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CAPITALISTS AND REVOLUTION

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Working Paper #202 - March 1994

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ABSTRACT

This paper explores the relationship between the state and the economic elite during four cases of structural reform. Analyzing state-capital relations in Chile under the Allende government, El Salvador following the 1979 reforms, Mexico during the Cárdenas era, and Peru under the Velasco regime, the author finds substantial variation in the ways in which the business elite responded to state-led reform efforts. In the first two cases, the bourgeoisie tended to unite in opposition to the regime; in the second two, it was relatively fragmented and notable sectors sought an accommodation with the regime. To explain this variation, the paper focuses on the role of five factors: the degree to which class hegemony is exercised by a traditional oligarchy; the level of organizational autonomy attained by business elites; the perception of a class-based threat; the degree to which the regime consolidates politically; and the viability of the economic model introduced by the reform regime.

RESUMEN

El presente trabajo examina la relación existente entre el Estado y la élite económica en cuatro casos de reforma estructural. Al analizar las relaciones existentes entre el Estado y el capital en Chile bajo el régimen de Allende, en El Salvador después de las reformas de 1979, en México durante la época de Cárdenas y en Perú bajo el régimen de Velasco, el autor encuentra una variación substancial en la manera en que la élite empresarial respondió a los esfuerzos reformistas conducidos por el Estado. En los dos primeros casos, la burguesía tendió a unirse contra el régimen; en los dos últimos, se encontró relativamente fragmentada y una buena parte de los sectores buscó un arreglo con el régimen. Para explicar estas variaciones, este trabajo destaca cinco factores: el grado en que la hegemonía de clase es ejercida por una oligarquía tradicional; el nivel de organización autónoma alcanzado por las élites empresariales; la percepción de una amenaza de clase; el grado en el que el régimen se consolida políticamente; y la viabilidad del modelo económico introducido por el régimen reformista.

> It is a complex problem, but we have not given up the search for ways of integrating the more-or-less large individual producers who live in Nicaragua today into a social formation in which revolutionary hegemony prevails.—*Jaime Wheelock Román* (1983: 35-36)

Developmentalists, social theorists, and revolutionaries have long puzzled over the problematic role of economic elites in the process of social change. Much of the general literature on revolution and structural reform presents the ‘dominant class’ as a homogeneous entity intransigent in its opposition to significant change. As beneficiaries of the *status quo*, economic elites are seen as a primary obstacle to social restructuring, often in close cooperation with foreign capital.

In recent years, however, many of the standard categories used to chart contending social forces, such as ‘workers,’ ‘peasants,’ and ‘bourgeoisie,’ seem increasingly inadequate to describe what are often highly differentiated clusters of people. Workers moving steadily into the informal sector now lack a formal employer counterpart and become ‘self-employed’; peasants have weaker ties to the land and rotate annually through a series of job categories and residences; the bourgeoisie is divided into a series of competing layers whose relative fortunes rise and fall. The inability of the traditional conceptual categories to accommodate this acute diversity calls for the use of different analytical methods and the development of new conceptual schemes. For studies of the bourgeoisie, a closer analysis of the social sectors that make up the elite is needed.

The search for the fissures within the dominant elite is not simply an analytical exercise in social dissection. This task has been a central preoccupation of proponents of social change. Underlying much of this kind of analysis has been the desire to locate a ‘progressive’ sector of the bourgeoisie. Academic analysts such as Barrington Moore (1966) argued that there were circumstances under which an urban bourgeoisie could break with traditional landholding elites and nudge the political system toward democracy. Reform-oriented political leaders also joined the search for bourgeois allies. Needing the economic capabilities, international credibility, and domestic leverage that such a coalition partner would provide, reformers searched assiduously for business leaders with whom to link arms.

Leaders of populist movements were particularly inclined to seek an alliance with a ‘nationalist bourgeoisie.’ Populism as an ideology presented no barrier to the inclusion of national elites; indeed, the overriding nationalism embedded in populism called these leaders to strengthen the local economic strongholds. But even democratic socialist movements typically found it necessary to court a segment of the economic elite, in spite of ideological reservations. To locate a theoretical rationale for this compromise, the concept of a ‘nonmonopoly’ bourgeoisie was sometimes employed. A ‘nonmonopoly’ bourgeoisie was differentiated from the hegemonic, monopoly sector by its unfavorable economic position and tendency to be eroded by the monopoly sector. This alliance was reinforced in ‘dependent’ nations by the tension between subordinated local capital and hegemonic foreign capital. Alliances between a nonhegemonic, small and medium local capitalist fraction, and the peasant and worker underclass were expected to undercut the hegemonic bourgeoisie and allow for a process of socialist transition.

This form of social theory and consequent alliance strategy had its critics. For many analysts of the bourgeoisie like Nicos Poulantzas and André Gunder Frank, the effort to locate a sector of the dominant class that could accept social change was futile and self-defeating.[i] In a monumental study of agrarian, industrial, and financial fractions of the Chilean bourgeoisie, Maurice Zeitlin and Richard Earl Ratcliff (1988) add empirical support to this interpretation. Their detailed study of the social structure of the top Chilean elite in the 1960s produced “a discovery of great import: an incomparably large effective kinship unit, formed of multiply intermarried banking, industrial, and landowning families, erases any ostensible social cleavages between supposedly contending landowning vs. capitalist ‘upper’ classes in these economic sectors...” (p. 173).

Zeitlin and Ratcliff concluded that, because of the presence of close family members who straddled sectoral divisions, contradictions among top capitalists with different structural locations in the economy were muted. Clashes and divisions among capitalist sectors in the 20th century, they argued, “arose not between ontologically real rivals, but within the bosom of the same class.” (p. 208). Divisions that other analysts had found to segment the capitalist class—between bankers and industrialists, between owners and managers, between large landlords and urban capitalists, between foreign and local capital—are minimized here, since bonds of kinship ultimately were found to weave these sectors together.[ii]

This discussion of the character and political predilections of the Latin American bourgeoisie reflects two competing visions. In one, the bourgeoisie, in spite of some sectoral divisions, is essentially a unitary actor. Interpenetration through family, financial or contractual ties overcomes any tendency toward segmentation. In the other, real differences exist within the bourgeoisie that incline different segments or clusters toward different political projects.

This paper tackles the question of the unity/division of the economic elite by focusing on the elite’s political interactions with the state during periods of state-led reform. Episodes of structural change put enormous pressure on both the state and the bourgeoisie. Established social hierarchies and resource allocation patterns are called sharply into question. A sense of peril propels the elite into direct political action. This moment can either increase the unity of the elite, as it attempts to defend established privileges or obtain new ones, or divide it, as different segments negotiate for an improved position relative to the others.

The way the bourgeoisie responds, I argue, depends on a series of factors. Central among these are 1) the degree to which oligarchical domination of the elite prevails; 2) the level of organizational autonomy and density of private sector associations; 3) the degree of perceived class-based threat posed by the state; 4) the extent to which the revolutionary regime successfully institutionalizes a new political order; and 5) the capacity of the regime to consolidate a viable economic system. The first two factors focus on the inherited character of the economic elite. The last three shift the attention to the nature of the revolutionary state.

To explore the unity/segmentation of the bourgeoisie, this paper briefly analyzes two types of outcomes: cases in which the bourgeoisie unites in opposition to the reform movement and defeats it, and cases in which the bourgeoisie divides and some sectors reach an accommodation with the regime.[iii] Each of these subtypes will be analyzed by reviewing cases in Latin America where the central dynamics conform to the model. Analysis of the *oppositional bourgeoisie* focuses on the democratic socialist regime in Chile under Allende (1970-73) and the reform regime in El Salvador (sporadic between 1979-1989). Information about the *accommodationist bourgeoisie* is drawn from the study of state-capitalist relationship under revolutionary populism in Mexico during the Cárdenas era (1934-40) and in Peru under the Velasco regime (1968-75). Not all of these experiences are conventionally regarded as revolutions, either because they were quickly reversed or because the changes actually introduced were not profound enough to warrant the label. Each of these cases did, however, entail a major effort to restructure what had been core features of the nation's social and economic order. In this sense, they all qualify as major initiatives in structural change. Lessons drawn from the analysis of these experiences will be used to sketch an interpretation of the variations in state-capitalist relations.

A cautionary note is needed here before we proceed. The literature on these cases has been compiled by hundreds of scholars, most of whom have spent decades working on a single country. As there have been so few crossnational studies of revolutionary processes and none that focus specifically on the reaction of economic elites, the task of building up this broad comparison is both daunting and perilous. Epistemological assumptions and methodologies vary from study to study. Concepts that are frequently used in this literature such as 'family clans' or 'oligarchy' may refer to different phenomena in different national settings. Standards used in making judgments about the degree of economic concentration may vary from case to case. For example, Chile's long experience with multiparty electoral democracy caused it to be linked analytically to the study of Western European politics. Analysts studying the Chilean system, therefore, may be implicitly comparing the Chilean social structure with those found in Italy or France rather than those found in Peru or Mexico.

Since the same set of assumptions and standards are not applied consistently by scholars analyzing each of these cases, similar characterizations (for example, the claim that the economy is dominated by an oligarchy) may reflect rather different realities. I have attempted to look beyond the summary judgments to appraise the evidence on which those judgments are based and to use comparative statistics when possible, but my work is necessarily constrained by these limitations.

1. The Bourgeoisie in Opposition: Democratic Socialism[iv] and the Coalesced Bourgeoisie in Chile

Prior to the 1970 election of Salvador Allende, the Chilean business sector had several notable characteristics, including the concentration of resources at the top and a norm of forceful organization that extended even into the middle sectors of the bourgeoisie. Economic resources remained quite concentrated in Chile even into the 1960s. In 1969, for example, 2 percent of the country's 35,000 industrial firms produced over two-thirds of all industrial output in Chile; the top five banks allocated over half of all credit (de Vylder 1976: 18, 136). Land concentration was also marked. Prior to the adoption of the Agrarian Reform Law by Christian Democratic President Eduardo Frei in 1967 there were 11,000 large, multifamily estates averaging 2,200 hectares each. These large estates represented 4.2 percent of all agricultural units, but occupied 79 percent of the country's agricultural land (de Vylder 1976: 166). Zeitlin and Ratcliff's (1988: 163-64) detailed analysis of the upper reaches of the Chilean economic elite in the 1964-66 period identified 24 'kinship groups' that were located among the top stratum of bankers, corporate executives, and landowners of the country, including one large 'maximum kinship group' that included 56 percent of the top bankers, 16 percent of the top corporate executives, and 30 percent of the top landowners.

In spite of a relatively sustained tradition of political democracy and the dense organization of civil society in Chile,[v] the business elite retained significant political influence. The economic elite pressured the state directly through leadership of political parties and indirectly through privileged access to state institutions.[vi] Six private sector associations provided an organizational forge for the economic elite. The venerable National Agricultural Society (SNA), was formed in 1838; leaders of this association, in turn, formed the Society for Industrial Promotion (SOFOFA or SFF) in 1883, after the Minister of Finance requested their assistance in promoting the industrial development of the country. The National Chamber of Commerce (previously the Central Chamber of Commerce) dates from 1858, and the National Mining Society, representing Chilean mine owners, from 1883. Of the associations representing economic strongholds, only the Chamber of Construction and the Association of Banks and

Financial Institutions were of 20th century origin (Menges 1966: 344-46; Campero 1984: 312-318).[vii] To defend their collective interests, the four older associations came together in 1935 to form one central peak association, the Production and Commerce Federation (Confederación de la Producción y el Comercio, COPROCO). Chile's elite business associations tended to be very selective, drew heavily from larger establishments, and had restricted internal democracy.[viii]

Nonetheless, a large population of medium-sized producers had emerged in Chile including small and medium-sized industrialists, urban professionals, a self-employed petty bourgeoisie, and small and medium-sized agricultural producers. Reflecting the norm of political pluralism, this medium-sized economic elite had devised its own network of associations in Chile, albeit in more recent decades. The largest of the private sector organizations serving small and medium-sized businesses, the Chilean Trade Federation of Retailers and Small Industry, was founded in 1938; a host of transportation federations developed in the 1940s-60s (Campero 1984: 316-319). Unlike their larger counterparts, however, these associations lacked a central organizing agency that could pull them together, and were not given the representational prerogatives in government agencies that the elite institutions had acquired. Compared with most other Latin American cases, however, these small and mid-sized capitalists in Chile were relatively mobilized and autonomously organized.

