The State and Collective Action:
Business Politics in Latin America

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I. Introduction: Patterns of Business Organization in Latin America[1]

A number of scholars from a diverse spectrum of theoretical perspectives argue that the organization of business matters for big outcomes such as democratic governance and economic performance in developing countries. Rueschemeyer, Stephens, and Stephens (1992) argue that democracy cannot be consolidated without the effective representation of capitalists, through either parties or business associations. The weakness of conservative parties in Latin America (Gibson 1996), shifts more of the burden for representing business to their associations. For Schmitter (1992) strong business associations expand opportunities for representation and governance which can enhance the "concertation regime" and consequently improve the quality of emerging democracies.[2] Skeptics, generally drawing on Mancur Olson's work, dispute these claims and argue instead that strong business associations form "distributional coalitions" that subvert democractic process and generally make politics more divisive and unmanageable. Historically in Latin America, business associations have regularly been at the forefront of movements to topple democratic regimes.[3]

In terms of economic performance, another set of studies concludes that business associations make positive contributions to outcomes such as negotiated macro economic stabilization, "concerted" neoliberal reform, redistribution, and microeconomic dynamism in sectors and firms in increasingly competitive markets. Much of the literature on corporatism and more recently economic governance in Europe emphasizes these positive contributions.[4] Counter

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[1] I am grateful to CIDE and the Fulbright-Garcia Robles program for support and to Kathleen Thelen for comments on previous versions.

[2] Cohen and Rogers (1995) make the fullest case for positive contributions of associations to democracy. Other positive arguments, drawn from empirical work on Latin America, include Weyland (1996, 1997) as well as chapters in Durand and Silva (1998). Scholarship on Colombian politics regularly notes the contributions of business associations to democracy; see Hartlyn (1985), Osterling (1989), Urrutia (1983), and Bailey (1977). More generally, business associations form part of civil society which is central in many arguments on democratic consolidation (see, for example, Zakaris (1997)).

[3] See Olson (1982), generally, and for skeptical views of the historical contributions of business associations to democracy in Latin America, see Birle (1997), Boylan (1996), Campero (1984), Dreifuss (1981, 1989), and Payne (1994).

[4] See Schmitter (1989) and Williamson (1989) for summaries of corporatism and Hollingsworth and Boyer (1997) on governance. On developing countries, see, for example, E. Cardoso (1991) Kaufman et al. (1994) on stabilization; Silva (1996) and Hagopian (1998) on neoliberal reform;

arguments, again generally inspired by Olson, claim that business associations devote themselves to rent seeking which necessarily reduces overall growth and social welfare.[5] The point of departure for all these arguments, positive or negative, political or economic, is that business associations are central independent variables in explaining variations in economic and political development.

Given this empirical and theoretical centrality of organized business, a fundamental, and prior, theoretical task is to explain where strong business organizations come from in the first place. In fact, a careful examination of the origins of strong business associations is necessary for determining what activities associations pursue and their impact on democracy and growth. For Latin America, the big question is why do patterns of business organization vary so dramatically across the region?[6] Among the largest and most industrialized countries of Latin America, big business in Colombia, Chile, and Mexico is highly organized while their counterparts in Brazil and Argentina are not. The explanation for this variation depends not on economic or social factors but rather politics, specifically what top state actors do to promote organization by business. The conventional wisdom is that business organizes to extract benefits from largely passive and vulnerable states. My argument reverses the causal arrows and argues that state actors organize business in the pursuit of their statist interests. Before elaborating this argument I want to establish first the major dimensions of variation in the organization of big business in Latin America.

Highly organized is defined by two criteria: 1) the existence of single, encompassing peak associations, both economy wide and in major sectors such as industry and agriculture, and 2) the disproportionate influence, relative to their share of production, in these organizations of the

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Weyland (1996, 1997) on distribution; and Maxfield and Schneider (1997), Doner and Schneider (1998), and Sable (1994) on sectoral performance.

5 See Olson (1982), Krueger (1974, 1993), Chan (1987), Frieden (1991), and Shafer (1994).

6 A comparative analysis of business organization is surprisingly overdue. There are few genuinely comparative studies of business politics in Latin America. Important comparisons of two countries include Cardoso (1978) and Story (1986). Several edited volumes include contributions on many countries but the analysis is not always systematically comparative: see Garrido (1988), Bartell and Payne (1994), Tirado (1994), and Durand and Silva (1998). Suggestive but brief comparative articles include Boschi (1994) and Durand (1994). Curiously, comparative work on labor is more abundant and advanced: see for example, Collier and Collier (1979, 1991), Epstein (1989), and Buchanan (1995).

largest firms in the sectors organized.[7] Big business typically dominates voluntary associations, however in Latin America, especially Brazil and Mexico, corporatist legislation gives small business disportionate power. Overall, a crucial indicator of the effectiveness of representation of big business is whether or not the owners of the largest firms in fact participate in and run major associations. This has more often been the case in Chile, Colombia, and Mexico, than in Brazil and Argentina. Table 1 lists major encompassing associations that big business dominates in Mexico, Colombia, and Chile, as well as some associations in Brazil and Argentina.[8] To simplify the discussion, this paper analyzes only multisectoral associations which include industry, commerce, agriculture, and finance, and in some cases industry associations which claim to represent most subsectors of industry.

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[7] In encompassing or multisectoral associations, by my definition, member firms do not have any necessary market or technological relationship to one another. So, for example, an associations that represents both paper and auto parts firms is encompassing. Big business refers to the largest hundred or so firms or groups in the country's economy which in Latin America generally account for a third to half of total non-state production. Disproportionate influence may have several sources including weighting voting formally within the association by the size of the firm; formally excluding small business from the association; or informally, in voluntary associations, where a higher percentage of big firms typically belong and dominate leadership positions. Big firms dominate voluntary associations because they have more resources to invest in collective action, and, according to Olson, often reap returns equal to or greater than their investment.

[8] The criteria for case selection were three. First, these countries have the largest and most developed private sectors in Latin America. Second, these five countries account for most of the population and GNP of the region, so on these dimensions the sample covers most of the universe of Latin America. Patterns of business organization in Peru and Venezuela, the remaining medium sized countries, do not appear to disconfirm my arguments. Third, the cases vary along my independent and dependent variables. Admittedly selection bias may favor the statist argument developed in this paper. In large, diverse countries obstacles to collective action are greater and comparative explanations may therefore priviledge factors exogenous to Olsonian logic, such as the state. As I note below, business organization in smaller countries may conform more to Olsonian logic, and so my arguments may be most applicable to large countries.

Table 1.: Encompassing Associations that Overrepresent Big Business

Country	Sector	Association	Established
Organized			
Mexico	multisectoral	CMHN	1962
	multisectoral	CCE	1975
	multisectoral	COECE	1990
Colombia	coffee (multisectoral)	Federacafe	1928
	industry	ANDI	1944
Chile	multisectoral	CPC	1935
	industry	Sofofa	1883
Not Organized			
Argentina	multisectoral	ACIEL (CGE)	1958 (1952)
	industry	UIA (CGI)	1886 (1952)
Brazil	industry	IEDI (CNI)	1989 (1938)

Note: See the appended list of acronymns for the full names. Associations in parentheses are rival associations that do not overrepresent big business.

Of the large countries of Latin America, big business in Mexico is the most organized through three voluntary and interrelated associations: CMHN, CCE, and COECE. The CMHN is a very exclusive club of the 30-40 most prominent and wealthiest capitalists. Membership is by invitation only and the association statutes expressly exclude anyone who does not control one of the countries largest firms. The CCE is an economy-wide peak association that formally represents nearly a million firms, however big business dominates. Several of the members, especially the CMHN that is one of the seven member associations, overrepresent big business. Most of the presidents through the 1990s were prominent businessmen from the CMHN, and members of CMHN paid most of the dues to support the CCE. In 1990 the CCE created COECE to accompany NAFTA negotiations. COECE in turn created and coordinated voluntary sectoral groups which were dominated by the largest firms in their respective sectors.[9]

Colombia does not have a multisectoral peak association. However, Federacafe, the coffee federation, acts like an encompassing association because of the diversified business interests of members who control the association (Thorp and Durand 1997). These members are typically large growers or intermediaries. ANDI, the industry association, is voluntary and dominated by big firms. By 1981 ANDI had only 861 member firms, mostly large, out of thousands of industrial firms.[10]

In Chile, the CPC, the multisectoral peak association, is also dominated by big business. Most of its six voluntary, member associations, especially in industry, finance, and agriculture, tend to overrepresent big business (Campero 1984, especially appendices). By the 1960s the leaders of the sectoral associations were "chosen from among the most successful persons. ... business associations are considered important enough to draw real economic leaders into active service" (Menges 1966: 347). Sofofa, the industry association resembles ANDI in Colombia, in that it is voluntary and overrepresents big industrialists. By the 1960s Sofofa had 2,200 members who represented only seven percent of industrialists but 80 percent of private industrial capacity (Cusack 1972: 46).

