Left Governments Distributive Strategies in Latin America and Southern Europe

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Chapter 1

Theoretical framework: distributive strategies in context

> "The Left Block and the Communist Party don't sit together. We negotiate with the Communist Party and then we go and negotiate with the Left Block. It's because when we formed government, it was a separate negotiation. The other part, I think it's because the Communist Party and the Left Block are not the best friends. And the Communist Party preserves this kind of relationship with the Socialist Party. (…) The Communist Party is like every Communist Party, a closed party. And I think we never had a socialist delegation in their headquarters like we had three years ago. (…) But I don't think it's possible to have a very strong 'we'll be together until the end'. And it will not be good for the left. I think that's the consensus among us [Socialists]. So that's fine, because everyone is keeping their promises. They vote against as many times. We know that, too". (high official at the Prime Minister Office, personal interview held in Lisbon, during January 2019).

This book is about the consolidation of different types of distributive strategies by left governments in Southern Europe and the Southern Cone of South America after the simultaneous transition to democracy and the market economy –the dual transition. Some left governments have relied exclusively on redistribution through the welfare state while others have also relied in wage policy as an instrument. Distinguishing between strategies advancing distribution through the welfare state (social policy) from ones advancing distribution through labor markets (wage policy) and welfare states invites to revisit the

political conflict of labor political inclusion in two regions with shared economic and political institutional roots (see Moore 1966; Stepan 1978).

Three factors shape left governments choice: left unity, the historical recognition of labor as a political actor and the beliefs of policy makers with regard to the employment-wage trade-off. Left (dis)unity is the main factor shaping distributive strategies, in particular with regards to wages, factor that is linked backwards with by the historical recognition of labor as a legitimate political actor before the dual transition and political decisions made by left parties or sectors during the dual transition. Left (dis)unity is linked forward, for shaping distributive strategies in the presence of labor-mobilizing parties or sectors, with the ideational importance macroeconomic equilibriums aquired for policymakers in attempting to conciliate employment and wage egalitarianism goals vis-à-vis the pre-transitional period may also generate disunity. I refer to this as the employment-salaries dilemma.

Why is the use of wage policy as an instrument for left-wing distributive strategies important? Wage policy refers to legislation of government action undertaken to regulate the level or structure of wages. Main policies in this area in our three countries have ranged from the setting of minimum wages to the centralization of wage bargaining above the individual level, either within firms, groups of firms or economic sectors. Unlike other policy areas, wage policy tends to affect the political interests of workers and employers alike. Under certain circumstances, wage policy may even activate a class-oriented cleavage reinforcing class-conflict. Two instruments are precisely central for understanding wage policy's potential effect on wage egalitarianism: bargaining centralization above the individual level and the mandatory character of collective wage bargaining. The latter only becomes relevant upon the presence of the former, as no wage regime imposes mandatory bargaining rounds at the individual level.

This chapter develops a theoretical framework that forms the basis for the analysis. Chile, Portugal and Uruguay offer the opportunity to track back the making of three different outcomes in terms of left governments' distributive strategies. In Uruguay, where left unity and a high recognition of labor's political legitimacy are in place, the employment-salaries dilemma did not become a salient issue in the shaping of the Frente Amplio (FA) distributive strategy. Left governments, then, have made the most extensive

use of wage policy having instituted mandatory centralized wage bargaining. In Portugal, the historical recognition of labor as a legitimate political actor but left disunity has resulted in a more reduced use of wage policy by means of minimum wage increases and eventual extensions of wage increases sectorwide, but the abosense of mandatory collective wage bargaining. In Chile neither labor has been historically recognized as a legitimate political actor nor the left remained united after the dual transition, left governments being as a result highly permeable to the employment-salaries dilemma. Consequently, their distributive strategy has relied mostly on the extension of non-contributory social policies and minimum wage increases.

The formation of distributive strategies by left governments

In the advanced industrial democracies as in our two regions, the growth in private sector service employment during the 1990s and 2000s, implied a requirement for greater flexibility in the lower end of the wages distribution, which produced greater wage inequality. For governments oriented towards wage-equality, the creation of employment in the public services appeared as an alternative, but at the cost of higher public expenditure and therefore either increased taxation or incurring in –short term– budget deficits. In the advanced industrial economies, such a path was followed mostly by the Scandinavian countries (see Huber and Stephens 2001).

Countries in the Southern Cone of Latin American or Southern Europe have been caught in the socalled "middle-income trap", mostly unable to compete with low-wage economies in manufactured exports and unable to compete in the arena of high-skill innovations.[1] Accompayining the transition from the industrial to the service economy, where the bulk of employment went to low-waged, low-skilled sectors such as tourism or wholesale and retail, labor policies oriented towards greater flexibilization were followed in Chile, Portugal and Uruguay.

My argument builds on previous work on partisan politics at the midst of the transition between industrial and service economies affecting advanced countries. At the

[1] For detailed accounts on the middle-income trap see Kharas and Kohli (2011) and Doner and Schneider (2016). For accounts on skills distributions and its' relationship with inequality in our two regions and the advanced industrial democracies see Bogliaccini and Madariaga (2020); Busemeyer (2014); Busemeyer and Trampusch(2012); Busemeyer and Iversen (2012)

dawn of the 21st century, a wide array of the literature proposed that the most important distributional cleavage for post-industrial democracies was one separating those supporting market allocations of wealth and risk from those favoring government efforts to alter such allocations made by the market (see Garrett 1998; Hall and Soskice 2001; Iversen 1999; Iversen and Wren 1998). There are important works also on the relationship between employment and wage egalitarianism under open market capitalism.[2] European centered scholars have maintained a vivid focus on specific important issues such as social pacts and corporatism.[3] These literatures have, also differently from scholars in Latin America, more decidedly explored the issue of intra-left differences or even conflicts related to welfare capitalism.[4]

However, we know little about the conditions under which different distributive strategies are plausible for left-wing governments outside advanced industrial democracies. My framework connects the classic dilemma about democratic socialism, masterfully depicted by Przeworski and Spargue (1988), with the more recent scholarship on the relationship between wages and macroeconomic equilibriums focusing on advanced industrial democracies (see Calmfors et al. 1988; Iversen 1999; Iversen and Wren 1998). Power resources theory (Korpi 1978, 2006; Stephens 1979) long ago sustained that strong left parties in long-term cabinet participation or state corporatist institutional traditions and confessional parties in intensive competition with left parties, have been the main causes of well-developed welfare states and coordinated market economies (see also Gosta Esping-Andersen 1985, 1990; Huber and Stephens 2001).

As left parties became electorally relevant actors in the post-transition period, in a context of redemocratization and global market competition, they have had to reconcile a distributive appeal with a macroeconomic stability appeal. The use of wage policy as a distributive instrument is dependant on how the left manages to overcome the ideational foundations of post-transitional austerity.[5] The left, the argument goes, needs to process

[2] See, among these works, Kitschelt (1994), Garrett (1998) Kitschelt et al. (1999) Huber and Stephens (2001), Pontuson (2005), Rueda and Pontusson (2000); Baccaro and Benassi (2017); Baccaro and Howell (2017).
[3] For example, see Afonso (2013); Avdagic (2010); Avdagic, Rhodes, and Visser (2011); Baccaro and Simoni (2008); Pochet and Fajertag (2000)
[4] See Fleckenstein and Lee (2017); Korpi and Palme (2003); Rueda (2007); Watson (2015).
[5] See Bremer and McDaniel (2019) and Bremer (2018) for a related argument focusing on social democratic parties in Europe.

this trade-off in the context of potentially divisive conflicts inherited from the past periods of political violence and radicalization during the dual-transition, which in turn are related to long-lasting strategies towards labor political inclusion during previous development model based on conservative modernization (see figure 1.1 below).

With the advantage of looking back from the post-liberalization period, it is possible to better understand intra-party conflicts over wage setting institutions, a paramount albeit understudied factor behind the different distributive strategies deployed by left governments in the analyzed regions. Focusing on left unity allows for understanding the opportunities and challenges in following different distributional paths. The question to be asked is on the kind of efforts governments are willing to make in order to alter the allocation of wealth made by the market.

