

Redistribution and inequality in Latin America:
the case of tax and labour reforms in Chile and
Uruguay (2003-2020)

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Abstract

This dissertation analyses the political economy of inequality in Latin America. A large part of the high inequality of this region is explained by the low redistributive impact of the state, especially in the areas of taxation and labour regulation. Hence, I study the factors that shape states' implementation of fiscal and labour policies with distributive effects. I carried out this analysis through a comparative strategy between Chile and Uruguay during 2003-2020.

My work is based on two strands of literature that have extensively analysed development and distribution in Latin America. On the one hand, there is an economically-focused literature coming from post-Keynesian studies, Latin American structuralism, and critical International Political Economy, which argues that the high volatility of Latin American economies generates an unstable availability of resources that would make it difficult to build stable political processes in the long term. On the other, literature more focused on the political-institutional factors and the role of actors has emphasised that the difficulties in building distributive processes are explained by regional weaknesses in consolidating stable but independent linkages between state and society that prevent individual capture and give institutional stability to agreements.

I argue that it is necessary to combine these two streams in an integrated way to understand how domestic political institutional factors shape the constraints of the global economy on domestic politics. The empirical analysis shows that since in Uruguay there is significant state-society coordination, distributive processes not only tend to be deeper than in Chile but also tend to be more stable even during economic slowdowns. In contrast, in Chile, the broad influence of business on the state and the low mobilisation of social actors determines a low level of state-society coordination, which generates distributive agreements that are less transformative and less stable than in the Uruguayan case.

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Author's Declaration

I declare that this thesis is a presentation of original work and I am the sole author. This work has not previously been presented for an award at this, or any other, University. All sources are acknowledged as References.

Introduction

This dissertation analyses the political economy of distribution in Latin America through the study of tax and labour policies with distributive effects in Chile and Uruguay. Inequality has been a particularly distinctive factor in this region in the long term. In fact, despite having experienced significant economic growth during the first decades of the 2000s, Latin America remains the most unequal region in the world. Although inequality can also be explained by market factors, most of the inequality that separates Latin America from developed countries is explained by the poor distributive role of the state, in particular, the weakness of tax and labour policies with distributive effects (Busso and Messina, 2020; ECLAC, 2022). On the one hand, the regressive tax structure determines that while in the countries of OECD, the Gini coefficient decreases 17 points after direct fiscal action, for 17 Latin American countries this same indicator drops only 3 percentage points (Idem). On the other hand, the rules regulating the extension of individual and collective rights are significantly weaker in Latin American countries compared to the OECD average, which also contributes to explaining inequality (Gamonal, 2022). Furthermore, although a set of labour and tax policies aimed at promoting more distributive schemes have been implemented in recent decades in Chile and Uruguay, these policies have been unstable and frequently modified over time, which inhibits their stabilization in the long term.

Inequality is manifested in multiple dimensions such as race, gender, social class, access to natural, cultural, and economic resources, and access to wealth and income, among others. However, in this thesis I only focus on analysing one specific axis of distribution: I study tax and labour institutions since they are central axes of distributive conflict in Latin American countries, characterized by regressive tax systems and labour systems that largely promote the deregulation of workers' collective rights and weak access to individual rights. Accordingly, I study in-depth the decision-making process that leads governments to modify fiscal and labour institutions to improve access to and distribution of resources through so-called '*distributive policies*'.¹ These policies increase the common good and at the same time seek to redistribute resources more equitably. In taxation, this translates into tax systems that collect more progressively by affecting the vertical distribution of income, while at the same time guaranteeing resources to implement other policies of common benefit. In labour matters, the distributive policy seeks to increase workers' rights both in terms of access to rights and social security and decent salary and working conditions. To this end, I select a set of fiscal and labour policies implemented during 2003-2020 that were carried out to affect distribution. I study the factors that shaped the enactment of these

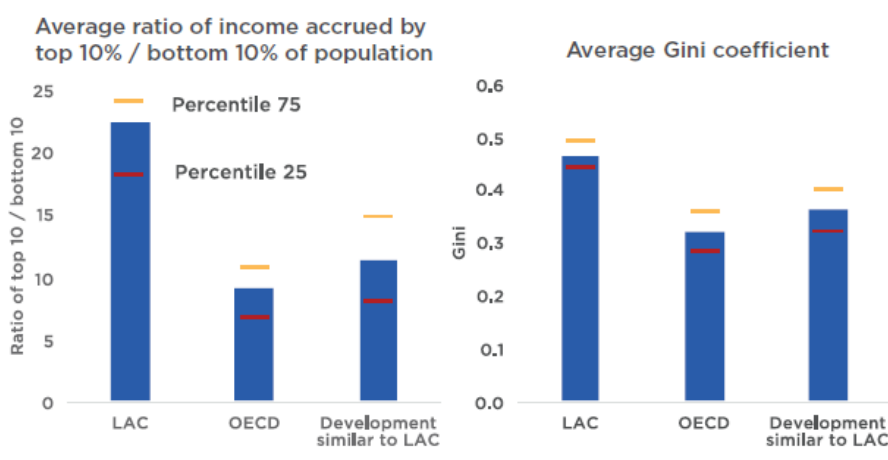
¹ In Latin America, some authors refer to this set of policies as '*distributive policies*' (Sanchez-Ancochea, 2019; Franzoni and Sánchez-Ancochea, 2016; Filgueira and Martínez Franzoni, 2017; Loureiro, 2020) while others, following other analytical frameworks, refer to them as '*welfare regimes*' (Barba, 2005), welfare states in Latin America (Holland and Schneider, 2017), '*social policy regimes*' (Pribble, 2011), among others. Although the denomination and conceptual frameworks vary, most of these authors refer to the same set of policies in terms of the provision of goods and services, regulation in social welfare, health, pensions, and tax and labour regimes. This set of policies affects access to resources, the common good, and the distribution of resources and wealth among the population.

policies, as well as the factors contributing to their stability over time or their eventual reversal.

Justification: the importance of distributive policies in explaining inequality in Chile and Uruguay

Although Chile presents higher levels of inequality than Uruguay, both countries follow the regional trend that places them above the inequality of most developed countries (Busso and Messina, 2020). Moreover, as in the rest of the region, inequality in both cases is explained by the scarcely distributive role of the state. The high inequality in Latin America is characterized by two central phenomena: its persistence over time and its high levels in the global context. Indeed, the richest tenth of the population captures 22 times more of the national income than the bottom tenth and the richest 1% takes 21% of the income of the entire economy, twice the average of the industrialized world (Busso and Messina, 2020). While during the so-called commodity super-cycle (2003-2013) inequality declined on average at an annual rate of 0.6 Gini points, once this cycle ended, the reduction in inequality slowed significantly again. Nevertheless, more importantly, even during these years characterized by the strongest regional economic growth in the 20th century, Latin America continued to maintain a significant inequality gap not only compared to the developed world but also with other regions with similar levels of development (See Figure 1).

Figure 1. High Income Inequality in the Region, around 2017



Source: Extracted from Busso and Messina, 2020: 17, based on World Development Indicators and the Socio-Economic Database for Latin America and the Caribbean (SEDLAC), housed at the Centro de Estudios Distributivos, Laborales y Sociales (CEDLAS), Universidad Nacional de La Plata, Argentina².

² This figure is based on the latest available data, which for most countries is 2017. LAC refers to Latin America and the Caribbean and includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, and Uruguay. The OECD group includes Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom, and United States. The group at a level of development similar to LAC's includes Albania, Algeria, Bulgaria, Hungary, Indonesia, Malaysia, Morocco, Philippines, Poland, Serbia, Thailand, Tunisia, and Turkey.

Literature on the subject has explained this long-term inequality by focusing on two main factors: the characteristics of regional markets and the regressive components of the state action. Though, evidence shows that the market effect explains only a small part of the persistence of the gap that separates Latin American inequality levels from other more developed regions of the world. Indeed, the average Gini of market income in Latin America is 0.515, while in the Organisation for Economic Co-operation and Development (OECD) is 0.488, making Latin American market inequality only 5.3 percent higher than in the OECD sample. It is only when the State appears on the scene that this gap becomes much larger; about 38 percent of the reduction in the Gini (from 0.47 to 0.29) of the OCDE countries is explained by the role of the state, while in Latin American countries this reduction is only 4.7 percent (from 0.51 to 0.48). This means that Latin American states have an eight times smaller distributive impact than that achieved by the OECD countries (Busso and Messina, 2020: 283).

The weak-distributive role of Latin American states is partially explained by social protection systems but also by the regressive role of their tax structures and the weakness of their labour regimes (ECLAC, 2016). Most Latin American countries collect less tax than would be expected given their income levels (Sanchez-Ancochea and Morgan, 2009). The high levels of tax evasion and tax avoidance, the low collection of personal income tax (2.2% of GDP in Latin America and 8.3% of GDP in the OECD), the high weight of indirect taxes (particularly VAT) and the low collection of taxes on wealth and property (the richest 10% in Latin America pay an average of 5.4% compared to 20% in the UE); explained the highly regressive Latin American tax structures (ECLAC, 2018; 2022). Poor and low revenue collection makes it very difficult to invest in development policies such as innovation and education as well as in infrastructure and robust social protection systems (Sánchez Ancochea, 2020; ECLAC, 2016). Following the regional trend, as Table 1 shows, Chile's and Uruguay's inequality is on average very similar to that of developed countries before taxes, but after taxes, the difference between the two groups of countries becomes very significant. Although inequality decreases more in Uruguay than in Chile after taxes, in both countries it is well above that of developed countries.

Table 1. Income inequality in selected OECD countries (2010), in Chile (2009) and in Uruguay (2010) (Gini coefficient)

	Before tax and transfers	After tax and transfers	Rate of change of the Gini coefficient (%)
Uruguay	0.50	0.42	-16
Chile	0.58	0.53	-8
Sweden	0.43	0.23	-47
France	0.48	0.28	-42
Germany	0.51	0.30	-41
England	0.46	0.34	-26
Italy	0.58	0.35	-40

Source: OECD data. Stat. Chile and Uruguay

At the same time, considering that 73% of total household income in the region is obtained through labour, what happens in the labour market is crucial to understand inequality in Latin America (Busso and Messina, 2020: 185). Productivity differences between economic sectors in dependent economies such as those in Latin America led to large wage gap³. But this inequality is also exacerbated by weak labour policy. The rules regulating the extension of the working day, minimum wage, weekly rest, access to social security (individual rights), as well as the access, extension, and coverage of Collective Bargaining processes (collective rights), are significantly weaker in Latin American countries compared to the OECD average, which also contributes to explaining inequality (Bosch et al., 2018; Kugler, 2019). Even though during the commodity super cycle, wage inequality was reduced as a product of a boost in domestic demand that favoured less skilled workers (Messina and Silva, 2018) and due to government measures aimed at increasing the minimum wage and greater formalization (Busso and Messina, 2020: 186), important structural weaknesses persist. More than 50% of workers in Latin America are working in the informal market, which means that they do not comply with regulations on minimum wages, social security, unemployment insurance, and sickness, among others (ILO, 2020: 41-46; ILO, 2022: 10-12). Labour policy affects inequality not only through the role of the minimum wage but also through access to health insurance and contributory pensions that are generally associated with formal employment. Moreover, Collective Bargaining processes often involve access to fringe benefits (insurance, monetary supplements, services, etc.) that also have an impact on inequality.

It should also be noted that the inequality that characterises Latin American economies is closely linked to crises. As Sánchez Ancochea (2020, Chapter 3) points out, high inequality has often contributed to excessive indebtedness that has generated a greater tendency to crises, and at the same time, this inequality has made it difficult to implement much needed but costly macroeconomic policies in difficult times. In this way, inequality generates vicious circles that trigger stagnation or low economic growth, increase crisis proneness and indebtedness, and further perpetuate inequality, as well as catalysing other problems such as social cohesion, political polarization, among others.

Overall, despite temporary improvements, Latin America continues to be the most unequal region in the world. Due to the prominence of fiscal and labour policies in distribution, I am interested in analysing the factors that contribute to explaining the implementation of these policies in Chile and Uruguay. What is more, I am interested in investigating the factors that contribute to explaining why in some cases these public policies are maintained over time while in others they experience setbacks. In other words, I am concerned not only in analysing the political economy that facilitates the implementation of distributive policies but also in the factors that contribute to ensuring that when the political and/or macroeconomic environment changes, these policies are maintained over time and are not

³ In that line, the ECLAC concept of *structural heterogeneity* has been crucial to characterizing structural productivity gaps between firms and territories in Latin America, but it could well be extrapolated to other peripheral contexts. This idea points out that in this region there is a small high-productivity sector, prone to technological absorption, which generates higher-skilled employment and shows higher growth. In contrast, low-productivity sectors are predominant, with technological backwardness and precarious employment (Pinto 1970; Sunkel 1969).

eliminated or eroded. In short, given the importance of distributive tax and labour policies in explaining inequality at the regional level, in this thesis I will analyse the factors that explain their implementation but also their permanence and stability over time.⁴

Objectives and research questions

General objective: Analyse the factors that shape the enactment and stabilization over time of labour and tax policies with distributive effects in Chile and Uruguay (2003-2020)

Research questions: During 2003-2020: What factors contribute to shape the enactment of labour and tax policies with distributive effects in Uruguay and Chile? What factors contribute to explain the permanence over time of labour and tax policies with distributive effects in Uruguay and Chile? What are the constraints common to both countries to implement and consolidate distributive processes in labour and fiscal matters? What are the factors that differentiate the Chilean and Uruguayan states in the implementation of distributive processes in fiscal and labour matters?

Analytical approach

In this thesis I explore the factors that contribute to explaining the adoption of distributive labour and fiscal policies, but I also study the factors that -once approved- shape the permanence of these policies over time or their potential reversal. Latin America has been characterized not only by labour and tax policies that play a weak role in distributive processes but also by high volatility in politics. This implies that public policies, and especially distributive processes, tend to undergo processes of frequent advance and retreat, making it difficult to consolidate over time.

The reasons for this instability are both economic and political-institutional. Latin America is characterized by a high dependence on external factors, such as commodity prices, which determine elevated levels of macroeconomic volatility (Campello and Zucco, 2016; Bértola and Ocampo, 2009). This macroeconomic volatility promotes political volatility processes to the extent that politicians tend to act with short-term time horizons that inhibit the creation of stable policies (Doyle, 2014: 2; Schneider, 2009: 184; Doner and Schneider, 2016: 619). Having largely short-term horizons adjusted to the economic cycle, institutions often find it difficult to consolidate over time (Brinks et al. 2019, 42-43). In short, there is a political economy problem that derives both from macroeconomic-global factors and from local-institutional processes (Cardoso and Faletto, 1979; Heller et al., 2009), which makes it difficult to build stable institutions in Latin America, especially in those cases in which reforms need great support and institutional learning processes that require long time horizons, such as distributive processes. Therefore, emphasising the importance of taking

⁴ A central caveat of this work should be made. My dissertation analyses the implementation of distributive policies in tax and labour matter during the 2000s but *not distribution per se*. This is not a minor fact, since, as I have pointed out, distribution could be explained by a large set of factors. Even though it is true that inequality and distributive policies gain a momentous during the 2000s (Levistky and Roberts, 2011) it is also true that distribution during that time was not linear. Indeed, as Sánchez-Ancochea (2021) points out, during this period, in some countries elite incomes (e.g. those of the richest 1%) remained stable or even increased. Therefore, I will analyse the political economy of inequality exclusively through the implementation of distributive policies, recognizing that these policies contribute to explaining fundamentally one dimension of inequality: a portion of vertical inequality in income, and in lesser extent wealth.

into account external and internal factors to explain regional development (Cardoso, 1972; Cardoso and Faletto, 1979; Haggard, 1990; Heller et al., 2009; Rudra, 2008), I combine two schools of thought that have delved into the economic and political institutional factors that shape distributive processes in Latin America.

On the one hand, I draw from heterodox economics, and especially from the Critical Political Economy, Latin American structuralism, dependency theory and some neo-Keynesian currents⁵ the idea that Latin America has high macroeconomic volatility that implies recurrent exogenously determined ‘boom’ and ‘bust’ cycles (Bonizzi et al, 2022; Alami et al., 2022; Palma, 2018; Ocampo, 2018; Prebisch, 1949). To the extent that boom-bust cycles generate an adverse scenario for implementing stable policy processes over time, distributive policies tend to develop mostly in ‘boom’ phases and tend to retract in ‘bust’ phases (Campello, 2015; Saad-Filho, 2019). On the other hand, I argue that even within highly volatile countries, economic cycles do not translate equally into the expansion or retraction of distributive policy in all cases. In this sense, in line with the literature on developmental states and dependent development (e.g. Haggard, 1990; Evans, 1995; Cardoso and Faletto, 1979), I argue that external shocks do not impact equally on all countries, and that local socio-political institutions matter in identifying countries’ development strategies in the face of global pressures. Hence, I am interested in enquiring about how local institutions can moderate the effects of the global economy on domestic policy. More specifically, I explore how can local institutions provide policy stability despite changes in resource availability during the boom-and-bust phases of the economic cycle? Literature has argued that the existence of close but independent links between business and the state, but also between the state and civil society, promotes stable agreements -*embeddedness* in Evans’ (1995) words- that cement stable institutional processes, including distributive ones (e.g Evans and Heller, 2015: 696; Schneider, 2013). Accordingly, I argue that state-society coordination is key to creating consensual and stable agreements over time, including distributional ones.

Based on those scholarships, my main contention is that the interaction of both dimensions -*macroeconomic volatility* and *state-society coordination*- shapes the capacity of the state to implement stable distributive processes, what I have called the Structural State Autonomy. Thus, while macroeconomic volatility promotes an environment that inhibits the creation and maintenance of stable arrangements, state-society coordination acts oppositely by promoting the stability of arrangements. Following these ideas, which I will develop in depth in Chapter I, throughout this thesis I will explore the role of these two factors and their mutual interactions in explaining the enactment and permanence of distributive policies in Chile and Uruguay. This theoretical framework contributes to the literature on international political economy and dependent development insofar as it analyses the external and internal dimensions that shape countries’ development, but goes a step further. My work studies specific factors that derive from the peripheral insertion of countries in the global economy - *macroeconomic volatility* - with specific factors and models to characterise local agency - the *state-society linkages*. In addition, as I will develop in chapter 1, my work contributes to a deepening of the notion of state autonomy and

⁵ I develop these ideas further in Chapter I.

embedded autonomy (Evans, 1975; 1995), by analysing and specifying how different formats of state-society linkages have different distributional outcomes.

Case selection

I carry out a long-term comparative study between Chile and Uruguay as ‘most similar cases’ (Gerring, 2007). The in-depth comparative study of the two cases brings two advantages. First, these two countries exhibit a set of social, political, and economic indicators that make them highly comparable, as can be seen in Table 2. Thus, both countries have exhibited the best levels of social, economic, and political development in Latin America in recent decades and both are among the countries with the strongest social protection systems at the regional level (UNDP, 2021; ECLAC, 2019). In addition, I select two countries that experience severe boom-and-bust cycles. Indeed, to the extent that exposure to international markets affects the degree to which the global economy shapes domestic policy, I select two countries among the most transnationalized at the regional level (Bittencourt, 2019), with liberal economic regimes (Levitsky and Roberts. 2011) and which also exhibit high volatility in regional terms and are highly dependent on commodities (See Table 2).

Second, both countries perform very well on the indicators that the literature commonly points to as factors explaining underdevelopment and weak institutional building processes. Indeed, some of the literature in political science has highlighted the role of democracy, the quality of institutions, the stability of the party system, the presence of programmatic political parties, the presence of left and centre-left governments, among other political-institutional factors, in largely explaining Latin American development (e.g. Haggard and Kaufman, 2008; Brinks et al., 2019; Mainwaring and Pérez-Liñán, 2023). Moreover, these factors have commonly been identified as central to explaining distributional models. For example, it has been argued that democracy creates the possibility for left-wing parties to organise and mobilise the electorate in defence of a redistributive agenda (Huber and Stephens, 2012: 201), while the existence of political parties that establish programmatic links with the electorate, promoting less segmented electoral strategies (Luna, 2010 and 2014), would promote greater stability in political settlements. Similarly, it has been mentioned that the institutionalisation of electoral competition in contexts of high inequality promotes forms of democratic accountability where governments of diverse ideological profiles struggle to respond to popular demands for equity and social inclusion with better distributive outcomes (Roberts 2012). In addition, it has been pointed out that the presence of left and centre-left governments also contributes to promoting distributive reforms (Huber & Stephens, 2012; Pribble, 2013).

Precisely, Chile and Uruguay have the most stable political systems in the region and are among the countries with the highest quality of democracy, state capacities, and low corruption at the regional level (See Table 2). In addition, Chile and Uruguay are two particularly relevant cases for analysing labour and tax policies insofar as they are the two countries with the highest levels of formality at the regional level (Figure 3). Levels of formality have a strong influence on the implementation of labour policies insofar as greater formality represents higher levels of collective action and organisation of workers. Similarly, as Castañeda and Doyle (2019) point out, variation in the size of the informal

labour market also influences fiscal strategies pursued by developing country governments. Indeed, many developing countries have very large informal labour markets, which limits the funds that can be raised from contributory income taxes and must rely more heavily on indirect taxation, especially consumption taxes, which are generally highly regressive (Gasparini and Tornarolli, 2009; Lustig et al., 2014). Even so, despite the fact that these countries are often ranked as similar on many factors, the two differ in their levels of inequality in the long run. Indeed, although both have elevated levels of inequality compared to OECD countries, inequality in Uruguay is lower than in Chile (Busso and Messina, 2020 and Figure 2). Therefore, the in-depth study of Chile and Uruguay provides me with two comparable cases that differ in terms of distribution.