Brazil has some of the largest and best funded associations in the region. However, they are compulsory and internal statutes provide small and marginal groups with disproportionate influence (Kingstone 1998, Weyland 1998, Schneider 1997-98). Within the encompassing

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[9] The secondary literature on the CMHN is scant, basically Ortiz (1997 and 1998). For recent summaries and relevant bibliography on the CCE and COECE, see Luna (1992), Luna and Tirado (1992), Thacker (1996) and Puga (1994). These three associations are voluntary. I exclude the corporatist confederations of industry and commerce, Concamin and Concanaco, because they better represent smaller firms.

[10] Urrutia (1983: 82). See also Hartlyn 1985 and Koffman.

association for industry, the CNI, voting is regional, so that federation of industry of the tiny rural state of Alagoas has an equal vote to the federation of Sªo Paulo. In FIESP, the federation of industry of the state of Sªo Paulo, voting is by sector and the tiny association of umbrella makers has the same vote as the association of auto parts producers. IEDI, a new voluntary associations for national industry, resembles the Mexican CMHN. Membership is by invitation and restricted to about 30 of the largest industrialists in Brazil. However, IEDI is quite weak in contrast to the more established and influential CMHN (see Kingstone 1998).

In Argentina the problem for big business is not the lack of associations nor the dominance of small firms within them, but rather the mulitiplicity, rivalry, and politicization of the numerous often fleeting associations that have existed. The encompassing industry association, the UIA, overrepresented big business, however, competing associations formed in industry and other sectors to fragment business representation. The CGE and CGI, listed in parentheses in Table 1 because they represent smaller firms, are rival associations to the UIA and the short-lived economy wide associations, ACIEL and later APEGE, to which it belonged. Peron outlawed the UIA in the 1940s and created substitute associations, CGI and CGE, in the 1950s. Since then business has been divided (and its associations periodically repressed by opposing governments) along multiple cleavages: Peronist versus non Peronist, large versus small, liberal versus protectionist.[11]

The primary goal of this paper is to explain why encompassing associations in Mexico, Colombia, and Chile are comparatively so strong. Searching the arguments in the dominant, microeconomic literature on collective action does not yield much in explanatory power. Mancur Olson (1965, 1982) predicted that collective action is most likely among small, homongeneous groups. Encompassing associations are therefore improbable. This argument seems to apply in Brazil and Argentina where large size and regional diversity raised barriers to collective action. Yet Mexico and to a lesser extent Colombia are not signficantly smaller nor less diverse, and business has overcome major obstacles to collective action.[12] Olson's arguments and others inspired by him are considered further in Section II. The point for now is that these endogenous, economic explanations lead researchers away from the real sources of collective action by business in Latin America.

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[11] See Acuña (1998), Sikkink, and Birle (1997).

[12] Other socioeconomic factors such as the large presence of multinational firms or heavy representation of immigrants among capitalists would also present obstacles to collective action. However, immigrant capitalists and MNCs are common to all these societies and thus cannot explain differences among them. Similarly, economy wide and sectoral concentration or oligopoly facilitate collective action, yet these factors do not covary significantly with variations in business organization.

In Latin America the source of differences in business organization is the state. Section III analyzes *how* states organize business. It has been common for state actors to find selective incentives that they grant to business associations, either negative incentives such as compulsory membership or positive incentives such as material resources, or, especially important for the organization of big business, institutionalized access to policy makers through associations. Why do state actors regularly provide associations with selective incentives? Section IV examines two deliberate logics. A *political logic* is most visible during certain periods of crisis and changing development strategies, when state actors organize business to manage the crisis and generate political support for the new strategy. In more normal times state actors follow a *policy logic* and organize business more to promote particular forms of governance; in the extreme government actors may cede public funds or functions to associations, also known as "private interest governance" (Streeck and Schmitter 1985).

Deliberate state support is not the whole story. A third factor is that of *unintended consequences* (section V). States provided unintended incentives for collective action, mostly through threats to business and the exclusion of business from policy making. Business tends to invest more in associations, especially encompassing associations, when states encourage labor mobilization (by granting legal rights to organize, strike, and join parties), or when states threaten property rights, historically in Latin America when they expropriate land or more recently banks. Perceived threats and exclusion are crucial to explaining the timing of organization. However, in the absence of continuing selective incentives, granted by governments according to political and/or policy logics, threats subside and therefore cannot sustain business organization over the longer term.

The conclusion engages some broader theoretical debates. A major implication of my argument is that rational choice theories have been overly concerned with modeling the behavior of elected politicians and reducing, in the process, other state actors to minor agents. This neglect is risky in Latin America where top bureaucrats are themselves central principles. For fuller microfoundational analysis of state action we need to move beyond simplying assumptions about politicians' interest in reelection to examine the other kinds of incentives political executives face. The conclusion also considers the implications of a statist explanation for collective action on the potential contributions of associations to democracy and development. Briefly, if states create strong associations, then it depends in large part on state actors whether associations use that strength for good or ill.

II. The State of the Theory and the Missing Theory of the State

Little in the literature on collective action helps us much to "endogenize" state actors and theorize on their incentives for promoting collective action. Since Mancur Olson first proferred his theory in the 1960s, scholarship on collective action has progressed on three tracks though unevenly and without much debate across tracks. The three are, roughly speaking, micro economic, embedded (often sociological), and political. It is the last where progress has been least.

The micro-economics of Olson's *Logic of Collective Action* have reached paradigmatic status.[13] Working within Olson's framework, numerous studies have endeavored to elaborate and extend the theory.[14] For students of developing countries the most salient recent elaborations are Frieden (1991) and Shafer (1994). Both these books attempt to specify more precisely economic factors that create conditions favorable to collective action. Olson argued that small, homogeneous groups would have an easier time organizing. Shafer and Frieden in turn argue that capitalists with dedicated, capital intensive assets are small in number (due to economies of scale) and hence have few difficulties organizing. Moreover, if their assets are dedicated to a specific use, the intensity of their interests will provide further incentives for collective action. However, these and other economic extensions rarely consider the social and political context.[15]

Other more embedded and usually more empirical studies conclude that social context is decisive in motivating collective action. Howard Margolis (1991), for example, factors in social motivation (or what he calls the "warm-glow" add-on) to his calculations on cooperation. Dennis Chong (1991) applied Olson to the civil rights movement and found that contextual factors like peer pressure and conjuntural factors like bandwagoning encouraged investment in collective action, beyond the more limited rationality in Olson's original theory. From a much more critical perspective, Knoke conducted empirical research that showed that people engaged in a collective action for a number of reasons, some contextual, that Knoke concluded had little to do with Olson's original theory: "equity concerns, fairness principles, and altruistic norms . . . are

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13 Reviewing the whole field of economic contributions to political science, Gary Miller claims that Olson's book is "one of the half-dozen books by economists that have had the greatest impact on the political science discipline" (1997: 1177).

14 See Hardin (1982) and Sandler (1992) for fuller reviews of elaborations on Olson's work. My selective review in this section of the large literature on collective action is limited to some of the elaborations that are most germane to business in Latin America.

