

# Actors from Civil Society

*Politics is too serious a matter to be left to the politicians.*

—Charles de Gaulle, President of France (1890–1970)

The actors discussed in Chapters 3 and 4 have formally defined roles and functions in the national policymaking process (PMP). Rules have been established that govern how they function, who participates, how individuals within them are selected, what specific policy functions they are to perform, and how they are to relate to one another. However, these “formal” actors do not always behave according to their formal roles and functions. They may not fulfill the roles expected of them, or they may perform additional (informal) roles not specified in the constitution, or they may perform policymaking roles through mechanisms that are not specified in the rules.

Moreover, there are other—informal—actors (and arenas) that may play significant roles in national policymaking in some countries, although they are not formally assigned such roles in the constitution or are not associated with the formal political system. This chapter briefly analyzes the role of five such actors: business; the media; labor unions; social movements; and sources of policy expertise, or “knowledge actors.”

Given the nature of these actors, their role in the policymaking process is less analyzed and understood than that of the more formal actors described in Chapters 3 and 4. Thus the goal of this chapter is to set the stage for a more in-depth and systematic study of the role of such actors. The selection here is admittedly partial. Limitations of space prevent the analysis of other actors that potentially can play quite significant roles in policymaking. These include civil society organizations in general, the church, multinational corporations, international organizations, foreign governments, and the armed forces.

## Business<sup>1</sup>

Business is usually a key participant in policymaking. Of all the social groups with strong interests, businesses have the most resources to spend. They also have a variety of means to influence the policymaking process in their favor, including, in democratic settings, business associations, lobbying, campaign contributions, personal and policy networks, and corruption.

*The challenge from a policy perspective is not to eliminate the influence of business, but rather to channel it so that it contributes to achieving good policy outcomes.*

Different forms of business influence affect the characteristics of public policies in different ways. Behind-the-scenes networking or payoffs to corrupt politicians, for instance, may yield private advantages to particular businesses at the expense of the public welfare. Conversely, business associations that are relatively encompassing (those that represent a diverse array of economic sectors and business interests) may support broad-based reform measures vital to increasing economic growth and competitiveness.

Some types of opportunities for influence (such as contributing to the campaigns of party candidates for the legislature) are relatively fixed by features of the political system (such as the structure of the electoral and party system). Other opportunities can be created or closed by political leaders, such as appointing businesspeople to positions in the government, or giving business associations a role in policymaking and thus encouraging their development. By opening or closing opportunities for different forms of business influence, the State and society can affect the quality of public policies.

The discussion that follows examines the types of influence business can exert and offers some general observations about *when* businesses tend to participate in the policymaking process, for *which* types of policies, *how* intensely, and *what* the impact is on the quality of policies. The section concludes with a discussion of ways to make business participation more public-regarding, transparent, and inclusive.

### *A Typology of Business Participation*

Business participation in the policymaking process varies considerably by country, by type of policy and policy area, and over time. Thus it is difficult to capture the patterns of business participation in a simple framework. However, some generalizations are useful.

Business participation can be organized and collective, or dispersed and individual, as in personal networks. It can be open and formal, as in business associations, where activities are typically known to many and are often covered by the press. Or it can be closed and informal, as in corruption.

In general, the more wide-ranging the interests of business, the more open the form of participation, and the more transparent the activities, the more public-regarding the influence of business will be (public-regarding in the minimum sense of not favoring

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<sup>1</sup> This section draws extensively on Schneider (2005).

particular interests and promoting greater allocative efficiency), and the more public-regarding will be the policies that result.

In choosing to participate in the policymaking process, businesses must contend with the free rider problem. Some businesses will be tempted to free ride on the efforts of others: that is, to reap some of the benefits without incurring any of the costs. If businesses cannot reap the full benefits of their policy-related activities, they will undertake them with less intensity—or choose not to participate at all. Thus, unless firms can organize collectively to influence policy, they may choose to engage in activities in which free rider problems are less severe, such as personal networking or lobbying to win a contract or resolve a dispute. By their very nature, these activities tend to generate benefits that are very specific to the firms that engage in them, and thus are private-regarding.

Businesses are more likely to organize collectively and act effectively together if certain conditions hold:

- They share similar interests.
- They are fewer in number, thus making it easier for them to capture the benefits of acting together (and thus controlling the free rider problem).
- The State is providing some clear benefit to them, such as regular access to top policymakers or control over public funds.
- The State is imposing a clear cost, such as higher taxes.

### **Forms of Participation**

Businesses can choose to participate in the policymaking process in a variety of ways. The form of participation has an impact on the quality of the policy.

**Individual firms.** Businesses can act on their own. As noted, the more wide-ranging their business interests, the less narrow their policy orientation is likely to be. Larger, diversified conglomerates that span several sectors may have more encompassing interests than smaller, more specialized firms. Combined with their huge size and small number, they are more likely to engage in collective action and coordination, and to push for policies that have broader benefits (that are more public-regarding), particularly policies that are designed to improve the functioning of the economy as a whole.

**Sectors.** Firms in a given economic sector (industrial or agriculture, for example) that share interests and may have a homogeneous nature are more likely to engage in collective action, especially in response to policies that distribute costs or benefits disproportionately to their sector.

**Associations.** These can be voluntary or state-chartered, economy-wide, industry-wide, or geared to a particular product or commodity. They may represent primarily large or small firms.

**Personal or policy networks.** Individual businesspeople can participate directly in the policymaking process through appointment to government positions or through close

connections with top policymakers. These personalized networks may arise out of social, school, or family ties, or career movement between the public and private sectors. Businesspeople are common in government in Argentina, Brazil, Peru, and especially Colombia.

**Capital mobility.** Through their ability to move capital, businesses can have a direct, uncoordinated, impersonal effect on policies as policymakers try to anticipate policies that are likely to keep and attract capital. Capital mobility is not a deliberate form of business participation in policymaking. However, it serves as a constraint and tends to narrow the range of policy options that policymakers consider.

### ***A Portfolio of Options***

Businesses “invest” in politics through a range of political activities. In principle, rational businesspeople will balance their “portfolio” of political investments to take advantage of evolving opportunities: that is, they will shift political investments to activities that generate the greatest return. Precisely where they concentrate their investments will depend, in large part, on their perceptions of the opportunities for influence offered by the political system.

Businesspeople will often use a number of these channels at the same time, but certain ones tend to prevail, given the nature of the issue and the political setting of the country. These options are discussed below.

**Business associations.** Associations offer members direct contacts with policymakers, and members may serve on consultative or policy councils. The most important way business associations influence politics may be through the media, as the association presents the views of its members and tries to inform the public and influence public opinion.

**Lobbying.** Lobbying is becoming increasingly important in some countries in the region. It is generally done by individual firms, rather than by associations. This tends to make business’s influence more fragmented, particularistic, and ineffectual on general issues. Lobbying is more important during the implementation and enforcement stages.

**Elections and campaign contributions.** Most countries in the region have reformed their campaign finance laws to reduce dependence on business contributions. Yet millions of dollars, legal and illegal, flow from business to politicians during elections. Firms often contribute to more than one presidential candidate as a form of insurance to keep their channels of access open, rather than as a way to influence policy in one direction or another.

**Personal and policy networks.** Personal networks operate as informal, personal relations that connect businesspeople to government elites. Business influence through networks tends to be opaque and sometimes secretive. Narrow and exclusive networks can foster private-regarding policies. To the extent that businesses perceive they have access through networks, they may be less likely to invest in encompassing associations.

**Table 5.1 Portfolios of Business Politics (intensity of use)**

Country	Type of participation				
	Associations	Lobbying	Elections and campaign contributions	Networks	Corruption
Argentina	Low	Medium	Medium	Medium	High
Brazil	Low	Medium	Medium	Medium	Medium
Chile	High	Low	Low	Low	Low
Colombia	High	Low	Medium	High	Medium
Mexico (1990s)	High	Low	Low	Low	Medium
Mexico (2000–present)	Medium	Medium	Medium	Medium	Medium

Source: Schneider (2005).

**Outright corruption.** Businesses sometimes try to buy influence directly through outright corruption. Obviously, this is a highly secretive and opaque form of influence. Corruption tends to be connected to very specific policies and is usually linked more to policy implementation (when funds, contracts, and other opportunities are distributed to particular firms) and enforcement (when penalties are assessed and administered).

As noted, businesspeople would be expected to rebalance their portfolios of political investments to take maximum advantage of the opportunities offered by the political system. For example, in countries like Argentina and Brazil, where policymakers pay less attention to associations, businesses tend not to invest much time or money in them. Where governments have drawn on associations for business input, businesspeople have strong incentives to invest in associations and build up their institutional capacity for the long term. This has been evident in Chile and Mexico (particularly as a result of business involvement in trade negotiations), as well as in Colombia.

Business investment in politics also varies by the amount the government can actually accomplish. Thus in Mexico, the business association luncheons and dinners that were so valuable to business in the heyday of market reform under the Salinas administration (1988–94) have meant much less under the current administration (2000–present), in which the government has found it more difficult to pass new policy initiatives through congress.<sup>2</sup>

The prevalence of the various forms of business participation in the policymaking process in the five countries studied by Schneider is summarized in Table 5.1.<sup>3</sup>

<sup>2</sup> Schneider (2005).

<sup>3</sup> Schneider (2004, 2005).