In sum, I select two Latin American cases with the best performance in terms of democratic quality, stability of party systems and institutional development (see Table 2 and Figure 3) to - taking these factors as constants - investigate the role of state-society relations in shaping distributive politics. I am particularly interested in analysing the institutions and historical configurations that give rise to different models of state-society linkages in Chile and Uruguay, and how this shapes distributive policies. In other words, by taking two cases with strong and highly stable democratic models and institutions in the regional context, this thesis contributes to show that stability and institutional quality, as well as the political orientation of political parties, may be crucial to explain development in terms of economic growth or even poverty alleviation, but they are certainly not sufficient to explain the distributional component of development. Thus, my work makes a significant contribution to the debate on distribution in Latin America by comparing two ‘successful’ cases in terms of democratic and institutional quality, with programmatic and moderate centre-left political parties, which nevertheless differ significantly in terms of distributive policies. In this sense, by specifically studying the role of state-society coordination in explaining distributive policy in dependent contexts, my work sheds light on the explanatory potential of these variables for understanding other Latin American cases as well.

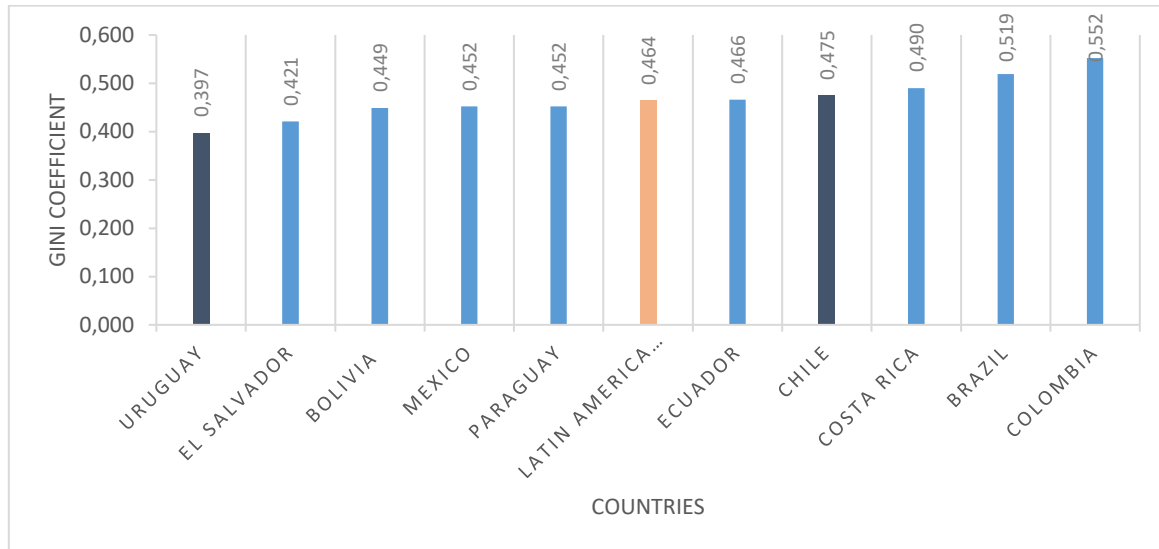
Table 2. Chile and Uruguay as ‘most similar cases’

Dimension	Variables	Outcome
Socioeconomic development	Human development	Historically, Chile and Uruguay have had the highest Human Development Index in Latin America (with Argentina) (UNDP, 2021).
	Economic development	Chile, Uruguay, and Panama are the only Latin American countries classified as high-income economies ⁶ .
	Social protection system	Both countries are among the most developed in terms of social protection, having implemented labour market-based but highly stratified social protection systems during the 1940s-1970s (Mesa-Lago, 1986; Filgueira, 2005; Haggard and Kaufman, 2008; Martínez Franzoni and Sánchez-Ancochea, 2019; Martínez Franzoni, 2008; Pribble, 2013). In addition, during the 2000s, these countries achieved the best regional results in terms of poverty reduction (ECLAC, 2018).
Quality of government institutions	Stability of party systems	They have the most stable party systems in Latin America (Altman and Pérez-Liñán, 2002; Barreda, 2011: 275), most disciplined political parties (Mainwaring and Scully, 1995) and political parties competing on a programmatic basis (Altman and Luna, 2011)
	Democracy	Both countries have long-lasting democratic tradition that had only few interruptions throughout the twentieth century (Valenzuela and Valenzuela, 1983; Hartlyn y Valenzuela, 1998; Mainwaring and Pérez-Liñán, 2023).
	Corruption and Good Governance	They have the best performance of the World Bank ranking of Good Governance in Latin America (Kaufmann et. al., 2011; Corruption Perception Index, 2022)
State performance	State capacities	Both countries have the highest state capacities at the regional level, which is manifested in their capacity to enforce laws (World Justice Project, 2019) and the capacity of their institutions to deliver (Brinks et al., 2019). They also have similar public social expenditure as a percentage of GDP 2000-2018 (ECLAC, 2019)
	Labour formality	Both countries have the highest levels of formality at the regional level (ECLAC, 2022).
Ideological orientation of political regimes (2000s)	Political orientation of centre-left-wing and left-wing political parties in government during 2000s	Both have ‘moderate’ (Weyland, 2009) and non-populist left-wing political parties (Panizza, 2005; Lynch, 2007), which implement social policies but maintain broadly liberal economic regimes (Levitsky and Roberts, 2011; Weyland 2009; Campello, 2015; Bittencourt, 2020)
	Transnationalisation	Along with Costa Rica and Panama, Chile and Uruguay are the most transnationalized countries in Latin America, measured by the ratio of accumulated Foreign Direct Investment over Gross Domestic Product (Bittencourt et al., 2019).
Economic importance of commodity exports	Commodity share of export (dependence on raw materials)	57% in Uruguay 52% Chile, between 2016 and 2020 (The World Bank trade data, 2022)

Source: own elaboration

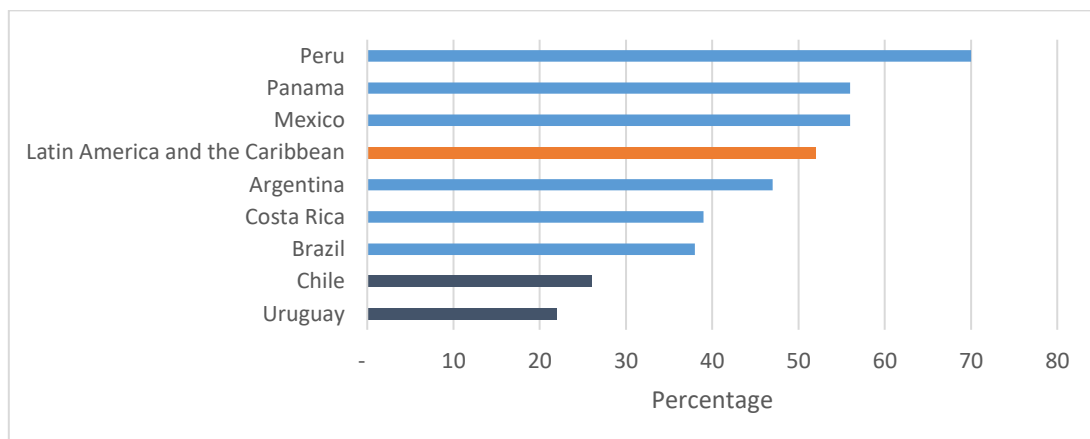
⁶ [High-Income Country and Territory in the World](#) (World Bank 2023).

Figure 2. Gini coefficient in Latin America (selected countries), 2020



Source: own elaboration based on data from CEPALSTAT. The Gini coefficient is a measure of income inequality. It is an index that varies between 0 and 1, where 0 corresponds to absolute equality and 1 to absolute inequality.

Figure 3. Proportion of informal employment in Latin America (selected countries), 2020



Source: own elaboration based on data from CEPALSTAT. This indicator presents the share of employment that is classified as informal employment in the total economy.

Methodological approach

After presenting the theoretical framework in chapter 1, in the following chapters I developed two complementary methodological strategies with different ambitions and objectives. As in the theoretical framework, at the methodological level this work assumes a dependent development perspective, and as such adopts a global historical approach to development. This assumes that the development of peripheral countries is subject to global asymmetries that condition them similarly despite their differences. As Kvangraven points out, ‘all dependency approaches are, in one way or another, critiques of linear historiography’ by focusing on pointing out the specificities that structurally characterise the peripheries vis-à-vis the core countries (2021: 82). Unlike historical analysis, which can be merely descriptive or establish situation-specific causal relationships, in historical structural analysis -frequently used in dependency studies and studies of uneven

development - dependency is used as a 'causal-meaningful' concept, which has historically determined implications without being a merely 'mechanistic-causal' concept emphasising prior external determination (Cardoso and Faletto 1979: 488). In that line, the role of agency is recognised without ignoring the fact that at certain moments changes are delimited by historical frameworks that make certain options not 'historically viable' (Evans, 2009).

Thus, the historical structural analysis developed here involves analysing history and the power relations that are constructed in it over time given the social and economic conditions determined in each context (Cardoso, 1972: 16 and 17). Epistemologically, it assumes that there is a 'structure' that conditions the unfolding of history, which goes beyond the intentions, interests, and consciousness of the actors. Methodologically, this implies conceiving the chronological antecedent as a causal mechanism, not deterministic but with explanatory potential. Hence, it is important to analyse the processes that give rise to the formation of structures as well as the factors that modify them (Cardoso, 1972: 19). In turn, historical structural analysis is interdisciplinary, dynamic, and interactive, and thus collides with the idea of isolating specific variables for hypothesis testing (Valenzuela and Valenzuela, 1978: 556). In other words, it is a matter of analysing the specific conditions of the Latin American situation and the type of social integration of classes and groups as the main conditioners of the development process (Cardoso and Faletto, 1979: 482). In practice, this implies analysing the linkage of economies to the global market and the form taken by social and political groups in each historical context, showing the linkages between the two, both internally and externally.

Following this, chapters 2 and 3 of this thesis develop a historical-structural analysis, which seeks to describe and analyse the role of local actors and institutions in the construction of distributive models in each historical moment delimited by the relationship between internal economies and the global market. Thus, specific historical periods delimited by Latin American historiography are analysed. In each of these periods there were changes in the insertion of regional economies into global structures that delimited - but did not determine - certain political-economic scenarios. Within the framework of these processes, due to the long-term historical characteristics of each country, different social processes were constructed with different results in terms of development and distribution. In this sense, by following a historical-structural approach, my work goes beyond mere description to analyse the facts through the causal mechanisms of dependent development outlined above. In this framework, I study the role of local actors and institutions in shaping the effects of dependent development, and the impacts of this on distributional patterns in each country.

Specifically, in Chapter 2, I carry out a long-term historical-structural analysis in a comparative perspective between Chile and Uruguay. I show that state-society coordination and Latin American economic volatility -developed as explanatory factors in Chapter 1- can be seen, throughout history, as factors that have shaped redistributive structures in both countries. This chapter draws on qualitative and quantitative sources for both countries, which include labour and business organization data, data on macroeconomic developments and social indicators, as well as secondary data based on an extensive historiographical review of the main political, economic, and social processes that characterized each historical period. In the same line, in Chapter 3 I describe how state-society coordination

and the ‘boom’ and ‘bust’ economic cycles in Chile and Uruguay have shaped distributive processes during 1980-2020. For that purpose, I draw on an extensive historiographical review, as well as descriptive statistics from secondary quantitative sources, and primary sources from a wide variety of databases including the World Bank database, CEPALSTAT and ILOSTAT. This chapter serves to contextualise the deep analysis of more contemporary trends and dynamics subsequently undertaken in both countries necessary to understand the case studies developed in the following chapters.

In the following chapters, the structural historical approach is complemented by a process tracing analysis. Accordingly, while in Chapters 2 and 3, I conduct a historical analysis that allows me to characterise both countries in the long-run, Chapters 4-7 focus on disassembling the puzzle of this thesis: how state-society coordination shapes the effects of macroeconomic volatility on distributive processes during the years 2003-2020. Thus, in chapters 4-7, I carry out process tracing to carry out four case studies, on the implementation of labour and tax policies in both countries in the period 2003-2020. I will study distributive policies during the expansionary phase of the economy (2003-2014) and the slowdown phase (2015-2020). As Heller et al., 2009 (289) point out, in both methods, the identification of historically rooted causal mechanisms are developed in the concrete analysis of cases to identify the functioning of social relations and processes. Indeed, the literature on the subject has highlighted that combining process tracing with other methodological analyses- such as historical analysis- is one of the ‘most promising ways’ to enrich this approach (Trampusch and Palier, 2016: 450).

This work uses process-tracing as a way of capturing ‘causal mechanisms in action’ by analyzing processes, sequences, and events with the aim of examining causal mechanisms that could explain the case being inference always ‘within-case’ (Bennet & Checkel, 2015: 9). Causal mechanisms could be defined as a ‘complex system that produces an outcome through the interaction of various parts’ (Glennan, 1996: 62). Process tracing is radically different from statistical analysis because it focuses on sequential processes within a particular historical case, not on data correlations between cases. The essence of process-tracing lies in the objective of going beyond the mere identification of a correlation between an independent variable and a dependent variable ($X \rightarrow Y$), but especially in the transmission of what can be called ‘causal forces’ from X to Y (Beach & Pedersen, 2019; Munck 2004: 111). Hence, process-tracing is ideal for identifying causal mechanisms, which is the primary goal of this project. In this case, as I have pointed out, I am interested in identifying the causal mechanisms by which institutions promote different formats of state-society coordination and how these formats shape distributional patterns in countries subject to dependent development processes.

While the number of observations in a well-defined population sample contains relevant information for any inference based on that sample, in process-tracing the number of observations in a study is irrelevant in determining the validity of those inferences. Instead, observation in process-tracing only makes sense if it is framed within a comprehensible universe of causal relationships (Bennet & Checkel, 2015), so the robustness of the theoretical-analytical framework guiding the tracing is crucial (Hall, 2013; Ricks & Liu, 2018). In this sense, the analytical framework of structural autonomy proposes to analyze

concrete causal mechanisms with respect to the macroeconomic volatility that characterizes countries as well as state-society linkages, and the interaction between both dimensions. In turn, process tracing can be used inductively, aimed at ‘theory building’ (discovering and specifying causal mechanisms) or inductively aimed at ‘theory testing’ refining or proving the theory. My work follows the latter type of analysis model where both the historical analysis and the four case studies are oriented to the construction of evidence that can refine, clarify, improve and critical evaluated the structural autonomy analytical framework to be developed in Chapter 1.

In addition, as Trampusch and Palier (2016: 449-451) point out, a ‘good process tracing’ must make clear its ontology, that is: *‘the fundamental assumptions that scholars make about the nature of the social and political world and especially about the nature of causal relations within that world’* (Hall, 2003: 374 cited in Trampusch and Palier, 2016). This implies, among other things, making clear the scope of our observations and conclusions in deterministic terms or elaborating conclusions that have probabilistic explanatory potential (Bennett and Checkel, 2015: 10-11). While deterministic approach implies that a specific mechanism will always produce a specific outcome (Mahoney 2001: 580), the probabilistic view argues that ‘mechanisms interact with context’ (Falleti and Lynch 2009: 1147) and thus their explanatory potential gives room for contingency.

My work is based on a probabilistic ontology, where each case analyzed by process tracing generates evidence on causal mechanisms only ‘within the case’. Therefore, the four cases together plus the historical analysis seek to accumulate evidence to strengthen the reliability of the explanatory potential of my theory, but do not corroborate it deterministically. Additionally, the use of probabilistic logic means that this work is not guided by Bayesian logic, a widely influential stream within process tracing studies (see Beach and Pedersen, 2019; Bennett and Checkel, 2015; Fairfield and Charman, 2017; 2019). While recognizing the value of Bayesian process tracing in generating evidence and eliminating alternative hypotheses when the study requires it, it is also considered a limitation in some cases. In this sense, following Zaks (2021), it is argued that although Bayesian logic is very useful in some cases, it is not so useful in those cases in which complex phenomena are to be analyzed, as the one here. In the latter, causes are often not unique and causal mechanisms interact with each other. Since I am not using Bayesian logic, the process tracing used in this work must necessarily be based on extensive knowledge of the case and sound theory (Trampusch and Palier, 2016: 447), so complementing process tracing with historical structural analysis is particularly relevant here.

Hence, in this dissertation I will not analyze the phenomena "a,b,c" as intervening variables, but as part of complex causal processes with a certain temporality (Beach & Pedersen, 2019), which over time produce the effect or dependent variable that we seek to explain. In this sense, I will study how dependence and its manifestation in high macroeconomic volatility as well as the role of state-society relations interact with each other in producing historically and contextually situated effects on distributional policy in both countries. Causal mechanisms can occur or operate at different levels of analysis ranging from macro to micro (George and Bennett 2005: 142- 44; Mahoney and Rueschemeyer, 2003: 5). Although the results of this tracing are only valid ‘within the case’, seeing how these

mechanisms act in different cases and periods, as I do here, allows us to infer their explanatory potential. In effect, this thesis proposes to combine the benefits of the high level of detail and process tracing made possible within small-N studies, with the use of multiple points of comparison and analysis to enhance confidence in the robustness of patterns and findings. The variation across countries (Chile and Uruguay), across policy areas (labour and tax), exploring different cases per area (seven public policies) and over time (long term and 2000s), allows me to increase the number of observations for a deeper analysis that will allow me to reach more accurate conclusions.

Table 3. Multiple comparisons to be made to increase the number of observations in a small-N study

Comparison between policy areas	Different policies analysed by areas	Comparison between countries	Time comparison
Tax policy	Tax Reform in Chile Tax Reform in Uruguay Investment Regime in Uruguay	Chile and Uruguay	Long-term structural comparison (1800-2020): Chapters 2 and 3
Labour policy	Labour Reform in Chile Collective Bargaining in Chile Labour Reform in Uruguay Collective Bargaining in Uruguay		
			Detailed study for the period 2003-2020: Chapters 4-7

Source: own elaboration

Table 4. Dissertation scheme

	Chapter	Objective
SECTION I: Overall characterization of the state-society relationship and distributive policies in both countries in comparative perspective.	1. Theoretical model	To present the theoretical framework and causal mechanisms guiding the analysis of this dissertation.
	2 Long-term historical analysis	Describe the configuration of state-society linkages in each country over the long term. Describe the implementation of long-term distributive processes in both countries (1800-1980).
	3. Medium-term historical analysis	Describe the configuration of state-society linkages in each country in the medium term. Describe the implementation of distributive processes in both countries (1980-2020).
SECTION II: Puzzle of this thesis: in depth study of how state-society coordination shapes the effects of macroeconomic volatility on distributive processes during the years 2003-2020.	4. Tax policy in Uruguay	Describe and analyse in depth the role of state-society coordination in the approval and permanence of tax policy with distributive effects in Uruguay during 2003-2020.
	5. Tax policy in Chile	Describe and analyse in depth the role of state-society coordination in the approval and permanence of tax policy with distributive effects in Chile during 2003-2020.
	6. Labour policy in Uruguay	Describe and analyse in depth the role of state-society coordination in the approval and permanence of labour policy with distributive effects in Uruguay during 2003-2020.
	7. Labour policy in Uruguay	To describe and analyse in depth the role of state-society coordination in the approval and permanence of labour policy with distributive effects in Chile during 2003-2020.

Source: own elaboration

Specifically, in chapters 4-7, I analyse tax and labour distributive policies during the ‘upward phase’ (2003-2014) of the global economic cycle and the ‘downward phase’ (2015-2020). The value of focusing on these twin dynamics is that we can probe factors that insulate against the rollback of redistributive structures and policies, a topic that remains largely overlooked in scholarship on the literature about political economy on distributive policies in Latin America. The process tracing analysis in each of the case studies is based on a triangulation strategy based on very ample quantitative and qualitative evidence. In Chapter 4 and 5 about tax regimens in Uruguay and Chile, this evidence includes: semi-structured in-depth interviews with academics, politicians, trade union leaders, and public officials⁷; political party and government documents⁸, parliamentary documents (transcripts of debates in the chambers of senators and deputies in parliament and transcripts of debates in special committees on labour and tax reforms under study), review of the main press sources for each phase of the processes analysed⁹, archival tax policy documents (national accounts and treasury records demonstrating changes to tax design and the results of their implementation), and an extensive amount of secondary sources on the political events analysed.