15 Interestingly, both Shafer and Frieden neglect Olson's arguments on "byproduct" lobbying. For Olson, associations that formed for some purpose other than lobbying, through providing seletive incentives, were the ones most likely, *as a byproduct*, to have powerful lobbies (1965: 132-4). By omitting the byproduct lobby Frieden and Shafer link economic assets directly to collective action and, without mediation, to political power. On the context of collective action, Frieden does bring overall levels of class conflict, which when high in Chile, discouraged collective action in defense of dedicated assets. I discuss Olson's byproduct theory further below.

exceptionally powerful forces shaping the collective-action decisions of individuals" (1988: 326).[16]

Despite their diverse approaches, the authors mentioned so far are united in ignoring or assuming away the state as an explanatory variable.[17] The state is not "endogenized." However, the state is not completely absent from other works in the Olsonian paradigm. The young Olson himself conducted orginal fieldwork on organization of workers and farmers, much of which derived from state actions (1965: 66-97, 153-58). Ann Krueger's (1974) theory of rent seeking, which informs most subsequent work on collective action by business, starts with the state: it is the initial provision of rents that turns capitalists into rent seekers. Shafer too brings the state in but largely as a passive actor; he "endogenizes" the state by making its development subject as well to the characteristics of dominant exports sectors. Bowman (1989) looks closely at the role of the state in organizing the coal industry in the United States. He argues that business often relies on outside actors including suppliers, labor unions, and the state to solve its collective action problems. The state is particularly effective at changing all the costs and benefits in the cooperative game. In the end though Bowman, like Olson, only analyzes the demand side -- why groups would ask the state to organize them -- not the supply side -- why state actors would want to organize them. In short, even when they include the state, those working within an Olsonian framework do not try to account for the fact that state actors have independent incentives to promote collective action by business.

The literature on states and corporatism offers some theoretical counterweight to non-statist studies working within, or against, Olson's theory. Since Schmitter (1974) the analysis of corporatism has always included the state (on Latin America, see especially Malloy 1977). Schmitter's initial distinction between state and societal corporatism was more a definitional than a causal statement though he noted that the difficulties of late capitalist development prompted states to intervene more in the organization of social groups, especially labor. Skocpol (1985) summarizes the relevant ways in which states organize social groups both directly through intervening in organization and indirectly in that groups organize in order to deal more effectively with the particular states they confront. What the corporatism literature lacks generally is a more dynamic appreciation of the impacts of economic and political conditions, especially overall

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16 See Miller (1997) for a review of other contextual elaborations within the Olson paradigm. For a critique of Chong and "contextualized rationality" see Green and Shapiro (). Knoke (1988, 1990) offers an extensive review of empirical studies of collective action. Business associations are rarely the focus of these embedded studies presumably because their motives are presumed to conform more closely to self regarding maximization.

17 Frieden (1991) is most explicit in choosing not to analyze the state, but the others are remarkable in the systematic omision of the government or the state.

development strategies, on state actors, as well as a closer micro-analysis of the motives state actors have to shape collective action by business.

Schmitter (1985) provided the most complete analysis of states and neo-corporatist arrangements (tripartite negotiation among representatives of business, labor, and the state). Schmitter was skeptical about generalizable arguments: "the emergence of neocorporatism (and its persistence) cannot be predicted from the micro-motives of interested private individuals or public employees. Nor can it be analysed exclusively in terms of the macro-functional imperatives of either the capitalist economy or the democratic polity" (1985: 44). However, Schmitter's neocorporatism is of the societal variety where state, business, and labor all have independent power and the institutional arrangements between them are bargained and hence contingent and cannot be explained by any one set of actors and preferences. His focus is also the tripartite arrangements rather than just collective action by business.[18] The situation in Latin America is distinct: labor is weak and neocorporatism is almost never seen, and states are much stronger vis-a-vis business.

While avoiding strong causal arguments, Schmitter's article makes two important distinctions that are useful to set up the argument in the next section. First, Schmitter disaggregates state interests into government interests (bascially staying in power, or what I call politicians' incentives in the next section); civil service interests (promoting policy outcomes while retaining power and prerogatives); and state interests (coping with the international system and retaining legitimate authority). For my purposes the range of state interests for promoting collective action can be reduced to a political logic (which incorporates both government and state interests) and a policy logic similar to the interests of civil servants but different in the context of Latin America where top bureaucrats are political executives without civil service tenure and hence without collective interests as an administrative *corps*. The second distinction concerns the variable strength of states. Albeit cautiously, Schmitter argues that state weakness or vulnerability is a necessary but not sufficient motive for state actors to seek to organize social actors. The next sections develop both sets of distinctions, with specific reference to Latin America.

III. How States Organize Business

A quick, broad glance variations in business organization across all Latin American countries seems to confirm Olson. There are thousands of narrow associations that organize "privileged" groups of small numbers of homogeneous members. If any thing late industrialization spawns

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[18] Schmitter correctly locates the locus at the "meso level in an arrangement of mutual convenience between representatives of interest associations and representatives of state authority" (1985: 44). The latter are what I refer to as top state actors or political executives.

more privileged groups; economies of scale are greater and more industrial sectors have fewer, oligopolistic firms than in earlier experiences of industrialization. Moreover there is some correlation between small size and consequent homogeneity of the business community, on the one hand, and the existence of economy-wide peak associations on the other (see Appendix B). All but one of the smaller countries of Central America and South America (Paraguay, Ecuador, Bolivia, Peru, and Venezuela) have peak associations for all of business. Whereas three of the four largest and most diverse countries of Latin America either have no economy-wide peak association (Brazil and Colombia, at least formally) or have had competing or temporary peak associations (Argentina).

However, the larger, more diverse countries of Latin America present some major anomalies. Mexico, one of the largest and most diverse countries of the region, has relatively strong, encompassing peak associations. Moreover, at the level of industry, commerce, and agriculture, most of the large countries have strong looking, encompassing associations that organize diverse sub-sectors. A closer look at the history of nearly all these encompassing associations reveals state initiative in creating or strengthening "unnatural" collective action. Olson too was centrally concerned with explaining these kinds of anomalies and developed his theory of selective incentives to do so. Selective incentives are provided to members only, compensate them directly for their investment in collective action, and thereby circumvent obstacle of free riding.

States provide the selective incentives that hold these unnatural associations together.[19] Olson distinguished between negative and positive incentives. Among negative incentives, compulsory membership and dues are most important, especially according to Olson for large groups like labor unions. Empirically these incentives are most visible in Brazil and Mexico in the corporatist legislation from the 1930s and 1940s for both labor and business where compulsory membership eliminated the free rider problem.[20] Compulsory membership explains the "unnatural" levels of

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[19] While beyond the scope of this paper, states also disorganize business, both actively and passively. Some political executives, especially reformist ones, actively seek to divide business and prevent the formation of united business opposition to government policies. On the passive side, the discretionary and targetted intervention of developmental state, in the absence of priveleged intermediation through associations, gives firms strong incentives for individual lobbying and rent seeking (Weyland book?).

[20] Of course dues evasion can be high even where membership is legally obligatory and association leaders rarely invoke the law to force compliance in order not to tarnish their reputations as business leaders. Nonetheless, free riding is by all accounts lower than were membership voluntary. In Mexico, once a 1997 law made membership voluntary, members and dues fell off sharply, showing that ex-members had only belonged because of the law.

organization in associations in industry and commerce in Brazil and Mexico. However, compulsory membership tends to generate associations that overrepresent smaller firms.

More important for encompassing associations that overrepresent big business, the central focus in this paper, are positive, selective benefits. States sometimes provide material resources, which associations pass on, selectively, to members only. For example, the Colombia Coffee Federation, Federacafe, sustains itself through a compulsory export tax that it spends on marketing, technical assistance, credit and other services for members who therefore have very strong incentives to belong. In 1997, Federacafe had 248,000 members comprising 80 percent of coffee growers and 95 percent of production in Colombia.[21] By 1980 the Federacafe marketed 95 percent of exports, up from 30 percent in the 1960s (Thorp and Durand 1997: 220).

Non-material benefits like access to government officials or policy forums, alter calculus of free riding and increase the incentives for investing in business associations, especially by larger firms. For example, by the mid 1980s ANDI, the Colombian association of industry, had a seat on over 60 public boards and councils (Osterling 1989: 206). Olson neglected this kind of positive incentive. Olson's point of departure, appropriate for the United States, was to assume that associations would generally get only general rulings, such as a tariff, which would benefit all producers, whether members or not. These benefits were non-excludable, collective goods, and potential members therefore had strong incentives to free ride. However, when, as in most of Latin America, policy decisions are very specific (loans, exemptions, or quotas for individual firms) and when the number of potential beneficiaries is often only a handful of firms, then benefits from government, mediated by associations, are selective and available to members only, generally the most active members. Moreover, even if being at the table with government does not generate direct, firm specific rents, it may still yield more intangible though still selective benefits. For example, in personalized fluid economic bureaucracies, just getting to know bureaucrats who are making policy gives a capitalists a sense of where policy is going and reduces uncertainty.[22] Table 2 summarizes the major selective benefits granted by states to the encompassing associations listed in the introduction in Table 1.

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[21] www.cafedecolombia.com/70anhos/datos/ori.html, 31 December 1997.

