RIDING THE WAVE OF A CHANGING TIDE: THE
ESTABLISHMENT OF THE WELFARE STATE IN ARGENTINA
AND BRAZIL

by

JUSTIN MICHAEL TAYLOR

(Under the direction of Dr. Markus Crepaz)

ABSTRACT

Most recent studies of the welfare state establish a positive correlation between democracy and social spending. However, examination of the history of the welfare state in Argentina and Brazil presents a dissimilar pattern where services were established under authoritarian regimes. This study proposes that two factors were vital in the authoritarian establishment of the welfare state in Latin America: the level of industrialization around the time of the Great Depression and the presence or absence of conservative regimes immediately following the Depression. A most similar systems comparison of Argentina, Brazil, Mexico and Colombia suggests that these two factors were important in explaining why the welfare state was established under authoritarian rule. The study concludes that the level of industrialization and post-Depression regime type offer explanatory power, but that democracy also played at least a rhetorical role in the case of Argentina.

INDEX WORDS: Social Spending, Welfare State, Authoritarian Rule, Peronism, Populism
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CHAPTER 1

INTRODUCTION

Much of the recent literature on the welfare state says that democracy is either positively correlated with social spending or that different types of democracy have different effects on social spending (Swank, 2001; Crepaz, 1998; Kaufman and Segura, 2001; Avelino, Brown and Hunter, 2001; Adsera and Boix, forthcoming). However, the history of the welfare state in Brazil and Argentina presents a dissimilar pattern, where the welfare state was established in the absence of a democratic polity. This study emanates from the puzzle that these exceptional cases pose and attempts to answer why and how the establishment of the welfare state was possible under authoritarian regimes in Argentina and Brazil.

This study proposes that three factors were vital in this process: the level of industrialization around the time of the Great Depression\(^1\), the type (left vs. right) of regime that held power immediately following the Depression, and the degree of internal division among the military. There is a greater probability that authoritarian regimes will establish welfare states where there is a strong opportunity to form a new class alliance. This opportunity for class alliance should greatest in those nations where both industrialization had progressed furthest, conservative (rightist) political regimes dominated the period immediately after the Great Depression and where there was a high degree of internal division within the military. The independent variables are level of

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\(^1\) Although the Depression is often considered to have lasted for several years, this study limits its definition as only a few years beginning with 1929; roughly 1929-1933.
industrialization and the nature of the post-Depression political environment (left vs. right). The degree of division within the military is an intervening variable.

This study presents the hypothesis that two sequential developments necessitated authoritarian regimes to establish welfare states in the cases of Argentina and Brazil. The first development occurred when the fall of the agro-export, liberal economic model combined with increasing levels of industrialization punctuated by the Great Depression created a high level of popular pressure for economic and social change in the middle and working classes in Latin America. Second, this pressure translated into the establishment of the welfare state by authoritarian rulers when authoritarian regimes took power after conservative regimes that held power immediately after the Great Depression.

The central idea of this paper contends that the failure of the classic liberal agro-export model to answer concerns over distribution of resources combined with significant industrial progress, labor unrest and the devastating economic and social impacts of the Great Depression created a genuine opportunity for authoritarian governments in Latin America to forge a new class alliance with the working and middle classes. Before the Depression and the collapse of the liberal agro-export model, the overriding concerns in society were centered on the aggregation of wealth. The dislocating effects of the Great Depression accelerated the collapse of liberal economic model, and concerns over the distribution of resources came to the forefront. The burden of industrialization during this period fell primarily on the new urban working class that worked under harsh conditions with few social benefits. Using Peter Gourevitch’s theory from *Politics in Hard Times* (1986), this study explains how the Depression was an
economic and social crisis that opened up policy circles and made political space for new coalitions that was hitherto dominated by the agro-elite. The new groups that filled this void consisted of the urban working and middle classes.

The extent of cooptation of these new groups by political leaders varied according to the type of regime established after the Depression. The most highly industrialized Latin American nations that took the most conservative political solutions after the Depression failed to address distributional concerns effectively. This failure isolated the urban working and middle classes, which augmented the desire for economic and social change. This desire created a genuine opportunity for the following regime to legitimize itself by forming new class alliances where there was great internal division within the military.

One basic assumption of this study is that all regimes seek power. For many authoritarian regimes, this power can be established by the support of the military. However, if the military has a high degree of internal division, authoritarian regimes are cannot depend on the military for securing their position. They have to seek other sources of power. They must legitimize their position of dominance by securing support from other groups in society. This is accomplished through class alliance.

In the case of Latin America, the military had increasingly evolved into a factionalized organization with many different political and social allegiances during and after the 1930s. Thus, authoritarian regimes had to garner support from sectors of society other than the military. The sectors utilized by Juan Peron of Argentina and Getulio Vargas of Brazil were the urban working and middle classes.
This study departs from the usual inquiry of welfare states in that it seeks to explain the establishment rather than the evolution of the welfare state. Initially examined is the dominant trend in recent literature on the welfare state represented by the “compensation” and the “efficiency” hypotheses. These hypotheses are examined in the context of the OECD world and in Latin America. Other factors related to the welfare state including economic development and populism are briefly discussed. The theory is then developed and tested using a detailed most similar systems comparison of Argentina, Brazil, Colombia and Mexico.

Latin America is a prime location to test the theory for several reasons. The numerous shifts of power between authoritarian and democratic rulers offers a chance to examine several cases that present different political and social conditions while holding relatively constant factors such as time of independence and culture. In order to truly test the effect that regime type has on the establishment of the welfare state, one needs cases that exhibit marked differences in regime types. Latin America offers such cases. In addition, this region offers cases where the military has a history of internal division and dominance over civilian affairs. This division is a key factor in explaining why class alliance was necessary under authoritarian rule. Finally the cases chosen also exhibit varying degrees of industrialization that is vital in assessing the importance of this variable.

Brazil and Argentina are included because these cases present the puzzle that the theory must solve. In these two nations, the welfare state was established under authoritarian rulers during a time of relatively (by Latin American standards) progressed industrialization, the Depression was followed by periods of conservative rule and there
was great division within the military. Mexico was also relatively progressed in its industrial development, but the Depression was followed by rule of leftist governments. Colombia offers a case exactly opposite of Brazil and Argentina: it was not significantly industrialized and leftist governments held power after the Depression. Unfortunately, it is not possible to choose cases that have no division within the military because military division affected the entire region of Latin America.

The test for these nations is 1.) the level of industrialization during the Great Depression, 2.) the nature of the regime that came to power immediately after the Great Depression and 3.) the authoritarian establishment (or lack of) of the welfare state by the next regime. The two alternative hypotheses argue that the establishment of the welfare state under authoritarian regimes was a function of the level of trade openness or increased economic activity resulting from involvement in World War II. A qualitative comparison of Argentina, Brazil, Mexico and Colombia offers support for both hypotheses in all cases, but cautions are necessary. Weak support is found for the first alternative explanation, and there is only moderate support for the second alternative hypothesis.

The central argument of this study is that incumbency of a conservative government in highly industrialized Latin American nations after the Great Depression created a particularly good opportunity for the establishment of the welfare state by an authoritarian regime. This study does not contend that this situation is the only one in which authoritarian regimes will establish welfare states, but rather it is one possible situation. Brazil and Argentina fit the requirements of the theory. Therefore, according to this theory authoritarian regimes must have established welfare states in that period.
Colombia and Mexico had leftist governments in the post-Depression years so there should not have been a strong opportunity for an authoritarian regime that followed these governments to establish the welfare state. All four cases conform to the theory. However, Mexico’s history of one party dominance during and after this time period suggests that the theory did not do as well in explaining this case.

There are some concerns. Juan Peron may have been motivated by democratic aspirations to establish the welfare state. In this case, democracy would be correlated with the establishment of the welfare state in Argentina. This would reinforce the dominant view in the literature. Despite the democratic concerns appearing in Peron’s rhetoric and other historical narrative, the POLITY data shows that democracy was non-existent in practice in both Argentina and Brazil. (Gleditsch, 1998) Although the POLITY data is not perfectly reliable, it is the only complete measure for democracy in this period for Argentina and Brazil. The second ambiguity is that the pressure for economic and social change (as measured by number of leftist parties and organizations) was not as great in Brazil as it was in Argentina. In this respect, Argentina fits the theory more accurately.
CHAPTER 2
LITERATURE REVIEW

How is the welfare state defined? How is it achievable? What sort of government (if any in particular) is necessary to have a welfare state? What sorts of relations in society are necessary for the maintenance of the welfare state? These are questions that have been asked time and again by scholars of the OECD world and increasingly by scholars of the developing world.

Studies on the rise and fall of the welfare state in the 1930s-1940s in Latin America are extremely limited, so the literature review here will focus primarily on recent discussions of the welfare state. The effects that globalization have on the welfare state have come to dominate recent discussions of the welfare state. The period of study relevant to the theory is the post-Depression (1930s-1940s) in Latin America. The study includes the “efficiency” and “compensation” hypotheses in this section even though they are not temporally relevant to the theory, because they represent the dominant schools of thought on recent discussions of the welfare state. In addition, although the temporal parameters for the study are different from those of the “efficiency” and “compensation” hypotheses, numerous studies (Avelino, Brown and Hunter, 2001; Kaufman and Segura, 2001) have tested these hypotheses recently in the context of Latin America so they cannot be excluded in this discussion. These concepts are not applied to the theory.

Much of the literature on globalization and the welfare state in the developed world focuses on the types of democratic arrangements that are conducive to the
maintenance or expansion of the welfare state. Many scholars argue that high levels of globalization (economic openness) push OECD governments to expand the coverage and depth of the welfare state. (Swank 2001; Cameron 1978; Stephens 1979; Katzenstein 1985) There has also been specific focus on the channeling pressures that highly coordinated market economies have on globalization in domestic welfare policies and income inequality. (Swank 2001; Crepaz 1998)

In the opposing camp, prophets heralding the doom of the welfare state under increasing pressures of globalization insist that free market economic globalization not only fails to improve welfare, but it actually results in the opposite situation: stagnating or falling real wages, mass unemployment, an erosion of traditional industrial relations, increasing social inequality, and a growing mismatch between an increasing tax and contribution burden on one hand and massive cuts in public transfers and services on the other. (Rieger and Leibfried, 1998) Lester Thurow’s Head to Head: The Coming Economic Battle among Japan, Europe and America (1992) and William Greider’s One World, Ready or Not: The Manic Logic of Global Capitalism (1997) both assert this “strong” view of globalization.

Geoffrey Garret’s distinction between the “efficiency” hypothesis and the “compensation” hypothesis identifies the major schools of thought in both the developed and the developing world. (Garrett, 1999) The “efficiency” hypothesis posits that increasing exposure to international competition will induce governments to roll back social expenditures while the “compensation” hypothesis emphasizes the incentives to invest in “human capital” and to respond to political demands for protection against risk. (Kaufman and Segura, 2001) The efficiency hypothesis assumes that high levels of
social spending will reduce national competitiveness in global markets. According to Kaufman and Segura, this can operate through several channels. Increases in social spending might be linked to higher payroll taxes that increase the cost of labor and reduce the competitiveness of exports and domestic products that are exposed to import competition. Increased fiscal expenditures can also act to reduce competitiveness by driving up interest rates, crowding out private investment, and increasing the value of the real exchange rate. These factors will lead business groups to press governments for decreases in expenditure when faced with increased international competitiveness. (Kaufman and Segura, 2001)

The compensation hypothesis is supported by the findings in OECD countries that show strong correlations between economic openness, large public sectors, and generous welfare systems. In this light, increased social expenditure seems to be conducive to efficiency in the sense that workers with better social benefits are likely to perform more efficiently. In short, increased expenditure is conducive to increased investment in ‘human capital.’ In addition, there is good reason to believe that governments will compensate for the negative effects of international competition such as uncertainty, social dislocations, and unequal distribution of resources. These effects may create a strong political backlash against market-oriented policies. It will be in the interests of politicians to mitigate these potentially disastrous and destabilizing effects by enacting some form of compensation. (Kaufman and Segura, 2001) Indeed both hypotheses have justifiable theoretical explanations. It is a case that cannot be solved without empirical testing.
In the context of Latin America, Avelino, Brown and Hunter (2001) find that trade openness has a strong negative impact on the resources devoted to social spending. Kaufman and Segura (2001), in the only major quantitative study of its kind in Latin America, also found that trade openness has a consistent negative impact on aggregate social spending. To the contrary, Adsera and Boix (forthcoming) find that democracy and globalization interact to increase the level of social expenditure. Both Avelino et al and Kaufman and Segura conclude that the effects of openness and democracy vary for different categories of social spending: trade openness and democracy have their greatest negative impact on social security and less impact on education and health. Avelino et al found that democracy actually has a positive impact on health and education spending until democracy interacts with trade openness to produce a contradictory, strong negative impact on social spending. Kaufman and Segura found that democracies do not outspend other forms of government under any circumstances, but that ‘popularly-based’ governments tend to protect pension (and other welfare transfers) expenditures while democracies tend to have a positive impact on health and education spending.