In theory, the strategy of the Unidad Popular (UP) coalition that brought Allende to power was to divide the Chilean bourgeoisie and include the small and medium-sized producers within their alliance.[ix] In practice, deep divisions remained within the coalition about how to deal with this whole sector. The traditional Communist Party position had favored a broad 'People's Front' that included 'progressive sectors' of the national bourgeoisie. The Socialist Party, on the other hand, raised doubts about the existence of any such progressive sector, and favored a more narrowly based coalition of proletarian forces (de Vylder 1976: 38-40). The Popular Unity government, composed of Socialists, Communists, segments of the old Radical Party, and heretical leftists from the Christian Democratic Party, began without consensus on role of bourgeoisie. There was agreement that the hegemonic faction of the bourgeoisie should be eliminated, both to undercut political capabilities of the right and to secure, through expropriation, economic resources with which to finance the new order. But there were sharp divisions within the coalition about what to do with the nonhegemonic faction of small and medium-sized producers.

Allende began his presidency by avoiding that divisive issue; he sought national consensus by focusing attention on foreign capital. In nationalizing the copper mines, he fulfilled a broad, national aspiration and secured unanimous support within the legislature. Although the subsequent decision to impose a retroactive tax on the mining companies' excess profits and not pay compensation was more controversial, the initial expropriation was a widely supported move that rallied even local elites against foreign control.

The government's subsequent move to acquire control over the commercial banking system was more controversial and had a much deeper impact on local elites. Financial institutions were often the linchpin that held together large economic groups. Their expropriation undercut the ability of these groups to assure capital flows to their affiliates. But the government's willingness to pay handsomely for the buyout of existing stockholders muted the opposition to this measure.

The UP's agrarian reform initiatives were yet more controversial, and the majority opposition in Congress prevented the government from securing more sweeping change. Forced to use the agrarian reform legislation passed previously by the Christian Democrats, the regime had limited redistributive capabilities.[x] In total, the Chilean agrarian reform program was somewhat smaller than that which took place in Mexico or Peru.[xi]

The regime's most controversial property reform measures were in the industrial sector.[xii] In spite of formal plans to narrowly delimit the firms that would be expropriated and repeated official guarantees to small and medium-sized producers that their properties would not be affected, the actual expansion of the state sector proceeded according to a different dynamic. As Peter Winn (1986) points out in his study of the expropriation of the Yarur textile factory, the Chilean revolution was not encapsulated by political leaders but often flowed from base-level initiatives. When union leaders and factory workers at the Yarur plant decided to seize the factory and called on Allende to incorporate it into the state sector, for example, Allende's resistance was eroded by labor militancy and the defection of his own Cabinet officials like the independent socialist Pedro Vuskovic who ran the powerful Economic Ministry (Winn 1986: 193-95).

Beginning with 46 enterprises in 1970, the state sector grew to 507 firms (plus 19 banks) by September 1973.[xiii] This rapid expansion of the state sector to include 44 percent of industrial production by mid-1973 (Bitar 1986: 189), in spite of congressional opposition, led to a constitutional crisis that contributed to the institutional breakdown of the regime.[xiv]

Initially, the private sector's reaction to the new government in 1970 was ambiguous. As some of the wealthy panicked, there was a brief run on the banks and stock values plunged. Some of the most prominent elites, such as key members of the Matte and Edwards families, sounded the alarm and actively conspired with the Richard Nixon's administration in the United States against the confirmation of Allende by the Chilean legislature.[xv] Other bourgeois leaders, however, while not pro-UP, adopted a 'wait and see' attitude toward the new government. Indeed, a few private sector organizations, such as the Chilean Trade Federation of Retailers and Small Industry, even publicly congratulated the new president on his victory. Others, like the

Central Chamber of Commerce, expressed a willingness to work together for economic growth and development (Campero 1984: 46).[xvi]

By end of 1971, however, concerted opposition swept through the national bourgeoisie.[xvii] Both the outcome of the April 1971 municipal elections, in which the UP vote increased to 48.6 percent of the total (Valenzuela 1978: 54), and the pattern of increased expropriations, which included the symbolically important Compañía Manufacturera de Papeles y Cartones presided over by former President Jorge Alessandri, alarmed economic elites. In December 1971, several private sector organizations representing both large and small entrepreneurs convened the Encuentro del Area Privado, attended by 5,000 affiliates. Presided over by Orlando Sáenz, SOFOFA's new president, the meeting denounced the government for 'breaking with Chilean tradition' and launched the Frente Nacional de la Actividad Privada to protest government policy (Campero 1984: 56-64). Unlike Mexico, where no united private sector opposition to the Revolution emerged, or Peru, where such attempts repeatedly failed, by the end of 1971 a forceful opposition business front had emerged in Chile.

Many businesses apparently benefited economically in Chile during the 1971-72 period.[xviii] Although the dramatic reduction of foreign credit affected access to certain imports and major wage increases were decreed, many producers oriented toward the domestic market benefited from the sharp upsurge of domestic consumption. The economy grew rapidly at first, expanding 7.7 percent in 1971; industrial production, drawing on installed capacity, jumped 13.7 percent in the first half of 1972 (Bitar 1986: 46, 93).

Nonetheless, within a short period of time, the economic elite steadily closed ranks against the regime and joined the effort to topple the government. The most graphic evidence of sweeping bourgeoisie opposition came in October 1972 with the 'Bosses' Strike.' This movement was not confined to the top elite; it drew support from even small and medium-sized capitalists who had been courted by the Allende regime. Bolstered by foreign financing from the CIA as well as private corporations in other Latin American countries (Stallings 1978: 142), 109 trade and professional associations called a national lockout that lasted for three weeks and brought the country to the point of crisis. Transportation halted, food supplies dwindled, and panic swelled. Six days into the strike, the National Command Center for *Gremio* Defense (Comando Nacional de Defensa Gremial) was created and charged with the task of summarizing the bourgeoisie's demands. The subsequent list of the 'Demands of Chile' (*Pliego de Chile*) called for a reversal of several UP measures such as the takeover of the banking sector and Alessandri's paper company, limitations on agrarian reform, and the elimination of local price control boards. The massive mobilization of workers to defy their employers' attempted lockouts produced sharp class confrontation (Campero 1984: 68-73).

Two years into the reform, the Chilean bourgeoisie was fundamentally united in opposition to the regime. This unity prevailed through the military coup of September 1973 into the period of military government. In spite of the UP program and Allende's commitments, the government was unable to divide the bourgeoisie and win over any appreciable segment of business support. This political homogeneity of the elite was not an ontological given.[xix] Marveling at the inability of the government to corner some elite support, SOFOFA President Orlando Sáenz, one of the UP's most entrenched opponents and business's more effective organizers, concluded, "Allende managed things so poorly, so poorly that he wasn't able to divide the business sector."[xx]

The coalescence of the bourgeoisie was due to the specific historical features of the case. Three elements are particularly significant: the history of strong elite coalescence at the top, the tradition of private sector organizational autonomy from the state, the Allende regime's inability to resist pressure from more radical elements in his coalition on property issues. The pace of expropriations, the apparent lack of control over the process at the top, and the fundamentally anticapitalist stance of many UP leaders fed deep fears within the bourgeoisie.

Although few of the 35,000 businesses and firms in Chile were expropriated, this violation of prior commitments stirred panic through the bourgeoisie and brought even nonhegemonic elites into the anti-Allende camp. Fearing that they had no future, and knowing that they could be next, even the small and medium-sized producers rejected the government.[xxi] This rejection was skillfully nurtured by larger business leaders and private sector associations who cultivated links to less prominent or politicized producers.[xxii] Painted in simple terms and appealing to consensual values, the bourgeois opposition deepened the political polarization of the society and fed the military's hostility to the regime—and to the democratic system that had allowed it to come to power.

This analysis suggests that democratic socialist regimes are likely to generate sweeping private sector opposition. Although the bourgeoisie may not be vociferously or uniformly oppositional at the beginning, it will tend to move toward open opposition over time, with the pace and intensity of that movement dictated in part by the pace and intensity of the regime's reform effort. The fissures and internal differentiation of the bourgeoisie will tend to dissipate as the 'national' and 'nonhegemonic' bourgeoisie increasingly adopts the antireform stance of the more conservative sectors. This move is fueled by a 'free' press, in which conservative economic elites can project a virulently antireform message in the name of protecting 'liberty' and 'individual freedom.'[xxiii] Fundamental features of democratic socialism (the close alliance between the state and a powerful working class, ideological hostility to the dominant elite, the organizational autonomy of opposition groups, and political freedom) make successful courtship of any sector of the business class very difficult for political reformers.

2. The Bourgeoisie in Opposition: The Habit of Command and the Salvadoran Oligarchy

In the Chilean case, democratic development had withered the traditional social and political power of the elite, and economic diversification had increased the complexity of the bourgeoisie. This heterogeneity and stratification allowed a reform regime to emerge and introduce structural change, at least temporarily. In contrast, in the Salvadoran case the residue of oligarchical power remained relatively undiluted. Reform, in this setting, faced more formidable obstacles and was more readily circumscribed.

The concept of 'oligarchy' has been much discussed and debated; it remains somewhat ambiguous. Although the term is frequently used to describe a traditional rentier class, oligarchies that survive into the mid-20th century must display some dynamism and capacity for skillful investment. Jiménez (1986: 22-28) defines an oligarchy as an identifiable group of families who possess concentrated economic power, social prestige and authority, and either direct or indirect control over dominant political actors. Oligarchies are typically defined by the transfer of these powers through hereditary means, with family 'notability' dating back at least several generations.[xxiv]

In most of Latin America's larger, economically diversified countries, this kind of concentration of political-economic-social power tended to dissipate in the 20th century. When the economic base of a traditional oligarchy is too narrow, this elite tends to be displaced by the development of new economic activities. The creation of competitive electoral systems with extended suffrage and mass mobilization also undercuts the political and social privileges of traditional oligarchs. But if the oligarchical families had succeeded in diversifying into varied economic sectors, particularly nodal institutions like the banking system, and if political pluralism is relatively weak, then an oligarchical network can retain considerable influence.

One concrete case that reflects these characteristics can be found in El Salvador following the collapse of the Romero government and the proclamation of a 'revolutionary junta' in 1979. Reform efforts were blocked largely through the efforts of an oligarchical, antireform elite which remained powerful and well organized even into the 1980s.

Scholarly consensus on El Salvador holds that an oligarchy rooted in coffee production developed in the latter half of the 19th century (Baloyra 1982: López Vallecillos 1979; Jiménez 1986; de Sebastián 1986; Colindres 1977). After the 'bourgeois revolution of 1870,' this ascendant elite ruled the country directly for over 60 years, with top political positions circulating among two or three groups, including the Araujo, Meléndez, and Quiñónez Molina families (Baloyra 1982: 5). This group's direct control of government ended following the collapse of the agro-export sector during the Depression and the rise of labor militancy, which was triggered by falling wages and a rural male unemployment rate of 40 percent in 1929 (North 1985: 33).

Military leaders seized control of the state and the incipient labor uprising was brutally repressed.[xxv] In the years that followed (1932-44), General Maximiliano Hernández Martínez governed as a personalistic dictator. The military subsequently governed the country as an institution from 1948-1979 by rotating top government offices among ranking military officers.