[22] This view clashes with Olson's byproduct theory. Olson argues that, precisely because lobbying was assumed to yield collective goods, the strongest lobbies are those with strong selective incentives that hold the membership together. The lobbying is then merely a byproduct of the associational strength created by other means. Olson's prime example is the powerful lobby of the AMA where the AMA overcomes free riding through the unrelated activity of providing malpractice insurance and other selective benefits to members. For most strong business associations in Latin America, access to government is a selective benefit in itself and we can dispense with the byproduct argument.

Table 2.: Selective Benefits Granted by States to Encompassing Associations

Country	Sector	Association	Selective Benefits
Organized			
Mexico	multisectoral	CMHN	informal access
	multisectoral	CCE	institutionalized access
	multisectoral	COECE	institutionalized access
Colombia	coffee	Federacafe	export tax
	industry	ANDI	institutionalized access
Chile	multisectoral	CPC	informal access
	industry	Sofofa	institutionalized access
Not Organized			
Argentina	multisectoral	ACIEL (CGE)	sporadic access
	industry	UIA (CGI)	sporadic access
Brazil	industry	CNI	worker training program
	industry	IEDI	none

Note: See the appended list of acronymns for the full names.

How exactly the selective benefit of access affects incentives for collective action depends on variations in how the consultive arrangement works. Access is either formally instutionalized by statute as in the inclusion of representatives of associations on the boards of public entities, or informal yet consistent. In either form it provides strong incentives for collective action. In Argentina, in contrast, associations had sporadic access depending on the government at the time, which does not generate sustained incentives for investing in associations. If capitalists continue to have individual access outside institutional channels, the incentives for collective action will not change much. In Brazil association representatives sit in some government policy forums, but policy makers do not close off informal access. As one prominent industrialist put it, 'I don't need FIESP [association for industry], I call whomever I please" in the government.[23] Hence big capitalists who enjoy individual access have little added incentive to invest in associations. In contrast, Jaime Serra Puche, the Mexican secretary of Commerce and Industry in the 1990s, told his staff to work only through Coece, so firms had much stronger incentives to invest in Coece (interview 15 July 1996).

The functions of joint business/government entities ranges from fairly passive, infrequent oversight of public agencies (pre 1973 Corfo for example) to decision making bodies that allocate real resources (as in the stabilization agreements in Mexico in the 1980s). Incentives for collective action are higher across the full range of public/private entities but increase with the amount of resources allocated. This access benefit however most valuable for large firms that can afford to invest in associations and that can, following Olsonite logic, expect to gain a return proportionate to their investment, at least over the medium term. Thus, granting access to associations, in the absence of compulsory membership, tends to generate fairly strong voluntary associations dominated by big business of the sort found in industry in Colombia and Chile and economy wide associations in Chile and Mexico.

Beyond increasing incentives for simple affiliation, the selective benefit of access also increases incentives for increasing member investment of time and resources in the association. On the time side, struggles over leadership positions are likely to intensify since associations presidents and directors are the ones who sit on, or appoint those who sit on, the consultative boards. So, members have strong incentives to promote leaders sympathetic to their concerns, and defeat candidates antithetical to them. On the resource side, association leaders try to extract more resources from members in order to develop in-house technical capacity that will allow them to participate effectively in consultative bodies dominated by government technocrats armed with government generated information. Chilean associations in particular demonstrate that associations invest more in technical staff once they are invited to participate more in policy forums, both in the 1950s and again later in the 1970s and 1980s (Silva 1996: 90, 156, 205).

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[23] Interview with Paulo Villares, head of a large industrial conglomerate, and member of IEDI, 28 January 1993.

Mexican business, especially members of CMHN, invested millions of dollars in the 1970s and 1980s, once access to the government became more institutionalized, in building the technical staff and capabilities of CCE (interview with Francisco Calderon, executive director of CCE from 1976 to 1997, 19 May 1998).

In sum, state actors in Latin America have dissolved obstacles to collective action by providing a variety of selective benefits, both negative and positive. The selective benefit of informal or institutionalized access to policy forums is the most common attribute of the encompassing associations representing big business that are the core focus of this paper. In broad theoretical terms, this kind of selective incentive opens a new breach in the Olsonian logic, a breach that has not, to my knowledge, been explored elsewhere. At issue is whether the government provides collective goods, subject therefore to the free riding that is the keystone of Olson's theory, or whether the government provides selective, and therefore excludable benefits. If the latter, research on collective action should move away from the characteristics of social groups (numbers, diversity, intensity of interests) and social context toward the state and the terms of interaction between states and associations.

IV. Why States Organize Business: The Microfoundations of State-led Collective Action

Who are the protagonists in the state who seek to organize business or to strengthen existing associations? Historically they were political executives: presidents, ministers, and their immediate subordinates. Politicians pursuing electoral and legislative careers were rarely involved. Legislation regulating associations often passes through legislatures, but the initiative to organize business in particular ways comes first from top officials in the executive. Politicians are not interested in business associations because business associations generally abstain from electoral politics. In some cases, legislation or internal statutes expressly proscribe support for parties or candidates for election by business associations (e.g., CMHN and corporatist organizations in Brazil and Mexico). In other cases, association members belong to different parties so that the leaders of associations cannot endorse candidates without alienating some members. And, strategically, associations have to work with whoever wins the election so do not want to risk jeopardizing that relationship by backing a losing candidate. As discussed below, Argentina is the exception that proved the rule; the industrialists association (UIA) opposed Perón and in retaliation Perón shut it down. Other associations in Latin America have steered well clear of such conflicts. The absence of politicians means we cannot draw on the large rational choice literature based on the microeconomics of politicians' behavior, especially their abiding concern with reelection.

Why do powerful state actors or political executives want to organize business? Their incentives fall into two analytical categories of political and policy logics. Top political executives follow a political logic when they seek to organize business, or strengthen existing associations, in order to generate support for the government's economic program or in order to improve communication with business to get a real sense of *aggregate* business preferences.[24] Political executives tend to be especially interested in support and aggregation when they are in the midst of risky initiatives to change overall development strategies during periods of economic crisis, both in the first great depression of the 1930s and 1940s as well as the second in the 1980s and 1990s. State actors, in Schmitter's terms, are especially vulnerable in such periods of turmoil.

The policy logic is more visible in more normal times and is more likely to motivate second tier officials in the economic bureaucracy, ministers and their immediate subordinates. These officials are concerned with achieving particular policy outcomes. In a microfoundational sense percieve their career advancement to depend on their effectiveness in achieving these outcomes. Following the policy logic state actors call on business associations for various types of assistance, from very simple and discrete tasks, like getting more information on the sector of the economy that is the object of policy making, to short term emergency coordination, to much more ambitious goals of promoting long term, multifaceted development of major sectors of the economy. In general my hypothesis is that the incentives for state actors to seek organized collaboration from business vary inversely with the inhouse capacity they have to push policy outcomes alone. That is, political executives tend to go it alone if they have effective state capacity, or think they can develop the capacity in time. In terms of conditions in the private sector, the strength of incentives for state actors to promote collective action vary positively with the number and diversity of economic agents in the sectors targeted for policy change: the larger the number of economic agents involved, the higher the cost to state actors to get information or promote rapid coordination on their own. Table 3 summarizes both logics and notes prominent cases of each type.

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[24] Cathie Jo Martin argues that, "in the United States, where business is quite fragmented, presidents often act as catalysts to organize business around legislative initiatives. Top-down mobilization by external political agents may become especially important when goals are more collective and non-divisible" (1997: 398). Martin however is not discussing the creation or strengthening of business associations, but rather the mobilization of existing associations.

Table 3.. Incentives of State Actors to Promote Organization by Business

Incentive	**Conditions Intensifying Incentives**	**Cases**
Political logic		
Support	changing development strategy	1930s and 1940s: CNI (Brazil), Sofofa (Chile), Canacintra (Mexico) CGE/CGI (Argentina)
		1980s and 1990s: CCE (Mexico) CPC (Chile), Coece (Mexico)
Aggregation of preferences	international crises; political crises; polarization in policy domain	Concanaco and Concamin (1910s, Mexico); ANDI (1940s, Colombia);
		1980s and 1990s: CMHN (Mexico), CPC (Chile), Coece (Mexico)
Policy logic		
Policy implementation	policy requires rapid coordination; economic crises	CCE and Pactos (1980s, Mexico); sectoral camara in autos (1990s, Brazil)
Policy delegation	risk of politicization	Federacafe (1920s on, Colombia)

In both logics state-induced collective action is a means for government officials to achieve other ends. When business associations do not already exist, state officials often provide negative incentives like compulsory membership to create the associations that political executives want to generate support for development strategies or assistance in achieving policy outcomes. Where associations already exist, state actors offer usually a positive selective benefit in the form of access to policy makers or public resources. Business organization itself is rarely an end in itself. However, the selective incentives that states provide to achieve some immediate policy outcome have lasting impacts on the associations. Association leaders have strong incentives to lobby state actors to continue to provide the selective benefits after any particular government objective has been realized.

