of production, increased consumption, further investment, and eventual material gains for all social groups. This is the economic base underpinning political stability in democratic capitalist societies. Democratic institutions—and particularly the democratic state—serve as arbiters and mediators of the class compromise needed for this system to hold. By doing so, these institutions serve to reproduce the economic and political exchange required for the system's maintenance.

---

<sup>12</sup> On the range of state activities in Latin America, see M. Kaplan, "Recent Trends of the Nation-State in Contemporary Latin America," *International Political Science Review* Vol. 6, No. 2 (1985), p.89.

In postauthoritarian environments characterized by climates of economic crises and fiscal austerity, the range of what capitalists and government officials perceive as militant rather than moderate labor demands contracts considerably relative to that of institutionally consolidated capitalist democracies. In the latter, the parameters separating the two types of labor demand are both broad and well defined: socializing the means of production is clearly unacceptably militant while tying wage increases to cost of living, productivity, or investment indexes is not. In the former, especially where nondemocratic labor relations systems have been the norm, basic wage, security, or benefit demands are often considered to be unduly militant, which considerably narrows the range of issues upon which substantive sectoral agreements can be reached (if not make them impossible altogether). In environments of structural constraint where collective agents follow logics that are diametrically opposed (rising labor militance expressed in the expansion of economic and political demands, narrowed capitalist and state perceptions of the range of acceptable labor demands further limiting the range of negotiable issues), sectoral preferences become increasingly oriented towards imposing unilateral outcomes. At that point, the possibilities of class compromise are nil.

On the other hand, in postauthoritarian settings such as those of the Southern Cone, acceptance of a democratic class compromise may be a concession that capital does not have to make. That is because the fear if not the certain knowledge of an authoritarian regression in the event of economic or political instability severely constrains the boundaries of labor action while simultaneously leaving those available to capital comparatively open. After all, any authoritarian regression would be procapitalist in general, even if injurious to specific capitalist groups.

Under such conditions capitalists may see no need for a formal agreement with labor, and can opt to pressure democratic governments to support projects of bourgeois reassertion while labor is de facto prevented from exercising all of its options. The maintenance of authoritarian labor legislation in both Argentina and Brazil well after the democratic regimes were installed can be better viewed in this light, as can the imposition by executive decree of austerity programs and anti-inflationary measures in all three countries that have a disproportionately adverse impact on working-class standards of living.

Even so, the extent to which structural constraints and noncooperative capitalist strategies impede the achievement of class compromise is conditioned by the existence or not of institutional vehicles for sectoral negotiation that filter and ameliorate environmental obstacles in ways conducive to securing labor consent. The relative success of Uruguay in promoting sectoral agreements on economic issues after 1985 is a case in point, since the return to the tripartite Consejo de Salario system eliminated in 1968 served as an institutional foundation for labor-capital dialogue that neither Argentina or Brazil could hark back to.

In all instances, institutional mechanisms condition the role organized labor plays in any process of democratic consolation, since it is through these mechanisms that labor's range of possible choice (i.e. the institutional delimitation of acceptable and unacceptable demands and outcomes), and consequent strategies of action, are structured. The issue for labor is therefore one of choosing the best strategies for improving its material and political welfare given the institutional possibilities of the postauthoritarian, procedurally democratic capitalist context it finds itself in. The experience of others offers some concrete alternatives. For example, the modern history of Western Europe suggests the utility of societal or neocorporatist (as opposed to state corporatist) frameworks as institutional parameters that promote ranges of sectoral choice conducive to achieving the structural bases of democratic class compromise.<sup>13</sup>

The utility of neocorporatist vehicles notwithstanding, the issue of institutional delimitation of sectoral choices is complex. For one thing, the orientation of a government with respect to the instrumental use of the state apparatus to achieve socioeconomic objectives constitutes an *a priori* constraint on the range of choice available to social actors. Specifically, whether or not government is disposed to use the powers of the state to unilaterally impose "agreements" on social groups clearly alters the strategic options available to these groups. This "etatist" orientation forces social actors to either first look to the state for initiative and direction when approaching intersectoral negotiations, or conversely, to look to each other more seriously in order to reach mutually satisfactory agreements without state interference. Likewise, the absence of an "etatist" orientation in government broadens the range of choice available to social actors, and hence their array of strategic options, but also increases the chance of destabilization resulting from uninstitutionalized sectoral conflicts.

Democratic class compromise reflects the convergence of second-best choices available to capitalists and workers. Capitalists forgo superexploitation and political authoritarianism; workers forgo economic and political militancy which threatens the capitalist parameters of society. Institutionalized uncertainty in the form of regular elections and other procedural measures guarantee competitive access to governmental authority. In the economic sphere, a series of institutional arrangements similarly provide a framework in which the convergence of second-best choices occurs on materially calculated grounds of self-interest. The risks inherent in adopting best choice strategies encourage the mutual adoption of second-best options. The risks involved in adopting second-best strategies force regular renegotiation of the terms of the compromise at both the economic and political levels. Democratic class compromise thus rests on institutional foundations that reproduce dual sectoral consent via regularized negotiated

---

<sup>13</sup> Among many others, see I. Panitch, "Recent Theorizations of Corporatism: Reflections on a Growth Industry," *British Journal of Sociology*, Vol. 31 (1980).

agreements on the contingent outcome of political and economic conflicts.<sup>14</sup> This is, in effect, a compromised process of competition based on contingent consent.<sup>15</sup>

The structure and function of specific branches of the democratic state reflect institutional efforts to diminish the uncertainty of workers and capitalists that the compromise will hold. "Institutional arrangements are crucial to determine the actual level of risk involved. Corporatist arrangements are designed specifically to increase certainty beyond the particular collective agreement or a particular election: they constitute a form of self-commitment of the parties to adhere to some agreed compromise independently of the short-term fluctuations of both economic conditions and of popular will as expressed in elections."<sup>16</sup> The type of corporatist arrangements utilized would have to be inclusionary, societal, and neocorporatist, since exclusionary and/or strictly state corporatist arrangements are not designed to achieve genuine democratic compromise between socioeconomic groups hierarchically situated in production.

The point remains that there must be an institutional arrangement at the level of the state that provides the forum in which the substantive bases of democratic class compromise are worked out. The democratic state must provide organizational and legal boundaries in which the collective representatives of workers and capitalists rationally calculate on the basis of material self-interest the (mutual) advantages accrued to them by such an agreement, then negotiate the precise material and political terms that constitute the structural and ideological bases of class compromise. Reaffirmed over time via regular negotiation of the terms, the stability of such institutionalized forms of collective action is eventually reflected in mutual expectations of workers and capitalists that the structural bases of class compromise are best maintained by those means.

If the class compromise holds over time, it is possible to spur broad-based increases in productivity by treating wages as a consumption variable (that is, as an output translated into purchasing power) rather than as an input factor cost (overhead) that must be kept low. In the cases studied here, this could help overcome situations where income differences are exacerbated by drops in domestic consumption during the last decade. In any event, there exist three sets of risks confronting both workers and capitalists: 1) A lack of class unity on either side, which makes it impossible for them to have a monopoly of representation, i.e., for one or both to

---

<sup>14</sup> For a discussion of this concept, see A. Przeworski, "Democracy as a Contingent Outcome of Conflicts," unpublished MSS, Dept. Political Science, University of Chicago, 1983.

<sup>15</sup> P.C. Schmitter nicely summarizes the political dimension of contingent consent as follows: "political actors agree to compete in such a way that those who win greater electoral support will exercise their temporary superiority and incumbency in government in such a way as not to prevent their opponents who may win greater support in the future from taking office, and those who lose in the present agree to respect the authority of the winners to make binding decisions on everyone, in exchange for being allowed to take office and make similar decisions in the future." "Organized Interests and Democratic Consolidation in Southern Europe (and Latin America)," draft research proposal, European University Institute, November 1984, p. 10.

<sup>16</sup> Przeworski, "Economic Conditions of Class Compromise," p. 20.

have a single legitimate bargaining agent (or set of agents). This is more likely the case with employers competing within (and even among) various economic sectors but is quite possible among workers as well (e.g. between those employed in foreign-owned versus domestically-owned firms). 2) The use of the state for partisan purposes that infringe on its autonomy and favor one side to the detriment of the other. And 3) Larger systemic economic risks normally associated with (here dependent) capitalism, in these cases aggravated by unemployment, disinvestment, speculation, lack of domestic demand, large foreign debt burdens and very high rates of inflation.<sup>17</sup>

According to P.C. Schmitter, "particularly important in the contemporary consolidation process are the efforts undertaken to reach and implement 'socioeconomic pacts' as a device to reduce uncertainties and expectations in specific policy areas such as wages, prices, investments, and taxation."<sup>18</sup> The use of tripartite concertation as a mediating and stabilizing mechanism in advanced capitalist democracies is well documented.<sup>19</sup> It most recently came to the fore as a subject of theoretical and practical interest along with the return of democracy to Southern Europe during the early 1970s.<sup>20</sup> Now with the regional shift towards democracy in the 1980s, it has attracted the attention of Latin American scholars and policymakers alike, this despite the obvious differences in context and circumstances.<sup>21</sup>

---

<sup>17</sup> This outline of the general terms of democratic class compromise is drawn from Przeworski and Wallerstein, "The Structure of Class Conflict."

<sup>18</sup> "Organized Interests and Democratic Consolidation in Southern Europe (and Latin America)," p. 10. It should be noted that there is a difficulty inherent in Schmitter's view. Having an institutional ability to diminish uncertainties of an economic type is one thing; having an institutional ability to diminish expectations is quite another and, I would guess, is far more complex an issue.

<sup>19</sup> The literature is too vast to cite here. For good reviews and summaries of the main themes, see Lehbruch, "Concertation and the Structure of Corporatist Networks," and M. Regini, "The Conditions for Political Exchange: How Concertation Emerged and Collapsed in Italy and Great Britain," both in J. Goldthorpe, ed., *Order and Conflict in Contemporary Capitalism* (Oxford: Oxford University Press, 1985).

<sup>20</sup> For a most recent approach, see P.C. Schmitter, "Organized Interests and Democratic Consolidation in Southern Europe (and Latin America)."

