Business Views of Democratization in Brazil and Argentina

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Abstract

The democratization literature discusses various dynamics of regime change including economic development, social classes, political institutions, political culture and international factors. By examining business behavior in different temporal and spatial contexts, the article expects to enhance our understanding of social dynamics of democratization. This study examines the role of business in political change in Brazil and Argentina. The Brazilian case involves temporal comparisons across the 1961-1964 Goulart period, the 1964-1985 military regime, and the New Republic (1985-1990) The Argentine case, on the other hand, includes three periods: the 1976 coup, 1976-1983 military regime and the post-1983 transition to democracy. This article argues that business, as a pragmatic actor, is a contingent democrat. It could be supporter of both democracy and authoritarian rule on the basis of their interest considerations.

Keywords: Democratization, Political Regime Change, Business, Democratic Transition, Comparative Case Study, Brazil, Argentina

Brezilya ve Arjantin’de İş Dünyasının Demokratikleşmeye Bakışları

ÖZ


Anahtar Kelimeler: Demokratikleşme, Siyasi Rejim Değişikliği, İş Dünyası, Demokrasiye Geçiş, Karşılaştırmalı Vaka Çalışması, Brezilya, Arjantin
Introduction

The democratization literature discusses various dynamics of regime change including economic development, social classes, political institutions, culture and international factors. This paper attempts to illuminate the role of business in political change. For this purpose, it examines two cases from Latin America: Brazil and Argentina. In doing so, the research also benefits from within-case comparisons such as the one between the 1961-64 Goulart government and the New Republic (1985-1990). By examining business behavior in different temporal and spatial contexts, the paper expects to enhance our understanding of social dynamics of democratization.

This study is primarily dealt with the following question: whether does business support democracy? In other words, whether is business a democratic actor or not? Applying the central research question in the Brazilian and Argentine settings, it looks at business behavior during the authoritarian and democratic regimes in the two countries. In doing so, the article argues that business, as a pragmatic actor, is a contingent democrat. It could be supporter of both democracy and authoritarian rule on the basis of their interest considerations.

The study benefits from comparative case studies. It involves comparison of Brazil and Argentina. However, it is also based on within-case comparisons. The Brazilian case involves temporal comparisons across the 1961-1964 Goulart period, the 1964-1985 military regime, and the New Republic (1985-1990) The Argentine case, on the other hand, includes three periods: the 1976 coup, 1976-1983 military regime and the post-1983 transition to democracy.

This article is composed of five sections. The introductory section discusses research question, thesis, and methodology. Then, a brief literature review follows. The following two sections discuss the Brazilian and Argentine cases. Finally, the conclusion makes a comparative assessment of the cases and suggests areas for further research.

The Literature

The democratization literature includes varieties of factors for different aspects of regime change such as transitions from authoritarianism to democracy and vice versa. Political regime change may also deal with the stability of authoritarian and democratic regimes. The list of causal factors is large: economic development, class structures, political institutions, international dynamics, leadership, pacts between ruling elites and opposition,
culture/attitudes, stateness, national unity etc. A student of regime change may compare the value of domestic factors for the process of democratization vis-à-vis international dynamics. In similar, he/she may also compare and contrast the role of social forces such as economic classes vis-à-vis political institutions.

This article examines the role of business as an economic class for the Brazilian and Argentine patterns of political change from the 1960s to the late 1980s. Class-based or structural explanations form an important part of the literature. Modernization theory expects that ‘the more well-to-do nation greater the chances that it will sustain democracy’ (Lipset, 1959). Lipset’s causal link between economic development and democracy involves some intervening variables including urbanization, cultural changes, education and the emergence of a large middle class.

Barrington Moore and Rueschemeyer et al also come up with structural explanations. Moore (1966) argues that balance of power among different socioeconomic classes matter for political change. In his study, he explains three paths to modernity (democracy, fascism and communism) on the basis of class dynamics. While the existence of independent bourgeois contributed the rise of democracy in the UK, the lack of such a class and state-led industrialization were responsible for the emergence of fascism in Germany. While had no significant effect in earlier centuries, peasant as a class became a major force of political change in Russia and China in the 19th and 20th centuries respectively.

Rueschemeyer et al 1992 also makes a structural explanation: rise of subordinate classes resulted in democratization. Particularly important, Rueschemeyer and his colleagues considered incorporation of labor as a subordinate class a major dynamic of democratization. Therefore, Rueschemeyer at al stress over working class while Moore does over business as a major force of democratization.