The empirical analysis that follows covers many but not all of the associations listed at the outset, focusing on the cases that best illustrate the various logics. In any particular empirical case the analytic distinctions among types of political and policy logics fade as political executives find they can use associations to fulfill multiple needs. Moreover, political executives often turned to associations for policy assistance after associations were strengthened for political reasons. Given the concentration here on encompassing associations, most of the empirical cases derive from a political logic. Fuller examination of narrower sectoral associations would produce more instances where the policy logic predominated.

Chile. In Chile the political logics stand out in major periods of changing development strategies, first in the 1930s and 1940s and later in the 1980s and 1990s. In the first period, the leftist Popular Front governments of the 1940s tried to enlist business support for interventionist, ISI policies by incorporating business associations onto the boards of major agencies designed to promote domestic industry. Business was worried about expanding state intervention into the economy, especially directed by a leftist government. Corfo, one of the first development banks in the region, was a focal point of controversy. The Popular Front government proposed that representatives of business associations sit on the board of Corfo in order to assuage business fears and build general support for state-led ISI (see Cavarozzi 1975). Sofofa, the industry association, long predated these efforts, but once on the Corfo board and dozens of others Sofofa began to invest more heavily in institutional capacity.[25] In the 1950s, for example, Sofofa created a research department to provide technical information to enhance the participation of Sofofa representatives on these boards (Cavarozzi 1975: 125). These close business-government relations and consequent associational development were disrupted in the 1960s and 1970s by reformist and then reactionary governments.

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[25] By 1967 Sofofa], "the most widely represented association, had voting representatives on twenty-six state and semiautonomous policy boards, and vocal represenatives on eighteen others" (Cusack 1972: 109; see Menges 1966: 350).

In the 1980s, the military regime attempted to incorporate organized business into government policy circles. The logic was again explicitly political. In order to preclude business from joining the growing popular opposition to military rule in the early 1980s, economic ministers made strong overtures to the CPC, the multisectoral peak association (Silva 1996 provides the full story). In addition while market oriented reform had proceeded rapidly in the 1970s, with little participation by business associations, in the 1980s government ministers sought active collaboration by associations in their efforts to complete and consolidate these reforms. Government ministers wanted not only support from business, but also wanted aggregate business input on the pace and form of the further round of economic reforms in the 1980s. This interest in aggregate business preferences contrasts sharply with the close interaction in the 1970s between policy makers and a handful of conglomerates, to the exclusion of the rest of the private sector. Government support in the 1980s strengthened collective action and capacity building in the CPC and other associations.[26] After 1989 the first post authoritarian government turned to the CPC in order to negotiate the transition and reassure capitalists that the basic outlines of the new market oriented development strategy would survive (Weyland 1997).

Colombia has the largest and richest association in Latin America, the coffee association Federacafe. This association was created directly by the government in 1928 when the government granted the association the proceeds from a tax on exports. The importance of government action is clear in that two previous, voluntary attempts to form an association had failed. Federacafe is the best example of institutional arrangements more common in Europe, private interest government, where the state delegates public functions to an association (Streeck and Schmitter 1985). Among other things Federacafe markets coffee internationally, sets crucial quality standards for different types of coffee, provides essential transportation infrastructure, offers members credit and technical assistance, and even finances public goods like schools and roads. But, the selective benefits stand out and are the main explanation for the voluntary affiliation of almost all big producers. All of the policy logics stand out clearly in this case. Coffee production in Colombia is dispersed among many producers (as opposed to large scale plantation production in other countries) and state capacity was low, especially before the 1960s. The costs to exclusive state action in collecting information on production, standards, and coordination was consequently very high. Moreover, speed and flexibility were essential in order to respond to rapidly changing conditions in international markets. So, political executives realized that leaving tax policy to the legislature, as required by law, would result in inevitable and

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[26] Silva concludes that "one of the positive consequences of this system of interaction for organized business has been its professionalization. In the 1970s, only [Sofofa] had a technical department capable of analyzing and developing policy proposals. Ten to fifteen years later, each of the other five sectoral associations and the CPC established sophisticated technical departments of their own. Meanwhile [Sofofa's] department of studies expanded even further" (Silva 1996: 205).

damaging delays. More generally political executives feared subjecting precious coffee policy to the intense conflict between parties.[27]

In 1944 a more political logic led to the formation of ANDI, the industrial association, in the context of economic problems created by World War II. In this case, the second type of political logic, aggregating interests, stands out.

> During some time, President Alfonso López Pumarejo lived in Medellín, where he had many friends. In his second presidency, during a period when due to the shortages created by the war the state had to administer import ceilings and price controls, his industrialist friends from the region called him constantly for help resolving their problems. During one visit to Medellín, the President called the industrialists together . . . and explained to them that he could no longer hang on the phone talking to all his friends who called to tell them of their problems, and he asked them to organize, to name one spokesman for all of industry, and that for this person, yes, he would have time to attend to his concerns (atenderle sus consultas) (Urrutia 1983: 72).

The selective incentive for potential members to join was that the president made clear that the association would be the privileged interlocutor for industry.

Mexico. In Mexico three periods of economic turmoil and policy change led political executives to help business organize. In the wake of the economic devastation of the Mexican Revolution, the minister of industry Pani convoked business to national conferences of commerce (1917) and then industry (1918) which led to the formation of national confederations in both sectors (Shafer 1973: 21). The motives were partly political, in order to enlist business in the process of reconstruction and to aggregate their preferences. Political executives were also partly motivated by immediate policy concerns. In an extreme case, the Mexican government had lost control of currency emision during the revolution and asked business associations to issue "scrip to provide reliable fractional currency and to retire dubious revolutionary issues" (Shafer 1973: 30). In other words, the state had lost even minimal capacity to control the currency and turned to the new associations for help.

However, membership in these associations was not compulsory and after the immediate post Revolution crisis, subsequent political executives did not provide other selective benefits, so

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[27] In later periods, political executives continued to apply a policy logic to their initiatives to promote collective action by business. In particular state actors extended PIG to banking and rice associations. The model in rice was very similar to coffee. The government granted a tax to a previously weak association that subsequently used the resources to promote a very rapid transition to new seed varieties (Urrutia 1983).

these confederations languished until the next period of economic turmoil in the 1930s. Then the government stepped in and created a full corporatist structure for both business and labor. The political logic in state-led collective action was clearest in the creation of Canacintra in 1941. In order to amplify the voices of new industrialists in Mexico, state actors manipulated corporatist regulations to permit the organization of Canacintra within the industry Confederation. Canacintra fulfilled government expectations and supported, almost slavishly, the policies of state-led ISI (Shafer 1973: 56-57).

In the economic crises of the 1980s, political executives again turned to business and promoted collective action. The encompassing associations CCE and CMHN became priveleged interlocutors for political executives who sought to restore business confidence and smooth relations with government (both severely damaged by the bank nationalization of 1982). When economic collapse threatened in 1987, the government called on the CCE to organize business participation in stabilization pacts. This had a political and policy motivations. On the political side, the government desperately wanted explicit business support for the stabilization effort. Jaime Serra Puche, then undersecretary of finance (?), felt that the stabilization program would not succeed unless 'we got everyone on board' (interview July 1998). On the policy side, the government sought business support in supplying full information on the effects of price controls as well as crucial support in enforcing and monitoring these controls (Kaufman et al. 1994, Zuckerman). *Aggregate* input and information was of course very valuable in the extremely complex task of setting relative prices.

In the early 1990s, after the government announced its decision to pursue a free trade agreement with the United States, political executives turned immediately to the CCE and asked it to organize business input into the negotiations (interview with Jaime Serra, ex secretary of Secofi). The CCE created Coece for this purpose. For state actors, Coece served both political and policy purposes. On the political side, Coece helped to generate overall support for Nafta (interview with Guillermo Güemez, executive director of Coece, 1990-95, 7 June 1996). On the policy side, the government turned to Coece for basic information that it lacked in the short run about trade between the two countries and levels of competitiveness in Mexican business (interview with NAFTA negotiator Aslan Cohen).