Governments with a redistributive zeal are able to combine social and wage policies in at least three different types of strategies. These strategies do not consider the important aspect of the level of expenditure in social and wage policy as it is considered endogenous to the kind of strategy in which a left government has embarked. I take as an assumption that in the long-run, left governments would spend as much as possible in each of these two policies as the principles sustaining their chosen distributive strategy allows them to. These principles, during the first decades after the dual transition, are deeply rooted in how the proposed tradeoff is perceived by party leaders.

A strategy oriented to alter market outcomes concentrated on the use of social policy as the main instrument for redistribution –usually liberal-left coalitions *à la* Iversen and Wren (Iversen and Wren 1998)– is consistent with a wage policy in which wage bargaining is descentralized at the firm level and voluntary. A prime principle behind this strategy is that the use of wage policy by allowing either centralized or mandatory bargaining is incompatible with the maintenance of sustainable macroeconomic equilibirums.

Left-liberal distributive strategies appear, in this context, when corporatism gives way to a pluralist labor markets –as in Chile–, where labor unions are legally free to organize, bargain collectively, and agitate politically, albeit with very limited legitimacy. Left-liberalism is usually born from a broken relationship between left-parties and labor, which excludes labor from the political arena. Perhaps an iconic example is the British

Labor Party, which reconstructed itself during the mid-1990s, by seeking, for electoral and reprentational purposes, to build a coalition centred on the the middle class, distancing from its' long-term ally, the *Trade Unions Confederation* (TUC) (McIlroy 1998:559). This broken relationship is usually a consequence of a deep economic crisis, such as the cases of New Zealand, the abovementioned British case or even Chile. As in the last two examples, the break between the political left (or part of it) and organized labor may occur after events of political violence. Labor political participation, in the new contexts, may even be constrained by law. In certain settings, mostly liberal, labor's political activity is effectively constrained by law –the case of UK, many US states, New Zealand and also in Chile (Carnes 2015; Crouch 1993; Huber and Stephens 2001). In Chile, for example, the right to strike and strike protection are legally limited, while employers do not confront relevant legal constraints.

Left liberalism benefits from a politically excluded labor in order to soften pressures for incorporating wage policy into the distributive strategy. The sole use of social policy allows for avoiding the intra-left conflict over the always difficult amalgamation of labor and macroeconomic policy. It also guarantees governments will have more latitude over sudden needs to adequate budgetary expenditure to growth expectations at the cost of expenditure levels or more efficient budget allocation. This is not to say left-liberal distributive strategies do not confront budgetary pressures from insiders, but decentralized firm level wage bargaining allows for easier controls over these pressures. At least in the private sector.

Wage bargaining, under this strategy, is at the firm level and voluntary as distribution occurs mainly over a competitive principle in the market and governments only use social policy to alter market allocations of wealth and risks. While governments may still use mnimum wage policy, labor union density in these contexts tend to fall sharply as unions fail to be effective vehicles for political influence. This has been the case of the Chilean Concertación governments between 1990 and 2010. This outcome privileges competition over coordination.

Concertationist and *Neocorporatist* distributive strategies are plausible only when labor is considered a legitimate political actor –a necessary, not sufficient, condition. These two distributive strategies are oriented to alter market outcomes by using wage and social

policies, but with different emphasis on how to use wage policy, depending on whether governments believe organized labor will respond to the potential problem of wage militancy under contexts of economic restrictions. This is the case because any coordination-based equilibrium requires the nurturing of minimum levels of cooperation. This cooperation could be sustained or ad hoc but require minimum levels of linkages between labor and party leaders. While these linkages do not constitute coalitions per se, they do facilitate informal bargaining and improve communicational channels. Amable (2016), for example, finds the relationship between governments and its social partners to be of the most importance for understanding the differential strategies used by left and right governments for labor reform in France. In particular, for left governments opting out of outright decentralizing labor reform because its political base would not have accepted such flexibility increasing legal reforms. Fishman (2011, 2019) depicts the importance of cooperation for democratic practice over the long-run by analyzing the Portuguese and Spanish democratic transitions. Overall, the two strategies provide the moderate left with the necessary confidence, by different means, that using wage policy –other than a policy of minimum wages– as part of the distributive strategy would impose minimal risks to the macroeconomic management of the employment-salaries dilemma.

Under *Concertationism*, left governments solve the perceived dilemma by binding labor's capacity of political strategy within institutions and rules. Social concertation implies for governments to formally share power with non-elected actors in institutionalized settings. Democratic governments with power to decide over institutional settings are driven by a combination of long-term policy goals and short-term goals related to satisfaction of their electoral constituencies (Garrett and Lange 1995; Iversen 1999; Przeworski and Wallerstein 1982). As Afonso argues (2013), concertation is driven by party-considerations on the side of governments. As an alternative to coalitional politics, in particular neocorporatism, social concertation could be preferred in contexts of party conflicts and the need to carry out reforms over contested issues.

Institutions are the boundaries that set the available space for the political game. A system of industrial relations is a system of rules, and collective wage bargaining stands among the most sensitive rules for production costs (Hayman 1975). Cooperation and competition are, in turn, two key elements of this political game, in particular for power

and resources distribution. Employers and labor cooperate for producing but compete for wages and benefits, among them and with governments. While stable societies with unchanged boundaries tend over time to accumulate more cooperation and organizations focused on collective action, cooperation is difficult to sustain when the game is not repeated, and mistrust increases as earlier argued for our two regions.

Governments share their policy-making prerogatives with unions and employers by formally institutionalizing a bargaining table (Baccaro and Simoni 2008, 1). In the case of Portugal, corporatist type of institutions –such as the Permanent Comission for Social Concertation –*Comissão Permanente de Concertação Social* (CPCS)– or the government's ability to administratively extend collective bargaining accords over entire sectors –*portarias de extensão*– became mechanisms for governments to give a framework for channeling labor or employers' demands while controlling the relevant policy agenda. Institutions like these have proved beneficial for sustained cooperation between organized employers and labor.

In the Portuguese case, wage policy has been mostly decided within the CPCS since the mid-1980s (Avdagic, Rhodes, and Visser 2011). Under such conditions, left-wing governments have used wage policy alongside social policy as distributive instruments but at times flexibilizing wage bargaining centralization or its' mandatory or voluntary character. This has been the preferred strategy by the Portuguese Socialist Party along the last three decades. Left governments have set minimum wages, usually backed by a social concertation agreement, but also used the extension ordinance (Baer and Leite 1992; Hijzen and Martins 2016). This outcome protects competition by binding coordination.

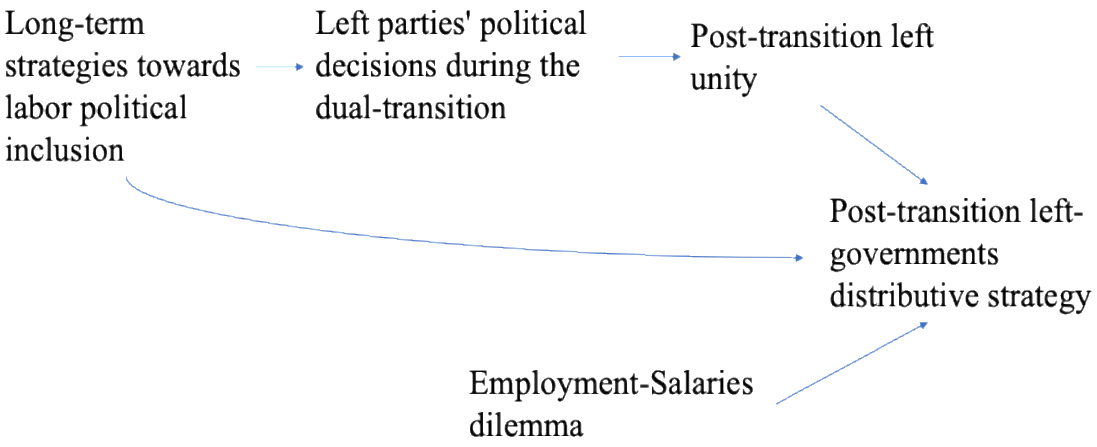
A *Neocorporatist* distributive strategy is based on a mandatory and centralized wage bargaining policy. Neocorporatism requires collective interests to be centralized and broadly-based instead of specialized and fragmented (see Streek and Kenworthy 2005). This strategy heavily relies on a strong party-labor coalition for dealing with potential wage militancy. This coalitional mechanism is only possible, a necessary but not sufficient cause, when no relevant divisions exist within the left. This has been the case in Uruguay under the Frente Amplio-PIT CNT coalition during the last three decades (see Bogliaccini 2012; Etchemendy 2019a). The FA distributive strategy has heavily relied on wage policy based on semi-centralized and mandatory collective wage bargaining and the use of social policy.