**Table 5.2 Intensity of Business Involvement, by Distribution of Costs**

Short- or long-term nature of costs	Certainty of costs	
	Certain	Uncertain
<b>Immediate</b>	<ul style="list-style-type: none"> <li>• Changes in tax rates</li> <li>• Pension reform</li> </ul>	<ul style="list-style-type: none"> <li>• Privatization</li> <li>• Deregulation</li> <li>• Pension privatization</li> </ul>
<b>Longer term</b>	<ul style="list-style-type: none"> <li>• Future scheduled changes in taxes or pension benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Trade liberalization</li> <li>• Reregulation</li> </ul>

*Note:* Shaded portion indicates more intense business involvement.

*Source:* Schneider (2005).

### *Types of Policies and the Type and Intensity of Business Involvement*

The type and intensity of business involvement in the policymaking process is affected by the type of policy. In gauging their involvement, businesses consider whether the costs and benefits of policies are certain or uncertain, and whether they are immediate or longer term. Some policies, such as changes in some tax rates and pension benefits, have immediate and certain costs. Other policies, especially many recent market-oriented reforms, have more uncertain costs. In the case of privatization, for example, it is well-known that new owners normally lay off workers—but how many workers, and when, is uncertain. Social policy (education and health care) and administrative reform require large, long-term investments in institutional reform and have uncertain consequences.

Generally, businesses, like other groups, are most likely to mobilize when costs are immediate and certain (Table 5.2). When reforms are longer term and costs and benefits are uncertain and diffuse, businesses are less likely to engage in a sustained way, either for or against the proposed change.

The scope of policy also matters to business: whether broad, such as across-the-board changes in tax rates or education policy, or narrow, such as privatizing a certain type of enterprise (Table 5.3). Most businesses have a hard time acting collectively with regard to policies that are broad. Thus businesses are not likely to invest in broad policies, except through encompassing associations. This can be a boon for policymakers if they fear business opposition, as in the case of trade liberalization, collective business opposition to which has not materialized.

Businesses are more likely to undertake intense business investments when faced with narrower policies that directly affect their interests in the shorter term. The challenge in the case of issues like these is to prevent policy capture by the most intensely interested groups.

**Table 5.3 Intensity of Business Involvement, by Scope of Benefits and Speed of Implementation**

Speed of implementation	Scope of benefits	
	Narrow	Broad
<b>Rapid</b>	<ul style="list-style-type: none"> <li>• Privatization</li> <li>• Deregulation</li> <li>• Elimination of specific tax loopholes and exemptions</li> </ul>	<ul style="list-style-type: none"> <li>• Uniform changes in taxes, pensions, or tariffs</li> <li>• Fiscal decentralization</li> </ul>
<b>Lengthy</b>	<ul style="list-style-type: none"> <li>• Sectoral regulation (public utilities such as energy and telecom)</li> </ul>	<ul style="list-style-type: none"> <li>• Administrative reform</li> <li>• Education policy</li> <li>• Trade agreements</li> </ul>

Note: Shaded portion indicates more intense business involvement.

Source: Schneider (2005).

### Opening the System

In countries in which the State is relatively weak, such as Guatemala (see Box 5.1), business interests often dominate the policymaking process. While it is important to foster strong States that can check the power of business elites, it is unrealistic to try to keep business out of policymaking. Closing some formal channels of participation would probably lead to channeling of that influence into other, less transparent forms. Thus the challenge from a policy perspective is not to eliminate the influence of business, but rather to channel it so that it contributes to achieving good policy outcomes.

Several conditions can contribute to better policy:

**Greater transparency.** Businesses are encouraged to take more public-regarding positions when the policymaking process is more transparent. Transparency is encouraged by media coverage, formal business representation through such means as associations or policy councils, disclosure of political donations, and the general openness of the policymaking process.

**Longer-term commitments among policymakers and businesses.** Two types of business participation favor longer commitments. The first is business representation on policy councils. If business representatives and policymakers interact repeatedly in these arenas, they have incentives to develop good reputations and to honor agreements reached in the policy council. Conversely, if they know they will not meet and negotiate again, they have greater incentives to renege, and any inter-temporal commitments they make will be less credible.

**Box 5.1**    **The Power of Business: The Case of Guatemala**

The business sector plays a role in policymaking throughout Latin America, but nowhere more than in Guatemala. Its influence reflects not only the strength of the private sector, but also the relative weakness of the other institutions in the country. Guatemala's business organizations have proved to be powerful enough to alter the course of important economic policies, such as taxation (see Chapter 8).

The ability of Guatemalan business to influence the policymaking process rests on the fact that it is the best-organized sector in the country, and has been since colonial times, when power resided in the hands of large farmers and traders. The effectiveness of the Guatemalan business sector contrasts with the limitations of other organized sectors of society and of the State itself. Unions, peasant and indigenous movements, public servants, academics, and much of the rest of civil society have had limited influence throughout much of Guatemala's modern history.

The country's political parties are largely lacking in programmatic platforms and clear ideological or strategic alignments. Thus Guatemala ranked 13th of 17 countries in strength of voter affiliations with political parties (in the 2003 Latinobarometer survey) and 13th of 18 countries in perceived legitimacy of political parties (in the 2004 survey, which included the Dominican Republic). Guatemala has the lowest ranking in the overall index of party institutionalization (see Chapter 3).

Guatemala's bureaucracy and civil service have limited capabilities and are susceptible to pressure from special interests, paving the way for business groups to influence policymaking at the implementation stage (see Chapter 4).

Clearly, the business sector is the dominant player in the Guatemalan public policy arena not just because of its own strengths, but also because of the limited influence of other players.

Similarly, longstanding policy networks facilitate the exchange of information and help members develop trust. Repeated and positive interactions generate expectations that when problems or shocks arise, they will be worked out in a reasonable fashion. However, if these networks are not inclusive and transparent, they may lead to favoritism for network members, at the expense of nonmembers.

Finally, when States include business associations in policy decision making and implementation, this can encourage investments by businesspersons in building their institutional capacity, thereby promoting a more long-term and collective capacity for intermediation, which can counterbalance a tendency toward narrowly self-interested backroom deals and other private arrangements.

If the State and society can close some opportunities for narrow business involvement (such as restricting lobbying at the implementation stage and curtailing corrup-

tion) and open opportunities for encompassing action (such as encouraging publicly minded associations), the quality of policies is likely to improve.

## Media<sup>4</sup>

Researchers usually view the media as a passive link between elite messages and mass opinion. This view fails to capture a much more complex interaction among the media, public opinion, and policymaking.

Indeed, while researchers understate the role of media, Latin American politicians and policymakers perceive a huge media influence on policymaking. This influence includes the ability of news coverage to set the policymaking agenda, accelerate the pace of decision making, change incentives for policy support, and increase the costs of narrow or self-interested behavior.

In addition to perceiving the influence of the media, politicians and policymakers take concrete steps to attempt to influence news, journalists, media outlets, and political communication. These include:

***Strategic communication.*** This approach aims to develop and communicate a message that promotes a political goal, whether getting elected, which is most typical in Latin America, or promoting a public policy, which is less common. Strategic communication specialists use polls, focus groups, and reaction groups of opinion leaders to shape messages that target specific audiences, typically the mass media. These techniques are used not only to gather better information to guide politicians in their policy decisions, but also to find “the right language to sell already-made decisions to the public.”<sup>5</sup> Most countries in the region have created full-time offices dedicated to conducting polls, focus groups, and other strategic marketing techniques to shape public opinion and test political messages for the media.<sup>6</sup>

***News management.*** These techniques aim to enhance the uniformity, saliency, and credibility of messages about government, policy, and politicians carried by the news media. The ultimate aim of news management is not only to insert messages in news coverage, but also to influence the interpretive frames that journalists use when covering a news issue or event. The frame—for instance, whether street protest is represented as a legitimate pressure tactic or an inconvenience to motorists—shapes the sources used and questions asked by journalists in developing their news stories and also their perceptions of what information is most relevant.<sup>7</sup> Setting and influencing news frames is crucial for policymakers. Reformers in Brazil, for instance, were able to frame administrative reform as a way to empower State action by generating greater efficiency rather than as part of a neoliberal plot to slash unionized government jobs, as some who opposed the reform

<sup>4</sup> This section draws extensively on Hughes (2005).

<sup>5</sup> Bennett (2003, p. 141).

<sup>6</sup> Hughes (2005).

<sup>7</sup> Altheide (1996); Bennett (2003).

might have characterized it.<sup>8</sup> Politicians and officials use such techniques as staging events (or pseudo-events) that will satisfy journalists' commercial need for interesting pictures, timing statements and actions to meet news deadlines, staying "on message" to emphasize well-chosen campaign themes, and "spinning" the news to shape journalists' reports to partisan advantage.<sup>9</sup>

***Cooptation and control.*** This includes cronyism and propagandist use of State media. It also includes such steps as protecting broadcasters from competition, while distributing broadcast frequencies to friends, family, or political allies, manipulating the awarding of government advertising contracts, creating media outlets that personally attack journalists, or buying off other media owners outright.

In addition, threats and violence against the press occur in several countries, including Colombia, Guatemala, and Mexico.<sup>10</sup> The sources of violence are diverse, at times including guerrillas, paramilitary groups, drug dealers, corrupt police, and corrupt politicians, sometimes working together. Weak government efforts to prosecute the masterminds of threats against journalists complicate the situation and do little to deter future harassment. In many countries, the press faces legal restrictions, such as libel and slander laws, which are holdovers from previous authoritarian eras and the result of politicians' desire to limit press criticism and/or investigation of potential wrongdoing. These barriers often lead journalists to practice self-censorship.

