Business Politics and Policy Making in Contemporary Latin America

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April 2005

Abstract. Patterns of business participation in policy making vary widely across Latin America, and especially across some of the larger countries Mexico, Brazil, Argentina, Colombia, and Chile. Business has a portfolio of options for investing in politics that usually includes, in democratic settings, business associations, campaign contributions, personal networks, lobbying, and corruption. In principle, business people should distribute their political investments according to their returns, and these returns depend mostly on the opportunities offered by the political system. Business participation also tends to vary according to the type of policy (depending on scope, uncertainty, and length of implementation). The paper considers a range of empirical examples of business participation in policy making with an eye to identifying forms of participation that facilitate flexible adjustment, transparency, and intertemporal commitments.

1. Introduction[1]

Business, especially domestic business, is usually a key participant in policy making. As most policies, especially recent market and state reforms, redistribute resources, business people are likely to be among those with the most intense preferences regarding policy outcomes -- both policy content and the longer term "outer features" of the policy making process -- and, among social groups, business is the one with the most resources to invest in politics. However, despite the common prominence of business in policy making, patterns of business participation vary widely across Latin America and are not easily captured in simple models of politics.

Business participation in policy making varies over time, across policy areas, and across countries along three interrelated dimensions. First, business participation can be collective and organized or dispersed and individual. Among industrialized countries, for example, business tends to be more organized in northern Europe and Japan, much less organized in the United States, with other English speaking and southern Europe countries ranging in between (see Lehne 2001). Second, business input can be formal and open or informal and largely opaque. This dimension tends to covary with the organizational dimension but does not overlap completely. Participation through business associations is typically formal, structured, known to many, and often covered by the press. Personal networks, in contrast, involve very small numbers and are often largely invisible, even to other participants in policy making.

Third, business input varies by the channels of influence that predominate in mediating business participation: deliberative or consultative councils, corporatist tripartite bargaining, lobbying, campaign and party finance, networks and appointments to government positions, and of course outright corruption. Business people will often avail themselves of a number of these channels simultaneously, but comparative analysis helps single out which are primary in particular countries. For example, Japan and other Asian countries have relied heavily on

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[1] I am grateful to Barbara Murphy and Maria Florencia Guerzovich for valuable research assistance, and to Fabrice Lehoucq, Eduardo Lora, Mark Payne, Javier Santiso, Ernesto Stein, Mariano Tomassi, and other workshop participants for useful comments on earlier versions.

deliberative councils that bring together representatives of government and business to discuss a wide range of policy issues. Campaign contributions and legislative lobbying are more central to business politics in the United States and Japan than in most European countries, and obviously more important in democratic regimes than dictatorships. Lastly, the appointment of business people to top policy making positions in government varies greatly cross nationally, from thousands of appointments in the United States and many countries of Latin America to virtually none in most other industrialized countries.

The rest of this paper proceeds in several steps to analyze business participation in policy making in Latin America. Section 2 introduces a general conceptual framework that distinguishes the various meanings people have when they talk about business politics. Section 3 examines the portfolio of political investments that business in Latin America typically employs, including lobbying, campaign finance, business associations, personal networks, and corruption. Section 4 considers some of the ways in which various kinds of policies -- differentiated by their scope, uncertainty, and length of implementation -- elicit different forms of business participation. Section 5 analyzes empirical cases of policy making that illuminate variations across countries, with a sample of cases biased to more successful experiences of intertemporal commitment and close collaboration between business and government. Section 6 concludes and summarizes briefly the state of research on business politics in Latin America.

2. Conceptual Frameworks

Scholars often mean very different things when they say “business.” Distinguishing among five conceptual approaches to the analysis of business contrasts these meanings and illuminates the various ways that business can participate in policy making: as capital, as sector, as firm, as association, and as individuals and participants in policy networks (Haggard, Maxfield, and Schneider 1997). Through capital mobility and flight business as capital can have an indirect, uncoordinated, impersonal effect on policies as policy makers try to anticipate policies that are likely to keep and attract capital (Mahon 1996; Maxfield 1997).[2] While capital mobility imposes significant constraints on policy makers, it is not a deliberate form of business participation in policy making nor is it a major dimension of variation since capital movements are relatively unrestricted throughout Latin America. However, it is important to note this background constraint because it tends to narrow the range of policy options that government officials consider, and contributes to making business politics less contentious and politically destabilizing in the 21st century than it was in the 20th when business mobilized to fight major battles over property rights, labor mobilization, socialism, and the basic parameters of capitalist development.

<u>Business as sector</u>. This conceptual approach is one of the most popular in the literature on international political economy and in many analyses of recent market-oriented reform in developing countries.[3] This approach follows from the conventional Olsonian wisdom that businesses will be better able to overcome obstacles to collective action if they are small in number and homogeneous, as they usually are in capital intensive sectors (Olson 1965). Later approaches deepened the theoretical underpinnings with careful conceptualizations of asset specificity: the more specific a firm's assets, the more likely it is to engage in collection action and politics. Conceptualizing business as sector is often a useful 'first cut' because sectoral cleavages in Latin America are accentuated, and because many policies have very uneven distributions of costs and benefits across sectors. However, taken too far, sectoral analysis can obscure other bases of business politics such as corporate structure, business associations, and business networks that regularly swamp sectoral considerations (Schneider 2004a, Chapter 2; Schneider 2004b, 458–64).

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[2] Capital flows could also be further disaggregated to consider FDI, portfolio investment, and loans (commercial and public), and are sensitive to different kinds of policies (Maxfield 1998; Mosley 2003).

[3] Major works include Frieden (1991) and Shafer (1994). For recent reviews, see Frieden and Martin 2002 and Alt, Frieden, et al. 1996.

Business as firm. In this conception, firms are the primary units of analysis, and business politics vary largely according to corporate structure. Two core features of corporate ownership, multisectoral conglomeration and MNC dominance in key manufacturing sectors, distinguish Latin America from other regions and affect business-government relations (Guillén 2001; Guillén 2000).[4] Diversified conglomerates have more encompassing interests which, combined with their huge size and small number, should in principle facilitate collective action and coordination. According to this logic, conglomerates should support more public regarding policies designed to improve the functioning of the economy as a whole. MNCs, because they can shift investment to other countries (exit), tend to be less committed interlocutors in longer term policy implementation and institution building. To the extent that MNCs influence policy more through anticipated reactions than deliberate political activity, MNCs resemble the effects of the first conception of business as capital. At a minimum ownership variables like multisectoral conglomeration and MNCs complicate simple deductions about business preferences on policy and straightforward predictions on their political behavior. Conglomeration and foreign ownership both open up exit options for firms in particular sectors. If, for example, policies threaten a stand-alone, single-sector firm, that firm is more likely to use voice and politics to change the policy. In contrast, MNCs and conglomerates are more likely weigh the costs and benefits of voice versus exit.

Business as association. In this conception, taken up at greater length in the next section, the way business organizes and the longer institutionalization of business associations are primary factors in explaining patterns of business participation in policy making. The major variations along this organizational dimension include whether associations are voluntary or state chartered (corporatist), whether they are encompassing or sectoral, whether they are based on production or employment relations, and whether they represent primarily large or small firms.