This outcome imply competition through strategic coordination as proposed in the verieties of capitalism literature (see Hall and Soskice 2001).

Explaning variation in left governments distributive strategies

The explanation for the development of distributive strategies has two broad building blocks. First, left unity after the dual transition is a function of large-scale governments strategies towards maintaining the political stability of ruling elites -the homeostatic process- while processing labor political inclusion -the emerging tension- on the one hand, and how left parties' political decisions during the dual transition amid economic and political regime changes shaped their long-lasting relations and with labor. Second, party preferences over wage policy are usually stable, as also tend to be wage policy regimes. Left-wing governments preferences are also pondered by the abovementioned issues of fiscal orthodoxy and macroeconomic equilibriums; which have grown in importance during the past three decades as production regimes in our regions have had to adapt to open market capitalism. This explanation, as Stinchcome (1968) proposes for any historicist explanation, has a functional form based on the proposed building blocks, illustrated in figure 1.1.

Figure 1.1. Proposed Causal Framework for understanding Distributional Strategies



A first building block is about long-term strategies for maintaining political stability while accommodating labor political inclusion. The consideration of the large-

scale relations between government and labor are important because of two reasons. Thoeretically, the state structures political, social and economic orders in any country. Governments, in turn, shape the state. The structuring of political, social and economic orders is done by institutionalizing values and concentrating power in the hands of those groups that believe in those values (see Stinchcombe 1968). Large-scale historical processes tend to generate cultural legacies (see Fishman 2019a, 1).[6] This idea of cultural legacies could be applied to the notion of "political practice" in order to name large-scale historical processes. Long-term political practices on the part of democratic or authoritarian governments regarding labor political inclusion strengthen cultural legacies. This path dependent process generates an homeostatic institutional equilibrium that is put in tension by the procecess of political inclusion of new groups, such as labor.[7] The importance of accounting for this large-scale process comes from the fact that the three countries show an impressive inertia with respect to strategies towards labor political inclusion after the dual transition.

South American and Southern European societies have historically had difficulties in dealing with cross-class conflict and compromise. While social democratic regimes in Scandinavia gradually found suitable coordination mechanisms by the end of the interwar period, and Northern Continental Europe began a successful coordination path after the demise of fascism at the end of WWII, our two regions continued having major difficulties up until the late 20th century. Looking back to the 20th century, the different expressions of conservative modernization, as defined by Moore (1966:xii) as revolutions from above, from the elites to non-elites –in contraposition to communist revolutions from below– had a common ground in the use of top-down control mechanisms to guarantee an ordered advance towards state-defined goals such as modernization and industrialization. This, as suggested, is opposed to the tolerance of conflict in daily politics, as proposed by Dahl (1971); or the idea of the need for mutual tolerance between political adversaries as a necessary condition of democratization (see Linz, 1978).

[6] Fishman (2019) proposes the concept of "democratic practice" as cultural legacies of large-scale historical processes in his analysis of Iberian pathways to democracy during this period.
[7] This framework is also useful for other societies or other periods, for example, for accounting for incorporation procecess of ethnic minority groups, women, or the LGBT community.

South American and Southern European states have historically departed from classical liberal or Marxist approaches to conflict. There is a diverse literature stressing the importance of Roman Law, medieval natural law and catholic social philosophy in shaping the state in these two regions.[8] In the effort for defining organic-statism, as opposed to the Marxist or plural-liberal states, Stepan (1978) provides useful categories for shedding light over the issue of conflict in these societies as well as the building of labor political legitimacy. Particularly useful are the ideas of the importance of the community vis-à-vis the individual and, following from this, the idea of a societal common interest and common good the state defines and pursues. Stepan proposes that albeit not intrinsically anti-democratic, "the idea of the common good lends itself to nonliberal legitimacy formulas for two basic reasons: being the common good known by "right reason", there is no need for procedures. Second, the pursuit of the common good, not elections or representation of group interests, is the measure by which the legitimacy of the state is evaluated" (Stepan, 1978:65).

The 20th century witnessed gradual and non-linear processes of labor organization and political inclusion in Southern Europe and South America, as depicted by the seminal works of Crouch (Crouch 1993a) for Europe or Collier and Collier (1991) for the pre-transitional periods. This book draws from these two seminal works for the analysis of this first building block. During early democratization attempts, states had the challenge to either accommodate or repel this new increasingly powerful actor.

Employers' intransigent attitude towards labor at the onset of the 20th century is a Western-wide shared characteristic and governments' attitudes towards labor activism based on repressive or malicious indifference were also widespread before the first world war, including cases such as Sweden or Norway. However, while by the interwar period, repression softened and employer's intransigence was mostly harneshed in central and northern Europe; in most of Southern Europe and Latin America repression continued and employers' intransigence did not moderate (see Collier and Collier 1991; Crouch 1993a;

[8] See Stepan (1978, p. 57) for a detailed account of such literature up until the beginning of the third wave of democratization. Wierda and McLeish (2001) make a similar argument for the particular cases of Spain and Portugal.

Luebbert 1991). This main difference has important consequences for our two regions in terms of the consolidation of mutual distrust.

Distrust was reinforced in our countries and throughout the 20th century by two complementary factors. A first one is rooted in the shared past strategy of inward industrialization. The two regions attempted inward looking industrialization with an important influence from Italian and Spanish corporatism. In heavily protected economies the state becomes a powerful bargainer with the ability to protect domestic sectors from global market perils. High levels of protection from external perils as well as subsidies from government, pose no incentives for business and labor to cooperate. The rationale for this is that the protected environment provides an opportunity to dilute distributive conflicts via subsidies and additional protections.

The second factor comes precisely from the subsequent period of political radicalization amid the dual transition. Political regimes nurtured in abundant protectionism suffered greatly under these transitions (see Huber and Stephens 2013, Bogliaccini 2019). The reshape of taxation, industrial relations and welfare schemes took different forms from gradual layering to radical displacement.[9] In economic terms, the transition towards open market capitalism took different forms, as depicted by Etchemendy (2011). With globalization came deindustrialization and an abrupt change in industrial relations, from corporatist schemes to deregulated ones (see Bogliaccini 2013; Carnes 2015). The neoliberal convergence hypothesis became dominant in the literature (see Roberts 2007, 2011 and 2013), similarly to how the hypothesis about the hegemony of embedded liberalism became dominant in Western Europe after World War II (see Keohane 1984). However, once again, industrial relations -and wage policy in paticular- evolved in different ways in the aftermath of the dual transition.

The contexts of democratic breakthroughs and backlashes, state modernization and the institutionalization of party competition were highly diverse across regions and countries within these regions. This diversity manifested in terms of political regimes, political stability and the source of this stability; namely whether the state incorporates or excludes from the political arena actors representing demands from non-elite sectors (see Huntington, 1968); actors challenging the values upon which the homeostatic equilibrium

[9] See Mahoney and Thelen (2009) for a conceptualization of institutional change.

rests. Of particular interest for my argument are strategies for conciliating stability with processes of labor political inclusion.[10]

The problem of political legitimacy, building from Lipset's (1959) definition of legitimacy, or the degree to which labor organizations are valued for themselves and considered right and proper as political actors, is theoretically important for understanding the prevalence of distributive strategies privileging elite's political domination or more cooperative scenarios where the distributive outcome is bargained between the political actors, employers and labor. In other words, for including non-elite groups in this process. The building of political legitimacy, over the long run, is a synthesis of large-scale historical processes of labor political activism and political responses to it.