In turn, in chapters 5 and 6, in addition to using the same sources as in the previous chapters, I carry out a descriptive statistical analysis with information on Collective Bargaining. In that line, in Chapter 6, besides analysing the labour reform I am interested in examining the type and amount of fringe benefits approved by type of economic sector in Salary Councils. Fringe benefits are monetary or goods and services supplements for groups of workers. For example, food baskets, family allowances, special leave, childcare services, health services or medical insurance, among others. The methodological procedure consisted of two stages. First, I collected first-hand all agreement documents from each round of wage councils between 2005 and 2017¹⁰ and I found 327 labour agreements. Second, I classified these agreements into different categories according to their objectives and content¹¹. Each fringe benefit was classified according to their quality. If there is no benefit, a zero is given to the subgroup, while type ‘nominal’ benefits correspond to the mention of a benefit established by law of a universal nature. In this way, ‘nominal fringe benefits’ only refer to mentioning

⁷ In accordance with the requirements and suggestions of the Ethics Committee for Economics, Law, Management, Politics and Sociology (ELMPS) of the University of York, the in-depth interview process has sought to ensure the anonymity of the process. To this end, interviewees are identified with codes indicating their place of work, function and country. Due to the restrictions imposed by the pandemic, many of the interviews had to be conducted online. The interviews were conducted in Spanish (the author's native language) and were conducted in an open-ended format, asking each of the interviewees about specific parts of the Labor and Tax Reform processes in each country. The selection of interviewees was based in the first instance on interviewing key people in these policy areas and then followed by a 'snowball' strategy where interviewees suggested other key people to interview. The list of interviewees is given in Appendix 1.

⁸ This includes government programs and documents from the Presidency of the Republic as well as public statements from political parties and special commissions.

⁹ In Chile: Tele13, La Tercera, El Mostrador, Cooperativa CL, EL País, El Financiero, Diario UChile, CIPER, El Ciudadano, El Desconcierto. In Uruguay: El Pais, El Observador, Carve, Radio El Espectador, Subrayado.

¹⁰ The Salary Councils were reestablished in 2005. This period was selected because at the time the author was collecting the agreements firsthand and constructing the database (August 2020 to January 2021) the last round completed in all groups had been the Sixth Round of the Salary Councils. While there were agreements already approved from the Seventh Round, not all groups had completed them, so the period 2005-2017 was chosen.

¹¹ See Tables in Appendixes.

something that the law already provides, so it is not strictly an additional benefit¹². In addition, I classify benefits with quality ‘above the law’ and others that are ‘especially beneficial to workers. The former can provide goods, services and regulations that are already provided for by law but with higher quality. For example, if the law provides for 4 weeks of maternity leave and a certain bargaining group agrees on 5 weeks, it is classified as an ‘above the law’ benefit. In turn, ‘especially favourable’ benefits are those that provide goods and services that do not exist in the national regulation: such as life insurance, childcare, training services or others. Finally, I triangulate this data with information from in-depth interviews on the level and organisation of civil society (business and workers) for different sectors.

In the same vein, in chapter 7 on labour policy in Chile, as in Uruguay, I analyse labour reform and Collective Bargaining. I am interested in analysing the number of Collective Instruments approved by economic sector defined following the International Standard Industrial Classification (ISIC, rev 4)¹³. For this purpose, I accessed data from the Ministry of Labor on the number of agreements by the sector and analysed the agreements according to the relevance of their unions (using as a proxy the number of members, the number of active unions by sector and the unionization rate). I combined these data with qualitative information extracted from in-depth interviews, from the Labor Survey (ENCLA) and with secondary information extracted from reports of the Labor Directorate (1990-2020).

Contributions

This dissertation makes three central contributions. First, through a detailed and long-term comparative study of Chile and Uruguay, my work contributes to explaining the political economy of distributive policies in countries that, although they have achieved significant levels of development above the regional average, maintain important levels of inequality. Indeed, both countries have reached high levels of income and human development in comparison with the averaged at regional level (UNDP, 2020). However, although Chile has higher inequality than Uruguay, both countries have high levels of inequality if compared, for example, with the OECD average mostly due to the distributive role of the state. Thus, by analysing in depth the factors that explain the fiscal and labour distribution policy in Chile and Uruguay, my thesis contributes to understanding a central axis that characterizes Latin American countries. In turn, a better understanding of the processes that shape Latin American inequality allows me to contribute to other long-term regional phenomena closely connected to inequality, such as political polarisation, populism, criminality and poverty, and insufficient investment in social protection, education, and innovation, among others.

¹² However, it is considered still a benefit because -as has been frequently mentioned in the in-depth interviews- there is a symbolic importance in mentioning fringe benefits in the Salary Councils agreements. Indeed, in several highly precarious sectors, the benefits existing at the level of the law are not used due to ignorance or fear of dismissal, so mentioning them in the agreements is especially important for the unions.

¹³ The International Standard Industrial Classification of All Economic Activities (ISIC) is the international reference classification of productive activities. Its main purpose is to provide a set of activity categories that can be utilized for the collection and reporting of statistics according to such activities. Description of the economic sectors that make up the classification available in [ISIC rev 4](#). In Chile, negotiations are structured according to the following categories.

Second, my work explores not only the processes of enactment but also the processes of stabilisation of distributive policies over time. As I will develop in the next chapter, the literature has placed more emphasis on analysing the windows of opportunity that allow for the implementation of distributive processes, but less focus has been placed on analysing the factors that contribute to these policies being sustained over time despite the closing of these windows. Indeed, considering that Latin American economies are highly volatile and that distributive processes are strongly influenced by the up and down phases of the economic cycle, I am interested in exploring the permanence of distributive arrangements over time. Thus, by studying in detail what happens to distributional policies during less favourable phases of the business cycle, my thesis contributes to understanding the implications of macroeconomic volatility and inequality in Latin America.

Finally, this dissertation challenges the common sense that markets exert similar constraints on development processes in Latin American economies. Instead, I show that local factors and, in particular state-society linkages in each country, are key elements in shaping the effects of the global economy on the domestic economy. In this sense, my work follows the research line developed by authors such as Rudra (2008), Garrett (1998), and Swank (2002) in linking the global and the local to analyse political processes. By integrating both dimensions, my thesis presents a complex and comprehensive analysis to address distributive politics in Latin America and its internal variability. In doing so, I contribute to understanding which factors, despite global structural constraints, can help the region to implement more egalitarian distributive policies and development models.

CHAPTER 1. Structural State Autonomy: understanding the role of state on inequality in Latin America

Introduction

In this chapter, I develop the general analytical framework that guides this dissertation, aimed at explaining the implementation and stabilization of distributive policies in Latin America. Much of the literature has focused on explaining distributive policies through local factors (social actors, elites, political system) or global factors (the position of countries on the global scale). However, I argue that those dimensions alone are not sufficient to comprehend distributive processes. Instead, I contend that to understand the adoption and permanence of distributive policies in Latin America, it is necessary to put local socio-institutional structures in dialogue with processes derived from the global political economy.

Along these lines, as dependency scholars and the literature on the developmental state have pointed out in the case of industrialisation, I claim that in order to understand distributive processes in the periphery it is also necessary to appreciate the role of local institutions as mediators between global pressures and domestic politics. To this end, my work combines two schools of thought that have respectively deepened the macroeconomic and global dimensions and the institutional-local components of distributive policies, but which have had little dialogue among themselves. On the one hand, following some ideas from the post-Keynesian school, Latin American structuralism and critical IPE, I will point out that dependence and macroeconomic volatility of Latin American economic structures are long-term phenomena that undermine the long-term stability of development processes¹⁴. On the other hand, following some Institutional current, I draw attention to the importance of state society in creating embeddedness and shaping stable public policies.

Following those scholarships, I argue that given the regional macroeconomic volatility, distributive processes tend to be boosted in expansive economic phases and rolled back in less favourable macroeconomic scenarios. Nevertheless, this retrenchment does not occur in all contexts in the same way. Therefore, I explore the role of state-society coordination in moderating the effects of macroeconomic volatility on distributive processes. My main contention is that the interaction of both dimensions –macroeconomic and political-institutional- shapes the enactment and stabilization of distributive processes; what I have termed as Structural State Autonomy.

The chapter is structured as follows. In the first section, I present the main political-institutional and macroeconomic ideas underlying the notion of Structural State Autonomy. In the second section, I develop in detail the implications of Structural State Autonomy on distributive processes by exploring three specific causal mechanisms. Finally, the chapter

¹⁴ The name International financial subordination corresponds to Alami et al., 2022. A detailed description of the post-Keynesian arguments is available for example in Alami (2020: 75) and Bonizzi (2017). On dependency theory and Latin American structuralism see for example: Dos Santos, (2002); Palma (1978), and Kvangraven (2020). Critical IPE refers to works that study the constraints of the global economy on domestic politics for example Rudra (2008), Brooks et al., (2015); Sobel (2002).

outlines how the theoretical argument presented here will be developed throughout the thesis.

Structural State Autonomy: the importance of combining institutional analysis with international political economy

On the one hand, I explore how macroeconomic factors derived from the countries' position in the global economy affect the implementation of distributive policies. On the other hand, I delve into how local institutions mediate the effects of the global economy on domestic policy. In short: I analyse how the relationship between macroeconomic-global and local political-institutional factors shape distributive policy. As noted in the introduction, I define *distributive policies* as those policies designed to reduce inequality in the vertical distribution of income (see Introduction). I will argue that Latin American macroeconomic volatility generates sharp 'boom and bust' cycles that weaken stable distributive arrangements but, at the same time, I will also argue that institutional links between state and society provide stability to these arrangements. Accordingly, I am interested in exploring the extent to which state-society coordination shapes the effects of macroeconomic volatility on distributive policy.

My main argument is that the interaction between the two dimensions - local-institutional and global-macroeconomic - delimits the possibilities for states to implement durable distributive processes; what I call Structural State Autonomy. Therefore, my analytical framework supports the exploration of what is common to highly volatile and dependent economies - such as those of Latin America - with what differentiates them - such as their state-society links - as factors to be explored in explaining distributive processes. In what follows, I first explore the macroeconomic dimension and its effects on distributive policies. Then, I explore the institutional dimension and more specifically how the state-society relationship contributes to the stability of distributive policies. The section concludes by pointing out the need to combine both analytical dimensions, *macroeconomic-global* and *institutional-local*, for the analysis of Latin American distributive processes.

There is a large body of literature that has highlighted the role of economic factors, and more specifically the commodity super-cycle in the distributional impulse that took place in the 2000s. For instance, Huber and Stephens (2012) point out that the commodity super-cycle that favoured all governments in the region (Ibid. 179), allowed them to have the necessary resources for 'policy innovation' (Ibid. 247). In a similar vein, Arza et al. (2022) argues that the particularly favourable economic environment that occurred in the region from the beginning of the new millennium until approximately 2013 allowed for the expansion of social programs (Ibid. 36). Others have also shown that the economic bonanza reduced the need to rely on external financing (Levisky and Roberts, 2011: 94-95), allowing governments to implement their policies with fewer conditions and avoiding indebtedness (Murillo, Oliveros and Vaishnav, 2011: 53; Grugel and Riggirozzi, 2018: 555). In addition, it has also mentioned that this environment was accompanied by other favourable economic conditions related to the commodity boom, such as low-interest rates and a large supply of international loans (Arza et al., 2022: 37). In short, the super cycle has been pointed out, although with nuances, as a driver of the Latin American distributive processes of the 2000s.

Following this, I am interested not only in studying the economic boom of the early 2000s but also in analysing to what extent the recurrent ‘boom’ and ‘bust’ cycles have shaped the political economy of distributive policies in this region. I argue that being a long-term structural phenomenon in Latin America, economic volatility translates into political volatility, greatly affecting the stability of distributive processes. Note that this implies going beyond understanding expansionary cycles as promoting environments, and instead involves exploring how this volatility shapes a specific ‘way of doing politics’ at the regional level. In this section, I draw attention to two central ideas: first, macroeconomic volatility is a structural regional factor, and second, this volatility triggers ‘boom and bust’ cycles that could have effects on the construction of stable distributive policies in Latin America. Let me elaborate.

Latin America has had significantly high levels of volatility (Ocampo, 2017; Bertola and Ocampo, 2009; Thorp, 2012), which Fanelli (2008) called as ‘excess volatility’. In that line, table 5 shows volatility measures for different groups of countries by income level for the last half century (since 1960) indicating that, overall, this region shows higher volatility than any other group of countries at similar income levels. Therefore, public policy in general, and distributive policies in particular, has historically been subject to swings tied to pronounced economic cycles of ‘boom and bust’, with distributional policies developing in expansionary phases only to weaken in economic slowdown phases (Campello, 2015: 61; Saad-Filho, 2019). Consequently, macroeconomic volatile business cycles are central phenomena for understanding the implementation of distributive processes -usually in expansionary phases -but most especially for understanding the consolidation of these processes over time and, potentially any eventual roll-back. In essence, I argue that there is a structural problem of political economy in this region that derives from this volatility and translates into unstable development policies and processes - including distributive ones.

Table 5. Growth volatility (1961-2008) (percentage)

	Average growth rate	Standard Deviation ¹⁵	Coefficient of Variation ¹⁶
OECD	3.35	1.66	0.49
High Income NON OECD	5.86	3.21	0.55
Middle Income	4.69	1.83	0.39
Low income	4.08	1.85	0.45
Latin America and the Caribbean (all countries)	3.91	2.63	0.67

Source: Bertola and Ocampo, 2009: 28 (Table 1.4)

Accordingly, beyond analysing the commodity supercycle of the 2000s as an enabling factor of distributive policies at a given time, I am interested in exploring how this structural volatility affects distributive processes at the regional level. How do these recurrent economic ‘ups and downs’ affect the political economy of distributive policy? In other words, given that politics is embedded in culture, society, and economy, and given that volatility is a long-term structural phenomenon affecting Latin American countries, I am interested in exploring how this volatility has shaped a ‘Latin American way of doing

¹⁵ The standard deviation is a measure of the dispersion of a frequency distribution with respect to its mean.

¹⁶ The coefficient of variation is the standard deviation expressed as a percentage of the arithmetic mean.

politics’, especially regarding the enactment of distributive policies. I argue that given that the high volatility of economic growth is a structural phenomenon, it could have systemic effects on the construction of long-term politics, and especially on distributive arrangements. Therefore, given that economic cycles in Latin America are more pronounced and volatile than in developed economies, distributive processes must face an additional obstacle deriving from this instability and its effects on the distributive political economy (Palma, 2008; 2012). Consequently, economic volatility would translate into political volatility, especially when there are no “inter-temporal” mechanisms to give stability to these agreements (Doyle, 2014). I develop these ideas in more detail below.

The role of boom-and-bust cycles in hindering the stability of distributive policy

To understand in depth how these pronounced ‘boom and bust’ cycles affect distributive policy in Latin America, it is also necessary to understand the factors that cause this phenomenon. How can the high instability and volatility of Latin American economies be explained? Taking up ideas coming from Latin American structuralism, post-Keynesian theory, critical International Political Economy, and the so-called International Subordination literature, I contend that the volatility and cyclical instability of Latin American economies is explained by their triple *productive, monetary, and financial subordination* at global level.

First, Latin America occupies a *subordinate productive position* insofar as its main export component tends to be commodities with a low value added. As highlighted by Latin American structuralism¹⁷, the type of specialisation linked to extractive activities related to commodity exports has high price volatility that has been aggravated by the fact that international capital flows to developing countries are pro-cyclical by nature, expanding rapidly when the economy is doing well but falling promptly when economic conditions deteriorate (Ocampo et al., 2009; Prebisch, 1921; 1949; Lampa, 2021; Ocampo, 2018). In fact, as table 6 shows, Latin American macroeconomic volatility, and in particular the high volatility of economies such as Chile and Uruguay, has been highly dependent on commodities demand.

¹⁷ I refer to the current known in Spanish as ‘*estructuralismo cepalino*’ or ‘Latin American structuralist theory’, which derives from the pioneering work of Raul Prebisch while working at ECLAC, and his followers. On this trend and its relation to dependency theory see: Dos Santos (2002), Palma (1978 and 2008), Kvangraven (2020) and Villegas (2023).

Table 6. Determinants of volatility: correlations table (1870-2008)

	Total Volatility	Share of 1st Product	Average GDP PER CAPITA	Growth Rate
Argentina	7%	23%	5129	2%
Brazil	5%	54%	2710	2%
Chile	7%	40%	4156	2%
Uruguay	7%	38%	4240	1%
Cost Rica	6%	53%	3449	2%
Peru	6%	29%	2548	1%
México	5%	31%	3500	2%
CORRELATION COEFFICIENT BETWEEN THE VARIABLES AND VOLATILITY				
		0.441	0.013	0.045

Source: Bertola and Ocampo, 2009: 31 (Table 1.6)

Second, Latin America occupies a *subordinate monetary position in the global economic structure* (Alami et al., 2022: 1363). In effect, as the literature on monetary hierarchy, especially from the post-Keynesian stream has shown (Alami et al., 2022: 1367), developing countries occupy a subordinate position in the international monetary structure that is expressed in financial and exchange rate stability, liquidity premia and the degree of convertibility of currencies at the global level (Powell, 2013; Alami et al., 2022; Bonizzi et al., 2022; Bonizzi, 2017). They have argued that because peripheral countries have currency structures that occupy the lowest positions in the global monetary hierarchy, speculative movements especially affect them (de Paula, Fritz, and Prates, 2017; Palma, 2000). Consequently, during depressions, the periphery receives capital flows from developed countries in search of appreciation, but as soon as the central economies recover, there is a reversal of capital flows, with enormous consequences for the peripheral countries (Lampa, 2021; 111; Palma, 2016: 283). However, the pyramidal structure of the global monetary system not only penalizes emerging markets in crisis contexts but also shapes the daily portfolio decisions and balance sheet structures of institutional investors such as pension funds and insurance companies (Bonizzi and Kaltenbrunner, 2019: 434). These institutional investors seek to increase the return on their assets by investing in emerging markets that due to the liquidity premium of their currencies are considered riskier and offer higher returns (Kaltenbrunner and Paineira, 2015: 1288).

Third, and largely derived from the previous two, Latin America occupies a *subordinate financial position*. Developing countries must borrow in another currency (the US dollar), which creates a structural balance of payments problems (Tavares, 2000; Vernengo, 2006). In addition, although financial subordination is conceived as a long-term structural phenomenon, in recent decades there has been a '*secular increase in the relative size and weight of finance*' (Bonizzi et al., 2022: 652) that has stressed speculation, separating the 'real' economy from the financial one and thus accentuating the volatility of economic cycles, especially in dependent economies (Abeles et al., 2018: 56; Palma, 2016: 283; Kaltenbrunner and Paineira, 2015: 1284). Indeed, as the following Figure (4) shows, capital flows to Latin America have increased considerably since the early 2000s, but while Foreign Direct Investment flows have been the most relevant until the 2008 crisis, from

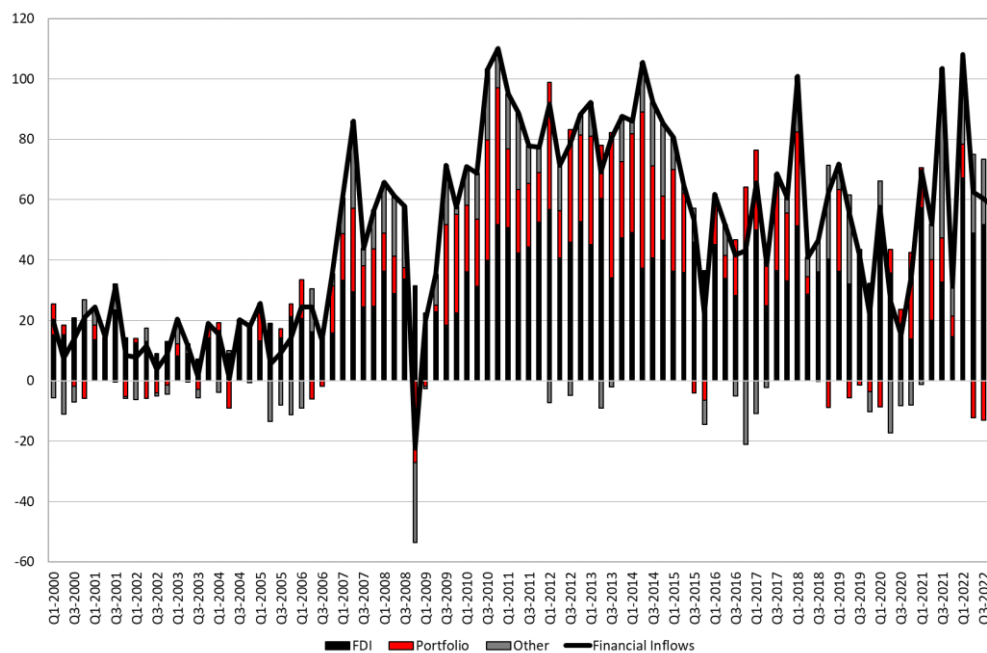
2008 onwards portfolio flows have grown at higher speed¹⁸. This trend reinforces the idea that since 2008, flows to the region have been strongly triggered by the speculative financial component. Thus, ‘boom and bust financial cycles’ in these countries have often been accompanied by huge inflows and subsequent outflows of foreign capital. What is more, these factors must be added to a central political economy problem that derives from the relationship between crises and inequality. In highly unequal societies such as those in Latin America, income inequality is an important trigger for crises to the extent that inequalities, social needs, and ever latent distributive conflicts generate incentives for governments to assume excessive levels of external debt without making the necessary adjustments to balance the economy (Sánchez-Ancochea, 2020; Rodrik, 2004; ECLAC, 2016).