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[4] Firm size also differentiates business preferences in politics (Shadlen 2004; Thacker 2000). Another striking characteristic of firms of all sizes in Latin America is the persistence of family ownership and management. This variable has not been extensively researched or theorized, but there are good reasons to expect the political behavior of firms to differ according to whether or not they are managed by family owners or professional managers.

Business as network. In this conception the analysis turns to examining how individual business people can participate directly through appointment to government positions or close personal connections to top policy makers in personal or policy networks (Teichman 2001). Personalized business-government networks can sometimes evolve out of long-standing social and kinship relations as well as common schooling and university training. More short-term network connections can also emerge out of career movement back and forth between the public and private sectors. As in the United States, most presidents in Latin America appoint thousands of people, including many from business, to top policy making positions. There are some exceptions, notably Chile after 1990 and Mexico for most of the 20th century, where presidents invited very few business people into government, but in most other countries business people circulate regularly in and out of government. Colombia has probably the greatest movement between the public and private sectors, but business people are also common in government in Argentina, Brazil, and Peru. Such movement creates ready made networks for sharing information and debating policy options.

3. Portfolios of Business Investment in Politics

Another, partially overlapping framework for analyzing variations in business participation is in terms of the *portfolio* of political investments made by business. Business people can invest in a range of different political activities from business associations, to financing parties and candidates, to networking with government officials, to outright bribery. In principle, rational business people should balance their *portfolio* of political investments to take advantage of evolving opportunities by shifting political investments to activities that generate the greatest return. Where business concentrates its political investments is largely a function of the perceived opportunities for influence offered by the political system (see Tarrow 1998). Some features of the opportunity structure are relatively fixed by long standing institutional features of the political system; others though can be created or closed by individual policy makers. So, while variations in patterns of business politics are relatively stable, they are not immutable and policy makers can have decisive and relatively short-term impacts on those patterns. Explaining the origins of these patterns is beyond the scope of this paper, but the conclusion briefly returns to this issue of business politics as an *object* of policy making.

3. 1. Associations. Table 1 presents some basic information on the strength and age of encompassing associations in some of the largest countries in Latin America. On this dimension countries like Mexico, Chile, and Colombia follow a more European or Japanese model of business organization compared to a more 'American' style of fragmentation in Brazil and Argentina.[5] Among the remaining larger countries, Peru and Venezuela both have fairly well-organized economy-wide encompassing associations in Confiep and Fedecamaras, respectively. Almost all the smaller countries, with the significant exception of Uruguay, have economy-wide encompassing associations (see Durand and Silva 1998).

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[5] Hall and Soskice (2001) distinguish between "coordinated market economies," including countries of northern Europe and Japan, and "liberal market economies," mostly Great Britain and the United States. Greater employer coordination through associations is one core element in CMEs. Most countries of Latin America fall in a range of 'semi-articulated' capitalism that share elements of both CMEs and LMEs (Schneider 2004c).

Table 1: Voluntary Encompassing Associations

	Association	Scope	Staff
Strong Encompassing Associations			
Mexico	Coparmex (1929-)	economy-wide	30
	CMHN (1962-)	economy-wide	0
	CCE (1975-)	economy-wide	80
Chile	CPC (1935-)	economy-wide	8
	Sofofa (1883-)	industry	50
Colombia	Federacafe (1927-)	coffee	3,500
	ANDI (1944-)	industry	150
	CG (1991-)	economy-wide	3
Weak Encompassing Associations			
Argentina	ACIEL (1958-73)	economy-wide	0
	APEGE (1975-6)	economy-wide	0
	CGE (1952-)	economy-wide	10?
	UIA (1886-)	industry	50
Brazil	UBE (1987-88)	economy-wide	few to none
	IEDI (1989-)	industry	8

Schneider 2004a, 7. Note: Figures for staff are rough estimates for average total employment in the last quarter of the 20th century. See the appendix for abbreviations.

The mere existence of voluntary encompassing associations is one good indicator of the amounts prominent capitalists invest in collective action. The rough estimates of staff give a further proxy useful for comparing across countries the material investments members make in their associations. Other indicators of organizational strength would include the time business people invest in associations and the quality of internal representation. Although they cannot be summarized in a table, historical instances of organizational capacity to aggregate or reconcile member interests were more common in the histories of encompassing associations in Mexico, Chile, and Colombia than in Argentina and Brazil.[6]

Beyond economy-wide associations, wide variation also exists among encompassing associations for industry and for agriculture.[7] Agricultural associations were some of the first to form in the region though most had faded as organizations by the late 20th century, save some in narrower sectors like coffee (Federacafe). Agricultural associations tended to be stronger in countries with less diversified agriculture and larger landholdings, as in Chile, Argentina, and Colombia (Smith 1969; Wright 1982; Schneider 2004a, 39–40). In industry, Chile and Colombia have the strongest voluntary associations in the region. The industry association in Argentina, UIA, enjoyed some periods of strength but after the 1940s always suffered from internal division and competition from rival associations. Non-voluntary, corporatist associations in Mexico and Brazil gave industry federations the appearance of institutional strength, but behind the façade they were much weaker, in large part due to state controls on internal organization. These controls were especially debilitating in Brazil where the regional structure of representation gives marginal industry federations from states in the rural northeast control of the national industry confederation, CNI.

Business associations participate in policy making in a number of ways. First, leaders of associations appear regularly in the press. Newspapers often assign reporters to cover business associations, and they contact associations almost daily for reactions to government announcements and breaking economic news. In addition, associations invest in their own press and dissemination departments and call press conferences to announce policy positions. Some

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[6] Institutional or organizational strength refers to these internal characteristics -- material resources and internal intermediation -- not to the amount of power or influence of the association in the political system.

[7] Commerce and finance are other major sectors with significant associational activity, however there is less variation across the region. Commerce associations tend to be weak, largely because they organize so many thousands of small retailers, except at the municipal level. Financial and banking associations in contrast tend everywhere to be strong and well organized, largely because they organize a small number of very large firms, except where they are divided between foreign and domestic firms.

associations also have sophisticated research departments that collect data relevant to sectoral performance. Associations use the opportunity of announcing, say, monthly employment statistics to comment on policy issues of the day. Some leaders contend that this press presence may be the most important lever, albeit indirect, that business has to influence policy.[8]

Leaders of associations also talk directly to policy makers. Associations may invite officials to events or to make presentations, or associations make ask for appointments. For instance, an annual report to the members on the activities of the president of the economy-wide CCE noted dozens of meetings with various cabinet ministers (CCE 1987). These meetings are often ad hoc and called to address conjunctural issues, but in some countries meetings are more routinized. Again in Mexico, the CMHN hosted monthly luncheons and the CCE monthly dinners mostly with ministers from the economic area. It is often unclear exactly what influence these meals have on policy, but they certainly expand access and dialogue.

In other cases governments can institutionalize business input into policy making or oversight councils (considered further in section 5). These forums, sometimes called consultative or deliberative councils, are typically granted functional authority over certain policy areas that can range from broad macro issues such as monetary policy and stabilization plans to labor issues like minimum wages and training, to narrow technical issues like animal husbandry. These councils have fixed membership that usually includes representatives from relevant ministries and business associations. A small number of councils also include representatives from labor or other organized social groups. If the council decides on policy with formal votes, then business rarely has a majority of votes or even veto power. However, representatives from business associations usually have a good deal of informal influence because they can use common committee tactics to slow unfavorable policies and can bring considerable technical expertise to bear on discussions.[9] Lastly, governments may grant complete policy authority,

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[8] Interview with Jorge Blanco Villegas, President of UIA, 1993-97, 3 May 2000. Analyses of Colombian associations emphasize their strong presence in the media (Urrutia 1983, 45, 82).