Governments' responses to labor political activism shaped, over the decades, labor organizational path, political inclusion and, over the long-term and affect labor's ability to build political legitimacy. These responses varied from case to case but show important levels of stability when analyzed as large-scale historical processes. This is an important difference, with the partial exception of Portugal, regarding other regions as Scandinavia or even Continental Northern Europe, where responses to labor political activism changed between the pre-war and the inter-war years from indifference to outright repression, towards either labor accommodation under social democracy to violent repression and cooptation under fascism.[11]

In Chile, Portugal and Uruguay, these orientations ranged from outright political exclusion to the recognition of unions' as legitimate political actors (see Collier and Collier 1991; Crouch 1993a; Fernandes and Branco 2017).[12] Three dominant strategies for dealing with the increasing power of organized labor, maintaining order while minimizing conflict, are identified in the historical trajectories of Chile, Portugal and Uruguay: outright political

[10] Rosenblatt and Piñeiro (2018) provide an excellent discussion about party system adaptation to the incorporation of demands coming from different social sectors in the process of institutionalization with a focus on Latin America.

[11] Luebbert (1991) provides an excellent depiction of the development of labor political activism, the evolution of labor parties and state reactions to these processes during the pre-war and inter-war years. In particular chapters 5 and 6.

[12] Collier and Collier (1991) have provided the most influential and detailed account for the process of social incorporation in Latin America, with a particular focus on the initial incorporation of the labor movement. My work builds on their work for the understanding of the Chilean and Uruguayan states strategies towards labor during the first part of the 20th century.

exclusion (Chile), controlled coordination (Portugal) and elite-led consociationalism (Uruguay). The notion of political exclusion builds on Huntington (1968) idea that social order could be maintained in societies with high levels of inequality in terms of political power by elite-actors dominating other non-included actors, effectively inducing them to acquiesce in its rule offering them non or minimum levels of political inclusion in exchange. The notion of controlled coordination builds on Luebbert (1987) account about how authoritarian corporatism used state-subordinated associations as transmission belts to provide benefits and for coercion. Lucena (1976) and Schmitter (1999) underline for the Portuguese case the role of state-led unions (*sindicatos nacionais*) as substitutes for previously extant autonomous unions, monopolizing coordination. The notion of elite-led consociationalism builds on Lijphart (1969) definition of consociational democracies as those with high levels of social segmentation but also high elite cooperation, which achieved democratic stability.

Back to our three cases, mostly after the effects of the 1929 economic depression, these strategies grew stable and became dominant; decisively influencing labor and left parties' political strategies in the decades to follow. This large-historical process of governmental responses to labor political activism shapes labor organizational path and over the long-term affects labor's ability to build political legitimacy, which is analyzed in Chapter 2. This is not to argue that these strategies were exclusive until the dual transition, but highly dominant. While, for example, Chile experienced brief periods in which governments explicitly attempted to incorporate labor into the political arena, Uruguay also experienced brief periods of political exclusion or even repression of labor (see Collier and Collier 1991). I argue that these strategies rooted deeply into the political culture in each country, shaping the opportunities and limits for labor political inclusion even after the dual transition, as Chapter 5 analyzes.

A second component to our first building block is how the harsh political conflict that occurred around the dual transition, which in our three countries included radical regime changes, affected left unity in the decades to follow, in particular for our story between Communist and Socialist parties. This unity or divide would also affect left-labor relations for decades.

By the late 1950s, important changes in the political scenarios in our three countries greatly debilitated previously stable governments' strategies. Left parties, growing in electoral strength during the last three decades of the century, entered the political scence in a context of high economic and political uncertainty. Left-wing revolutionary ideas and right-wing authoritarian reactions deteriorated democracy in Chile and Uruguay while contributed to the demise of the Portuguese Estado Novo. Left parties' political strategies during this period would affect left unity.

Left labor-based parties, mostly Communist and Socialist ones, became –more or less gradually– central political actors in a context in which political instability led to regime changes in the three countries by the early 1970s, albeit in different directions. While Portugal inaugurated the third democratization wave with the 1974 Carnation Revolution, Chile and Uruguay experienced a democratic breakdown in 1973 followed by a long period of authoritarianism under the military led Bureaucratic Authoritarian regimes (O'Donnell 1996). While Uruguay joined the democratic wave by 1985, Chile did it only by 1990.

Left unity during this second period, analyzed in Chapter 3, is affected by two factors. First, bold political divides within left parties over political strategy during the period, which at times involved political violence. Attitudes towards democracy and the capitalist economy also varied greatly, both between the three cases and within the Portuguese case. The labor mobilizing left, and labor itself, were more prone to an economic or political regime change during this second period where previous strategies towards labor political participation were more restrictive or directly repressive. In Chile, the Unidad Popular (UP) government (1970-1973) attempted to move the exhausted production model towards democratic socialism. The divide between the Portuguese Communist Party (PCP) siding with the radical sectors within the Armed Forces Movement (MFA - Movimento das Forças Armadas) and the Socialist Party (PSP) siding with the moderated sectors in the MFA about the direction of the political transition between 1975 and 1975 illustrates this factor (Costa Pinto 2008; Fernandes and Branco 2017). The 1976 Constitution has been also argued to be committed to the construction of a socialist economy (Brito and Carreira da Silva 2010). Albeit the Allende's experiment on democratic socialism was harshly repressed, or the PCP move right after the Revolução

dos Cravos was rapidly neutralized, left parties in the two countries found their way as relevant political actors after the dual transition. In Uruguay, left and labor remained less active politically, not taking part in the Tupamaro's guerrilla violent action (1967-1972).

Second, in the context of violent reactions from political opponents that included harsh repression, the ex-post self-constructed imaginary over the role the political left and organized labor had during the period will contribute to the left unity or divide. Repression towards politicians and party activists contributed to affecting left unity in both directions. While in Uruguay it contributed to the strengthening of the Frente Amplio, in Chile and Portugal it aggravated political divisions within the left. A Chilean Socialist Congressmember put it succinctly during a research interview: "we are the offspring of the Popular Union, of defeat and collapse. We have two things in our genes: we reject inflation and fiscal deficit, and we are afraid of social disorder when there is a crisis." (Interview with Socialist Congressmember, 2010).

Consequently, outcomes in terms of left unity varied from case to case. The Socialist and Communist parties remained united under the umbrella of the Frente Amplio (FA) in Uruguay, which allowed for the FA to become a labor-mobilizing actor in the post-transition period (see Roberts 2013b). In Chile, the Concertación coalition, which included as main partners the Socialist and Christian Democratic parties explicitly radiated the Communist Party. This divide also debilitated the center-left coalition opportunities to remain a labor-mobilizing political force, as the UP had been before (see Luna and Altman 2011; Roberts 2007). In Portugal, the left divide between the Socialist and Communist parties marginalized the Communist party from the inner party system (see Bosco 2001; Morlino 1986).

Still a third component to the first building block is the intertia pre-dual transition strategies towards labor political inclusion have showed in the three cases. Democracy rooted in our three countries and, in spite of the important political tensions during the dual transition, previous strategies adapted to democracy, sustaining the causal loop by which political elites balance labor political inclusion and political stability. While neither, exclusion, nor authoritarian corporatism, nor elite-led consociationalism survived the transition, post-transitional strategies are meaningfully rooted in the old ones.

The use of law provisions for limiting labor political inclusion continues to be a prime mechanism for limiting labor political inclusion in the case of Chile –for example in the right to strike or the right to replace a worker during a strike or for the employer to be able to produce a lockout. In Portugal, top-down corporatist institutionalized control disappeared, but governments still use institutions to bind labor's political power. The creation and active use of the Permanent Comission for Social Concertation (CPCS – Comisão Permanente de Concertacão Social) allows for such an euqilibirum between stability and labor political inclusion. Institutionalized concertation in democratic Portugal is wholly democratic, not authoritarian, not top-down and not deliberately repressive; being a prime instrument for the remarkable expansion of social protection and the welfare state. In Uruguay, elite-led consociationalism during the two pre-transition Batllista coalitions gave place to a neocorporatist coalition between the FA and the PIT-CNT after the transition, and even informal but continued dialogue between center-right governments and labor.