As I will describe in greater detail in Chapters 2 and 3, the *productive, monetary, and financial subordination* of Latin American economies is a long-term phenomenon that, however, has been accentuated in recent decades. In effect, since the 1970s, several Latin American nations abandoned decades of protectionism liberalized their capital accounts, and opened their domestic financial markets (Ocampo, 2017; Guzmán, Ocampo and Stiglitz, 2018). These changes, together with the monetarist macroeconomic approaches aimed at economic stabilization coming from the International Monetary Fund (IMF) and the World Bank that became very present in the region in the 1980s and 1990s, significantly modified Latin American economies (dos Santos, 2011). Overall, as I will develop in the following chapters, these effects increased the external vulnerability of Latin American economies (Cimoli et al., 2020; Tussie, 2011).

In addition to that, the super-cycle of commodities and the global crisis of 2008 catalysed the cyclical trend of Latin American economies. Thus, China’s increased demand for commodities since the early 2000s has been followed by the excess liquidity in a global market seeking ‘stable’ assets after the 2008 international crisis, contributed to orient a large part of this liquidity in the financial sector towards farmland and, above all, in the commodities markets (Ocampo, 2020: 209; Ouma, 2016: 88). The large-scale acquisition of agricultural land, through purchase, lease or concession, by global financial investors to grow food or agrofuels thus became a growing trend (Ouma, 2014; Ouma et al., 2018), catalysing thereby volatile capital inflows at the regional level, which has also resulted in a ‘reprimarization’ of Latin American economies (ECLAC, 2016).

¹⁸ It should be noted that while FDI is made with a more ‘permanent purpose’ from the investor in comparison with foreign portfolio capital investment that is more temporary.

Figure 4. Capital (Financial) Inflows to Latin America (US\$B), 2000Q1-2022Q4



Source: own elaboration based on the IMF Balance of Payments Statistics

Note: The countries considered are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru and Uruguay.

Overall, this triple and interconnected *productive, monetary, and financial subordination* has two main consequences. First, it implies that economic cycles are not only highly volatile but also -and especially- largely beyond the control of peripheral countries (Borio et al., 2012; Drehmann et al. 2012). Hence, Latin American economic cycles depend fundamentally on exogenous factors determined by developed countries such as capital risk aversion in the financial market, flight towards currencies with higher liquidity premiums, the global trend of commodity prices, and the US growth and interest rate (Lampa, 2021: 106-107; Campello, 2015: 14-16). Second, due to the difficulty of accessing loans in global markets, productive dependence, and macroeconomic instability caused by developing countries, Latin American countries face a greater need for financial capital, which accentuates boom-bust cycles (Bonizzi et al., 2022; Alami, 2019).

The triple and interconnected *productive, monetary, and financial subordination* make Latin American economies structurally volatile and dependent on exogenous factors such as the existence of crises in developed countries and their effects on world liquidity, and consequently on the price of commodities and the US interest rate; factors that are exogenous and independent of their economies. The creation of development processes are always political and as such are embedded in the social and historical relations of each society (Haggard, 1995). In this sense, external shocks, and the economic forces to which different economies are subject are central to explaining development processes (Haggard, 1990). The increased vulnerability of regional economies that manifest themselves in pronounced ‘boom’ and ‘bust’ cycles imply a permanent challenge to political arrangements. Indeed, crises or periods of intense slowdown strain the alliances and coalitions of interests that underpin the political status quo (Haggard and Kaufmann 1995: 9). Therefore, peripheral regions, and Latin America in particular, are commonly exposed

to longer cycles of political turbulence that compromise the stability of agreements and thus generate development problems. Accordingly, my main contention is that being a structural phenomenon of Latin American economies, macroeconomic volatility and ‘boom and bust cycles’ have specific connotations for political and institutional building. In other words, I argue that since ‘politics’ is a cultural, social, and historically situated phenomenon, something as structural and long-term as macroeconomic volatility and dependence could have concrete effects on the ‘way of doing politics’, and on the political economy of distributive policies.

As Zucco and Campello (2020) have shown, there is a close relationship between the popularity of presidents and external conditions, insofar as social discontent increases significantly when commodity prices are low. Hence, during the high phases of the economic cycle, Latin American governments reach a level of growth that generates greater political stability, progressive democratisation of the state, and social integration (Saad-Filho, 2019: 23; Campello, 2015: 18-20). However, once economic conditions change, governments must face a scenario characterised by depreciated currencies, capital outflows, and increasing processes of social mobilisation due to the loss of real wages, which undermines distributive agreements (Campello, 2015; Gerchunoff et al. 2020; Reis & Antunes de Oliveira, 2023).¹⁹ This, in turn, is catalysed by the fact that dependency generates highly unequal economic structures, where powerful elites concentrate most of the political and economic power, and thus inhibit to some extent coordination between different socio-political actors (Prebisch, 2008; Bulmer-Thomas, 2003). Accordingly, there is a problem of political economy in unequal and highly volatile economies such as those in Latin America, which means that it is very difficult to achieve stable long-term agreements between different political and social groups. Instead, the lack of common visions, distrust, and little social cohesion generate incentives for agreements to weaken in the face of adverse economic scenarios (Rodrik, 2004).

Like Campello (2015) and Campello and Zucco (2020), I argue that leftists and governments with distributive policy agendas tend to moderate their objectives during the slowdown phases due to foreign exchange shortages. However, unlike them, my argument is that state-society linkages determine the tenor of this moderation or, in other words, the swings in the promotion or retreat of distributive policies. In short, I claim that ‘good’ and ‘bad’ economic times in terms of foreign exchange inflows largely influence the expansion and retraction of distributive policies, but the severity of these changes depends on the state-society relations of each country. Therefore, following the key ideas of the literature described above, I am interested in exploring 1) to what extent and in what way volatility affects distributive processes, and 2) how domestic institutional factors limit or moderate the impact of volatility on distributive processes. Having explored the role of macroeconomic volatility on distributive processes, in the next section I explore in detail the ‘other side’ of

¹⁹ In this line, for example, Gerchunoff et al. (2020 and 2016) show the Argentinean case that the country is ‘trapped’ in a populist paradox due to the strong tension, or ‘perhaps impossible task’ in their own words, between two policy objectives: macroeconomic equilibrium and social harmony. Similarly, Saad-Filho (2020) shows the same kind of tensions in Brazil and their effects on distributive policy during the ‘left turn and subsequent governments.’

Structural State Autonomy: the role of institutions and more specifically the role of state-society coordination institutions in shaping distributive policy.

The importance of political-institutional factors

In the previous pages, I have pointed out the importance of considering productive, monetary, and financial subordination, and in particular, the boom-and-bust cycles that derive from this subordination, to understand the implementation and permanence of distributive policies. However, I am not only interested in exploring how the global economy shapes distributive policies, but also the role of local institutions in moderating this process. In this line, I argue for a joint analysis of socio-institutional structures and factors derived from the global economy to understand distributive policy in Latin America (following Rudra, 2008; Cardoso and Faletto, 1979; Haggard, 1990). Like much of the literature on developmental states, I argue that to understand developmental processes in Latin America it is necessary to investigate the role of states in mediating the global economic pressures that affect economies (e.g. Haggard, 1990; 1995).

More specifically, I argue that to understand why countries manage to adopt and consolidate distributive processes, it is necessary to understand the interaction between two phenomena: macroeconomic volatility and state-society linkages. Thus, I argue that while volatility may be generating instability in political agreements, I am interested in addressing the role of state-society coordination in moderating this volatility. Having devoted the previous section to the role of subordination and volatility, in this section, I focus on the other central aspect of distributive processes: the role of institutional political factors. To this end, I present some central ideas developed by the literature on distributive politics in Latin America and complement them with ideas from the literature on developmental states and the literature on Varieties of Capitalism. I then argue that state-society coordination, and more specifically the existence of institutionalized coordination mechanisms between the state, elites, and unions, gives stability to distributive arrangements over time, even in highly volatile contexts such as those in Latin America. I develop these ideas below.

The role of Latin American states in the implementation of distributive processes has been analysed in several case studies²⁰, but there is also a large literature that addresses this issue from a comparative perspective. In the latter line, explanations have focused on the role of trade unions, social movements, and congressional parties and the type of coalitions that represented outsiders (Garay, 2016), the advocacy power of trade unions (Wibbels and Arce, 2003), the dynamics of electoral competition, and existing legacies in terms of social policy (Pribble, 2013), among others. For example, from a comparative framework, Filgueira (2007) distinguishes different political dynamics that guided the creation of the three social policy regimes in Latin America. Stratified universalism was the product of competition between political elites seeking popular support in the framework of an inclusive mass policy in countries that were also pioneers in the development of State-led industrialisation process (ISI), as was the case in Argentina, Chile, Costa Rica, and Uruguay. Likewise, the dual regime responded to the process of state-building by the elites and the co-optation and

²⁰ See for example: Papadópulos (1992) on Uruguay; Borzutzky (2002) and Larrañaga (2010) on Chile; Martínez Franzoni and Sánchez-Ancochea (2013) on Costa Rica.

repression of the popular sector in the context of a weak and unstable process of democratic competition. Finally, the exclusionary regime resulted mostly from the existence of predatory elites.

From a different approach, Haggard and Kaufman (2008) argue that the origin and development of distributive regimes in Latin America must be explained due to three factors: critical realignment, the economic development model, and the political regime. Following the classic work of Collier and Collier (1991), the authors argue that during the first half of the 20th century, reformist political elites incorporated urban formal workers, seeking their support or demobilisation, as the case may be, through the creation of social security and health systems (Haggard and Kaufman, 2008: 45-51) that tended to favour formal workers and excluded informal workers (Ibid: 32). They show that countries with more stable democratic regimes had broad social policies, while authoritarian regimes tended to cut or rationalize social benefits rather than expand them (except Mexico and Brazil) (Haggard and Kaufman, 2008: 79-84).

Another work of great relevance for explaining redistributive policies in Latin America is the research developed by Pribble (2011). In a study covering a large number of countries, Pribble (2011) identifies, through comparative historical analysis, four trajectories in the construction of social policy regimes. The explanations for these models are the sequences and levels of industrialisation and the political incorporation of the popular sector in each country. According to Pribble, in countries that experienced significant industrialisation and the popular sector was integrated through a process of mobilisation, as happened in the cases of Argentina, Chile, Costa Rica, and Uruguay, social policies have tended to be more advanced.

In addition to this scholarship, there is a large body of literature that has analysed the role of elites in shaping distributive politics in Latin America. While some authors see elites as cohesive actors with shared preferences (Acemoglu and Robinson, 2001; Esping Andersen, 1990; Huber and Stephens, 2001), others assume that their members are segmented by specific characteristics such as the diversification of their assets (Paniagua, 2018), the type of assets (Beramendi et al., 2018), the economic sector in which they operate (Thelen, 2004) or the type of company they own (Mares, 2003). In any case, in Latin America, the role of businesses, their degree of cohesion, and their ties with right-wing parties have also been identified as very relevant factors in explaining distributive processes (Fairfield, 2010; 2019; Pribble, 2008).

Finally, there is a large literature that has focused specifically on the expansion of distributive policies during the so-called regional 'left turn' in the 2000s, where the 'segmented expansion' phase of social policy was developed (Filgueira, 2015; Martínez Franzoni and Sánchez-Ancochea, 2016). Overall, this literature has identified democratic stability, policy legacies, and the assumption of numerous left and center-left governments, in a very favourable economic context -the so-called 'commodity super cycle'- as central factors in explaining distributive processes during this period (e.g. Huber and Stephens, 2012; Levitsky and Roberts, 2011).

Likewise, although much of the literature on distributive policies focuses on policies related to goods and services, some studies have focused especially on labour and tax distributive

policies. In tax matters, scholars have highlighted some explanatory factors such as the need for income, intellectual currents, and the role of the IMF (Mahon and James, 2011), the role, internal cohesion, and power of elites (Castañeda-Angarita, 2017; Fairfield, 2015 and 2019; Schneider, 2013), state capacities and the power of elites (Flores-Macías, 2019); amongst the most common ones. Moreover, some authors have also pointed to specific factors derived from countries' social and economic structures and their role in the implementation of distributive labour and taxation processes. For example, Castañeda and Doyle (2019) argue that low levels of labour formality in most of the region limit the distributive role of tax policy, making it less effective, often forcing governments into the paradox of having to maintain regressive tax schemes to sustain progressive social policies. In addition regarding the relationship with left-wing parties, some studies have pointed out that left governments do not affect fiscal strategies across the region (Hallerberg and Scartascini, 2017), while others have highlighted the importance of the alliances between left-wing political parties and trade union sectors on the outcomes of distributional fiscal policy in terms of both revenue collection and spending (Wibbels and Arce, 2003; Segura-Ubiergo, 2007).

As in the case of taxation, studies on the political economy of labour policies also find significant variation across Latin American countries. Moreover, while the literature focusing on developed countries has identified trade unions as key actors in the redistribution of income in favour of the poorest (Stephen, 1979; Korpi and Esping Andersen, 1984), in Latin America this role has been more ambiguous, due to the high levels of informality that characterise the region. Thus, trade unions in that region tend to include 'white collar' and middle-class workers while hardly incorporating informal workers (Sanchez Ancochea and Martinez Franzoni, 2016), which helps to explain the stratification in access to labour benefits across different groups of workers within the same country. Nevertheless, among the cases that are often considered 'most successful' in terms of labour rights, researchers have highlighted the importance of certain factors, including the organization of the trade union movement, the business' power, and the political-economic context (Haagh, 2002), the relationship between left-wing political parties and trade unions (Cook, 2013; Murillo, 2001), the historical processes of incorporating workers into the labour market (Collier and Collier, 1991), the characteristics of Collective Bargaining institutions and their degree of centralization (Etchemendy, 2019; 2021), among others.

Overall, although with variations and nuances, the literature on distributive policies in Latin America attributes central importance to economic and social actors, such as businesses, elites, and grassroots groups (unions and social movements) as well as their linkages with the state. Furthermore, the links between the State and society, catalysed by the processes of democratization and social inclusion, stand out as central variables in explaining distributive policies. When states have been more democratic and when there have been social and institutional mechanisms that have favoured the organization of workers and the control of elite power, distributive policy, overall, has developed more. In short, the balance of power among socioeconomic actors and their linkages with the state have been variables specially underlined by the literature on distribution in Latin America. Therefore, following this literature, the analytical approach guiding this thesis will seek to analyse the role of economic and social actors and their relationship with the State to examine the construction of distributive processes. Specifically, I am interested in contributing to this literature on

welfare in Latin America by delving into a central aspect: the stability/instability of distributive policies. That is, once certain institutional trajectories in distributive policies have taken place, as has occurred within the group of countries that the literature has identified as countries with more robust trajectories in terms of distributive policies (e.g. Argentina, Chile, Costa Rica, Uruguay), what explains that some countries implement more stable policies while others are characterised by greater policy volatility? In seeking to respond to this, in the next section I will argue that the processes of expansion and retraction of distributive policy are largely influenced by the institutional mechanisms of state-society coordination.

The role of state-society linkages as drivers of distributive policies

As I have pointed out, an analysis of Latin American development must unfailingly incorporate the relationships established between internal and external determinants (Cardoso and Faletto, 1979: 484). Thus, in each historical process, local socio-political forces interact with external factors generating specific modes of development that evolve over time (Cardoso, 1977; Cardoso 2009; Evans, 2009). In this sense, external factors should be seen as conditioning factors that establish interactions with the historical structural configuration of each society and its organization of power and political and economic resources (Idem: 484-485). In particular, as Cardoso and Faletto's (1979) pointed out under certain circumstances, states could become agents promoting development, even in contexts of dependency. This approach implies studying the insertion of countries in the global economy as well as the balance of domestic forces, their interests and preferences at a given time and the role of local institutions (Heller et al. 2009: 287). Dependency studies and developmental state studies emphatically rejected the idea that national situations were 'mechanically conditioned by external domination' (Cardoso and Faletto, 1979: 173) and instead they pointed to the importance of 'collective action guided by political wills that make possible what is structurally barely possible' (Cardoso and Faletto 1979: 176).

In that line, I am particularly interested in analysing the role of local actors and institutions in shaping the effects of the global economy on domestic politics. However, how to build stable political-social alliances that shape the effects of the domestic economy on local politics has been a topic of intense debate. In fact, most scholars on the political economy of development identified that one of the central problems in Latin American states lies in the difficulty of building stable agreements between socioeconomic groups and the state as necessary factors for creating development and distribution processes that remain stable over time (Doner and Schneider, 2016; Evans and Heller, 2018; Haggard, 2018; 1995; Doyle, 2014).

Overall, this literature has emphasised the role of the state as a driving force in promoting agreements with elites and thus establishing more or less stable development processes. For Haggard, for example, state capabilities are key to explaining development. Thus, he argues that in some countries, 'political elites have inherited or built organisational structures that severely constrain the ability of social actors to achieve their political and economic goals' (Haggard, 1990: 3). This is important because successful development requires political change, and the structures inherited from the past can block these changes if they are counter to their interests (Idem). Thus, from this perspective, the study of development policy

becomes the study of ruling elites' efforts to build coalitions of support in the context of a set of state institutions "that provides differential incentives for groups to organise themselves". (Haggard, 1990: 4).

In turn, in his classic work, Peter Evans (1995) argued that development-oriented processes in developmental states relied heavily on the construction of what he called 'embedded autonomy'; a close but independent relationship between state bureaucrats and resourceful elites that allowed for policy continuity. In this sense, Evans goes a step beyond the Weberian logic by recognizing the importance of bureaucracy as a corporately coherent entity as the best means of maximizing individual interest, but at the same time recognizes the value of avoiding Weberian bureaucratic isolation and instead advocates rootedness between state and society (Evans, 1996: 146). The concept of embedded autonomy is particularly useful for understanding the structural relations underlying the functioning of states and, at the same time, the variations that exist between them given the state-society linkages (Evans, 1995). More recently, in a similar line, Doner and Schneider (2016: 612) have argued that development capacity depends on the extent to which reform-oriented state elites could promote what they call 'upgrading coalitions', understood as groups of influential and resourced actors interested in building complex and long-term institutions, such as distributive institutions. In turn, Doyle (2014: 2-3) argues that when political institutions do not provide a 'forum for inter-temporal exchange among political actors', economic volatility stemming from commodity dependence promotes greater political volatility. Instead, he argues that if these spheres of coordination exist, the commodity-dependent structure leads to more stable political processes.

In sum, scholars of the developmental state have widely emphasised the role of state autonomy, and more specifically the importance of a state with bureaucratic capacity, which is not co-opted by groups but at the same time has stable links to elites, in promoting development processes. However, these scholars, being more concerned with processes of upgrading and industrial development, and less with the distributive dimension of development, have tended to look primarily at state-elite relations. To the extent that the objective is industrial development, for developmental states the connections with society are essentially connections with industrial capital (Evans, 1995). However, while the importance of embeddedness and the creation of virtuous state-society links was traditionally associated with the links between state, elites, and bureaucracy (Evans, 1995) more recently the importance of including civil society (social movements, trade unions) as a central part of these processes has been specially stressed (Evans and Heller, 2015: 696).

Accordingly, my work argues - in line with what has been argued and identified by welfare studies in Latin America - that state-society formats should be analysed more broadly, and not merely the role of elites or industrial groups. Indeed, in the current context of democracy, mobilization and organization of social groups, embeddedness must transcend the alignment between bureaucracy and industrial elites and incorporate other organized groups from civil society and labour movement in these processes of institutional development (Evans and Heller, 2015: 698). In effect, distributive policies demand significant changes in the status quo and therefore require broad agreements necessary to

achieve results that are not merely reduced to short-term electoral imperatives (Gerchunoff, Rapetti and De León, 2020; Villegas and Peña, 2023).

Yet, the literature also emphasized that building such coordination processes has been very difficult to achieve in Latin America due to structural economic and political complementarities that reduce organisational coherence, shorten time horizons and promote divergent preferences between elites and citizens. In that line, Institutionalist and comparative approaches have tended to underline that the dominance of “hierarchical” coordination across institutional spheres in Latin America hampers their reform and development possibilities. In particular, the Latin American ‘variety of capitalism’ has core basic features, such as the presence of large and diversified business groups, the coexistence of domestic firms and multinational corporations, segmented labour markets, and low levels of education and vocational skills, which shape a type of ‘hierarchical’ coordination in all institutional spheres that affect their long-term development and distributive outcomes (Schneider 2013: 187; Schneider, 2009: 570; Doner and Schneider, 2016: 611). The concentration of ownership makes industrial relations significantly biased in favour of capital and business associations, which benefit from deregulated labour markets, large pools of low-skilled workers, and low union density coexisting with highly concentrated business groups (Schneider and Karcher, 2010: 636; Schneider, 2009: 563; Rudra, 2008: 24). All in all, this literature underlines that these a small number of high hierarchies’ foster fragmentation and thus create structural obstacles to promoting stable institutional coalitions and arrangements (Doner and Schneider, 2016: 611).