[9] Once invited to join councils, associations usually create or expand professional research departments. See Urrutia (1983) for a discussion of informal influence on councils.

along with public resources, to associations. For example, the Colombian coffee confederation, Federacafe, has control over an export tax and other resources and is responsible for financing, promoting, and marketing Colombian coffee. Brazilian industry federations receive a one percent payroll tax to promote worker training; the government collects the tax but turns it over to federations that decide along how to spend it.

Although it is beyond the scope of this paper to attempt an explanation for the wide variation across Latin America in the strength of business associations, it is worth noting some of the main causes (Schneider 2004a provides a full discussion). As Olson would expect, most strong associations provide some selective benefit to members only, ranging from control over an export tax in the case of Federacafe, to a genealogical registry for cattle in Sociedad Rural Argentina, to monthly luncheons with ministers for CMHN. Furthermore, in most cases the most significant benefits are granted by the state. In cases where the state granted control over public funds to associations, firms had incentives to join the association and contribute to its institutional strength. Less tangible benefits, such as regular access to top policy makers (as in the CMHN luncheons mentioned earlier) or to policy making councils, also encouraged business people to join associations, as well as contribute to, and participate in, them.

<u>3. 2. Legislative Lobbying</u>. In the wake of democratization, more avenues for business participation in policy making have opened up, particularly in political parties and congress. Unfortunately there are few empirical studies of lobbying by business (see Diniz and Boschi 2004 for a major exception). However, sporadic evidence suggests that business is increasing its contacts with elected politicians. As business moves to invest more in lobbying the legislature, its influence tends to become more fragmented and particularistic, and therefore ineffectual on general issues, what Diniz and Boschi (2004) call an 'Americanization' of business politics. There are a number of reasons for this fragmentation. For one, individual to contributor are likely to seek legislators' assistance on issues relating specifically to their firms such as resolving particular administrative problems in the bureaucracy.

Moreover, business associations, by custom or legal restriction, do not contribute to political campaigns, and their influence with legislators is likely to be less than major contributors who tend to come from individual firms. An interesting exception, that tends to prove the general rule, is the sophisticated lobbying operation of the CNI, Brazil's national industry confederation. Its lobbying wing COAL (Coordenação de Assuntos Legislativos) grew from a small operation in Brasília in the late 1980s to a large and sophisticated lobby in the 1990s (interview Carlos Alberto Cidade, 27 May 1995). By the mid 1990s COAL had 21 employees and accounted for close to half of CNI staff in Brasília. In contrast, legislative lobbying in the economy-wide CCE in Mexico was still incipient by 2003, in part because the legislature only began exercising a more active policy role after 1997 when the president's party lost its majority in Congress for the first time in many decades (interview with Luiz Miguel Pando, 26 February 2003).

In most countries individual companies also frequently 'lobby' the executive branch. Systematic, cross-national data are lacking, but some general patterns emerge in policy studies. For one, pressuring officials in the executive is usually ad hoc and informal (without a more organized lobbying office that is more commonly associated with new legislative lobbying). Moreover, contact is often sporadic, reactive, and/or crisis driven as business people seek out officials for help with, or relief from, particular policy decisions. Lastly, as in legislative lobbying, contact with the executive usually involves small numbers of firms with narrow interests.

3. 3. Electoral politics, parties, and campaign contributions. According to press reports, in February 1995, at a private dinner with several dozen wealthy business men, president Carlos Salinas de Gortari announced to them that they had all made a lot of money during his government and that he expected them each to donate $25 million to the PRI to help finance the election of his successor (Conger 1995). These reports generated heated debate and portended important changes in politics in Latin America (the possible privatization of the PRI, not least among them). For one, redemocratization in the region would inevitably lead to ever more

expensive campaigns and require governments to decide how they would be financed. And, as the Salinas dinner made clear, big money was mostly likely to come from big business.

Over the last decade most of the large countries of Latin America reformed the legal framework for campaign finance (Griner and Zovatto 2004). Although complex and varied, several patterns emerge in campaign finance laws in the region (Payne, Zovatto, et al. 2002). Most legal frameworks prohibit foreign contributions (to the relief probably of many MNCs), maintain some public funding, limit maximum contributions, and provide some free media access. There are also a wide range of other restrictions in smaller numbers of countries including prohibitions on paid advertising, or contributions from government contractors and business associations, as well as different stipulations on eligibility for public funding. Taken together these laws represent a systematic effort to limit the private cost of elections and to reduce dependence on business contributions, both overall and by particular kinds of business. Nonetheless, a lot of money flows from business into elections, both legally and illegally. There are few studies of compliance, but sporadic evidence from Latin America, as well as experiences in other consolidated democracies, suggest that there are many ways to circumvent restrictions on business contributions.[10]

However, despite the flow of millions of dollars into electoral campaigns, there are several reasons to doubt that this flow buys business a great deal of leverage in most policy processes. The first is a common collective action problem in that businesses contribute to individual legislators who do not have much impact on policy except in collective votes, when it is next to impossible for business contributors to coordinate to exercise collective pressure. In the state of São Paulo, for example, construction firms depend heavily on government contracts

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[10] Another way that electoral politics opens up avenues for business influence is for business people to run for office themselves. In Brazil, for example, estimates of the percentage of deputies with business backgrounds range from a quarter to a half of deputies elected between 1985 and 2002 (see Schneider 2004a, Chapter 4). In Mexico, Fox and many Panistas had business backgrounds. I do not know of any systematic comparative studies but would expect the numbers of business people in congress to be higher in more permissive electoral systems like Brazil's.

and therefore contribute a lot to congressional campaigns. Most large firms have at least one deputy in Brasília whom they can call on to help sort out problems with the federal bureaucracy. However, the industry as a whole cannot get “their deputies” to vote together on policies of common interest to all construction firms (like housing or highway programs)(interview with Eduardo Capobianco, 28 January 1993). Where parties are stronger in organizing policy relevant votes and collective campaign funding, they can help solve this collective action problem, however such parties are rare in Latin America. Another problem for contributors is that turnover is very high in most legislatures (100 percent in Mexico, by law) so that incumbents, once in office, have weak incentives to heed their contributors.

Contributions to presidents, many of whom can now stand for reelection, may suffer less from these problems of collective action and post-election lapses in attentiveness, however, the contributions have to be very large. Moreover, very large contributors are likely, as in the United States, to give to both sides, as insurance to be sure the winner does not retaliate. In the 2002 elections in Colombia, for example, the grupo Santo Domingo, one of the four leading conglomerates, gave $300,000 to Uribe and $300,000 to his closest contender (Njaim 2004). Such electoral promiscuity is not likely to enhance contributors’ policy influence, though it likely keeps channels of access open.