The second building block is that in the new service economy scenario, left-labor relations became a defining factor for left-governments willingness to risk governability in favor of advancing wage policies oriented towards greater wage equality, in the context of a proposed trade-off between employment and wages. Party preferences over wage policy are usually stable. On a general principle, while governments willing to favor firms in the exposed sectors prefer decentralized wage bargaining, governments concerned with unemployment and wage equality –usually left-wing ones– prefer mandatory wage bargaining centralization (see Iversen 1999:103).

The use of wage policy as an instrument for distribution is closely related to the relationship between center-left parties or factions with a zeal for macroeconomic stability and labor-mobilizing parties or factions. In other words, left unity would affect the form left governments approached the use of wage policy as an instrument for distribution. The rationale for this is that left-wing governments not able to moderate labor activism or even far-left parties' activism and, in particularly, wage militancy, would not risk the use of wage setting mechanisms that would increase the political power of labor, such as centralized or mandatory wage bargaining. These governments may use the instrument of minimum wages but rely almost exclusively on social policy as a distributive instrument.

This policy dilemma, in the context of the post-dual transition, has been influenced by the fiscal orthodoxy predicated by external institutions in the two regions, such as the International Monetary Fund or also the European Union in post-2008 Southern Europe. The use of wage policy as a distributive instrument in this context –other than for setting minimum wages–, would depend on whether left parties in governments would follow suit attempting to consolidate etheir economic credibility in middle class voters or respond by advocating New Keynesianism in order to accomodate employment and wage egalitarianism.[13] Chapter 4 analyzes this proposed dilemma between salaries and employment for our regions throughout the exploration of the relationship between inequality, employment and relative prices. It ends with an analysis of governments response to this proposed dilemma by reviewing the rhetoric left parties in Chile, Portugal and Uruguay have used for referring to labor unions, welfare expansion and market coordination.

Under its' original formulation, this employement-salaries dilemma is rooted on the new constraints the de-industrialization process beginning in the 1970s posed on left-wing governments in advanced political economies. During the industrial expansion period, in the 1950s and 1960s, governments pushing for wage-egalitarianism did not confront compromises in terms of employment creation, as proposed by the Rehn-Meidner model (see Erixon 2010; Meidner 1974; Rehn 1985). Neither did governments under inward-looking industrialization in Southern Europe and South America.

Chapter 5 analyzes how the three proposed factors –left unity, the historical recognition of labor as a political actor and the beliefs of policy makers with regard to the employment-salaries dilemma– combine in affecting the left governments use of wage policy as an instrument in their distributive strategies. This analysis is done by reviewing each case's most important milestones in terms of labor and wage policy since the end of the dual transition. A main policy arena for understanding cooperation dynamics among social and political actors, and how the proposed trade-off is politically processed is precisely the labor relations arena, in particular wage policy. This is for two main reasons. First, labor relations tend to be instrumental for improving labor's political inclusion.

[13] See Bremer (2018) and Bremer and McDaniel (Bremer and McDaniel 2019) for a detailed overview of this dilemma with a focus on Wester-european social democratic parties to the austerity dogma.

Second, wage policy in particular is a prime source for distribution as wage bargaining shapes the pre-tax and transfer income distribution. As such, it shapes both the tax base and the demands on the welfare state. Under conditions of wide coverage and solidaristic wage bargaining, the tax base will be wide and demands for social assistance and anti-poverty policies should be lower.

The analysis of these policy instances reveals the outcome in terms of the consolidation of a distributive strategy and the bargaining processes that modeled them throughout three decades. The analysis of the evolution and combination of the three factors inform the circumstances under which these bargaining processes took place, helping our understanding of political opportunities and limitations in each case. Cooperative dynamics emerging from continuous processes of labor and wage policymaking after the dual transition obey the three analyzed factors, being at the basis of left-wing distributive strategies.

Putting the building blocks together: Chile, Portugal and Uruguay

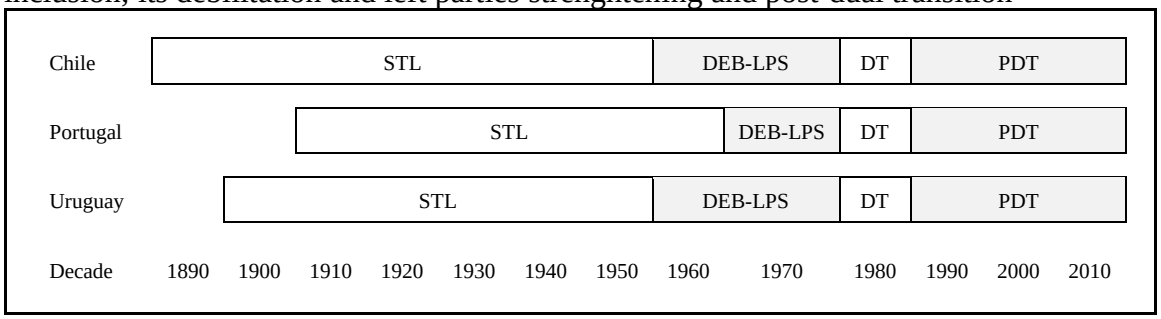
Chile, Portugal and Uruguay unveil three relevant evolutionary paths in left-governments distributive strategies coming from conservative modernization to the open market economy. The cases are relevant as left unity meaningfully varies during the aftermath of the dual transition, and how these different scenarios interact backwards with strategies towards labor political inclusion and left parties' political decisions and strategies during the dual transition, and forward with the challenges for successfully promote employment and wage egalitarianism.

While Chile allows for understanding the effects of a divided left amid liberal institutional arrangements in a context of decentralized and voluntary wage bargaining; Portugal allows for understanding the effects of a divided left amid corporatist institutional arrangements and centralized but voluntary wage bargaining. Uruguay, were less radical regime changes were attempted during the dual transition in comparison with Portugal or Chile, allows for understanding the effects of the gradual and successful building process of a neocorporatist distributive coalition after the dual transition.

As can be seen in figure 1.2, the different periods which are relevant for the analysis of the argument partially overlaps. It is important to be rigorous in each case and for

building the comparative story about when each period begins and ends. In two of the countries, Chile and Uruguay, strategies towards labor incorporation began to form at the turn of the century, with the end of the civil war in each case. In Chile the Civil War ends in 1891 and the period between then and 1958 consolidates a strategy towards labor political inclusion based on political exclusion based on three main insruments: franchise restrictions, repression towards labor and the outlaw of labor or even party organizations (see Haindl 2007). In Uruguay, this period begins in 1904 with the end of the civil war and the beginning of a period of intense social reforms. Governments' dominant streategy towards labor political inclusion would be based on elite-led consociationalism. In Portugal this period begins only with the First Republic in 1911, with a consolidation of the state-controlled coordination strategy during the Estado Novo period. Chapter 1 discusses when within this period each strategy becomes dominant as well as when this dominance is partially debilitated within the period.

Figure 1.2. Chronological overview: Consolidation of strategy towards labor political inclusion; its debilitation and left parties strenghtening and post-dual transition



Notes: STL = strategy towards labor political incorporation consolidation; DEB-LPS = debilitation of STL & electoral strengthening of left parties; DT = dual transition; PDT = post-dual transition period.

Chapter 3 explores the decline of previously dominant strategies and the electoral strengthening of left parties and their strategies and political decisions at the onset of the dual transition, during a period of political radicalization. This decline begins in 1958 in Chile, with the first of several important vote franchise extensions. Left parties became electorally stronger after moving away from a position of collaboration with centrist parties, with the formation of the Unidad Popular alliance and its' electoral victory in 1970. In Uruguay it also begins in 1958 with the electoral victory of the National Party for the first time in 93 years, which signals the beginning of the demise of the pro-labor *neo-*

batllista coalition. A gradual process of political interests' centralization ocurrs in the labor movement and the political left in parallel, ending with the creation of a labor central in 1966 and the Frente Amplio party in 1971. In Portugal this period begins with the replacement of Salazar with Caetano as Prime Minister in 1968, which was followed by a set of reforms allowing higher levels of political mobilization. The Carnation Revolution in 1974 ends with the Estado Novo.