The passing of direct political control from the elite families to the military signaled a decline of the traditional oligarchy, but this economic elite remained a very powerful economic, social and political force. The powerful coffee-based elite was still able to dictate the rules for the economic order and kept issues like agrarian reform off the political agenda.[xxvi] Key state institutions such as the Central Reserve Bank were run by this elite.[xxvii] Coffee continued to be the primary export, generating an annual average of 53 percent of annual export earnings even as late as the 1975-79 period (Brockett 1990: 60).

Modest economic diversification[xxviii] did not displace the coffee oligarchy; it remained a vibrant participant in the diversification process. Beginning in the 1880s, coffee wealth had been used to found a private banking system. The Banco Salvadoreño and the Banco Occidental emerged first in the 1880s. In 1934, the government created an additional bank, the Banco Hipotecario, to funnel yet more resources into the agricultural sector, and large producer associations were brought in as major partners.[xxix]

In addition to the banking system, coffee oligarchs diversified into the relatively lucrative processing and commercial export sectors. Data from Colindres' (1977) monumental study of the Salvadoran elite show substantial overlap between large coffee producers (those producing over 10,000 quintals in 1970/71) and large coffee exporters (those exporting over 1 percent of total coffee crop in 1974). Furthermore, according to that analysis, the country's 36 largest landowners controlled 66 percent of the capital of the 1,429 largest firms in 1971.[xxx] The common reference to Salvador's 'fourteen families' overstates the case, but there is little debate about the central claim of acute concentration of resources in pre-1979 El Salvador.

No economic elite, even one that is fully grounded in a single sector or interpenetrated through family ties, can be entirely homogeneous. Predictably, some segmentation existed within the Salvadoran elite. Salvadoran analysts like López Vallecillos (1979) divided the elite into two sectors: a traditional sector based in coffee production and banking (the 'agro-financial' sector), and a sector that had also extended into industrial activities, including coffee processing (the 'agro-industrial-financial' sector).

Baloyra (1982: 30) takes this segmental analysis a step further by separating the 'oligarchy,' which dominated export agriculture and the banking system, from the 'bourgeoisie,' which was dominant in industry and commerce. But even Baloyra sees the bourgeoisie as essentially following the lead of the oligarchy, not representing an independent political force. "A bourgeoisie did indeed emerge in El Salvador," he concludes, "but it remained bound to the traditional groups or at least dependent on them for the finance of major projects. The bourgeoisie remained unable to secure the resources necessary to embark on the type of economic projects that would have made it socially and politically hegemonic" (p. 30).

There was also a middle-sized group of industrialists, commercial establishments, and agricultural producers. But this stratum represented a small portion of the strategic sectors of the economy (only 8.9 percent of coffee production, for example), and these producers were not independently organized or powerful.[xxxi] Unlike the Chilean case, where small and medium-sized elites had long had their own organizations and were courted by contending political parties, these mid-level elites in Salvador were characterized by their lack of effective mobilization. The limited size of the medium sector, the low levels of foreign investment in El Salvador compared to the rest of the Central American region (Bulmer-Thomas 1987: 103), and the organizational weakness of the middle elite meant that established oligarchs remained the hegemonic and largely unchallenged force in the local economy. Accustomed to power, and unaccustomed to negotiation, this elite dominated the social order. A powerful peak association, the Asociación Nacional de la Empresa Privada (ANEP)[xxxii] was formed in 1966 to further consolidate and bolster the power of this traditional elite.[xxxiii]

Reform moves did come, however, in 1979, in the form of a military *putsch* that abruptly embraced the reform proposals of a broad coalition of center-left political parties and mass organizations. Jolted into action by the Sandinista Revolution in Nicaragua, military reformers founded the Junta Revolucionaria de Gobierno in October 1979 with the participation of political party leaders, intellectuals, and a handful of business elites.[xxxiv] Drawing on the recommendations emanating from the Foro Popular rally of reformers in September, the new *junta* adopted a series of initiatives designed to revolutionize the social and economic systems.

The three reforms inaugurated by the government were (1) a massive land reform program which would fundamentally alter land distribution patterns; (2) the nationalization of the banking system; and (3) a state takeover of foreign trade. These reforms precisely targeted the three legs of oligarchical economic power. Rapid and recurring turnover in the governing *junta* between October 1979 and March 1980 reflected uncertainty about the military's commitment to reform, but by early 1980 changes had been legislated in each of these three areas.

By May, over 300 estates had been seized, thus completing what is generally known as Phase I of the land reform program.[xxxv] Land affected in this round was 70 percent pastureland; only 12 percent of the coffee crop was produced on these large estates (Reinhardt 1989: 459). From the standpoint of the coffee elite, Phase II was more threatening. The second phase of the reform was designed to break up estates of 100-150 (depending on land quality) to 500 hectares, where the core of coffee cultivation took place. Since it was Phase II that would most affect the traditional coffee oligarchy, that segment of the plan was bitterly resisted. Phase III was a land-to-the-tiller program that would allow peasants renting small plots (up to 7 has.) to claim that land for themselves.

The goals of this reform were exceptionally ambitious. If implemented as designed, the program was to redistribute roughly 48 percent of agricultural land to approximately 50 percent of Salvador's rural poor (Reinhardt 1989: 459-60).[xxxvi] Resistance and complications soon took a toll, however. Phase II was annulled by the dominant center-right coalition in the first legislative session of the Constituent Assembly elected in March 1982. The following year, the Constitution of 1983 provided more durable protection to this sector by raising the land size threshold and delaying implementation for two years, during which time owners could reduce the size of their holdings to avoid expropriation. In the end, this plan was never implemented.

The regime was slow to regularize land reform titles, and war and terror in the countryside undermined Phases I and III of the process. Beneficiaries of the land reform sometimes abandoned their land and their claims, terrorized into leaving by death squads and military threats.[xxxvii] Few beneficiaries could pay for the land they had received, so unmanageable debts burdened the participants.[xxxviii]

Ultimately, the program did allocate approximately 20 percent of the arable land to around 20 percent of the rural labor force (Strasma 1990: 5, 14-15). In comparative terms, the Salvadoran reform falls roughly in the middle of Latin American agrarian reforms in terms of the portion of land and of rural population affected. The fact that most coffee land was sealed off from expropriation and that the program fell far short of its initial goals, however, suggests that traditional elites remained powerful enough to resist incursions into their domain.

From the standpoint of the traditional elite, the other two reforms were probably more serious. In March 1980, the banks were surrounded by military vehicles, and eleven financial institutions were nationalized.[xxxix] Private sector representation on the Board of Directors of the Central Bank was also decreased from 3 out of 8 members to 1 out of 7 after the reform (Ramírez 1985: 158).

But nationalization did not mean that the old structure was transformed. Two issues are relevant here: the compensation paid to former owners, and credit priorities of the bank following nationalization. To placate former owners, generous compensation was provided. In almost all banks, former owners received substantially more than the real value of their shares as determined by the evaluation commission.[xl] Furthermore, the bank control and credit distribution became, if anything, yet more concentrated than it had been before the reform (Valdés 1989). The coffee sector actually increased the portion of agricultural credit that it had absorbed (from 51 percent of the total in 1979 to 65 percent in 1984) (*ibid.*, p. 802). The economy still revolved heavily around coffee, and the banking system continued to reflect that reality.

For most of the traditional economic elite, the worst blow came with the nationalization of export trade. The Instituto Nacional del Café (INCAFE) was established in December 1979; this was followed in May 1980 with the creation of the Instituto Nacional del Azúcar (INAZUCAR). Between them, these two state trade monopolies controlled 58 percent of foreign trade in the

1980-83 period (Orellano 1985: 20). Under the new rules, coffee producers were now to be paid only in local currency at prices fixed by the state.[xli] Profits were still to be made by producers with 'medium' to 'high' levels of efficiency, but the gap between international prices and the price paid locally by INCAFE provoked a steady denunciation by *cafetaleros* who felt victimized and maligned by the regime.[xlii] One member of the coffee elite reported to a North American academic, "When coffee reached $200 a *quintal*, Duarte said that was too much money... he said we would just spend it on cars" (Paige 1991: 7). With producers earning less than half the FOB price in 1986, INCAFE and the Christian Democratic government became a prime target for elite hostility.

The disaffection of coffee producers and their unwillingness to keep up investments contributed to the rapid spread of coffee rust and the decline in coffee yields. By the end of the decade, this drop-off was exacerbated by the collapse of the International Coffee Organization and the subsequent fall in coffee prices.[xliii] By 1988-89 the coffee harvest had dropped to one third what it had been a decade before (Barry 1990: 80). The coffee decline fed into the overall erosion of the Salvadoran economy. With stagnant public investment, little private investment, and the drone of warfare, the per capita gross domestic product (GDP) declined -15.2 percent in the 1981-90 period (CEPAL 1990: 26).

Confronting this decline was a weak reform regime. The 1979 reform movement was quickly curtailed by military countermoves and electoral defeat in 1982. The private sector peak association, ANEP, launched a rapid search for allies.[xliv] By mid-1980 this organization had not only reestablished bonds with sectors of the armed forces but had sponsored the creation of the Alianza Productiva, a politically charged private sector association composed of ANEP and several of its affiliates, two small business associations, and two associations of professionals and managers. This new organization formed a bridge between the private sector and the Alianza Republicana Nacionalista (ARENA), a right-wing political party founded in 1981. Only major pressure from the Carter and Reagan administrations in the United States, who supported these policy changes as a means of avoiding leftist revolution, prevented the edifice of reform from crumbling in 1982 when ARENA and the conservative PCN secured 33 of the 60 seats in the new Constituent Assembly. ARENA leader Roberto D'Aubuisson became President of the Assembly and narrowly missed being named the Provisional President of the country.

Legislative victory in 1988, in which ARENA secured an absolute majority in the National Assembly, was a prelude to easy presidential victory the following year. With a 55 percent turnout rate, ARENA got 54 percent of the vote and, now under the mantle of recent ARENA affiliate Alfredo Cristiani, economic elites regained center stage. Cristiani, a political novice but former president of the Association of Coffee Processors and Exporters, incorporated other prominent business leaders into the new government.[xlv] In addition to the presidency, ARENA dominated the legislature, nearly 70 percent of the mayoralties, and the court system (Miles and Ostertag 1989). Forced by the changing rules of the 1980s to play an electoral game in order to secure political power, the traditional elites funneled resources into the right-wing party and proved to be skillful strategists.

A reform movement that had been deflected for several years was now derailed. After its victory, the ARENA government moved to reverse several key reforms.[xlvi] Former private export companies reestablished their operations and prices were now set by the international market. The banking system was targeted for speedy privatization; agrarian reform was formally halted and land grants were decollectivized (Martínez 1989). ARENA's ideology, which combined an assertive nationalism with a commitment to neoliberal economics, promised to counter lingering reform sentiment. Having demonstrated their considerable skill in playing by the rules of electoral democracy, the new/old elite now pushed to restrain reform through the democratic process.[xlvii]

Structural change and redistribution in El Salvador during the reform era was not as profound as in Allende's Chile. Without an organized working class or ideologically coherent and highly mobilized leftist parties, the reform movement in El Salvador remained narrowly delimited and modest. But the more fully entrenched oligarchy in El Salvador, which was less accustomed to compromise or restraint than its Chilean counterpart, reacted with perhaps even greater ferocity to the reform, not only conspiring with the military but financing its own death squads to annihilate opponents. The weakness of the reform movement, which succeeded in electing Duarte to the presidency only in 1984 and had lost power by 1988, provided little enticement for cooperation for business leaders. Furthermore, the sharp economic erosion that accompanied the first phase of reform fed further elite disdain and disillusionment.[xlviii] As a result, the bourgeoisie coalesced in opposition to reform and, as in Chile, contributed forcefully to its overthrow.