A study of campaign finance in Brazil listed more than a dozen scandals involving major alleged infractions of Brazil’s electoral law in the 20 years since the return of freer and competitive elections in the 1980s (Fleischer 2002). The long list confirms several suspicions about campaign finance: 1) that laws are difficult to enforce and easy to circumvent; 2) irregularities and scandals involve all major parties, from left to right, and all levels, from municipal to presidential campaigns, and; 3) in cases where the scandal reporting alleged post-election favoritism for business contributors it was mostly in the form of individualized, private-regarding benefits, as in privatization policies, rather than collective influence on broad policy issues.

3. 4. Networks. In most countries informal personal relations connect at least some economic and government elites. These connections can result from family ties, attending the same schools (usually private) and universities, studying abroad, or overlapping in previous career stages. In Latin America, high socio-economic stratification and geographic concentration in capital cities facilitate the formation of elite networks. It is often difficult to tell what impact these networks have on policy making, in part because the relations are informal and opaque, when not deliberately secretive. Analysts argue that intense networks can contribute to everything from shared world views to spot transactions and private-regarding policies designed to favor only the firms of particular network participants (see Teichman 2001). Narrower networks between particular firms and policy makers that are closed to other elites seem more likely to generate private-regarding policies than do open, expansive networks. At a minimum personal networks open up channels of access and communication. In terms of the portfolio analogy, to the extent that business people feel they have sufficient access through informal networks, they will have weaker incentives to invest in other formal channels like business associations or election campaigns.

The extent of networks is difficult to measure empirically. The most in depth network analysis in Latin America covers Mexico during the years of PRI dominance (Smith 1979; Centeno 1994; Camp 1989).[11] This research documented the remarkable and longstanding absence of networks linking economic and political elites. On the other end of the spectrum, public and private elites in Colombia seem in most periods to be thoroughly networked and interconnected. Although not as extensively documented as in Mexico, most political elites in Colombia follow careers that weave in and out of government and private firms or business associations (Juárez 1995; Schneider 2004a, 148–50). Table 2 provides some further comparisons among recent governments in terms of the number of business people appointed to

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[11] The greater scholarly attention paid to networks in Mexico is partly the result of better data (the government published biographical information on all top policy makers) and partly due to the importance of networks in intra-elite politics generally.

the cabinet. This table confirms both the expected expansion of business people in the Fox government in Mexico, as well as the continued patterns of business representation in governments in Colombia and exclusion in Concertación governments in Chile.

Table 2. Business Appointees in Recent Government Cabinets

Country	President	Number of Business Appointees	Percent of Business Appointees
Argentina	Kirchner (2003-)	0	0
	Duhalde (2002-3)	1	8
	De la Rua (1999-02)	1	9
Chile	Lagos (2002 -)	0	0
Colombia	Uribe (2002 -)	7	54
Mexico	Fox (2000-	5	25
Peru	Toledo	7	27

Note: compiled from government and periodical sources .

Some public-private network relations may result from decades of social interaction, others can be created (or destroyed) overnight by political appointments of business people to government. In Mexico, the inauguration of Vicente Fox in 2000 transformed from one day to the next the relative absence of personal networks between business and government. Fox was himself an ex-businessman (and therefore had personal connections of his own to many business people) and also appointed other ministers from the private sector.[12] Even in countries with fairly longstanding traditions of appointing business people as in Colombia, Brazil, and Argentina, practices can vary widely from one government to the next. In Brazil, for example, presidents Fernando Collor and, curiously, Lula (Luis Inácio Lula da Silva) appointed more prominent representatives of the private sector as ministers than did president Fernando Henrique

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[12] For example, the minister of labor, Carlos Abascal, came from the employers' confederation Coparmex. Francisco Gil Diaz, the first minister of finance, came from a telecommunications company, though he had been there only a few years and had a long public career before that.

Cardoso.[13] One hypothesis is that political leaders who already have good networks with business when they come to power, as Cardoso and his inner circle from São Paulo did, have fewer incentives to appoint business people than do outsider leaders like Lula, Carlos Menem, or Augusto Pinochet who lacked ties to big business prior to becoming president.

From a broader comparative perspective a common American pattern of appointing business people has emerged. It is not just a Latin American phenomenon because it is common in the United States as well as most of Latin America, and contrasts sharply with patterns in most of the rest of the world. For the most part these networks seem to bias policies generally in favor of business though not necessarily in particularistic ways. Some exceptions that prove this rule include Chile in the 1970s and Argentina under Menem. In these instances of 'crony capitalism' (a term best reserved for these kinds of exclusive networks and particularistic policy benefits) political leaders appointed business people from a few of the largest conglomerates and thereby established very narrow and closed networks. Many of the early policies enacted by these governments in turn favored the few firms represented in these networks (Silva 1996; Schamis 2002; Teichman 2001).

3. 5. Corruption. Beyond legal forms of participation in policy making, business sometimes buys influence directly. The term corruption covers a wide range of behaviors from petty 'mordidas' paid to traffic cops to large scale embezzlement of public funds. The form of corruption relevant to this analysis is private sector bribes to public officials in exchange for favorable changes to economic policies. As such, this is a fairly rare form of corruption, even in systems widely perceived as corrupt. For one, bribery also suffers from free riding, in the sense that firms are only likely to consider direct corruption if they can capture all the benefits, which means they are only likely to consider it in case of policies that are very narrow in scope (see below). In fact, most documented scandals of business bribery seem to be related more

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[13] Marcílio Marques Moreira, Collor's minister of the economy in 1991-92, had a long career in banking. Lula's main business appointees were Roberto Rodrigues (Agriculture), Luis Furlan (Development), and Henrique Meirelle (president of the Central Bank).

frequently to policy implementation (when funds, contracts, or opportunities are distributed to particular firms) than policy formulation.

According to the indices compiled by Transparency International, levels of perceived corruption vary widely across Latin America. In the overall rankings, the countries in Table 3 cluster in three groups. A 'cleaner' set that includes Chile, Costa Rica, and Uruguay is grouped around the least corrupt quartile. A middle group comprised of Brazil, Colombia, Mexico and Peru hovers just above the median. And, three countries perceived as more corrupt -- Argentina, Venezuela, and Bolivia -- cluster around the bottom quartile.

Table 3. Perceived Corruption in Latin America, 1996 and 2004

	Score in 1996	Rank in 1996	Percentile in 1996	Score in 2004	Rank in 2004	Percentile in 2004	Change in score
Chile	6.8	21	.38	7.4	20	.14	+.6
Uruguay				6.2	28	.19	
Costa Rica				4.9	41	.28	
Brazil	3.0	40	.74	3.9	59	.41	+.9
Colombia	2.7	42	.77	3.8	60	.41	+1.1
Mexico	3.3	38	.70	3.6	64	.44	+.3
Peru				3.5	67	.46	
Argentina	3.4	35	.64	2.5	108	.74	-.9
Venezuela	2.5	48	.88	2.3	114	.78	-.2
Bolivia	3.4	36	.66	2.2	122	.84	-1.2

Source: Transparency International index for 1996 and 2004 . The surveys included 54 countries in 1996 and 145 in 2004.

Overall it is difficult to relate these corruption rankings directly to different patterns of business politics. First, it is important to remember that these rankings are based on opinion surveys (and these surveys have been highly sensitive to scandals that appear in the media). Second, they are aggregate measures that do no separate out specific forms of business corruption. However, it is still worth noting these rankings at least to signal the possibility that corruption is a more likely form of business influence in countries ranked toward the bottom than in those at the top of the list.