<sup>21</sup> The most obvious difference being that while in advanced capitalist societies concertation serves as a mediation and stabilizing mechanism that ameliorates the effects of stop-and-go cycles associated with the internationalization of the economy, in dependent capitalist countries it is often confronted by situations of economic stagnation and severe fiscal crisis. This per force changes the orientation of concertation, and complicates its mission. On concertation in the Southern Cone, C. Pareja, "Las instancias de concertación: Sus presupuestos, sus modalidades, y su articulación con las formas clásicas de democracia representativa," *Cuadernos del CLAEH*, No. 32 (1984/4), pp.39-41; M. Grossi and M.R. Dos Santos, "La concertación social; una perspectiva sobre instrumentos de regulación económico-social en procesos de redemocratización," *Crítica y Utopía*, No. 9 (1982). pp. 127-147; M. Cavarozzi, L. de Riz, and V. Feldman, "Concertación, estado, y sindicatos en la Argentina contemporánea" (Buenos Aires: mimeo, 1986); *Novos Estudos CEBRAP* No. 13 (October 1985), pp. 2-44 (special section on social pacts and redemocratization, with emphasis on Brazil); P. Mieres, "Concertación en Uruguay: Expectativas elevadas y consensos escasos," *Cuadernos del CLAEH*, No. 36 (1985/4), pp. 29-44; N. Lechner, *Pacto Social en los procesos de democratización. La experiencia*

Yet not all attempts to institutionalize concertation succeed. In 1973 the democratically elected regime headed by Juan D. Perón unsuccessfully attempted to do so in Argentina through its “Pacto Social.”<sup>22</sup> That it could not runs counter to the conventional wisdom that labor-based parties in government are the most likely to succeed in establishing concertative agreements, something again proven false in the experience of the APRA regime in Peru after 1980. But in other Latin American countries such as Costa Rica, Colombia, Mexico, and Venezuela (and Uruguay from 1943-1968), tripartite concertation has been used during the last quarter century as a long-term stabilizing mechanism that complements and supports the other institutional features of political democracy. In that light, concertative social pacts are designed to manage societal demands that otherwise might overwhelm the procedural safeguards of liberal democracies.<sup>23</sup> Thus in Venezuela, “from 1960 on, one can speak of a tacit agreement among parties, worker organizations, and industrialists to maintain in the country what has come to be called the ‘labor peace,’ which has been solidified increasingly through *concertación* (reaching informal agreements so as to avoid public conflict). Without a doubt this constitutes a basic factor in the stability of the present regime.”<sup>24</sup>

Concertative pacts are often an integral part of the process of (re)democratization itself. Known as “foundational pacts,” these are essentially political bargains with two distinct sides. On one side is the (often elite dominated) “horizontal” political bargain struck between opposition forces and the outgoing authoritarian authorities which establishes the terms and rules for the democratic transition. On the other side are the “vertical” agreements reached among different sectors of the opposition in order to first present the outgoing regime with a united democratic platform, then allow the newly elected authorities to operate during the early stages of the democratic restoration within some generally accepted guidelines (and possibly within a certain period of grace). In both cases, the nature and terms of the foundational pact depend on which side holds the dominant position in the political bargains struck during the period leading to democratization, which allows it to at least partially dictate the terms of the transition. In 1984-1985 the “Concertación Nacional Programática” represented an effort on the part of a wide range of

---

*latinoamericana* (Santiago: Flacso, 1985); A. Canitrot, “Sobre concertación y la política económica. Reflexiones en relación a la experiencia argentina de 1984” (Buenos Aires: mimeo, 1985); and G.A. O’Donnell, “Pactos políticos y pactos económico sociales. Por que sí y por que no” (Buenos Aires: mimeo, 1985).

<sup>22</sup> Though it ultimately collapsed under the accumulated burdens of Perón’s death, rampant sectoral cheating, his widow’s inept successor government, and a rising tide of intersectoral violence, the Pacto Social was nonetheless a sincere reformist attempt at promoting, in limited fashion, the institutional and structural bases of class compromise.

<sup>23</sup> C. Pareja, “Las instancias de concertación.”

<sup>24</sup> J.A. Silva Michelena and H.R. Sontag, *El Proceso Electoral de 1978*. Caracas: Editorial El Ateneo de Caracas, 1979, p. 51; cited in C.I. Davis and K.L. Coleman, “Labor and the State: Union Incorporation and Working Class Politization in Latin America,” *Comparative Political Studies*, Vol. 18, No. 4 (January 1986), p. 401.



opposition groups to reach agreement on the political conditions necessary for a democratic transition and consolidation in Uruguay, which then allowed them to confront the outgoing military regime (at the Club Naval Meetings) on common terms, and eventually led to agreements on the timing and terms of the transition.<sup>25</sup>

Depending on the pace of liberalization and/or democratization, both types of bargain may have distinct military, political, and socioeconomic phases or “moments,” some of which may overlap. The point is that however “horizontal” they may initially be, such pacts are often a central element in the process of transition from authoritarian to democratic regimes, and can therefore provide an institutional precedent for their “deepening” into “vertical” pacts during the subsequent process of democratic consolidation.<sup>26</sup> Thus, while the scope, subjects, and even some of the principals may change once the democratic regime is installed, the initial avenues of communication, forms of dialogue, institutional guarantees, and levels of mutual trust established via the initial or transitional concertative agreements can pave the way for the formal, regularized use of concertation as an institutional linchpin of the new democratic regimes.

Democratic concertation is a form of strategic interaction between (otherwise) contending social actors in which mutual guarantees are tendered that preserve specific sectoral prerogatives while limiting others (thereby constraining each actor's range of choice and freedom of action), in exchange for the cooperative pursuit of formally recognized common objectives. These sectoral “pacts” can be political, military, or socioeconomic in nature (or some combination thereof), and have been a central feature of certain types of democratic regime such as consociationalism. They can be either highly formalized or relatively informal (depending on the actors' requirements and the scope of issues involved), issue-specific and ad hoc or comprehensive and institutionalized (via corporatist mechanisms), and public or secret in nature. For our purposes, attention is concentrated on the effort to institutionalize tripartite political-economic neocorporatist pacts between the nationally aggregated collective agents of organized labor and capital. This is due to the fact that such vehicles generally constitute the core mechanisms of negotiation required for democratic class compromise.

Democratic concertation is thus an institutionalized form of conflict resolution oriented towards achieving pragmatically calculated mutual second-best outcomes rather than unilateral sectoral preferences. It serves as a socioeconomic and political mediating mechanism, a liberal or societal variant of corporatist intermediation that provides an organizational means of regulating

---

<sup>25</sup> For the most thorough review of the recent process of democratic transition experienced by Uruguay, see C. Gillespie, et al., *Uruguay y la Democracia* (3 Vols.) Montevideo: Ediciones de la Banda Oriental, 1984-1985).

<sup>26</sup> For a review of the factors involved in transitions from authoritarian regimes, see G.A. O'Donnell and P.C. Schmitter, *Political Life After Authoritarian Rule: Tentative Conclusions About Uncertain Transitions* (Vol. 4 of *Transitions From Authoritarian Rule: Prospects for Democracy*).

social group interaction and state-society relations via the regular and legally equal representation of sectoral interests in an institutional framework administered by the state. It is designed to complement the individual freedoms and partisan politics of liberal democracy by compensating for the disparate organizational resources available to different social groups (at least in regard to their status before the state), and by absorbing those collective or sectoral demands that are not easily assimilated by other institutional features of democratic regimes.

Institutionalized concertation is oriented towards diminishing the transaction costs and sectoral uncertainties otherwise produced by unrestricted political competition. It is founded on a premise of enforced cooperation that is designed to overcome the inherently antagonistic positions of propertied and nonpropertied groups in capitalist societies, as well as the rationally calculated incentives to secure sectoral advantages at the expense of all others. This enforced cooperation game is based on a shared Hobbesian perspective in which the uninstitutionalized pursuit of sectoral prerogatives is believed to assume the zero-sum features of a state of nature. In stylized terms, democratic concertation seen as an enforced cooperation game is an extensive three actor scenario involving a triple logic of collective action with triangular features: labor-state, state-capital, and labor-capital relations played simultaneously and sequentially. In that light, neocorporatist vehicles are institutionalized forms of capitalist economic and ideological reproduction—hegemonic apparatuses, if you prefer—premised on class-specific modes of interest mediation that parallel the universalistic modes of representation available to the polity through other institutions such as parliament.

Within these boundaries, and using Elster's discussion of imperfect rationality in *Ulysses and the Sirens* as a point of departure, Angel Flisflisch argues that democratic concertation is in fact a type of self-binding strategy or mechanism whereby social actors impose mutual restrictions on their respective ranges of choice (translated into freedom of action, which if unlimited is individually beneficial but collectively disadvantageous). This is done in pursuit of a mutually recognized common good that, if less individually beneficial than that achieved via unrestrained freedom of action, is more collectively and individually advantageous than the product of all actors pursuing (often conflicting) objectives in unrestrained fashion.<sup>27</sup> In great measure tripartite concertation represents a middle ground between the unrestrained freedom of the economic market and the general restraints imposed by common, consensual government. It is one manifestation of what Claus Offe calls the "mercantilization of politics and politization of markets" under democratic capitalism.<sup>28</sup> In the cases studied here, this "reciprocal contamination" of

---

<sup>27</sup> A. Flisflisch, "Reflexiones algo oblicuas sobre el tema de la Concertación," *Desarrollo Económico*, Vol. 26, No. 61 (April-June, 1986), pp. 3-19.

<sup>28</sup> C. Offe, "Competitive Party Democracy and Keynesian Welfare State: Some Reflections upon its Historical Limits," paper presented at the International Sociological Association Annual Congress, Rio de Janeiro, 1982; cited in Grossi and Dos Santos, "La concertación social," p. 130.

politics and markets is acute owing to the prior histories of state intervention in the economy and the existing climates of economic crisis.

Democratic concertation often emerges as an institutional solution to the periodic structural crises that afflict modern capitalism, be it in the 1930s, 1960s (in the industrialized nations of Europe), 1970s (in the emergent democracies of Southern Europe), or the 1980s (in the Southern Cone). However, this requires overcoming a major paradox, since the very existence of (an often inherited) economic crisis—especially in a context of dependent capitalist insertion in the international economy—can also serve as a significant obstacle to the achievement of democratic concertation in countries emerging from extended periods of authoritarian rule.

The presence of concertative mechanisms is neither uniform nor invariably necessary for the maintenance of capitalist democracies. Nor is its coexistence with other democratic institutions always harmonious or egalitarian. In some instances, the crisis of other democratic institutions creates the political conditions that make concertation appear necessary (i.e. parliamentary deadlock or the fall of a coalition government). In other cases, different types of concertation are first evident only in specific areas of economic activity or subnational political arrangements (at the so-called meso- or microcorporatist plane). This has often brought with it conflict with other democratic institutions, particularly the party system and parliament, over the appropriate role and jurisdiction of concertative mechanisms. Nonetheless, some general typologies of concertative roles in democratic political systems are discernable: A) concertation as a complement to other democratic institutions; B) concertation as superceding other democratic institutions (which some believe has serious authoritarian implications);<sup>29</sup> C) concertation as subordinate to other democratic institutions; and D) concertation deemed unnecessary or superfluous in the presence of other democratic institutions (as in the U.S.).<sup>30</sup> According to Lehmbruch, each variant represents a particular degree of structural differentiation and functional specialization within democratic political systems.<sup>31</sup> It should also be noted that concertation can and has been used by authoritarian regimes, although the tone and content of the issues addressed, to say nothing of the position of the actors involved, tends to be significantly different from democratic variants.