3. Accommodation to Reform: 'Symbiotic' Interdependence and Silent Partners in Mexico

The bourgeoisie is not always able to coordinate sweeping opposition to reform. Indeed, in several Latin American cases, revolutionary regimes not only deflected an elite opposition movement but won over a segment of elite backers. The ability of a revolutionary government to gain overt bourgeois supporters, in spite of its commitment to agrarian reform, state expansion, and redistribution, is an anomalous process that deserves close analysis. It has been most evident in Latin America during periods of revolutionary populism.

Populism is a rich and contradictory ideology that emphasizes controlled mobilization of marginal groups under the leadership of an activist state. This dynamic is typically fostered by a multiclass coalition dominated by emerging middle-class forces that have a commitment to nationalism, economic growth, and a degree of redistribution. In Latin America, this model has generally been found to emerge during the 'Bonapartist interlude,' a period after traditional oligarchic power has been checked but before new industrial elites have consolidated their own power base (Ianni 1975: 53-54). During this phase, the state is said to attain a 'relative autonomy' that allows it to act independently of, and even at times in opposition to, the preferences of economic elites.[xlix] The state pursues either the long-term interests of capitalist development, which may not be apparent to the local bourgeoisie at the moment, or its own specific interests (Hamilton 1982: 4-25; Skocpol 1979).

As the traditional elite struggles with economic collapse or the devastation of war, the populist state mobilizes new class actors to replace it. State support is provided for priority sectors such as manufacturing, production for the domestic market, or high employment industries, and the economic elite is recomposed along those lines. The surging nationalism of the populist project generally pushes the state to check the power of foreign capital. The resulting nationalizations or expulsions of foreign firms serve the populist cause by expanding the resources and economic leverage of the state when the state acquires expropriated concerns, or by strengthening the dominant class as local businesses move into the space created by the removal of foreign operations.

Populist movements are not identical; some involve much stronger mass mobilization and higher degrees of state autonomy than others.[l] Most populist projects have ended in collapse, due to fiscal crisis and financial dependency, internal division within the state, the inability to consolidate a mass base, or a series of conjunctural factors (Stepan 1978: 282-316; Dornbusch and Edwards, 1991). In some cases, like Argentina, military coups or countercoups signaled the demise of populism; in others, like Mexico, antipopulist forces penetrated the state, leaving populist and antipopulist forces in an uneasy cohabitation.

In the Mexican case, the old Porfirian elite of landowners, industrialists, and foreigners who had come to dominate the state in the last decade of Porfirio Díaz's presidency were thrown into decline with the departure of their leader and the following seven years of civil war (1911-1917). Economic elites lost wealth through expropriations, evictions, vandalism, and depreciation.[li] In the wake of the violence, a new elite emerged. The tattered remnants of the old bourgeoisie were joined by revolutionary chieftains who had appropriated land and capital.[lii]

State-sponsored change, which had sparked and fizzled in the 1920s, began in earnest when the revolutionary coalition elected Lázaro Cárdenas to the presidency in 1934. Using legislation that limited estate size to the equivalent of 150 irrigated hectares, Cárdenas expropriated vast tracts of land.[liii] Unlike many agrarian reform programs, these expropriations included land of good quality held by prominent local and foreign elites. By 1940, 47.4 percent of all cultivated land and 57.3 percent of all irrigated land had been allocated to *ejidos* (Hamilton 1982: 177).[liv] Cárdenas also undercut the urban elite by rechanneling resources to labor. Real wages soared as the regime promoted strikes and legislative protections for workers.[lv] State-sponsored mass organizations, the Mexican Labor Federation (Confederación de Trabajadores de México, CTM) and the National Peasant Federation (Confederación Nacional de Campesinos, CNC), mobilized and linked the popular sectors to the regime.[lvi]

Business elites did not take this lying down. Producers, particularly in regional strongholds like Monterrey, retaliated and threatened lockouts in protest. Going into the lion's den, Cárdenas addressed the Employers' Center of Monterrey in February 1936, chastising business leaders for their hostility to reform (Saragoza 1988: 170-186). He announced: "Entrepreneurs who feel fatigued by the social struggle can turn over their industries to the workers or the government. That would be patriotic, the lockout would not."[lvii] In the wake of rising strikes and presidential criticism, capital flight accelerated.[lviii]

In spite of these rhetorical clashes and state expansion, Cárdenas was hardly a simple opponent of business. The national bourgeoisie benefited repeatedly from legislation and policy that edged out foreigners. The state itself expanded, as with the nationalization of the petroleum sector, but so did Mexican capitalists. Legislation requiring insurance companies to invest their reserve in Mexico, for example, caused the departure of foreign-owned companies which were replaced both by state insurance companies and a rapidly mushrooming number of locally-owned insurance businesses (Hamilton 1982: 205). The revolutionary populist state undercut old, inefficient businesses or those that seemed not to favor Mexican national development, and warmly embraced others that contributed to national growth. During the 1934-38 period, the gross national product (GNP) grew by 22 percent, particularly in the industrial sector, which increased 33 percent between 1934 and 1938 (NAFINSA 1978: 19, 24).

The industrial sector was favored by state resources and assistance in the form of tax incentives and investment loans. Special attention was provided to small and medium industries, which flourished during this era. Given a range of supports, including tax exemptions, subsidies, investments, reduced rates for rail transportation of their cargo, and the elimination of some agricultural intermediaries, small and medium-sized producers expanded. The number of manufacturing firms (not including artisan workshops) in the country increased from 6,916 in 1935 to 13,150 in 1940, and most of the new enterprises were small (employing, on average, only 10 workers) (Hamilton 1982: 201-202; Mosk 1954: 316).

By 1939, in a speech given before the Cámara de Comercio of Saltillo, Coahuila, Cárdenas had left behind the admonishing tone. He now proclaimed, “I consider your cooperation very valuable; I hold your knowledge, experience and entrepreneurial spirit in esteem; I conceive of you as a prominent factor in our progress and as promoters of our homeland’s culture.”[lix] As long as it did not rebel, the bourgeoisie would be showered with praise and support.

To enhance its control over a rapidly growing business sector, the state redefined the organizational infrastructure of business. Prior to the Revolution, business organizations tended to be fragmented and dispersed. Reflecting the strong regional tendencies and fractured nature of the economy, these organizations operated only at the local level and had not merged into broader national federations. Following a series of meetings with industrialists and merchants in 1917, the Mexican state attempted to facilitate steady but controlled communication with the private elite by creating two new associations—the National Federation of Chambers of Commerce (CONCANACO) and the Federation of Chambers of Industry (CONCAMIN). During the Cárdenas era these organizations were merged into a single unit and strengthened through the requirement of mandatory membership.[lx] Another round of institution creation occurred in 1941 with the founding of the National Chamber of Manufacturing Industry (CANACINTRA, sometimes referred to as CNIT), an association explicitly designed to serve the needs of small and medium sized industries that were emerging under the protection of the Mexican state.[lxi]

Given the requirement of participation in these organizations, few business leaders went beyond them to form associations of their own creation. One of the rare exceptions was the Mexican Republic Employers’ Federation (COPARMEX), a forceful, antistate organization that dates back to the divisive 1928 debate about the Labor Code. Even this independent offshoot posed little threat to the regime. COPARMEX remained essentially a regional, Monterrey-based organization; it failed to develop a broad national base and could not compete organizationally with the larger, state-sponsored federations.[lxii]

Through its influence over the major private sector organizations, selective distribution of resources, state investment funds, licenses, and tax exemptions, the bourgeoisie was incorporated as a silent partner in a state-sponsored development initiative. Mexican businesspeople were notoriously withdrawn from public political life, even to the point of eschewing party membership.[lxiii] As a result of the Revolution’s formal commitment to the masses and marginal groups, public alliances between the regime and economic elites would have been uncomfortable for both. Instead, linkages between the state and the bourgeoisie were generally informal and tacit rather than highly visible and overt. Through participation in state-created business associations, sectoral leaders, who tended to be drawn heavily from the largest firms and industrial groups, obtained representation on a host of government boards and agencies.[lxiv] In turn, they refrained from organizing independently and implicitly supported the line of the political leadership.

The entrepreneur who was savvy enough to cut through the 'socialist' rhetoric and seek contacts with political elites often flourished. Whether the fictional Artemio Cruz of Carlos Fuentes' invention or the pseudonymous Pablo Gómez described so deftly by Larissa Adler Lomnitz and Marisol Pérez-Lizaur (1987: 37-38, 61-63), entrepreneurs who energetically sought out investment opportunities and political alliances with the revolutionary regime could expand rapidly during this period of historic economic growth.[lxv]

The result was political factionalization of the economic elite, with strong state-capital bonds forged in key sectors.[lxvi] This factionalism was in part related to the overall size and complexity of the Mexican economy. Regional economic differences were marked and played a role in the internal differentiation of the business elite. For example, the Monterrey group, developing prior to the Revolution and, in the case of steel, in competition with parastate enterprises, was quite independent from and often critical of the government.[lxvii] Private elites who were clustered in the capital, on the other hand, were slower to confront the regime. The tendency toward factionalism was exacerbated by the interventions of the regime. Through the distribution of investment, credit, subsidies, and protection, the state helped to create certain economic sectors and groups. These groups were dependent on the regime and had difficulty organizing autonomously around class needs or interests. Although expanded state roles and recurring expropriations caused consternation in some sectors, alliances and understandings forged in the aftermath of the Revolution continued to facilitate cooperation and communication with others.

This relatively complex relationship in the Mexican case was linked to the fuller ideological and economic repudiation of the old Porfirian elite presented by the Mexican Revolution compared to the transitions in Chile and El Salvador, and to the state-sponsored rise of a new, industrial elite in the postrevolutionary era. Unlike Chile and El Salvador, where traditional elites remained relatively autonomous and mobilized sweeping business opposition, bourgeois opposition was undercut in Mexico by the strategic organizational interventions of the state. The resulting alliances helped promote continued economic growth, even during the period of reform, making it possible for the Mexican regime to consolidate politically in spite of the redistributive reforms of the era. Continually expanding economic resources made it possible to avoid a zero-sum situation in which increased assets for the state or popular sectors meant reduced resources for capital. Growth allowed for multiple beneficiaries; even those who did not benefit directly could console themselves with the prospect of future gain. The result was what has been called a 'symbiotic relationship' between the state and key segments of the private sector (Camp 1989: 250-52).

4. Accommodation to Reform: Private Sector Alliances in 'Revolutionary' Peru

The Peruvian experience with revolutionary populism under the military government of Juan Velasco Alvarado did not produce an enduring alliance with the bourgeoisie like that found in Mexico in the wake of the Cárdenas era, but it did drive a wedge between elite sectors and win support in some capitalist quarters.[lxviii] Like the Mexican case, the reform effort in Peru signaled the demise of the traditional oligarchy. Seizing control of the state, the Peruvian military launched a large-scale agrarian reform program which effectively abolished the large landowning class. Rural estates were limited by Supreme Decree 265-70-AG to a maximum of 150 hectares of irrigated land on the coast and a modest 15-55 hectares of irrigated land (depending on the province) in the highland or high-jungle region.[lxix] As a result, roughly 35 percent of Peru's agricultural land was transferred into the reformed sector by 1977, benefiting around 24 percent of Peru's rural families (McClintock 1981: 62).[lxx]

The remainder of the bourgeoisie did not rush to defend the collapsing rural oligarchy, which was "a class in the process of deteriorating" (Castillo Ochoa 1988: 195; see also Bourricaud 1966). The economic center of gravity was already shifting toward the industrial sector in Peru, and Velasco targeted the latter for special support. Some large landowners from the coast (what Gilbert [1980] calls the "metropolitan oligarchy") had relaxed their links to the land and diversified assets into mining, urban real estate, banking, and manufacturing, and were no longer grounded in the agricultural sector.[lxxi] Most industrialists, moreover, were not from oligarchical families but from a new class of relatively recent immigrant extraction.[lxxii] The challenge to the traditional agrarian elite, therefore, did not produce the same tooth-and-nail resistance among the bourgeoisie that it precipitated in El Salvador.