The bureaucratic-authoritarianism approach, which was inspired by the dependency approach (depedencia), also generates a structural explanation. This approach relates the origins of underdevelopment in the third world to the core-periphery relations of the world capitalist economy, and contends that dynamics of dependent capitalist development in the third world countries have resulted in authoritarian governments. Following the production of non-durable capital goods through the import substitution industrialization, popular sector mobilization ensues. The bureaucratic-authoritarianism approach also argues that an oligarchy of bureaucratic-technocratic elite, which is composed of military, domestic bourgeois and international capitalists, resulted in the emergence of authoritarian governments in the third world countries including in Brazil (1964-1985) and
in Argentina (1966-73, 1976-1983) (Collier, 1979). Therefore, this approach finds the dynamics of industrialization responsible for authoritarianism in the third world countries. Hence, it assumes that authoritarianism instead of democracy best serves business interests. ¹

Overall, structural explanations of regime change provide either positive or negative roles to bourgeois in the process of regime change. While modernization theory takes a large middle class conducive to democracy, the bureaucratic-authoritarianism model considers business as an important part of the oligarchy of authoritarianism.

**Brazilian Business and Democracy**

Brazilian politics since the early 1960s to the late 1980s sets an important case for the contingent democrat / pragmatic business thesis. One the one hand, the overthrow of Joao Goulart government by the 1964 military coup found a large support from business. In the first decade of the 1964-1985 military regime, business benefited from the fruits of ‘economic miracle’ (1968-1973), and worked well with the authoritarian rule. When Ernesto Giesel launched the liberalization of the regime (abertura/opening) in 1974, business did not oppose this process (Payne, 1994: 57). In 1978 and 1983, leading business groups issued statements supporting moves to democracy (Mauceri, 1989: 224). Finally, business well adapted into the new democratic period despite the fact that economic conditions were not very favorable. Comparing business behavior across three temporal contexts (the 1961-64 Goulart government, the 1964-1985 military regime, and the New Republic 1985-1990) offers a good chance to assess the contingent democrat /pragmatic business thesis.

**The 1961-1964 Period and Business Support for the 1964 Coup**

Under the Joao Goulart presidency, Brazil witnessed a high degree of labor mobilization and business-capital conflict. Former vice-president Joao Goulart became president in September 1961 following the resignation of Janio Quadros in August 1961. As a former minister of labor and a member of the Brazilian Labor Party, Goulart was a pro-labor political figure. Conservatives and the military were deeply concerned with his left-wing tendencies. As a populist-leftist president, Goulart’s close relations with

¹ In this regard, Cardoso and Serra’s criticisms are notable. Cardoso contends that economic factors alone cannot determine political change, and that dependent capitalism can also be possible in a democracy. Serra concurs with Cardoso in arguing that bureaucratic-authoritarian regime is not necessary for ‘deepening industrialization’; democratic regimes can also allow for this process. Then, Serra notes that internationalization of production occurred under competitive regimes in Columbia and Venezuela (Cardoso, 1979; Serra, 1979).
labor created anxiety and fear among the military, conservative sectors and the middle classes. In this period, labor was highly mobilized. It organized several political strikes to gain more leverage from the government (Erickson, 1977). Moreover, Goulart’s call for structural reforms threatened economic interests of conservative classes and business people (Gibson, 1989; Payne, 1994: 26-27). One also should note that the Cold War context was also contributing factor for the military’s concerns with the widespread radical-leftist mobilization.

The military coup d’etat overthrew the Goulart government in March 1964. For some observers of Brazilian politics, the coup received a strong public support, especially from the middle classes. (Lamounier, 1999) Leigh Payne’s interviews with a hundred thirty Brazilian industrialists illustrate that the coup also got a wide support from business. 64 percent of the interviewees stated their support for the coup (1994: 25). The interviewees considered political instability and the rise of the left as the major factors (p.26-27). For these industrialists, Goulart excluded business from government, threatened the private enterprise system, and failed to manage the economic crisis (p.35). Overall, a wide business support for the overthrowing Goulart government in 1964 was mainly related to business’s interest concerns and the rise of left.