3. 6. Portfolio Distribution and Opportunity Structure. Table 4 offers a rough comparative assessment of how business distributes its political investments across major countries of the region. As noted at the beginning of this section, business people should rebalance their portfolios of political investments to take maximum advantage of the opportunities offered by the political system. In countries where policy makers pay little attention to associations, as in Brazil and Argentina, business tends not to invest much time or money in them. Where government leaders have institutionalized business input through associations, then business people have strong incentives to invest in associations and build institutional capacity for long term intermediation. This was evident historically in Chile, Colombia, and Mexico, and in the 1990s in trade negotiations, in particular in Mexico and Chile. The Chilean political system in the 1990s continued to favor investment in associations. However, as macro issues faded from the policy agenda, the economy-wide encompassing association CPC became less valuable to business. Moreover, negotiations for Chile's entry into Mercosur sidelined CPC because it was unable to mediate the very divergent positions of industry and agriculture regarding the regional agreement. However, other consultative councils continued to draw on associations (see Muñoz 2000).[14]

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[14] The World Bank's World Business Environment Survey (WBES) conducted from 1998 to 2000 asked samples of firms (usually 100 per country) in 20 countries of Latin America, "in cases of important changes in laws or policies affecting my business operation, the government takes into account concerns voiced either by me or by my business association. Would you say this is true...?" Among larger countries, the percentage responding "never" or "seldom" varied from a low of 39 percent in Chile to a high of 65 percent in Argentina, with other countries ranged in between: Brazil 51 percent, Mexico 55 percent, and Colombia 60 percent (Batra, Kaufmann, and Stone 2003, 130). The high and low values conform to general observations that business-government consultation is close and regular in Chile but not in Argentina. The higher percentages expressing frustration in Colombia and Mexico do not fit expectations derived from observed patterns of closer interaction between associations and policy makers. A possible explanation for this discrepancy is that the reported country averages lump together large firms (that are better represented through associations) and SMEs (over half the sample of firms in Latin America). In most contexts SMEs feel more excluded than large firms.

Table 4. Estimates of Portfolio Distribution

	Campaigns & Elections	Lobbying Congress	Business Associations	Personal Networks	Corruption
Chile, 1990-	Low	Low	High	Low	Low
Brazil 1990s	Medium	Medium	Low	Medium	Medium
Colombia	Medium	Low	High	High	Medium
Argentina 1990s	Medium	Medium	Low	Medium	High
Mexico 1990s	Low	Low	High	Low	Medium
Mexico 2000-	Medium	Medium	Medium	Medium	Medium

More importantly for a portfolio analysis, the Chilean political system does not offer many opportunities for alternative political investments.[15] For example, the executive branch dominates in policy making, but it is relatively insulated from direct lobbying and from personal networks since no business people have been appointed to Concertación cabinets. Moreover, the bureaucracy is more professionalized and Weberian than the mean for Latin America, and perceived corruption is corresponding low (Chile is ranked the lowest in Latin America, just behind the United States (TI 2004, 4–5)). The Chilean electoral system takes much of the suspense out of legislative elections and reduces incentives for business to invest in parties and elections. In the binomial electoral system, the two parties or coalitions that get the most votes in each electoral district each send a representative to the legislature. If the second ranking coalition gets less than one third of the vote (or less than half of the first place party or coalition), then the first ranked party gets both representatives. This two-thirds hurdle is so high as to make it virtually assured that each coalition, in what has become essentially a two-coalition system, will win representation in each district, and therefore the two coalitions have close to even representation in the lower house of the legislature. The deciding, swing votes are thus in the upper chamber with the appointed, “bionic” senators. The influence of these unelected senators is greatly magnified by the artificially generated parity in the lower chamber. However, once

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[15] This analysis of the Chilean political system draws mostly on Aninat, Londregan, et al. 2004. See also Siavelis 2000; Baldez and Carey 2002.

again incentives to invest in elections and parties is reduced because these senators (as well as past presidents who are life members) are not elected.

Business investment in politics varies by opportunities for influence, but also by the amount the government can actually accomplish. So, for example, the CMHN luncheons and CCE dinners that were so valuable to business under Salinas (1988-94) in the heyday of market reform, meant much less under Fox whose government was deadlocked and accomplished little in terms of new policy initiatives. Business people felt that access to the Fox government was excellent, but they sometimes declined opportunities to discuss policy issues with the government, because they doubted the government would be able to accomplish anything. In other instances, associations revised and limited their policy proposals to things they thought the executive branch could do on its own, without legislative approval.[16]

4. Business Politics and Types of Policies

Distinctive patterns of business politics vary across countries; they also vary by the type of policy. For the analysis of business politics, as well as more generally, policies can be usefully disaggregated in terms of variations in economic scope, time for implementation, as well as variations in the types of costs and benefits expected. Table 5 classifies policies by whether their impact is broad in scope, like across-the-board changes in tax rates or education, or narrow in scope, as in policies that directly affect only one sector like privatizing firms or regulating newly private firms. The vertical axis distinguishes policies according to how long they take to implement. Some policies like lowering tariffs or deregulating sectors can be enacted overnight with the stroke of a pen. Other policies, especially those dependent on changing institutions and the behavior of large groups of people, including many so-called second generation reforms, take years, often decades.

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[16] Interviews with Alejandro Martínez Gallardo (24 February 2003) and Luiz Miguel Pando (26 February 2003).

Table 5. Scope and Implementation in Policy Making

	Broad Scope	Narrow Scope
Rapid Implementation	uniform changes in tariffs, pensions, or tax rates; fiscal decentralization	privatization, deregulation
Lengthy Implementation	administrative reform, educational reform	sectoral re-regulation (public utilities like energy and telecommunications)

For policies that are broad in scope, most business sectors have a hard time acting collectively, especially if they lack strong encompassing associations, in order to participate in policy making. This can be a boon for policy makers if they fear business opposition, as with trade liberalization where collective business opposition did not materialize (see Naim 1993). For narrower policies the challenge is to prevent policy capture by the most intensely interested groups. Again to the extent business participation is more collective or encompassing, then the implementation of narrow policies can be more public regarding. The implication of the second distinction among policies by length of implementation directs attention to possibilities for institutionalized participation by business in policy making. That is, business participation, especially collective participation, is unlikely to have much impact on longer term policies unless business has strong associations and institutionalized access to the relevant policy forums.

Table 6 makes a related set of distinctions among costs (and benefits) of policies that are certain or uncertain, and immediate or longer term. Changes in tax rates and pension benefits, for example, often have immediate and certain distributional costs. Other kinds of policies, especially many recent market-oriented reforms, tend to have more uncertain costs. In privatization, for example, new owners normally lay off workers, but exactly when and how many is uncertain. Moreover, short-term crises and reform bundling can make most costs uncertain because multiple economic parameters are moving simultaneously, often in different directions. Lastly, social policy (education and health care) and administrative reform require large, long term investments in institutional reform and have uncertain consequences. Generally business, as well as other affected groups, are most likely to mobilize when costs are certain and short-term. Longer term, second generation reforms with diffuse and uncertain costs and benefits do not seem elicit sustained business engagement, either for or against (Kaufman and Nelson 2004).