Against this backdrop, how can media's role in the policymaking process be delineated? The discussion that follows traces the influence of the news media at each stage of the policymaking process.

### ***Media and the Policymaking Process***

***Policy formation (agenda-setting).*** In this stage, issues in need of policy attention are identified and prioritized. Media can bring to light issues that policymakers had not considered or did not view as urgent. This agenda-setting function can sometimes be powerful. In effect, politicians scan media as a form of "surrogate public agenda," especially when opinion polls are lacking.<sup>11</sup>

Coverage of policy-related issues or events is characterized by intense scrutiny, followed by periods of scant interest. Media attention can be diverted or channeled by a variety of factors, such as pseudo-events of news management carried out by politicians and other opinion-makers, calculated leaks, and the personal and professional interests of media owners and journalists. Scandals or "irruptive" policy issues, such as street demonstrations, are covered prominently, while technical, incremental, or chronic problems such as poverty are generally ignored, unless they can be personalized or

<sup>8</sup> Bresser-Pereira (2003).

<sup>9</sup> Swanson (2004).

<sup>10</sup> See Freedom House (2004).

<sup>11</sup> Pritchard (1992).

dramatized. The result of this tendency toward sensationalism and lack of professionalism in investigating and reporting stories is to miscue policymakers, diverting their attention from more pressing problems—or focusing their attention on problems that do not warrant it.

***Policy formulation.*** At this stage, choices are narrowed and decisions are made about the specifics of policy. Media have two main effects on policy at this juncture. First, since media tend to portray events or issues in terms of crises, media coverage prompts policymakers to act quickly and visibly and to adopt symbolic measures, rather than to develop long-term solutions. This pressure is especially strong when coverage is negative, as is most policy-relevant news coverage. For instance, as inflation in Argentina spiraled upward or protests erupted, news accounts demanded that policymakers “do something”—but did not specify what should be done.

Second, media influence the formation of policies through the frames they use to structure news stories. Journalists use interpretive frames to organize news stories, even simple ones. Such frames, by focusing on some aspects as “newsworthy” and not others, confer legitimacy on certain actors, policy proposals, and views of the world. They can also effectively block certain options from entering the public consciousness.

Policymakers may make their own attempts to frame or reframe an issue. In Uruguay, for instance, policymakers tried to frame administrative reform in ways that resonated with a national political culture that values the role of the State in the economy. They consequently adopted a low-key strategy in order to avoid extended debate. They also spread the reform throughout a large budget bill and decentralized its implementation, in a successful attempt to avoid press scrutiny.

***Policy adoption.*** The role of the news media during this phase depends on the volume of media attention. When coverage is scant, reform can stall for lack of urgency. However, out of the public eye, policymakers have more room for bargaining—or promoting special interests or even rent-seeking. On the other hand, greater coverage can encourage public debate and deliberation. Monitoring by the press can raise the costs for policymakers of acting in their own interest or the interests of a favored group at the expense of public welfare. In general, the media are less interested in covering the adoption phase unless some aspect fulfills the narrative needs of news stories for drama and personalization.

The news media can influence the policy adoption process directly by acting as interest groups themselves, advocating or opposing certain policies. This is especially the case when the policies directly affect the media’s business or professional interests, such as telecommunications reform or issues related to the journalism profession. In Mexico, for instance, lobbying by associations of media owners and large commercial networks has derailed attempts to open the radio and television concession process to greater competition. Conversely, major newspaper outlets in Mexico joined forces with academic specialists to write and lobby for their own version of a law granting greater access to government information.

***Policy implementation.*** News coverage is usually sporadic at this stage. When it occurs, it tends to be focused on high-impact policies that can be fragmented into particular incidents or a few connected stories, personalized through the portrayal of villains, victims, or heroes, and dramatized in terms of conflict or moral transgression.

At times the media take on the role of watchdog. Notably, coverage of public corruption grew dramatically in Latin America after the return to democratic rule. This type of media monitoring raises the costs of transgressions and helps establish chains of accountability. Press denunciations may embolden the legislature and the courts, but even when they do not, they may inflict enough damage on a corrupt official's career to temper enthusiasm for extortion and influence-peddling.

Media-fueled scandals have been the origin of numerous presidential crises in the past decade across the region (see the discussion on social movements in this chapter). Many of these incidents unfolded against the backdrop of pressures related to economic crises and the implementation of unpopular structural adjustment policies. The eruption of governmental corruption into media scandals was a new factor in the policymaking process. Scandals brought those suffering the most as a result of economic difficulties and structural adjustment policies to the streets and emboldened opponents to try to bring down presidents and with them, their policies. In some cases, the media played a role in legitimizing and even rallying protesters.

### ***Implications for the PMP***

What implications do these media influences have for the creation of sustainable, coherent, and publicly focused policy in Latin America? Four propositions are explored below.

***Sustaining or impeding cooperation.*** Policymakers anticipate media effects when deciding whether to maintain or withdraw their support for unpopular policies (“defect”). Negative coverage focusing on the costs of the policy, the increase in conflict, or the possibility of corruption increases the incentives for policymakers to defect from cooperative pacts because it can increase the short-term costs of cooperation. Alternatively, positive coverage focusing on policy benefits, beneficiaries, or proponents increases incentives for long-term cooperation. How policies are framed in the press in terms of costs is especially important. Whether corruption is linked directly or indirectly to unpopular policies also matters.

***Making negotiations more or less inclusive.*** Coverage can influence the number of actors included in negotiations, the issues that must be addressed, and the balance of power among actors. Actors can gain legitimacy if the media cover them. For instance, quoting social movement leaders alongside cabinet ministers and bankers confers legitimacy on their causes, and may even extend their power beyond their bases. Even negative coverage of social movements may increase their standing among some groups, while hurting them with others. The absence of these issues and actors from press coverage weakens their position in policy negotiations because it diminishes their power to mobilize support outside their bases.

***Increasing or decreasing the observability of players' moves.*** News coverage can expose secret actors or moves during policy negotiations and implementation, including who benefits and what their motives are. This can increase the visibility of players' moves and decrease the payoffs for secrecy. Such monitoring by the press requires assertive journalism and a diversity of media outlets, because media owners' particular interests can bias coverage. Exposure of secret moves can result from investigative journalism or from information leaked strategically by opponents during the bargaining process.

***Improving or undermining policy design and enforcement.*** Media monitoring can promote appropriate policy enforcement design, including the designation of neutral bureaucracies to implement and enforce policy. On the other hand, irruptive demands for rapid, high-profile responses to events framed as crises can lead to merely symbolic action or poorly designed policy. In general, the press in Latin America does not pursue a type of journalism that holds policymakers accountable for their promises and monitors their performance over time. Such accountability journalism could potentially have an important positive impact on policy.

### ***The Political Economy of the Media and Media Performance***

Media performance in the policymaking process varies according to the environmental and institutional conditions in which news organizations, media owners, and journalists operate.

As the region has moved toward electoral democracies and selectively liberal economies, formerly authoritarian media systems and news organizations have developed different orientations. One is civic in outlook and oriented mostly toward serving citizens. The other views journalism as a means of serving any number of powerful actors or forces, including the market, certain State actors, or the allies of media owners.

To some degree, these orientations vary according to the type of media. In general, commercial television and radio are more prone to a market-driven version of journalism, while large daily newspapers, some niche-oriented cable news programs, and community media are more likely to follow a civic orientation.<sup>12</sup> The news produced on many State-run television stations on occasion resembles propaganda.

Latin Americans most use and trust information from commercial television. When asked recently which source they most trust to deliver objective news, nearly half (49 percent) chose television and only 8 percent chose newspapers.<sup>13</sup> Commercial television, however, is a medium more susceptible to sensationalism and distortion in the advancement of the owners' interests. This tendency is less worrisome where citizens have access to many kinds of information and where advertising dollars and media ownership are not concentrated. However, systematic access to information from cable television, the Internet, and professional newspapers is out of reach for the large majority of citizens in most countries. Commercial television and radio are by far the most accessible sources of political information and are often controlled by a handful of media groups.

<sup>12</sup> See Hughes (2005).

<sup>13</sup> Latinobarometer (2004).

## *The Future of Latin American Media*

The current state of the Latin American environment for objective civic-minded news production is not the ideal. In some countries, government advertising and control of broadcasting concessions are used effectively to influence media coverage. Other factors limiting media balance in various countries include the concentration of private sector advertising and the small number of economically viable media outlets. Impunity from criminal prosecution for attacks on journalists remains high in some countries, and journalists self-censor in the face of physical threats or criminal prosecution for libel and slander.

Despite recent improvements in some countries, such as Mexico, Nicaragua and Peru, journalists in several Latin American countries work in the netherworld of a partially free media environment. According to data from Freedom House, media operate in the most problematic environments in Colombia, Guatemala and Venezuela. In contrast, Chile, Costa Rica and Uruguay have the best environments in the region for the free operation of the press.

The environment for autonomous, assertive, and diverse news production is not always favorable in Latin America, but journalism that can encourage public-focused policymaking survives where editors and reporters still have the professional autonomy and environmental space to practice it.

## **Labor Unions**<sup>14</sup>

Latin American labor unions have traditionally been key participants in the policymaking process, but their influence has declined over the last two decades. As one of the few well-organized groups that could provide electoral constituencies for emerging elites following World War II, labor unions were crucial actors in the establishment of Latin American countries' postwar party systems. Their bargaining power was enhanced by import substitution industrialization policies, which protected their employers from competition and furthered the growth of employment in the manufacturing sector. The subsequent decline in the relative number of unionized voters and the effect of economic liberalization on their bargaining power has curbed the political influence of labor unions. However, labor unions still influence the policymaking process, depending on the nature of their alliances with political parties and other social actors and on their capacity for collective action in the public sector.