However, without discounting these negative incentives for coordination, my main contention is that it is possible even in Latin American contexts to build long-term coordination processes between state and society if certain institutional mechanisms are in place to facilitate this. In that regard, the literature suggests that certain institutional mechanisms promote the organization of groups and their coordination among themselves in a stable manner over time (Scheider, 2013; Doner and Schneider, 2016). Hence, while there is no standard model for an optimal state-society coordination form, the general and often the implicit expectation is in favour of a ‘social democratic developmental state’ ideal, where progressive, democratic political elites committed to social welfare and reducing inequalities maintain stable and balanced ties with business, labour, and other organized civil society groups (Haggard, 2018: 65). Accordingly, institutionalized arenas of sectoral coordination, participatory policy mechanisms, and instances of inclusive sub-national governance are all considered to be conducive to promote state-society coordination (Villegas and Peña, 2023)

But what encourages groups to coordinate in fragmented regions such as Latin America? As in developed countries, these mechanisms can be identified in a set of labour market institutions such as tripartite and bipartite salary councils, industrial councils among other areas that favour the union-business relationship (Haggard, 2018, Doner and Schneider, 2016). I argue that also other institutional mechanisms promote organization and coordination beyond workers, impacting the moderation of civil society contention. In this sense, the existence of political mechanisms of interest aggregation and representation -such as institutionalized political parties- and democratic processes that promote participation

and representation ‘from below’ -such as direct democracy- contribute to channelling civil society demands through institutionalized processes (Villegas and Peña, 2023). In particular, the literature has mentioned that direct democracy mechanisms tend to combat political apathy (Freiré and Baum, 2003), generate more legitimacy in governmental decisions (Altman, 2010: 11), foster greater public involvement of citizens (Frey, Kucher, and Stutzer, 2001: 283); and therefore, contribute to organize civil society demands by moderating contentious struggles.

In a nutshell, I claim that the enactment of distributive policies requires long-term agreements among stakeholders, coordination, and negotiation processes (Doner and Scheiner, 2016; Evans and Heller, 2016). These coordination processes are often difficult to achieve in Latin America given its hierarchical structure (Schneider, 2009; 2013). However, I contend that the existence of *institutionalized State-society coordination mechanisms* promotes distributive coalitions and distributive policies in the long run. Hence, I am interested in exploring whether certain institutions of labour representation – such as social dialogues between organized workers and employers - as well as mechanisms of civil society representation ‘from below’ –such as forms of direct democracy- can induce cooperation to implement and consolidate distributive processes. In the following, I summarize the main ideas on how the macroeconomic-global dimension and the political-institutional dimension affect distributive processes.

Synthesis: explaining Structural State Autonomy

I have defined Structural State Autonomy as the capacity of states to implement stable distributive policies. My analytical approach to state autonomy involves recognizing the role of dependent development delimited by the international economic context, but at the same time acknowledging the role of local institutions and actors (following Evans, 1995; Cardoso and Faletto, 1979; Heller et al., 2009; Haggard, 1990). Thus, embedded autonomy must be understood and analysed as a relational concept (Evans, 1995; 1996). My approach points to the structural component of state autonomy by referring to the long-term historical configurations which, in relation to global factors, generate models of state-society relations with a certain structural permanence. Thus, I argue that the autonomy of the Latin American state is a product of both; its situation of dependence and the long-term political-economic configuration of each society. These two factors together largely shape distributive outcomes. However, I am interested in going a step beyond the mere recognition of local agency vs. external conditioning and inquiring into the socio-political processes and historical configurations that trigger different formats of state-society relations and their impacts on distributive policies.

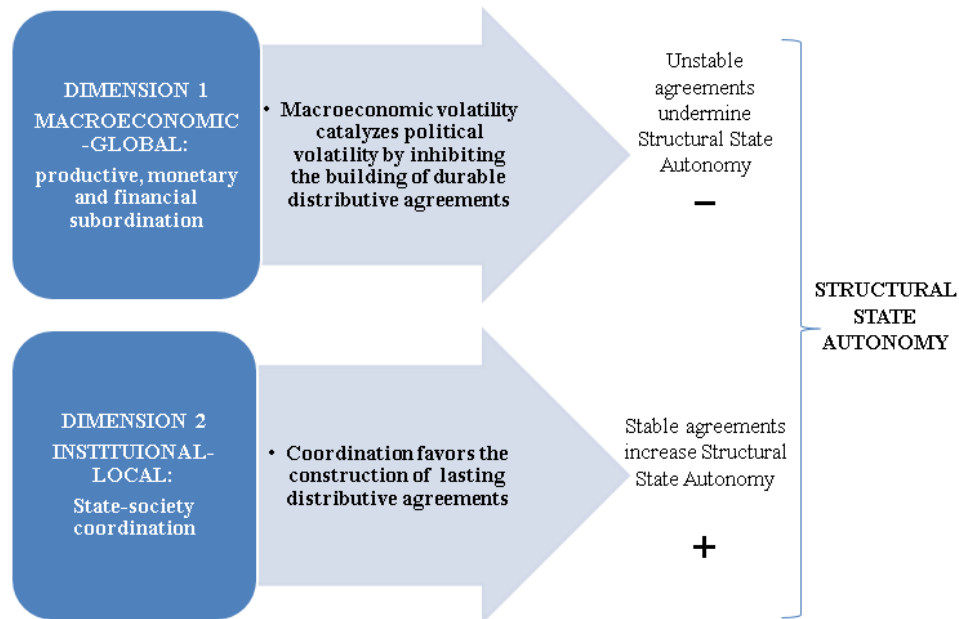
While the literature on development states and state autonomy recognizes the role of the global economy (e.g. Evans, 1975; 1995; Haggard, 1990; 1995) and the role of social actors (e.g. Evans and Heller, 2015; 2019), how external and internal factors relate to each other is the subject of extensive debate. Moreover, unlike the literature on developmental states, my interest is not merely in development as growth, or in industrial upgrading; I am interested in the distributional component of development. Thus, my approach emphasises the institutions that shape the composition of state-society relations and their effects on distributive policies.

Hence, I propose two analytical departures from these previous analytical theories that allow me to construct a clearer and more precise notion that I call Structural State Autonomy. On the one hand, the configuration of state-society linkages, the actors that make up these alliances (trade unions, social movements, businesses, etc.), the characteristics of the links they forge with each other (more or less inclusive, more or less stable), and the distributive effects they have, remain mostly undetermined in the models of state autonomy mentioned above. What are the historical patterns and institutions that trigger stable state-society agreements? What actors are involved in these alliances and what are their distributional impacts? To what extent are these agreements based on broad and inclusive alliances or on exclusive and closed coalitions? How does the inclusivity or exclusivity of these agreements affect the stability and depth of distributive arrangements?

On the other hand, my work goes a step beyond recognizing the role of ‘external factors’ by pointing out that it is necessary to study more precisely how global systemic processes ‘constrain peripheral countries in a similar way despite their diversity’ (Fischer, 2015: 727). This implies studying specific phenomena that derive from the peripheral situation of regional economies and analysing their effects in terms of the construction of distributive arrangements. Therefore, instead of highlighting the role of global geopolitical and economic dynamics and their incidence on the local in a general way (Evans, 1975; 1995), I analyse a specific phenomenon, which especially characterizes regional economies and as I explained before derives from their economic subordinate situation: the high macroeconomic volatility and boom-bust cycles. Furthermore, as I have pointed out, the high volatility that characterises Latin America has worsened in recent decades due to the increasing primarisation and financialization that characterises regional economies (Bertola and Ocampo, 2009; Fanelli, 2008; Alami et al., 2022). I am therefore interested in analysing how this phenomenon, which is typical of the form that dependency takes in current Latin American development, affects distribution policy. To what extent does the high macroeconomic volatility that characterizes regional economies contribute to weaken the depth of distributive arrangements? To what extent and in what way do high macroeconomic volatility and pronounced boom and bust cycles condition the stability and consolidation of distributive policies?

Following this, I argue that the structural autonomy of Latin American states to implement distributive policies is shaped by these two ‘external’ and ‘internal’ factors that significantly condition the stability of distributive arrangements: *macroeconomic volatility* - a product of the subordinated insertion in the global economy - and the *state-society coordination* - a product of the long-term historical configurations of each society. Thus, while the high structural volatility that characterises Latin American economies weakens the construction of stable agreements, state-society coordination acts in the opposite direction reinforcing such stability. Note that the ‘external’ vs. ‘internal’ distinction between these factors is merely analytical, with both dimensions being closely related over time.

Illustration 1. The two dimensions of Structural State Autonomy



Source: own elaboration

I am interested in exploring to what extent and in what way these two dimensions interact with each other, shaping a type of Structural State Autonomy in each country. Thus, to explore in detail how these two dimensions may be affecting distributional processes, I propose three possible ways that I describe in the form of causal mechanisms. While causal mechanisms 1 and 2 propose to explore how macroeconomic volatility may undermine Structural State Autonomy to implement distributive processes, causal mechanism 3 proposes to investigate how state-society coordination may increase it. These three causal mechanisms are detailed below.

The effects of Structural State Autonomy on distributive policies: exploring three causal mechanisms

In this section, I explore three possible mechanisms through which the Structural State Autonomy influences the enactment and maintenance of a redistributive policy framework. My main argument is that this Structural State Autonomy is built as a product of the interaction between Latin American macroeconomic volatility, which translates into *boom-and-bust cycles*, and *State-society coordination mechanisms*. Taking those two dimensions described in detail in the previous section, in what follows I develop three causal mechanisms derived from those dimensions aimed at exploring concretely the role of Structural State Autonomy in the implementation and stabilization of distributive policies. Far from proposing these mechanisms as explanations to be tested, I intend to investigate the explanatory potential of those mechanisms to elucidate distributive labour and tax policy, as well as the possible interactions that these mechanisms establish among themselves. Overall, the following paragraphs are an exercise in adopting general concepts towards the identification of the more precise pathways linking the properties of its components with the outcomes of interest.

Causal mechanism 1: macroeconomic volatility promotes unstable distributive arrangements weakening state autonomy

As I have indicated in the previous section, *productive, monetary, and financial subordination* of Latin American economies generated that, while in developed countries variations in aggregate demand are the basic source of cycles, in Latin American countries economic cycles depend mostly on exogenous factors, determined from the developed economies (Bértola and Ocampo, 2009: 165). The incidence of transnational capital in the moderation of local politics is particularly noticeable in most commodity-dependent countries and is especially visible during the downturns of the economic cycle (Campello, 2015: 17). My main argument is that being structural and long-term, this trend largely shapes the political economy of distributive policies.

Why build long-term agreements in a structurally volatile and exogenously determined scenario? Precisely, my main contention is that largely exogenously economic cycles promote a ‘way of doing politics’ that is short-termism and that thrives on short-term agreements that can be changed to adapt to abrupt and exogenously determined changes of these cycles. Thus, the ‘cycle-taking’ position of regional economies structurally affects the possibilities of developing stable and lasting distributive agreements. This implies understanding that distributive agreements at the regional level tend to be unstable in part because they are subject to systematic, highly disruptive, and exogenously determined processes that shape a system based on short-term objectives. As a result, it is possible to generate distributive agreements on labour and tax matters in ‘good’ economic times, especially in leftist or progressive governments that base their electorate mostly on the distributive component of their political agendas. Though, I am interested in exploring the extent to which these agreements tend to break down quickly in the face of changes in the macroeconomic scenario. In summary, I argue that: given the highly volatile and exogenously determined boom and bust cycles in Latin America, there are macroeconomic incentives to build unstable and short-term political arrangements that can adapt quickly to changes in the economy, which structurally weakens distributive policies in the long run.

Causal mechanism 2: the ‘race to the bottom’ to attract capital inhibits distributive arrangements, undermining state autonomy

I have underlined that due to the subordinate position of Latin American economies; their business cycles are highly dependent on capital risk aversion in the financial market, flight towards currencies with higher liquidity premiums, the global trend of commodity prices, and the US growth and interest rate (Lampa, 2021: 106-107; Campello, 2015: 14-16). When there is a low interest rate in the core countries and an ‘excess liquidity’ in the markets, or when demand for commodities increases, capital (through exports, investments, and/or loans) enters developing countries. This ‘liquidity tsunami’ in Alami’s terms (2020), implies an increase in income to set the distributive process in motion. However, over time, being a product of external factors that occur in developed economies, eventually, foreign exchange inflows stop -due to changes in interest rates or a drop in commodity prices- and capital flight begins, debt-servicing increases, and eventually a general slowdown in the economy emerge.

A fall in commodity prices and a rise in interest rates create a shortage of foreign exchange and reduced government revenues, forcing governments to seek additional funds on international financial markets to meet their external financial obligations (Campello, 2015: 3-4). Since exports are often insufficient to meet this stock, in addition to increasing debt - and thus further increasing the demand for foreign exchange- the other option for Latin American countries to raise foreign exchange is promoting policies aimed at attracting foreign capital. Thus, in the downswings of the economic cycle, Latin American countries have greater incentives to implement '*labour disciplining processes*' (Alami, 2020: 75) that seek to increase confidence in the market (Alami, 2020: 44-46; Campello, 2015: 4-5) promoting a 'race to the bottom' to attract capital. This is further catalysed by the trend toward greater scrutiny of domestic policies by international investors in developed countries, especially in economic slowdown phases (Brooks et al., 2015; Sobel, 2002).

Hence, during expansionary phases of the economic cycle Latin American countries can promote distributive processes, but in the economic slowdown phase, the need for foreign exchange means that they must develop strategies to attract capital, which they can do for example through deregulation of labour markets or lower taxation. Thus, I argue that the need for foreign exchange makes it difficult to enact distributive processes that affect the interests of capital in the long-term, but even more difficult to maintain these distributive processes during slowdown economic phases. Hence, the structural need for foreign exchange would affect the approval but especially the permanence of distributive processes over time.

Causal mechanism 3: state-society coordination promotes stable distributive arrangements, strengthening state autonomy

In this chapter, I have pointed out that macroeconomic volatility is a major obstacle to promoting distributive arrangements. Nonetheless, I have also pointed out that institutions matter, and that in particular institutional mechanisms that favour state-society coordination are central to cementing durable distributive arrangements. Thus, just as *mechanisms 1 and 2* propose to explore two concrete ways in which boom-bust cycles could undermine distributive arrangements, in *mechanism 3*, I propose to explore how coordination could strengthen the approval and stability of distributive arrangements.

Specifically, I argue that some institutions foster the creation of virtuous state-society linkages and cement the creation of stable distributive agreements. In this sense, I argue that the existence of *institutional coordination mechanisms* in the labour market (Collective Bargaining, wage councils, consultative labour councils), as well as the existence of mechanisms that channel democratic participation and representation of civil society (e.g. direct democracy mechanisms) can contribute to amalgamate social and political actors even in highly fragmented contexts, promoting thereby the creation of distributive policies that tend to last over time.

Structural State Autonomy: concluding remarks

By combining institutional scholarship - especially some ideas derived from the neo-Weberian school and varieties of capitalism -with some coming from the neo-Keynesian school, Latin American structuralism, and critical IPE- my work constitutes a central analytical contribution to studies on distribution in Latin America. From this holistic engagement with two largely segmented bodies of scholarship, I derive an overarching conceptualization of Structural State Autonomy, which I present as a high-level explanation of state capacity constraints to create and maintain redistributive policy frameworks.

From these strands of scholarship, I also identify three expected pathways that I proposed as causal mechanisms to be investigated in shaping Structural State Autonomy. I argue that while mechanisms 1 and 2 -linked to Latin American macroeconomic volatility- weaken Structural State Autonomy, the institutional mechanism 3 -linked to state-society coordination- strengthens it. Therefore, I seek to examine to what extent structural volatility promotes a scenario prone to the creation of unstable arrangements, weakening the implementation and durability of distributive policies (*casual mechanism 1*). In addition, I seek to explore to what extent the need to attract capital, especially during phases of economic slowdown, generates incentives for the creation of tax benefits, labour deregulation, and other similar measures, which undermine distributive arrangements (*casual mechanism 2*). Finally, I seek to explore how and to what extent institutional coordination mechanisms promote state-society linkages that contribute to the implementation and stabilization of distributive policies (*casual mechanism 3*). Moreover, I am particularly interested in analysing how these mechanisms relate to each other to shape Structural State Autonomy. More specifically, I seek to investigate how state-society coordination (mechanism 3) can moderate the impact of economic volatility (mechanisms 1 and 2) on distributive policy. For that reason, in the following chapters, I analyse the explanatory potential of the three causal mechanisms mentioned before.

CHAPTER 2. Structural State Autonomy: Chile and Uruguay in the long run

Introduction

This chapter carries out a comparative historical analysis of Chile and Uruguay to critically evaluate the explanatory potential of the conceptualization of the Structural State Autonomy described in Chapter I, with a long-term historical perspective. In Chapter 1, I pointed out that Latin America has been characterized not only by the scarce distributive role of the state but also by a high political volatility that is explained by both economic and political-institutional reasons. On the one hand, Latin American countries are placed in a subordinate position in the *productive, monetary, and financial* spheres, which determine high levels of macroeconomic volatility (Campello and Zucco, 2016; Bértola and Ocampo, 2009; Bonizzi et al., 2022). This macroeconomic volatility promotes political volatility processes to the extent that politicians tend to act with short-term time horizons that inhibit the creation of stable policies (Doyle, 2014: 2; Schneider, 2009: 184; Doner and Schneider, 2016: 619). Having largely short-term horizons, adjusted to the economic cycle, institutions often find it difficult to consolidate over time (Brinks et al., 2019: 42-43).

In short, I claim that there is a political economy problem that derives from both macroeconomic-global factors and local institutional processes. Thus, to the extent that boom and bust cycles generate an adverse scenario for implementing stable political processes over time, distributive policies tend to develop especially in ‘boom’ phases and tend to retract in ‘bust’ phases (Campello, 2015; Saad-Filho, 2019). However, I have argued that these processes of policy expansion and retrenchment would not occur in all countries in the same way. In this sense, the existence of close but independent links between state and socio-economic actors could be key factors in explaining distributional policies in the long run (Doner and Schneider, 2016; Schneider, 2013; Evans and Heller, 2015; 2018; Evans, 1995). Therefore, I seek to analyse to what extent and how local factors can confer stability to policies, despite boom-and-bust phases of the economic cycle. As I argued in Chapter 1, I am particularly interested in exploring to what extent the existence of stable links between social and economic actors (unions, social movements, and business) and the state promotes greater stability of distributive policy. In other words, what is the role of state-society coordination in moderating the effects of the global economy on domestic distributive policy?

Following that analytical framework, this chapter 2 has three objectives. First, to describe the evolution of distributive policies in both countries over the long term in a comparative perspective. Secondly, to describe the general characteristics of institutional models of state-society coordination and how they have been shaped over time in both countries, within the framework of the ‘boom’ and ‘bust’ cycles of the economies. Third, to examine to what extent and in what way state-society coordination in each country has generated different results in terms of distributive policy in both cases. To achieve these objectives, I draw on

an extensive corpus of historiographical records on the political and economic history of both countries, as well as primary sources of information²¹.

Three central conclusions can be drawn from this analysis. First, due to the long-term socio-political and economic characteristics of each country, Uruguay developed an *inclusive state-society model* based on the partial segmentation of benefits to different social groups (labour, business, social movements) while Chile developed an *exclusionary coordination model* centred on the state-elites relationship. Second, during the expansionary economic phases -that tended to coincide with growing processes of democratisation and social organisation- both countries implemented distributive policies. However, while in Uruguay these policies have been more profound and have encouraged the organisation of social groups, in Chile they have been more focused on controlling social mobilisation. Third, during economic slowdown phases, distributive process tends to retract in both cases, but while in Uruguay these processes took the form of ‘temporary breaks’, in Chile they translated into ‘conservative restorations’ that returned or increased the power of the elites over the state. Overall, historical analysis indicates that due to the existence of inclusive state-society coordination mechanisms, distributive policies in Uruguay tend to be more stable, legitimate, and long-lasting than in the Chilean case where exclusive state-elite coordination limits the scope and depth of these agreements.

This chapter is organized in two sections containing five historical periods, delimited according to the traditional categorizations of Latin American historiography²². While the first section describes and analyses the processes that shaped the origins of nation-states, the second section analyses their evolution in the 20th century. Each section ends with a synthesis of the factors that have shaped Structural State Autonomy in comparative perspective in Chile and Uruguay over the long term, and how this has affected the distributive models of each country. As such, the chapter both provides a broad contextualisation for the more detailed contemporary country case study and enhances our understanding of the nature of key institutional differences that continue to shape the evolution of redistributive policies across the countries. The chapter ends with some reflexions about the role of Structural State Autonomy in explaining distributive policies in the long-term.

²¹ These sources include press records, records of parliamentary debates on key milestones in distributive policies, and an extensive body of historiographical sources on economic, political, and social events in both countries, which are cited throughout this chapter.

²² Latin American historiography has tended to mark milestones regarding the development of the region, its states, political and economic systems. In that regard, this chapter follows the most frequent periodization in Latin American historiography, following the works of Cardoso and H. Pérez Brignoli (1979) in *Economic History of Latin America* and Victor Bulmer-Thomas, John Coatsworth and Roberto Cortés Conde in *Cambridge History of Latin America* (1980/2006).

Section 1: State-building in the long-term

In this section, I describe the social, political, and economic processes that shaped the emerging states in Chile and Uruguay. The section is subdivided into two parts with different temporal scopes, which have been delimited according to the milestones of state formation in Latin America. Overall, this section shows that due to the role that both economies played in the colonisation and independence process, the social and political structure in Uruguay allowed for the formation of elites that were less powerful than the Chilean ones and had less control over state structures. As a result, the Uruguayan state was born with greater autonomy from the elites than the Chilean state.

