Big Business and Politics in Latin America: Reconciling with Democracy

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Business and dictators in Cold War 1950-1980

• United Fruit and banana republics
• Business often knocked on barracks doors after Cuban revolution (1959) and applauded military coups
  • Brazil 1964
  • Argentina 1966 and 1976
  • Chile, Pinochet 1973
    • Business with Chicago boys devised full economic plan (“the Brick”)
• Mexico, “perfect dictatorship,” steadfast business support
  • 1993 President Salinas and $25 million dinner
Business and democratization

• Brazil late 1970s, “group of 8” business leaders opposed continued military rule
  • One of most significant ruptures between business and dictators
  • Business felt shut out of policy making
• In Chile and Mexico, relations were closer business/dictatorship
  • No rupture, business supported authoritarian rule until the end
  • Except PAN in Mexico, northern, smaller business
Business and democracy in 21st century

• Since 2000 business stopped supporting military coups
  • Except failed coup attempt against Chavez in Venezuela 2002
  • Constitutionally dubious ousters of leftist presidents Dilma Rousseff in Brazil (2016) and Evo Morales in Bolivia (2019)

• Capital mobility makes democracy less threatening to wealthy

• Business bigger and more concentrated
  • Irony of market-oriented reform in 1990s
  • Top 50 firms in Chile have revenues equal to 70% of GDP
Note: Companies are assigned to a country based on their country of incorporation. SOEs are defined as those in which the national or subnational government holds a majority share. MNCs are identified by the headquarters of the companies’ ultimate corporate parent. Revenues data is from 2019.
Source: Capital IQ, World Bank.
Democratic institutions favor business

• Millionaire presidents (before Trump)
  • At least 8 since 2000

• Campaign finance and media poorly regulated and campaigns are expensive
  • Televisa Law in Mexico

• Malapportionment increase leverage of conservative rural elites
  • Correlated with low income taxes

• Coalitional presidentialism in Brazil
  • Party of the Republic, Ministry of Transportation, and construction firms
  • *Bancada ruralista* (agribusiness caucus)
    • 15-30% of Chamber of Deputies
Big business reconciled with democracy

• Business is less vulnerable to government policy due to capital mobility
• Business has found many ways to extend its influence in new democracies
• Anti trust generally weak
  • Investigative power (dawn raids), sanctions (fines are worth paying), personnel
  • Cartels discovered (including MNCs) in toilet paper, chicken, telecommunications, diapers