The dual transition is situated between the late 1970s and the 1980s in each country. In Chile, it begins with the neoliberal turn during the military regime and ends with the transition to democracy in 1990. In Uruguay it is situated between the economic liberalization plan of 1974 and the transition to democracy of 1985. In Portugal the period begins with the Carnation Revolution of 1974 and ends between the 1986 accession to the then European Community and the 1989 reform of the 1976 Constitution, which opened the door to re-privatizations. During this period, the country made a clear shift from direct state intevention and ownership to an open market orientation, ushering in a large repriviatization program and ending the previous dominant labor protecting strategy based on strong public sector employment, high employment protection legislation but weak unemployment protection (see Bermeo 1999; Branco and Costa 2019; Clifton, Comín, and Díaz Fuentes 2005). Chapters 4 and 5 analyzes different aspects of these periods regarding the making of left governments distributive strategies.

a. The exclusionary basis of left liberalism in Chile

In the case of Chile, the tendency to exclude labor form the political arena has a longer history that goes back to the beginning of the 20th century (Collier and Collier 1991). Exclusion has been a prime political mechanism for the elites to maintain order (see Baland & Robinson, 2008; Gamboa & Morales, 2015 for similar analysis of exclusionary mechanisms in Chile during the period). Some key elements of this long-lasting mechanism are the important restrictions to vote franchising kept up until the end of the 1950s, legal restrictions and even repeated bans on labor confederations during the first part of the 20th century, a ban on the Communist Party during the 1940s -contemporary with similar bans in other western countries, for example the attempts to hinder the organizing effort of trade unions during the years before the New Deal in the United States (Griffin, Wallace, and Rubin 1986). Towards the end of the century, important legal restrctions to labor political

strategy capacity -alongside harsh repression– were instituted by the 1980 constitution during the Bureaucratic Authoritarian regime.

In spite of this overarching tendency, organized labor in Chile has been the strongest among the three cases during most of the 20th century. As analyzed in Chapter 2, the labor movement under the Labor Confederation (CTCh) became part of the coalition supporting the Popular Front and Alianza Democratica governments between 1938 and 1947; and again, during the Popular Union government between 1970 and 1973. However, these spurts of political participation were met by new periods of political exclusion. Moreover, even during these periods labor suffered from legal restrictions and eventual repression, as analyzed in chapter 2 (see also Cavarozzi 1975; Collier and Collier 1991; Valenzuela 1976).

The period between 1958 and 1973 witnessed a marked change in the Chilean political system with the growth of the Christian Democrats as a center party competing with the Communists and Socialists for the political alliegance of labor (Collier and Collier 1991; Luna, Monestier, and Rosenblatt 2013; Raymond and Feltch 2014). This change, as analyzed in Chapter 3, was accompanied by growing political instability and conflict during a period of elite divide.

The relationship between the Socialist party, the Communist party and the organized labor movement broke up after the Allende government (1970-73) and the subsequent military repression in the context of the Bureaucratic Authoritarian regime. The attempt to socialize the economy by the Unidad Popular (UP) coalition (1970-73) was met by a military coup in 1973. After a 17 year-long military rule, the center-left Socialist Party built a formal coalition with center Christian-Democratic Party (PDC) –the *Concertación de Partidos por la Democracia*, excluding the Communist Party (Roberts 1995). As many Concertación relevant political figures would state during personal interviews held in Santiago between 2008 and 2019, this electorally successful center-left party-coalition that governed the country for twenty years after the dual transition was "born out" of the failure of Allende's Unidad Popular (Popular Unity – UP). As such, this political organization, continuously avoided class-based conflicts, prime among which is the distributive conflict.

The democratic transition, led by the military, maintained and included new dispositions oriented towards the political exclusion of labor and small political parties.

Issues related to limitations to the right to strike are salient among the former while the binomial electoral system maintained the Communist Party unrepresented in Congress until 2009.

The center-left Concertación governed between 1990 and 2010 as a coalition of parties organized in a professionalized and technocratic manner (Bogliaccini 2020; Flores-Macías 2012; Huber et al. 2006; Joignant 2011; Luna 2014; Pribble 2014). A party-labor alliance became much less likely, in spite of an erratic rethoric on the part of the Concertación, which proposed the centralization of wage bargaining in three consecutive labor reforms (1998, 2001 and 2006). With feeble societal roots (Luna and Altman 2011), distanced from organized labor and overall low mobilization capacity, electoral promises regarding wage policy were hardly implemented, mostly because of internal divisions about the effects centralized bargaining would have over the employment-salaries trade-off. The most notable example of this conflict between moderates is the 2001 reform under President Lagos (2000-2006).

Thus, the governing center-left coalition, which held office between 1990 and 2010, became a blueprint of a liberal-left coalition delivering high levels of redistribution through social policy but remaining true to the competitive equilibrium in terms of market coordination. The coalition grew detached from its' societal roots; eventually collapsing in spite of its past electoral success, around 2014.

b. The institutional basis of Concertation in Portugal

Concertation becomes an attractive alternative to coalitional politics in contexts of left disunity where organized labor is a legitimated political actor. Portugal meets these conditions. As argued by Fishman (2011, 2019:29), corporatist institutions facilitated a legal continuity during the transition towards democracy in Portugal. However, differently from Fishman's focus on democratic transitions, I look at the institutional basis of social concertation as the key element of such a distributive strategy on the part of left governments, precisely because of the insulation they provide to governments from labor militacy.

The institutionalized way out to the trade-off between labor political inclusion and political stability under the CPCS, with a clear advantage for the PSP in terms of governability, is a corporatist solution. While the Estado Novo built corporatism under

authoritarian rule, it opened the door for institutionalized participation of –at the time coopted and usually manipulated– labor and employers. This type of regime subordinated associations to the state, using them as transmission belts to provide benefits and for coercion (Luebbert 1987, 450). I label this strategy as "controlled coordination". By doing so, as analyzed in Chapter 2, the Estado Novo legitimized institutionalized –highly restricted– participation in vertically organized unions (see Fernandes and Branco 2017; Schmitter 1999).[14] Fernandes and Branco (2017) precisely explain how some of the institutions created in the Estado Novo, in particular in the electoral and welfare arenas were somehow inclusive. Even the repressive institutions created by the Estado Novo for the control of workers allowed for some strength in the union movement and, in particular were functional in pushing workers under the influence of the Communist Party. Under democratic rule, some decades later, this previous experience would facilitate the incorporation of a conflictive labor as a legitimate actor into a state-led concertationist formula.

A key difference between traditional authoritarian regimes and fascist corporatism is precisely with respect to their attitudes towards political participation. Authoritarian corporatism organizes political participation hierarchically from the top, usually in state-created corporations, which was the case in Portugal during the Estado Novo (Madureira 2007; Schmitter 1974, 1999; Wiarda 1973, 1974). This type of political participation did not legitimize labor organizations at the time, which were mostly state-managed puppets. However, over the long-term, continuous political participation did legitimize labor as a political actor. It is important to underline the analytical differentiation between the legitimation of labor as an actor –which was given a seat alongside employers, whichever the level of political leverage– and the legitimation of labor organizations. This differentiation is instrumental to the argument. The gymnastics of continuous bargaining alongside governments and employers, albeit within authoritarian corporatism, would be functional to the perceived legitimacy of labor as an actor after the dual transition. This is an important difference with the Chilean case.

[14] For a seminal work on the differences between authoritarian and totalitarian regimes, and an analysis of political opposition in the two types, see Linz (1978).

After the dual transition, a narrow and radicalized alliance between the Communist Party and organized labor (CGTP) –with the eventual intention to block the democratic opening process at the onset of the 1974 Carnation Revolution– closed the door for a wider alliance with a center-left Socialist Party with a defined democratic zeal and office seeking strategy (Costa Pinto 2008; Fernandes and Branco 2017; H. P. Kitschelt 1994; Smith 2012).