The 1964-1985 Military Regime and Business

The bureaucratic-authoritarianism theorists take the 1964-85 military regime as a paradigmatic case for their theory. Business role in the 1964 coup and close business-state-foreign capital relations in the following years appear to confirm the B-A The theory expects that authoritarian regimes provide more conducive environment in the ‘deepening industrialization’ phase of economic development in late-developing countries, which follows the first two phases: the production of non-durable capital goods and the outbreak of massive popular mobilization (Collier, 1979). Particularly attractive for the bureaucratic-authoritarianism, the post-1964 regime witnessed a period of high economic growth and industrialization (‘economic miracle’) from 1968 to 1973, in the absence of competitive regime and popular mobilization. For Eva Bellin, private sector was closely allied with the authoritarian regime in those years for pragmatic reasons. She argued that business was highly dependent on the state for subsidies, contracts and technology at that time (Bellin, 2000: 193). Silva and Durand 1998 concurs with Bellin in the sense that state dependent business continued to ally with the authoritarian regime until the exhaustion of import-substitutive industrialization by the late 1970s. Leigh Payne’s interviews with the industrialists suggest that investment stability was the major reason behind business’s loyalty to the
authoritarian regime (Payne, 1994: 51). In sum, interest concerns led business to work well with the authoritarian regime in this period.

The president Ernesto Geisel (1974-79) launched the liberalization process (abertura/opening) in 1974. Business behavior in the abertura years generally supports the contingent democrat / pragmatic actor thesis. First of all, business community did not oppose to the liberalization process. 23 percent of Payne’s interviewee stated the transition process too slow, 29 percent considered too fast, and 48 percent found adequate (Payne, 1994: 56-47). The results conform well to the contingent democrat / pragmatic business thesis. Moreover, business became more supporter of democracy by the late 1970s and early 1980s. For example, leading business groups issued statements supporting moves to democracy in 1978 and 1983 (Mauceri, 1989: 224). The growing economic crisis, the 1979 oil shock, the expansion of state repression, and massive public demonstrations for direct presidential elections can be noted as major factors in the shift in business approach to democracy. The failure of military regime in handling the economic crisis also played an important role in business’s move to democracy (Lamounier, 1999: 172).

Business and Democracy in the New Republic (1985-1990)

In the January 1985 presidential elections, the opposition candidate Tancredo Neves won the elections. However, his unexpected death in March led his vice-president Jose Sarney 35th president of Brazil as the first civilian president in twenty-one years. A brief analysis of business behavior under Sarney’s term (1985-1990) shows that the contingent democrat/pragmatic business thesis also finds a wide support in explaining business behavior.

Why did business adapt to the democratic context under the New Republic despite the fact there were some similarities with the 1961-64 Goulart period? In this regard, several factors could be noted.

The declining legitimacy of the military regime, in the context of the economic mismanagement and the growing popular demands for civilian rule, led business to re-evaluate the costs and benefits of an authoritarian regime. The failure of state-led strategies and the weakening of import substitution industrialization model also made business more ready for alternative economic and political settings. In the early 1980s, business dependence on the state (subsidies, protections, credits etc.) declined as compared to the 1960s and early 1970s (Bellin 2000: 193-94). In addition, the rise of neo-liberal economic policies in Latin America and elsewhere since
the early 1980s further limited the relevance of state-led / state-dependent models of economic growth.²

However, economic crisis per se cannot explain business turn towards democracy although the military regime lost its legitimacy to a great extent. In this regard, comparing the post-85 period with the Goulart era could be helpful. One of the major reasons for business support to the 1964 coup was about Goulart's failure to manage the economic crisis. However, Brazil also witnessed deep economic problems under the New Republic. The president Jose Sarney appointed four different finance ministers and issued five different economic programs in his term. Industrialists were highly concerned with price and wage controls by the Sarney government in regard to their impacts on the ability to produce and invest profits. Payne's interviews show that political instability and economic problems were the major threats perceived by the Brazilian industrialists during both the Goulart and Sarney governments (1994: 86) Then, one needs to examine other factors to explain the varying business behavior in the two periods (supporting the coup versus adapting to the democratic government). In this regard, two main factors could be noted.

First, business was highly concerned with labor radicalism and leftist subversion in the pre-1964 period while its perception of labor declined substantially during the New Republic. Payne notes that only 24 percent of the industrialist interviewees stated leftist subversion as a threat under the new Republic while it was 60 percent for the Goulart era (p.86, 94-96). So, the declining fear of the left was a major difference between the two periods. In this regard, domestic and international factors can be noted to explain the declining fear of the left. On the domestic side, the high degree of repression of the left by the 1964-85 military regime resulted in moderation in the left. On the international front, the decline of the Cold war and détente also made the left more moderate actor (Payne, 1994: 95; Weyland, 2005: 103). In addition, the fear of labor also declined during that time. For example, 91 percent of 128 industrialists Payne interviewed stated that they do not fear workers or the labor movement during the New Republic despite the fact that labor organized several strikes (1994: 99, 103-105).