The actors involved in concertation can be few or many, and can include representatives of organized labor and important fractions of capital, special interest groups such as

---

<sup>29</sup> On this concern, see P.C. Schmitter, "Democratic Theory and Neo-Corporatist Practice," Florence: EUI *Working Paper* #106, 1983.

<sup>30</sup> This schematic representation of types of concertative insertion in democratic political systems is taken from P. Mieres, "Concertación en Uruguay," pp. 32-33.

<sup>31</sup> G. Lehmbruch, "Liberal Corporatism and Party Government," in P.C. Schmitter and G. Lehmbruch, eds., *Trends Towards Corporatist Intermediation* (Beverly Hills: Sage Publications, 1979) p. 155.

environmentalists and feminists, ethnic or religious communities, political parties, representatives of national or local governments, and even the armed forces. Thus concertation is more than tripartism, although this has tended to be its most common form of expression at the national level (and the most important with regard to class compromise). Concertative interaction can simultaneously or sequentially involve political and economic issues (with or without trade-offs exchanged between the two “tracks”); can initially occur with or without direct state involvement; and can even take place within the partisan confines of a single dominant party with majority control in the legislative and executive branches (especially where there is heavy sectoral—particularly labor and capitalist—representation in that party). In practice, concertation has also encompassed all levels of production (factory, firm, industry, economic sector, or national economy) and many geographic and political jurisdictions (town, canton, district, municipality, county, province, state, region, and nation).

Concertative interaction can occur simultaneously at a variety of levels. The degree to which these levels are linked forms the internal vertical dimension of concertative systems, which “relates to the pattern of participation of individual peak associations in policy-making and implementation, and the corresponding integration of lower organizational levels into corporatist arrangements.”<sup>32</sup> This points to the fact that there is not one standard or “pure” form of concertation, and that it emerges instead in a variety of guises depending on the circumstances and issues involved.

The scope and subject of concertative discussion and negotiation can be broad (what Lehbruch, using Parsons, calls a “generalized exchange”) or narrow (in Lehbruch’s terms, a “barter transaction”). Concertation can be political, economic, or social in nature, or some combination thereof; can involve negotiation on different “tracks” or as part of a comprehensive agenda, with trade-offs possible in either framework; and can even shift over time. The specifics in each case depend on who is represented; the interests they defend; the issues to be discussed; the institutional range of choice available to them; the strategies they adopt in each case (both within and without the concertative forum); the organizational resources (e.g. monopoly of representation, centralization of decision-making authority) they bring to bear in pursuit of their objectives; and the historical context in which concertation occurs. It should be noted that, as in any exchange, the actor who has the greater range of alternatives to the exchange involved in concertation has a greater ability to influence its terms.<sup>33</sup>

---

<sup>32</sup> G. Lehbruch, “Concertation and the Structure of Corporatist Networks,” p. 68. This essay also provides a good overview and discussion of the varieties of European concertation.

<sup>33</sup> On the general notion of exchange, see P. Blau, *Exchange and Power in Social Life* (New York: Wiley and Sons, 1964).

At the national level, the most common subject of concertative discussion is macroeconomic policy, particularly incomes and price policy. This is because other institutional frameworks are believed to be better suited to handle political issues *per se*, and because of the prevalence of growth, anti-inflationary and incomes-related concerns among all economic sectors as well as governments. Even so, other issues that have appeared regularly as subjects of concertative discussion include capital accumulation, productivity, and investment strategies, income distribution programs, general taxation, public employment, social security, and public health policies, other public goods such as education and transportation, environmental and other quality of life issues, and even property structures (as in the case of rural land reform, etc.). In many cases, initial success with a narrow concertative agenda can pave the way for more universal discussions, although the ratio of success at this broader level is often inversely related to the degree of complexity and scope of issues involved.

In processes of democratic transition and consolidation, organized labor's participation in concertative frameworks transcends sectoral economic concerns. Instead, it constitutes a framework in which to negotiate the form and extent of labor's collective representation on the three dimensions of citizenship, i.e., as a social, economic, and political actor. Only with organized labor exercising the full range of rights inherent in all three dimensions can a democratic class compromise emerge from concertative exchanges. More generally, all subordinate group participation in concertation implies at least formal recognition of their collective rights to full citizenship as described above.

The interest of collective agents in concertation derives from a positive sum cost/benefit analysis in which the benefits of cooperating in concertative frameworks outweigh the costs incurred (such as the loss of organizational autonomy and limitations on sectoral ranges of choice and freedom of action). This analysis is relative in nature, as it is weighed against the costs and benefits involved in freely pursuing sectoral interests in the economic or political markets, the costs and benefits incurred by the other parties, and the ability of the state to guarantee that what is agreed upon is implemented. One major obstacle is that benefits initially appear hypothetical and longterm, while the costs of concertation are immediate and real. Thus sectoral expectations of the benefits to be reaped through concertation must be fulfilled. "Whenever the cooperation, support, and 'responsible' behavior of collective societal actors or associations is functionally required for the implementation of public policy, it will be forthcoming only in exchange for the prior guarantee that the group represented by the associations will at least not suffer significant losses; should such losses be expected, the 'exit' option (i.e. sabotage) is always open."<sup>34</sup>

---

<sup>34</sup> C. Offe, "Societal Preconditions of Corporatism, and Some Current Dilemmas of Democratic Theory," Kellogg Institute *Working Paper* #14 (1984), p. 18.

This is a real possibility in Argentina, Brazil, and Uruguay. With industrial real wages losing an average of fifty percent of their value since the advent of the democratic regimes, and with unemployment at record highs throughout the region, the future of successful concertation in the Southern Cone—to say nothing of class compromise and democratic consolidation—is quite uncertain. With the state and capitalist options constrained by the recessionary atmospheres and need for anti-inflationary policies of austerity, in each case organized labor has been forced into waging basic defensive struggles for salary and employment stability, which has made it difficult for unions to engage in the exchange of concessions required to compromise. Here the immediate material costs for workers exceed the uncertain benefits to be gained later, which has prompted organized labor to periodically withdraw from what it believes are fruitless concertative efforts.

On the other hand, the stability of concertation derives from the ability of collective agents to ensure the compliance of their constituents (which assumes a high degree of representativeness and discipline), something that largely depends on the degree to which what is expected is in fact achieved. The stability of democratic concertation is therefore contingent on factors internal and external to the actors involved which effect the distribution of costs, benefits, and discipline among them, and which make regular renegotiation a crucial mechanism of adjustment and stabilization. For whatever reason, when the costs involved in concertation are believed to outweigh the benefits received (i.e. it becomes a zero- or negative-sum game), collective agents will alter their strategies and explore the options available to them elsewhere. The defection of one actor, in turn, will bring about the collapse of the entire framework. This, unfortunately, has been the case for all the attempts at concertation recently seen in the Southern Cone, although efforts at resurrecting sectoral dialogues so construed continue.

The underlying objective here is one of reciprocal and equitable control. Each party to concertative sectoral agreements attempts to ensure that free-riding does not occur by evaluating the control capabilities of the other actors, be they organized agents or the state. Control refers to the self-discipline and sanctions imposed on free-riding members by each collective agent, and to the mutual sanctions available to each actor that help constrain sectoral cheating. As Offe points out, “the strategic variable here seems to be not the absolute degree of bindingness within an association, but the *equivalence of the effectiveness of control between two associations*, or one association and the state. The decisive variable would thus appear to be not the absolute power of associations to bind and control their members, but the *equal distribution of such power* among associations whose members interact and make contracts with each other. In other words, control will work on the basis that there is some well-founded expectation that control within the group of relevant 'others' will work too.”<sup>35</sup>

---

<sup>35</sup> Ibid., p. 9.

It is for this purpose that inclusionary (neo)corporatist frameworks are designed. Their normative bias in favor of negotiated compromises at the peak association level leads them to be organized in a way that will distribute powers of mutual control among social actors in equitable, if not equal fashion. This lays the foundation for using concertative approaches in order to secure binding sectoral agreements on economic and political issues, and more importantly, to reproduce the exchange of contingent consent that is needed to maintain these agreements over time. However, in the cases studied here institutional distribution of powers of control has historically been balanced in favor of the state (particularly in Argentina and Brazil), something most clearly manifested in the exclusionary state corporatist character of interest group administration under the departed *dictaduras*. In Uruguay the case has a twist, since the long-standing inclusionary and pluralist nature of the national labor relations system survived the authoritarian modifications of the seventies and, resurrected in the eighties, offered a considerable step forward on the path towards democratic institutionalization of sectoral powers of mutual control. Moreover, an equally long-standing tradition of welfare state practices also survived the authoritarian interlude in Uruguay, providing broader institutional preconditions for the use of inclusionary corporatist mechanisms.

The point remains that in the Southern Cone, the history of interest group intermediation, albeit variable and often based on state rather than societal corporatist grounds (the preferred option being a combination of both, which Uruguay would appear to have), offers institutional preconditions conducive to using inclusionary corporatist mechanisms in order to consolidate the nascent democratic regimes. In practical terms, this means replacing the bifrontal, segmental, and exclusionary state corporatist modes of interest group administration that characterized the skewed control powers of the military-bureaucratic regimes with evenly balanced inclusionary societal, neocorporatist, or pluralist modes of interest intermediation that equitably administer the powers of mutual control exercised by sectoral agents and the state.

The importance of these institutional preconditions, and the complexity of sectoral concertation in the initial period of regime consolidation are well illustrated by post-Franco Spain. The Francoist exclusionary state corporatist labor relations system known as the “Sindicalismo Vertical” eventually provided—however unintentionally—the institutional foundations for the inclusionary corporatist political-economic pacts negotiated in the late 1970s and early 1980s in order to stabilize the successor democratic regime when it was confronted by internal and external threats (in the form of the abortive coup and parliamentary takeover attempt of February 23, 1981 and the international economic recession, respectively).<sup>36</sup> In addition, parliamentary-led concertation provided ongoing legitimation for the initial pacts that exchanged union economic

---

<sup>36</sup> J. Foweraker, “Corporatist Strategies and the Transition to Democracy in Spain,” *Comparative Politics*, Vol. 20, No. 1 (October, 1987), pp. 57-72.

restraint for future political freedoms, while the assault on parliament itself promoted “a strategic displacement of policymaking from the parliamentary arena to the neocorporatist context at the moment of political crisis in order to regulate conflict and underpin parliamentary democracy.”<sup>37</sup> In effect, political vehicles were the primary instruments used to secure the initial concertative economic pacts among organized class agents in a recessionary environment, while those socioeconomic agents were subsequently brought together directly in order to reach political pacts that reaffirmed sectoral support for the democratic regime at a time when there was an attempt to overthrow it.