The existing literature has the underlying assumption that economic openness is central for explaining the rise and fall of the welfare state. This study does not suggest that the level of economic openness has no effect whatsoever on the welfare state. Existing theory suggests that there are significant reasons to think that openness does matter. Nevertheless, economic openness has been a constant in Latin America since the onset of economic reform in the last 25-30 years following the failure of the ISI (Import Substitution Industrialization) economic paradigm.
There are reasons to believe that globalization does not deserve the central position of explaining the welfare state in Latin America. In this region of the world, the actual difference in trade openness in many countries (after the implementation of neoliberal policy) that are described as having the relatively larger welfare states is quite limited. In the Avelino et al study, “…the difference between Brazil’s highest and lowest trade openness figure is roughly 8 percentage points. Argentina, another large Latin American economy, is also somewhat limited (11 percentage points).” (Avelino et al, 2001) It is difficult to explain change when there is little variance on the independent variable. However, one could examine the change in the welfare state during and after the shift from import substitution (a relatively closed economy) to neoliberal regimes (an open economy).

Perhaps the most important reason for looking at other possible factors in the evolution of the welfare state is that social welfare in Latin America is not a recent phenomenon. It predates the recent onset of economic openness by many decades. The development of the welfare state (with the exception of Costa Rica) has been a very gradual process of including different sectors of the population. Understanding what factors were present when the welfare state was established and what factors caused its rise and fall may give us some insight into where it is heading. One variable that seems to be lingering in the darkness is economic development. Avelino et al control for level of domestic development in their study using Wagner’s Law as their basis. Wagner’s Law states that the level of public spending is positively correlated with levels of economic development. (Avelino et al, 2001) It is hard to imagine that extremely poor nations
could ever develop a universal or even near universal welfare state simply because
government revenue must come from wealth in the economy.

There is arguably some threshold level of domestic development required for
the creation of a comprehensive welfare state, but the relationship between domestic
development and the welfare state may not be as linear as it seems. In the contemporary
era, increasing domestic development has often been the product of orthodox economic
policy enacted by rather conservative regimes. Chile under Pinochet is a good example.
The drastic increase in poverty and the relative stagnation in some areas of social
expenditure reflect a situation where economic growth was occurring (even in a time of
region-wide crisis), but this growth did not translate into balanced increases in social
expenditure or to the general welfare of the population. We should expect a positive
correlation between domestic economic development and the size of welfare state, but it
may be inaccurate to classify this relationship as linear. This is a theoretical extension of
Simon Kuznets’s argument that:

“As nations move away from agriculture-based economies and toward industrialization,
income distribution worsens. Only in the later stages of industrialization, when high
mass consumption and the welfare state have emerged, are these increases in inequality
reversed.” (Malloy and Seligson, 1987, p.7)

He argues that the welfare state does not emerge until the more advanced
stages of industrialization have taken place. Also we can find that few, if any nations in
Latin America had even come close to a universal welfare state before achieving
significant advances in economic development. No relatively poor country in Latin
America boasts anything near a universal welfare state.

There is another portion of the literature that does not receive as much
attention as other variables in the discussion of the welfare state but that has a distinct
historical role in Latin America: populism. Julian Castro Rea, Graciela Ducatenzeiler and Phillipe Faucher define populism as:

“A political arrangement characterized by the privileged link between charismatic political leadership of state and the masses, combined with ineffectiveness of social organization and political parties as intermediate channels of mediation.” (Castro Rea, Ducatenzeiler and Faucher, 1992, p. 126)

Populism is a specific relationship between the state and civil society in which clientelism and corporatism are key characteristics. It was a major force in Latin American politics. One of the major goals of populist governments in Latin America (according to James M. Malloy) was to promote social justice for all sectors of the nation, even though populism was primarily a middle-class phenomenon in Latin America. (Malloy, 1996) From this goal we can logically predict that the welfare state would be a likely policy option of populist regimes. Yet most recent research on the welfare state in Latin America does not consider it as a central explanatory factor of social welfare.

In the recent OECD literature, the central debate is over the effect that globalization has on welfare options. Here, democracy seems to be implicit. The question focuses on what effects different versions of democracy have on channeling globalization pressures to increase or retrench the welfare state. In Latin America, the more fundamental question of democracy vs. authoritarian rule has been briefly examined. Much of the literature finds a positive relationship between democracy and the welfare state, but the cases of Argentina and Brazil do not fit this relationship.
CHAPTER 3

THE PUZZLE

If democracy is positively correlated with social spending, then why would an authoritarian regime establish a welfare state in Latin America? Two particular cases come to mind: Argentina and Brazil. In fact, the first real strides of the welfare states in these nations, as well as their attempted unification and standardization, were accomplished by authoritarian regimes. So what sets these nations apart from the rest?

The development of the welfare state in Latin America has generally been a long, fragmented process of unification with the exception of Costa Rica. One cannot define the welfare state as the coverage of the entire population of a nation because to do so would eliminate all cases in Latin America.

The research question is what particular forces pushed authoritarian regimes to establish welfare states in these two nations. Why do these forces lead us to give credit to some factor other than democracy or globalization if the recent OECD literature and the literature on Latin America cite these as the most important factors? In fact, one should expect authoritarian regimes to be less likely to establish welfare states for a simple reason:

“In a democracy, all individuals vote. In an authoritarian regime, only the preferences of a small group of individuals are taken into account to decide over the final allocation of all assets.” (Boix and Garicano, 2001, p. 1)

Boix and Garicano elaborate on this observation in their argument about how economic equality and capital mobility promote democracy. The relevant point is that
authoritarian regimes rule by decree. The establishment of a welfare state is responsive to the needs of large sections of the population. If authoritarians are attuned to a small number of preferences, then it would not be logical for such rulers to enact a policy directed toward the masses.
CHAPTER 4
RESEARCH DESIGN

This study utilizes a most similar systems design to compare four Latin American nations: Argentina, Brazil, Mexico and Colombia. This method is used because the study requires detailed explanation of each case and seeks to control extraneous factors in order to show how the variations on the independent variables account for the different outcomes in the four cases. The constants are time of independence (between 1810-1822), culture, religion, and language (with the exception of Portuguese in Brazil).

The independent variables are the level of industrialization and the nature of the post-Depression political environment. Both variables are dichotomous. The level of industrialization is measured as either high or low. The nature of the post-Depression political environment is measured as either left or right (synonymous with conservative in this context). A measure of the ‘leftness” or ‘rightness” of governments is much more difficult to come by so this study relies on numerous descriptions of the direction of regime change in the countries studied. (Gereffi and Wyman, 1990; Mesa-Lago, 1978; Levine, 1998; Osterling, 1989; Middlebrook, 2000)

With respect to the two independent variables, Brazil and Argentina are both measured as highly industrialized and politically conservative (rightist) immediately following the Depression. These nations are included as cases because they present the puzzle. The degree of internal division in the military is an intervening variable, but
there is not measurable variation on this variable because it affected the entire region of Latin America during this period. The aim of this study is to demonstrate that there was internal division in the military during this time period and that this division necessitated class alliance.

Mexico was chosen because it offers a case where the level of industrialization is held constant (high), but political environment varies from that of Argentina and Brazil. Mexico had a high level of industrialization, but the immediate post-Depression political environment was leftist. Mexico is a unique opportunity to show how a leftist post-Depression environment changes the opportunity for class alliance while industrialization is held constant. Colombia offers a case with measures on both independent variables that are opposite from those in Argentina and Brazil. Colombia is measured as having low industrialization and a leftist immediate post-Depression environment. This case tests the importance of low industrialization affects the opportunity for class alliance in a leftist post-Depression political environment. Figure 4.1 gives an idea of the existing variations.

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<td></td>
<td>C-1 MEXICO</td>
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<td>C-2 COLOMBIA</td>
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<td>RIGHT</td>
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<td>C-3 BRAZIL, ARGENTINA</td>
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Figure 4.1: The intersection of industrialization and political environment immediately After the Great Depression in four Latin American nations.
The temporal progression of regimes is a key factor in this research design. The method is to first measure the level of industrialization at the time of the Great Depression. Next, the study examines the pressure for economic and social change that existed during this era. It then proceeds to a discussion of the political nature (left vs. right) of the regime in power immediately after the Great Depression. After the immediate post-Depression regime type is established, the study examines whether or not the following regime established the welfare state under authoritarian rule.

The term regime is used in multiple ways. It can refer one particular leader/government (and his/her cabinet) or it can describe a coherent policy structure and ideology. This study refers primarily to the latter definition of the term although the two are often synonymous. One or more consecutive conservative governments are treated as a single regime because the important factor, suppression of desire for economic and social change, is constant under conservative rule in this period. So change in regime actually means change in ideology and the nature of policy rather than change in government staff.

The opportunity for the regime in power after the first post-Depression regime to build a class alliance via the establishment of the welfare state is directly proportional to the degree and extent of conservative (rightist) regime dominance that existed before this regime took power. That is, the longer and the more extreme the period of conservative rule was immediately following the Depression, (with the constant factor of division in the military) the greater opportunity there was for the following regime to build a class alliance with the establishment of welfare services. A more leftist
Immediate post-Depression political environment lessens the opportunity for the following regime to build class alliance via the welfare state.

According to theory, there are several possibilities:

1.) High industrialization + conservative (rightist) post-Depression government + division in the military $\rightarrow$ suppression of desires for economic and social change $\Rightarrow$ following regime has strong opportunity for class alliance via establishment of welfare; this scenario is represented by C-3 in Figure 4.1.

2.) High industrialization + series (more than one) of consecutive conservative post-Depression governments + division in military $\rightarrow$ extreme suppression of desires for change $\Rightarrow$ following regime has very strong opportunity for class alliance via establishment of welfare state$^2$; this scenario is also represented by C-3.

3.) High industrialization + leftist post-Depression government + division in military $\rightarrow$ mitigation of desires for change $\Rightarrow$ following regime has a poor opportunity for class alliance via establishment of welfare state; this scenario is represented by C-1.

4.) Low industrialization (absence of significant working or middle classes) + any post-Depression government type + division in military $\Rightarrow$ following regime has a poor opportunity for class alliance via establishment of welfare state; this scenario is represented by C-2.

The level of industrialization is measured as a combination of gross energy use (KWH), number of industrial workers and establishments and the industrial output as percent of GDP. These factors are combined and designated as either high or low industrialization. The pressure for economic or social change could come in several forms. Among them would be pressure for higher wages, better health care and better pension plans. Retrospectively, it is very difficult to obtain a direct measure (such as survey data) of the pressure for change in these Latin American nations around the time of the Depression. However, less direct indicators of the mounting popular pressure can be utilized.

$^2$ 1.) and 2.) have the same result because one conservative government and a consecutive series of conservative governments has the same relevant affect: suppression of desires for redistribution.
One way to assess the political situation is to examine the nature and content of political parties and unions that were forming at this time. The best indicator would be the formation of parties that had strong emphasis on distribution issues and reform. Another measure is the extent of political mobilization at the time preceding the establishment of the welfare states in their respective nations. One can also gauge the level of pressure for economic and social change by the amount of labor unrest that was occurring at the time. This measure is important because of the manner in which the welfare state developed in Argentina and Brazil. Social security has been the cornerstone of the welfare state in most of Latin America. Argentina and Brazil are not exceptions. Both Peron’s and Vargas’s first welfare measures were the extension of social insurance to sectors of the working class. Whatever pressure for better social insurance was brewing among labor groups would also be a way of measuring pressure for redistribution.

Evidence to counter the argument would be that an authoritarian regime, following the regime that held power immediately after the Great Depression, established a welfare state where a low level of industrialization was present. It could also be equivocated by any highly industrialized nation where an authoritarian regime established a welfare state after a post-Depression leftist regime was in power. Evidence to support the argument would be a highly industrialized nation where an authoritarian regime established a welfare state after a conservative post-Depression regime was in power.

Measures of the welfare state have traditionally focused on the amounts/percentages of policy expenditure in education, social security, and health care. This may be sufficient for contemporary quantitative study in Latin America, but this
study is interested in the establishment of the welfare state rather than its fluctuations over time. For this purpose, it is important to know who created the central welfare state organizations such as social security, health, and education ministries and who (and when) was responsible for including new sectors of the population under coverage at a time when most were excluded.