Table 6. Distribution of Costs in Policy Making

	Certain	Uncertain
Immediate	Changes in tax rates, pension reform	privatization, deregulation
Longer term	Future scheduled changes in taxes or pension benefits	trade liberalization, reregulation, pension privatization

Having laid out distinctions among various forms of business politics and various types of policy, the analysis can now recombine these component pieces in an effort to identify better and worse patterns of policy making and specify what sorts of business participation resolve particular dilemmas in policy making. From a pessimistic point of view, business tends always to pursue its narrow firm-level, or sector-level, interests using more opaque means of direct influence through networks, lobbying, campaign contributions, and corruption. In this view business participation tends always to produce rents and inefficiency, and ultimately to lower social welfare. The solutions are to reduce the scope of policy making to a minimum (night watchman state) and insulate hermetically all remaining policy making. For optimists (and a range of pragmatists and realists), business can contribute to resolving a number of problems in policy making, including, in abstract terms, problems of information, coordination, flexibility, credibility, and commitment.[17] In this more sanguine view, the challenge is to find the mechanisms and institutions that channel business participation away from rent seeking toward problem solving.

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[17] See Doner and Schneider 2000 for a full consideration of contributions that business associations can make to economic governance, and Hall and Soskice 2001 on coordination problems generally.

For example, the value of rigidity and resoluteness in policy making are typically seen in signalling credible commitments to investors who are then expected to invest according to new, rigid rules. However, rigid rules and policies lose credibility when conditions change to make them untenable. Negotiation between government and business is one possibility for maintaining flexibility and adaptability, and at the same time credible commitment to a new overall policy or development trajectory. Most policies have little initial credibility, and then gain credibility as they are strengthened by politics and process. The best arrangements for inter-temporal commitments are through building credibility in the *process* of policy making and ongoing adjustment over time (Rodrik 2004).

5. Cases of Business-Government Collaboration in Policy Making and Implementation

Starting with distinctions among policy types discussed in the previous section, this section turns to consider some empirical studies of policy making that illustrate how business participation can solve some of the abstract challenges of policy making. Taking first policies that have fairly certain, short-term costs and benefits, and that affect the economy as a whole, like tax reform and pensions, the main contribution business can make is information, ideally aggregated information and consensus or majority views. That is, information is costly for policy makers, as is reconciling divergent interests among business. In these instances, partial information and strong, narrow preferences (of the sorts that characterize business lobbying on tax policy in the United States) are not likely to lead to fair, simple tax codes (see Martin 1991).

A positive case from recent Latin American experience comes from Chile in the early 1990s (Weyland 1997). The Concertación government that took over from the authoritarian regime in 1990 had campaigned on a platform of increased social spending and taxation. Business expected tax reform to be high on the agenda of the new civilian government, and some segments of the business community admitted that increased social spending was desirable. The Concertación government negotiated closely with the economy-wide CPC to reach agreement on new tax rates and terms (some tax increases were to be temporary and lapse after a few years).

Business in turn lobbied the right-wing opposition parties in congress to support the government proposal.

After 1985, democratic governments in Brazil also increased taxes to the point where the tax share of GDP is now ranked among the highest in Latin America and developing countries generally.[18] However, business has consistently opposed tax increases and argued strenuously for a simplification of taxes and a shift away from taxes on production that put Brazilian manufacturers at a disadvantage vis-à-vis foreign competitors. As noted in section 3, Brazilian business lacks an economy-wide association to coordinate sustained participation in tax policy, and existing peak organizations in industry and other sectors have not represented the private sector well.[19] In one remarkable example, the leader of the national industry confederation (CNI), Albano Franco, who was also a senator, voted in favor of a tax increase that industry strongly opposed (Schneider 1997–98, 102). In addition, as noted above, the new lobbying power of business in Congress in Brazil is dispersed and uncoordinated, and therefore can do little to help articulate coherent business positions on broad policy issues like tax reform.

Other economy-wide policies -- such as regional integration agreements and macro stabilization -- may have more uncertain costs over a longer period, and therefore benefit from more active commitments by business. In such cases business can contribute not only aggregated information, but also make credible commitments and negotiate adjustments over time, if conditions change. Appropriate forums for these kinds of exchanges generally involve policy councils (or tripartite bargaining arrangements) and strong business associations, as in the cases of stabilization pacts in Mexico and in trade negotiations in Mexico and Chile in the 1990s.

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[18] See Weyland (1996) for a detailed study of tax politics in the 1980s and early 1990s.

[19] Sectoral associations in Brazil did sometimes coordinate through lose entities like the UBE or Ação Empresarial, but neither of these had lasting organizational substance (Schneider 2004a, Chapter 4).

The stabilization pacts in Mexico in the late 1980s were among the most successful ever attempted in Latin America.[20] In early 1987, in the context of rising inflation (cresting over 100 percent), a presidential election campaign (and hence presumed pressures for capital flight), and other fiscal strains, top policy makers in the government of Miguel de la Madrid convened meetings with business (represented through the economy-wide CCE) and labor. These pacts, monthly at first, contained commitments from all three parties on increases in wages and prices. Exceeding most expectations, the pacts brought inflation down below 20 percent over the course of the first year, without provoking a sharp recession. The intense negotiations, sometimes lasting most of the weekend, allowed business and government representatives to achieve the elusive balance between commitment and flexibility. In contrast to the success of tripartite pacts in Mexico, business and governments in Brazil and Argentina occasionally attempted in the 1980s and 1990s to negotiate stabilization agreements, but without having any real impact on macro stabilization. These proto-pacts broke down for a number of reasons, but the fact that business in both countries lacked economy-wide associations was certainly a contributing factor.

Regional integration was another policy in the 1990s that was broad in scope and had fairly uncertain, longer term consequences for many businesses (Schneider 2004b). Government negotiators in Mexico and Chile devised mechanisms for incorporating business input at all stages of negotiations. For example, in preparation for Nafta negotiations, Secofi asked business associations to prepare studies on the likely impact of Nafta on their sectors. Then, as negotiations progressed -- for Nafta in Mexico and for Mercosur and other agreements in Chile -- government officials brought business into the figurative “cuarto al lado.” In some instances the room was literally next door, in others business representatives sat right at the bargaining table, and in others they were in constant phone contact. In Brazil and Argentina, in contrast, business

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[20] The literature on the pacts in Mexico is extensive. For overviews and bibliography, see Schneider 2004a, Chapter 8; Kaufman, Bazdresch, and Heredia 1994; Ortega 2002.

was largely excluded from negotiations for Mercosul, and the agreement suffered subsequently from a lack of engagement by, and support from, business (Schneider 2001).[21]

Education reform is also in the category of long term policies with uncertain costs and broad scope. One puzzle of the 1990s is why business was not active in pressing governments for improving education (Kaufman and Nelson 2004).[22] Most observers thought education and vocational training would be essential to upgrading and competing in international markets, yet business has not been in the vanguard of groups demanding more commitment to education. The conclusion to a broad comparative study of policy making in health care and education was that "broader business and industrial associations outside the health and education sectors were not engaged, even though in principle they have a stake in more efficient and effective health and education systems" (Kaufman and Nelson 2004, 503).