This process of early radicalization even ended up breaking the labor movement with the appearance of a socialist-lining labor central (UGT). The revolutionary transition to democracy, as Campos Lima and Naumann (2011) argue, produced a long-term politicisation of unions. The two confederations –CGTP and UGT – grew politically opposed and party-aligned. The CGTP remained closely linked with the PCP while the UGT aligned with PSP and the center-right Social Democratic Party (PSD).

It would be precisely during this period that in 1984 a Central Block government led by a Socialist Prime Minister, Mário Soares, created the CPCS. In Portugal, it clearly has not been in the interest of an electorally viable Socialist Party to empower a radicalized, class-conflict oriented, or socialy distrusted labor movement (see Bermeo 1987; Fernandes and Branco 2017; Watson 2015). The party's office-seeking strategy was to moderate and seek moderated allies for government. It would be only as 2015 that the Socialist Party would for the first-time form government with the Communist Party and the Left Block. In the two regions, this usually translated into que question about the viability to have the far left as a viable partner (see Bosco 2001 for Southern Europe, Roberts 1995 for Chile). This is because macroeconomic equilibriums need to be negotiated within the governing party.

Though the CPCS consolidation was not immediate and even CGTP participation only began a few years later, this institution designed for social concertation and inspired in the corporatist past hosted an almost decade-long negotiation over labor relations institutions ending up in the 2003 Labor Code. Reform coalitions have historically included the UGT, to whom Lima Campos and Neumann argue (2011) governments and employers have made concessions disproportionate to its organisational power.

Portugal experienced a big shift in terms of its' economic transition towards the open market economy with the European Community accession in 1986 and the 1976 constitutional reform of 1989 opening the door to re-privatizations. The 2003 Labor Code

wage policy outcome became a voluntary semi-centralized wage bargaining setting, accommodating important flexibility levels for government as it has the authority for deciding over the extension of collective contracts sector wide. This instrument –contract extensions (portarias e extensão)– has been strategically used -or not- by left (right) governments during the period (Chapter 5). This institutional setting secures social concertation without a need for coalitional politics in a context in which both a divided labor as well as a divided left would highly endanger such an outcome, at least in a sustainable manner. As analyzed in Chapter 5, the institutionalized concertation has been at the center of Portuguese politics after the dual transition. Even when governing with absolute majorities, the PSP and PSD have promoted social pacts.

c. The elite-led consociational basis of neocorporatism in Uruguay

In 20th century Uruguay, political parties played a central role in representing employers and labor, which remained organized in many narrow organiations rather than few broad encompassing centrals of labor and capital. However, since the first Batllista coalition within the Colorado Party, at the turn of the century, an elite-led liberal-labor type of coalition helped the advancement of labor rights while maintaining under control an already weak and divided labor movement –along ideological lines between communists and anarchists. Employers' attempted political interests' centralization, but the ISI reverted the incentives towards a sector oriented lobby in the presence of government subsidies and particularized benefits, as it was the case in Chile and Portugal (see Bogliaccini 2019). In 1943, centralized wage bargaining at the sector level was sanctioned, reinforcing tripartite concertationism led by a dominant Batllista faction until the mid-1960. This type of cencertationism I label elite led concertationism as it was sustained by informal linkages between party and labor leaders instead of institutionalized from the government as in Portugal. While this arrangement constituted the most stable strategy towards labor political inclusion, mostly because of the hegemonic electoral dominance of the Colorado Party during the century, labor suffered periods of hostility or even repression.

In this sense, while the structural conditions for neocorporatism were absent in pre-dual transition Uruguay, this elite-led concertationist arrangement provided a similar function as interests' concertation provided levels of cooperation that allowed for the construction of social wellbeing (Streek and Kenworthy 2005). This elite-led

concertationist arrangements did not eliminate conflict, as it was neither the case even in the seemingly peaceful societies of Scandinavia, post-war West Germany and Austria; where the making of social policy continuously involved intense conflicts among different groups and classes (see Esping-Andersen and Korpi, 1984).

This long-lasting elite-led consociational arrangement debilitated in parallel with the exhaustion of the Batllista coalition, between 1958 and 1964, which signaled the need for labor to centralize its' political interests for gaining political leverage and also opened the door for the political left to gain political relevance. Elite-led consociationalism, however, legitimized labor as a political actor and opened the door not only for the left-labor neocorporatist coalition to form after the dual transition but also set a path dependent culture of dialogue between labor and political parties. Chapter 5 stresses the importance of this aspect for the post-transitional period, during which employers remained more intransigent than center-rght governments.

The Uruguayan Frente Amplio (FA) managed, contrarily to the previous two cases, to mantain left unity and forged an electorally successful party-labor alliance that moved industrial relations to the more complex but distributionaly effective arena of cooperation for market coordination. Since its' inception in 1971, the Frente Amplio was conceived as a the home of previously small left and center-left parties ranging from the Christian-Democratic Party (PDC) to the Communist Party. This amplitude, in particular the inclusion of the considered far-left parties, proved electorally costly to the FA during the 1980s and 1990s at the national level. The party's electoral grow was continuous but gradual. Differently from their counterparts in Chile and Portugal, the FA paid an electoral cost for including the far left in the coalition, communists and later on ex-Tupamaros.

However, after the electoral victory of 2004, the coalition formed by the FA and the PIT-CNT rapidly followed a neocorporatist distributive strategy by moving towards a centralized and mandatory wage setting mechanism at the industry level alongside increasing expenditure in the welfare state arena -due in part to a favorable context of unusually high commodity prices–,moving the game to one of market coordination. The possibility of consolidating such a distributive strategy is due also to the willingness of the moderated sectors within the FA to incorporate centralized and mandatory wage bargaining and accepting the challenge to maintain fiscal and moentary orthodoxy under this scenario.

Two prerequisies are in order for party-labor coalitions to consolidate in a globalized economy: labor needs to moderate its' demands, abandoning class-based rethoric; and left parties need to come to terms with the macroeconomic challenges of centralizing wage bargaining in open market economies. This has been the case for the FA and the PIT-CNT during the post-transition period. I argue that the Uruguayan experiment with neocorporatism has been possible due to the agreement of far-left parties or coalitions with high movilization capacity within the FA to gradually abandon class-based conflict in order to ally with the moderated left –which has lower mobilization capacity– mainly worried about macroeconomic equilibrium. The latter sectors within the FA, in exchange, were willing to provide macroeconomic governance under mandatory and centralized wage bargaining institutions in the context of open market capitalism. The elite-led consociational Uruguayan baggage played a role in these moderations.

The other important question is how and when these actors decide to make use of their opportunities for coalition building. Granting labor political power may generate electoral challenges for governments as labor may radicalize or just be considered distrustful by the median voter, in which case an alliance with labor may obstruct a party's preferred office seeking strategy. As Mares (Mares 2005) points out for the case of advanced industrial democracies, among unions are those that care about social policies and those that only care about salaries. While the former type may be willing to exercise wage restraint in exchange for welfare state expansion, the later one may exacervate wage militancy, producing eventually either profound internal conficlts inside a coalition or damaging the allied party electoral opportunities. As the analysis shows, union preferences for wage militancy or restraint may be simultaneously present even in a well-crafted coalition as it is the case of the Uruguayan Frente Amplio and organized labor. The labor central, PIT-CNT, regularly faces this kind of tension from member unions.

Book Contributions

The argument is innovative in that analyzes the linkage between long-term strategies towards labor political inclusion, left unity, the proposed employment-salaries dilemma and the form distributive strategies take after the dual transition. While previous works have advanced our knowledge of labor politics or the different types of left, this

book unveils the political economy of the distributive conflict in the transition out from conservative modernization and how it has had a direct effect on the prevalence of cross-class cooperative or domination-based arrangements.

In doing so, this book returns to the analysis of the linkages between policymaking and party-labor relations, in the tradition of the work of Murillo (2001) for Latin America or Watson (2015) for Iberia. While this is a line of research at the core of the social pacts' literature in Europe, it has mostly been shadowed in Latin America by the rise of the more short-term oriented scholarship on the left-turn.