The scope of the theory is limited because it deals only with the early part of the twentieth century and with only a few countries. There may be other cases that roughly fit the theoretical mold, but this will be left to future research. The study is specifically concerned with why Argentina and Brazil established a welfare state under authoritarian rule and set a trajectory of welfare state policies that would later be augmented. As alternative hypotheses, the effects of trade openness and the economic effects of WWII are examined.
CHAPTER 5

THEORY

The early part of the 20th century was a period of great economic and social turmoil in most of the world, and Latin America was no exception. Up to the time of the Great Depression, many Latin American nations had relied heavily on the export-led growth model, which had provided significant economic growth. This model was accompanied by the political dominance of elites with wealth usually concentrated in particular agricultural sectors such as the “coffee elites” in Brazil that had dominant influence in politics. What the agro-export model had failed to do was resolve conflicts in Latin American society over distributional issues. One way to describe the situation is that there existed great dislocation between economic and social policy. (Alhadeff, 1989)

The accumulation of wealth was the primary goal of the export model. Yet once wealth was generated, it had to be decided what sort of distribution of this wealth would be politically and socially proper. Up to the period immediately following the Depression (with the slight exception of Brazil), the old agro-export elite maintained political and economic dominance and attempted to suppress middle and working class distributional concerns. (Gereffi and Wyman, 1990)

Robert Kaufman explains how the collapse of the export-based liberal economic model made it clear that “the narrow interests of agro-exporters could no longer be conflated with the interests of society as a whole.” (Gereffi and Wyman, 1990, p. 117) This realization was a fundamental shift in society that paved the way for the
mobilization of the middle and working class forces behind new ideologies to capture existing political organizations or to create new ones. A more negative description would be that this change sowed the seeds for class and thus, political conflict. This trend was strengthened by the massive industrial and economic slowdown caused by the Great Depression. In 1933, Argentina reached a point of economic crisis comparable to that of the U.S. The federal budget was unbalanced and unemployment was at a high of 335,000. (Hughlett, 1946)

Consistent with Kaufman’s idea of the mobilization of middle and working classes during this period of economic and social crisis, Peter Gourevitch explains how periods of economic crisis challenge both the policy and coalitions that have been formed in the years preceding the crisis and how these crises open up the system of relationships, which make politics and policy more fluid. (Gourevitch, 1986) Gourevitch breaks down society into three separate categories: business, agriculture, and labor. He breaks these down further into categories based on sector and types of employment. For this study, the categories are similar with one addition that better categorizes the Latin American political environment: the military. The military has been a vital force for generations in Latin America and its internal dynamics are central to understanding why the welfare state came into existence as it did.

Gourevitch explains how policy openings were filled in periods of crisis in various nations. In many cases, one of the main concessions made to labor was some form of social welfare. This was true for interwar Germany and for the U.S. during the New Deal era. (Gourevitch, 1986)
In the case of Latin America, the crisis was the Great Depression. The important change in political pressure and coalition that took place was the collapse of the classic liberal economic model and the decline of the agro-export elite. The coalition and policy that was to fill this space was labor and import substitution. With respect to Brazil, Gary W. Wynia says that the opportunity to mobilize the urban masses was created by post-Depression industrialization and urbanization, which did not come about until the late 1930s. In Argentina, the failure of agro-export industrialization and the shift to import substitution created a very volatile political situation:

“The burden of reorienting a traditionally agrarian economy toward a more balanced industrializing one fell most heavily on the growing urban industrial proletariat. Despite the overall growth of per capita income, the country’s traditional patterns of highly unequal income distribution worsened; despite the development of consumer-oriented industries, working-class living standards stagnated; despite the increased application of technology to production, working conditions remained harsh; despite dynamic activity in the construction sector, the working classes endured inadequate and unhealthy housing. In sum, the Conservatives failed to link progressive social programs to their innovative industrial policies.” (Tamarin, 1985, p. 24)

This is why the level of industrialization is a vital piece of the formula: it (along with other factors) created an environment that was particularly favorable for the formation of a class alliance based on new social legislation and increased social spending. Ronald Chicolte makes a distinction between Argentina’s political and economic environment and the environment in Chile and Peru. As a result of European immigration to Argentine cities, reinforced by internal urbanization during the Depression era export-market collapse, Argentina’s primary welfare problem was urban poverty as opposed to the predominant pattern of rural impoverishment that was present in Chile and Peru. (Chicolte, 1984) Peron responded to this changing environment with a comprehensive policy scheme:
1. An institution for capturing the agricultural export profits; 
2. A system of industrial subsidies; 
3. A massive public works program; 
4. A wage-setting and enforcement apparatus; 
5. A social security tax system. (Chicolte, 1984, p. 54)

Gourevitch lists five main considerations that appear relevant in shaping attitudes toward economic policy. The third concern is that business must consider the role and character of labor needs. (Gourevitch, 1986) With increasing industrialization, labor became a more important economic, and thus political player. The hole created by the decline of the agro-export elite and the classic liberal economic model was filled with coalitions from the working and middle classes and policies of import substitution to shield businesses and workers from fluctuations in international demand that had wreaked economic and social havoc during the Depression. A broad term to describe this new construction of coalitions is populism. Robert Kaufman and Barbara Stallings describe populism as:

“A set of economic policies designed to achieve specific political goals. Those political goals are (1) mobilizing support within organized labor and lower-middle-class groups; (2) obtaining complementary backing from domestically oriented business; and (3) politically isolating the rural oligarchy, foreign enterprises, and large-scale domestic industrial elites.” (Kaufman and Stallings, from Dornbusch and Edwards [eds.], 1991, p.16)
Kenneth Paul Erickson offers another concise definition of populism:

“This term, as it is used in Latin America, refers to a type of nationalist political movement which appears when incipient industrialization brings on rapid social change. Populist movements enjoy mass support among the lower classes, espouse apparently anti-establishment policies, but are organized and led by politicians from the ruling class. In serving the class aims of their leaders, these movements channel political participation of the urban masses and the peasantry into activities which do not challenge the existing social structure. Latin America’s most notable populist leaders include Argentina’s Juan Domingo Peron, Mexico’s Lazaro Cardenas and Brazil’s Getulio Vargas and Joao Goulart.” (Erickson, from Nash, Corradi and Spalding Jr. [eds.], 1977, p. 200-201)

Vargas (in his later years) and Peron have both been frequently described as classic examples of populist leaders. The important issue with populism here is that this policy coalition became opportune immediately following the Great Depression and the rise of industrialization in larger Latin American countries.

The fall of the agro-export, liberal economic model combined with increasing levels of industrialization punctuated by the Great Depression created a high level of popular pressure for economic and social change in the middle and working classes. This is the first hypothesis. Particularly, distributive concerns became very salient in this period.

In spite of the increasing pressure for economic and social change in Latin America during this period, conservative regimes were able to maintain economic and political power in some countries throughout and well after the period of the Depression. These events prompted great political change. In Mexico and Colombia, the agro-export oligarchies fell apart and politics took a sharp turn to the left. In Brazil, the agro-export oligarchies were pushed aside, but not forgotten by the authoritarian regime headed by

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3 Erickson refers to the ‘ruling class’ at the broadest conceptual level as the owners of the means of production as well as their allies and subordinates holding top positions in such key social and political institutions as government, military and Church. (Erickson taken from Nash et al [eds.], p. 200-201.)
Getulio Vargas. Vargas began his rule with traditional liberal economic policies, but soon realized the ideological and practical failure of this paradigm and opted to drastically increase the power and influence of the central government (under the Estado Novo) within the outline of corporatism modeled after the fascist regimes in Italy and Portugal. In Argentina, Chile, and Uruguay, politics moved towards conservative projects of economic modernization. (Gereffi and Wyman, 1990) The continuation of economic liberalism and/or conservatism may have seemed to be the worst decision to make when the overwhelming concern in society was the distribution of resources, but the result was one of great consequence for Brazilian and Argentine society.

The Depression and the shift towards distributional concerns were changes that affected the majority of Latin America. The factors that distinguish the cases of Argentina and Brazil are the level of industrialization and the accompanying post-Depression shift in politics.

The opportunity to create a welfare state by authoritarian means was conditioned by three factors: the level of industrialization at during the Depression era, the political nature of the regime that held power immediately after the Depression and internal division in the military. First there had to be a high level of industrialization. Industrialization created larger urban middle and working classes that were the basis of union activity support and support for parties concerned with distribution that eventually became a source of legitimization and political support. Gustavo Maia Gomes says, ‘Contrary to the rural workers (in Brazil), who never organized, the urban proletariat was very active.” (Gomes, 1986, p. 71)
The urban proletariat had already begun to publish its own newspaper (1860), form associations (1870) and even start its own party (1890). This is what sets an industrial economy apart politically from an agrarian one in Latin America at this time. There was surely great discontent among peasants long before workers started to voice their concerns, but this discontent never became such a potent political force. The numerous aforementioned parties and unions supporting workers’ concerns give some idea of the evolution of this force.

The coalition change that took place around the Great Depression is consistent with Gourevitch’s central argument in Politics in Hard Times. For Latin America, the pre-Depression policy approach and coalition were traditional economic liberalism based on agro-export economy under the power of the agro-elite class and its political supporters. The change in coalition and policy was from the agro-export class to the masses (urban middle and working classes, especially those involved in the labor movement) and from liberalism to import substitution.

If industrialization was high and political pressure for economic and social change was also high, then the second test is whether the regime that held power immediately after the Depression was rightist or leftist. If the right dominated, then the opportunity for class alliance for the next regime via the establishment of welfare services was high. If the left dominated, the opportunity to build class alliance via the welfare state for the next regime was low.

The concern of the theory is what political path was taken immediately after the Depression. It is not important what the nature (left vs. right) of the regime was that established the welfare state, but rather what the nature of the previous regime was. If the
first post-Depression regime was conservative, then whatever pressure for economic and
social change that existed at the time of the Depression would have been augmented,
because conservative regimes in Latin America of this era operated on the platform of
liberal economic policy and sought to maintain the existing distribution of resources. The
status quo prevailed. Argentina during the 1930s offers some evidence for this idea:

“After the 1930 coup (by conservatives) working-class militancy was met with harsh
repression by a government determined to preserve the old order, and within a few years
the labor movement was left impotent by the combined pressures of unemployment and
government oppression. Nevertheless, the size of the working class grew rapidly as a
result of internal migration from the countryside to the cities which accompanied the
spontaneous industrialization prompted by the shortage of imported consumer goods
during the early years of the depression. Consequently, by the early 1940s Argentina had
an enlarged industrial work force whose attempts to organize and assert itself were
continually frustrated by a hostile government. Here was another opportunity Peron
would exploit by using his authority as a member of the military government that
overthrew the Conservatives.” (Wynia, 1978, p. 141-2)

Argentina is an example where the post-Depression period was dominated by
consecutive conservative governments. The first to assume power was that of Gen. Jose
Felix Uriburu in September of 1930. Uriburu’s response to the Depression was to reduce
government spending and comply with foreign debt payment obligations. This
administration failed to develop a coherent economic plan and often used brutal and
repressive methods that drained away popular support. Gen. Agustin P. Justo succeeded
Uriburu and continued to maintain economic orthodoxy. Representing the interests of the
wealthiest and most influential cattlemen, Justo entered Argentina into an extraordinarily
controversial commercial agreement with Great Britain known as the Roca-Runciman
Pact of May 1933. Socialists and Democratic Progressives led the denunciations against
the agreement. (Tamarin, 1985)
The following government led by Roberto Ortiz came about as a result of a combination of the forces of the right united under the National Front. Their conservative candidate was Roberto Ortiz. Ortiz held power until the election of Ramon S. Castillo. Castillo showed special hostility and repression towards the left-leaning CGT labor organization. Finally, Pedro Ramirez and Edelmiro Farrell held power for a short period before the authoritarian takeover of Peron. *Concordancia*, the conservative coalition, dominated the period before Peron’s takeover. This study refers to all the *Concordancia* governments as a single regime because the conservative ideology and suppression of desires for economic and social change remain constant throughout. It was this extended rule of conservative post-Depression governments and their maintenance of economic orthodoxy and elite interests that compounded the already existing pressure for economic and social change:

‘During the Infamous Decade of 1932-1943, the pseudodemocratic policies of the *Concordancia* enraged nationalistic Argentines in all social sectors outside the oligarchy and the commercial upper-middle class, and contributed significantly to the conversion of the army officer-corps to integral nationalism.’ (Goldwert, 1972, p. 48)

There was a better opportunity for a new class alliance in nations where conservative regimes persisted during and after the Depression than in those nations where leftist governments came into power during this time period. The former is the situation where following authoritarian regimes were most likely to create a welfare state. Leftist governments tended to focus on economic and social change including redistribution. The economic and social initiatives of the Cardenas and Camacho regimes in Mexico and those of the Lopez-Pumarejo administration in Colombia followed this general rule.
Politics in Mexico settled far on the left after the Depression. This change was especially distinct in Mexico under the rule of Lazaro Cardenas (1934-1940). Cardenas broke with traditional Mexican liberalism and immediately postulated a direct social revolution. (Wilkie, 1967) He adopted Socialist Education and proposed a program that allowed for immediate benefits to the masses. He used distinctly Marxist rhetoric and institutionalized the Mexican Revolution. He mobilized labor into the Confederation of Mexican Workers in order to combat old interest groups. He also made steps toward a more popular brand of political participation:

“The position of the masses in national politics was formally recognized in 1938 when Cardenas reorganized the National Revolutionary Party on sector lines as the Party of the Mexican Revolution in order to give the workers, peasants, military, and popular (other) sectors equal voice in party councils.” (Wilkie, p. 75)

Cardenas enacted massive land and social reform. He destroyed the strength of the latifundia by proposing the breakup of 20,072,957 hectares of land and giving it to the rural masses. He securely established the social sphere of governmental action by increasing the allotted percent of federal budget expenditure on social expenses from 10-17% (under the two previous administrations) to 21-26% in a time of severe economic setback. (Wilkie, p. 78)

However, some of the credit for responding to distributional issues must also go to the leftist Camacho administration (1940-1946). It this administration that passed the 1943 social security law to create the Mexican Institute of Social Insurance. Health services began in 1944. Many subgroups (electrical workers, IMSS employees, and the military) also received social security benefits during Camacho’s term. As in most countries of Latin America, the creation of Mexico’s welfare state has been a very slow, arduous process. Yet the 1943 legislation accomplished a great deal.
The drastic policy changes accomplished by these two consecutive post-Depression leftist governments in Mexico is what mitigated the pressure for economic and social change that was contrarily compounded in Argentina and Brazil due to the dominance of conservative governments after the Depression. Without substantial pressure for change in Mexico, the opportunity to build class alliance via the establishment of the welfare state decreased. In short, there was less pressure to establish a welfare state because Cardenas and Camacho were already establishing it. Without this intense pressure, the opportunity for the next regime to build a new class alliance was not as great as it was in nations that were dominated by conservative regimes after the Depression. However, the opposite was true in Argentina and Brazil. Conservative post-Depression rule suppressed desires for redistribution, thus increasing the next regime’s opportunity for class alliance via the establishment of the welfare state.