### *Labor Organization and Political Alliances*

Labor unions organize to defend the interests of their members through collective action (collective bargaining, strikes), political strategies (lobbying, general strikes), and

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<sup>14</sup> This section draws extensively on Murillo (2005b).

social services (cooperatives, health insurance, pensions). All of these strategies involve delegation from union members to labor leaders. These leaders organize workers' behavior in exchange for concessions to improve their lot, as well as payoffs for their representation. The payoffs to leaders can include material or policy benefits of different types. Because, historically, most governments in the region have tried to prevent workers from organizing, political strategies to obtain the right to organize and strike developed early on. In Latin America, these strategies often involved forging alliances with labor-based parties. These parties were not class-based, but included labor unions as important constituencies. The alliance with labor-based political parties in the post-Depression period provided labor unions with material benefits for workers while facilitating labor organization.

The links established at that time between labor unions and political parties, such as the Argentine Peronist Party (PJ), the Brazilian Labor Party (PTB), the Mexican Institutional Revolutionary Party (PRI), the Peruvian Popular Revolutionary Alliance (APRA), and the Venezuelan Democratic Action Party (AD), structured the future loyalties of the party system and the policy preferences of the labor-based parties.<sup>15</sup> They also generated labor legislation with different incentives for labor organization and benefits for workers. When political parties had greater need for labor constituencies and unions were stronger, labor legislation tended to be more favorable to workers and provided incentives for labor organization—thus generating stronger ties to labor-based parties.

Moreover, the labor laws enacted usually regulated the selection of union leaders and facilitated the control of labor unions by leaders affiliated with labor-based parties.<sup>16</sup> Policy choices during the postwar period further increased labor influence and bargaining power. Specifically, economic strategies of import substitution industrialization and State-led development limited trade competition, perpetuated higher labor costs and transferred them to consumers, and established publicly owned management that was more interested in political considerations (including increasing the public sector labor force) than in efficiency. Labor-based political parties favored those policies, along with promoting higher levels of unionization and greater benefits for workers, so as to maintain labor support. In some of the smaller countries of the region, where on occasion labor movements had been repressed, and import substitution industrialization was less developed, labor movements were weak and often radicalized toward Left-wing political parties.

Countries that had labor-mobilizing party systems and had chosen economic strategies that favored labor experienced higher adjustment costs and deeper economic down-

*Labor influence in the policymaking process has remained dependent on political alliances and unions' bargaining power, mainly in the public sector.*

<sup>15</sup> In contrast, business has usually lacked the partisan links of labor unions—even if businesspeople have partisan affiliations as individuals. Thus business associations exercise policy influence based more on their economic power and personal links, as described earlier in the chapter and by Schneider (2005).

<sup>16</sup> Collier and Collier (1991).

turns in the aftermath of the debt crisis that erupted in the early 1980s. This encouraged labor-based parties to change their policy preferences toward economic liberalization and State reform.<sup>17</sup> Yet even after labor-based parties pragmatically shifted their policy orientation from populism to more free-market-oriented policies in response to economic duress, labor unions usually continued to support their political party allies—in return for compensation of various types, including labor reforms that protected employment and regulated benefits. The labor-based identity of these parties increased their credibility in promoting the need for free-market-oriented policies. Meanwhile, labor union trust, built up through past cooperation, facilitated inter-temporal agreements between the government and the labor movement. In general, labor participated in the policymaking process by lobbying the executive directly, although sometimes labor acted through the legislature as well.<sup>18</sup>

### *Labor Organization, Preferences, and Bargaining Power*

The policy preferences of labor unions are shaped by the organizational characteristics of the labor movement, as well as the patterns of competition for leadership (that is, the number of political groups competing for workers' support). The level—company, industry, or national—at which collective bargaining takes place shapes the extent to which labor tends to push for policies beneficial to all workers. Only industry-wide or economy-wide union confederations (peak organizations) with authority to negotiate at the national level can avoid the free riding of other unions, which may seek to obtain a better deal exclusively for themselves in relation to their company or industry. The presence or absence of peak central organizations influences the capacity of labor to coordinate its behavior in any inter-temporal exchange with either business or the government. The degree of unionization reflects how representative labor unions are and how well they can assess the effect of policies on their members. Finally, patterns of leadership competition affect the incentives of labor leaders, who, in entering into inter-temporal agreements on policy, also want to make sure that they will not lose their role as agents of workers. As shown in Table 5.4, unions vary across Latin American countries in regard to these features.

The structure of the labor movement is often a legacy of labor legislation, which regulates levels of collective bargaining, patterns of leadership competition, and incentives to organize peak confederations. In turn, these organizational features shape policy preferences based on the scope of their effects and the authority of confederations over their members, as well as the union leaders' incentives for entering into inter-temporal agreements.

For instance, labor preferences for encompassing policies whose benefits accrue to all workers, such as macroeconomic stability, are more likely if a centralized confederation can impose the cost of wage restraint on all workers, and thus prevent wage drift within the most competitive sectors. In Mexico, for example, although the Mexican Workers'

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<sup>17</sup> Roberts (2002).

<sup>18</sup> See Etchemendy and Palermo (1998).

**Table 5.4 Union Structure**

Country	Unions as a percentage of the economically active population	Dominant level of unionization	Number of peak confederations	Leadership competition <sup>a</sup>
Argentina	36.1	Industry	Single	No <sup>b</sup>
Brazil	29.0	Local	Multiple	Yes
Chile	10.2	Firm	Single	Yes
Colombia	9.3	Firm/craft	Multiple	Yes
Mexico	13.5	Industry/local	Dominant	No
Peru	13.5	Firm	Multiple	Yes
Uruguay	20.9	Industry	Single	No
Venezuela	19.3	Local/industry	Dominant	Yes

<sup>a</sup> The competition takes place among labor leaders associated with different political parties.

<sup>b</sup> There has been some increasing competition since 1996, with the official recognition of a second central confederation of workers.

Sources: McGuire (1997) and authors' calculations.

Confederation (CTM) is not the only peak organization, it is the most important. It has strong authority with respect to leadership selection and collective bargaining over its member organizations, which are individual unions across all sectors. As a result, during the 1980s, it was easier to negotiate price caps in Mexico than in Argentina, where the General Confederation of Labor (CGT) has no authority over members and industrial collective bargaining facilitated free riding at the expense of other industries.

Partisan links between the governing PRI and the CTM in Mexico were also instrumental in allowing inter-temporal agreements surrounding wage caps (labor unions had to restrain the growth of wages to achieve lower inflation in the future). By contrast, in Brazil, efforts to reach wage agreements failed during the 1980s, in part because the different confederations could not coordinate the behavior of their members, but also because the main confederation was affiliated with an opposition party, which increased its incentives to defect from any agreement that might have been reached.

Partisan links do not necessarily guarantee inter-temporal agreements if labor unions face competition for leadership. In Venezuela, although the dominant confederation was allied with the governing *Acción Democrática* during the 1990s, leadership competition among Left-wing parties within the Venezuelan Workers' Confederation (CTV) led *Acción Democrática* labor leaders to oppose President Carlos Andrés Pérez's stabilization policies in 1989–91, for fear of appearing to be selling out to an ally in power. Thus in defining labor's policy preferences, it is important to analyze not only labor's links with political parties, but also its ability to deliver on promises and its incentives to enter into inter-temporal agreements.

## Policy Reform and Labor Influence

As noted, the policy influence of Latin American labor unions has declined as the policy preferences of labor-based parties have shifted and the number of unionized voters has declined. Economic liberalization has reduced employment in the highly unionized protected sectors while increasing exposure to international trade. This has undermined labor's bargaining power. The reduction of State payrolls, and especially privatization, have eroded employment in the highly unionized public sector, while making firm managers more concerned about the impact of labor costs on profitability and competitiveness.<sup>19</sup> Finally, a large informal sector (as well as unemployment) has further reduced the pool of unionized workers. This has eroded the importance of formal workers as electoral constituencies and reduced their political influence.<sup>20</sup>

In a context of declining membership and power, labor unions have invested their dwindling resources in fighting certain kinds of reforms: those characterized by both a broad scope and intense costs for their members. Table 5.5 presents a classification of policy reforms in terms of their scope and intensity. The *scope of policies* depends on what proportion of union members are subjected to the costs of the reform. While labor law reform affects all union members, for instance, privatization of the telecommunication company generates costs only for telephone workers who may lose their jobs or be exposed to more competition. The *intensity of policy costs* depends on how large the relative stake of union members is or how deep the effects of each policy change are. If the effect is concentrated on members, the intensity of the policy cost is high. This would be the case if members faced the risk of job loss—either because of a broad policy, such as labor reform, or a narrow policy, such as telecom privatization. By contrast, if the effect is diffused, members bear a more limited cost, and thus the intensity is low. This could be true with respect to a narrow policy, such as sectoral regulation of public utilities, or a broad policy that affects all sectors of the economy, such as tax reform.

In a context of declining political influence, labor unions are more likely to invest their resources in resisting the adoption of policies of broad scope that have intense effects on their members (the shaded portion of Table 5.5). Labor unions are more likely, for example, to invest their resources in resisting labor law reform, which is a policy of broad scope (affecting all union members) and high intensity (affecting workers' job security, compensation, and so on).