Additional examples of some of the varieties of initial concertation can be drawn from recent experience in the Southern Cone. In Uruguay, the scope of the “Concertación Nacional Programática” (CONAPRO) was initially very broad, and included representatives of a wide range of social sectors. Among the issues on the original agenda were economic policy in general (including discussion of the foreign debt, internal debt in agriculture, industry, and commerce, tax policy and public spending, economic reactivation and sectoral employment programs, monetary policy, exchange rates, and the role of foreign investors); education and cultural programs, health, housing, and social security policies, and civil rights questions (including amnesty for political prisoners, the return of political exiles, the reestablishment of constitutional guarantees of individual freedoms, and the possibility of prosecuting military personnel charged with human rights violations during the previous regime); plus a general review of the laws and decrees enacted by the outgoing military government. The actors involved included all major political parties (Colorado Party, National or Blanco Party, Frente Amplio, and the Unión Civil), plus most important social groups (including the labor movement, represented by the PIT-CNT, the student movement, the cooperative movement, and representatives of business engaged in industry, commerce, and agriculture, especially the Cámara de Industria and Cámara de Comercio). Only the private banking sector was excluded, at its own request, from the initial composition of CONAPRO. These groups came together on their own initiative, and without the sponsorship of or mediation by the state (since they were originally brought together to formulate a coordinated strategy against the outgoing authoritarian regime).<sup>38</sup>

This type of concertation can be contrasted with that attempted in Argentina by the Radical government after 1983. Created by the Executive branch in 1984, the Conferencia Económico y Social (CES) was initially limited to discussion of wage and price levels within the boundaries of the austerity regime imposed by the IMF-backed Austral Plan. Participation was originally extended only to the representatives of organized labor (in this case the CGT), business (including the Unión Industrial, Confederación General Económica, Cámara de Comercio Argentina, and the

---

<sup>37</sup> Ibid, p. 67.

<sup>38</sup> Mieres, “Concertación en Uruguay,” pp. 33-37.



Confederación General de la Industria) and interested branches of the state (particularly the Ministries of Economy and Labor). In both cases the original schemes suffered important modifications. In Uruguay, a “political group” comprised of representatives of the political parties eventually became the executive body of CONAPRO, to which was subordinated, in more of a consultative capacity, a directorate comprised on the representatives of business and labor (with all the other groups excluded).<sup>39</sup> In Argentina, the scope of discussion within the CES was tentatively expanded, at labor initiative, to include debt refinancing terms and investment policy, and incorporated parliamentary representatives of major political parties (Peronists and Radicals). Eventually abandoned in favor of less formal approaches to a “Pacto Social” involving all of these actors, the CES nonetheless served to establish the basic agenda for ongoing sectoral dialogue at the *mesa concertativa*. In Brazil, where the different *Planos Cruzados* had no success in alleviating the economic crisis, the failure of tripartite negotiations led by the Ministerio de Trabalho in 1986 and early 1987 resulted in equally vague and fruitless bipartite talks between President Sarney (as mediator) and the leaders of major capitalist and labor organizations.

This points to the fact that the results of concertation in the Southern Cone so far have been less than what was hoped for, since key actors in each instance opted to adopt intransigent postures that stymied the possibility of agreement on either procedural or substantive issues. This demonstrates the enhanced and mutual veto (as opposed to control) power each actor exercises in such an arrangement.<sup>40</sup>

The narrower the scope of issues addressed via concertation, the easier it generally is to reach and enforce agreements, although these agreements by their very nature tend to be less of a stabilizing factor for democratic regimes over the long run. Conversely, the broader the issues addressed, the harder it generally is to reach and enforce agreements via concertative mechanisms, although in such cases the agreements reached tend to be more stabilizing over the long run. In any event, institutional vehicles for regular renegotiation of the substantive terms are a central feature of democratic concertation, as they allow for adjustments based on contextual changes (anticipated or not). The cumulative effect of repeated successful negotiation, whatever the scope of issues involved, is what ultimately provides the concertative basis for democratic regime stability, as it offers a neocorporatist foundation that substantively “contributes to democratic institutionalization.”<sup>41</sup>

This is not to say that democratic concertation always reflects seriousness of purpose on the part of those involved. More specifically, concertation can be either formulaic-symbolic or substantive-pragmatic. That is, it can be used to symbolically incorporate specific groups in

---

<sup>39</sup> Ibid., pp. 37-40.

<sup>40</sup> Ibid., p. 32.

<sup>41</sup> Grossi and Dos Santos, “La concertación social,” p. 130.

formulaic discussions of general policy concerns and/or the procedural rules and issues involved in further concertation, while pragmatic decision-making on substantive issues continues to be made elsewhere (be it in the parliament, the presidency, or other branches of the state). On the other hand, concertation can be used to pragmatically formulate policy and make decisions on issues of a substantive nature. The symbolic utility of concertation is limited, and is more likely to be found in the early stages of democratic consolidation, although in well-entrenched systems of concertative interest mediation the value of such mechanisms as symbols of sectoral consensus cannot be discounted. In all cases, though, substantive issues need to be pragmatically addressed if concertation is to remain as a viable mediation and stabilization mechanism. In practice formulaic-symbolic concertation (the so-called initial dialogue) has often established the ground rules and agenda upon which subsequent substantive-pragmatic concertation occurs, be it before or after the transition to elected rule. In other words, it has often established the institutional parameters and thematic guidelines for substantive concertation in the quest for a democratic transition and/or consolidation. Yet the so-called initial dialogue itself may be a difficult and laborious process, as the failures of attempts to reach even symbolic pacts in Argentina and Brazil attest.

Democratic concertation can be conducted informally or formally, and can be bilateral (in which social groups initiate negotiations and reach agreements through their collective agents, then present them to the state for ratification), or multilateral in nature (in which the state's role in initiating, mediating, and defining the scope of discussion and rules is much greater). In all cases, it is the democratic state that ultimately legitimizes concertation at the national level, since it constitutes the superordinate enforcement authority by virtue of its formal mediation of all sectoral interests. As the institutional hub of democratic concertation, the state provides "the ultimate legal reassurance that what is negotiated is abided, by virtue of the legal rules (including sanctions) to which the groups in question are subjected."<sup>42</sup> Without the enforcement capabilities of the procedurally neutral state apparatus as the guarantor of all agreements, the chances that concertative agreements will be violated increases prohibitively, no matter how they were reached. Hence, "the state must exercise effective control in order to motivate collective actors to do the same in reciprocal ways. (This) seems to indicate that there is no trade-off between state control and the autonomous control of collective actors, (just) a relationship of coproduction."<sup>43</sup>

The central position occupied by the state in any nationally aggregated process of democratic concertation should not disguise the fact that it by no means operates as a uniform or homogeneous agent. That is, the democratic capitalist state—understood as the union of apex of

---

<sup>42</sup> Ibid.

<sup>43</sup> Offe, "Societal Preconditions of Corporatism...", pp. 9-10.

the state (more properly known as government) and state apparatus (public bureaucracy, parastatal organizations, and quasi-public agencies)—is made up of several, often contending actors. Besides the presence of different class fractions within it (be they organized or not), these include the three traditional branches of government, each with its particular administrative and “territorial” imperatives, the various functionally defined coercive and ideological apparatuses, (including economic policy branches, national labor, health, and welfare administration, and the unrepentant armed forces), the national and often subnational public bureaucracies, and political parties and professional associations (as well as a host of lesser groups) that hold the loyalties of many of those who serve in the public sector while simultaneously engaged in the triangular strategic interaction characteristic of democratic capitalist regimes.

To this can be added the extent and degree of public sector unionization and stratification, the size and strategic position occupied by the public work force, the socioeconomic and ideological orientations of upper-echelon personnel (senior career public servants), and more generally, the type, extent, and location of direct state intervention in productive activity through public services and state enterprises (i.e., public goods, benefit provision, and direct economic activity). Hence, the democratic capitalist state has a multidimensional personality that forces it to internally replay external political and economic conflicts, which consequently prevent it from being inherently disposed towards uniform approaches to the issue of democratic concertation. As Flisfisch points out, even if capital and labor are nationally aggregated and centrally organized, “(t)he state is state apparatuses plus government, and government has to do with parties, which are two or more. In this case the situation is clearly multipersonal.”<sup>44</sup>

As an example of the complexity involved in state approaches towards concertation, consider the role played by political parties during the immediate post-authoritarian period in the Southern Cone. State approaches to concertation involved one dominant party exercising control over both the executive and legislature (the Colorado Party in Uruguay), a tenuous and hotly contested bipartisan debate between the government party and its main opposition (Radicales and Peronistas in Argentina), and the initiatives of contending factions within a seriously divided government party (the PMDB in Brazil). This points to the fact that state approaches towards concertation can be more varied than the external actors and issues addressed, and by their very nature reflect the status of political competition in each case, the internal composition of the state apparatus and government, and the relationship of different governmental factions with various social actors.

By participating in concertative frameworks, collective agents acquire an institutional position (and vested interest) in the national decision-making process. This makes their interests

---

<sup>44</sup> Flisfisch, “Reflexiones...,” p. 16.

and demands a matter of public concern, which forces them to dampen egotistical preferences with considerations of wider appeal. Rather than just the state (or government), each of the “social partners” assumes a share of the responsibility for the policy decisions reached through concertative mechanisms. Participation in concertation implies that each sectoral representative become part of a process of democratic institutionalization of national decision-making. We see here how in some democratic regimes political parties and tripartite concertation among organized interests complement each other, and in fact often constitute part of a larger network of interconnected organizations of both public and private character. As an example, tripartite concertation can be seen as an economic regulating mechanism that parallels partisan political pendulations tied to party competition. The latter represents a vehicle for maintaining political stability, while the former is used to reproduce economic agreements (although it should be obvious that there is considerable overlap between the two). The point is that without the political mediation provided by political parties, the system would be strictly corporatist, and therefore susceptible to authoritarianism; without the sectoral mediation provided by concertation the system would be clientalist, and thus subject to influence-peddling, cooptation, or lobbying.

