



CHAPTER 1

Introduction: Choosing Sides

“Down with garbage contracts!” This was the cry of millions of Spanish workers who went on strike on December 14, 1988 to protest the government’s economic reforms, particularly a proposed law that would enable employers to hire young workers under temporary contracts at less than the minimum wage.¹ Not only was it the first general strike since Spain’s transition to democracy in the 1970s, but it also pitted the governing Spanish Socialist Workers’ Party (PSOE) against its longtime ally in the labor movement, the General Workers’ Union (UGT), for the first time ever. In the months following the strike, commentators spoke of a “divorce” between the PSOE and the UGT that marked a watershed in Spanish politics.

Five months later, Venezuelan workers followed the Spanish example and held a general strike against the government’s austerity policies. The strike’s main organizer was the Confederation of Venezuelan Workers (CTV), which, like the UGT, had long been affiliated with the governing party, Democratic Action (AD). In contrast to what had happened in Spain, however, the strike in Venezuela did not lead to a divorce between the CTV and AD. Not long after the strike, AD leaders began to support the CTV’s opposition to the government’s reforms. Although they subsequently reimposed limits on antireform votes and mobilizations by the CTV, they never rallied strongly behind their own government. In May 1993, AD legislators voted with the opposition to seek the impeachment of President Carlos Andrés Pérez, who had taken office as the AD candidate in 1988, in the wake of two attempted military coups and ongoing social unrest. These events ultimately led to a transformation of the Venezuelan political system that threatened to destroy the party-union alliance.

The nationwide mobilization of workers in Spain and Venezuela contrasted

sharply with the “sounds of silence” emanating from Mexico (Middlebrook 1989), where the Confederation of Mexican Workers (CTM) reluctantly cooperated with market reforms by its longtime ally, the Institutional Revolutionary Party (PRI). Although CTM leaders complained bitterly about the government’s policies, they never mobilized workers against them. Instead, they collaborated on industrial restructuring in return for control over collective contracts, signed a series of anti-inflation pacts with business and the government, supported the negotiation of a free trade agreement with the United States and Canada, and campaigned for PRI candidates in elections. Collusion between the PRI and the CTM ultimately contributed to widespread disillusionment with the political system and a series of profound changes that, as in Venezuela, undermined the party-union alliance.

These vignettes from Spain, Venezuela, and Mexico illustrate a widespread change in the structure of interest representation in countries with historically strong alliances between parties and unions. For much of the twentieth century, unions were the most prevalent and influential instrument of collective action among subaltern groups, particularly in Latin America and Europe. They mobilized thousands of workers and helped them ascend the socioeconomic ladder. They also forged alliances with major political parties in at least two dozen countries. In the process, they often played vital roles in shaping the political regimes and economic development strategies that defined the societies in which they operated.

The centrality of unions as mediators between workers and the state began to decline as economic conditions and identities became more fluid in the late twentieth century. Heightened global competition, the collapse of Bretton Woods, and the information revolution all contributed to the rise of more flexible forms of economic organization. Capital became more mobile, the service sector exploded, manufacturers began to target niche markets with specialized products, small workplaces proliferated, and the skills and experience of workers became increasingly heterogeneous. Meanwhile, employers sought to reorganize production to confront “an unprecedented degree of economic uncertainty deriving from a need for continuous rapid adjustment to a market environment that seems to have become permanently more turbulent” (Streek 1987, 61).

These changes merged with the spread of mass-consumer culture, increased geographical mobility, the entry of previously marginalized groups into the labor force, and the emergence of “new social movements” organized around identity, citizenship rights, and community issues to erode worker self-identification with “the working class” (Pérez-Díaz 1987, 124). Identi-

ties fragmented and multiplied while the traditional base of union support declined as a share of the workforce. In addition, rising educational levels and access to the mass media, particularly television, reduced the control of unions and parties over political and economic information. As a result, unions lost much of their universalist appeal, confronted new and complicated issues in the workplace, and had to compete with other sources of information and identity among workers. They also became less able to deliver working-class support to their party allies, particularly during times of economic hardship.

In this context, even labor-backed parties had strong incentives to renege on their commitments to labor when in office. First, international competition and changes in industrial production undermined both the rationales and the resources for state intervention in the economy. Instead, governments found themselves under significant pressure to reduce the size of the state, liberalize price and factor markets, hold the line against domestic inflation, and enhance incentives for private investment.² As governments raced to create favorable conditions for firms to compete in an increasingly global and volatile economy, the “welfare state” gave way to the “competition state” (Cerny 1990). In the process, neoliberal technocrats gained influence within cabinets and government bureaucracies.