The success of labor unions in influencing the policymaking process is also dependent on how costly it is for governments to make concessions in each policy area, which groups benefit from each reform, and how important those groups are to the government. Consider the case of labor law reform. The cost of not reforming labor legisla-

<sup>19</sup> Public sector employment as a share of urban employment declined by one-third in Argentina, Honduras, Panama, and Peru and by one-fifth in Costa Rica and Ecuador from the late 1980s to the late 1990s (ILO 1999).

<sup>20</sup> The level of open unemployment reached double digits in Argentina, Colombia, Panama, Uruguay, and Venezuela by 1998. The informal sector accounted for as much as 59 percent of urban employment in Ecuador in 1998 (ILO 1999).

**Table 5.5 Reforms Classified According to Their Effects on Labor Unions**

Effects	Scope	
	Broad	Narrow
Intensity of costs	High	Labor law Privatization Social sector reform
	Low	Tax reform Deregulation of a particular sector

*Note:* Shaded portion indicates more intense effect on labor unions.

*Source:* Murillo (2005b).

tion mainly falls on employers (and perhaps unemployed workers, who lack political representation). By contrast, the cost of not privatizing may be spread to all taxpayers, through the fiscal deficit, and to most consumers, if it involves service delivery. Governments are thus more likely to yield to labor demands with respect to labor reform than with respect to privatization. This makes investments of labor's political efforts more worthwhile in relation to labor law reform.<sup>21</sup> Thus labor movements are more likely to unite in resisting labor policy reform than privatization—even though both entail costs that are concentrated among some labor constituencies.

In fact, labor reforms have lagged behind other market reforms in the region, and those that have occurred have been modest. Further evidence of this effect is provided by a comparison of reforms to individual labor laws and collective labor legislation from 1985 to 2000, when market reforms were sweeping the region. Individual labor laws regulate work conditions, such as the work schedule, compensation, and termination, whereas collective labor legislation deals with the rights pertaining to labor organizations, such as unionization, collective bargaining, and the right to strike. In the 1985–2000 period, 10 of 16 individual labor reforms in Latin America tended to reduce the scope of regulations (deregulatory), whereas 13 of 18 modifications to collective labor law were regulatory in orientation.<sup>22</sup> Thus, while individual labor laws tended to be relaxed (thereby hurting union members), collective labor laws were reformed so as to enhance the rights of labor to organize. This difference in the orientation of labor reform reflects the fact that while collective labor law affects only unionized workers, individual labor legislation covers all workers in the formal sector: that is, it also covers potential members. Thus the labor movement's greater capacity for collective action with respect to collective labor law allows it to be more successful in achieving a favorable reform outcome.

The success of labor in achieving pro-labor reforms highlights the mechanisms through which it can exert an influence on the policymaking process. Labor-based gov-

<sup>21</sup> Murillo and Schrank (2005).

<sup>22</sup> Murillo (2005a); Murillo and Schrank (2005).

erning parties that are implementing market-oriented economic reforms have advanced regulatory-oriented labor reforms (favored by labor) in return for labor support on economic policy reforms. Exchanges of this type played a role in the regulatory reforms to collective labor laws, as well as in the exceptions to the deregulatory trend in individual labor law. These exchanges occurred mostly in countries with strong labor movements, which had developed mainly during the period of import substitution industrialization.<sup>23</sup>

Meanwhile, labor has allied itself not only with traditional partners—labor-based parties—but with new partners: transnational actors such as consumers in the United States and other countries that are concerned about fair labor practices and can demand trade sanctions against countries that limit labor rights.

Labor movement alliances with transnational labor advocates explain the success of regulatory-oriented reform of collective labor laws in countries where labor movements have been weak and have had no strong domestic allies, a combination that tends to occur in countries in which import substitution industrialization never became established.<sup>24</sup>

Labor influence on policies of high-intensity effects with more limited scope, such as privatization or social service reform, is based on long-term labor political alliances or short-term coalitions with groups of domestic consumers. Because labor-based parties have more credibility in promoting the need for such policies, labor unions can accept these policies in return for concessions to compensate union members and their leaders. For instance, in Argentina, Peronist labor unions accepted President Menem's privatizations in return for an allocation of shares of the privatized companies to workers and labor union acquisitions of privatized assets. In Mexico, the teachers' union took advantage of its relationship with the government to push for the creation of a comprehensive set of salary and career benefits for teachers in return for accepting the decentralization of education. Also in Mexico, telecom workers obtained subsidized participation in the sale of the State telecommunications company, Telmex, in return for their support of privatization.<sup>25</sup> By contrast, when Uruguayan governments, which lacked links with the labor movement, tried to privatize the State telecommunications company, labor unions allied with consumers and the main opposition party to prevent the implementation of the reform—which was overturned by congress in the face of certain citizen rejection in a referendum (see Chapter 9 on privatization and regulation of public services). In El Salvador, consumers were not included in the coalition against privatization, and labor resistance was not effective.

In addition to partisan links, labor can also exercise policy influence based on its ability to protest or disrupt labor relations. This power is strongest in relation to public services, which are not exposed to international economic competition and in which employers are subject to the public pressures of consumers as voters. As a result, since

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<sup>23</sup> Murillo (2005a).

<sup>24</sup> Murillo and Schrank (2005).

<sup>25</sup> Murillo (1999).

the 1990s, public sector workers have increased their bargaining power relative to private sector workers and public sector unions have become more militant. Moreover, through their lack of cooperation (or even outright resistance), public sector workers can prevent public service reforms from being implemented effectively, even if they cannot prevent those reforms from being adopted. An example of this is the case of the failed attempt to privatize the Costa Rican Electricity Institute (ICE). Although the bill authorizing the privatization of the ICE passed congress (by an overwhelming majority) in early 2000, massive opposition to the privatization from a broad coalition of social groups mobilized by the unions led the government to withdraw the legislation shortly afterward, before it could be implemented. A new legislative commission, with substantial representation from those who would be affected by the ICE privatization, was instead formed to study the issue further.

In many cases, public sector protests are defensive strategies to protest arrears in the payment of wages or declining wages, rather than efforts to influence the policymaking process. Thus it is important to differentiate defensive strategies, which are more likely to involve militancy, from influence in the PMP, which often does not require more than the threat of protest actions. But unions have not always adopted an adversarial stance towards reform. The modernization of public employment in Chile has been a joint effort of the government and ANEF (*Agrupación Nacional de Empleados Fiscales*), which signed an agreement on new working conditions that was later enacted into law.

### ***The Future Influence of Unions***

Labor influence in the PMP has remained dependent on political alliances and unions' bargaining power, mainly in the public sector. Labor political alliances have moved beyond the corporatist ones of the postwar era as new labor-based parties emerged in Brazil (the Workers' Party), Mexico (the Party of the Democratic Revolution, PRD), Uruguay (the Broad Front), and Venezuela (*Causa R*), among others. Yet only in one country did the labor movement achieve its preferred policies: Venezuela, where the pro-Chávez National Workers' Union (UNT) established strong links to the government. In the other cases, labor-based parties have not delivered the preferred policies of labor unions because of fiscal constraints and the political weight of other constituencies. In a context of dwindling resources, labor unions are concentrating their policy influence on labor legislation and other policies of broad scope but with concentrated costs for their members. In doing so, they are continuing to use alliances with political parties, and forging new coalitions with domestic and transnational consumers. Unions have proved less able to engage the growing number of informal workers or the unemployed.

In the public sector, where strikes can disrupt not only the reform process but also the daily operation of crucial services for the population, labor strikes still seem effective—although they are often limited by pressures for fiscal restraint. Because public sector managers are political appointees and these sectors are not exposed to trade competition, it is likely that such areas will remain open to policy influence by labor unions. As reflected in a 2002 survey for the United Nations Development Programme, Latin American leaders concur with these conclusions. In general, they perceive labor unions as a potentially powerful actor, but with more of a veto than a proactive power, and with

influence centered on labor issues. At the same time, they recognize the increasing influence of public sector unions relative to private sector unions.<sup>26</sup>

In sum, labor unions exercise less influence in the PMP than in the past, but they still influence it, especially if labor-based parties are in government, if they are organizing public sector workers, and if they are able to forge broader alliances with consumers or transnational allies, such as consumers in the United States.

## Social Movements

The past decade has witnessed a dramatic increase in the power of social movements in Latin America, significant not only in terms of their number but also in terms of its political impact. Democracy has made possible a broad exercise of rights and freedoms of expression, assembly, and demonstration. Drawing on these rights and freedoms, social protest has turned into a powerful political instrument, which in some cases has reached

a sufficient scale and intensity to lead to the forced resignations or removal of presidents (see Table 5.6).

*Social movements have become complex and influential political actors.*

Traditional perspectives viewed social movements as emerging from behaviors that deviate from the norm, essentially a result of processes of social atomization, alienation, and frustration. However, a different perspective has gained ground that suggests that these movements

are composed of individuals who are rational, socially active, and well integrated into the community, but who seek to assert their interests through channels other than those offered by established institutions. Given the generally peaceful and self-managed nature of these movements and the support they receive from the media, which help to publicize, legitimate, and amplify them, social movements have become complex and influential political actors. Social demonstrations may on occasion become an instrument for effective action by political actors who are well established within the traditional political system.