The extent to which society as a whole is organized will determine whether concertation can be used as a viable form of democratic mediation. If most of newly democratic society is not organized around specific interests and represented by collective agents of one type or another, the possibilities that concertation (even if narrow in scope) will have relevance, much less a significant impact, diminish considerably. This problem is accentuated in most Latin American societies by traditions of state corporatist modes of interest intermediation, which even when efficient and inclusionary in nature, perpetuate anti-egalitarian processes of power distribution among social groups. That is to say, “as far as the capacity of corporatist arrangements is concerned to accomplish change and adaptation effectively and flexibly, one may well grant their 'technical' superiority, in terms of competence and expertise, over traditional and often highly rigid forms of legislative decision-making and bureaucratic implementation...” However, the “anti-egalitarian implication of corporatism applies both to the input and the output sides of a political process that is predominantly controlled by collective societal actors. On the input side, participation is generally determined not by some *right* of individual citizens, but by the functional *weight* and relevance that *collective* actors can claim for the issues in question.”<sup>45</sup>

Likewise, on the output side it is most often only represented collective agents who receive the benefits awarded by such corporatist frameworks, leaving unorganized or unrepresented social groups on the margins of benefit distribution. Even so, what democratic concertation among representatives of the minority of organized sectors in such societies can do

---

<sup>45</sup> Offe, “Societal Preconditions of Corporatism...,” p. 16.

is provide the means for taking policy-making authority (broadly or narrowly construed) out of the hands of a technocratic or class elite and into the hands of a (however slightly) broader array of collective agents. If for no other reason than this, it represents an advance towards more equitable processes of national decision-making, and hence a step towards democratic consolidation.

This question is applicable to the cases under scrutiny here. Although in Latin American terms Argentina, Brazil, and Uruguay represent comparatively well organized societies, large sectors of their populations remain without collective representation (for example, in Brazil only 17% of the economically active population is unionized). This is yet another negative legacy of the previous authoritarian regimes, which attempted to use economic policies and repression to disrupt collective identities and restore the primacy of market relations in their societies. Thus, in varying degrees the un-, under-, and self-employed, small businesses, rural labor, tertiary and service sectors lack representative agents to speak for them. Their incorporation into organized collectivities, either pre-existing or new (such as new social movements and grassroots groups),<sup>46</sup> class agents or not, is therefore a major component of the processes of democratic institutionalization, as they establish societal preconditions for the use of concertation as an element of substantive democratic consolidation. The more important point is that, whether they be formal or informal, concertative pacts are agreed upon by sectoral interests represented by collective agents within an institutional framework outlined, guaranteed, and enforced by the state. The organization of this network, i.e., state apparatus and organized sectoral interests, constitutes the institutional bridge between procedural and substantive democracy.

Labor incorporation in the democratic consolidation process depends on the erection of institutional mechanisms that improve organized labor's ability to equitably negotiate agreements that provide a durable foundation for democratic class compromise. Organized labor has the potential to defend the diverse interests of the working classes at a variety of levels, and under conditions of democratic capitalism it is possible to do so within institutions that are designed to promote regular and peaceful conflict resolution between capital and labor, if not cooperation. While it may be true, as Marxist critics argue, that this is a form of bourgeois cooptation, it is also true that given their recent histories, such institutional channels are at the moment the most viable means of promoting working-class interests in the Southern Cone. If nothing else, such institutionalization admits, after a long period of nonrecognition, the legitimacy of organized labor as the primary articulator and defender of working-class interests, itself an important step towards overcoming the authoritarian legacies and promoting labor incorporation in the process of democratic consolidation.

---

<sup>46</sup> On this see among others, F. Calderón and E. Jelin, eds. *Los Nuevos Movimientos Sociales* (Centro Editor de América, 1985).

Of course, the logic of collective action during processes of redemocratization and democratic consolidation extends to other social groups as well. "Consolidation involves a public definition of substantive issues and an institutional specification of policy spaces which brings *organized interests* to the forefront."<sup>47</sup> Hence the importance of "peak associations" that segmentally divide civil society along occupational-functional, ethnic, religious, or socioeconomic class lines (one of the latter being National Labor Confederations).<sup>48</sup>

Even if the specific logic of collective action differs between labor and capital,<sup>49</sup> the organizational problems of workers are affected by the organizational capacities of capitalists.<sup>50</sup> As a result, the process of democratic consolidation requires the presence of legitimate, organizationally symmetrical, nationally aggregated collective agents which exercise binding authority over their affiliates and mutual control over their competitors. In such processes the state institutionally frames the range of sectoral choice in order to encourage the complementary articulation of organized interests at the national level. Backed by the state's neutral enforcement power, ongoing reciprocal interaction among and mutual control capacity of similarly organized collective agents constitute the locus of democratic concertation. Mediated by the state, it is the peak associations of capitalists and workers who ultimately negotiate, in "triangular" fashion, the substantive terms of the class compromise.

The importance of tripartism has long been recognized in the labor field.

Tripartite co-operation began its development in what are called the three basic areas of minimum wage fixing, the settlement of labour disputes and the administration of social insurance. Starting with these areas, tripartism expanded to other sectors of labour policy such as employment and human resources, vocational training, occupational safety and health, industrial relations and the protection of certain specific types of work. Recently the need has been felt to associate representatives of employers' and workers'

---

<sup>47</sup> P.C. Schmitter, "Organized Interests and Democratic Consolidation in Southern Europe (and Latin America)," p. 2.

<sup>48</sup> For a more detailed description of "peak associations" (of an economic-functional kind), see *ibid.*, pp. 16-17.

<sup>49</sup> A classic statement of the two logics is provided by C. Offe and H. Wiesensthal, "Two logics of Collective Action: Theoretical Notes on Social Class and Organizational Form," *Political Power and Social Theory*, Vol. 1 (1980). Also see M. Wallerstein, "Unions and Firms as Rational Actors," in *Working Class Solidarity and Rational Behavior*, Ph.D. Dissertation, Department of Political Science, University of Chicago, 1985. It should be noted that Przeworski has argued that if both labor and capital rely on cost-benefit analysis in formulating their preferences and strategies, then no matter what their specific reasons for doing so or what precisely is being calculated, both logics are essentially the same; hence, there is only one logic of collective action once sectoral organization has occurred. His point is also well taken with regard to the initial question of organizing itself, which has generally been seen as stemming from very different logics tied to different material and nonmaterial interests.

<sup>50</sup> P.C. Schmitter and D. Brand, "Organizing Capitalists in the United States: The Advantages and Disadvantages of Exceptionalism," paper presented at the APSA Annual Meetings, Chicago, 1979. Quoted in A. Przeworski, "Marxism and Rational Choice," *Politics and Society*, Vol. 14, No. 4 (1985), p. 392.

organizations in certain labour administration programmes designed to improve working conditions and the working environment.<sup>51</sup>

In Latin America and elsewhere, belief in tripartism lies behind the use of socioeconomic pacts and *concertación* as stabilizing mechanisms in democratic regimes.

To that end, national labor administration becomes a central institutional component for the achievement of class compromise.

By its very nature, labour administration makes an obvious meeting point for workers, employers, and representatives of their organizations who wish to discuss and settle their problems. The parties themselves have always displayed an interest in strengthening their direct contacts and their links with the labour authorities. Experience has indeed shown that when neither side had the opportunity to know the point of view of the other or to make known its own point of view, or when no use was made of the intermediary function of labour ministries, or when it was not possible to influence the manner in which they ran public affairs, the activities of both trade unions and employers were inevitably restricted and precarious. The development of tripartite cooperation was resisted only by the most uncompromising trade unionists and the most obdurate employers who sometimes refused to recognize the existence of the other party. Otherwise the tendency both in the trade unions and on the part of professional management as it evolved in the region was to accept and promote tripartism. In this way, the initial somewhat sporadic contacts dating back to the establishment of labour ministries, gradually gave way to more institutionalized forms of reapproachment and even to systems of collaboration.<sup>52</sup>

Democratic government concern with erecting stable tripartite vehicles for sectoral negotiation is evident in International Labor Organization standards governing the right to association and collective bargaining. These standards legally alter the social relations of production and the relations in production in order to "cloud" or "obscure" the appropriation of surplus value. They do so by using procedurally equitable collective bargaining as the main vehicle for securing worker's consent to capitalist reproduction. Such mechanisms are the vehicles by which the material bases of consent are secured, and are therefore a core institutional feature of capitalist hegemonic projects. To that end, ILO representatives work closely with labor administration officials throughout Latin America, drafting proposed labor legislation reforms, offering technical advice and counsel, and maintaining liaison offices in the Labor Ministries involved. This points to the fact that many of the current approaches towards the use of tripartite concertation in the Southern Cone are based upon European experiences, as specifically translated by the ILO and its regional agencies such as CIAT. Most importantly for those involved in national labor administration, the use of concertative schemes institutionally confirms their

---

<sup>51</sup> ILO, *Public Labour Administration and its role in economic and social development*, pp. 43-44.

<sup>52</sup> *Ibid.*, p. 43.

functional role as “technical” and “neutral” enforcers of the formal rules and terms of sectoral agreements, generating a bureaucratic interest in institutionalizing class compromise.

Whatever its logical basis and be it cooperative or conflictive, collective action is a mainstay of political life, a fact not lost on organized labor when confronting political authorities (represented by the state) and capitalists under a variety of regime types. However, the ability of organized labor—as with any large, diverse, and nationally aggregated social group—to speak uniformly with one collective voice is often difficult to achieve, especially in political climates where such unity is officially discouraged and/or where economic conditions do not favor membership recruitment or improved bargaining positions. This is all the more onerous when contending groups do enjoy such cohesiveness, or where they enjoy the protection of the regime in power.

This is the dilemma confronting Brazilian labor which, constrained and forcibly disarticulated by the exclusionary state corporatist codes of the military authoritarian regime and Estado Novo, entered the democratic era divided among three national confederations, several federations and sectoral confederations, and a variety of party alliances along a broad range of ideological positions. The issue was put bluntly by the Metalworkers Union of the Confederação Unica do Trabalho (CUT), which in a recent National Meeting summarized the problem by stating that “business interests are articulated and united at a national level, while the workers need to be more united.”<sup>53</sup> A similar problem afflicts the Argentine labor movement. Though Peronist dominated and organizationally united through the “vertical” union structure, it is nonetheless torn by internecine ideological disputes over the true content of Peronism. In addition, the Peronist Party is similarly cleaved while simultaneously engaged in an institutional competition with the General Labor Confederation (Confederación General de Trabajo or CGT) for the leadership of the Peronist masses.

Only the Uruguayan working classes (which are much smaller in number and more homogeneous than either of their neighboring counterparts) have found a significantly unified agent in the form of the PIT-CNT. Under Marxist leadership dominated by the Communist Party, the PIT-CNT has demonstrated a strong ability to adopt pragmatic (i.e., moderate or nonmilitant) economic postures versus employers and the state, has forged strong political ties with the leftist Frente Amplio on the legislative level, and has demonstrated an ability to impose a high degree of discipline on its membership. This has given the Uruguayan working classes a more coherent and reliable collective voice when negotiating with both the state and capitalists, and has prevented the resort to divide and conquer strategies such as those successfully utilized by employers and government officials in Argentina and Brazil.