Scholars studying labor reforms in Latin America after the dual transition have recognized the concentrated costs these reforms have had for labor movements in terms of union organization, membership and leadership.[15] There are also several and important contributions to the study of comparative party-labor relations for different post-dual transitions periods.[16] There is, however, a gap in the literature linking labor policy to the political economy of party-labor relations. In particular, while scholars have advanced different typologies for classifying left-wing parties and governments in the region, the role of intra-left conflicts over employment and wage egalitarianism have remained mostly unexplored in Latin America. The literature on industrial relations in Latin America has for the most part not incorporated Iversen's insights on distributional outcomes. While the left turn in Latin America revitalized a literature on the study of political parties and, in particular, the relation between parties and its political bases or societal roots in general; it moved away from the analysis of the distributive conflict under open market capitalism.[17]

By connecting these two literatures outside the realm of advanced industrial democracies, I problematize the politics of cooperation between elite and non-elite groups outside the usual group of consolidated industrial democracies, such as the ones in Southern Europe and the Southern Cone of South America. In doing so, I also build to the idea of the importance of political conflict in understanding market coordination

[15] See for example Madrid (2003) or Murillo (2000).
[16] See Levitsky (2003), Burgess (2010), Kitschelt et al. (2010), Roberts (2011; 1995, 2002), Levitsky and Roberts (2011), Cook (2010), Cook and Bazler (2013), Luna (2014), Rosemblatt (2018), Anria (2016, 2018), Etchemendy (2019b), Perez et al. (2019).
[17] See Levitsky and Roberts (2011) for a detailed account of the left-turn literature postulates.

mechanisms, and to the importance of considering the use of wage policy as a prime mechanism for distribution.

The framework moves beyond economic coordination towards the notion of a political conflict over distribution (see Bogliaccini and Filgueira 2011; Huber and Stephens 2013; Korpi 2006; Schrank 2009). While Europe centered scholars have provided important elements to consider how wage bargaining mechanisms outperform social pacts as vehicles for welfare expenditure within left-wing governments (see Brandl and Traxler 2005); this book contributes to theoretically understanding the political conflict ver distribution more broadly to the the literatures on welfare capitalisms, growth models and inequality.

The dual process of underlying cross-regional commonalities as well as the important differences in how distributive strategies are shaped by left-governments in Latin America also contributes to challenge the accepted idea of a unique model of capitalism in Latin America (see Schneider 2013). It is arguable, looking at the neoliberal period from afar, that the proposed concept of Hierarchical Market Economy (HME) as such hinders meaningful analysis of within region differences as well as important cross-region commonalities that would allow for an improved understanding of the political foundations of market coordination mechanisms in Latin America and Southern Europe. Perhaps, the idea of sustainable distributive strategies is instrumental in better understading relevant differences in terms of growth-models, possibly related to the distinction between export-oriented and consumer-oriented models (see Baccaro and Benassi 2017; Baccaro, Benassi, and Meardi 2019; Baccaro and Howell 2017) within Latin America and to feed the importance about comparing Latin America and Southern Europe. As proposed by Keohane (1984) for the post-WWII period in analyzing the evolution of Western-European capitalisms, large-scale historical processes meet short term factors -such as the Marshall plan or the Washington Consensus- in shaping the long-term building of distributive models.

Empirical Strategy

The book employs a combination of historical comparative, quantitative and qualitative analysis of the long-term conflict over distribution and the making of left governments' distributive strategies in Chile, Portugal and Uruguay.

Within a general comparative framework, the analysis is based on a controlled comparison of the three cases within the two regions (Slater and Ziblatt 2013). The country is the unit of analysis, the level where mechanisms connect causes to effects (see Ragin 1992; Stinchcombe 1968, 2005). Selecting the country level reflects my interest in the conflict over power and distribution; in capturing complex and meaningful processes where most coordination occurs. The overarching interest is in the interplay of long-term dynamics with short-term challenges governments confront –that is, in the causes of the differences in post-transitional distributive strategies.

Chile, Portugal and Uruguay are selected as case-studies because, in spite of their common heritage of conservative modernization and recent democratic stability, left governments in the three cases have followed different distributive strategies, which in turn illustrate three main avenues followed by the left in the two regions more broadly. This is, the three cases present important variation in the dependent variable (see Goertz and Mahoney 2012; Mahoney 2000; Seawright and Gerring 2008).

The empirical strategy has three main components. First, the analysis proposes a long-term historical comparison for the procecess through which labor gained political legitimacy during the 20th century and how political radicalization during the dual transition affected post-transition left unity and, consequently, party-labor relations (see Mahoney and Rueschemeyer 2012). History matters and the analysis of critical antecedents in terms of repeated attitudes towards labor political inclusion and how the left and labor react when the dominant coalitions are debilitated at the onset of the dual -transition is most critical for understanding present-day left governments' challenges for the use of wage policy as an instrument for distribution (see Slater and Simmons 2010). Chapters 2 and 3 engage in this large-scale historical comparison.

The second component is a within-case analysis of the post-transitional left-governments policymaking in the labor relations arena, in particular wage policy. This within-case analysis is relevant for increasing the internal validity of the comparative method, that is, to control that the hypothesized causal mechanisms are in place, when –as

it is often the case in the social and political world– the cases under study cannot be controlled perfectly on all relevant variables (Beach & Pedersen 2016; Blatter and Haverland 2012, 79).

Chapter 5 analyzes, from this within-case perspective, important labor and wage policy landmarks, reform attempts –both successful and usuccessful ones. Analyzed reforms and political events are selected for they allow for unveiling party preferences and, as such, to understand intra-left conflicts over wage policy and the role the perfecived trade-off between employment and salaries plays in it. In Chile, the 2001 and 2016 reform attempts advanced by the Concertación governments are telling of the conflict between sectors within the party coalition. In Portugal, the study of social concertation through the accords signed within the CPCS, the long-lasting process towards the 2003 Labor Code creation, the 2009 reform advanced by the Socialist government, and the use of wage accords extensions (portarias de extensão) by different governments allow for understanding the conflict between moderate and far left parties. In Uruguay, the 2007 reform but also formal and informal policy decisions following the 1991 suspension of collective wage bargaining capture the intra-party bargaining for conciliating employments and wage egalitarianism in the making of a distributive strategy.

The third component, which is embedded in the historical and within-case comparisons is the quantitative component. Chapter 4 analyzes the merits of the proposed trade-off between employment and wage egalitarianism by means of two econometric analyses of the relationship between employment and low-end inequality on the one hand, and relative prices and long-term inequality on the other. The first analysis is done by means of an Error Correction Model (ECM), while the second one is served by a Fixed Effects Model for panel data. The two approaches are fully explained in the chapter. The end of the chapter presents stylized data on the rhetoric on labor unions, welfare expansion and market coordination by left parties in the three analyzed countries. The data used comes from the analysis of party-electoral programs put together by the Manifesto Project (Volkens et al. 2019) and data on members of parliament in Chile and Uruguay from the PELA Project (Alcantara 2020).

In addition, in Chapter 5, the analysis of the internal divide in the Chilean Concertacion is served by the analysis of an original dataset on policy preferences of manifestos signatories. The analysis presented is the result of a logistic regression analysis.

When compared to any single approach, the combination of these methods and techniques permits greater generalizability, helping to establish causality through tracing links between events and actor's behavior in the historical narrative.

The data used for the analysis comes varied sources. The research for this book began in 2008 and ended in 2019. During this ten-year period, I did extensive fieldwork in the three countries, which included an extensive collection of historical and parliamentary documents as well as personal interviews. Between 40 and 60 interviews were done in each country between 2008 and 2019, for a total of 160 interviews with political and social actors.

I did archival research in the parliamentary libraries, national libraries and private libraries of different associations and parties. Around 200 documents in total were collected during the period from these different outlets, most of them referring to labor and wage policymaking. Press research was also done in the three countries. The strategy used for this was to collect all available press outlets for the main newspapers in each country around the period a particular reform or debate was occurring. A total of seven newspapers were regularly consulted with this purpose.

Finally, datasets were put together for the statistical analyses in Chapters 4 and 5, containing data from OCDE, ECLAC, EUROSTAT, The International Labor Organization, The World Bank, the Manifesto Project, PELA and an original dataset collected for the analysis of the Chilean divide within the Concertacion. Each analysis details the data used.

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