### *Explaining the Rise of Street Power*

What factors explain the spread of this phenomenon and its powerful impact on the political processes of the region? Three different crises of the political system can be linked to the rise of street power. These crises can be described as the “weakness of the State,” the “weakness of representative democracy,” and the “weakness of the nation.”

**Weakness of the State.** The first crisis is linked to the weakening of the State, both with respect to maintaining the income of the sectors that traditionally have supported it (organized labor, agricultural landowners, and the urban middle class), and with respect to providing adequate services for the most disadvantaged sectors of the population, which

<sup>26</sup> UNDP (2005).

**Table 5.6 Civil Demonstrations That Played a Significant Role in the Deposing of a President**

Country	President	Date of deposition	Crisis factors
Argentina	De la Rúa	December 21, 2001	<ul style="list-style-type: none"> <li>• Widespread dissatisfaction with socioeconomic performance and with the political class</li> <li>• Collapse of the economy</li> <li>• Cases of corruption</li> </ul>
Bolivia	Sánchez de Lozada	October 17, 2003	<ul style="list-style-type: none"> <li>• Widespread discontent due to socioeconomic situation</li> <li>• Demands of indigenous peoples</li> <li>• Exportation of natural gas</li> </ul>
Bolivia	Mesa	June 6, 2005	<ul style="list-style-type: none"> <li>• Lack of sufficient social support and political backing</li> <li>• Demands for nationalization of natural resources and a greater State role in the economy; better representation of indigenous communities; and regional autonomy</li> </ul>
Brazil	Collor de Mello	December 29, 1992	<ul style="list-style-type: none"> <li>• Economic crisis, including hyperinflation</li> <li>• Human rights violations</li> <li>• Corruption, personal scandals</li> </ul>
Ecuador	Bucaram	February 6, 1997	<ul style="list-style-type: none"> <li>• Corruption, patronage, nepotism</li> <li>• Institutional disorder</li> <li>• Attempt to privatize major State enterprises</li> <li>• Elimination of public services subsidies</li> </ul>
Ecuador	Mahuad	January 21, 2000	<ul style="list-style-type: none"> <li>• Economic crisis</li> <li>• Loss of confidence in the banking system (freezing of savings)</li> <li>• Dollarization of economy</li> </ul>
Ecuador	Gutiérrez	April 20, 2005	<ul style="list-style-type: none"> <li>• Partisan struggle for control over Supreme Court and unconstitutional dismissal of judges</li> <li>• Struggle for governability in the context of a highly fragmented and regionalized party and political system</li> <li>• Deep disenchantment with congress and political system</li> <li>• Loss of support of armed forces</li> </ul>

*(continued on next page)*

**Table 5.6 Civil Demonstrations That Played a Significant Role in the Deposing of a President** (*continued*)

Country	President	Date of deposition	Crisis factors
Guatemala	Serrano Elías	June 1, 1993	<ul style="list-style-type: none"> <li>• The <i>Serranazo</i> (attempted “self-coup” by Serrano)</li> <li>• Suspension of the constitution</li> <li>• Dissolution of congress, Supreme Court, and Constitutional Court</li> </ul>
Paraguay	Cubas	March 23, 1999	<ul style="list-style-type: none"> <li>• Amnesty of General Oviedo</li> <li>• Congress, the attorney general's office, and the Supreme Court declare pardon unconstitutional</li> <li>• Assassination of Vice President Argaña</li> </ul>
Peru	Fujimori	November 19, 2000	<ul style="list-style-type: none"> <li>• Authoritarian practices/concentration of power</li> <li>• Electoral fraud</li> <li>• Large-scale political corruption</li> </ul>
Venezuela	Pérez Rodríguez	May 20, 1993	<ul style="list-style-type: none"> <li>• The <i>Caracazo</i> uprising: popular revolts violently repressed</li> <li>• Broad disenchantment with traditional political parties and the political system</li> <li>• Economic crisis and austerity measures</li> <li>• Social programs abandoned</li> <li>• Two attempted coups d'état: February 3, 1992, and November 27, 1992</li> <li>• Allegations of corruption</li> </ul>

Source: Authors' compilation.

have obtained new political power as a result of democratization. On the one hand, fiscal austerity measures and the end of the old monopolies are breaking up the old corporatist and patronage State, eliminating privileges, and terminating old social alliances. On the other hand, the expectations generated by democracy have been frustrated by the need to deal with unfavorable economic circumstances. A weak State unable to fulfill the expectations for improvement generated by democracy is one of the sources of discontent and social mobilization.

In Argentina the resignation of President Fernando De la Rúa was related to this first type of crisis. It resulted from a series of corruption scandals, a protracted economic recession followed by economic collapse, and deep disenchantment with politicians,

reflected in the rallying cry of protesters, “¡Que se vayan todos!” (“Let’s get rid of them all!”). The Argentine crisis gave rise to a broad spectrum of social movements, from *los piqueteros* (“picketers”)—a social protest movement formed by disadvantaged but heterogeneous sectors susceptible to political manipulation—to powerful multipurpose social organizations created to make up for the inability of public institutions to respond to social needs. It must be pointed out that these movements have failed to institutionalize an approach to representation that could replace the traditional institutions of democracy, such as political parties.

**Weakness of democracy.** The practice of democracy in the region has generally failed to produce significant progress in satisfying unmet social needs and in creating governments that are transparent, free from corruption, and free from capture by special interests. Moreover, the greater exposure of democratic governments to the scrutiny of public opinion has tended to exaggerate their transgressions in comparison with those of authoritarian regimes, which protected themselves from criticism using repressive means. Underlying weaknesses in democratic processes have failed to prevent authoritarian practices, patronage, populism, corruption, and the capture of public institutions and policies by special interests. This failure of democratic processes has also had repercussions with respect to the fulfillment of key State missions, such as the delivery of efficient services and the promotion of development. Public policies are perceived as having failed to incorporate and respond to the needs and demands of all the citizens, resulting in vast sectors of the population being excluded from the benefits of growth. Traditional political parties and parties in general have become a principal casualty in this loss of confidence in democratic processes, further deepening the crisis of representative institutions.

The protests that erupted in relation to the electoral fraud and corruption committed by the government of President Alberto Fujimori in Peru can be associated with this type of crisis. The demonstrations that culminated in the deposing of Presidents Fernando Collor de Mello in Brazil, Raúl Cubas in Paraguay, and Jorge Antonio Serrano in Guatemala are also largely attributable to factors related to the deficiencies of democratic processes. The fall of President Carlos Andrés Pérez and the subsequent collapse of the traditional party system in Venezuela can be attributed to a mix of the factors at play in the two crisis dimensions: street reaction to the prolonged failure of the State to deliver improvements in living standards (and the costly adjustment measures adopted by the government), and the perception of widespread corruption in the political class.

**Weakness of the nation.** A third crisis is the absence of a shared sense of nationhood. To generate a feeling of national identity, the State needs to be capable of producing a vision for a shared future from which a community of citizens with obligations and rights can be created. The systemic failures related to the other two types of crises compound the difficulties of dealing with this third type of crisis. When it is perceived that benefits are concentrated in a minority while sacrifices are always being asked of the same groups—which are precisely the major groups that are absent from decision making processes—it is very difficult to facilitate the emergence of a sense of belonging to the same political community. In this context it is typical for movements to appear that

create parallel identities that have distinct visions of the nation. This type of crisis is the hardest to resolve, since it entails fundamental conflicts about the practical definition of rights and responsibilities of different groups of citizens, as well as how to structure the State in territorial terms to best incorporate the divergent interests of these groups.

Bolivia and Ecuador share elements of this third type of crisis. The ongoing deficiencies in governmental performance with respect to the promotion of equitable development and to the representativeness of their democratic processes are compounded by conflicts over nationhood, reflected in the mobilization of indigenous communities for greater voice in the system and in demands for greater autonomy from different regions of the country. In Bolivia and Ecuador, these crises have resulted in the resignation of several presidents, and the political landscape remains unstable.

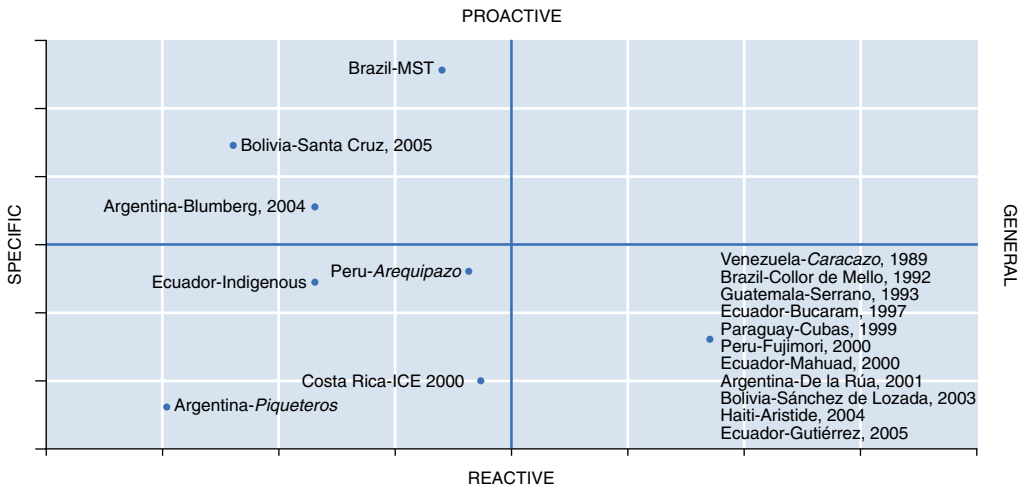
Social movements are rooted in *structural* factors and *circumstantial* factors. Circumstantial factors, such as an increase in tariffs on fuel or a proposal to privatize a State enterprise, can launch a wave of social protest. Behind these circumstantial factors are usually hidden structural factors, such as long-term economic stagnation, widespread poverty, a lack of employment opportunities, or political corruption. These structural factors explain the deeper discontent of citizens. Thus the new social movements at times are quiescent, but have the potential to become active when they are triggered by particular events. These events become catalysts with which social leaders can mobilize the population to take to the streets.