To encourage private investment in the industrial sector, the military authorized the redemption of bonds given in payment for expropriated land at 100 percent of their face value to ex-landowners who would invest those payments in new industrial enterprises. Only few landowners though, like those in the Grupo Romero, used them to expand in this way.[lxxiii] More than the agrarian bonds, tariffs on imported manufactured products helped stimulate industrial growth, particularly in household goods. The primary growth areas of the economy during the Velasco era were manufacturing and construction (FitzGerald 1976: 63, Table 35; Malpica 1989: 48).

To prevent a rupture in the relationship with emerging domestic capitalists, Velasco attempted to shift much of the burden for financing this transformation onto the foreign-owned sector. The revolution was to be financed through what Becker (1983: 61-71) has called the 'bonanza development' approach. In this model, the state would derive resources from the foreign-dominated large-mining sector, particularly that involved in the extraction of copper.

These funds were to be spent on large-scale state investments including an oil pipeline, irrigation facilities, and turnkey projects in refining, chemical fertilizer, and fish processing.[lxxiv] By 1974, the state controlled 26 percent of the GNP and over 40 percent of production in the 'modern' sector (FitzGerald 1976: 36). To achieve this state-led growth, some sectors of foreign capital were expropriated. Those that remained were required to adopt a profit-sharing scheme that would ultimately apportion 50 percent of the stock in their companies to Industrial Communities representing the workforce in their firm.[lxxv]

As in the Mexican case, the Peruvian regime was able to undercut the traditional landholding elite and cultivate ties with segments of the bourgeoisie that benefited from the new, nationalist development scheme.[lxxvi] The National Society of Industries (SNI) initially found common cause with the regime and was 'cautiously cooperating' (Becker 1983: 258). This cooperation was at its peak in the late 1960s and early 1970s when the SNI was dominated by executives from the larger, more modern firms. Contradicting standard theory about the receptivity of small, domestic capital to populist reforms, it was the larger industrialists who were relatively open to reform in the Peruvian case. When questioned in a 1968-69 survey, for example, industrialists in multinational subsidiaries and large Peruvian consortia were more likely than their smaller counterparts to note the existence of structural problems in the economy and approve of a more dynamic role for the state (Wils 1975: 170). Building on that predisposition, a complex and sputtering understanding emerged between some of the larger industrialists and the revolutionary regime.

Bamat's (1978) close study of the Peruvian capitalist elite located several business sectors that participated in affirmative negotiations with the state. These included: the Association of Exporters (ADEX) (founded in 1973 by the large enterprise leaders from the SNI who had sought more active cooperation with the regime) which benefited from the government's active promotion of exports; the National Chamber of Commerce (CONACO) which benefited from an expanding internal market and was exempt from the profit- and stock-sharing requirement imposed on industry; the Mining Society, which was buoyed by the massive foreign investment deal arranged by the state for Southern Peru's Cuajone project;[lxxvii] and the Peruvian Institute of Business Administration, which sponsored an Annual Conference of Executives (CADE) that drew together a number of managers, executives, industrialists, and bankers who provided support for aspects of the project (Bamat 1978: 212-219; see also Becker 1983: 271-72; Wils 1975: 210).[lxxviii] To 'reinforce the sensible elements' in the regime, private sector leaders like Pedro Reiser, former President of CONACO, served as government advisers and appointees in key economic agencies and provided a selective defense of government policies (Bamat 1978: 216).

On the other hand, many industrialists who were not in the top elite were historically skeptical of state economic interventions and preferred a more 'liberal' approach. The regime dealt forcefully with these critics. The National Agrarian Society (SNA), an old, elite organization that had represented the traditional oligarchy, was simply dissolved in 1972 and its assets were seized by the state. It was replaced by a state-created peasant federation, the National Agrarian Confederation (CNA), which was emphatically pro-Velasco. After several of the larger, more modern industrialists channeled their energies into the formation of the Association of Exporters (ADEX), small and medium-sized industrialists became more prominent in the SNI leadership and the SNI became the leading critic of the military's project (Bamat 1978: 192-219; Becker 1978: 258). In response, the military flexed its muscles and withdrew legal recognition of the association. As tensions built, the regime forced changes in the SNI, requiring that workers be included in its national directorate and that it change its name.[lxxix]

As in Chile and Salvador, some disgruntled private sector leaders attempted to organize a cross-class response to the revolution. For example, two movements to create a peak association that would allow economic elites to mount a collective front in opposition to the regime were launched. Unlike the Chilean and Salvadoran cases, however, both failed in Peru.[lxxx] Throughout the revolution, the private sector in Peru continued to be divided into more than a dozen different national organizations (Durand 1988b: 275). The regime's ability to divide and rule by playing exporters, for example, off against small industrialists allowed it to prevent the consolidation of a united bourgeois front.

As in Mexico, this fragmentation is due in part to the collapse of the traditional oligarchy and the economic and ideological weakness of the emerging industrial-commercial elite that replaced it. Stratified into layers that had different needs and organizational styles and divided into sectors with often competing interests, played off against each other by regime policies that favored some over others, the Peruvian bourgeoisie was unable to form a political consensus about its relationship with the state.[lxxxi]

As in Mexico, and unlike Chile and El Salvador, economic reform was accompanied by economic growth in Peru. The gross domestic product increased by over 5 percent per year between 1970 and 1974, and by 4 percent in 1975 (McClintock 1981: 60). In spite of this success, economic and political problems eventually erupted for the regime. Growth was increasingly dependent on the state sector, and the state sector was increasingly dependent on foreign financing (Stepan 1978: Table 7.4, p. 284; FitzGerald 1979: 164).[lxxxii] Unlike Mexico, where the expansion of the state sector proceeded gradually over the course of several decades, state enterprises expanded rapidly in Peru into industries that needed massive investments, leaving a heavier financial burden for the state to assume. Increased financial dependency made the regime highly vulnerable to external forces. By 1976, this dependency gave foreign banks and the International Monetary Fund considerable influence over the model and ultimately contributed to the erosion of the revolutionary project (Stallings 1979: 242-248).[lxxxiii] In contrast, during the crucial period when the Mexican Revolution was consolidated, state expansion could be managed by internal borrowing. This buffered the Mexican populism somewhat from foreign influences.

Operating in a relative institutional vacuum after the 1911-1917 Revolution, the Mexican leadership was also freer to fill the landscape with organizations of its creation. Whereas most of the private sector organizations in Mexico were established by the state, the Peruvian military confronted an array of existing associations, many of which became regime opponents. The Peruvian regime focused its energies on taming or dissolving relatively autonomous organizations. It failed to institutionalize a network of business support; it even failed to institutionalize a network of support among peasants and labor, the purported beneficiaries of the revolution. For these and other reasons, the Peruvian revolutionary regime proved less durable than that of Mexico (Stepan 1978: 304-311).

In spite of these differences, there are certain notable similarities in these two cases. In neither did the bourgeoisie as a class publicly revolt against the regime; instead, segments of this elite operated in tandem with the revolutionary project.[lxxxiv] Neither had, as we found in the Chilean and Salvadoran cases, a strong, well-organized bourgeoisie capable of coordinating cohesive resistance to reform. Both the Peruvian and Mexican regimes were capable of targeting sectors of the economic elite who would be incorporated into the new development model. As a result of these characteristics, both regimes could, under certain circumstances, secure a cooperative relationship with key sectors of the bourgeoisie, even as the government attempted to restructure the social order and reallocate resources. This allowed the government to move forward with its reform program while at the same time to sustain economic growth. Ultimately, this state-bourgeoisie alliance restricted the degree to which the society could be transformed, but it also made some degree of transformation possible.

5. Conclusions

When revolutionary regimes leave the local economic elite in place, they run inevitable risks. If the regime pushes forcefully for structural change, the business sector can use its considerable resources to retaliate. Broadly disseminated denunciations, brisk capital flight, and coup plotting can undercut the revolution and lead to its reversal. On the other hand, if the regime attempts to assuage business fears by responding favorably to their concerns and incorporating their leaders, the revolution can be coopted. Unable to push for structural transformation, the revolution loses momentum and fails. The *bourgeoisie question*, i.e., how to negotiate capital's accommodation to change, is one of the central dilemmas of social revolution.

In Latin America, regimes committed to structural change have not been highly successful at achieving their goals. Various forces impede transition; the resistance of the local bourgeoisie is a crucial element. Not all business elites are identical, however, and some revolutionary regimes have maneuvered for their acquiescence more successfully than others. This paper has explored that variation by analyzing four historical cases. These cases point to five factors that shape state-capital relations (See Chart 1).

CHART 1

Configuration of State-Capital Characteristics and Bargaining Tendencies

	Confrontational	Accomodation
1. Hegemonic Force of Traditional Oligarchy	high	low
2. Business Organizational Autonomy	high	low
3. Perception of Class Threat	high	low
4. Institutionalized Political Capacity	low	high
5. Economic Viability of the Regime	low	high

The first component focuses on inherited oligarchical tendencies in the bourgeoisie. If the elite evolved out of an oligarchical family network without a fundamental rupture in the general historical pattern of dominance, as in El Salvador, then it is more likely to maintain its unity and be propelled forcefully into combat. Conversely, a more fragmented bourgeoisie is likely to emerge when, as in Mexico, there is no segment that, for reasons of tradition and economic domination, can exercise a 'hegemonic function' and provide political leadership for the class as a whole. A weak oligarchical profile is more probable when the economy is diversified, with multiple, competing economic groups vying for resources and crisscrossed with strong regional traditions and hostilities.

The unity/fragmentation of the elite is further conditioned by its organizational characteristics. The capacity to organize autonomously without extensive control on the part of the state facilitates the coordination of a common elite strategy. If business organizations expand laterally, to absorb much of the private sector, and vertically, to create a powerful peak association, as in Chile, then they can become formidable opponents of a reform regime. On the other hand, if private sector organizations are sparse and frail, leaving much of the elite unorganized, or if they depend heavily on the state for financing and legal recognition, as in Mexico, then they may be more susceptible to control by the regime.

The third factor that shapes the interaction is the degree of the elite's perception of threat. When capitalists of all sizes come to believe that private accumulation and social stratification are themselves in jeopardy and that the risks of loss are ubiquitous, as in Chile, elite fusion and confrontation are highly likely. Conversely, if these elites regard the risks as a problem that is specific to a discrete subset of the capitalist class, and particularly an issue for *foreign* as opposed to *local* business, then highly divergent responses, including strategic accommodation, may follow, as in both Mexico and Peru.

The degree to which the revolution achieves political institutionalization is also critical. If the reform regime is too fragile or internally divided, as in Chile, or fails to mobilize a broad popular base, as in El Salvador, then economic elites will have little incentive to enter into a bargaining process with political leaders. They may instead, often in coalition with powerful external actors, push to have the regime ousted, clearing the way for counter-reform. However, if the regime succeeds in institutionalizing the reform by consolidating its political resources and embedding these changes in a new legal order, as we found in Mexico, then it becomes a 'worthy foe.' Without the easy option of eliminating the regime, private elites may be drawn into negotiations.

Finally, the state must not only display notable political capabilities but must also resolve the complex problem of constructing an alternative economic model. If the state lacks the economic resources to carry out reforms or depends exclusively on the private sector for their generation, then private elites are empowered to collectively undermine the revolution. Sharp patterns of economic decline, as in El Salvador, coupled with hyperinflation, as in Chile, are particularly likely to elicit private sector hostility, which in turn accelerates economic deterioration. In contrast, if the regime can design an economic model that carries the promise of future return and general growth, as in Mexico and, for a time, Peru, then the elites may succumb to the inevitability of the transition and begin looking for their niche in the new order.

In sum, certain combinations of characteristics (weak oligarchical control, an organizational void in the private sector, relatively low threat perceptions among local propertied classes, firm political consolidation, and economic viability) can make it possible for the regime to negotiate with economic elites, even as it pursues redistributive reform. On the other hand, the converse conditions (continued oligarchical hegemony, broad and autonomous organization, a relatively acute perception of threat to local property holders, weak political control, and marked economic decay) foster a harsh and unified elite response that can preclude change and produce a forceful counter-revolutionary backlash.