The power of more industrialization was more accumulated wealth and larger middle and working class political pressures for economic and social change. This pressure was greatest in those nations that were both most industrialized and that turned to the most conservative (rightist) political solutions in the post-Depression era. Pressure was already emerging among the middle and working classes due to the material gains reaped by rapid industrialization prior to and after the Depression. It was augmented by the fact that the prevailing pre-Depression nature of politics had been a dominance of agro-export elites who were opposed to massive redistribution of resources. Many Latin American nations have endured periods of elite dominance similar to the cases studied here. What sets them apart is a much lower degree of industrialization, which meant that there were not large urban working and middle classes available to be mobilized and
support parties/leaders and other types of political action pressing for drastic economic and social changes.

The study now answers the question of why there would be any desire to create a class alliance under an authoritarian regime if, as Boix and Garicano claim, authoritarians are attuned to the preferences of only a small fraction of society. The key factor is internal division in the military.

One concern for many authoritarian regimes is that there are many factions within society. This may be true for other nations, but it is especially true for many nations in Latin America. The distinctive factor in Latin America is the military. Not only does the military exert its own independent will on society, but there also exist factions within the military itself. Even if authoritarian regimes in Latin America establish power with military support, continued military support is not guaranteed. It is often rebellious factions of the military that overthrow authoritarians when they feel that economic progress or some other factor is not sufficiently being addressed.

Some sectors of society offer better incentives to a government and thus enjoy more political power, but all have some influence. A government cannot operate without at least modest support from the business community or it would go bankrupt. Without some cooperation from labor, the wheels of the economy would stop turning. Without support from the military, the security of any regime in places such as Latin America is shaky at best.

One basic assumption of this study is that all governments seek power. This power is available in numerous forms. Authoritarians often hold power through military support. If they lose this support, then they must seek other channel of power. They
must legitimize their position to their subjects. If they lose this legitimacy, then they lose control over their subjects. Max Weber argued that there are three ideal types of legitimacy that might characterize the relations between rulers and subjects: traditional, charismatic, and legal/rational. (Gerth and Mills [eds.], 1958) Rodney Barker mentions another type of legitimacy: the authority of substantive policies or values. Weber did discuss this type of legitimacy, but he did not include it in his traditional tripartite scheme. Barker says that this type is arguably one of the most powerful justifications of obedience, when people believe that the regime they support is preserving a certain way of life. (Barker, 1990)

Peron and Vargas represented multiple types of legitimacy. Peron was famous for his ability to inspire workers with elegantly delivered speeches (charismatic legitimacy). Both rulers used the corporatist framework to construct labor arrangements that espoused national economic development, anti-communism and social justice (legitimacy as the authority of substantive values and policies). However, the type of legitimacy utilized by the leaders is not as important as the fact that they needed political legitimacy to maintain power. The military was becoming an increasingly factionalized organization and was challenging the legitimacy of these authoritarian leaders by dissent and revolt. In the absence of unanimous military support, the cooptation of other sectors of society was a high priority for Peron and Vargas. Legitimacy is a necessity of authoritarian regimes if military support is lacking. For Vargas, legitimacy was a primary concern in the presence of military dissidence. Peron was concerned with legitimacy because of military dissidence but also appeared to have desires to convert his regime into a constitutional democracy.
There are numerous cases of factionalism within the military in Argentina and Brazil. One explanation of why factionalism occurred during this period comes from an understanding of the backgrounds of officers that came to power in the relevant time period. Gary Wynia says that up to the 1930s, most military officers in Latin America came from the oligarchy that defended the wealthy from the masses. After 1930, this pattern changed. Increasingly, members of the military came from middle and working class backgrounds and thus had fewer blood ties to traditional elites. (Wynia, 1978) In the case of Argentina, opposition from a faction in the military almost cost Peron his political career:

“The last obstacle to Peron’s ascendancy was overcome on October 17, 1945. A military faction opposed to him, in a desperate move to block his path to the presidency, persuaded President Farrell to arrest and jail him until after the elections were held. His incarceration came to an abrupt end, however, when his working-class followers, mobilized by Evita and loyal labor leaders, marched on the presidential palace and remained there until Peron was released on October 17.” (Wynia, p.143)

The history of Peron’s regime in Argentina is one of great struggle between Peron, different factions of the military and civil society. The following statement by Robert Potash summarizes very well how executive actions were regulated in this period (and perhaps until very recently) in Argentina:

“In acting to oust the Castillo government, the military was responding to a harsh axiom of Argentine politics: that no constitutional authority is strong enough to prevent a determined president from imposing his will, even if this involves violation of the laws and the constitution itself; and that only the withdrawal of military support can call a halt to such an administration.” (Potash, 1969, p. 202)

Although Peron came to power with the support of the military, dissent among different military factions evolved rapidly and forcefully. One of Peron’s earliest problems was the military faction formed by General Perlinger, the Minister of Interior. (Potash, 1969) Perlinger attracted the support of former GOU (the military group
secretly responsible for ousting the previous regime) leaders including Colonels Julio Lagos and Arturo Saavedra, Lieut. Colonel Severo Eizaguirre, and Major Leon Bengoa, who had all become disillusioned with Peron’s break with Germany and his labor measures. They, along with other less extreme groups such as the Movimiento de la Renovacion, resented Peron and saw him as a traitor to the nationalist cause. (Potash, 1969) Peron attempted to manipulate military officers while at the same time garnering support from labor. He did not hesitate to use Marxist language when addressing food workers: “The Secretariat of Labor and Welfare will pass into history as the magnificent bridge for the evolution of the bourgeoisie into the rule of the masses.” (Potash, p. 260) He assured workers that he would not allow recent social reforms to be undermined if he had their support.

The first serious attempt to remove Peron from office was initiated by the high command of the Argentine Navy. (Potash, 1969) Members of the War Academy also supported anti-Peron action. The leader here was Lieut. Colonel Manuel A. Mora, who had considerable influence over the captains assigned to the second-year course. Mora went as far as concocting an assassination plot against Peron, but his desires were never realized due to the fact that Peron cancelled his visit to the Academy. (Potash, 1969) Numerous elements of the military were against Peron: the Campo de Mayo chiefs, the officers of the War Academy and of many other units and practically the entire Navy. Yet Peron was not alone. Among his greatest assets were the intense loyalty he inspired in the industrial masses, which were grateful to him not only for providing material benefits but for giving them a sense of dignity in a status-conscious society and his capacity for political manipulation. (Potash, 1969) One of the greatest and most crucial
shows of Peron’s labor support in the face of dissent from military (and other) groups occurred in the middle of October of 1945 when news of Peron’s imprisonment on Martin Garcia Island encouraged the acceleration of mass demonstration in favor of his return. Among the officers that did support Peron, Potash notes that:

‘For such officers, Peron’s labor policies offered an acceptable way of winning popular support for the military regime among the working class that other civilian sectors were unwilling to provide and of making possible a transition to constitutional government without resort to electoral fraud.” (Potash, p.286)

The evidence suggests not only that there was a high degree of factionalism among the Argentine military, but that Peron used his social and labor policies to solidify the support of the working class where the military had, in large part, gone astray. This support was a tool of legitimization and a big step on the path to his future electoral success.

Getulio Vargas also faced significant dissent from the Brazilian military. One of the most important figures in the Brazilian military and in this period of Brazilian history (the 1920s-1930s) was Luis Carlos Prestes. Prestes was a lieutenant that led a march of revolutionary armed forces across 25,000 kilometers of the Brazilian nation in an effort to gain support for the overthrow of the current (1924) regime. (MacCaulay, 1974) Although many of the followers of Prestes’s march (known as the Prestes Column) joined the revolutionary government of Getulio Vargas in 1930, the next few years witnessed a distinct separation of former army marchers:

‘Joao Alberto, Tavora, and Cordeiro [former Prestes marchers] remained faithful to the Vargas regime as it turned to the right after the defeat of the Constitutionalists in 1932. Miguel Costa, however joined Prestes in a leftist uprising in 1935. Prestes had slipped into Brazil from Moscow earlier that year and had taken over the leadership of the Brazilian Communist Party.” (Macaulay, p. 237)
Vargas had Prestes arrested and incarcerated for nine years and Prestes’ wife died in a Nazi gas chamber. Other military opposition to Vargas included disgruntled military officers,

“…who resented their replacement by the *tenentes* in the brief and incomplete purge of the officer corps after the October Revolution. They happily offered their services as the coordinators of a Paulista military conspiracy against the government (under Vargas) in Rio.” (Skidmore, 1967, p. 16)

Although Vargas had significant military support in the 1930 coup, many officers were less enthusiastic about supporting him in the long term:

“Yet in the eyes of a large proportion of the senior military chiefs, Vargas had been seen simply as a lesser evil than an extensive civil war. This did not provide a particularly firm basis for their continued cooperation, for they had precious little sympathy for Vargas’s program.” (Schneider, 1991, p. 119)

Factional military opposition did not cease at the beginning of his rule. In May 1938, a small group of armed Integralistas (a political party imitating European fascists at the time), aided by some non-Intergralista anti-Vargas military, attacked the presidential palace. (Skidmore, 1967)

The military was not united under a single ideology nor was it tied to a single sector. For authoritarians such as Vargas and Peron, this meant that relying solely on the military to legitimize their power was not an option. These leaders were forced to turn to other sectors of society for legitimization. The collapse of the liberal economic model provided just the right window of opportunity for alliances with the urban working and middle classes.

The Great Depression brought an end to the ideological and practical dominance of liberal economics. According to Gourevitch, such a change would create an opening for new types of policy. The collapse of liberalism brought concerns of
distribution to the forefront in politics. Quarreling over distribution increased the potential for class conflict. Those tied strongly to the liberal agro-export model (agriculture elites and sectors of the business community) opposed drastic changes because it would mean an end to their economic prosperity. Redistributing their incomes to other portions of society was not in their interest. On the other hand, the middle and working classes had vested interests in redistribution and a change in the existing economic model, because it would translate into an increase in their welfare. One political tool that became particularly opportune at this historical juncture was corporatism.

Peron was considered a populist, but the economic arrangement Peron established in Argentina was corporatist in nature. This was also true for Getulio Vargas of Brazil. Peron had extensive control over unions during his rule and Vargas not only maintained strict control, but also set very strict limits on union activity. Organizing labor relations in a corporatist framework allowed the rulers to make certain concessions to workers while minimizing the level of class conflict. The simultaneous use of populist tactics provided the means to gain the political support of the urban masses. From the beginning of Peron’s rule, a very intimate contract with labor was developed. One of the best illustrations of this contract is the ten ‘rights of the worker” included in the Peronista Constitution:
1. The right to work.
2. The right to just compensation.
3. The right to training.
4. The right to decent labor conditions.
5. The right to the preservation of health.
6. The right to well being.
7. The right to social security.
8. The right to protection of the family.
9. The right to economic improvement.
10. The right to the defense of his professional interests.

Source: Alexander, 1962, p. 201.