<u>Brazil</u>. In Brazil, the political logic for organizing business has been weak, especially in recent decades. In the first instance of changing development strategies, in the 1930s and 1940s, the political logic was stronger and similar to that in Mexico. Getúlio Vargas actively promoted the early corporatist associations of business that in turn provided strong private sector support for his program of state-led industrialization. This political logic was especially visible in Vargas' support for FIESP and CNI both of which became leading proponents of state intervention and ISI. Vargas solved collective action problems by making membership compulsory and by providing a massive selective benefit by granting associations control of state-funded training programs for workers.

Over the following decades the corporatist structure Vargas created remained frozen. The result was that these associations were no longer perceived as adequately representing big business.[28] So, political executives by the 1980s did not have preexisting associations, especially peak associations, that represented big business well. The reasons that Chile and Mexico had preexisting peak associations, that state actors could later turn to and promote, derived more from earlier political threats as will be analyzed in the next section. In the 1990s when the Brazilian government embarked on serious market-oriented reform, associations like CNI and FIESP were perceived as overrepresenting opponents and therefore little use in promoting support for the new development strategy. State actors did nonetheless try to solicit aggregate big preferenes and support, according to a political logic, through more informal mechanisms. For example, finance minister Marcílio Marques Moreira created informal councils of leading businessmen in Rio and Sªo Paulo, designed explicitly to bypass the representation deficiencies of the corporatist associations (interview, 26 November 1997). The creation of IEDI in 1989 was an attempt by big business to overcome these deficiencies.[29] IEDI was an encompassing association in industry and comprised 30 or so big capitalists from diverse sectors and regions. It might have become an effective interlocutor however political executives in power in the 1990s were not interested in policy or political support on IEDI's terms, viz active industrial policy and managed transition to freer markets. Without any state support, IEDI languished.

The policy logic was evident in Brazil in particular industrial sectors. For instance, mid level officials prompted the organization of capital goods producers in the 1950s and 1960s in order to facilitate the provision of equipment to state enterprises (Carvalho?). The most important recent example is the tripartite *camara* in the automobile sector. In 1992? the government called together labor and business associations and worked out a deal to reduce taxes, wages, and prices and promote adjustment to the trade opening (Arbix, Schneider 1997). However, this shortlived concertation foundered in 1995 because the pivotal political executives were more concerned with macro stabilization than sectoral performance.

Argentina. In Argentina political executives, especially after Perón came to power in the

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[28] Kingstone (1998). Over time, the selective benefit of worker training had a perverse effect on incentives for collective action. On the one hand, they gave the associations massive resources and offered smaller capitalists opportunites for careers, so that competition for leadership positions became internal, bureaucratic affairs. Association leaders since the 1960s have not usually been prominent industrialists (Schneider 1997-98). On the other hand, the selective incentive of the training program was weak for big business. Large firms had fewer incentives to fight for leadership in order to control training programs because their needs are more specific and because they can often afford to pay a premium to retain skilled workers (see Weinstein 1996).

[29] On IEDI see Diniz, Kingstone (1998), and Schneider (1997-98).

1940s, actively supported business organization, however, the political logic was partisan and deliberately divisive. In retaliation for its opposition to his policies and support for political opponents, Perón outlawed the long standing industry confederation, UIA, and created it is stead much more supportive alternate confederations, an economy wide peak associations, the CGE, and an industry confederation, CGI (Birle 1997). The result was not strong single encompassing associations, but rather competing partisan associations that subsequent governments alternately promoted or suppressed. This fragmentation precluded the policy of enlisting business associations in policy implementation because the state could not find a single, effective association to be its interlocutor. No association could speak authoritatively as the unified voice of business. Associations have therefore remained very weak, and, according to several scholars, are better characterized as fluid movements rather than stable institutions (Acuña 1998 and Sikkink (1991: 108).

The disorganization of big business did not eliminate incentives for political executives to seek their collaboration. In 1967 economic minister Krieger Vasena supported the creation of the Consejo Empresario Argentino (CEA) which, similar to the Mexican CMHN, grouped together 30 or so of the largest firms (Birle 1997: 104). In the 1980s, in similar fashion to the Brazilian Economics Minister Marques Moreira, the foreign minister in the Alfonsin government convened a meeting at his home of the heads of the dozen or so largest conglomerates. These meetings with what the press called the captains of industry continued, at the government's invitation, but never resulted in formal organization (Ostiguy 1990). The lack of longer term political support meant that neither the CEA nor the "captains of industry" ever became institutionalized.

In sum, strong political motives, sometimes with complementary policy concerns, led political executives to promote encompassing associations in Mexico, Chile, and Colombia. In Argentina and Brazil the general conditions of crisis and changing development strategies were similar, with similar attempts in the 1930s and 1940s to organize business. However, by the 1960s much of the organizational space for business had been filled (in both Brazil and Argentina but in different ways) by associations that political executives could not call on to fulfill political or policy logics. The deficiencies of corporatist associations in Brazil and partisan ones in Argentina was partly the result of the short run political motives of earlier political executives. However, a comparison with multisectoral peak associations in Chile and Mexico reveals that other unintended factors led to the prior formation of these peak associations that by the 1980s and 1990s became primary business interlocutors with government. In other words, the crisis conditions of the 1980s and 1990s led political executives in all five countries to seek aggregate business input and support from business. However, the impact in terms of business associations depended on pre-existing patterns of organization. Where economy wide associations predated the crises of the 1980s (Mexico and Chile), political executives strengthened these associations; where effective peak associations did not exist (Brazil and Argentina) political executives relied on ad hoc consultations that had little lasting impact on the organization of business. The reasons economy wide associations emerged in Mexico and Chile prior to the crises of the 1980s are analyzed in the next section.

V. Unintended Organizational Consequences of Government Threats to Business

Collective action by business is not the exclusive result of state actors trying to resolve political and policy problems. In particular the timing of the formation of particular associations, especially encompassing associations, can often be traced back to political conflict generated by government policies unrelated to deliberate efforts to organize business (see Silva and Durand 1998). The triggering policies often threaten one sector, as in land reform. However, they promote encompassing associations by homogenizing business preferences, in defense of property rights for example, and by forcing one sectoral association to seek support from other sectoral associations. However, once the threat fades, the encompassing association tend to atrophy or disappear in the absence of selective incentives from the state (usually, in the case of encompassing associations, institutionalized access). The major threats over this century revolved around government sponsored labor incorporation, threats to property rights posed by expropriations mostly in land and finance, and overall political exclusion. Associations created under conditions of perceived threats were voluntary and more likely to be constituted internally in ways that enhanced the effective intermediation of the preferences of big business.

In the first half of this century, the terms of labor incorporation (union organization and state regulation of labor markets) were major political issues (Collier and Collier 1991). However, business never organized, as it sometimes had in Europe, to bargain directly with new labor organizations. The more common organizational response was encompassing associations designed to pressure the state to manage labor incorporation on terms favorable to business. State promotion of labor mobilization prompted some organizational response from business in four of the five countries: Coparmex in Mexico in the late 1920s, CPC in Chile in the 1930s, several short lived associations in Argentina in the 1910s and 1920s, and CIESP (the forerunner of FIESP) in Brazil in 1928. In Colombia labor organization, and state support for it, have been consistently weak, and helps explain the lack of an economy-wide peak association (Osterling 1989: 202). In the 1960s and 1970s, labor mobilization, backed by reformist governments, increased business investment in encompassing peak associations. In Chile business resurrected the moribund CPC in the late 1960s (Cusack 1972). In Mexico, big business created the CCE in 1976 at least partly in response to president Echeverría's support for labor.