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ENDNOTES

[i] In a copius critique of Eurocommunist theory as developed by the French Communist Party, Poulantzas (1978) concluded that the effort to define the nonmonopoly sector as an 'exploited bourgeoisie' under the heel of the monopoly sector was fundamentally flawed. The work of imperialism theorists was reviled for its fallacious assumption of "a supposed class solidarity between the popular masses of the dependent countries and their own bourgeoisies ('the exploited nations') against the imperialist bourgeoisies" (p. 151). Poulantzas argued that the monopoly and nonmonopoly sectors are bound together in a relationship of "organic interdependence" (p. 149). Far from being a natural ally of the popular classes, the nonmonopoly sector, because of its greater competitiveness and lower profit margins, may actually be more directly conflictual and exploitative in its relations with labor than its monopoly counterpart. Although Poulantzas delineates multiple contradictions within and between the monopoly and nonmonopoly sectors of the bourgeoisie, he concludes emphatically that "...the relationship of exploitation is that between the bourgeoisie as a whole and the working class and popular masses" (p. 151). Interpreting Latin American class dynamics, André Gunder Frank (1969: 396) concluded that the internationalization of capital was "driving the entire Latin American bourgeois class—including its comprador, bureaucratic and national segments—into ever closer economic and political alliance with and dependence on the imperialist metropolis."

[ii] Zeitlin and Ratcliff's (1988) work raises provocative questions; in attempting to explain the political behavior of the capitalist class, however, the family-network framework suffers from significant limitations. Analysis of only upper echelon elites in the largest economic operations neglects the fissure between the dominant elite and the rest of the capitalist class, whose members do not occupy directorships of leading national banks or industrial conglomerates. Furthermore, the assumption that kinship is the central bond defining social relations may overstate the cohesiveness of family structures and obscure divisions within those units. This formulation may assume too much about the collective economic purposefulness of the extended family and the ability of family brokers to resolve competing interests. Divisions within the top elite may not, in Zeitlin and Ratcliff's words, be "ontologically real," but, in moments of crisis and social transformation, they may be politically quite real.

[iii] A third type of outcome, in which a revolutionary socialist regime of the Cuban type confronts and eliminates the bourgeoisie, was not included in this analysis. Since that type of regime effectively eliminates the bourgeoisie, it provides little information about the ongoing dynamics and complex negotiations in the relationship between a transformative state and the dominant class.

[iv] Evelyne Huber Stephens and John D. Stephens (1986: 333-336) differentiate democratic socialism from its more moderate cousin, social democracy, on the basis of several criteria. Social democratic governments have tended to emerge in highly industrialized countries in Western Europe where local capital is relatively dynamic and foreign penetration is less intense. Because of these characteristics, income redistribution and economic growth can be achieved through tax and regulatory policy and social welfare programs without extensive state control of the local economy. In Third World countries, on the other hand, where foreign participation in the economy is much deeper and aligns with local capital, they argue that more direct state ownership is required to achieve dynamic growth and lower foreign dependence. Thus while democratic socialism and social democracy share certain general objectives (increased social

equality, promotion of political democracy) the role of the state and the economic logic of each is found to be distinct.

[v] As early as 1940, over one-third of the industrial work force was unionized. See Valenzuela (1978: 28). As the political contest deepened in the 1960s with the extension of the franchise and the election of Eduardo Frei, social organization intensified with the growth of unions, neighborhood groups, and rural organizations.

[vi] According to Drake (1973: 315), 40 percent of the leaders of the Conservative Party and 34 percent of the Liberal Party leaders belonged to the elite Sociedad Nacional Agraria (SNA) in 1931-33.

[vii] The Association of Banks and Financial Institutions was established in 1943 and the Chamber of Construction was founded in 1951. The National Mining Society includes only Chilean mine owners representing medium-sized mining rather than the largest mines, which were foreign-owned prior to 1971.

[viii] Bitar (1986: 208-09) notes that SOFOFA had a membership of only around 2,200 in the early 1960s. Genaro Arriagada's (1970: 116-171) study of Chilean employers' associations identified a series of features, such as the inclusion of nonelected officials on the executive councils and low leadership turnover, that tended to increase centralized control in these associations and limit internal democracy.

[ix] The UP's official campaign *Programa* opens by expressing concern about the suffering "by workers, peasants, and other exploited classes as well as in the growing difficulties which confront white collar workers, professional people, small and medium businessmen, and in the very limited opportunities open to women and young people" ("Popular Unity's Programme" 1973: 255). Against this broad coalition of the disadvantaged are placed the interests of "imperialist nations," "bourgeois groups who are structurally related to foreign capital," and the "national monopolistic bourgeoisie" (255-256).

[x] The 1967 law allowed landowners to retain a *reserva* of their choosing equivalent to 80 hectares of irrigated land in the Central Valley. Furthermore, reformed land was allocated only to those workers currently employed on the estate. These measures allowed the landholding elite to retain all capital and considerable land resources, and did little to address the serious problems faced by landless migrants and *minifundistas* not employed on the large estates. The UP government did, however, accelerate the pace of implementation of that legislation. Between 1965 and 1973, 5,036 large estates (*fundos*) were expropriated, 70 percent of them after 1970. See de Vylder (1976: 176-198).

[xi] According to McClintock (1981: 61), the portion of agricultural land redistributed in Chile between 1967 and May 1973 was comparable (36 percent) to that distributed in Mexico and Peru (36 percent in Mexico as of 1960, and 35 percent in Peru through 1977) but the portion of rural families receiving land was much lower (9 percent in Chile, versus 25 percent in Mexico and 24 percent in Peru).

[xii] It took the government almost a full year to specify a concrete expropriation plan for that sector. The bill it proposed in October 197l targeted around 250 of the largest private stock companies for expropriation. Private stock companies with capital valued over 14 million *escudos* (then about US $1.4 million) in December 1969 would either be fully expropriated and transferred to the 'social property' area or be partially expropriated and turned into mixed enterprises (de Vylder 1976: 136). Congressional resistance pushed the government to lower the target to around 90 enterprises a few months later. In a rare exception to the general pattern, the government was actually able to secure support for this proposal from the National Association of Small Manufacturers, whose constituents, of course, would not be affected by the bill.

[xiii] Of these, 248 were under full or partial state ownership and 259 intervened or requisitioned (CORFO 1989: 226-27, 244). In the final months of the Allende government, the number of firms taken over by their workers increased rapidly, with the addition of around 50 small and medium-sized firms following an attempted coup in June 1973 (de Vylder 1976: 144-45).

[xiv] In February 1972, Congress passed an amendment to the Constitution that in effect precluded further expropriations without congressional authorization. Allende vetoed the

measure and argued that a congressional override required two-thirds approval, something that the opposition could not muster. The opposition countered that constitutional reforms passed in 1970 made it possible to amend the Constitution with only a simple majority vote. Allende proceeded with expropriations as if the constitutional amendment were void, leading some of his challengers to allege that his regime operated outside the law and hence deserved to be removed by extralegal means. By the time Allende pushed a compromise proposal through his fractious coalition, (which would give the government legal authority to expropriate, with compensation, 80 enterprises, while requiring specific authorization from Congress for any future nationalizations), the right-wing of the Christian Democratic Party had become dominant and the Christian Democrats refused to back the measure (Valenzuela 1978: 75-76).

[xv] Arturo Matte Larraín, head of the prominent Matte family and brother-in-law of defeated presidential candidate Jorge Alessandri, was involved in the ITT conspiracy to prevent Allende's inauguration. His nephew, Benjamín Matte Guzmán, who headed the SNA, vehemently opposed even the Christian Democratic agrarian reform program and became a clandestine leader of the far right-wing paramilitary organization *Patria y Libertad*. Agustín Edwards Eastman, whose family owned controlling interest (42.75 percent) of the Bank of Edwards and 69 percent of the conservative newspaper *El Mercurio*, jumped ship, leaving Chile to become an international Vice President of Pepsi-Cola Corporation in New York. From the US he lobbied the Nixon administration for assistance in blocking the Allende government (Zeitlin and Ratcliff 1988: 66; 224; 252-257).

[xvi] According to Silva (1992: 3) the President of the National Mining Society during this era was actually an Allende supporter.

[xvii] According to calculations made by Barbara Stallings (1978: 248), the private sector's portion of fixed capital investment in industry dropped from an already low 43 percent in 1970 to only 20 percent in 1971, and declined still further to around 10 percent of the total in 1973. This percentage decline was not simply a reflection of a rapid increase in public investment. Stallings' data (1978: 248) show that real public investment did increase modestly in 1973, but real private investment dropped sharply from 260 million escudos of 1965 in 1970 to approximately 93 million of 1965 escudos in 1971. Outside the construction sector, private domestic investment reportedly dropped 71 percent between 1970 and 1971 (Valenzuela 1978: 56). The private sector investment decline appears to be quicker and sharper than that in Peru under Velasco, where the private sector was still responsible for 40.8 percent of gross fixed capital formation in 1974. However, FitzGerald (1976: 84) estimates that only one-third of Peruvian private investment during this period was from local capitalists.

[xviii] This point is difficult to document, but it is often made in the literature on this era. See for example Vylder (1976: 62) and Bitar (1986; 204).

[xix] Indeed, there was some support for the UP coalition within the privileged classes prior to 1970. According to electoral surveys by Eduardo Hamuy in Greater Santiago, for example, 20 percent of those classified as in the 'bourgeoisie' voted for the Socialist/Communist coalition in 1964. This was slightly higher than the 18 percent 'managers/professionals' and somewhat below the 27 percent 'petty bourgeoisie' who voted for the Left in that election. These figures are cited in Stallings (1978: 244).

[xx] From interview with Guillermo Campero in Campero (1986: 58).

[xxi] In early 1973 Allende rejected the Millas Project, named for the new Economics Minister Orlando Millas, which would have returned 50 small and medium-sized firms to their former owners. After the workers in these firms, encouraged by the Socialist Party and MAPU, went out on strike, Allende authorized the retention of these firms (de Vylder 1976: fn. 51, p. 239).

[xxii] The President of COPROCO, the peak association of the old, elite business organizations, proclaimed two weeks before the coup, "I don't belong to any party, I'm not tied to any important economic group. I'm a commercial and industrial businessman of medium importance... Right now the concern of the business organizations isn't about how to get more...but with fighting for liberty, the right to work...and the right to produce and distribute goods and services under a regime that respects the law and individuality." *El Mercurio*, September 4, 1973 as cited in Campero (1984: 86-87).

In a self-criticism written following the 1973 coup, former UP Minister Sergio Bitar (1986) condemned the UP for regarding these middle strata as ‘temporary, tactical allies’ rather than a ‘strategic element’ whose interests had to be considered seriously and responded to by the government (p. 211).

[xxiii] Key economic elites, particularly the powerful Edwards family, were able to fan public fears about the loss of freedom and deepen the polarization of the society through alarmist news coverage in the powerful right-wing daily *El Mercurio*. Through a combination of pressure on those who wavered and ideological leadership, the opposition press mobilized widespread opposition among the privileged sectors. De Vylder reports that two-thirds of all television stations, 95 percent of radio stations, 90 percent of newspaper circulation and almost 100 percent of weekly magazines were opposed to the government (1976: 47). One of the weekly magazines, *El Segundo*, published the names of businesspeople who agreed to sell their holdings to the state, thereby pressuring owners to reject purchase offers and making it more difficult for the government to successfully negotiate the takeover of private businesses.

[xxiv] For a discussion of the evolution of ‘notable families’ in Latin America during the 1750-1880 period, see Balmori, Voss, and Wortman (1984).

[xxv] The *matanza* of 1932 wiped out close to 1 percent of the population. See Anderson (1971: 135).