Social welfare was an explicit objective. The challenge for both Vargas and Peron was to create a system that would minimize class conflict and legitimize their own position. The reason for legitimation was the degree factionalism in society, especially in the military. In the case of Argentina, Peron desired to convert his regime into constitutional rule and eventually into democracy. He had a distinct vision for the future of Argentine society. In his words, the ideal was:

“An organized state for a perfectly ordered community, for a people also perfectly ordered; a community where the State would be the instrument of this people…I believed this would be the political norm of the future, that is to say, true popular democracy, true social democracy.” (Tamarin, 1985, p.185)

Peron’s intentions were more democratic than those of Vargas, but both leaders allied with the working class for legitimacy. Any aspirations for democracy that Vargas had were forced upon him by the political situation. Many Brazilians fought against fascism in Europe and many, “expected that once the war was over, electoral democracy would inevitably replace authoritarian government at home.” (Erickson, p. 25) Yet there are still many similarities between the two leaders:
“The early populist movements, such as in Argentina under Juan Peron and in Brazil under Getulio Vargas, shared many characteristics including an urban, multi-class base; accession to power by winning an election with the support of the urban working class; charismatic leadership, and a focus on state activism to incorporate workers ‘in a process of accelerated industrialization through ameliorative redistributive measures’ [Drake 1982, p. 218].” (Sachs, 1990, p.12)

In Argentina, a great sense of alienation had gripped much of the urban, working class due to the numerous scandals that were occurring in many political parties. (Conniff, 1999) Peron took this opportunity to form an alliance with this group in the face of uncertainty in other sectors of society:

‘From its inception, the mass social base of Peronism lay in the working class. For Yrigoyenist populism, the working class and the social question had always been peripheral elements, social and labor reform secondary and expedient concerns. For Peronism, they were the core of the movement, representing Peron’s principal electoral base as well as a massive counterweight against his inconsistent military, industrial, and middle-class supporters.” (Tamarin, from Conniff [ed.], 1982, p. 40)

Vargas became aware of the electoral potential of the urban working class more as matter of necessity later in his rule. It was the extremely successful populist methods used by Pedro Ernesto Baptista, mayor of Rio de Janeiro from 1931-1936 that inspired Vargas to cultivate the electoral potential of urban voters. (Conniff, 1982) Despite his strong authoritarian tone, Vargas began to embrace social reform as his own banner, focusing on labor and social security legislation. (Conniff, 1982) This change began after the establishment of the Estado Novo. Paul W. Drake states that the brands of populism created by Vargas and Peron were reactions against “expanding and unstable” capitalism that were threatening both economic control and traditional cultural values. (Drake, from Conniff [ed.], 1982, p. 236)

There are several pieces of historical evidence that lend credence to this idea of military factionalism and alliance. First, both Peron and Vargas were later elected with
extensive support from the working class. (Wynia, 1978, and Alexander, 1962) In addition, some faction of the military overthrew both regimes. Peron was ousted in 1955, and Vargas was overthrown in 1945. (Ibid) In 1945, Vargas was forced by widespread public pressure to promise presidential elections for the end of 1945. He was reelected in 1950.

In Latin American nations in the post-Depression era, welfare states should have been established by authoritarian regimes where there was a strong opportunity to form a new class alliance. This opportunity for class alliance was based on two issues: the level of industrialization after the Depression and the nature of politics after the Depression. Opportunities for class alliance should be greatest in those nations that have the highest levels of industrialization and that took the most conservative (rightist) political paths in the period immediately after the Great Depression. The opportunity should have been least in those nations that took the most leftist political paths in this period.
CHAPTER 6
ALTERNATIVE HYPOTHESES

Now the study turns to alternative explanations. Perhaps the establishment of the welfare state under authoritarian rule in Argentina and Brazil was a result of the level of trade dependency in these countries. The first alternative hypothesis states that decreased trade dependency, resulting from the imposition of import substitution industrialization, reduced the pressure of international competition, which created a more favorable environment for the creation of the welfare state.

When trade barriers are erected, the domestic environment changes. One of the goals of import substitution industrialization is to protect workers from wild fluctuations in international markets and keep prices and wages at more constant levels. Many domestic industries will profit from import substitution because their products will not be subject to unrestricted competition with foreign producers. This should, ceterus paribus, reduce the business community’s concern for the amount of government money used on social expenditures because their exposure to international competition decreases with import substitution. If workers desires for higher wages and benefits remain constant, then whatever pressure workers put on the government to increase social expenditures will become more salient as pressure from the business community to decrease social expenditures declines. There is also a specific mechanism of ISI that suggests that this type of market regulation could increase pressure for more social expenditures by the government:
“The ISI industries, together with the public sector, provided the main source of employment for the groups in the best position to mobilize distributive pressures against the government in power: the urban middle classes and blue-collar unions. As producers of nontraded goods, these groups could capture substantial short-term gains from policies that combine fiscal expansionism and an overvalued currency. Since small groups dominate commodity exports in Latin America, governments seeking popular support had relatively little to lose in the short term by policies that transferred income from the traded goods sector, even though the export elites frequently passed the costs of such policies onto the unorganized rural workers under their control.” (Kaufman and Stallings, from Dornbusch and Edwards [eds.], 1991, p. 21)

The economically dislocating effects of the Depression further decreased popular acceptance of the classic liberal free trade model and opened up policy circles to a move toward ISI that was already brewing. (Kaufman, 1990) If much of society’s concerns were over distribution of resources and the existing agro-export free market model was declining, then authoritarian leaders could have isolated the agro-export elite and used the decline in trade dependency to justify the relatively painless (considering that ISI reduced competition) imposition of the welfare state as a unified policy scheme and coalition with the working class focusing on domestic production and consumption, redistribution and social justice. These issues were explicit concerns of Peron and they also fit the general description for the goals of populism. (Kaufman and Stallings, from Dornbusch and Edwards [eds.], 1991) A strong caution is necessary here. Import substitution was only a temporary economic solution in Latin America. Market distortions in Latin American ISI countries eventually caused this economic paradigm to collapse that opened up policy circles to neoliberal economic policies. Nevertheless, it is not important for how long ISI was capable of sustaining itself, but rather what sort of temporary domestic environment it created.

The timing of the establishment of the welfare state coincides with the onset import substitution. Argentina, Brazil, and Mexico established their first major wave of
import-substituting industries in the 1930s and 1940s in response to the international economic dislocations caused by the Great Depression and World War II. (Gereffi and Wyman, 1990) Unfortunately, the data for social expenditures are not available for the period of study so the study relies on a qualitative measure of the dependent variable. The figures for exports as percent of GDP were unavailable, but the trend of exports follow a pattern of decline very similar to that of imports for this time period. (Baerresen, Carnoy, and Grunwald, 1965) The figures for imports as percent of GDP are shown in Table 1.

Table 1
Trade Openness as Represented by Imports as Percent GDP in Argentina, Brazil, Chile, Mexico and Colombia in 1929, 1937 and 1947

<table>
<thead>
<tr>
<th>Country</th>
<th>1929</th>
<th>1937</th>
<th>1947</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>17.8</td>
<td>13.0(27)</td>
<td>11.7(34)</td>
</tr>
<tr>
<td>Brazil</td>
<td>11.3</td>
<td>6.9(39)</td>
<td>8.7(23)</td>
</tr>
<tr>
<td>Chile</td>
<td>31.2</td>
<td>13.8(56)</td>
<td>12.6(60)</td>
</tr>
<tr>
<td>Mexico</td>
<td>14.2</td>
<td>8.5(40)</td>
<td>10.6(25)</td>
</tr>
<tr>
<td>Colombia</td>
<td>18.0</td>
<td>12.9(28)</td>
<td>13.8(23)</td>
</tr>
</tbody>
</table>

- The numbers in parentheses are percent decline relative to 1929, which is used as the base year.

Although there is not data available for every year beginning with the Depression, these three points in time indicate a consistent decline (for most countries) in import shares for the time studied. One would expect authoritarian imposition of the welfare state where import share of GDP has declined the most. Chile is clearly the case where import share has declined the most yet the welfare state in Chile was established under Arturo Alessandri Palma, a democratic leader not an authoritarian. (Mesa-Lago, 1978) Argentina and Brazil both have significant declines in import shares, but they are not distinct in this respect from the other nations. This data suggests that one could not
expect a significant difference in welfare policy for either of these two nations and Chile did not use authoritarian means to establish the welfare state. The first alternative hypothesis is not supported by the data.

The second alternative hypothesis is that increased economic activity resulting from involvement in World War II created an environment that allowed for the relatively painless imposition of the welfare state by authoritarian rulers. The logic to this hypothesis is similar to the first alternative hypothesis. If the economy were stimulated by increased output to supply the war effort and maintain the domestic economy, then pressure by business groups (and others who were previously opposed to redistribution) against redistribution might have decreased as a result of increasing profits and investment. This situation would allow authoritarian leaders to impose welfare measures without suffering harsh opposition from opponents of redistribution.

The problem with this hypothesis concerns the temporal sequence of the variables: the rule for causation is that the independent variable must temporally precede the dependent variable. In Brazil, most of the welfare state organizations were established prior to WWII. The ministries of Labor and Education were created in 1930-31 and many groups of workers gained access to pensions in the next three years. All legislative action (that Vargas enacted) concerning the inclusion of different groups into the social welfare scheme was already accomplished by the start of WWII. However, it is possible that increased wartime activity could explain an increase in welfare expenditures from the period of 1939-1945. In Argentina, the establishment of the welfare state and the increase in social expenditures occurred in the late 1940s which makes it much more plausible that increases in social spending were made possible by
increased economic activity during WWII. According to Hughlett, industrial production of Brazil increased by 56.4% from 1938-1943. (Hughlett, 1946) The situation for Argentina is ambiguous. Table 2 gives some indication of the rate of growth of industrial production at the time.

Table 2
Relative Growth of Industrial Production in Argentina as Represented by Gross Fixed Domestic Investment in Industry as a Share of Gross Domestic Product Originating in Industry, 1920-1949

<table>
<thead>
<tr>
<th>Years</th>
<th>Percent Invested*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920-24</td>
<td>19.5</td>
</tr>
<tr>
<td>1925-29</td>
<td>23.0</td>
</tr>
<tr>
<td>1930-34</td>
<td>15.0</td>
</tr>
<tr>
<td>1935-39</td>
<td>15.7</td>
</tr>
<tr>
<td>1940-44</td>
<td>10.8</td>
</tr>
<tr>
<td>1945-49</td>
<td>18.5</td>
</tr>
</tbody>
</table>

Source: Randall, 1978, p.126
*Values are based on 1950 price weights

The lowest period of gross fixed domestic investment was from 1940-44. This sheds doubt on WWII as an explanatory factor because this would be exactly the time when industrial activity should have increased if it were to explain the establishment of the welfare state in Argentina. However, there was a significant increase in investment at the end of the war (1945-49). This increase coincides with the increase in welfare expenditures in Argentina so there is some possibility that WWII had a stimulating effect on the Argentine economy that spilled over into welfare expenditures. Yet when the temporal problem with Brazil and the fact that the figures for Argentina are still relatively low during and after the war (compared to the decade before the Depression) are
considered, it seems unlikely that WWII is the main explanatory factor of the establishment of the welfare state in Argentina and Brazil.
CHAPTER 7

FINDINGS

By the time of the Depression, there were three Latin American nations further along on the path of industrialization: Brazil, Argentina, and Mexico. (Hughlett, 1946) These three nations were the only ones to have progressed beyond the stage of establishing basic industries in foods and textiles and were expanding into much more diversified sectors. (Hughlett, 1946) Due to a lack of available data, the quantitative measures of industrial development are limited, yet the numbers in Table 3 will give the reader a general notion of relative industrial size.