---

<sup>53</sup> *O Estado de Sao Paulo*, June 15, 1986, p. 57. For a discussion of the institutional conditions surrounding Brazilian labor in the Nova Republica, see P.G. Buchanan, “Plus Ça Change: National Labor Administration and Democracy in Brazil, 1985-1988,” *DADOS* Vol. 32, No.1, (July, 1989).



Even in the best of circumstances the interests of rank and file, shop unions, sectoral or industrial level unions, and state or national federations can differ on both procedural and substantive grounds. In particular, the logics of collective action governing shop-level unions and central labor federations often lead to opposed orientations and strategies, which complicates the issue of labor unity for structural reasons even under ideal conditions.<sup>54</sup> In any case, since the disarticulation of organized labor at the national level was a primary objective of the outgoing authoritarian regimes, it should be apparent that the achievement of an organizational ability to speak with one voice through peak associations remains a fundamental task for labor during the process of democratic consolidation in the Southern Cone.

For this reason, the level at which collective bargaining is legislatively fixed is of crucial significance for organized labor, since it can either strengthen or weaken the negotiating position of its peak associations. The choice offered by the new democratic regimes in this area—proposed legislation fixing collective bargaining at the plant, firm, industry, sectoral, or national level—not only influences labor strategies: it also provides a strong indication as to whether and how each regime is interested in promoting organized labor incorporation in the democratic consolidation process. Conversely, the response of labor and its own initiatives in this area tell much about their respective organization, objectives, orientation, and strategies. Not surprisingly, given the differences, divisions, and preferences mentioned earlier, legislative proposals to reform the collective bargaining process have met stiff opposition from employers and unionists in both Argentina and Brazil. Only in Uruguay, where the traditionally pluralist labor relations system was reinstated after the assumption of the Colorado government, and where ideological unity and relative political homogeneity characterize the national leadership of the labor movement, has there been little organized opposition to the collective bargaining framework currently in force.<sup>55</sup>

Beyond issues of altruism and the need to secure as broad a social base as possible, governmental preoccupation with incorporating organized labor in the democratic consolidation process derives from the belief that it offers benefits in the form of reciprocal legitimation. That is,

it would seem that the establishment of a political democracy under conditions of contemporary capitalism where the state has a substantial responsibility for intervening in the economy and society—and is held accountable for its performance in doing so by the electorate—requires, in addition to the competitive interaction of *political parties*, some effort at establishing a system of regularized bargaining between *social parties*, usually nationally aggregated, comprehensive class associations, which will help to control certain economic parameters and to ensure a higher level of social peace...In the more uncertain conditions of an on-going consolidation of democracy, their contribution may

---

<sup>54</sup> C. Crouch, *Trade Unions: The Logic of Collective Action* (London: Fontana, 1983), pp. 174-178.

<sup>55</sup> On this, see Buchanan, *State, Labor Capital...*, Chapter Eight.

even be more important. For, in addition to their potential role in controlling economic parameters pacts of this sort may play a crucial “legitimizing” role. The associations require public recognition of their status as privileged (if not necessarily monopolistic) intermediaries; the new regime needs to prove to the public that it is capable of producing a class compromise and generating social peace. This potentiality for “reciprocal legitimation” is, however, no assurance that the “social partners”—business, labor, and the state—will find it easier to reach agreements and, especially, to implement them. To a considerable extent, this will depend on the organizational structure and resources of the peak interest associations which emerge from the transition process.<sup>56</sup>

In fact, in democratic capitalist systems the benefits of reciprocal interaction goes beyond mutual legitimation. Institutionalized strategic interaction among collective representatives of voluntary associations not only provides checks and balances on the state apparatus and a measure of legitimacy, it also “enriches the institutional landscape of politics, supplementing the role of political parties in articulating interests, stimulating participation, increasing citizen efficacy and effectiveness, recruiting leaders, and enhancing commitment to the democratic system.”<sup>57</sup> This is often reflected at an organizational level on both sides. In Venezuela, for example, “the operational norms of most associations are modeled on those common in the political system. Competitive elections are standard practice, the rights of opposition are generally respected, and opposition representatives commonly share in group governance through proportional representation. In all these ways, organizational life reflects and reinforces more general political principles.”<sup>58</sup>

Broadly speaking, the main reason most democratic capitalist governments are preoccupied with union structure, and why they usually emphasize the value of democratically chosen, centralized, and nationally aggregated labor federations, is that such entities are the most capable of negotiating and enforcing their part of sectoral agreements that are binding nationwide, which helps stabilize macroeconomic performance. Conversely, the limited nature of their concerns and the microeconomic level at which they operate make autonomous shop and industry level unions less interested in accepting wage restraint even during times of economic crisis, unless it is directly exchanged for employment stability. This is because rational calculations of material self-interest advise against practicing wage restraint when general guarantees of

---

<sup>56</sup> Schmitter, “Organized Interests and Democratic Consolidation in Southern Europe (and Latin America),” p. 14.

<sup>57</sup> L. Diamond, S.M. Lipset, and J. Linz, “Developing and Sustaining Democratic Government in the Third World,” paper presented at the American Political Science Association Annual Meeting, August 28-31, 1986, p. 78.

<sup>58</sup> D. Levine, “On the Nature, Sources, and Future Prospects of Democracy in Venezuela,” paper presented at the Conference on Democracy in Developing Nations, Hoover Institution, Stanford University, December, 1985, pp. 38-39. Cited *ibid*.

across-the-board union compliance are not possible, since a major function of these unions is to keep their member's incomes ahead of inflation, not make them responsible for fighting it.

With each union using that type of logic, subnational and sectoral unions operating in decentralized, disaggregated—or, as the ILO would have it “pluralist”—labor systems have no rational reason, beyond appeals to “civic mindedness,” to accept wage restraint. Instead, and especially under conditions of economic crisis and high inflation, such unions adopt strategies that are designed to secure short-term maximum wage increases regardless of the cumulative negative impact on the national economy.<sup>59</sup>

In fact, Olson has suggested that the same contradictory logics characterize neocorporatist as well as pluralist interest articulation frameworks. “Branch organizations of an encompassing neocorporatist business or labor organization have an incentive to push for the interests of their own branch, even when this is not in the interests of the clients of the encompassing organization as a whole... If, as is sometimes the case, the encompassing organization is a federation of partly independent organizations, the organizations in separate sectors can break away with less difficulty than if they are simply branches.”<sup>60</sup>

This has been the case of the labor movements in Argentina and Brazil, where despite professed unity in opposition to government economic policy and state corporatist modes of interest articulation, individual unions and federations have parted company with umbrella labor organizations on both procedural and substantive issues (e.g. collaboration with government on specific policy areas, strike strategy, and wage ceilings), and have been quick to negotiate particularistic agreements with employers in violation of both government and confederational guidelines. Only in Uruguay has ideological unity within the labor movement overridden the material incentives for affiliate union strategies of self-interest maximization.

There is one situation where national labor federations are virtually certain to adopt the self-maximizing strategic approach: that where the overall national rate of investment (particularly the rate maintained by domestic capital) is on a steady decline, something that is most frequently evident in countries saddled with chronic economic and/or political instability, and especially those where the increase in external debt greatly exceeds cumulative current accounts deficits.<sup>61</sup> In such cases labor can foresee continued and long-term declines in investment, and without government or private attempts to remedy the situation (or if these efforts are ineffectual), is assured of an eventual loss of rank-and-file employment. With individual union defection inevitably bound to occur, the advisable strategy for national labor confederations is to maximize

---

<sup>59</sup> Crouch, *Trade Unions*, pp. 199-200.

<sup>60</sup> M. Olson, “A Theory of Incentives Facing Political Organizations: Neo-Corporatism and the Hegemonic State,” *International Political Science Review*, Vol. 7, No. 2 (April, 1986), p. 184.

<sup>61</sup> R. Cumby and R.M. Levich, “On the Definition and Magnitude of Recent Capital Flight,” National Bureau of Research *Working Paper Series #2275* (June, 1987), pp. 17-24.

short-term wage gains via economically militant strategies as much as possible, regardless of the negative (and self-fulfilling) effect they have on investment levels. This structural problem confronts the labor movement in all of the Southern Cone democracies (save Chile), where capital flight accelerated as the transition to democracy approached, briefly leveled off once the transfer of power was completed,<sup>62</sup> then accelerated again once democratic government economic policies proved ineffectual or injurious.

The last situation notwithstanding, national labor federations, with their broad, heterogeneous constituencies and macroeconomic focus, are generally believed to be more amenable partners for democratic capitalist governments pursuing economic recovery programs (via concertative strategies or not). Centralization, moderation, symmetry of organizational perspective that is macroeconomic in scope, and the binding qualities of nationally representative leadership constitute institutional characteristics favored by such governments when seeking labor incorporation in the policy-making process. This is not to say that all democratic capitalist governments would like to see such characteristics, and that specific governments would not like to see the labor movements disarticulated, decentralized, divided, and thereby weakened to the point that they are easily subjected to unilateral government or employer controls. This argument is frequently made by labor critics of government policy in South America, and has appeared closest to the truth in Argentina and Brazil. Contextual and historical factors obviously have much to do with a particular government's perspective regarding peak associations. Even so, and whatever the specific motivations involved, where labor is well organized and active at both the political and economic levels, and where it can potentially play a stabilizing influence during the process of democratic consolidation, the value of centralization and authoritative national representation will become a paramount concern of government policymakers. The issue ultimately is one of strategic choice, specifically that presented to organized labor by the new regime with regard to its internal organization and role in the national economic and political decision-making process.

Reciprocal interaction and legitimation ultimately derive from a shared belief in the benefits of equitable social exchange. Specifically, the "social partners" assume certain internal costs, share limitations on their ranges of action, and most importantly, accept the mutual benefits accrued through this type of strategic engagement—the right to private property and profit for capital, social peace, economic growth, and political legitimacy for the state, and a more equitable and participatory role for organized labor in the economic and political process (translated into a higher and more egalitarian quality of life for the working classes). What is important to consider is that the success of the recent processes of redemocratization witnessed in the Southern Cone

---

<sup>62</sup> For data on capital flight in Argentina and Brazil prior to and immediately after the advent of democracy, see *ibid.*, especially p. 19.

requires the re-incorporation of organized labor as a national political and economic actor, and that it be on equal institutional footing with other socioeconomic groups when addressing its collective interests before the democratic state.