In the second half of the 20th century reformist policies threatened property rights -- as in Chile in the 1960s and 1970s, Brazil in the early 1960s, and Mexico in the 1970s and early 1980s -- prompting organizational responses from business, including the resurrection of the CPC in

Chile, several short lived organizations in Brazil, and the creation of the CCE in Mexico.[30] Most threats revolved around land reform and nationalizing of the banking sector and threats of either kind had strong impetus towards encompassing collective action. Threats to property rights provide two benefits to collective action. First, the major obstacle to collective action among associations is less free riding and more the lack of common interests.[31] Defense of property rights thus provide an easy common agenda. Second, historically, threats to property rights have focused on particular sectors, and associations in these sectors have in turn invested heavily in organizing other sectors to help come to their defense. In Chile in the 1960s, landowners were systematically excluded from participating in policy making for land reform and turned to other associations to join them in the CPC to oppose government policies (Cusack 1972). The same fears created centripetal pressures in Mexico. Juan Sánchez Navarro, one of the leaders of the move to create the CCE, noted that the leaders of all the sectoral associations opposed government policies but none wanted to speak out for fear of reprisals (interview, 10 June 1996). Moreover, he noted that the government used a strategy to divide and conquer very effectively so that a policy opposed by all would be endorsed, under pressure, by each association individually. The sectoral associations preferred that opposition to the government come from the encompassing CCE so that no single sector could be singled out for retaliation.[32]

Threats spark collective action, but associations tend not to thrive over the longer term without state support. Threats of land reform, state promoted labor organization, or political

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[30] In Peru the struggle over bank nationalization in the 1980s strengthened Confiep, the embryonic economy wide peak association (Durand 1994).

[31] Differences in preferences and interests are very common among finance, industry, agriculture, and commerce. Moreover, leaders of sectoral associations have strong incentives to defend their sector rather than compromise with other sectors. Free riding is easier to control for a number of reasons. The numbers of participating associations are quite small, the relative investment in the peak association is small, and member associations have extensive administrative capacity to monitor the behavior of other associations.

[32] A last factor that has the unintended consequence of increasing incentives for collective action is political exclusion. This exclusion takes different forms. Short term exclusion under military rule sometimes provoked important but temporary and informal business mobilization (see Remmer 1993 and Haggard and Kaufman 1995). In Brazil business opposition to military rule grew in response to greater exclusion during the Geisel government (Boschi 1979). An informal, media-created group of prominent business, the Grupo dos 8, was the organized manifestation of this opposition (Payne 1994). Similarly, a group of 12? Argentine capitalists organized to work for the end of military rule in the early 1980s (Ostiguy 1990). However, most of this mobilization faded once the transition to democracy was underway.

exclusion provoked organizational responses by business in Argentina and Brazil, but these organizations did not survive. In contrast in Chile and Mexico, when political executives wanted organized business collaboration in the 1980s they could turn to encompassing associations that had been created and strengthened in periods of struggle with previous political executives. In Chile in 1973, both before and after the coup, military conspirators could turn to Sofofa and CPC for collaboration in designing post coup economic policy, because the members had strengthened these associations over the past decade of conflict with previous governments (Silva 1996: 69-90). Similarly, after president de la Madrid took office in 1982 amidst severe economic turmoil and later when he undertook neoliberal reforms, he could turn to the CMHN and the CCE to restore investor confidence and build support for a new development strategy, because members had invested in these associations during the conflicts of the 1970s. Counterfactually, in the absence of previous periods of conflict in Mexico and Chile, political executives might have confronted a similar situation to that faced by their counterparts in Argentina and Brazil, namely no effective encompassing associations. Or as a Brazilian journalist put it, 'the trouble with the Brazil bourgeoisie is that it doesn't have a telephone number.'[33] Due to prior conflict and perceived threats, the Mexican and Chilean bourgeoisies have phone numbers.

In sum, the central question posed at the outset of this paper was why is big business much better organized in Mexico, Chile, and Colombia than it is in Brazil and Argentina? The answer, documented in the last two sections, has three parts. First, behind successful, institutionalized encompassing association are state actors who grant these associations selective benefits, often in the form of institutionalized access to policy deliberations. Second, political executives respond to policy and political logics when seeking organized business collaborators. Their incentives to organize business are stronger during periods of economic and political crisis. In response to the crises of the 1930s and 1940s state actors in all five countries promoted collective action. However, by the 1980s the responses of state actors to crisis, which is again fairly similar throughout the region, varies across the five countries.[34] Why in the 1980s did political executives in Mexico and Chile turn to and strengthen encompassing associations while their counterparts in Argentina and Brazil did not? The simple answer is that, by the 1980s, effective associations existed in Chile and Mexico and did not in Brazil and Argentina. Digging deeper, we find the third part of the complete answer: the encompassing associations in Mexico and Chile grew out of periods of intense conflict, before the 1980s, with reformist governments. In sum,

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[33] Remark made to me some years ago by Elio Gaspari of *Veja*. The lack of a phone number in Brazil and Argentina did not always discourage political executives from seeking aggregate input from big business, as noted above in the cases of Marques Moreira and the Alfonsin government.

[34] Colombia is the exception where economic crisis and the change in development strategy were less dramatic. As noted above, the policy logic is consequently stronger in Colombia than in the other cases.

strong encompassing associations in Latin America are forged through love-hate relations with their states, or more specifically hate-then-love relations.

VI. Conclusions and Theoretical Implications

The argument that states organize business has several implications for broader theories. In particular this argument forces some non-trivial rethinking of microeconomic or Olsonian analyses of collective action, especially the functioning and sources of selective benefits. In terms of the microfoundations of state action, my statist argument suggests shifting attention away from the dominant focus on the reelection incentives for politicians towards a closer consideration of the distint incentives facing political executives in the executive branch. And, if selective incentives provided by states shape the membership and organizational structure of collective business representation, then there is little we can deduce from the economic and social characteristics of potential members. Returning to the disputes presented at the outset of whether strong business associations are positive or negative for democracy and growth, the implication of this study is that their impact depends a lot on how state actors work to channel the organizational power they helped create. The rest of this section considers briefly each of these implications.

Olson identified the crucial importance of selective incentives, however he was less interested in examining systematically where they came from. My research suggests two fundamental revisions to the dominant Olsonian framework. First, if the sources of selective benefits come consistently from outside the latent groups, then advancing our theories of collective action requires that we devote more of our attention to the external sources of selective benefits rather than to the specifics of latent groups, as, for example, in the sophisticated work on sectoral characteristics (Frieden 1991, Shafer 1994). Second, even within an Olsonian logic, we cannot assume that what associations get from the government always take the form of collective or public goods. If, as in the selective benefit of access to policy forums, what association members get are excludable benefits (certainty, rents, or stronger personal relations with policy makers), then free riding is not the central conundrum for collective action. Rather it shifts the analysis of obstacles to collective action to an examination of returns on investment in collective action, which are likely to be positive only for large firms. Reconceptualizing state-provided selective benefits forces a rethinking of the common notions of why big business dominates business associations: it is less due to the fact that they are willing to bank free riding by others and more that they get excludable benefits through the association.

In Latin America the search for the sources of selective incentives leads us to political executives, the top state actors in the executive apparatus of government, where theorizing has been limited. In the major investment in recent decades to theorize the incentives of elected politicians, the role of top bureaucrats has been reduced to weak agents of politician or interest group principals. In the literature on Latin America, this mistaken emphasis is most clear in the books by Jeff Frieden (1991) and Barbara Geddes (1994?). In Frieden's analysis interest groups drive economic policy and he admits, "I simply assume that in order to maximize their political survival politicians and policymakers must respond to politically powerful groups in society" (1991: 27, check pp. 39-40). Geddes analysis is more nuanced, yet her core argument is that civil service reforms depends primarily on the potential costs and benefits to reelection-seeking legislators. Geddes notes the different interests, especially in bureaucratic competence, of presidents who, at the time she was writing, were constitutionally denied the opportunity to run for reelection. But she too ultimately discounts the role of political executives.[35] This exclusion is risky in Latin America and other developing countries, where executive branches often dominate politics, than it is in the United States and other developed democracies where parties and legislatures are more powerful.

This blind spot in the microfoundations of political action deserves more illumination, and distinction from the usually presumed electoral motivations. That is, political executives are more likely to act to solve immediate crises and facilitate policy implementation than to weigh policy options purely according to electoral calculations. At the same time crises and policy implementation excite less direct self-interest on the part of legislators and other politicians driven by electoral concerns. Unfortunately the micro foundations of bureaucratic behavior are less neat than those of electorally driven politicians. Top bureaucrats have strong career interests of their own, but no single logic drives them. The budget maximizing bureaucrat captures only one, usually minor, facet of bureaucratic incentives (see Schneider 1991). For top bureaucrats, career advancement is more likely to come from the successful management of basic state functions like advancing state interests in the international arena, providing overall macroeconomic stability, or implementing components of economic development strategies. Reelection theories of the state will be weak until the find a way to incorporate the important political consequences of these distinct incentives for the behavior of political executives.