Table 3
Industrial Activity in Argentina, Brazil, Mexico, Chile, Colombia, Cuba, Peru, Uruguay And Venezuela for various years between 1936-1942: Kilowatt Hours, Number of Industrial Workers, Number of Industrial Establishments and Industrial Output as Percent of GDP

<table>
<thead>
<tr>
<th>Country</th>
<th>KWH</th>
<th># of Industrial Workers</th>
<th># of Establishments</th>
<th>Industrial Output as Percent of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>2,773,474,000</td>
<td>812,441</td>
<td>5,000 (1944)</td>
<td>25.6 (1937)</td>
</tr>
<tr>
<td>Brazil</td>
<td>2,620,761,111</td>
<td>956,088</td>
<td>80,633 (1942)</td>
<td>13.1 (1937)</td>
</tr>
<tr>
<td>Mexico</td>
<td>2,500,000,000</td>
<td>332,323</td>
<td>12,624 (1940)</td>
<td>16.7 (1937)</td>
</tr>
<tr>
<td>Chile</td>
<td>1,500,000,000</td>
<td>116,500</td>
<td>4,169 (1940)</td>
<td>11.3 (1937)</td>
</tr>
<tr>
<td>Colombia</td>
<td>293,782,492</td>
<td>73,500</td>
<td>5,550 (1942)</td>
<td>7.5 (1937)</td>
</tr>
<tr>
<td>Cuba</td>
<td>334,704,000</td>
<td>83,600</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Peru</td>
<td>179,078,000</td>
<td>49,900</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Uruguay</td>
<td>269,300,000</td>
<td>67,300</td>
<td>10,549 (1936)</td>
<td>N/A</td>
</tr>
<tr>
<td>Venezuela</td>
<td>400,000,000</td>
<td>85,000</td>
<td>8,025 (1936)</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*All unmarked values are from 1940.
Argentina, Brazil, and Mexico are the three nations that had progressed beyond other Latin American nations in the area of industrial development (with Chile lagging behind in fourth place). The measurement for levels of industrialization are figures that are intended to give an idea of what nations had progressed furthest in the process of industrialization at the time of study. The literature supports the dominant status of Argentina, Mexico, and Brazil. (Hughlett, 1946; Kaufman taken from Gereffi and Wyman, 1990)

Argentina

There is a plethora of evidence of increasing activism and pressure in Argentina around the Depression era. The Argentine Socialist party was founded in 1896. (Mesa-Lago, 1978) The Communist party was organized in 1918. The Anarcho-Syndicalists and the Socialists joined forces in 1901 to establish the first national workers’ federation. Labor union activity peaked just around the time of the Depression. In 1935, the CGT (General Labor Confederation) split into two union factions led by Syndicalists and Socialists. The Syndicalist branch suppressed its ultimate goal of revolution and settled for collective bargaining, but the Anarcho-Syndicalist FORA rejected any form of compromise. These two unions were successful in obtaining some social security provisions by exerting pressure on the government. (Mesa-Lago, 1978) The Communist-controlled construction Worker’s Union became the second largest organization in the CGT by 1943. There were a total of 700 strikes between the years of 1934 and 1943 in Argentina. The 1930s and 1940s were a time of significant change in the pattern of Argentine labor:
“In 1930 immigration practically came to a halt. The urban working class, therefore, came to consist of second-generation Argentines and migrants from the countryside. The second-generation workers were receptive to a native Argentine radicalism...they too, were good tinder for the fire which Peron was soon going to light.” (Alexander, 1962, p. 167)

Halting the massive waves of European immigration meant that there was no longer such a large pool of migrant labor from which to choose. With a more stable and more slowly expanding workforce, the demand for labor would increase and thus the standards and concessions made to workers would also logically have to increase. Peter Ranis provides a description of the Argentine labor movement:

“Between 1934 and 1947 a potential industrial working class flowed into greater Buenos Aires at a rate of 72,000 to 117,000 persons annually. From 1935 to 1943, employment in the industrial labor sector grew by 81 percent, while real wages decreased by 10 percent...Thus, by the 1940s the Argentine trade union movement had achieved institutional recognition and a certain coherent organizational structure, and was embarked on achieving material benefits for its affiliates.” (Ranis, 1992, p. 18)

The authoritarian takeover by Peron and imposition of substantial welfare policies came at a very opportune moment in Argentina's history. The post-Depression political environment in Argentina was one of conservative modernization with few concerns for social welfare. The Concordancia administrations (in power immediately after the Depression) preceding Peron’s takeover had been considerably more conservative and had attempted to maintain the status quo. (Tamarin, 1985) One ironic note about the administrations in power before Peron’s takeover is that even though these administrations were considerably more conservative than Peron’s regime, they did have at least rhetorical concerns for social welfare. (Lewis, 1993) There was much support within conservative circles for an expansion of the welfare scheme, but little action was taken. This is the key. This unresponsiveness in time of social and political (the 1930s are often referred to as la decada infame) turmoil is what increased the already mounting
popular pressure for change in the distribution of resources. If the welfare legislation proposed in 1923 had been enacted, Argentina would have had the most comprehensive social insurance system in the world, but it was not. (Lewis, 1993)

There is a consensus that the welfare state was firmly established in Argentina under the rule of Juan Peron. He established pension funds for different categories of police, commercial and industrial workers in 1944-6. This was extended to agricultural workers, professionals, the self-employed and entrepreneurs in 1954. (Huber, 1996) He also extended health care to some categories with existing pension coverage and built military and public hospitals that were used to supplement mutual health care insurance funds in order to provide free medical care to the whole population. As was required by Peron’s social insurance legislation, the greater part of insurance premium income was invested in recently authorized Social Welfare Bonds. Annual bond purchases increased rapidly from $1813.5 million in 1946 (the year of Peron’s reelection) to $6105.6 million in 1955. Table 4 shows the increase in public expenditure and social security spending under Peron.
Table 4
Establishing the Welfare State:
Social Security and Public Expenditure as Percent of GDP for Argentina, 1945-1955

<table>
<thead>
<tr>
<th>Year</th>
<th>Social Security/GDP</th>
<th>Public Expenditures/GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>3.1</td>
<td>23.6</td>
</tr>
<tr>
<td>1946</td>
<td>2.9</td>
<td>19.9</td>
</tr>
<tr>
<td>1947</td>
<td>4.4</td>
<td>23.2</td>
</tr>
<tr>
<td>1948</td>
<td>5.4</td>
<td>35.4</td>
</tr>
<tr>
<td>1949</td>
<td>6.1</td>
<td>28.7</td>
</tr>
<tr>
<td>1950</td>
<td>6.5</td>
<td>26.5</td>
</tr>
<tr>
<td>1951</td>
<td>6.0</td>
<td>26.1</td>
</tr>
<tr>
<td>1952</td>
<td>6.3</td>
<td>26.5</td>
</tr>
<tr>
<td>1953</td>
<td>7.2</td>
<td>27.6</td>
</tr>
<tr>
<td>1954</td>
<td>7.7</td>
<td>30.5</td>
</tr>
<tr>
<td>1955</td>
<td>7.4</td>
<td>29.3</td>
</tr>
</tbody>
</table>


Argentina supports the theory. It was a highly industrialized Latin American nation at the time of the Great Depression. The regime in power immediately after the Great Depression was conservative, and an authoritarian regime that followed this first conservative, post-Depression regime established the welfare state.

Brazil

In Brazil, the creation of independent political parties was squelched somewhat by the government, but those that did make it to the forefront carried a big stick and union activity exploded in the 1930s. The PCB (Communist Party of Brazil) was established in 1922. The party was outlawed this same year, but quickly gained strength, regained legal status in 1927 and formed a worker’s bloc. (CPDOC) The two main parties that emerged in Brazil in the 1930s were the clerical-fascist AIB and the Communist-backed ANL. There was massive unrest on behalf of the ANL’s demands to
end imperialistic practices and redistribute land. (Dulles, 1967) Political upheaval in 1930s was rampant. Communist rebellions in Natal and Recife in 1935, an uprising in 1935 in Rio, and other forms of protest created an environment in which revolution seemed almost imminent. On November 25, 1935, Congress voted a one-month “state of siege” for the entire nation.

The Communist Party of Brazil was the strongest voice of the oppressed during the end of the reign of the conservative oligarchies and even into the earlier years of the Vargas regime. In 1927, A Nacao (the main carrier of communist party propaganda in Brazil) published a document calling for the formation of a worker’s bloc. The Bloco’s platform included (among other things) the call for maintenance of an independent working-class policy, social legislation, reform of the tax and monetary system, housing for workers, and expansion of education. (Chicolte, 1974) In 1929, the PCB (Brazilian Communist Party) representative, Leoncio Basbaum, met with other revolutionary leaders to discuss a seven-point program including nationalization of land and division of latifundios, wage increases, and other workers’ benefits. (Chicolte, 1974) On July 5, 1935, Luiz Carlos Prestes (revolutionary leader of the Prestes Column) published an “open letter” calling for revolution of the masses that included the demands of social security and land distribution for the poor population. (Chicolte, 1974)

In addition to dissident party activity in Brazil, the path towards political mobilization was becoming evident. The number of registered voters increased by almost 200% from 1934-1945. (Erickson, 1977) Union activity was also in a period of very rapid increase. Table 5 gives the data on union activity. The most direct piece of evidence that pressure for economic and social change was increasing rapidly in Brazil
during the first part of Vargas’s rule is that mounting fear of another communist revolt in 1937 motivated Vargas to force a coup and create the Estado Novo. (CPDOC)

Table 5

<table>
<thead>
<tr>
<th>Year</th>
<th>Total in Existence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1931</td>
<td>32</td>
</tr>
<tr>
<td>1932</td>
<td>115</td>
</tr>
<tr>
<td>1933</td>
<td>256</td>
</tr>
<tr>
<td>1934</td>
<td>367</td>
</tr>
<tr>
<td>1935</td>
<td>440</td>
</tr>
<tr>
<td>1936</td>
<td>682</td>
</tr>
<tr>
<td>1937</td>
<td>916</td>
</tr>
<tr>
<td>1938</td>
<td>955</td>
</tr>
<tr>
<td>1939</td>
<td>1208</td>
</tr>
</tbody>
</table>


Vargas did not have strong concerns for democracy. It has been suggested that he was influenced by fascist regimes in Europe at the time. His rule was based to a great extent on social control. Labor did not directly participate in or consistently exercise influence in policymaking. (Hughes and Mijeski, 1984) Vargas utilized his authoritarian position to implement welfare measures in Brazil with a corporatist style, but the pressure for economic and social change and the extent of redistribution and the need to form a new class alliance was not as strong in Brazil as it was in Argentina because industrialization in Brazil had not created comparable urban working and middle class constituencies from which popular pressure and conflict could arise. In addition, the first post-Depression regime, headed by Vargas and his policies of economic liberalism and labor control, was not as conservative as Argentina’s first post-Depression
regime. (Gereffi and Wyman, 1990) Brazil’s industrial size was comparable to that of Argentina, but its share of industry (see Table 4) relative to other sectors was not as great as Argentina’s and much of Brazil was still rural compared to Argentina in this time period.

The Vargas coup was not just a product of Vargas’s own ego. It involved support from many urban industrialists who had begun to obtain economic wealth but had been denied, ‘social position and political power by the rural elite.” (Hughes and Mijeski, 1984) One ironic aspect of Brazil is that the regime that dominated Brazil in the post-Depression period was also the regime that established the Brazilian welfare state.

The case of Brazil is somewhat less clear-cut, but the initial foundations of the welfare state are commonly credited to President Getulio Vargas who extended social security protection to all organized sectors of the urban working class and changed the system from a company-based one to one based on occupational categories. (Malloy, 1979) Vargas also appointed a chairman to head the administration of the various social security institutes that began to offer health care and housing loans. (Huber, 1996) In 1930-31, the Labor and Education Ministries were created under Vargas and public service employees became eligible for pensions. In the next three years, several other groups gained access to pensions including miners, bank employees and commercial workers. (Levine, 1998) In 1938, health clinics were instituted for members of officially sanctioned unions. (Levine, 1998) Table 6 shows the increase in budget expenditures beginning at the start of the Estado Novo under Vargas.
Table 6  
Welfare State Establishment:  
Brazilian Ministry of Labor Annual Expenditures as a Percentage of Total National Budget Expenditure, 1934-1945

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1934</td>
<td>1.0%</td>
</tr>
<tr>
<td>1935</td>
<td>0.5</td>
</tr>
<tr>
<td>1936</td>
<td>0.4</td>
</tr>
<tr>
<td>1937</td>
<td>0.9</td>
</tr>
<tr>
<td>1938</td>
<td>1.0</td>
</tr>
<tr>
<td>1939</td>
<td>1.5</td>
</tr>
<tr>
<td>1940</td>
<td>0.9</td>
</tr>
<tr>
<td>1941</td>
<td>1.0</td>
</tr>
<tr>
<td>1942</td>
<td>3.2</td>
</tr>
<tr>
<td>1943</td>
<td>1.5</td>
</tr>
<tr>
<td>1944</td>
<td>5.0</td>
</tr>
<tr>
<td>1945</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Source: *The Brazilian Corporative State and Working Class*, p.67.

Although there are lags in the early 1940s, the expenditures under the Estado Novo (1937-1945) are much greater than those in the preceding period. Not only was there a significant increase in the Ministry of Labor's expenditure at the beginning of the Estado Novo, but there was also a big jump in proportional expenditures in health and education from 0.4% in 1930 (of all federal expenditures) to 6.7% in 1940 and 8.2% in 1944. (Spiegel, 1949)

These strides made by Peron and Vargas do not represent anything near a developed welfare state, but they established the institutional framework for a welfare state which is what distinguishes them from all previous policy. The point of comparison is what existed in these countries before these welfare institutions were created.

The case of Brazil roughly fits the theory. Vargas was, in a sense, both a cause and an effect of the early Brazilian welfare state. The seven years of economic
liberalism and communist suppression before the *Estado Novo* was the post-Depression period of conservative rule that caused concerns of distribution to increase. Vargas’s drastic shift to the corporatist *Estado Novo* regime was the response to the failure of this previous regime and the increasing need to form a class alliance with the growing urban population. The literature leaves much ambiguity about Vargas’s political position, but his seven-year experiment with economic liberalism and communist suppression suggests that the period before the *Estado Novo* was politically conservative.