There are several possible reasons for business indifference to education policy. First, education policy is broad in scope and takes a long time to implement, and the problem for business participation is both one of collective action and of finding institutionalized means for coordinating participation over the longer term. Second, beyond the usual obstacles to collective action, some segments of business may actually be opposed to increased investment in education. One study of in northeast Brazil found that business felt that greater investment in education in skills would lead workers to leave the state and undermine the advantages the state had in attracting investors interested in low labor costs (Tendler 2002). Lastly, in the period since the 1990s, business may have fewer worries about scarcities of skilled labor. Advocates of trade liberalization hoped that the pressures of international competition would give firms (and governments) incentives to invest in human capital in order to compete in the global economy.

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[21] See also Bouzas and Avogadro (2002), Motta Veiga (2002), and the other countries studies in IDB (2002). Motta Veiga notes a trend toward greater participation by organized business, especially the CNI, in Brazil's negotiations over the FTAA (Free Trade Area of the Americas)(interview with Ricardo Markwald, 28 May 2002).

[22] Business was also not engaged in pension reform, save for financial institutions in the implementation phase of some privatization programs (Madrid 2003, 202–3).

Ironically, and perversely, trade liberalization in Latin America may have reversed the incentives. The initial business response to import competition was to reduce employment and upgrade capital equipment. Layoffs in effect flooded the labor market with skilled workers, and reduced employer incentives to push for investment in education (interview with a member of the board of Pão de Açucar, 13 September 2004).

Most countries of Latin America entered the 1990s with antiquated and inadequate port facilities. In the wake of trade liberalization, port reform soon became a rallying cry for business. Port reform is somewhat less broad in scope because it affects only importers and exporters directly, but still subject to familiar problems of collective action. However, the expected benefits are often large and fairly well known, so affected businesses have strong incentives to invest in pushing reform. The story of port reform in Brazil in the early 1990s reveals both the capacity for collective action on the issue of port reform, but also the importance of institutionalized business participation in order to accompany longer term implementation (Doctor 2000). Business in Brazil mobilized an impressive lobbying operation in Brasília through the informal Ação Empresarial (a loose coordinating body for major sectoral associations) that effectively targeted both executive and legislative branches. Sustained business pressure helped move port reform through Congress which passed major new legislation relatively quickly. However, after this legislative victory, business demobilized, not suspecting that reform implementation would stall without continued pressure from business.

Another set of policies are designed to promote narrower, often sectoral, changes in the economy. These policies used to be lumped together under the label industrial policy, but are often now called export promotion.[23] Information costs for narrower policies are somewhat lower, but uncertainty is greater, business commitment is essential, and implementation takes

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[23] Given the success of export promotion policies in the 1990s (and the lackluster performance of more laissez-faire approaches) their popularity and adoption may spread. On the success of export promotion in Latin America, see Schurman (1996), Wise (1999), and Schrank and Kurtz (2004). For a general defense of industrial policy, see Rodrik (2004). Schrank and Kurtz found that, among different types of promotion policies, credit support had a greater positive impact on exports than tax incentives.

longer and is subject to more potential exogenous shocks. Yet, despite the complexity of export promotion, there are few successful examples of ongoing business/government collaboration to expand and upgrade exports, examples of the sort common in Asia. Export promotion in Latin America -- even in some of the showcase sectors like Brazilian aircraft, Mexican autoparts, or Chilean timber and fish -- seems to be a fairly top-down, government directed policy process with little formal or institutionalized participation by business.[24]

Policies of privatization, deregulation, and re-regulation are usually among the narrowest kinds of policies in terms of scope and number of businesses directly affected. Sectoral policies in these areas also generate uncertainties and offer major opportunities for large gains and losses, both short and long term. Business politics are therefore understandably intense. Moreover, because the policies are so narrow, business participation tends to be individual, opaque, and open to suspicions of favoritism and corruption (Murillo 2002; Schamis 2002). The design of policy making is therefore usually intended precisely to exclude business and protect policy makers from lobbying. Reducing the discretion of policy makers by outsourcing evaluation studies, or using public auctions and closed bids, all reduce the ability of officials to bias the outcomes in favor of particular firms.

Looking more broadly across all types of policies, longer term, credible processes and intertemporal agreement among strategic policy actors usually requires iterated interaction under changing economic conditions as well as some institution building.[25] For business participants in the policy process several institutional mechanisms can facilitate credible intertemporal commitment. One institution is a policy forum, usually a joint public-private consultation, board that by statute includes representation from organized business. These public/private policies

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[24] One exception is Asocoflores and Colombian flower exports (Juárez 1995; Mendez 1993).

[25] Although less widely researched, and beyond the scope of this paper, it is also worth noting that there are several important experiences of close business-government collaboration at the subnational level. Relations between business and provincial governments have historically been especially close in Monterrey (Nuevo León) and Medellín (Antiochia). See also Snyder (2001) on coffee in Mexico and Montero (2001) on industry in Minas Gerais.

boards were widespread in high growth countries of Asia, especially Japan, Korea, Singapore, and Taiwan (Campos and Root 1996; Schwartz 1992). Consultative boards were also common in recent periods in Colombia, Chile, Costa Rica, and Mexico (Clark 2001). Effective representation by business (or other social groups) seems to require that most of the seats reserved for business come from business associations.

The contrast in business participation in Chile before and after 1982 is stark, and illustrates well the difference consultation can make (Silva 1996). In the first phase of radical neoliberal restructuring (1975-82) policy makers excluded business associations and closed off formal channels of business participation in policy making, though policy networks between top economic policy makers and a handful of conglomerates were very tight (Schamis 2002). After 1983 the Pinochet government adopted a very different approach by shifting network connections to associations (by appointing representatives of associations to government positions) and by creating many new policy forums to incorporate regular business input, again especially from associations, into policy making. The pragmatic policies in the 1980s, formulated in consultation with business, generated high growth and consolidated market reforms.[26]

Another mechanism that may, over time, contribute to longer term agreements between government and business actors is coalition government (Hall and Soskice 2001, 49). This is the case in Europe where some parties have been long standing members of regularly reshuffled parliamentary coalitions. Recent examples of longstanding coalition partners are not common in the presidential systems in Latin America, but would include the PMDB and PFL in Brazil and the parties in the Concertación coalition in Chile (Amorim Neto 2002). In contrast strongly majoritarian systems like Argentina, Mexico, or Venezuela produce large shifts in governments and preclude stronger intertemporal commitments.

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[26] Brazil has had a number of private-public boards, including many related to monetary policy, however, the representatives from the private sector were individuals selected by the government who had little impact on policy. Most recently the Lula government created the CDES (Conselho de Desenvolvimento Econômico e Social) to promote dialogue between business, labor, and other social groups. However, again, most of the business members were individuals rather than representatives of associations.

Political parties in Costa Rica have, over time, worked out an innovative arrangement for minority representation and infusing greater stability in policy making, despite a two party system with constitutional prohibition against immediate reelection. Policy makers delegated authority over many areas of economic and social policy to scores of decentralized agencies. By 1994, the so-called autonomous sector spent 30 percent of GDP, as much as the rest of the central government (Lehoucq 2005, 19). The constitutionally enforced alternation of parties in power encouraged outgoing governments to delegate policy making authority in order to insulate it from the incoming government. By the 1970s, as the autonomous sector continued to expand rapidly, the two largest parties came to an agreement on an ingenious arrangement to allow for greater central control of the autonomous sector, as well as the direct, ongoing representation of the party out of power. Known as the "4/3 Law" this arrangement allows the president to appoint four of the board members and allows the party with the second largest number of votes to appoint the other three board members (Lehoucq 2005, 20). For business and other economic agents this arrangement creates expectations of greater policy continuity and institutional stability from one government to the next.