Second, the same uncertainties that led employers to seek more flexible forms of production encouraged parties to pursue more flexible strategies of coalition building. In a context of economic uncertainty, fragmented interests, and shifting identities, parties could no longer afford to be locked into commitments to a particular group, especially one likely to resist market opening. Moreover, most labor organizations could no longer deliver the kind of electoral support and legitimation the parties needed, particularly in an environment of fickle voters and media politics. Thus, labor-backed parties experienced pressures to diversify their coalition away from organized labor and appeal directly to individual voters, bypassing unions as intermediary organizations.

Faced with these conditions, many labor-backed parties adopted economic reforms in the 1980s and 1990s that were anathema to their traditional programs and strained their relations with unions and workers. Beyond the three countries discussed here, these parties included the Labour Parties in Britain and New Zealand, the Peronist Party in Argentina, the National Revolutionary Movement in Bolivia, Solidarity in Poland, the African National Congress in South Africa, and the social democratic parties in Germany, Sweden, and Austria. In many cases, the party’s turn to the market provoked an identity crisis for both organizations and further undermined structures of interest rep-

resentation in which unions had played a starring role. Party-affiliated union leaders often found themselves pulled in strategically contradictory directions. Either they remained loyal to the party by cooperating with the reforms, or they remained loyal to workers by resisting the reforms and, if necessary, abandoning the alliance. In short, they became caught in a “loyalty dilemma” in which they had to choose sides.

As we have seen in Mexico, Spain, and Venezuela, not all party-affiliated unions reacted in the same way to the party’s perceived betrayal. This book seeks to explain the variation in their responses, particularly across cases in which they lacked sufficient leverage to halt or reverse the reforms.³ This puzzle is important for three reasons. First, as suggested above, the fate of party-union alliances is inextricably linked to the structure of interest representation—and therefore the quality of democracy—in many countries. Whether these alliances survive, mutate, or die influences the mechanisms by which workers are either linked to or marginalized from the state. It also affects the future of labor-backed parties, many of which have played critical roles in their countries’ politics. For each of these parties, its evolving relationship with labor will have a decisive impact on its identity, coalitional strategies, and electoral prospects, often with implications for the party system as a whole.

Second, even though these unions could not fundamentally alter governmental reform programs, they all had sufficient bargaining power to extract some important concessions, including getting certain reforms placed on the back burner. The nature and extent of these concessions were partly results of the unions’ ability and willingness to challenge party authority. Thus, in order to explain the policy choices of labor-backed governments, we need to understand the strategic interactions that took place within the party-union alliance, as well as the fate of the alliance itself.

Finally, the strains placed on party-union alliances in recent years raise intriguing questions regarding the choices that organizational leaders are likely to make when they are placed in loyalty dilemmas. Any leader who is answerable to both followers and allies (or, for that matter, superiors in a hierarchical chain) is susceptible to becoming caught in the kind of conundrum faced by party-affiliated labor leaders. What determines whose side they choose? This book offers a conceptual framework for tackling this question. Although my explanatory variables are specific to party-union relations, my focus on relations of power and autonomy has relevance across a diverse range of cases.

Mexico, Spain, and Venezuela represent very different responses by labor leaders faced with similar challenges. All three countries were governed by

parties with historic ties to the labor movement in the 1980s and early 1990s. In Mexico, the PRI extended its half-century reign as the country's ruling party under the leadership of Miguel De la Madrid and Carlos Salinas. The PRI had been organically linked to the CTM since the 1930s. In Spain, the PSOE returned from decades of exile to govern as a hegemonic party between 1982 and 1993 under the leadership of Felipe González. The PSOE had been closely associated with the UGT since the 1880s. In Venezuela, AD regained the presidency in 1984 after five years in the opposition and governed until 1994 under the leadership of Jaime Lusinchi and Carlos Andrés Pérez.⁴ AD had dominated the CTV since the 1940s.

These parties all adopted reforms in the 1980s and early 1990s that imposed painful sacrifices on workers and unions. Their reforms included cuts in government spending, anti-inflation measures, price deregulation, privatization of state-owned enterprises, industrial restructuring, trade liberalization, flexibilization of the labor market, and welfare reform. In all three countries, the reforms subjected workers to wage austerity, unemployment, decreased job security, and cuts in social services. They also diminished the mediating capacity of unions by shrinking the size of the public sector and expanding the influence of neoliberal technocrats in policymaking circles. Moreover, the reforms appeared to signal a permanent shift by the parties away from their historic commitments to state-led growth and redistribution. Rather than presenting the reforms as short-term measures to rejuvenate the economy, their governments embraced them as necessary, if difficult, adaptations to a changed global environment.