Brazil supports the first part of the theory better than the second. It was a highly industrialized nation (by Latin American standards at the time) and the welfare state was established under authoritarian rule, but the dominance of conservative rule after the Depression in Brazil was not as clear as it was in Argentina. In Argentina, the post-Depression conservative regime was led by a different leader than the authoritarian (Peron) who established the welfare state. In Brazil, the leader of the post-Depression conservative regime and the authoritarian leader who established the welfare state were the same person, but different regimes. In addition, Vargas’s implementation of welfare measures were scattered throughout the entirety of his rule. He created the Labor and Education ministries in 1930-31, but social expenditures did not significantly increase until the late 1930s-early 1940s. The creation of these two ministries during the early conservative portion of Vargas’s rule makes it less clear what his motives were for the creation of the welfare state. Yet there was a need for a new class alliance in Brazil after the domination of agro-export elites. Measuring the actual political (on a left-right scale) distance from the oligarchy in power before Vargas to Vargas’s period of rule would give a more accurate sense of how strong the need for class alliance was, but this is left to
future research. At this point, Argentina is the strongest case for the argument. Now the study turns to cases where the post-Depression era was marked by a dramatic shift to the left: Mexico and Colombia.

Mexico

In Mexico, discontent with economic liberalism and the increasing dependence on international markets along with a very unequal distribution of land exploded into revolution. One of the strongest forces in Mexico near the time of the revolution was the PLM (Mexican Liberal Party) headed by Ricardo Flores Magon. The PLM was a very radical party of workers, peasants and lower middle classes. (La Botz, 1988) The party launched armed revolts in various parts of the country beginning in 1906 and was responsible for the great strikes of 1906 and 1907, anticipating the revolution.

One of the greatest and most influential projects of this revolution was the 1917 Mexican Constitution. The Constitution was based on many socialist precepts. It prohibited what some referred to as “sophisticated” forms of slavery, fixed the maximum workday at eight hours and called for free public education as well as many other social reforms. Yet even with such progressive ideas, the new breed of revolutionary nationalist politics was not a close friend of the working class. There was a wave of strikes in Mexico in 1919 and 1920 that stemmed from unemployment, inflation, unstable markets and other dislocations caused by the Revolution. (La Botz, 1988) These began with several different categories of workers and spread across the country by 1920. Pressure
for economic and social change was widespread in Mexico, but the political path taken by post-Depression administrations was quite different than that of Argentina and Brazil.

Mexico ranks a close third (see Table 1) behind Argentina and Brazil in levels of industrialization in the post-Depression era. Considering this and the fact that politics shifted to the left after the Depression, it may be the hardest case for the theory. There should not be such a pressing need for a new class alliance in post-Depression Mexico because politics settled on the left rather than the right after the Depression. However, if it were true that an authoritarian regime established the welfare state after the post-Depression leftist regime, this would be evidence against the theory. It was the Mexican Revolution and the subsequent political path that it created that mitigated distributional concerns in Mexico years before conservative regimes were toppled in Argentina and Brazil.

Welfare reform in Mexico must be framed within the 1917 constitution established by the Carranza administration. It broke with the laissez-faire philosophy and introduced the principle of state regulation of labor conditions within the market system. (Mesa-Lago, 1978) It set the foundations for social insurance (section 123). (Dixon and Scheurell, 1990) In addition, the Revolutionary National Party (PNR) was founded in 1929. The PNR was responsible for many different reforms in Mexican society including land reform and oil nationalization. (Gereffi and Wyman, 1990)

The first post-Depression government in Mexico was leftist. Its leader, Lazaro Cardenas (1934-1940) went against traditional economic liberalism, postulated direct social revolution, mobilized labor, destroyed the latifundia, distributed land to the rural masses and significantly increased the portion of government spending on welfare
services. This pattern was continued by the Camacho administration (1940-1946) that created the Mexican Institute of Social Insurance in 1943.

As the reader may have already presumed, democracy in Mexico is sketchy at best. Mexico has a history of one-party dominance that goes against one of the basic principles of democracy. Nevertheless, the beginnings of the welfare state in Mexico were achieved under democratically elected officials (Cardenas and Camacho) rather than an authoritarian regime and the political environment (represented by the Cardenas and Camacho administrations) and the regime immediately following the Depression was decidedly leftist. As far as the assumption that these regimes did not represent authoritarian rule holds true, the theory is supported by the case of Mexico because it was highly industrialized, but the post-Depression political environment settled on the left and the welfare state was not established under authoritarian rule after the first post-Depression regime.

Colombia

In Colombia, there is also evidence of growing distributional concerns, but in a different context. During the late 1920s and 1930s, Jorge Eliecer Gaitan founded the UNIR (National Leftist Revolutionary Union) that supported the organizational efforts and the claims of peasants and farmers to recover property. (Osterling, 1989) The Communist Party was also being organized during this period. In conjunction with the UNIR, the National Agrarist Party and the Socialist Revolutionary Party began working in the defense of the rural poor. Many peasant leagues were forming, and labor unrest was mounting.
The mid to late 1920s was a period of great strikes in Colombia including the strikes against the Tropical Oil Company and the strike against the United Fruit Company. (Urrutia, 1969) Amidst this period of significant economic trouble and labor unrest the conservative hegemony ended in 1930 with the election of reform-minded Liberals. One major difference of pressure in Colombia was that it was directed largely towards rural reform. In fact, by 1938, 71 percent of Colombians still lived in rural areas. (Osterling, 1989) Another major difference in Colombia was that the Communist Party of Colombia worked with and supported some Liberal Party policies and programs. The new Liberal government also made significant concessions (such as Law 83 that recognized the right of labor organization) to the labor movement, bringing it into the political sphere. The new Liberal president Lopez radically changed Colombian society in the areas of tax reform, land reform, and the democratization of education. Lopez was even attacked by moderate Liberals as a communist and despised by property-owning classes. (Urrutia, 1969) It was the end of the Conservative Hegemony and the compromise made by Lopez to the masses that created a much different political situation in Colombia.

Colombia is different from the other cases because it had not achieved a comparable level of industrialization so it offers a chance to test a case different from all others in this aspect. However, there are aspects of its pre-Depression history that might incline one to think that an authoritarian solution was eminent. It had experienced a great deal of labor unrest, rural and urban, in the late 1920s and throughout the 1930s. (Osterling, 1989) It had also experienced a long period of conservative hegemony (1882-
1930) known as the Conservative Nation. However, Colombia took a sharp turn to the left in the early 1930s with the onset of the Liberal Republic.

Much of the credit for the initial establishment of the Colombian welfare state goes to Alfonso Lopez Pumarejo [1934-38; 1942-45, one of the Liberal (leftist) Party presidents]. Pumarejo enacted many social security laws during his time in office amidst much opposition from the business community and with support from the Communist Party. (Osterling, 1989) This conflict was only the beginning of the period of violence (commonly known as *La Violencia*) that soon followed.

The establishment and reform of social security have dominated the welfare state in Colombia so it is important to examine when social security came into being to understand the welfare state. A coherent system of social security, managed by the CAJANAL (public sector) and ISS (private sector) institutions, was not implanted until 1945. (Osterling, 1989) In 1946, responsibility was transferred to a public agency. These welfare measures were established just before the takeover of the Conservatives in 1946. For Colombia, we notice that there was not a high level of industrialization and that politics settled on the left in politics (as in Mexico). It was the political environment, including the compromises made by leftist presidents to the masses that mitigated distributional concerns present at the time of the Depression. Colombia supports the theory because it was not highly industrialized, post-Depression politics settled on the left and the welfare state was established under subsequent democratic leaders.
Discussion

The theory holds up well qualitatively for all four countries, but Argentina is the most convincing case for several reasons: it had the highest level of industrialization at the time, groups pressing for economic and social reform were more active, Peron’s social contract with workers was explicit and the establishment of the welfare state progressed most quickly and most completely in Argentina. Brazil does not offer conflicting evidence, but the political trade off between Vargas and labor was not as intentional as it was in Argentina, especially considering that Vargas had ties to the rural elite. Vargas’s goal was to suppress labor, but this was accomplished, in part, by the establishment of welfare services for workers.

There is one concern. The puzzle for this study is why the welfare state was established under authoritarian rule in Argentina and Brazil when most literature finds a positive correlation between democracy and social spending. Evidence has suggested that Peron co-opted the working class in order to legitimize his own position, but also in order to secure electoral success in what he hoped would become a legitimate democratic government. Vargas, on the other hand, created all of the welfare state institutions before popular concerns for democracy were strong. Literature suggests that Vargas did not have personal aspirations for democracy. To the contrary, he wished to suppress it. The problem is that if democracy somehow served as an incentive for the establishment of welfare state institutions and/or increased social spending in Argentina, then democracy actually is related to the establishment of the welfare state and the puzzle is no longer so puzzling.
There is an important distinction between populism and democracy. They are not necessarily synonymous. One cannot assume that forging a class alliance in response to popular pressure for economic and social change equals a stronger democracy. In both Argentina and Brazil, pressure for economic and social change existed. However, the response to such pressure is not always democratic. It can be democratic or authoritarian. Pressure can motivate a leader to enact a policy (increases in social spending, for example) without the use of democratic institutions. If there is popular pressure to change social spending policy, a leader may react by increasing social spending without channeling this policy through any lawmaking body or having it approved by any elected committee. Policy is decreed. A single individual authorizes it even though the policy is a response to popular pressure. This can and has been characteristic of populist leaders. This response cannot be considered democratic unless policy initiatives are actually occurring within the confines of the democratic process.

Peron and Vargas were both elected by their popular support bases. However, election does not equal democracy. In light of this consideration, the evidence must be reevaluated. Initially, it seemed that Argentina was the best evidence to support the theory and Brazil was more ambiguous. This stills holds true when the two independent variables (pressure for economic and social change and nature of post-Depression political environment) are considered, but with respect to the puzzle Brazil is the stronger case. Evidence suggests that Vargas was not motivated by democratic aspirations when he established the welfare state in Brazil, but Peron may have been. Vargas was merely trying to acquiesce the working class in such a way as to legitimize his own position and de-legitimize the Left:
“This prolonged attempt by Vargas to co-opt the emerging industrial work force had two purposes: it brought worker loyalty for his brand of government, and it preempted the Left of the political spectrum. The material ‘goodies’ handed over to this segment of the work force were considerable; they included medical services with some hospitalization privileges, subsidies after the first fifteen days of illness, grants upon birth or death, Old-age pensions, and some limited assistance with purchasing low-income housing...In the 1930s and 1940s this was an impressive list of social security benefits for a country at Brazil’s level of development, and it did serve to buy off the industrial work force, the labor aristocracy of the Brazilian lower classes. Vargas accurately saw this segment of the population as being increasingly crucial in a country that was entering an era of large-scale industrialization. As long as industrial workers supported state policy there was no need to worry about mass mobilization and a challenge from the Left.” (Hewlitt, from Denitch [ed.], 1979, p. 285)

Vargas was actually using welfare policies to suppress democracy by legitimizing his own position. The ‘logic of democracy” may hold true for the creation of the welfare state in Argentina, but it does not in Brazil. Peron appears to have been motivated by democratic rule when he established the welfare state, but Vargas was not. One way of determining the level of democracy present in Brazil and Argentina at this time is to examine a scale of democracy. The only available scale for this period is the POLITY data. This measure is included, but only as weak evidence because the data is not highly reliable. A detailed explanation of the POLITY data variables and their measurement is located in the Appendix.

The best test would be to examine a correlation between the numbers for social spending listed earlier for Argentina and the level of democracy. However, all of the years during both Peron’s and Vargas’s rule (the first half of Vargas rule, 1930 -1945, when he established the welfare state institutions) have the exact same scores for the level of democracy and autocracy. It is impossible to correlate since one variable is constant. Democracy is scored from 0-10, with ten as the highest level of democracy and autocracy
is scored from 0-10 with ten also being the highest. With the exclusion of a few years of regime interruption and transition periods (which are not valid for statistical purposes), all the years relevant to study score a zero for democracy (in both countries) and a 7 (Brazil) or 9 (Argentina) for autocracy. This means that, according to the POLITY data, extremely low levels of democracy and extremely high levels of autocracy characterized the years during and immediately following the establishment of the welfare state in Brazil and Argentina.

The POLITY data suggests that democracy did not exist in either country during the relevant time period even though Peron was elected during this period. If the data is accurate, then the puzzle is still puzzling because democracy did not play a significant part in the establishment of the welfare state in practice, but it may have in theory in Argentina.
CHAPTER 8

CONCLUSION

The first hypothesis is that the fall of the agro-export, liberal economic model combined with increasing levels of industrialization punctuated by the Great Depression created a high level of popular pressure for economic and social change in the middle and working classes. The second hypothesis is that the pressure for economic and social change will be translated into the establishment of the welfare state by authoritarian regimes that followed conservative regimes immediately after the Depression. Argentina and Brazil both had high levels of industrialization and conservative governments immediately after the Depression. The expectation that authoritarian regimes would establish the welfare state after the first post-Depression regime was correct in these two cases. Mexico had a high level of industrialization, but a leftist government was present after the Depression. The expectation that an authoritarian regime would not establish a welfare state after the first post-Depression regime was correct in this case. However, democracy in Mexico during this time period was in its infancy and the PRI dominated for several decades. Mexico stands as an ambiguous case. Colombia had neither a high level of industrialization nor a conservative government after the Depression. The expectation an authoritarian regime would not establish the welfare state was accurate in this case.