### *Types of Social Movements*

Social movements can be classified along two dimensions, as depicted in Figure 5.1. The first dimension, shown on the horizontal axis, represents the relative generality or specificity of the issue underlying the social movement, and thus the breadth of the population mobilized. Along this dimension, the demands of specific sectors or regional or ethnic identities are classified toward the “specific” end of the continuum. The second dimension, shown on the vertical axis, represents the degree to which the social movement seeks to change public policy constructively in a given direction (“proactive”) or merely to veto government proposals or express dissatisfaction with public officials (“reactive”).

Some cases are difficult to categorize according to these dimensions and are placed between the two extremes. For example, while it may be said that the *Arequipazo* uprising in Peru against President Alejandro Toledo in June 2002 (discussed further in Chapter 9) emerged in relation to a particular cause, in one region (Arequipa), and from a very specific issue—the privatization of the *Egasa* and *Egesur* electric companies—it immediately resonated at the national level.

Similarly, the social reaction to the governmental attempt to privatize the energy and telecommunications markets in Costa Rica falls into this category of a movement that arose from a fairly specific cause but ended up having broader objectives and impact. The effort to privatize the Costa Rican Electricity Institute (ICE) generated demonstrations for three weeks in March and April 2000, during the presidency of Miguel Ángel Rodríguez, which led to an important decline in his popularity. The first opponents were the ICE’s own employees and environmental groups. But the enactment by congress of the bill privatizing ICE triggered massive protests that received broad social support.

**FIGURE 5.1** Classification of Social Movements

Source: Authors' compilation.

An example of a specific movement, but one with a more positive focus, is the Landless Peasant Movement (MST) in Brazil. This movement defines its purpose as fighting for land and for agrarian reform in Brazil. More than just a protest movement, the MST has built an entire organizational network through which it offers housing; medical and learning centers; cooperatives for credit, production, distribution, and consumption; and opportunities for improving productivity—all of which confers upon it a legitimacy that goes beyond what is normally expected for an opposition movement.

One of the most striking features of Figure 5.1 is the absence of cases with both “proactive” and “generalist” characteristics (the upper right-hand quadrant of the figure). There have been few demonstrations in the region that have mobilized a broad cross-section of the population that have also been capable of articulating constructive proposals. All the movements that resulted in the deposing of a president share the characteristics of being massive (general) civil demonstrations, while being essentially negative—in the sense that they clearly articulated opposition to something or someone, but did not advocate a constructive alternative.

### ***The Role of Social Movements in Policymaking and Their Effects on Democratic Governance***

Social movements in each of the quadrants in Figure 5.1 can have a different effect on the policymaking process. Social movements organized around specific demands tend to play a role as agenda-setters, if they are constructive, or merely as veto players, if they are not. The agenda-setting role is illustrated by the Blumberg case in Argentina. In April 2004, President Néstor Kirchner faced numerous demonstrations by citizens clamoring

for greater security and a strengthening of anti-crime laws. The movement, started by Juan Carlos Blumberg, whose child had been kidnapped and later murdered, protested against rising insecurity and crime, mainly in the province of Buenos Aires. The protests induced the government to incorporate the fight against crime into the political agenda and led to the adoption in record time of several reforms to the criminal code.

By contrast, unstructured and spontaneous mass movements tend to become a general destabilizing factor in the policymaking process, with consequences for policies that are not always foreseeable. Most of the time, they bring about policy instability, as new governments attempt to distance themselves from the policies that brought down the previous governments. In countries in which such movements occur repeatedly, they contribute to imparting a short-term focus to other political actors, and may discourage investments in policy capabilities.

The increasing prominence and impact of social movements raises an important question: are they good or bad for democratic governance? The answer is not straightforward. On the positive side, it can be argued that a participatory and organized civil society (of which organized social movements are an example) can be an important component of an efficiently operating representative government. These movements have resulted in the incorporation into the political system of new actors that previously had played only a marginal role, thus enhancing the inclusiveness of the democratic system.

On the negative side, these movements are often subject to manipulation by established political actors or emerging leaders, as well as by special interests. Many of the cases analyzed above had an element of manipulation, in the sense that the movements have at some point been co-opted by other actors in pursuit of their own objectives (such as mounting powerful opposition to the government and eroding its authority). In addition, social mobilization clearly becomes a problem if the resort to mass protest becomes a structural device rather than a circumstantial mechanism for engaging in politics, and if traditional democratic institutions become incapable of supporting legitimate and effective governance. In this case, the effect is more likely to be chronic political instability than enhanced citizen participation.

The adoption of direct democracy instruments, such as referenda, popular initiatives, and recall petitions, can potentially facilitate social participation, while avoiding the instability that can result from persistent demonstrations and social unrest. Such mechanisms can help clarify the positions held by citizens and deflate protests by building legitimacy for a given course of action. The referendum on natural gas held in Bolivia during the presidency of Carlos Mesa was an attempt to contain popular pressure and to seek an effective decision making channel. Likewise, participatory budgets try to bring decisions on the use of certain resources closer to the beneficiaries. Some have argued that giving citizens a direct hand in the process of drafting public policies through consultative processes can strengthen democratic governance by legitimizing the decisions made. This logic underlies the referenda held in Uruguay to consult public opinion on decisions regarding the privatization of public enterprises.

Nevertheless, mechanisms of direct democracy can weaken representative democracy, in which political parties and public authorities, as social representatives, must articulate and aggregate societal interests. A referendum on a single issue can lead to the

veto of critical elements of the general program of an elected and legitimate government, thus compromising its room for maneuver. This is what happened with the privatization referenda in Uruguay. Moreover, it is debatable whether in highly complex cases and in acute crises, these mechanisms are sufficient to contain protests and social unrest, as illustrated by the referendum in Bolivia, which failed to stop the protests that had prompted it.

## Knowledge Actors<sup>27</sup>

The quality and thus the effectiveness of public policies depend in part on the extent to which technical policy expertise is included in the policymaking process. Various technical experts, or knowledge actors, can improve the quality of public policy debates, introduce policy alternatives, help set the policy agenda, and monitor and strengthen implementation by improving the knowledge base upon which other actors may serve. These knowledge actors serve as intermediaries or brokers between knowledge and policy.

*Integrating technical rationality with policy rationality can help policymaking proceed in a more open and balanced way.*

In most democratic countries, most of the mediation between knowledge and policymaking takes place in public bureaucracies, which are the main site of specialized knowledge because of their permanent professional structures.

In most Latin American countries, however, the bureaucracy is limited in its development as a stable professional structure. This has led to a historical weakness in the institutionalization of knowledge. In recent years, this weakness has been redressed in part by the strengthening of some of the fiscal bureaucracies (central banks, regulatory and audit agencies, and ministries of economy). At the same time, in some countries the relevance and functions of central planning and analysis units, such as advisory offices, ministries, or planning departments, which played an important role in the past, have been downgraded.

Meanwhile, other actors have emerged, partly because of the increasing specialization of knowledge and partly because of the difficulties of adapting the bureaucracy to the dynamic nature of events in the region. The discussion that follows briefly examines other knowledge actors that play an important role in the public policymaking process.

## Emerging Knowledge Actors

**Legislative advisory offices.** Some countries have developed technical capacity in the legislature. As discussed in Chapter 3, a congress with good technical capacities in the policymaking process is an important factor in shaping the key features of public policies.

<sup>27</sup> This section draws extensively on Santiso and Whitehead (2005).

In Brazil, advisory offices in the upper and lower houses of congress have about 500 professional staff members altogether. These offices have been recognized as a key factor in ensuring that the political agreements and transactions that take place in congressional negotiations are not achieved at the cost of the technical quality of the laws. Moreover, there is evidence that with the support provided by these offices, the political debate has become more rigorous, the dialogue between the executive and legislative branches has become more sophisticated and demanding, and media coverage of the debates has focused more on the technical aspects of the laws.<sup>28</sup>

***Institutes linked to political parties.*** Political parties are responsible for formulating policy programs consistent with the principles that they uphold and the interests of their electoral constituency. As parties build up their technical capacities, they can gain a better basis for a more solid and consistent programmatic platform.

Despite the democratization process in the region and the progressive increase in the accountability of public officials, few parties have built up these capacities extensively. This has impeded the emergence of a party system with the capacity to offer voters something more than particularistic incentives or unrealistic promises of improvement in policy outcomes.

The exception is Chile, where the opposition parties and the government have political think tanks to support their policymaking processes. The role of these think tanks was tested in the corruption crisis of 2003, because the specialists who devised the reforms came mostly from the party institutes.