The goal of this section was to provide empirical examples of business participation in different kinds of policies, ranging from tripartite negotiations on macro-stabilization programs to ongoing consultative forums for narrower policies of all sorts. In most of these empirical studies of actual policy making, business participation tends to come through direct contact between top officials in the executive branch and individual business people or representatives of business associations. The fact that other branches of government and other political actors like parties are less visible in mediating business participation reflects the continued dominance of the executive branch, both in non democratic settings and recent democracies, especially those trying to manage acute economic crises. However, as democracies consolidate and crises conditions fade, legislatures and judiciaries are likely to loom larger as mediators in economic policy making and therefore as sites for more active business participation (Eaton 2002; Corrales 2002).

6. Conclusions

In terms of general patterns of policy making, or what Spiller, Stein, and Tomassi (2003) refer to as the outer features of policy making, several aspects of business participation deserve highlighting. First, the more encompassing the organization representing business, the more likely business influence will push policy toward the public-regarding end of the policy continuum (Olson 1982, 50). Encompassing business representation comes primarily on issues relevant to large numbers of business people and through formal associations, though it may occasionally also come through parties and networks. Business influences that tend toward the private-regarding end of the continuum are likely to arise in instances of narrow policies, or in the implementation of broader policies, and when business representation occurs predominantly through channels involving small numbers of firms or individuals. This fragmented representation is more common in political systems that lack encompassing associations and that privilege business participation in policy networks and lobbying.

Transparency in the policy process also encourages business participants to push for more public-regarding positions (public regarding in the minimum sense of promoting greater allocative efficiency and not favoring particular interests). Transparency is partly a function of the capacity of the media to follow the policy making process, but also of the general openness of the policy process. Beyond these 'systemic' features, formal business organization and representation tends to make its influence more transparent. That is, if business is represented through associations, and if business has positions on policy councils, then business representatives are more likely to press more public-regarding preferences.

Lastly, two features of business participation favor longer intertemporal commitments among policy makers and business people. The first, and institutionally strongest, is the representation of business on policy councils. This representation turns every policy discussion into a segment of a repeated game. Both policy makers and business representatives have incentives to develop reputations and to not renege on agreements reached in the policy council.

If, in contrast, either side knows there is no provision for future meetings and negotiations, then temptations to renege are greater and intertemporal commitments consequently less credible and likely. The other feature of business politics that contributes to intertemporal commitment is informal. Long standing policy networks can lower information costs across the public/private divide, and contribute to perceptions on both sides that the other side is not likely to do anything rash that would harm significantly the other. In this case the intertemporal commitment is in fact diffuse and unspecified; it is more a set of shared expectations that, when problems or external shocks arise, they will be worked out in a reasonable fashion (see Thorp 1991).

One of the goals of this paper was to take stock of the state of social science research on business politics. Although there are encouraging signs that research on business is expanding, there are still gaps, some yawning, in basic information and analysis, especially comparative analysis. Moreover, the state of research across different political activities and countries is uneven. Some of the unevenness is understandable. We know more about formal business associations than informal, illegal bribery; more about old forms of business politics (associations) than new forms (campaign finance), and more about participation in short-term policies like privatization than longer term policies like the subsequent regulation of privatized firms. Basic cost/benefit calculations by researchers are likely to sustain these broad patterns, but there are some signs that it is worth taking risks on other kinds of research.[27]

The analysis in this paper of contemporary variations in business organization and patterns of participation in policy making takes these variations largely as given. Other work traces the origins of these variations back to accumulated state actions that either favored or discouraged organization and closely collaboration in policy making (Schneider 2004a). A core finding of this research was that the more state actors drew business associations into policy

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[27] David Samuels, for example, has made inventive use of limited and imperfect data on campaign contributions in Brazil (see Samuels 2001, and other recent articles). In another area, Judith Teichman (2001) has gone far in illuminating informal policy networks, and Strom Thacker (2000) and Peter Kingstone (1999) demonstrated the analytic benefits of tracking business participation in policy over longer stretches of time.

making and the more government officials delegated responsibility for policy implementation to associations, the greater were business incentives to invest in the institutional capacity of these associations. Although policy makers rarely had strengthening associations as a policy priority, the fact that these state actions affected business organization and participation in policy makes clear that these outcomes could in fact be objects of policy. At a minimum, strengthening incentives for collective action should be one of the important ‘externalities’ that policy makers consider when evaluating policy alternatives.

Appendix A. Abbreviations

ACIEL -- Acción Coordinadora de las Instituciones Empresariales Libres, Argentina
ANDI -- Asociación Nacional de Industriales, Colombia
APEGE -- Asamblea Permanente de Entidades Gremiales Empresarias, Argentina
Asocoflores -- Asociación Colombiana de Productores de Flores

CCE -- Consejo Coordinador Empresarial, Mexico
CDES -- Conselho de Desenvolvimento Econômico e Social, Brazil
CG -- Consejo Gremial, Colombia
CGE -- Confederación General Económica, Argentina
CINDE -- Costa Rica
CMHN -- Consejo Mexicano de Hombres de Negocios
CNI -- Confederação Nacional de Indústria, Brazil
CONFIEP -- Confederación Nacional de Instituciones Empresariales Privadas, Peru
Coparmex -- Confederación Patronal de la República Mexicana
CPC -- Confederación de la Producción y del Comercio, Chile

Fedecamaras -- Federación Venezolana de Cámaras y Asociaciones de Comercio y Producción
Federacafe -- Federación Nacional de Cafeteros de Colombia
FIESP -- Federação da Indústria do Estado de São Paulo
FTAA -- Free Trade Area of the Americas

IEDI -- Instituto de Estudos de Desenvolvimento Industrial, Brazil

PAN -- Partido de Acción Nacional, Mexico
PFL -- Partido da Frente Liberal, Brazil
PMDB -- Partido do Movimento Democrático Brasileiro
PRI -- Partido Revolucionario Institucional

Sinduscon -- Sindicato da Indústria da Construção Civil do Estado de São Paulo
Sofofa -- Sociedad de Fomento Fabril, Chile

UBE -- União Brasileira de Empresários
UIA -- Unión Industrial Argentina

Appendix B. Interviews

Jorge Blanco Villegas. President of UIA, 1993-97. 3 May 2000, Buenos Aires.

Carlos Alberto Cidade, Chefe, COAL (Conselho de Ação Legislativo), CNI. 27 May 1995, Brasília

Eduardo Capobianco. President of Sinduscon. 28 January 1993, São Paulo.

Ricardo Markwald. General Director, FUNCEX. 28 May 2002, Rio de Janeiro.

Alejandro Martínez Gallardo. President of Concamin, 1999-2001; director of Herdez. 24 February 2003, Mexico City.

Luiz Miguel Pando. Director General, CCE, 2003- ; staff member of Canacintra (1974-99) and Concamin (1999-2002). 26 February 2003, Mexico City.

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