Second, business found more channels of influence in the democratic structure of the New Republic to pursue their economic interests. Here, two ways of business influence are notable: elections and lobbying. Industrialists had the ability to influence the election of candidates in the 1989 elections. In addition, the FIESP (Federation of Industries of the State of Sao Paulo) as a

² Although the neo-liberal turn occurred mainly in the late 1980s and early 1990s in Brazil, state elites and business begun to perceive the neo-liberal policies more acceptable around the mid 1980s due to the failure of economic policies in the last years of the military regime.
powerful business organization worked well to promote the private sector interests during the new Republic (Payne, 1994: 112-118). Overall, business considered the Sarney government responsive to their needs in a sharp contrast to the situation during the Goulart government.

**Argentine Business and Democracy**

The case of Argentina involves a similar pattern with the Brazilian case in regard to business approach to democracy. While business provided support to the 1976 military coup against the Peronist government (1973-1976), the post-1983 democratic period witnessed the adaptation of business to the new political context. Overall, the contingent democrat / pragmatic business thesis has a wide explanatory power to understand business behavior before and after the 1983 transition to democracy.

**The 1976 Coup and Business**

For many observers of the Argentine politics, business supported the overthrow of Peronist rule by the military coup in 1976. For example, Edward Gibson notes that federalist conservatives issued statements supporting coup at that time (1996: 82). For Philip Mauceri, the coup also received a large support from the middle classes (1989: 241). Gibson argues that the coup got a wider support from the Argentine people (1989: 194). Peron’s personalistic rule, the rise of radical leftism and guerilla activity, the incompetence of Peronist governments to handle the economic crisis, pervasive social polarization, and the lack of a viable democratic alternative were taken as the major factors for the overthrow of democratic regime by the Argentine military (Waissman, 1999: 95-96; Gibson, 1989: 195-97).

Business distaste for the Peronist rule was not limited for the 1973-76 period. It also goes towards Peron’s first term (1946-55). Peron’s populist-corporatist policies on behalf of labor posed a major threat for the agrarian upper class conservatives and industrial bourgeoisies. (Waissman 1999: 110) For this reason, the 1955 military coup against Peron and the ban on the Peronist Party from 1955 to 1973 worked well for their interests. The lack of a strong opposition to the Peronist Party in the democratic framework led business and conservatives to prefer military regimes vis-à-vis the Peronist alternative. Military regimes were serving better their interests than Peronist democracy. Democracy was generally a ‘high-risk political regime’ for them (Acuna 1998: 66). In this regard; two factors should also be stated. First, business did not have a strong conservative party favoring their interests in a democratic framework. Second, the existence of a powerful labor union (CGT) in the country along with the Peronist Party rendered democracy less
favorable option for business. Overall, business support for the 1976 coup was essentially related to their interests.

**The 1976-1983 Military Regime and Business**

Although business provided a large support for the overthrow of Peronist rule in 1976, all major business associations publicly distanced themselves from the military regime by 1981 (Gibson 1996: 161). The contingent democrat / pragmatic business thesis can also explain the change in business attitude towards the military regime. Two major factors could be noted for the shift in business perceptions of the costs and benefits of a military regime.

First, the military regime pursued unfavorable economic policies for business. It disciplined capital and lowered protections for domestic industries (Acuna, 1995: 7; Mauceri, 1989: 241). Moreover, business, in contrast to the previous military regimes, was excluded from the economic policy-making process. Worse of all, the military’s economic plan ruined the industrial sector (1976-1980) (Acuna, 1998: 66). Therefore, when business lost their channels of influence in the military regime and the military’s economic policies threatened their interests, then it reassessed the costs and benefits of the authoritarian regime.

Second, the declining legitimacy of the military regime in the Argentine society also contributed to business’s distaste for the regime. In addition to the economic mismanagement, the expansive repression, human rights violations and state killings discredited the military. Particularly important, the outbreak of reckless war and the defeat in Falklands Islands in 1982 further diminished the military’s legitimacy. Moreover, the economic crisis following the Falklands War increased strains between the government and business (Acuna, 1995: 9). After the war, the country witnessed the mass mobilization of the middle and lower classes Overall, the regime’s failures in economic, social and foreign policy spheres made the democratic transition more acceptable option for business.