Argentina is the strongest case with respect to the two independent variables: industrialization and nature of post-Depression politics. It had the highest level of
industrialization at the time. The alliance Peron forged with the working class was a deliberate attempt to gain their political support for his election. Peron enacted welfare measures in a short period of time. Also, Peron’s takeover followed the dominance of a conservative administration. However, the case of Argentina is weakened by one point: Peron establishment of the welfare state may have been (at least in rhetoric) motivated by his own aspirations for democratic rule. If this claim is accurate, then the puzzle is not puzzling for Argentina because democracy was involved with the establishment of the welfare state. The POLITY data suggests that democracy was only a rhetorical concern in Argentina, but the data is not highly reliable.

In Brazil, literary evidence suggests that the proposed transition to democracy was a response to popular pressure during WWII than a personal aspiration of Getulio Vargas. He actually tried to suppress democracy during the early part of his regime when he was establishing welfare services. According to the POLITY data, there was no significant degree democracy during or after Vargas’s imposition of the welfare state. Brazil partially fulfills the requirements of the theory. The regime that established the welfare state did so under authoritarian rule and it was responding to a conservative political regime. The difficulty with Brazil is that Vargas established the welfare state institutions between 1930-38 during which he shifted his regime from one based on conservative economic liberalism to the corporatist Estado Novo. According to theory, Vargas should have established welfare services under the Estado Novo as a response to the previous conservative era of his regime. In addition, Vargas continued to consider conservative (mostly rural elite) interests in his policy framework.
Although Vargas attempted to suppress democracy, he was forced by popular pressure to hold elections. The findings suggest that Brazil is actually a stronger case than Argentina in this aspect: Vargas established all welfare institutions only to legitimize his own position and preempt the Left with few concerns for democracy. For this reason, the case of Brazil gives more support to the puzzle. The POLITY data for Brazil also suggests that democracy was nonexistent during the relevant time period of Vargas’s rule.

Direct evidence of the pressure for redistribution is one shortcoming of this study. There is a good deal of evidence of labor unrest and the formation of parties that supported a more equal distribution of resources, but their was not a large amount of direct evidence for the pressure of redistribution before the creation of the welfare states in Argentina and Brazil. Nevertheless, the labor unrest, party formation and ideology of new parties that was occurring at the time both point in the same direction: the desire for a society with a more equitable distribution of resources. In addition, the “social question” became particularly important in many industrializing nations across the globe. (Malloy, 1979) The safest conclusion to make at this point is that while the creation of the welfare state in Argentina and Brazil may not have been solely a direct response to pressure for redistribution, it was a viable political tool for securing the support of the working class in an era when the support of this class was becoming very crucial.

The aim of this study was to shed light on the forces that were present at the time of the creation of welfare states in Argentina and Brazil. The main limitation of the theory is that these particular forces may not be present in the same combination any time
in the near future. However, a more general conclusion of the argument could be of some service.

The important aspect of the Great Depression (according Gourevitch’s argument) is that it was an economic crisis. During this crisis, the dominant economic paradigm suffered a lethal blow and policy circles were opened up to new ideas. In addition, this crisis caused the political coalitions that had prospered under the existing economic paradigm to come apart opening the way for new coalitions. The old economic paradigm (economic liberalism) was filled with a new one (ISI) that attempted to fulfill needs that were left unsatisfied by the old one. The political coalition that arose (urban working and middle classes) was largely made possible by industrialization. It is in times of economic crisis that the opportunity to form new coalitions is greatest. If the groups in society with significant political and economic power are not accommodated for in times when economic and social change is a high priority, then the opportunity for an authoritarian regime to form coalitions with these groups increases. This is the opportunity that made itself available to both Peron and Vargas albeit under somewhat different circumstances.

One caution is necessary. The opportunity to build such coalitions is dependent on the nature of society. If the military is not a significant factor in politics or if it is strongly united under a single ideology and background, one would not expect authoritarian regimes to have the necessity of forming coalitions with other groups in society because they may be legitimized only by the military. There may be other instances where the importance of building such coalitions is minimal, but a society in
which the military consists of competing factions will most likely be a situation in which such coalitions are important.

This study suggests a new outlook on authoritarian regimes. If authoritarian leaders lack military support, it may be necessary for them to ‘respond’ to society’s needs in order to legitimize their position. At present, this suggestion only holds for Latin America. The challenge for future research is to test this hypothesis in various political situations in different areas of the world and in different time periods.

Another task for future research is to develop a more accurate measure of the welfare state in Latin America that includes the actual effect that expenditures have on the state of well being of the population in addition to the financial effort being put forth by respective governments. The creation of a welfare index for Latin America would greatly aid the measurement of the welfare state and thus would give us a better understanding of what causes its rise and fall.
APPENDIX

6.1 AUTOC: Institutionalized Autocracy

“Authoritarian regime" in Western political discourse is a pejorative term for some very diverse kinds of political systems whose common properties are a lack of regularized political competition and disconcern for political freedoms. We use the more neutral term Autocracy and define it operationally in terms of the presence of a distinctive set of political characteristics. In mature form, autocracies sharply restrict or suppress competitive political participation. Their chief executives are chosen in a regularized process of selection within the political elite, and one in office they exercise power with few institutional constraints. Most modern autocracies also exercise a high degree of directiveness over social and economic activity, but we regard this as a function political ideology and choice, not a defining property of autocracy. Social democracies also exercise relatively high degrees of directiveness. We prefer to leave open for empirical investigation the question of how Autocracy, Democracy, and Directiveness have covaried over time.

A ten-point Autocracy scale is constructed additively. Our operative indicator of autocracy is derived from codings of the competitiveness of political participation (variable 2.7), the regulation of participation (variable 2.6), the openness and competitiveness of executive recruitment (variables 2.3 and 2-4), and constraints on the chief executive (variable 2.5).

Authority Coding Scale Weight

Competitiveness of Participation:
Suppressed +2
Restricted +1

Regulation of Participation:
Restricted +2
Factional/Restricted +1

Competitiveness of Executive Recruitment:
Selection +2

Openness of Executive Recruitment (only if competitiveness is coded Selection):
Closed +1
Dual designation +1
Constraints an Chief Executive:
Unlimited authority +3
2 (intermediate category) +2
Slight to moderate limitations +1

The logic of this "Institutionalized autocracy" scale is similar to that of the Institutionalized democracy scale, below, and it is subject to the same kinds of operational redefinition to suit different theoretical purposes. Note that the two scales do not share any categories in common. Nonetheless many polities have mixed authority traits, and thus can have middling scores on both Autocracy and Democracy scales. These are the kinds of polities which were characterized as "anocratic" and "incoherent" in the POLITY I studies. As a group they proved to less durable than coherent democracies and autocracies (see Gurr 1974, 1980, Lichbach 1984).

6.2 DEMOC: Institutionalized Democracy

Democracy is conceived as three essential, interdependent elements. One is the presence of institutions and procedures through which citizens can express effective preferences about alternative policies and leaders. Second is the existence of institutionalized constraints on the exercise of power by the executive. Third is the guarantee of civil liberties to all citizens in their daily lives and in acts of political participation. Other aspects of plural democracy, such as the rule of law, systems of checks and balances, freedom of the press, and so on are means to, or specific manifestations of, these general principles. We do not have coded data on civil liberties. Instead our operational indicator of democracy is derived from codings of the competitiveness of political participation (variable 2.7), the openness and competitiveness of executive recruitment (variables 2.6 and 2.5), and constraints on the chief executive (variable 2.4).

The Democracy indicator is an additive ten-point scale, constructed using these weights.

**Authority Coding Scale Weight**

**Competitiveness of Political Participation:**
Competitive +3
Transitional +2
Factional +1

**Competitiveness of Executive Recruitment:**
Election +2
Transitional +1

**Openness of Executive Recruitment (only if Competitiveness is Election or Transitional):**
Dual: election +1
Election +1
Constraints on Chief Executive:
Executive parity or subordination +4
6 (intermediate category) +3
Substantial limitations +2
5 (intermediate category) +1

This "Institutional democracy" indicator follows a logic similar to that underlying the POLITY I analyses. There is no "necessary condition" for characterizing a political system as democratic, rather democracy is treated as a variable. For example, the scale discriminates among Western parliamentary and presidential systems based on the extent of constraints on the chief executive. Charles de Gaulle as president of the French Fifth Republic operated within slight to moderate political limitations. Thus the early years of the Fifth Republic have lower Democracy scores than the United States or the Federal Republic of Germany, where constraints on the executive approach parity. Similarly, the onset of "cohabitation" in France during the second phase of the first Mitterand presidency is marked by a shift to parity on the Executive Constraints scale and a concomitant increase in France’s Democracy score.

If the composite indicator of institutionalized democracy is inappropriate for some conceptual purposes, it can be easily redefined either by altering the constituent categories and weights, or by specifying some minimum preconditions. A mature and internally coherent democracy, for example, might be operationally defined as one in which (a) political participation is fully competitive, (b) executive recruitment is elective, and (c) constraints on the chief executive are substantial.

It will be observed that this indicator includes some categories that are the defining properties of both democratic and autocratic polities, as well as several other authority traits. While the highest concentrations of institutional power are to be found in highly autocratic polities, high power concentrations are not uncommon among modern democracies.

A score of "88" in variables 2.1-2.9 indicates a period of transition. Some new polities are preceded by a "transition period" during which new institutions are planned, legally constituted, and put into effect. Democratic and quasi-democratic polities are particularly likely to be so established, in a procedure involving constitutional conventions and referenda. During this period of transition, all authority characteristic indicators are scored "88". Two examples:

(1) In Argentina, after 6 years of state terrorism, economic decline and, finally, the humiliating defeat in the Falklands war, the military junta was dissolved in June 1982. Headed by retired General Bignone, the interim government established a dialogue with the major political parties and promised to hold elections in October 1983. Competitive elections were held in October and Raul Alfonsin was inaugurated in December 1983. The transitional period is the period from June, 1982, through October, 1983. However, operationally, only 1982 is coded as the transition period. Constrained by our use of an annual time-series format, transition periods are only coded if the new polity is formally established in a different year than that of the previous polity’s demise. An "88" is entered
in the year of the polity’s demise rather than the year of its origin, regardless of the month in which either event occurred.

(2) Cuba, in the immediate post-revolution years, demonstrates that an individual’s attempt to consolidate power can also result in periods of transition. In January 1959 Fidel Castro and his rebel troops captured Santa Clara, Santiago and Havana, forcing Batista to resign and flee the country. Manuel Urrutia was named provisional president by Castro shortly thereafter. It was not until December 1961 that Castro declared himself a Marxist-Leninist and announced the formation of a unified party to bring Communism to Cuba. Thus, 1959 and 1960 are coded as transitional years.

When using the "88" code, the question of whether a new polity has been formed must be decided before dealing with the question of when. The criteria for operationally determining a "polity change" are discussed below.

A score of "66" in variables 2.1-2.9 represents a period of "interruption". Operationally, if a country is occupied by foreign powers during wartime, terminating the old polity, then reestablishes a polity after foreign occupation ends, we code the intervening years as an interruption if the pre-war polity is reestablished. However, if the post-war polity is fundamentally different from the pre-war polity then we code this as an interregnum ("77"). Periods of interruption are also coded for the participants involved in short-lived attempts at the creation of ethnic, religious, or regional federations. During periods of interruption all authority characteristic indicators are "66".

"77" in variables 2.1-2.9 indicates periods of interregnum, during which there is a complete collapse of central political authority. This is most likely to during periods of internal war. Lebanon between 1978 and 1986-in which internal factionalism, civil war, and external military intervention has at times reduced the scope of the regime’s central authority to a few square blocks of Beirut—is a recent example of an interregnum. During an interregnal period, all variables of authority characteristics are coded "77". Moreover, like the "88" and "66" codes, a "77" is entered for the year in which the interregnum began, regardless of the month of its origin, and for each year prior to the year in which central authority is regained or a new polity is established. Two caveats are associated with the "77" code:

(1) If the interregnum period results in the formation of a new polity, and it is less than a year, the period is usually incorporated without separate mention in the "transition period" of the next polity.

(2) If a country is occupied by foreign powers during wartime, terminating the old polity, then reestablishes a polity after foreign occupation ends, the intervening years are coded as an interregnum if a "new" polity is established.

For variables 2.1-2.9, missing data is denoted by "99".
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