The material foundations: colonization and independence process

At the beginning of the 16th century took place what Arrighi (1994: 33) has called '*the emergence of capitalism as a system of accumulation on a world scale*', which was largely a product of the accumulation process that took place in the central countries thanks to the processes of imperialism in the periphery. The colonization process was largely determined by the type of natural resources existing in each territory and the demand for resources required by the colonizers (Spain and Portugal). The differential characteristics of the colonizing process had an impact on access to land as well as on the demand for labour, which had significant consequences on the development of the first postcolonial societies in this region (Cardoso and Faletto, 1967: 22).

From the beginning of the colonization process, the colonial epicentre was in Potosí (today Upper Peru) due to the silver and gold mines that were the main resource demanded by the colonial empires. Far away from there, the southernmost regions of America remained for centuries almost without contact with the colonizers due precisely to their remoteness, lack of mineral resources and large contingents of people to enslave (Abadie et al., 1974). Neither the territories of present-day Chile nor those of Uruguay were part of the central colonial nucleus (Peru and Bolivia lands), being both sparsely populated territories at the time of the conquest (Cardoso and Pérez Brignoli, 1979). However, due to the geographical proximity to the original colonial nucleus in Potosí and the fact that the Chilean lands had gold, silver and copper, the colonizers were interested in the Chilean lands much earlier than in the Uruguayan territories (Bertola and Ocampo, 2009). That is to say that, although in both cases they were relatively late colonies in comparison with the original *Potosí* colonial nucleus, Chile began to develop much earlier than Uruguay. Consequently, while during the 1600s the colonizers still considered the territories east of the Uruguay useless, Europeans populated and founded cities in central Chile (Idem). This will have important consequences for the development of both incipient post-colonial societies.

The *encomienda* first and later the *hacienda* -an estate similar to a Roman latifundium- were the most widespread forms of social organization and land exploitation by the colonizers in Latin America, which also included chapel, grocery store, prison, and school (Monestier, 2017: 45). This system consolidated rigid racial hierarchies and the oppression of native peoples and black slaves that had been brewing since colonization, thus constituting the central axes of the Latin American system of inequality in the long-term (Thorp, 2012). Being the first truly complex form of organization, the *hacienda* was crucial in shaping

almost all Latin American societies (Idem). But, in Uruguayan lands this socio-economic structure was almost non-existent (Rodríguez Weber, 2016). The combination of abundant land, free cattle, little regulation of private property and very low population density created incentives against the creation of such hierarchical and complex social structures (Real de Azúa, 1969: 13). In Chile, instead, there was minerals and a large native population to exploit and therefore the *hacienda* was the central protagonist of the rural economies for centuries (Góngora, 1960: 93-95) shaping a highly hierarchical and unequal social order from the very beginning of Chilean history (Rodríguez Weber, 2016: 10).

Between the sixteenth and eighteenth centuries, centre-periphery relations were largely structured by mercantile capitalism. The role of imperialism in mercantile evolution was crucial, especially through the creation of joint stock companies sponsored by wealthy merchant capitalists of the colonial empires, who were granted commercial monopolies in certain regions of the world by royal charters. Examples of these concessions are the well-known British East India Company, the Dutch East India Company, and the Royal African Company (Arrighi et al., 2010). The extraction of natural resources (at this point essentially minerals) together with the slave trade, allowed a process of accumulation in the imperial countries that was crucial in the subsequent development of the Industrial Revolution in England (Dunning and Lundan, 2008). In this scenario, colonial merchants from Holland, Great Britain, France, Spain and Portugal established commercial links with the American colonies that allowed them to generate accumulation processes that were crucial to the development of these countries (Alami, 2019: 5). To promote these mercantile relations, it was necessary to develop a minimum infrastructure, including roads, ports, and banks, among others. To this end, the empires made investments and loans in the American territories aimed at developing these basic infrastructures (Dunning and Lundan, 2008).

In the Americas, the mines of Potosi and other centres of natural resource extraction were essential elements of this accumulation process. However, this was certainly not the case in much of South America, especially in the regions now occupied by Uruguay, where the star resources on which this extraction model was based (minerals, and in particular gold and silver) were non-existent. During the 18th and 19th, the Uruguayan economy was largely composed of extensive cattle ranching; a model characterized by abundant and fertile lands, which demanded a very small labour force (Rodríguez Weber, 2016: 12). Due to the abundance and accessibility of land and resources to peasants, inequality was considerably lower in Uruguay than in other Latin American territories (Barrán and Nahúm, 1987). Consequently, the ties of domination were weak, and it was not necessary to create a State to impose order in defence of the wealth and elite's power, as it happened in much of the continent. Moreover, because of these same characteristics, Uruguayan landowners were considerably 'poorer' and less powerful than their Latin American peers (Real de Azúa, 1984; Barrán and Nahúm, 1987). This society with low levels of inequality and low power elites compared to their Latin American peers was accentuated during the wars of independence in the 19th century (1811-1825) when the already *not-so-wealthy* traditional owner class was ruined. This process debased livestock and the salt industry, being cattle reduced from almost 7 to 2 million between 1843 and 1852, while from 24 salting houses that existed at the beginning of the independence war, 20 had stopped working (Nahum, 2006: 108).

If access to land and resources largely explains the birth of Uruguay's colonial society, the process of independence explains to some extent the Uruguayan political economy of the 19th century. The civilians who took over the Uruguayan government in 1825 were an urban-based elite who had significant autonomy from the rural upper class (Rodríguez Weber and Thorp, 2014: 11). Why? Because the landowners who were not particularly wealthy at the time, were further impoverished before the wars of independence. All the while, immigrants with capital occupied the most fertile coastal regions²³ (Idem: 14). In this way, the impoverishment of the traditional rural elites, together with the arrival of immigrants contributed to fragmenting economic sectors, which were also considerably 'poorer' than their Latin American counterparts were. In short, Uruguayan land did not have many settlers, economic centres, large extractive enterprises, and great economic powers. Precisely during that process that the Uruguayan State was born and became independent (1825). Thus, the Uruguayan State was born with a certain degree of independence from the *not-so-powerful, not-so-rich*, and fragmented agrarian economic sectors.

Meanwhile, in Chile, the already wealthy colonial aristocracy led the independence process (1817-1818) and managed to take control of the new state (Bengoa, 1988; 86). This elite was composed of an extremely homogeneous and wealthy group, who built a state that functioned as a tool for the protection of their interests (Bengoa, 1988; 86-88). Precisely because they were able to control the state early on, the elites were able to take advantage of the high international demand for their star product, copper (Collier and Sater, 1998). As a result, Chilean elites became more powerful by increasing their wealth due to the growth in demand for copper, caused by the expansion of the European Industrial Revolution, and from the demand for wheat, caused by the mining booms in Australia and California (Rodríguez Weber, 2016: 149-150; Bauer et al., 1994: 95).

From the very beginning, intending to reach the political and economic stability necessary to develop trade, the oligarchic regimen that ruled Chile from 1830 to the beginning of the twenty century was based on a strong social demobilization of the lowest economic classes (Bengoa, 1988: 108-109). This process was successful in achieving its objectives because, despite the extremely precarious labour conditions, there were no political incidents or social uprisings during that period (Scully, 1992; Valenzuela, 1985). In short, both countries were born to independent life with a different institutional heritage. While Chilean elites formed a strong oligarchic State that assumed its dominance in the territory very early on (1870-1990), in Uruguay the State was born with certain autonomy concerning elites, less powerful and richer than their Chilean peers. By the end of the independence process and having twice the territory, Chile had a population 12 times larger than Uruguay (Bértola and Ocampo, 2013).

²³ Immigration multiplied Uruguay's population eightfold; between 1850 and 1880 took place the highest population growth rate in Latin America (Pellegrino, 2010).

The development of state functions during early globalization (1870-1930)

By 1870, the onset of the first financial and commercial globalization in the context of rapidly expanding world trade boosted notably British investment in the region (Della Paolera and Taylor, 2012; ECLAC, 1964). Foreign capital was invested in the Americas in two ways: directly in the exploitation of natural resources and in the transport, infrastructure needed to operate these flows (Dunning and Lundan, 2008: 175) (See Table 7). In fact, free capital mobility was fundamental to the creation of the agro-export model in which Latin America was based on (Pérez Caldentey and Vernengo, 2017: 173; ECLAC, 1964: 3). Moreover, due to the demand for the type of products that these countries produced, Argentina, Chile and Uruguay experienced a radical improvement in the terms of trade at the beginning of the 20th century and up to the years of the First World War (Bertola and Ocampo, 2009: 104). All of that increase Uruguayan and Chilean incomes significantly but also accentuated financial imbalance (Bertola and Ocampo, 2009: 19).

Table 7. Foreign investment in Latin America (USD million) by country

Country/Year	1880	1890	1900	1913
United Kingdom	868	2069	2630	4867
France	218	664	364	1002
United States	No data	No data	304	1276

Source: Data extracted from Bértola and Ocampo, 2009: Table 3.17: 36

In other words, the massive inflow of capital, mainly from England, increased the incomes of most Latin American countries and provided them with the conditions to create infrastructure and generally expand state functions, but at the same time consolidated fiscal imbalance. However, this expansionary economic cycle had different results in the two countries analysed. As I will develop below, Uruguay, consolidated the power of trade unions and the first distributive policies; while Chile consolidated the power of the elites in an oligarchic state that promoted policies aiming at social control (Midaglia et al., 2017; Filgueira and Alegre, 2009).

Due to the increase in state revenues, much earlier than the rest of Latin American countries, from the 1910s onwards, Uruguay began to implement the first social and distributive policies. Between 1900 and 1930, Uruguay experienced an intense reform process in health, education, and social security. Some notable measures in the Uruguayan case included the 8-hour law (1915) (Law 5.350 Eight-hour working day)²⁴, which is a milestone if one considers that Spain, Germany, Italy, and France only reached eight hours of work per day in 1919. Other measures include prevention and compensation laws for accidents at work, a mandatory day-off and compensation for dismissal law, pension systems for old-age without an income, a 40-day pregnancy leave approved, and the creation of old-age and disability pensions, amongst others. All these measures set Uruguay's social protection

²⁴ In Latin America, the second after Uruguay was Ecuador in 1916, followed by Chile in 1924, Argentina in 1929, and Costa Rica in 1945.

record apart not only from Chile, but also from most Latin American countries (Barrán and Nahum, 1979; Filgueira, 1994).

All the while, instead of being persecuted and criminalized –as happened in most Latin American countries- in Uruguay the formation of trade unions was allowed and sometimes even promoted by the state itself (Barrán and Nahum, 1979).²⁵ Indeed, the early debates on social policies and ‘anti-poverty’ policies portray the importance that this phenomenon had for politicians²⁶. As a state that was not merely composed of elites, and as these policies were not opposed to the interests of the (*not so powerful*) elites, promoting policies to support the popular sectors was largely seen as a sign of ‘modernity’²⁷. Business organisations –especially those associated with agriculture- were also created around this time and they tried to slow down the reform process. Indeed, when the economy began to slow down around 1913, the economic sectors managed to slow down the speed of reforms, but by no means eliminated the process of implementing state and distributive social policies.²⁸ (Rodríguez Weber, 2014; Barrán and Nahum, 1979; Midaglia et al., 2017).

All the while, a quite different scenario from the Uruguayan case characterized the Chilean society and political system. Paul S. Reinsch, an American diplomat, described Chilean society in the early 20th century as “*a country governed by an aristocracy based on cradle and wealth, whose families formed such a compact group that its members knew each other personally*” (1909: 508-509). Such was Reinsch’s impression that he mentions the Chilean elite of the early 20th century as a case “*only comparable to 18th century England*” (Idem: 509). This power of the Chilean elite, according to Rodríguez Weber (2016: 31), would be given fundamentally by the control of the saltpetre activity that passed from British control to national control early on. The saltpetre cycle lasted from 1880 to 1930 and during this stage Chile became the main producer and supplier of the world market (Cariola and Sunkel,

²⁵ For instance, in a famous tramway strike in 1911, the current President Batlle y Ordoñez himself in the local newspaper explicitly celebrated the victory of the strikers. Furthermore, at the end of the strike, the workers walked towards the president’s house to claim ‘long live the general strike, long live Batlle y Ordonez!’ (¡Viva la huelga general, viva Batlle y Ordonez!) (Barrán and Nahum, 1979).

²⁶ Information identified in primary sources by the author. In this debate, most parliamentarians agree that it is necessary to generate social policies to address ‘the workers’ issue’ as a central problem. In this regard, see the debate on the workers’ situation in the Senate that led to the creation of the Family Allowances Regime: House of Representatives Session: March 20, 1939, on ‘The Labour Question’; April 10, 1939. On ‘Situation of workers and labour relations’, April 17, 1939. On ‘Pre-investigative commission on workers’ living, working and wage conditions’, April 19, 1939. On the ‘Labour Conflict’ and ‘Retirement and Pension Funds’, April 17, 1941, On ‘conclusions’.

²⁷ Information identified in primary sources by the author. In that regard see: session of the House of Representatives: March 20, 1939. In this instance, the Uruguayan political parties debated on the creation of a policy to address poverty that ended up leading to the creation of the Family Allowance policy -a complementary income to families. There, the need to improve ‘the living conditions of the worker’ to create a ‘more advanced’ society is argued, and although this argument is led by the Socialist Party, it is shared by various political sectors.

²⁸ In 1916, a conservative alliance led by the agrarian sector grouped in the Rural Federation (*Federación Rural*) tried to stop the social reform efforts in what is well known as the ‘Viera stop’ due to the words of the elected president Feliciano Viera: ‘*Well gentlemen, let us not advance any further in matters of social and economic legislation (...) we have marched quite fast, let us make a halt in the journey*’. In: *El Siglo Newspaper*; Saturday, August 12, 1916; Page 5). However, this process did not imply a reversal of policy reforms, but just a slowdown.

1982). On average, five out of every ten dollars received by the country for exports from 1880 to 1932 originated in this industry (Meller, 1996: 24). In addition, because this sector of activity demanded more labour, compared to extensive cattle ranching from the Uruguayan territory, there was greater interest from the elite in restricting political openness (Rodriguez Weber, 2014). In other words, the increased concentration of a salaried and industrial workforce in a context of high inequality and very powerful elites made the Chilean political structure particularly concerned with social control.

By 1910s-1920, Chile started to experience significant changes in the economic class structure regarding urban areas (Monestier, 2017: 75). The increase in the labour force in mining, industry, and the State caused a gradual change in the incipient political organization of the popular sectors. These changes meant that for the first time, Chile had a workers' proletariat with its own identity (Angell, 1972: 11-12). Consequently, during this period there were important workers' protests motivated by the loss of real wages in the face of inflation unleashed in the context of globalization (DeShazo et al., 2007). The protests were intensely repressed, and the unionists were persecuted as criminals (Idem). In particular, the protest taking place in the mining region represented a major threat to the economic core. In fact, in 1907 there was an attempted mobilization of saltpetre workers in Iquique, who demanded a wage valued at a fixed exchange rate against the pound sterling to protect their income from inflation, they were machine-gunned (Rodriguez Weber, 2016: 30).

These strategies of deactivation of popular protest through persecution and repression have been one of the most used strategies of the Chilean elites to maintain social and political order. The other strategy was a disciplined process, which was particularly accentuated when economic conditions began to deteriorate. Indeed, even though by the 1920s-1930s the Chilean State addressed the 'social question', the reform process had a much more conservative tone than in Uruguay; being guided by the interest of controlling and limiting the activities of trade union organizations of the growing mass of workers (Collier and Collier, 1991:170). Furthermore, during this period laws were passed regulating labour contracts, unions, and the right to strike, with a strong vocation for state control and depoliticization of trade unions (Collier and Collier, 1991: 189-191). Although social security systems were created at that time, there were almost exclusively for 'white-collar workers' and public employees (Idem).

In short, the increase in foreign economic flows from England in the early 1900s allowed the development of the export model in much of the region and generated the necessary income to develop the state. However, while in Chile the state strengthened the power of the elites and policies to control social mobilisation, in Uruguay the social state and the first distributive policies began to be created, at the same time as the organisation of grassroots actors was promoted. In other words, in Uruguay, the government sought to strengthen the position of organised labour, which was a weak actor, but unlike in Chile, it did not attempt to control their actions (Collier and Collier, 1991: 280-281). Hence, the 'boom' economic cycle in both economies translated into different distributive outcomes, largely related to the power of the elites in the state structures inherited from the process of the birth and consolidation of the state.

Summary: the origins of state action in Chile and Uruguay

The initial endowment of existing resources in each territory led to different processes of colonisation and independence in both states. While the Chilean state was born as an oligarchic state co-opted by highly powerful elites, the Uruguayan state was born with a certain degree of independence from the elites, who were considerably less homogenous and powerful than their Latin American counterparts. During the first globalization, the massive inflow of capital from England created a 'boom' cycle, enriched both countries allowing the development of the export model, the expansion of state functions, and early distributive policies, but with different outcomes. In Uruguay, the first social policies were developed, and grassroots organisation was stimulated, while in Chile the power of the elites in the state was further entrenched as policies of social control were encouraged. Afterward, the 'bust' of the cycle implied an increase in the power of the conservative forces in both countries but again in different ways. In Uruguay, the retraction of financial flows, the increase in debt, and the worsening of balance of payments problems by the end of the 1910s implied a slowdown in social policies but did not eliminate the social and interventionist profile of the Uruguayan state. In Chile, instead, the declining phase of the cycle implied an even greater increase in the processes of control and repression of collective mobilization. Overall, this section shows that while the cycle-taking position of both countries shaped the political economy of distributive policies, the state's autonomy from power groups also played a role. Taken together, both dimensions - global and local - determined the initiation of the first distributive policies in Chile and Uruguay.

Section 2: The modern state

In this second part, I explain the development of distributive policies in both countries during the consolidation of the modern state between 1930 and 1970. The analysis shows two central results. First, during favourable economic phases both countries tended to develop distributive processes, but while in Uruguay these increased the mobilization and organizational capacity of social sectors, in Chile these processes were largely oriented towards control and order. Second, during the most restrictive economic phases, both countries tended to retract their distributive policies. However, while in Uruguay these processes took the form of 'conjunctural brakes' that do not eliminate the distributive model, in Chile these retractions tended to be 'conservative restoration' where the elites recovered or even increase their role over state structures undermining the distributive processes. Third, during this period different types of state-society coordination mechanisms were consolidated in each case; while in Uruguay a broadly inclusive state-society coordination model was formed (organized labour, business, and social movements), in Chile state coordination was basically with the elites in an exclusionary format. Therefore, distributive policies in Uruguay tended to be more legitimate, negotiated and long lasting than in Chile.

The development of the distributive model during the economic upswing (1930-1950)

The external financing boom of the 1920s, which had benefited most Latin American countries, was succeeded by reduced capital flows from mid-1928. However, between 1930 and 1940, things started to improve somewhat again. The Second World War provided a major boost to foreign trade interventionism and industrialisation due to the interruption of

the supply of some products on international markets (Bertola and Ocampo, 2009: 158). The export revenues of the 1930s could not be spent on imports because of wartime restrictions, leading to an accumulation of international reserves, which in some countries, especially in the South, consisted of unconvertible sterling. This boosted the developmentalist project as many countries used these revenues to develop the cities' infrastructure ²⁹(Bértola and Ocampo, 2009: 166). At the same time, in 1944 the United States led the signing of the Bretton Woods Agreement, aimed to establish a framework for the regulation and cross-border flows of money and capital. These agreements established a gold-dollar exchange standard and designed a set of international rules that left significant policy space for countries (Rodrik, 2012: 397). Capital controls were an integral part of the regime because, as Keynes pointed out, it was thought that to have healthy domestic economic management; countries needed a certain amount of insulation from the vicissitudes of short-term international finance and trade regimes (Rodrik, 2012: 397).

This context granted the conditions to implement developmentalist projects through what is known as a State-led Industrialization Process (*ISI*³⁰ by its Spanish acronym). That industrial model was promoted by an active State that established tariff barriers, subsidized industry, and owned itself much of the productive structure to reduce Latin America's external vulnerability and put that region on the development path (Roxborough, 1992: 421). From the late 1930s onwards, Chile and Uruguay began to follow parallel trajectories in many respects. As in much of Latin America, both underwent a process of industrialisation (Bértola and Ocampo, 2013; Thorp, 1998). Nevertheless, unlike other Latin American countries such as Colombia, in Chile and Uruguay this process was associated with a reduction in income inequality (Rodríguez Weber, 2014: 39).

Besides promoting industrialization, this period of upswing and the international regulatory framework allowed several Latin American countries to implement or develop their distributive systems. This period was also characterised by growing democratisation, which was manifested in the fact that by 1940 in countries such as Argentina, Chile, and Uruguay the rates of participation in elections were twice as high as in North America (Engerman and Sokoloff, 2002). In fact, between the 1930s and 1970s, the proportion of the population participating in elections increased from 8% to 44% in Chile and from 20% to 61% in Uruguay (Drake, 2009 in Sanchez Ancochea, 2020: 79). During 1930-1950, distributive social and labour policies were significantly expanded (Collier and Collier, 1991; Midaglia et al., 2017; Pribble, 2013). The inward-looking phase was able to create decent work for growing populations (Tussie, 2011: 318). Social welfare policies were developed, especially in some countries such as Chile, Argentina, Uruguay, and Costa Rica, benefiting large groups of the population (Roberts, 2012). However, those sectors belonging to informal markets were mostly excluded from these protection systems (Huber and Stephens, 2005; Sanchez Ancochea, 2020).