**The Post-1983 Period and Business**

After the Falklands defeat, the Argentine business expressed its support for a return to democratic regime (Gibson, 1996: 161). Following the transition to civilian rule, business well adapted to the new political context. The contingent democrat / pragmatic business thesis can explain why business worked well with the democratic governments despite the fact that it preferred the military regimes in the earlier decades. Overall, the altered
perceptions of the costs and benefits of democratic regime played the major role behind such an unprecedented turn in business behavior.

The unexpected victory of the Radical Raul Alfonsin in the 1983 elections was a decisive moment for business perceptions of democracy in Argentina. For the first time since the emergence of Peronism in 1945, the Peronist Party lost the elections in fair and open presidential elections. Alfonsin’s surprising victory demonstrated that non-Peronist democracy is possible in the country, and that democracy does not necessarily generate a Peronist rule (Gibson, 1996: 126; Acuna 1995: 9).

Economic policies of the Alfonsin government found a wide support from business. Alfonsin’s the Austral Plan was to a great extent based on anti-corporatist / liberal economic policies. The government privatized several key state industries and promoted industrial exports. In addition, it curbed the power of unions, and took hard-line position towards labor efforts in collective bargaining. Moreover, the Alfonsin government recognized the political hegemony of big industrialists (UIA, Argentine Industrial Union) over the small and medium sized industrialists (CGE, General Economic Confederation) (Acuna, 1995 & 1998). As a result, the first government of the new democratic era worked well on behalf of business interests. Business generally adapted to the new political context by having several opportunities to pursue their interests within the democratic regime.

Business’s happy relations with the democratic rule continued under the presidency of Carlos Menem. The electoral victory of the Peronist candidate in the 1989 elections initially created a fear among the Argentine business (Acuna, 1998: 67). However, Menem’s fervent neo-liberal economic policies and his close relations with business led him a favorable political figure for them. For example, Menem appointed a former president of Bunge y Born (the Argentina-based multinational corporation) as the minister of economy. In addition, Menem’s appointments to his government included people from the Argentine Industrial Union and the liberal right-conservative political party, UCEDE. The pro-business character of these appointments reflected Menem’s objective of building alliance with economic power (Gibson, 1996: 193). As a result, Menem’s neo-liberal economic policies and his recognition of the power of business created favorable political and economic context for business interests.

**Conclusion**

Foregoing analysis of the Brazilian and Argentine cases illustrates the fact that business could be supporters of different types of political regimes. A major comparative conclusion of these cases is that business attitudes towards democracy to a great extent deal with interest concerns. Business
support for the 1964 coup in Brazil and the 1976 coup in Argentina are notable examples here. Business is not intrinsically democrat or authoritarian; rather, it is a contingent democrat/pragmatic actor. The shifts in business attitudes towards democracy in Brazil and Argentina in the early 1980s support this thesis. The thesis poses a significant challenge against both the modernization and the bureaucratic authoritarianism theories. Business support for democracy is not taken for granted. In challenging the bureaucratic-authoritarianism, the thesis also suggests that business can live well with a democratic regime when it has ability to shape economic policies and to secure its vital interests.

As seen in the case studies, the domestic and international contexts can considerably shape business behavior. The declining legitimacy of military regimes in the early 1980s (particularly in Argentina) and the rise of neoliberalism on the international front affected the shifts in business attitudes towards democracy. For this reason, business approach to democracy should be considered in the context of domestic and international environment.

Despite the fact that the Brazilian and Argentine cases involve a number of similarities (fear of labor and radical left in the 1960s and 1970s, business’s dependence on state in the period of state-led development until the 1980s i.e.) they also have important differences. Particularly important, the existence of a strong labor-based populist-corporatist party (the Peronist Party) in Argentina posed a further challenge for the Argentine business to support a democratic regime from the 1940s to the 1983 transition.

**Suggestions for Further Research**

1. This article examines two country studies from Latin America. The contingent democrat/pragmatic business thesis may also be applied into other cases from different parts of the world. For example, one can examine the cases of South Korea and Turkey to see how this thesis is relevant for business approach to democracy in these countries.

2. The study comes up with a rationalist-interest based explanation. On the other hand, cultural dynamics of democratization such as normative commitment to democracy are considered significant factors for many scholars of democratic transition and consolidation. In this regard, a further study may deal with the question that whether the Argentine and Brazilian business now have internalized the democratic values or not?
3. Further works may examine business position towards democracy in Brazil and Argentina for the post-1990 period.
References


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