[xxvi] One political party, the PAR, was officially proscribed in the 1960s for including a proposal for the expropriation of private land in its platform. See Ramírez (1985: 102).

[xxvii] According to de Sebastián (1986: 34), the Asociación de Cafetaleros was also allowed to control 36 percent of the stock in the Banco Central de Reserva when that bank was founded in 1934.

[xxviii] A modest process of crop diversification began in the 1940s with the introduction of cotton cultivation and later with sugar cane; industrialization was promoted with 1952 legislation giving tax exemptions for the import of capital goods and with the creation of state investment institutes to finance industrial investment (Jiménez 1986: 13-14). Indeed, the average annual industrial expansion rate (5.7 percent) outpaced agricultural growth (4.5 percent) in the 1950-62 period (Bulmer-Thomas 1987: 7).

[xxix] The powerful Asociación de Cafetaleros de El Salvador was allowed to acquire 40 percent of the stock in this bank, and the Asociación de Ganaderos de El Salvador another 20 percent (Baloyra 1982: 13).

[xxx] See also Baloyra (1982: 25); and Dunkerley (1988; 343-349).

[xxxi] They were responsible, by some accounts, for 17 percent of manufacturing, 26 percent of commerce, and 31 percent of the service sector (Sevilla 1985: Table 10, p. 18). Drawing on data for 1978-79, Sevilla (p. 15) defines medium-sized as those operations with an annual production value of between 1-5 million colones (US $400,000-$2 million at the then prevailing exchange rate) in manufacturing, gross earnings between 500,000 and 5 million colones (US $200,000-$2 million) in services and commerce, or land size between 50 and 100 hectares in agriculture.

[xxxii] ANEP was composed of the Coffee Association (which claimed 40,000 members in the early 1980s), the Chamber of Commerce, the Salvadoran Industries Association, the Banking Association, the Chamber of the Industry of Construction, the Cotton Producers Cooperative, the Association of Producers of Sugar, the Association of Processors and Exporters of Coffee, the Chamber of Tourism, and other regional affiliates (Ramírez 1985: 97-98; Crosby 1985: 26). In 1980, it claimed 31 affiliates and a membership of over 50,000.

[xxxiii] The reaction of the landed elite to the agrarian reform proposed by the military government in 1976 indicates the breadth of its control and the intensity of its resistance to change. Proposed by military president Molina in 1976, the plan to distribute 59,000 hectares in the Eastern cotton-growing region to 12,000 peasant families would have provided ample AID-financed compensation at market prices (Baloyra 1982: 56; Jung 1980: 17). ANEP, representing

agricultural producers, industry, and commerce, responded immediately by publicly denouncing the measure and mobilizing its membership in opposition. In a series of newspaper announcements, ANEP carried on a hot exchange with the Molina government, condemning the government's 'totalitarian stance' and 'absolute intransigence,' and reminding them of their 'obligation to listen' (Baloyra 1982: 57-58). The government, in its own newspaper announcements, responded that "the act of listening should not be confused with the action of obeying" (*ibid*.). In spite of this bravado, within weeks the government began backing away from the plan. To bolster its position, the more extreme right-wing elements in ANEP formed the Frente Agrario de la Región Oriental (FARO), a militantly right-wing, violent organization. This began a long tradition of right-wing elites employing violence and financing death squads to counter those who challenged them.

[xxxiv] Private sector leaders were not long involved. The first *junta* included Mario Andino, local manager of the Philips Dodge wire company owned by the de Sola family. Andino was viewed as an ANEP representative by Christian Democratic Party leader José Napoleón Duarte, who publicly demanded the exclusion of all private sector representatives on the *junta* before the Christian Democrats would agree to join the government in January 1980. A second prominent private producer, Enrique Alvarez, a large landowner and former Minister of Agriculture, briefly served the new government in 1979 as the Minister of Agriculture before resigning to join the leadership of the Frente Democrático Revolucionario (FDR). He was subsequently assassinated.

[xxxv] This phase authorized the expropriation of properties over 500 hectares and the allocation of these estates to the resident labor force in the form of cooperatives. As in the agrarian reform program in Mexico, Peru (except in the highland and high-jungle region), and Chile, landowners were allowed to retain a substantial reserve—in this case of 100-150 hectares, depending on soil quality. Phase I land was to be compensated with 20-year bonds for inventories and land, at 6 percent interest, based on 1976-77 declared tax value. There is evidence to suggest that around 10 percent of the affected landowners had overestimated the value of their land, presumably to increase their access to bank credit. Many others, however, had underestimated the land value in order to reduce their property taxes. For them, the compensation provided was unacceptably low. The bonds themselves were also unattractive, and traded at 55-62 percent of their face value. The government's willingness to accept the bonds in lieu of payment for some types of taxes, however, did give them a certain value. In the end, almost half of the Phase I estates (238 properties) were acquired at market rates instead of rates based on declared tax value (Strasma 1990: 10).

[xxxvi] According to Thiesenhusen (1989: 10-11) this would be *more* land to a *higher* percent of the rural population than any other land reform program in Latin America except that of Bolivia. Thiesenhusen's data indicate that the Bolivian agrarian reform program affected 83.4 percent of the agricultural and forest land of the country, and benefited 74.5 percent of the 'farming families.'

[xxxvii] In its 1990 Census, the Proyecto de Evaluación y Planificación Agrícola (PERA) of the Salvadoran Ministry of Agriculture reported that 30 cooperatives had been abandoned (Strasma 1990: 25).

[xxxviii] Recognizing this problem, the Duarte government modified the terms of repayment for land recipients in 1986, reducing interest rates from 9.5 percent to 6 percent and extending the repayment period from up to 30 years to up to 50 years (Strasma 1990: 5, 11-12).

[xxxix] Payment was made in government bonds at 9 percent interest with 5 year maturity. Not included in the nationalization were the foreign banks, which were now legally prohibited from accepting deposits (though in practice they continued to do so), savings and loan institutions, and the Banco Hipotecario. In his study of the nationalized banking system, Valdés (1989: 792, fn. 3, p. 806) suggests that the latter may have been spared because it is commonly regarded as being in the public domain already, though in fact it is still largely owned by the Asociación de Cafetaleros and the Asociación de Ganaderos, and because of the mediation of its former President and, subsequently, Salvador's provisional president, Alvaro Magaña.

Initially the state controlled the nationalized banks, but, after some unspecified period of time, 49 percent of the stock was to be sold off—20 percent to bank workers and 29 percent to other buyers (Valdés 1989: 792). To prevent reconcentration of ownership, individuals were allowed to buy no more than 1 percent of the stock and could purchase stock in only one bank (*ibid*., p. 806).

xl According to Orellano's study (1985: Table 5, p. 15), for example, shareholders in the Banco Salvadoreño, the country's oldest and one of the largest banks, were paid 17 percent more than face value per share and 49 percent more than the book value established by the evaluation commission. In a few banks, however, fictitious loans that had been authorized to allow for capital flight were deducted from the portfolio, and some shares were compensated at 50 percent of face value.

xli Coffee processors, on the other hand, were paid a straight fee determined by the state, and in some ways may have benefited from the new program. According to López (1986: 7), processors received 28-29 colones per 500 lbs. of coffee in 1979 for the two stages of coffee processing, and this was increased to 50 colones in 1982. On the other hand, processors lost their ability to adjust their charges with different clients or to participate directly in the lucrative export trade.

xlii On income calculations by efficiency levels, see the discussion of the US Agency for International Development report, "The Coffee Situation," San Salvador, March 8, 1984 in López (1986: 19). According to López's calculations (p. 34), in 1985, INCAFE earned the equivalent of 350 colones per quintal in its coffee transactions, and paid producers only 220 colones per quintal. When international prices soared in 1986, the gap widened still further, with the state earning 1,000 colones per quintal and paying producers only 400 colones.

xliii In 1984 the Salvadoran Ministry of Agriculture and Livestock estimated that 43 percent of the area planted to coffee had been effectively 'abandoned' (meaning literal abandonment or the curtailment of active production labors like fertilizing, pruning, etc.) affecting varying amounts of the crop (from 98.7 percent of coffee land in Morazan to 20 percent in La Unión). In the crucial Santa Ana province, 47.6 percent of the coffee cultivation had been 'abandoned.' See discussion in López (1986: 25-26). International prices for mild coffee fell from $1.35 in 1988 to $.89 in 1990 (CEPAL 1990: Table 12, p. 30).

xliv All of the organizations affiliated with ANEP opposed the reforms. Some were, however, more confrontational than others. The Asociación Cafetalera was probably the most ferocious opponent; the Salvadoran Industrialists' Association, in contrast, maintained direct communication with Duarte in private meetings until May 1981, when pressure from other business leaders prompted them to suspend the meetings. Duarte attempted to build bridges to ANEP leaders, reportedly offering to name one of their leaders as Minister of Economic Affairs in December 1980. In a formal, written counterproposal, ANEP leaders refused the offer unless they were also given a position on the *junta* plus the opportunity to select the ministers of Foreign Trade, Agriculture, Treasury, Labor, and the Central Bank presidency (Ramírez 1985: 156-158). Duarte declined their request.

xlv For example, Dr. José Antonio Rodríguez Porth, President of the Chamber of Commerce, chaired ARENA's Advisory Council and played a major role as intellectual architect of the ARENA program and as a campaign fundraiser. He was named as Minister of the Presidency in the Cristiani government, but was assassinated soon after on June 8, 1989.

xlvi A Supreme Court decision in 1989 had declared INCAFE to be an unconstitutional monopoly, and this program was replaced by a modest supervisory board, the Salvadoran Coffee Council. Unlike its predecessor, the Coffee Council did not fix prices.

xlvii Recent studies by Paige (1991) and Wolf (1992) indicate that shadings of difference had developed in the postreform era between ARENA 'hardliners' and 'softliners.' Paige concludes, however, that neither sector of the elite associated democracy with social and economic rights, suggesting an important continuity within the elite establishment.

xlviii The per capita GDP decline during the crucial 1980-82 period was -10.5 percent (1980), -9.2 percent (1981) and -6.6 percent (1982) (CEPAL 1986: 2).

xlix According to Hamilton (1982: 281-2), state autonomy is facilitated by three sets of conditions: a weakening of the economic elite as a result of internal or external crisis; the formation of an alliance between the state and the underclass that allows the state to challenge the dominant class; and the development of a cohesive state structure that allows forceful state action.

l Some analysts, such as Gary Wynia (1990), reserve the term ‘populist’ to describe the personalistic movements led by Brazilian President Getúlio Vargas and Argentine President Juan Perón in his early phase. Indeed, Hamilton (1982: 138-9) contends that the postrevolutionary development of Mexico does not fit entirely in the populist model because the classical populist experiences of Brazil and Argentina did not mobilize the rural masses or include extensive agrarian reform. Yet most analysts of Mexican politics find the populist label to be appropriate. To differentiate between the Mexican and Peruvian forms of populism and their more moderate, industrial counterparts in Argentina and Brazil, I shall use the term ‘revolutionary populism’ here to describe the former.

li David W. Walker (1986: 227-28) illustrates the decline, focusing on the Martínez del Río family.

lii General and, subsequently, President Alvaro Obregón’s landholdings, for example, reportedly expanded from 1.5 to 3,500 hectares after the Revolution (Hamilton 1982: 68). Most post-revolutionary economic elites, however, had already acquired some significant assets during the *porfiriato*, though those resources certainly declined. As Camp (1989) points out, the best predictor of membership in the economic elite after 1917 is membership in that elite prior to the Revolution.

liii Cárdenas expropriated a total of 811,157 hectares during the 1934-40 period compared to only 783,330 in the previous years of the Revolution (Wilkie 1970: 194).

liv Land grants were given in the form of *ejidos* or communal holdings, based on a landholding pattern derived from tenancy practices of indigenous communities.