²⁹ One of the most notable cases in this regard was President Perón's nationalisation of British railways in Argentina, using the inconvertible sterling accumulated during the Second World War.

³⁰ The most commonly used name given to this process was 'import substitution industrialization' (*industrialización por sustitución de importaciones-ISI* in Spanish) although other authors (e.g. Bertola and Ocampo, 2009) call it 'state-led industrialization'.

In Uruguay, the upward phase of a new economic cycle allowed the development of a broad set of social protection policies especially between 1930 and 1945 (Midaglia et al., 2017)³¹. At the same time, during this period, some central institutions that largely explain the characteristics of the Uruguayan model were consolidated such as the mechanisms of direct democracy (the 1920s-1930s), the Salary Councils (1943), while the poly-classist structure of political party system was strengthened. I contend that these mechanisms acted as amalgamation mechanisms between social groups favouring state-society coordination. Let me develop these ideas further.

First, democratic mechanisms included in the 1919 Constitution (art. 141) and in the 1934 Constitution were strengthened in 1967 when it was introduced the national referendum against laws and the right of initiative before the Legislative Power, greatly expanding the possibilities of exercising direct democracy. Second, in 1943, Uruguay implemented an institutionalization mechanism of negotiation among workers, government, and employees so-called *Consejo de Salarios* (Salary Councils)³²; which has had a key role in the promotion of improvements in labour standards and salary conditions over time (Midaglia et al., 2017; Ibarra, 2008; Villegas and Castillo, 2021)³³. Third, Uruguay has been characterized by a poly-classist political party system that was born in the independent wars and consolidated during those years. This system has promoted a ‘consensus partidocracy’ (Buquet and Chaquetti, 2004), allowing different economic and social groups to have several ‘entry doors’ to negotiate and lobby for different benefits. My argument is that these three factors have acted to promote coordination between society and the state at different levels. Indeed, these key coordination institutions consolidated in that period and largely explain the construction of the distributive regime in the long run. Thus, as we will see in this chapter and I will show in the following chapters, these coordination mechanisms have allowed the state to negotiate partial and segmented benefits for different social groups while maintaining legitimate and stable distributive arrangements.

³¹ During that period, Uruguay experienced an intense period of reforms characterized by the implementation of important labour and assistant policies. Amongst them, it can be highlighted the supplementary income and basket policy called *Asignaciones Familiares* in 1942 (familiar assignation), which although modifications still persist as one of the most important social policies (Midaglia et al., 2017: 29).

³² Salary Councils are specialized tripartite bodies, in which State, representatives of the employers and worker sectors negotiate salary and employment conditions.

³³ It should be noted that these Councils maintained the traditional segmentation of workers. Thus, according to its union’s bargaining power, different groups obtained different outcomes (Midaglia et al., 2017: 26).

Table 8. State-society institutional coordination mechanisms in Uruguay (1930-1960)

Mechanism	Favoured group	Mechanisms promoting state-society coordination
Poly-classist and highly institutionalized political system (1940-1960)	Society as a whole	It provides electoral representation and clientelist access to state benefits.
Direct Democracy (1934-1967)	Organized civil society	Gives organizational power, representation and demand capacity to civil society and social movements
Salary Councils (1943)	Organized workers	Gives organizational power, representation and lobbying capacity to trade unions

Source: own elaboration

In the next sections of this thesis, I will show the importance of these mechanisms of state-society coordination, but in this section let me emphasise the importance of these mechanisms in consolidating the model of social protection and distributive policies that developed in the 1940s and 1950s. During those years, as a product of these state-society coordination mechanisms, the Uruguayan state began to expand its social protection system through the extension of fragmented benefits to different groups (Midaglia et al., 2017). At the public policy level, the result was that any new initiative sought to favour, or at least not to harm, some clearly identifiable organized group; and if that was not possible, to seek parallel mechanisms to compensate or qualify those losses. In effect, polyclassist political parties could not benefit one group without losing the support of another (business, labor) and society had labour and democratic mechanisms to channel their demands (direct democracy and wage councils). All that began to generate a system of balance that largely explains the expansion of the social state in Uruguay.

Therefore, during those years, social spending grew dynamically from 25% of total state expenditure in 1910-the 1920s to more than 40% during the 1950-1960s, with the preponderance being allocated to education, health, and transfers to support the social security system (Azar et al. 2010: 7). The business groups opposed some reforms and supported others, but they did so through institutionalized dialogue and without outright confrontation, at least during 1940-1950s (Midaglia et al., 2017). All the while, unions were strengthened and workers increased their income³⁴ and at the same time, different groups and individuals had access to particular clientelist benefits in terms of retirement and pensions (Plá Rodríguez, 1972: 366)³⁵ In addition, industrialists had their own-segmented system, and agreed to a series of particularist-clientelist arrangements to sustain their businesses (Zurbriggen, 2006: 110-125; Bertino and Garcia Repetto, 2008: 29-33). In this

³⁴ By 1955, the number of industrial workers unionized reached 200 thousand (Notaro, 2007). As a result, by the 1960s, Uruguayan trade unionism was one of the most cohesive in the region, accounting for more than 70% of the workforce (Roberts, 2002).

³⁵ Information identified in primary sources by the author. In that regard, in May 1947, a commission in charge of the management of the Retirement and Pension system raised serious problems of efficiency derived from the multiple benefit systems. In that regard, the debate in the House of Representatives highlighted: *'in the Retirement Institute there are four procedures, which are distinguished by the different folders. The current one, with a white folder; the preferential procedure, with a red folder; the directory procedure which has the word "Directorio" crossed over the previous folder and finally the "ultra-fast" procedure. All this constitutes an obvious and serious irregularity that openly conspires against the normality of the procedures'* (Journal of Sessions of the House of Representatives, volume 471: 396).

way, the Uruguayan state did not promote an orderly, articulated, and much less coherent model of development, but it did promote a model that enriched large parts of the population. Hence, the massive inflow of income in the 1930s-1940s was not “captured” by a single sector, nor was it directed solely for the benefit of elites. As no actor had the capacity for hegemony or incentives to seek benefits outside these institutions, the result was a coordinated and stable configuration that encouraged bargaining and agreement.

All the while, in Chile, the same conditions generated by the industrialization process led to a gradual change in its political economy, thus weakening thereby elites’ power. During this period, the economic elites became more active in political life, with the creation of the Confederation of Production and Commerce (CPC) in 1934. At the same time, the trade union organizations managed to unify with the establishment of the *Confederación de Trabajadores de Chile* (CTCh) and began to establish links with the left-wing parties and promoted the electoral alliance that led to the creation of the *Frente Popular* in 1936 (Collier and Collier, 1991: 375-377). During these years, there was a strong growth in urban trade union activity. Thus, between 1935 and 1947 the proportion of unionised employees in the total rose from 22% to 38% (Rodriguez Weber, 2016: 44). Additionally, the annual average number of striking workers rose from 6,898 in 1935-1938 to 16,827 in 1939-1943 and 59,994 in 1944-1948 (Ibidem). Moreover, even in rural areas, the number of strikes went from virtually zero before 1938 to an average of 149 per year between 1938 and 1947 (Santana Ulloa, 2006: 138).

All the while, social spending grew notably in Chile: between 1920 and 1930, social spending increased from 1% of gross domestic product (GDP) to 2.7%, representing, in relation to total state expenditure, a growth from 6.6% at the beginning of 1920 to 18% ten years later. By 1945, the percentage of state expenditures going to social welfare areas reached 28% of the total, rising to over 45% in 1965 and peaking at 52% in 1972³⁶. In addition, the new economic context had an ambiguous effect on the power of the ruling class. The traditional elite of landowners and miners was weakened by the fall in agricultural productivity. Likewise, mining faced great difficulties during these years, especially in the 1930s when the crisis caused prices to collapse. Furthermore, the star of the sector, copper production - which also faced serious difficulties during the period-was in the hands of foreign capital, not the local elite (Rodriguez Weber, 2016: 43-45). Finally, during this period, democracy developed systematically as the voting population went from an average of 10% between 1925 and 1945, to 44% in the 1970 elections (Rodriguez Weber, 2014: 274).

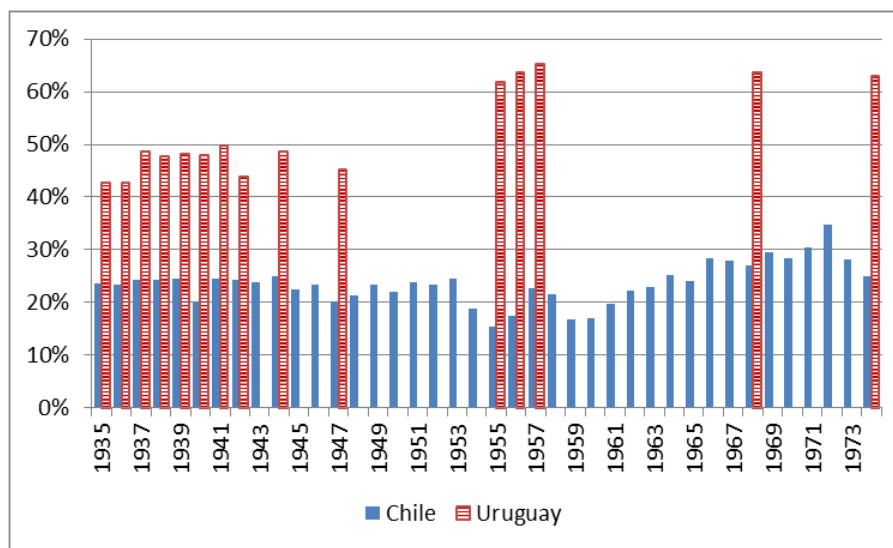
As has been mentioned, the growth of trade unionism and leftist parties did not imply a retreat of the elites, and although the distributive policy developed -as can be seen in the growth of public social spending- it did so moderately (See Figure 5). In fact, not only did the governments limit the growth of left-wing sectors, proscribing the political participation of the Communist Party of Chile, starting with the Law for the Defense of Democracy in force until 1958, but there were also few changes in the restrictive legal framework that

³⁶ Data extracted from Memoria Chilena, National Library of Chile, on line document ‘The Expansion of the Social State 1924-1973’. Available at: <http://www.memoriachilena.gob.cl/602/w3-article-93763.html>

regulated the organization of unions and Collective Bargaining (Collier and Collier, 1991: 392; 397). Hence, rising social demands, the growing power of left-wing parties, the development of democracy and trade unions, and the rise of strikes catalysed state action on distributive issues but in a moderate manner and with a strong control of social mobilization.

In short, the economic bonanza of the 1930s-1950s facilitated the development of distributive policies in both countries. However, while in Uruguay the organization of social actors was promoted and state-society coordination mechanisms were strengthened, in Chile the State deployed a series of measures aimed at containing the growing organizational capacity of the popular sectors. Consequently, both countries developed distributive policies, but with different objectives and scopes.

Figure 5. Public social expenditure as a percentage of total expenditure in Chile and Uruguay, 1935-1974



Source: Rodríguez Weber, 2016: 41, based on Chile: Díaz et al. (2010). Uruguay: Azar et al. (2009). Information available for some years only.

The mobilization of conservative forces during the economic slowdown phase (1950-1980)

As the world economy recovered from the Second World War, terms of trade started to change. Although the led-state industrialization model began to fail in Uruguay before Chile, in the 1960s the terms of trade had changed all over Latin America, and the economic conditions that sustained the model were broken (Bértola and Ocampo, 2017). From a peak of 13% of world exports in 1950, the share of Latin America in the world economy fell under 6% in 1960 and reached 4% in the 1970s (Tussie, 2011: 319). While the national economies demanded more foreign currency in dollars both for consumption-oriented imports and to produce intermediate goods, balance of payments problems increased.

In Uruguay, the bust in the economy did not imply the transformation of the social state model, at least not at the beginning. On the contrary, the level and orientation of social expenditure remained stable by the 1940s and 1950s (Filgueira and Alegre, 2008: 10). The main difference regarding the previous decade was that while between 1940 and the 1960s, incomes from export and savings support the state model, from the 1960s, those incomes

were not available anymore. So, from now on, social spending was supported financially by monetary emissions, the debt contracted with international financial organizations, and devaluation (Idem). Unions demanded spending increases while business groups demanded the extension of their benefits to continue operating industries that were no longer profitable. As a result, the state continued to provide partial benefits to all sectors through a growing increase in debt.

Because of this process, social and political polarization increased notably in Uruguay while economic stagnation was dragging on. Per capita GDP had hardly grown since 1957 and by 1968 inflation reached an alarming rate of 167% (Caetano and Rilla, 1991). Workers saw their conditions and wage levels undermined, and consequently, they became more radical, framed in the Latin American debates that at that time were taking place around the Cuban revolution (1959). The political sectors of the right feared the threat of communism and they went through a gradual conservative turn. Thus, during those years, it was the first time that three consecutive governments implemented the so-called Early Security Measures so frequently, a mechanism that enabled the Executive to suspend certain constitutional guarantees to face 'serious situations'³⁷ (Caetano and Rilla, 1991). In 1968, tripartite negotiation in Salary Councils was suspended, determining thereby that the government establishing wage evolution (Pucci et al., 2012: 27). In 1971 the left-wing sectors of Uruguay gave rise to the creation of the left political party *Frente Amplio*. In sum, during this period of worsening economic conditions, Uruguay maintained its fragmented benefit structure and its social state at the beginning. However, as time went by, economic problems increased and so did social polarisation. Gradually, the government became more authoritarian and began to limit the mechanisms of social, political, and labour representation. In short, the scenario of economic restriction and crisis was translated into a scenario of political crisis and significant retraction of the distributive model.

During the same period, the Chilean economic situation was no better. The inflationary process was reaching alarming rates, close to 85% in 1955 (Rodríguez Weber, 2016: 50), and thereby social conflictive increased dramatically. However, the Chilean population took a different path in comparison with Uruguay. Although conservative governments ruled Chile,³⁸ society was gradually turning to the left (Rodríguez Weber, 2016; Klein, 2007). In 1953, unions were unified in an association called Unique Central of Workers (Central Única de Trabajadores (CUT)). In 1957, the Socialist Party reunified and the Communist Party was relegalized. Because of those changes, in 1956 left sectors created a big political party the Frente de Acción Popular (Collier and Collier, 1991: 560). Chilean society and the political system were indeed changing.

The state continued to be dominated by elites, but as industrialisation had grown significantly, and society became more democratic, the power of labour unions grew notably, and with it their capacity to demand distributive policies. Indeed, in the 1960s Chile experienced an intense period of progressive political reforms with distributive effects. During the government of *Democracia Cristiana* (1965 and 1970) public education were strengthened, it was implemented an agrarian reform that implied the expropriation of 15%

³⁷ Oscar Gestido (1967), Jorge Pacheco Areco (1968-1972) and Juan María Bordaberry (1972-1973).

³⁸ Carlos Ibanez (1952-1958) and Jorge Alessandri (1958-1964).

of the agricultural area of the country (Law N° 16.640) and peasant unionization and social participation were promoted (Law 16.625) (Arellano and Marfán, 1989: 142-143, Ffrench-Davis, 2016). In addition, around 3.5 million hectares were expropriated, and more than 400 trade unions were organized³⁹. All the while, tax reforms were implemented allowing thereby increasing tax revenues, which reached 21% of the GDP in 1970 (Antía, 2014: 82). In this changing scenario, elites organized themselves around the creation of a new party, the National Party (Partido Nacional-1966) and while they accentuated their coordination and action strategies through the main business organizations.

By 1970, Salvador Allende was elected president of Chile becoming the first democratically elected Marxist president in the world. Once in government, the socialist political party went even further in the reforms process than the last government, and in 1971, labour income and public social spending, through pensions, family allowances, education, and health, increased substantially (Ffrench-Davis, 2016: 240). The new government of Salvador Allende continued the process of agrarian reform and by 1973 expropriated nearly 4,400 agricultural plots, totalling over 6.4 million hectares, ending thereby with the predominance of large-scale ranch-style farming order that had prevailed for over 400 years⁴⁰. State nationalized 360 manufacturing companies and in 1971 amongst them large-scale copper mining industries (Arellano and Marfán, 1989: 143). At the same time, social mobilization increased notably and the number of workers in unions doubled between 1967 and 1972 (Angell, 2005: 16).

Undeniably, changes in the productive structure linked to the industrialization process were undermining the power of the elites and, therefore, were taking away their power to capture the state. As a result, demonstrating that trajectories are not static and that history is subject to change, in Chile during the 1960s-1970s the State was gaining autonomy concerning elites. Consequently, the confrontation became more acute. The agrarian reform and the nationalization of companies were a turning point in the balance of power in Chile, which also affected large international corporations (Klein, 2007: 63-65). These measures triggered a reaction from the U.S.A. Nixon administration, was seeking to prevent the spread of communism after the Cuban revolution of 1959. The opposition to Allende's government was led by the *gremios*, those associations of professional business groups extensively identified with the right. Most of them were funded from the CIA but even without those international funds, elites were able to mobilize considerable sources of power, such as the 'bosses strike' of October 1972 showed (Angell, 2005: 10-11)⁴¹.

In summary, while the economy was driven by industrialization, Chilean society and the political system began to change, and these changes were maintained during the scenario of instability and economic slowdown. Trade unions and leftist political sectors grew thanks to the industrialization process, but the elites continued to maintain important niches of economic, political, and social power. During this process of growing polarization and

³⁹ That data was taken from Biblioteca Nacional de Chile, available in: <http://www.memoriachilena.gob.cl/602/w3-article-3536.html>

⁴⁰ Idem.

⁴¹ The so-called "truckers' strike" took place during the month of October 1972, against the Popular Unity government. With the support of the U.S. Central Intelligence Agency (CIA) the strike put the country in serious trouble regarding the supply of goods aggravating thereby the social conflict in the country.

confrontation, there was no negotiation between different sectors; confrontation was immediate. In the end, the Chilean elites imposed a drastic brake on the distributive process.

By the early 1970s, the history of both countries led to similar outcomes, but with important differences in the severity of these processes and their future results. Thus, in 1973, under the explicit support of the U.S. government, the Uruguayan and Chilean governments –like most Latin American countries- were overthrown by military dictatorships in the frame of the Condor Plan (1968–1989)⁴². The dictatorship governments aside from suspending civil and social rights worsened inequality and returned to elites the power lost it. However, while in Chile the dictatorship has been described as a ‘national refoundation’, the regime implemented by the Uruguayan militaries has been characterized as an ‘authoritarian parenthesis’ (Luna and Alcántara, 2004; Alegre, 2008). Therefore, both processes implied a significant retraction of the distributive model, but while in Uruguay this model retained features of the previous system that were gradually recovered in democracy, in Chile after 1973 the elites recovered and even increased their power over state structures.

Neoliberalism was implemented in Chile much before and more intensively than anywhere in Latin America sustained by the economic principles of the so-called ‘School of Chicago’ (Klein, 2007: 55-56; Montecinos, 1997: 2-3; Chwieroth, 2007: 24)⁴³. Pinochet’s government boosted an opening of the economy, a de-regulation of the banking system, and a massive privatization program affecting over 500 enterprises. The 1925 Constitution was suspended, and a new institutional framework came into force on 11 March 1981 (Angell, 1982: 24). Public expenditure as a share of national income went from 8% in 1972 to 18% in 1974 and continued to fall in the next years (Marcel, 1997) and the social security system was significantly privatized (Angell, 1982: 24). In 1975 and 1984 the government implemented two regressive tax reforms that markedly increased inequality in income and wealth distribution (Ffrench-Davis, 2016: 246).

The Chilean coup also started a radical deregulation of labour institutions (Haagh and Helgø, 2002: 50). The new labour relations model made several aspects of workers’ individual rights more flexible, particularly regarding the termination of the labour contract (Rojas Miño, 2007; Walker Errázuriz, 2000), which radically changed the previous labour institutionality (Etchemendy, 2011; Haagh, 2002). In addition, it comprehensively regulated collective rights by establishing various limitations on the actions of trade unions and expressly prohibiting any type of Collective Bargaining beyond the company level (Haagh, 2002). At the same time, this law took away bargaining power from unions insofar as it recognized multiple forms of worker representation in the same workplace (Gamonal, 2019: 229-230; Carneiro, 2019: 16), strictly regulated the right to strike and the possibility of hiring replacement workers during the strike, recognized voluntary resignation after 60 days of strike, among others (Gamonal, 2019: 229-230). Even though labour relations have been decentralized in Chile from the very beginning, there was a strong emphasis on individual

⁴² Operation Condor was an agreement between military governments in South America during 1970s-1980s (Chile, Argentina, Brazil, Paraguay, Uruguay, Bolivia, Peru, Colombia, Venezuela, and Ecuador) and the United States, prepared by the CIA (Central Intelligence Agency) to suppress the emergence of left-wing governments in the region.

⁴³ The government of the United States sent Chilean students to learn Economics at the University of Chicago, the center of thinking of monetarist economics. They later became economist and political leaders.

contracting after 1973 and particularly in 1979 (Haagh, 1999: 466). Consequently, unionization declined from 30% before the coup to 13% in mid-1990 (Idem: 430).