Labor incorporation has received serious attention in both Latin America and Western Europe. Broadly understood as the period in which the labor movement is initially given a participatory role as a political and economic actor by specific regimes, labor incorporation leaves a lasting—and often distinctive—structural and political legacy in the countries in which it has occurred.<sup>63</sup> In Latin America the original period of incorporation—which was formalized through legal recognition, the institution of state-mediated collective bargaining, and the extension of (often union-managed and state-financed) social welfare programs—generally occurred under a variety of regime types between the 1930s and 1950s (where it did occur).<sup>64</sup> However, in the Southern Cone most recent regime approaches towards labor have been uniformly exclusionary at both the political and economic levels. Thus the specific “historic memory,” structural location and organizational characteristics of the labor movements, the respective particulars of the original incorporation periods experienced by each, and the extent of the exclusion to which they were subjected under the preceding military regimes, all have a distinctive impact on the particulars of their respective re-incorporations.<sup>65</sup>

Other work confirms the importance of such processes. J. Samuel Valenzuela has constructed a typology of labor movement insertion in 20th-century capitalist political systems based on four interrelated variables: the historical pattern of labor organizational consolidation, the unity or fragmentation of the labor movement, the nature of labor-party ties, and the regime type under which labor is “inserted.”<sup>66</sup> He argues that the initial process of labor movement formation and the political context in which it was originally recognized as a legitimate articulator of working-class interests (i.e. “incorporated”) have a strong influence over subsequent patterns of labor insertion in modern political systems.<sup>67</sup> Using observations of Western European and

---

<sup>63</sup> David Collier and Ruth Berins Collier, “The Initial Incorporation of the Labor Movement in Latin America: A Comparative Perspective,” presented at the Western Political Science Association Annual Meetings, March 1986, and Gregory M. Luebbert, “Origins of Modern Capitalists’ Polities and Labor Markets in Western Europe,” presented at the Fifth International Conference of Europeanists of the Council of European Studies, October, 1985.

<sup>64</sup> Collier and Collier, *ibid.*, and the sources cited therein.

<sup>65</sup> The notion of “historic memory” refers to the collective consciousness of particular social groups, particularly as it applies to interpretations of past events. In the case of organized labor, a central part of the historic memory revolves around the initial period of incorporation, since it is what brought labor into the political and economic arena in a way that had not been seen before, and in the cases studied here, represents a relatively privileged period (at least when compared with the more recent experiences) to which current unionists can hark back to.

<sup>66</sup> J. Samuel Valenzuela, “Movimientos obreros y sistemas políticos: Un análisis conceptual y tipológico,” *Desarrollo Económico*, Vol. 23, No. 91. (October-December, 1983), pp. 339-368.

<sup>67</sup> *Ibid.*, pp. 367-368.

South American experiences, Valenzuela deduced five modes of labor insertion in capitalist political systems. Under democratic regimes, there are three modes of insertion: the *social democratic* mode, where a united labor movement is tied to a strong political party (for example, in Sweden); the *contestative* mode, where the labor movement is deeply divided by ideological or partisan differences which are replicated in party affiliations (such as in France); and the *pressure group* mode, in which a functionally or sectorally differentiated labor movement is loosely tied to nonlabor parties or fractions thereof (as in the case of the U.S.). Under authoritarian regimes, he identifies the *state-sponsored* mode, in which unions and parties are promoted (if not created) by government elites, leaving little room for independent factions (with the Brazilian *Estado Novo* and Peronist regime of 1946-1955 in Argentina being good cases in point); and the *confrontationalist* mode, which is found in unstable political systems in which democracy and authoritarianism alternate frequently, and where the labor movement is generally in opposition and supercedes political parties as the agent of working-class political mobilization (post-1955 Argentina is a typical example, as was the Chilean situation from 1973-1988).

To this can be added changes occurring in the international and domestic markets and the work place. Technological progress, the shifting international and domestic division of labor, the introduction of new consumer preferences and consumption patterns—these and other structural factors all have a decisive impact on the organization of working-class interests at a national level, and hence will play a role in the way in which labor is reincorporated into different processes of democratic consolidation. It should be underscored that here regime type also plays a decisive role, since specific political regimes represent particular constellations of economic and social interests, and therefore condition the way in which structural evolution in the form of market changes, technological progress, etc., influence the domestic work place and overall tenor of the labor relations system. Thus, while the political may not be absolutely dominant over the economic and technological, it is clear that there exists a strong relationship, if not reciprocity, between the two types of variables with regards to their impact on working-class representation and political behavior.<sup>68</sup>

It is argued that the mode of incorporation of social groups and political actors varies according to regime type and the systemic conditioners at play during specific phases of national economic and political development.<sup>69</sup> In particular, the democratic mode of incorporation is considered to be significantly different from the populist variant (such as those of Perón and Vargas), to say nothing of military-bureaucratic attempts at exclusion:

---

<sup>68</sup> For an extended discussion of these issues, see J. McGuire, "Labor in Contemporary Latin America: An Agenda for Research—A Rapporteur's Report," Kellogg Institute *Working Paper* #61 (February, 1986).

<sup>69</sup> N. Mouzelis, "On the Rise of Postwar Military Dictatorship: Argentina, Chile, Greece." *Comparative Studies in Society and History*, Vol. 28 (1986), pp. 68-72.

It is, of course, only the integrative mode of inclusion that, other things being equal, can on a long-term irreversible basis accommodate the massive entrance of new participants into the political game without reinforcing any tendencies towards a breakdown of the parliamentary institutions and the imposition of dictatorial solutions. It is only within an integrative system that the new entrants, given the horizontal, nonpersonalistic mechanisms of inclusion, will reinforce the strength and autonomy of existing collective organizations. Only then can the distribution of political power, on the level of collective action, be organized in such a way that extreme polarisation between rulers and ruled is avoided and civil society is strengthened by becoming more resilient to state manipulation—and this type of strengthening, as the English model of political development has shown, presents no threat to the bourgeois order but, on the contrary, further legitimizes it by making it more hegemonic.<sup>70</sup>

The question of hegemony aside, it is clear that the democratic mode of incorporation, whatever its specific historical character, has an integrative orientation that is manifested in a series of superstructural arrangements evident in the organization of social group interests, the type and character of the institutional channels of political representation available to them, and in the organization of branches of the state responsible for administering the contending interests of various social groups. The question of the relative autonomy of civil society under democratic capitalist regimes is more difficult to answer, for it also involves structural transformations. Moreover, it ignores the issue of the relative autonomy of the democratic state vis-à-vis different fractions of civil society, which is also believed to increase relative to authoritarian capitalist regimes.

Much has been said about the “relative autonomy” of the democratic capitalist state. Under stable democratic regimes, the capitalist state is believed to contain relatively autonomous bureaucracies that are un beholden to dominant class interests, and which in fact have particular clientelistic interests of their own. In turn, the aggregation of clientelistic orientations codified as bureaucratic interests allows for the replaying of sectoral competition within the state apparatus, thereby institutionalizing what otherwise might be unfettered sectoral conflict. At worst, this merely disguises the class domination upon which the bourgeois state is founded. At best (and more pertinent to our concerns), this allows for a degree of institutional neutrality and flexibility that is more conducive to class compromise.<sup>71</sup>

The basic issue is therefore one of relative “permeability.” That is, how permeable are the apex of the state, or government, and specific branches of the state (such as national labor administration), when confronted by the competing pressures exerted by different sectors of civil

---

<sup>70</sup> Ibid., p. 70.

<sup>71</sup> For an excellent review of the concept of state autonomy in the Marxist literature, see M. Carnoy, *The State and Political Theory* (Princeton: Princeton University Press, 1984), especially Ch.5.

society? Some authors suggest that the degree of permeability of the democratic capitalist state is low.<sup>72</sup> Others have argued that just the opposite is the case (hence the “clientelistic” orientation of public bureaucracy),<sup>73</sup> pointing out that the influence of social groups in many capitalist systems “is felt in the state agencies in which they have representation.”<sup>74</sup> It has been argued that in Latin America “the power bloc is heterogeneous rather than monolithic, divided by contradictions between factions and institutional orders, and eroded by pressures from other classes, groups, and social movements. Different sectors and branches of the state become seats of power for representatives of nondominant groups competing for control.”<sup>75</sup> Avoiding for the moment the larger implications of the war of position waged within the state apparatus that this view entails, this broaches the question as to whether different components of the state such as the economic policy and labor administration branches adopt, modify, reformulate, or dilute sectoral positions and strategies in order to play them out within the Executive cabinet. If so, it suggests that the locus of class conflict occurs within the apex of the state apparatus, as well as or instead of among the social partners directly.

In a related vein, O’Donnell has pointed out the apparently (authoritarian) regime-specific segmental “capture” of certain branches of the state by influential social groups, in a form of inclusionary societal corporatist scheme that often “bifrontally” parallels exclusionary state corporatist arrangements that are designed to control rather than administer the interests of subordinate social groups.<sup>76</sup> This points to the fact that different forms of social group interest mediation and managed political access reflect the relationship of specific social groups with different types of regimes.

With this in mind, it is generally argued that successfully institutionalizing democratic class conflict requires that the branch(es) of the state responsible for administering the national labor relations system be institutionally attuned to labor concerns and yet adopt neutral procedural and substantive positions with respect to labor-capital conflicts. This implies an institutional morphology that is conducive to fluid interaction among labor, capital, and the state on legally

---

<sup>72</sup> T. Skocpol, “Bringing the State Back In: Strategies of Analysis in Current Research,” in P. Evans, D. Rueschemeyer, and T. Skocpol, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985), pp. 3-37.

<sup>73</sup> Oszlak, “Políticas públicas y regímenes políticos,” and P.G. Buchanan, “Regime Change and State Development in Postwar Argentina” (Ph.D. Dissertation, Department of Political Science, University of Chicago, 1985).

<sup>74</sup> Grossi and Dos Santos, “La concertación social,” p. 137.

<sup>75</sup> Kaplan, “Recent Trends of The Nation-State,” p. 93.

<sup>76</sup> G.A. O’Donnell, “Corporatism and the Question of the State,” in J. Malloy, ed., *Authoritarianism and Corporatism*. For a good discussion of state autonomy under the bureaucratic-authoritarian regimes in the Southern Cone, see A. Stepan, “State Power and the Strength of Civil Society in the Southern Cone of Latin America,” in Evans et al., *Bringing the State Back In*, pp. 317-346.



defined procedural grounds encompassing the relations in and of production. That stands in marked contrast to the hierarchical labor relations that characterized national labor administration under exclusionary systems such as those employed by the displaced authoritarian regimes. In effect, “only a state that recognizes syndical power and which is capable of ‘distancing’ itself from capital (i.e. the economic base that determines its social character) can generate institutional mechanisms that assure a valid and efficacious process of concertation. Without this indispensable distancing on the part of public authority, the gap that traditionally separates the labor movement from bourgeois states will prevent negotiations between labor and capital involving state mediation.”<sup>77</sup> Thus, along with the ability to internally replicate (in institutional fashion) the positions of major social group interests, it is the ability of the democratic state to distance itself from capital that constitutes the functional criteria on which it is determined to have achieved a higher degree of autonomy than under other capitalist regime types.