lv For example, with the reform of Article 78 of the Labor Code, a Constitutional provision calling for payment to workers for the seventh day of the week was implemented, automatically raising wages approximately 17 percent (Hamilton 1982: 148).

lvi The Mexican regime avoided the standard plague of populist governments: rising deficits and inflation (Dornbusch and Edwards 1991). Increased government spending to support new social programs and expanded agricultural credit contributed to fiscal deficits, but these were offset somewhat in the Cárdenas era by declining military outlays. The portion of the government budget spent on agricultural credit increased to 9.5 percent in 1935 and stabilized at an average of 3.5 percent for the remainder of the *sexenio*, whereas the military’s portion declined from 30-53 percent in the 1920s-1930s to a low of 15.8 percent in 1939 (Wilkie 1970: 102, 139, 166). A modest deficit did emerge in the government budget in 1936 and became a recurring feature in the decades that followed (NAFINSA 1981: 304). The deficit was financed internally by drawing overdrafts (*sobregiras*) at the central bank (Medina 1974: 269).

lvii Lázaro Cárdenas, *Los Catorce Puntos de la Política Obrera Presidencial* (México, D.F.: P[artido] N[acional] R[evolucionario], 1936) 48, as cited in Wilkie (1970: 73). See also Martínez (1984: 85).

lviii Drawing on data compiled by the Confederación de Cámaras de Comercio e Industria, Medina (1974: 271) finds that capital flight increased from 46 million pesos (US $12.8 million) in 1934 to 250 million pesos (US $69.4 million) in 1937 before tapering off in 1938. US direct foreign investment dropped over 25 percent during the 1936-40 period (Wilkie 1970: 265), suggesting that US firms were particularly skittish.

lix Quoted in Medina (1974: 278). See also Martínez (1984: 113).

lx In 1936 new legislation was approved that required all firms worth more than 500 pesos (approximately US $143) to participate in trade associations. These organizations would be united in a single peak confederation under the jurisdiction of the Secretary of the National Economy. See Hamilton (1982: 196). In 1941, separate chambers of industry and commerce were reestablished.

lxi There is some debate about the character of CANACINTRA. Analyzing this institution in the 1940s, Mosk (1954) presents it as an authentic private sector organization composed of revolutionary, nationalistic entrepreneurs. On the other hand, Shafer (1972), writing in the 1970s, sees it essentially as a representative of the state in the guise of a private sector organization.

lxii See Alcázar (1970: 106, Appendix I). By the 1970s, however, as the renewed populism of the Echeverría administration triggered greater private sector hostility, COPARMEX's membership increased, rising from 13,000 to 18,000 during the decade (Camp 1989: 164). Heredia (1991: 78) found that the number of regional affiliates of COPARMEX rose from 22 in 1978 to 64 (including 6 in Mexico City) in 1990. See also Bravo Mena (1987: 89-104).

lxiii A 1982 public opinion poll conducted by the PRI concluded that only 17 percent of industrialists and 22 percent of company presidents professed membership in some political party. In contrast, 30 percent of the general public identified themselves as members of a political party (Camp 1989: 139).

lxiv See the discussion in Camp (1989: 157). Camp acknowledged that it is difficult to know what the representational bias was in these business associations, but he found frequent allegations in his interviews with business leaders that leadership in these organizations tended to be weighted in favor of representatives of the largest firms. Unlike other Latin American countries such as Peru, where leading capitalists did not seek leadership positions in large business associations (Durand 1988b: 274), in Mexico they often did. See also Luna (1992: 4).

lxv According to Lomnitz and Pérez-Lizaur, Pablo Gómez broke with family tradition to invite a prominent General to become his daughter's godfather in 1939 (p. 39). His political alliances allowed his branch of the family to prosper during this era. Pablo inherited two industrial concerns in 1925; these were expanded into a complex of thirty-six factories by the time he died in the early 1960s (p. 109). His branch of the family continued to maintain friendships with political leaders, establishing social relationships and regular contact with subsequent Presidents Alemán, López Mateos, and Díaz Ordaz (pp. 200-201).

lxvi In a study of the recent relationship between the government and business associations, Luna, Tirado, and Valdés (1987: 19-21) found that the twelve major private sector organizations in Mexico ranged along a 5-point continuum from those that gave unconditional support to the government (like the National Federation of Small Property Owners, CNPP) to those that made fundamental criticisms of both the political and economic systems (like COPARMEX). Most organizations ranked somewhere in between, with some, like CANACINTRA, generally endorsing the government line and pushing to have business organizations formally integrated into the PRI party apparatus. CANACINTRA became a durable base of support for government initiatives, backing legislation that recognized that state as the regulator of the economy in 1950, the nationalization of the electrical industry in 1960, restrictions on foreign investment in 1973, the government's decision to stay out of the GATT in 1980, and even the nationalization of the banks in 1982 (Alcázar 1970: 120-121; Arriola 1976: 45; Basáñez 1990: 124-25; Maxfield 1987: 4). Other organizations, like CONCAMIN, called for a gradual reduction in the economic roles of the state and increased business autonomy, but generally cooperated with the regime.

lxvii The 'Monterrey group' emerged under the leadership of Isaac Garza and Francisco G. Sada. Starting with a brewery founded in 1890, their descendants expanded into glass, steel, packing, chemical production, and banking. For a detailed history of the Monterrey Group from 1890-1940, see Saragoza (1988). Tensions between the Monterrey Group and the state prevailed even though personal friendships sometimes emerged with government officials, as in the case of Eugenio Garza Sada and Luis Echeverría (Saragoza 1988; Basáñez 1981: 105).

lxviii Debate about the role of the bourgeoisie in Peru's revolution has been intense. Some analysts argued that the revolution was directed by the industrial bourgeoisie and foreign capital and was designed to serve their interests (Dore and Weeks 1977). Others, like FitzGerald (1976: 93-102), interpreted the revolution as an exercise in state capitalism in which the state attempted to counter the foreign and domestic bourgeoisie by itself becoming the central national entrepreneur. Stepan (1978: 290-317) viewed it as a failed effort to institutionalize a relatively autonomous state that would promote national development.

lxix For nonirrigated land the maximum was set at 300 has. for the coastal region and the amount of land necessary to maintain 5,000 sheep (or their equivalent in other species) in the highland or high-jungle region (McClintock 1981: fn. 34, p. 60).

lxx Thiesenhusen's (1989: 10-11) figures differ modestly. He found that 39 percent of the agricultural and forest land was transferred, between 1969 and 1982, to 30 percent of the farming families.

lxxi See also Becker's (1983: 187-89) analysis of the directorships of mid-size mining operations and the linkages with individuals from the agrarian oligarchy.

lxxii In a 1968-69 survey of 179 industrialists in medium- and large-sized firms, Wils (1975: 148) found 52 percent were descendants of first or second generation immigrants. Even in the largest firms, only 31 percent of the owners were from oligarchical families (p. 145).

lxxiii According to data obtained by McClintock, fewer than 5 percent of the bonds were reinvested in this fashion (1981: 47, fn. 16). Bamat (1978: 140) points out that between 1969 and March 1976, investments approved for finance with the agrarian reform bonds amounted to only 4.4 percent of the total value of the bonds, and nine of the nineteen projects approved were actually for hotel construction rather than industrial activities. The prime beneficiary of this program was the Grupo Romero, which lost cultivated land on five large estates but was able to substantially expand its industrial and financial holdings. According to Reaño and Vásquez (1988: 101), 61 percent of the funds administered in the Fondo de Financiamiento y Promoción de Empresas Industriales went to the Romero group.

lxxiv According to FitzGerald (1976: 87), there were 3,000 state development projects underway in 1973; 150 of them were 'major,' involving programmed investments of over 50 million soles.

lxxv Foreign capital's shares were to be reduced to a maximum of 49 percent by 1986. Following the August 1975 countercoup of Morales Bermúdez, these requirements were relaxed. The revised Industrial Communities Law adopted in late 1976 reduced the portion of the industry to be given to workers to 33 percent, and gave the shares directly to the individual workers instead of the Industrial Communities. Foreign owners were given some options that included the retention of their stock if they chose to not participate in the benefits of the Andean Market (Stepan 1978: 276-77). Peru eventually agreed to pay $150 million in compensation for US firms that had been expropriated (*ibid*., 259).

lxxvi The Peruvian private sector was also affected by these reforms, but much less so. A few local firms were shifted into the state sector and the major daily newspapers were turned over to groups representing different social sectors. But in many cases these changes were the result of bankruptcy, not expropriation. Only one big local capital group, the Prado consortium, lost its assets, and a series of Prado enterprises shifted under state control, including the Banco Popular and textile, paper, fertilizer, and cement factories (FitzGerald 1976: 33). This group went bankrupt, partly as a result of the crash of the fishing industry following overfishing and changing ocean currents.

Peruvian industrialists were also required to adopt the profit-sharing scheme but, unlike foreigners, were not given any timetable for the completion of the sale. Indeed, the pace of this transfer was slow and had reached only 9 percent of stock in 1974 (Stepan 1978: 274).

lxxvii Although some foreign firms were expropriated or declined, others prospered. Becker's (1983: 97-165) account of the Peruvian mining sector, for example, contrasts the histories of two major mining companies. Cerro de Pasco was an internally divided foreign-owned operation that dominated the mining sector. When it decided to use Peruvian profits to expand operations in Chile, Peru's traditional rival, the company was expropriated. In contrast, Southern Peru Copper devised an expansionary investment plan that converged with the state's nationalist development program. In the latter case, the state not only refrained from expropriation but supported the negotiation of an international loan package to finance the dramatic expansion of the company.

lxxviii Becker's (1983) work analyzes the development of a 'new bourgeoisie' in Peru which supported the new state policy. This reform-oriented 'bourgeoisie' was composed of managers and administrative personnel who were 'knowledge-based' rather than 'ownership-based' (p.

238). Becker's study may overemphasize the power of a managerial elite, since the lack of ownership limits this sector's ability to direct the industry over the long run. This work does, however, highlight proreform commitments even among relatively privileged members of that society.

[lxxix] The word 'national' was dropped from its name. Other forms of pressure used against the association included forcing the Society's stridently oppositional president to remain in exile for a year following a trip abroad (Stepan 1978: 121).

[lxxx] In 1974 the SNI pushed for the creation of a United Front for the Defense of Private Property to coordinate an industry-wide response to the nationalization of the fishing industry. Fearful of the regime's response, leaders soon backed off and this effort fizzled. Three years later, seven private sector organizations succeeded in creating the Unión de Empresarios Privados del Perú, but the association lasted only six months before it was dissolved (Durand 1991: 5-6).

[lxxxi] According to Durand (1988b: 271-73), at the top of the pyramid are found a small number of 'family clans' who attained prominence with the destruction of the oligarchy and whose position was fortified by the military regime's nationalistic policies. These top economic groups had investments in multiple sectors of the economy including the country's major banks and generally had some associative link with foreign capital. Beneath this group was a second layer of large and medium-sized capitalists who, unlike the first group, were generally involved in only one or two economic sectors. Since their economic base was narrower, they were more vulnerable to shifts in state policy and more resistant to the reforms.

[lxxxii] The state portion of gross fixed capital formation rose from 30 percent in the 1964-68 period to 50 percent in 1974-76, while the percent of private investment declined (FitzGerald 1979: 150). Private investment, already low at 10.8 percent of GDP in 1964-68, now dipped to 8 percent of GDP in 1969-76, and FitzGerald (1979: 151-52) estimates that foreign capital provided two-thirds of that amount.

[lxxxiii] Many of the reforms were substantially reduced in 1976 following the Morales Bermúdez countercoup in 1975, and ended altogether following the 1980 election and return to power of President Belaúnde Terry.

[lxxxiv] The willingness of the Peruvian bourgeoisie to support unorthodox economic measures was demonstrated again during the early years of the Alán García presidency (1985-86), when they rallied to his side and supported his economic reactivation plan. That approval collapsed with the subsequent bank nationalization in July 1987 (Durand 1988b).