Another crucial conceptual point about state-induced organization is that general deductions about business preferences, reaching beyond specific contexts, are rarely justified. If business interests are aggregated artificially then we have no reason to assume that business associations form on the basis of common interests in order to lobby policy makers. Olson's later work and much of the work of his followers mistakenly assumes that rent seeking drives business and then deduces which groups are likely to organize and succeed (Olson 1982; Frieden 1991; Shafer 1994). Olson's initial formulation provides a first antidote to such simplistic deductions. Olson's original "byproduct theory" was that associations with the most lobbying power are in fact those that form for some other reason typically around some selective incentive, other than lobbying

[35] In the first chapter, Geddes starts with a promising four fold typology of presidents, legislators, party leaders, and state bureaucrats (1994: 12). The latter however do not enter into the major causal arguments.

power. Lobbying power is thus the by-product, not the main event. The selective incentives determine who organizes and how intensely, and the organization in turn determines the aggregation of preferences and thus the preferences pushed by the lobbying wing of the associations, rather than some common interest which drives both collective action and lobbying.

Even in Olson's original theory thus there was reason to expect divergence between the lobbying interests pursued by the association and the true interests of the membership base.[36] Strong selective benefits draw in a larger and more diverse membership base, and therefore, what lobbying actitivies an association pursues depend not on deduced sets of interests and capacities for collectve action but the ways in which associations reach internal compromise among diverse interests. If states provide selective benefits then there is even more reason to expect a divergence between "natural" member interests and the "artificial" preferences expressed by their associations. Encompassing associations are by definition mechanisms designed to push members away from their narrow sectoral interests toward intersectoral consensus. Government regulation of membership and internal structure further determine the ways brute interests get mediated.

Are state-induced, strong business associations good or bad for democracy and growth? This paper does not attempt to answer this question directly, however, it does tell us where to look for the answer. If states provide selective benefits that hold associations together then at a minimum association leaders are going to be carefully attuned to the preferences of state actors, especially those with discretion over the distribution of benetis to associations. An ex president of a corporatist industry association in Mexico, said that the Secretary of Industry and Commerce (which includes agencies responsible for oversight of corporatist associations) regularly threatened him with introducing legislation to end compulsory membership if the association leader were not to show strong public support for government policies.[37] Over time, the value of the selective benefits provided by governments can vary, so that relationship between associations and their state benefactors is subject to change and renegotiation. Therefore, whether associations use their organizational power will depend in large measure on how state actors want them to use that power. On the economic side, if state actors are really interested in policy governance, then state actors have strong incentives to police governance by associations. If in contrast, state officials are more interested in personal gain and political favoritism, state benefits will not flow through the association and individual rent seeking will be rewarded.

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[36] See Streeck and Schmitter for their fuller distinction between the logic of membership (including selective benefits) and the logic of influence (largely lobbying).

[37] Interview with Roberto Sánchez de la Vara, ex-president of Canacintra. The Mexican government did subsequently rescind compulsory membership in 1997 with damaging results for membership and revenues for corporatist associations.

On the political impact of strong business associations, state-induced collective action raises a paradox for our understanding of the role of organized civil society in strengthening democracy. As noted at the outset, numerous theorists of democratic consolidation and critics of "illiberal" democracy in developing countries regularly trot out civil society as the essential counterweight against state power and therefore for democratic governance. The paradox is that these associations are often created and sustained by the very states the associations are meant to counter and contest.

Yet, state-induced collective action does not automatically translate into political subservience by the induced associations, especially over time. Association autonomy varies over time according to the strategies of association leaders and of state actors. Once created or strengthened by state actions, associations then draw strength from members, as strictly voluntary associations might. Moreover, associations can develop selective benefits of their own to reduce dependence on state-granted incentives. If these independent selective benefits eclipse the importance of state provided benefits, then association leaders can use this independence to contest state actions. From the state side, political executives may have significant powers over associations that they choose not exercise. Mexico and Colombia represent distinct poles in these relations. Mexican policy makers regularly intervene in association behavior and make it clear that outright opposition to the government is costly. In Colombia in contrast associations regularly oppose the government and government officials generally stay out of association affairs. Specifying the conditions under which associations will have more or less autonomy and capacity to contest state actions is beyond this paper. The crucial point is that the mere existence of seemingly strong business associations cannot be taken as an indicator of a strong civil society that can contest state power and thereby contribute to democracy.

Appendix A. Acronyms

ABM (Asociación de Banqueros de México, Mexico)

ACIEL (Acción Coordinadora de las InstitucionesEmpresariales Libres, Argentina, 1958-73)

ANDI (Asociación Nacional de Industriales, Colombia)

CANACINTRA (Cámara Nacional de la Industria de Transformación, Mexico)

CCE (Consejo Coordinador Empresarial, Mexico)

CGE (Confederación General Económica, Argentina, proscribed 1955-8, 1976-84)

CMHN (Consejo Mexicano de Hombres de Negocios, Mexico)

CNI (Confederaçªo Nacional da Indústria, Brazil)

COECE (Coordinadora de Organismos Empresariales de Comercio Exterior, Mexico)

CONCANACO (Confederación de Cámaras Nacionales de Comercio, Mexico)

CONCAMIN (Confederación de Cámaras Industriales, Mexico)

CONFIEP (Confederación Nacional de Instituciones Empresariales Privadas, Peru)

Coparmex (Confederación Patronal de la República Mexicana, Mexico)

CPC (Confederación de la Producción y del Comercio, Chile, also known as Coproco)

Federacafe (Federación Nacional de Cafeteros de Colombia, also known as FNCC, FNC, or Fedecafe)

Fedecamaras (Federación Venezolana de Cámaras y Asociacionesde Comercio y Producción)

FIESP (Federaçªo da Indústria do Estado de Sªo Paulo, Brazil)

SNA (Sociedad Nacional de Agricultura, Chile)

Sofofa (Sociedad de Fomento Fabril, also known as SFF, Chile)

Appendix B. Economy-wide Peak Associations in Latin America

Country	Name of Association	Date Established
Chile	CPC	1935
Venezuela	Fedecamaras	1944
Argentina	CGE ACIEL	1952 1958
Bolivia	Confederación de Empresarios Privados de Bolivia	1962
Mexico	CCE	1975
Ecuador	Consejo de Cámaras y Asociaciones de la Producción	1980
Peru	CONFIEP	1983
Brazil	None	----
Colombia	None	----

Source: see Durand (1994: 109). Other cases include Panama 1964 and Paraguay 1951. All the countries of Central America have encompassing peak associations. Uruguay is the only instance of a very small country that lacks an economy-wide peak association (see Filgueira 1988).

Appendix C. List of Interviews (incomplete)

Ruy Altenfelder, vice president of FIESP. May 1995.

Mauro Arruda, executive director of Instituto de Estudos de Desenvolvimento Industrial. December 1993; May 1995.

César Balsa, member of CMHN, 1962-79. 28 July 1998.

Francisco Calderón, executive director of CCE (1976-1997). 12 June 1996; 19 May 1998.
José Augusto Coelho, executive director of CNI, January and December 1993.

Aslan Cohen, Nafta negotiator in Secofi in early 1990s. 7 June 1996.

Paulo Cunha. Grupo Ultra, founding member of IEDI.

José Roberto Ferro, Fundaçªo Getúlio Vargas, Sªo Paulo, and consultant to the automobile industry. 16 December 1993.

Roberto Jeha, FIESP, January 1993

Guillermo Güemez. Banamex, 1974-92; Director of Coece, 1990-95; director of Banco de Mexico, 1995-. 7 June 1996.

Agustín Legorreta, ex-president Banamex, president Inverlat; president ABM (1954-5, 1973-4), president CCE (1987-8), member of CMHN (1970-96). 28 July 1998.

José Mindlin, Metaleve. 29 January 1993

Frederico Müggenburg. Head Centro de Estudios Sociales, CCE, 1976-89, 1992-. 11 June 1996.

Jorge Ocejo Moreno. President of Coparmex, 1988-91; PAN deputy, 1994-97. 18 March 1998.

Juan Sánchez Navarro. Founder of CMHN and CCE. Grupo Modelo. 10 June 1996.

Jaime Serra. Subsecretary of Finance, 1980s; Secretary of Secofi, 1988-94; Secretary of finance, 1994. 15 July 1996; 18 March 1998.

Rolando Vega Iñiquez, president of CCE (1988-90?); president of ABM (1961-2, 1969-70, 1979-80), member of CMHN (1962-).

Paulo Villares, January 1993

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