Relatedly, the balance of power between the party and the union clearly favored the party in all three cases. The unions represented a relatively small share of the total workforce, were constrained by high rates of unemployment and/or underemployment, and faced obstacles to mounting unified labor opposition, especially in strategic sectors. A report by the International Labour Organization found that union membership as a share of the nonagricultural labor force was 31 percent in Mexico in 1991, 7.3 percent in Spain in 1985, and 25.9 percent in Venezuela in 1988 (ILO 1997–98).⁵ These low affiliation rates hindered the unions' capacities to impose major economic costs on governments and to withhold meaningful numbers of votes from parties. As a result, they lacked sufficient leverage to block or significantly alter the parties' policy agendas.

In all three countries, both the party and the union were highly centralized. National leaders generally made the key decisions, and lower-level leaders generally obeyed their orders. Although internal splits occurred, they were

unusual. In the rare event that a serious intra-organizational division took place, it almost always played out at the national level. Thus, each of the three cases involved similar processes of decision making whereby national leaders had the last word. Because their decisions served as a proxy for those of the organization as a whole, the fate of the alliance rested largely on their strategic calculations regarding the appropriate responses to the party's moves and countermoves.

Finally, despite these commonalities, labor leaders in each case responded very differently to the party's adoption of painful reforms. Their responses can be viewed as points along a continuum. At one extreme is the CTM's collaboration with the reforms, which translated into a sustained commitment to its alliance with the PRI. At the other extreme is the UGT's resistance to the reforms, which took the form of defection from its alliance with the PSOE. In the middle is the CTV's vacillation between collaboration and resistance, which strained but did not break its alliance with AD.

The divergent responses of disaffected labor leaders faced with similar pressures can be explained by two variables: (1) the relative power of the party and workers to punish labor leaders for disloyal behavior; and (2) the party's capacity to act autonomously from its own government. The first variable shapes the incentives of labor leaders to choose sides when the party adopts painful reforms and thereby places them in a loyalty dilemma. Their choice reflects who has the power to punish them most severely for betrayal. This power is a function of four institutional arrangements: (a) the legal framework governing industrial relations; (b) the structure of the labor movement; (c) the type of party system; and (d) the party's mechanisms for filling party posts.

The second variable determines whether the party can rescue labor leaders from their loyalty dilemma once it has been created. If the party is able (and willing) to oppose its own government and join labor in resisting the reforms, labor leaders will no longer have to choose between loyalty to the party and loyalty to workers. Instead, they can oppose the reforms with the party's blessing. But the party can only provide such relief if it has the capacity to act autonomously from its own government. This capacity derives from two institutional arrangements: (a) the location of supreme authority within the party; and (b) the spaces for intraparty dissent. If these arrangements give all or some of the party sufficient autonomy to challenge its own government, labor leaders may not have to engage in disloyal behavior at all. But if the party lacks this autonomy, they will have to choose sides.

Different relations of power and autonomy explain the divergent responses of disaffected labor leaders in Mexico, Spain, and Venezuela. Both the PRI and the PSOE lacked sufficient autonomy from their own government to join labor

in resisting the reforms, which meant that labor leaders in Mexico and Spain had to choose sides. But they made very different choices because the threats of punishment came from opposite directions. CTM leaders enjoyed significant protection from backlash by workers but were vulnerable to punishment by the party. By contrast, UGT leaders were relatively protected from retaliation by the party but were vulnerable to punishment by workers. Not surprisingly, CTM leaders remained loyal to the party while UGT leaders defected from the party-union alliance.

Venezuela presents yet another scenario. CTV leaders faced credible threats of punishment from both the party and workers, which created incentives for them to vacillate between cooperation and resistance. As described earlier, they held a general strike against the reforms but then retreated back to a more collaborative approach. Their restraint cannot be entirely explained by their fear of punishment by the party, however. In contrast to both the PRI and the PSOE, AD had sufficient autonomy to challenge its own government. It exercised this autonomy at a critical moment in party-union relations, thereby enabling CTV leaders to resist the reforms without behaving disloyally toward AD. Although the party eventually reimposed limits on the CTV's resistance, this period of relief gave labor leaders additional incentives to preserve the party-union alliance.