***International organizations.*** Various international nonfinancial and financial organizations operate in Latin America and the Caribbean and provide technical assistance. They serve as important knowledge mediators, transferring the experience that they have gained in other countries to the region. The nonfinancial organizations, such as the United Nations agencies—particularly the United Nations Development Programme (UNDP) and the Economic Commission for Latin America and the Caribbean (ECLAC)—provide technical assistance and capacity for policy analysis, diagnosis, and dialogue from a national or regional perspective. The financial organizations—the International Monetary Fund (IMF), the World Bank, the Inter-American Development Bank (IDB), and the Andean Development Corporation (CAF), among others—contribute to the stabilization and development of the countries by financing projects and programs. Such financing is increasingly accompanied by technical assistance, not only in the phase of preparing operations but also in the diagnosis of needs and the identification of policy alternatives.

This makes the financial organizations, especially in the countries that depend most on their financing, important actors in the policymaking process. First, they support macroeconomic stability, providing incentives for coherent policies with basic requirements of economic rationality. Second, through their work in the preparation of strategies and projects, they transfer the experience that they have amassed in public policymaking to the countries of the region.

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<sup>28</sup> Alston and others (2005a).

**Analysis and research centers (think tanks).** Research centers involved in policymaking, also known as think tanks, play a very important role in some countries in the region. There are many such organizations, although they differ considerably from country to country. Argentina, Brazil, Chile, and Colombia have many think tanks, while in other countries they are less developed. FIEL and *Fundación Mediterránea* (Argentina), TENDENCIAS (Brazil), CIEPLAN (Chile), FEDESARROLLO (Colombia), FUSADES (El Salvador), CIEN and ASIES (Guatemala), and CERES and CINVE (Uruguay) are among the most significant examples in the area of economic policymaking. In some cases, such as *Grupo APOYO* in Peru, these institutes are more of a consulting firm than a think tank, although this distinction is not always clear. In other cases, such as INCAE in Costa Rica, they are more akin to universities, but with a greater orientation toward public policymaking.

Such think tanks are characterized by important financial and technical capacities, although they may not be as advanced as their counterparts in countries such as the United States and Germany, where donors (such as foundations) contribute generously to their financing, permitting greater independence from the government and more autonomy in their work agenda. In Latin America the relative lack of financial independence means that think tanks are sometimes obliged to act as paid consultants, in many cases for the government. This tends to orient them more to justifying official policies than to providing a rigorous technical analysis of problems and alternatives.

**Nongovernmental organizations with research units.** Some NGOs have developed their own research capacities in connection with issues with which they are concerned. They produce research studies to promote awareness of issues or propose reforms consistent with their ideas. An example is the network of organizations in the region affiliated with Transparency International. Some have carried out specific studies to analyze cases of corruption. Others, such as Transparency Colombia, have prepared indices for evaluating the transparency of governmental agencies. Still others, like Citizen Power in Argentina, have concentrated their efforts on legal reforms to promote governmental transparency.

The strength of these actors depends on their capacity to influence the policymaking process with their ideas and proposals. A very important factor is the follow-up and support they stimulate in public opinion through the media. Because of their activist nature, they are important in influencing the policy agenda, especially when a window of opportunity creates a favorable climate for their ideas (such as in the case of legislative initiatives against corruption), or when they can use their capacity for mobilization to block a decision or initiative that contradicts their ideas.

**Research units of companies and corporations.** Large companies and corporations contribute to the production and diffusion of knowledge through their research units and centers. In the sphere of economic knowledge, the teams of analysts of the large banks are particularly important. The major Spain-based banks have the largest teams focusing on Latin America, with about 100 analysts each.

With these services, the financial entities provide information, analysis, and very often, advice. Through their presence in the media, their interactions with government officials, and their analyses, they are constantly influencing the policy agenda, based

on their business interests. Prominent executives, directors, and economists from these entities also serve in the public sector, formally or informally, and bring their experience and knowledge with them.

The extent to which the different types of knowledge actors are present and active in seven countries of the region is shown in Table 5.7. The presence of these actors varies considerably across countries. In particular, there is a serious imbalance between the presence of actors that operate within political institutions, such as political party institutes and legislative advisory units, and those that operate outside public institutions, such as think tanks and NGOs. Only in Brazil and Chile is there something approaching a balance.

### *The Role of Knowledge in a Representative Democracy*

The institutionalization of knowledge in the policymaking process in a democracy is not easy. There is an implicit tension between two different types of approaches to policymaking. To simplify, these can be called technical rationality and political rationality. Technical rationality emphasizes the use of scientific methods of analysis to choose policies that are optimal from the standpoint of some aspect(s) of the outcomes they are expected to produce. Political rationality emphasizes the ideological content of policies and the effect that given policy choices will have on political support for the government and governing party.

A political system focuses on one or the other to its detriment. When decisions are made solely according to political considerations, there is a risk that public policies will not best address the needs of citizens. The cost can be the sacrifice of the long term for the short term, exaggerated dependence on public opinion, and disproportionate attention to the sectors of the population that have the most power or are best represented in the political process.

On the other hand, strict reliance on technical rationality presents its own problems. In quite a few countries in the 1990s, for instance, key policymaking responsibilities, particularly for economic policy, were transferred during a period of adjustment and structural reform to a core group of technocrats. This delegation of decision making to technocrats has led to some difficulties. The low degree of legitimacy of policies adopted in this fashion has compromised their sustainability and limited the possibility of expanding the reform process to new areas, in some cases. The aftermaths of the presidencies of Carlos Menem in Argentina and of Alberto Fujimori in Peru underscore the potential costs of this approach. Similarly, the discrediting of privatization in the eyes of the public, despite the empirical evidence of its positive results, is another example of costs associated with failing to build a political consensus in support of reforms.

What is needed in an effective and democratic policymaking process is not an exclusive emphasis on one type of knowledge or the other, but a combination of both. Such a combination can provide different and necessary perspectives, and promote different combinations of incentives and preferences.

However, linking these two types of logic in the policymaking process in a democratic system is not simple. Achieving this link requires a high degree of institutional maturity. Until recently in Latin America, the executive tended to delegate its decision making capacity to independent technocrats, either under autocratic regimes, which

**Table 5.7 Presence of Knowledge Actors in a Sample of Countries**

Actors	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Venezuela
Political analysis evaluation units	Absent	Stable	Stable	Some	Weak	Absent	Absent
Legislative support offices	Absent	Stable	Some	Absent	Absent	Absent	Absent
Institutions of political parties	Weak	Weak	Stable	Absent	Absent	Absent	Absent
Think tanks	Some	Some	Some	Some	Some	Weak	Weak
NGOs	Stable	Stable	Stable	Some	Some	Some	Some

*Note:* Absent: Absent or almost non-existent  
 Weak: Small number and low or poor technical capacity  
 Some: Some well-established capacity  
 Stable: Well-established and stable capacity

*Source:* Santiso and Whitehead (2005).

removed most decisions from the realm of public discussion, or under highly presidentialist regimes, which shielded the technocrats from the political game, offering them isolation and protection. This approach not only risks marginalizing other technical perspectives, but it also fails to legitimize policies among the broader public—which in a democratic system makes them difficult to sustain.

In recent years, some countries have continued to keep the spheres of technical and political knowledge separate. At the same time, a new pattern has emerged, in which actors with policy expertise (“knowledge actors”) are integrating themselves into the political process.

Thus the decision making process is becoming more inclusive. The role of knowledge is also being expanded and extended, as it is being democratized: taken out of the corridors of the bureaucracy or the meeting rooms of international experts and exposed to public opinion.

An illustration of the constructive linkage between technical and political approaches to policymaking can be found in Brazil in the progressive change in relations between the executive and legislative branches, based on the development of transparency in the decision making process, and of the technical capacities of congress through the strengthening of the Legislative Advisory Office. This new dynamic is exemplified by the process of preparing the Fiscal Responsibility Law. The improvement in the technical quality of the work of the legislature, combined with the increased decision making responsibility of the executive, achieved the political adjustments needed for passage of the law, and contributed technical solutions that improved its effectiveness. This process has also encouraged the media to provide more technically informed coverage of the process of policy formulation and adoption. This is an example of how the enrichment of the decision making process through the participation of the executive, the legislature, and the broader public does not have to occur at the cost of the technical rationality of the solutions.

Another example is Chile's response to the cases of corruption that became public in early 2003. Within a few months of a political pact among all of the political parties with congressional representation, a package of political and institutional reforms was adopted that ended the crisis engendered by the corruption revelations and led to major changes in political and administrative institutions. One of these reforms was the creation of the High-Level Public Management System (*Alta Dirección Pública*) with responsibility for a merit-based selection process for 735 management positions that had previously been filled on an entirely discretionary basis. The process is supervised by a council whose members are elected by a majority of four-sevenths of the senate. The interesting aspect of this reform is that it was possible, first, because of a combination of timing and political consensus, and second, because of the availability of accumulated knowledge in institutes and think tanks linked to political parties and universities, which had worked on various proposals with many elements in common. Against the backdrop of this volume of knowledge, the reform could be negotiated, adopted, and implemented rapidly and effectively.

As these examples show, a policymaking environment needs to be created in which technical rationality is politicized, and political rationality is made more technical, thus weakening the barriers that traditionally separate them. The result can be policymaking that proceeds in a more open and balanced way. This can increase the likelihood that "magic solutions" and universal policy recipes will be rejected. Perhaps as a result of these changes, the trend in the region is toward more experimental and gradualist approaches in which various heterodox combinations of policies and institutions can prove to be effective.

In sum, institutionalizing rationality does not mean imposing a single solution, but keeping policies within a basic range of objectivity and reason. To do this, it is essential to develop knowledge actors and to put in place institutionalized channels that allow technical expertise to be incorporated into policymaking processes, backed by a clear mandate and in a clear and transparent way.