Here the notion of state managers becomes important, for it is claimed that procedurally neutral, sectorally impartial, and class-detached professionals within the democratic state serve as the human referees of the institutionalized class conflict.<sup>78</sup> “The strengthening of the state and of its autonomization implies and requires an apparent/real neutrality, efficient to the extent that public personnel think and act according to their own ideological and political categories—categories that act as mediators—and are convinced of their own neutrality.”<sup>79</sup> Rather than the representatives of one or the other class (although these also often tend to be incorporated into the institutional process), experienced public servants—in the case of national labor administration most often specialists in labor legislation, conflict mediation, and procedural law—use their expertise to promote a neutral institutional framework in which labor and capital can negotiate the specific terms of the democratic class compromise.

Ideally, then, with regard to democratic incorporation and subsequent consolidation, it should be the autonomous, nationally aggregated collective agents of various social groups, in an

---

<sup>77</sup> A. Fernandez, “Sindicalismo y concertación social: La coyuntura argentina actual,” (Buenos Aires: mimeo, n.d.), p. 7.

<sup>78</sup> This is not to imply that I am unaware of the generally negative evaluations of such “incumbents of technocratic roles” (i.e. technocrats) who, along with “specialists in coercion” (the military hierarchy), constituted the nucleus of political authority in the preceding bureaucratic-authoritarian regimes, or of the numerous bureaucratic critiques launched against state managers in both stable capitalist democracies and authoritarian socialist states. The point is that under democratic capitalist regimes the orientation and roles of these public servants must change significantly with respect to authoritarian capitalist regimes. See C. Offe, “The Theory of the Capitalist State and the Problem of Policy Formation,” in L.N. Lindberg, R. Alford, C. Crouch, and C. Offe, eds., *Stress and Contradiction in Modern Capitalism* (Lexington, MA: Lexington Books, 1975). The theme of state managers in capitalist democracies has been refined by F. Block. See his “The Ruling Class Does Not Rule,” *Socialist Revolution*, Vol. 7, No. 3 (1977), pp. 6-28, and “Beyond Relative Autonomy: State Managers as Historical Subjects,” in R. Miliband and J. Saville, eds., *Socialist Register* (London: Merlin Press, 1980).

<sup>79</sup> Kaplan, “Recent Trends of the Nation State,” p. 93.

institutional forum provided and mediated by the equally autonomous democratic state, who would negotiate on rationally calculated grounds of material self-interest the substantive terms of a democratic class compromise. This requires that both the state and collective agents achieve some distance with respect to each other *and* with respect to their respective bases. With an acceptable institutional distance achieved (a most difficult task in and of itself), the state and labor offer each other certain benefits. The state offers labor unions welfare legislation, redistributive economic policies, and individual and collective recognition as legitimate bargaining agents for their membership, while the unions offer the state domestic order (i.e. no strikes), productivity, and consumption.

The relationship between the state and labor under conditions of democratic consolidation can therefore be seen, as during processes of transition, as a broad and highly fluid sectoral bargain. When the *quid pro quo* breaks down, the state increasingly resorts to constraints and coercion, while the labor movement resorts to militant opposition (i.e. moves to a “harder” war of position or a frontal war of maneuver against the state) or accepts its subordination. Attempts at hegemony via labor incorporation are replaced by outright domination and exclusion, and the more “naked” features of capitalism emerge, both in politics and in the workplace. However, since all sides are risk-averse, there is a mutual effort to establish some basic grounds for consensus in order to preclude open conflict. This promotes bureaucratic dynamics within the state and collective agents that are disposed towards institutional arrangements that utilize them in pursuit of a negotiated “vertical” class compromise. Relative autonomy aside, the various social “partners,” both public and private, have strong reasons to seek to perpetuate the democratic class compromise, as it reinforces their (organizational) positions as major economic and political actors.

The importance of these organizational changes cannot be over-emphasized, as they represent changes in the institutional parameters and “policy spaces” that condition the initial range of choice available to organized labor when juxtaposing its interests against those of competing groups. These early choices influence the subsequent evolution of political and economic competition, and “are likely to have a lasting effect on the resources and internal organization of interest associations—which in turn will predispose them to a particular role in different types of democracy.”<sup>80</sup> It is therefore possible to conceive of the process of democratic regime installation and consolidation as involving a specific mode of labor incorporation based on a particular range of choice presented, via institutional arrangements, to key social actors. Phrased differently, a select range of choice arrayed along economic, social, organizational, and political dimensions is presented by democratic governments (in the form of whom they go after,

---

<sup>80</sup> P.C. Schmitter, “Organized Interests and Democratic Consolidation in Southern Europe (and Latin America),” p. 13.

how they do so, and what they offer), using the state as the instrument of application, in order to aggregate interest group demands in a way that encourages the participation of important social actors in maintaining the regime. Tripartite concertation is one such approach.

The institutionalized range of choice offered collective agents can be considered to be the essence of the hegemonic project of different types of democratic capitalist regime. Differences in the framing of these choices, both in terms of institutional vehicles as well as the specific options offered, are what allow us to distinguish among the projects proposed by each regime. In turn, the material and normative objectives, degree of cohesiveness, organizational capacity, and resource endowment of various social actors along all four dimensions influence their perceptions of choice when considering the projects of different regimes, and is what ultimately prompts them to support some and not others.

The terms of the original compromise—the “incorporating” or “foundational” pact, as it were—are not immutable or writ in stone. Institutional guarantees of renegotiation are essential vehicles for the maintenance of democratic class compromises and systemic reproduction. Thus, while the fundamental pact is indeed a compromise between capitalism and democracy, other contingent terms of the compromise are subject to periodic review, renegotiation, and eventual change the longer it is maintained.<sup>81</sup>

For these reasons, the successive, closely linked processes of democratic incorporation and consolidation ultimately rest on a network of institutional conditioners that frame the range of strategic choices available to collective agents, which determines the rational calculus that underlies the interaction between them and the state.<sup>82</sup> Perhaps the process of democratic consolidation is the iterative or extensive form, multiple actor game that O'Donnell maintains it is. If so, it is clear that institutional parameters constitute vehicles for enforcing the rules of the game however construed. The sectoral struggle implicit in this process is sequential: first over the procedural rules of the game itself, then over substantive issues once mutually agreed upon rules are established. In this light, democratic consolidation can be considered a process by which collective actor choices are gradually framed by consensually established institutional parameters that provide a mutually acceptable minimum of reciprocal certainty and control to all actors.<sup>83</sup>

---

<sup>81</sup> M. Carnoy, *The State Political Theory*, p. 244.

<sup>82</sup> For an extended discussion of the effects of institutions on the framing of choice and strategic interaction between social groups, see three works by Jack Knight: “Institutions and Social Conflict” (Ph.D. Dissertation, Department of Political Science, University of Chicago, 1989); “The Institutional Effects of Democratic Electoral Systems on Political Party Competition,” mimeo, August 1986; and “Game Theory and the Study of Institutions,” paper presented at the 1986 Annual Meetings of the American Political Science Association, August 28-31, 1986.

<sup>83</sup> On O'Donnell's conceptualization of democratic consolidation (particularly the different “games” played by C (committed democratic) and B (committed authoritarian) actors, and the critiques it has received, see S. Mainwaring, “The Consolidation of Democracy in Latin America—A Rapporteur's Report,” Kellogg Institute *Working Paper #73* (July, 1986). Adam

State-enforced organizational frameworks and rules constitute the primary institutional parameters that determine what forms of collective action are feasible for different social groups and political actors (both public and private). “Given a distribution of economic, ideological, and organizational resources, the manner in which conflicts are organized determines which interests are likely to be satisfied, which are unlikely to be satisfied, and, more importantly, the variety of interests that are at all likely to be satisfied.”<sup>84</sup> This variable range of institutionalized choice, translated into different types of strategic interaction among collective agents, political parties, and branches of the state, determines the range of possible outcomes, only some of which are conducive to the class compromise required for democratic consolidation (and with many in fact working against it). It goes without saying that the entire process is a highly dynamic, when not dialectic, continuum, and is eminently susceptible to reversal, interruption, or collapse. The basic point is that at every level—institutional conditioners, forms of collective action, ranges of choice, types of strategic interaction, and possible outcomes—the combined processes of democratic incorporation and consolidation exhibit specific characteristics not shared by other regime types. This observation is especially appropriate for processes of postauthoritarian democratic transition, since the incorporation of important social groups is essential for the success of these processes and therefore requires substantial modification of the exclusionary institutional vehicles utilized by the preceding authoritarian regimes.

Democratic incorporation requires that the institutionalized range of choice presented to labor by the state be perceived by labor to be comparatively (if not compensatorially) equal to that of other social actors, particularly capitalists. The institutional framework underwriting tripartite concertation centered in the democratic state is one way of providing concrete guarantees that such is the case, and is what allows labor and capital to negotiate as equals the terms of the democratic class compromise. In turn, it is the relatively equal range of choice offered labor and capital by these concertative institutions, and the procedural neutrality of the state when enforcing the terms of choice once they are accepted, that distinguishes the incorporating project of democratic regimes from those of other regime types.

National labor administration provides a major part of the institutional framework that guarantees and enforces the terms and conditions for ongoing democratic interaction among the peak associations of capitalists, workers, and governmental elites. It offers bureaucratic resources plus legal and technical expertise not only to advise and counsel the “social partners” in their quest for mutually satisfactory second-best choices (as do the economic policy-making branches

---

Przeworski has offered an analogy that aptly captures the importance of institutional parameters as “rules of the game.” According to him, the chances of success of a team of six-footers playing basketball against a team of seven-footers hinges not on the height of the players (i.e. their relative capabilities), but on the height of the basket (i.e. the structure of the game).

<sup>84</sup> Przeworski, “Material Bases of Consent,” p. 30.

of the state), but also in enforcing the workplace and material terms that are required to reproduce ongoing working-class consent to capitalist relations of production (something that is its exclusive responsibility). Rather than dominant group consent, it is subordinate group consent, particularly that of organized labor, that is the most important feature of democratic consolidation (dominant group consent having been most important in achieving the transition to democracy). National labor administration consequently has both economic and ideological roles to play in the pursuit of this hegemonic goal. On an economic plane, labor administration must ensure that the material and organizational agreements governing both the social relations of production and the relations in production be such that they render more egalitarian and “opaque” (and therefore obscure) the extraction and private appropriation of surplus value, in order to maintain workers’ consent to private ownership of the means of production. Ideologically, it must promote and guarantee political conditions in which worker’s consent to democratic forms of interest association and articulation, collective bargaining frameworks, and institutional methods of grievance redress are reproduced. These dual functional roles of national labor administration make it one of the foremost hegemonic apparatuses available to democratic capitalist states and, along with the development of tripartite concertation mechanisms, have made it a major object of interest during the processes of democratic consolidation now underway in the Southern Cone.