In the same vein, the Chilean tax system was also highly reformed during the military dictatorship with a regressive orientation, favouring indirect taxes over direct taxes. These reforms generated a legacy in terms of tax policy that will be relevant during the subsequent democratic period, as they established the main characteristics of the tax system that prevailed until 2014. The 1975 reform involved three fundamental changes: the introduction of VAT, the modification of taxation on corporate profits, and the indexation of tax obligations to correct for the effects of inflation. The tax burden was focused on consumption and on VAT, which became half of the tax revenues, with income taxation playing a secondary role (Arellano and Marfan, 1987). The 1984 reform established that reinvested profits should pay lower taxes than those distributed to their owners and provided for the integration of corporate taxes with the personal taxes of their owners (Marcel, 1997). Overall, the reforms reduced the tax burden on higher income sectors and increased the regressivity of the system (Idem). What is more, by the 1970s, another factor reaffirmed the dominance of the Chilean elite: the use of technocracy and expert knowledge as tools of political legitimation. The use of 'specialised knowledge' in politics gained notoriety during the Pinochet regime in the 1970s-1980s (Joignant, 2011; Klein, 2007), but would manage to consolidate and expand in democracy (Montecinos, 1997: 2-3; Joignant and Güell, 2010). This allowed certain issues to be placed in the realm of 'expert knowledge', removing them from the social debate.

Instead, in Uruguay, there was no constitutional reform. Even though Salary Councils and trade unions were suppressed during the dictatorship (Filgueira, 1994: 67; Pucci, et al., 2012: 27), and public social spending, and tax structure became more regressive⁴⁴ (Amarante et al., 2011: 3; 25); the economic model of the civil-military regime had a substantial degree of continuity between the pre- and post-dictatorship projects (Finch, 1985). As Yaffé (2012: 11-14) has highlighted, although some of the civilians who were part of the military government in Uruguay were promoters of an economic and social restructuring in neoliberal terms, the militaries never had this project in their agenda. These measures increased the regressivity of the system, impacting inequality, but did not eliminate the Uruguayan distributive system.

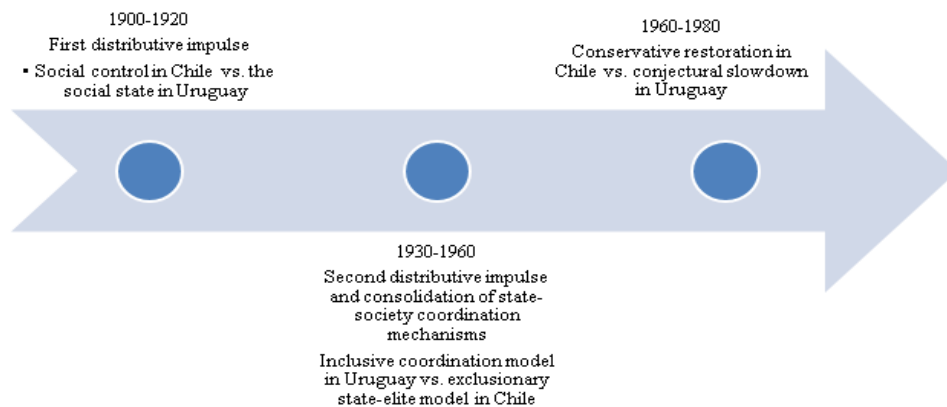
During the 1980s, like much of the region, both countries re-established democracy. However, while in Uruguay the country gradually recovered its previous institutions, in Chile the political, social, and economic system had changed markedly. Thus, while in Uruguay the country was again under the 1966 constitution, in Chile the military government installed a variety of 'authoritarian enclaves'⁴⁵ (Garretón, 1988). As well, once democracy returned, the Pinochet regime had significant support (Luna and Alcántara, 2004: 142), and the political system was compounded by political parties much closer

⁴⁴ Although a tax reform was implemented whose main novelty was the creation of VAT and the elimination of personal income tax, this reform retained several features of the previous system (Barreix and Roca, 2008).

⁴⁵ The existence of designated senators in Chile, which remained until the implementation of the Constitutional Reform in 2006, illustrates the importance of the military government during even the democratic period. In particular, Pinochet himself remained as commander in chief of the Army until March 10, 1998, and the next day he assumed the position of senator for life.

ideologically than before (Scully and Valenzuela, 1997: 514-515). Chilean elites regained or even increased their power over the state and society became even more unequal. In other words, the process of ‘conservative restoration’ was much more transformative and radical in Chile in comparison with the Uruguayan ‘authoritarian brake’.

Illustration 2. Expansion and retrenchment of the distributive process in Chile and Uruguay



Source: own elaboration based on literature review.

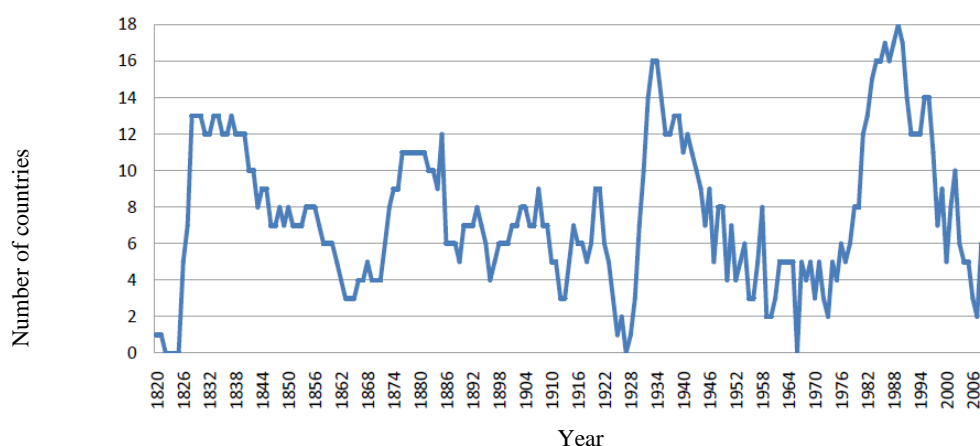
Overall, the economy came to a halt earlier in Uruguay than in Chile, but in both cases, it impoverished considerably around the 1950s-1960s. In Uruguay, this process led to the maintenance of a segmented benefits regime that eventually collapsed and finished - with the intervention of the US - with a military dictatorship. In Chile, the distributive model continued to advance thanks to the process of increasing democratisation and the political economy derived from the growing industrialisation that translated into a greater mass of workers and the power of left-wing parties. As the distributive process advanced, the Chilean elite began to deploy multiple strategies to regain their power. This process culminated in a military dictatorship, as in the case of Uruguay. However, while the Chilean dictatorship radically modified the developmental and distributive model, the Uruguayan dictatorship is considered an authoritarian parenthesis. Overall, once again, this period shows that during the economic slowdown phase, distributive processes in Chile end with ‘conservative restorations’ that restore or increase the power of the elites, while in Uruguay those processes took the form of ‘conjunctural brakes’.

Concluding remarks

In this chapter, I have described and analysed the state-society coordination formats in Chile and Uruguay in the long run, as well as the expansion and retraction of distributive policies and their relation to the volatility of Latin American economies⁴⁶. In the first section, I showed that due to their embeddedness in the economic processes of colonial empires, both states emerged with different characteristics, with the Uruguayan state more independent from the economic elites than the Chilean ones. In the second section, I exposed that this tendency developed over time, with the Uruguayan state being more prone than the Chilean state to implement more transformative and long-lasting distributive processes.

At the same time, I have shown throughout the chapter that economic cycles derived essentially from events in the core countries have triggered processes that have largely delimited the political economy of distribution in both countries. The upward phases of the cycles occur in all cases in periods of capital inflows, determined by phenomena in developed economies, for example: the post-independence external financing boom, the increase in demand for commodities due to European industrialization in the first globalization, the Great Depression of the 1930s, among others (Bertola and Ocampo, 2009). These great booms of international financing have been succeeded by highly frequent crises or intense retractions of economic activity (Bertola and Bertoni, 2014: 6). Since the 1930s crises have generally been ‘dual’ (debt and balance of payments), and since the 1980s banking crises have been added (Idem). The regional volatility is manifested in the volatility of its growth and in the intensity and frequency of its economic upswings and crises (Figure 6). Between 1970 and 1995, for example, the region suffered 50 percent more crises than East Asia Europe, and the Middle East (Kaminsky and Reinhart, 1998).

Figure 6. Economic crises in Latin America 1820-2008. Number of countries in foreign exchange, external debt or banking crises by year



Source: Bértola and Ocampo (2009: 32)

⁴⁶ A caveat must be made. As pointed out in the introduction to this dissertation, this thesis analyses the implementation of distributive policies and not distribution *per se*. Because multiple factors affect inequality, there may be periods where distributive policies are implemented and inequality increases and vice versa. This thesis analyzes in particular the political economy of distributive policies, as a factor -not the only one-affecting inequality.

Chilean political volatility has been strongly associated with economic volatility. The major institutional and development model changes that the country underwent in the twentieth century took place in a context of high economic volatility (Rodriguez Weber, 2014: 141). In that regard, the two periods of greatest volatility were the periods of greatest socio-political transformations (1910-35 and 1970-1985 approximately) (Bértola and Ocampo, 2010). Between 1913 and 1932, Chile experienced dictatorships, changes in the system of government, and alterations in the constitution (Collier and Sater, 1998). In the second of these periods, between 1973 and 1989, Chile experienced a military dictatorship framed by strong fluctuations in production and employment (French-Davis and Muñoz, 1990).

Uruguay is also characterised by significant volatility in GDP per capita growth and in its cycle (Bértola, 2008; Bértola and Lorenzo, 2004; Bonino et al., 2012; Oddone and Cal, 2006; Oddone, 2010). Like Chile, the Uruguayan economy shows a very marked pattern of cyclical movement, with crises and strong retractions of economic activity in 1873, 1890, and 1913, a strong stagnation in the 1950s, and retractions again in 1982 and 1998 (Bertola and Bertoni, 2014: 6). These periods of economic retraction coincided largely with processes of pullback of distributive process, such as: the so-called 'Viera halt in 1916'⁴⁷, the process of increasing polarisation, authoritarianism and distributive retraction in the 1960s, and the neoliberal model of the 1990s.

Overall, this chapter shows that in the expansionary phases - which coincided with democratisation processes - both states tended to implement distributive processes, but while the Uruguayan state empowered social sectors, the Chilean state implemented social and labour policies aimed at social control. Moreover, distributive policies tended to be deeper in Uruguay than in Chile. In addition, during economic slowdown phases, both states tended to reduce their distributive policies, but while in Uruguay these reductions were gradual and temporary, taking the form of 'conjunctural brakes', in Chile there were large-scale processes of retraction and recovery of state control by the elites in the form of 'conservative restorations'.

⁴⁷ The process by which the sectors associated with rural organizations and the more conservative political sectors 'slowed down' (not eliminated) the distributive process initiated in the 1910s by the so-called first Batllismo (see section 1).

Table 9. Distributive policies during bust and boom phases of the economic cycle: Chile and Uruguay

	CHILE	URUGUAY
EXPANSIVE PHASE	<p>Distribution largely oriented towards social control.</p> <p>The state promotes the deactivation of grassroots social sectors.</p> <p>State co-opted by elites</p>	<p>Distribution based on the segmentation of benefits to different groups.</p> <p>The state promotes the organization and activation of grassroots groups.</p> <p>State must negotiate concessions to different groups.</p>
RETRACTIVE PHASE	Retrenching distributive policies: ‘conservative restoration’	Temporary slowdown in distributive policies: ‘conjunctural brakes.’

Source: own elaboration

My main argument is that, owing to processes and structures laid down from the early phases of state formation, the Uruguayan State developed during the 20th-century mechanisms of participation and representation of social and economic interests that fostered state-society coordination. This greater coordination was based on a system in which partial benefits are provided to different social groups through specific channels of participation and social demand. Over time, this has allowed the Uruguayan state to generate more negotiated, legitimate, and stable distributive policies. In Chile, instead, the State was born highly co-opted by the elites and this tendency was accentuated over time. Consequently, distributive policies in Chile have not only been less profound but have also undergone greater processes of retrenchment.

Table 10. State-society coordination mechanisms in Chile and Uruguay and their role on distribution

	Uruguay	Chile
State-society coordination mechanisms	<p>Highly institutionalised poly-classist parties</p> <p>Direct democracy</p> <p>Salary councils</p>	<p>Highly institutionalised parties with a predominant role of elites</p> <p>Highly homogenous and powerful elites</p>
Coordination model	<i>Inclusive state-society coordination</i> includes labour unions, social movements and businesses	<i>Exclusionary state-society coordination</i> : predominant role of political-business elites
Effects of the coordination model on distributive policies	Distributive policy based on the extension of segmented benefits to diverse groups	Distributive policy based on the partial concession of benefits not opposed to elite power in order to maintain order and development.

Source: own elaboration

Following the line of work carried out in this chapter, in the next chapter (3) I describe the economic cycles and the state-society coordination models in Chile and Uruguay, but limited to the period 1980-2020, as a necessary input to understand the economic and political framework of the empirical chapters (Chapters 4-7).

CHAPTER 3. Structural State Autonomy during 1980-2020

Introduction

The objective of this chapter is to describe the macroeconomic and political institutional framework developed in Chile and Uruguay in the last forty years (1980-2020). To understand the case studies on labour and tax policy in the following four chapters (4-7), the reader must have an overview of the macroeconomic and political features that characterize this period. Therefore, through this chapter, I describe these features as a framework for understanding the cases that I will analyse in the following four chapters on distributive tax and labour policy in Chile and Uruguay.

In Chapter 1, I argued that boom and bust economic cycles affect distributive processes and their stability over time. But, at the same time, I argued that local institutions largely moderate the effects of these cycles on domestic politics. Therefore, I proposed to explore the role of state-society coordination in moderating the effects of business cycles on distributive policy. I explored this in chapter 2, through a historical structural analysis. Following that, this chapter 3 explores how these processes have evolved since democratic recovery in the mid to late 1980s. To this end, I divide the chapter into two sections. In the first section, I analyse the characteristics of state-society coordination in both countries and the evolution of distributive policies during the 1980s-1990s; years characterised mostly by economic stagnation and deceleration, the recovery of democracy and the growing hegemony of the neoliberal paradigm at the regional level. In the second section, I describe the general characteristics of the 2000-2020 period, which serves as a general framework for the empirical studies that I will carry out in the following four chapters (4-7).

This chapter allows me to reach three central conclusions. First, the economic cycle largely delimited the distributional process in both countries in the whole period under study. Indeed, there was a substantial retrenchment of distributive policies during the economic slowdown in the 1980s-1990s, followed by a sustained expansion in distributive processes during 2003-2013 framing by the commodities super cycle, and again it was a gradually stoppage of distributive process during the economic slowdown from 2014 approximately onwards. Second, during the process of economic upswing and retrenchment in the 1980s-1990s, the inclusive coordination model in Uruguay meant that the neoliberal process and its effects on the retrenchment of distributive policies were significantly less intense and profound than in Chile, where the elites had greater control over the state. Third, the 2000-2020 period was marked by an exceptionally favourable scenario for promoting political changes due to the expansive cycle that characterized the economy until approximately 2014, and the arrival of governments with distributive agendas. However, following the widespread characteristics of their past trajectories, both countries largely retained the core features of their long-standing state-society models. Overall, the analysis in this Chapter 3 presents similar findings to Chapter 2, showing that although economic volatility largely shapes the implementation of distributive policies in both countries, the outcome of these policies varies according to the characteristics of state-society coordination in each case; with the deepest advances and the most gradual retractions in Uruguay compared to Chile.

Section 1: The regressive impulse 1980-2000

In this section, I describe the role of state-society coordination in Chile and Uruguay during an economic phase of slowdown and retrenchment of the state's role. I show that although in both countries the economic slowdown and the rise of neoliberal policies implied a pullback of distributive policies during the 1990s, this process was more severe and profound in Chile than in Uruguay. I argue that thanks to the existence of institutionalised mechanisms of state-society coordination, Uruguayan society managed to 'stop' a large part of the retrenchment process of distributive policies that took place in most Latin American countries in these years, and especially Chile. Thus, while exclusive *state-elite coordination* in Chile allowed the process of redistributive retrenchment initiated in the 1970s to be maintained and consolidated during the 1980-1990, inclusive *state-society coordination* in Uruguay partially inhibited this retrenchment distributive process during the bust economic phase.

The downward business cycle shaping the distributive process

As noted in Chapter 2, since the 1970s, what has been called 'neoliberal globalization' began to develop, manifested in the sustained increase in world trade, the increase in foreign direct investment, and the increase in other financial flows (Sánchez Ancochea, 2009: 135). In this context, there was a remarkable growth not only of transnational corporations but also of financial capital (Idem). Indeed, by the 1970s, it was started to develop an increasing competition to place resources from a growing number of international banks based on central countries, which were emitting loans placed at variable interest rates according to the LIBOR (London Interbank Offer Rate) (Bértola and Ocampo, 2009: 217).

The low real interest rates of the 1970s generated strong incentives for large-scale use of external financing (Ffrench-Davis, Muñoz, and Palma, 1998). Latin America absorbed more than half of the private debt flowing to the developing world during 1973-1981, mostly as short-term loans and long-term credits from commercial banks (Ocampo, 2004). As a consequence, by 1990, Latin America's external debt had doubled in comparison with the 1970s, and it would only return to pre-crisis levels in the first decade of the 21st century (Roxborough, 1992; Bértola and Ocampo, 2009). As well, the end of Bretton Woods and the international liberalization of financial markets, reinforced the hegemony of the US dollar, as assets denominated in this currency replaced gold. As a result, monetary policy in peripheral countries became more dependent on the interest rate determined by the Federal Reserve, which inevitably also affected the exchange rate (Rochon and Vernengo 2003; Fields and Vernengo 2013; Kaltenbrunner 2015). By losing control over the most determinants of interest and exchange rates, peripheral economies increased their position as 'takers of economic cycles' (De Paula, Fritz, and Prates, 2017). These combined factors increased the regional external vulnerability and led to a debt crisis that hit much of the region during the 1980s. At the same time, for several decades, Latin America had experienced a growing deterioration in terms of trade. The trend of falling commodity prices that had started during the 1960s implied a long-lasting economic slowdown (Ocampo and Parra, 2003 and 2010). At their lowest point, between 1992 and 2001, real commodity prices were just over 40% below the average level of the 1960s. After a modest growth between 1990 and 1997, most Latin American economies stagnated or fell into an economic

slowdown phase in the late 1990s (Ocampo, 2009). In short, during 1980-1990 the region was experiencing an adverse scenario in financial and commercial terms.

Nevertheless, by the end of the decade, the debt began to be controlled through access to international credits. In 1989, most Latin American governments regained access to international financial markets thanks to the securitization of bank loans into sovereign bonds promoted by the Brady Plan⁴⁸, which allowed private banks to sell their countries' distressed debt and debtor countries to issue new sovereign bonds (Sachs, 1998). By the 1990s, most countries gradually turned to the International Monetary Fund (IMF) for a financial lifeline, which was offered with some conditions such as widespread deregulation and trade liberalization, representing thereby, a loss in terms of autonomy and the bargaining power in the international scenario (Tussie, 2011: 320). In that framework, increasingly, the general economic and political discourse proclaimed the need to implement 'fiscal adjustment' policies and retract the role of the state, leaving it to the 'invisible hand' of the market economy to promote economic recovery in line with the so-called Washington Consensus⁴⁹ (See Table 11) (Margheritis and Pereira, 2007; Weyland, 1999). The objective of this new neoliberal orientation was to modify the relationship between the market and society, through privatizations, cuts in public spending, fiscal discipline, and tax reforms that broadened the tax base but reduced higher tax rates, among others (Grugel and Ruggirozzi, 2009: 6). In the end, although the results varied across countries, several studies indicate that these measures tended to increase inequality (Sanchez Ancochea, 2020; Huber and Solt, 2004).

Table 11. The Washington Consensus: economic policy recommendations

Ensure fiscal discipline with an operating deficit of no more than 2% of GDP.
Establish public spending priorities, reduction of subsidies
Increase tax revenue
Liberalise interest rates
Establish a flexible exchange rate regime
Liberalise foreign trade
Liberalise foreign investment flows
Privatise state-owned enterprises to achieve greater efficiency
Deregulate to promote competition
Guarantee property rights

Source: own elaboration based on Williamson 1989.

In short, falling commodity prices and increasing currency dependence weakened much of the Latin American economies in the 1970s. By the late 1980s and 1990s, most countries accessed loans from international organizations to address their debt problems, and in return

⁴⁸ For more information on this plan and its effects on Latin American economies, see Vásquez, 1996; Kenneth, 1999; George. 1993.

⁴⁹ The Washington Consensus is usually associated with a set of ten economic policy recommendations formulated in 1989 by John Williamson, which aimed to guide developing countries during the economic crisis it.

implemented trade and financial liberalization policies that increased external vulnerability, while at the same time implementing a set of policies aimed at reducing public social spending. However, this process did not develop equally in all countries, and its distributional effects varied considerably. In that regard, the following section describes the evolution of these processes for the specific cases of Chile and Uruguay.

The 'momentary' breakdown of distribution in Uruguay

The Uruguayan economy has historically experienced great volatility. Although, on average, the economy has grown by 2.3% annually since 1963, the country has experienced some very sharp downturns, for example during the Latin American debt crisis in 1982, a significant retraction in 1998, and the great banking crisis of 2002 (IMF, 2022: 2; Bértola and Bertoni, 2014: 6). Like most of Latin America, Uruguay had to face debt processes and agree to promote certain policies of expenditure control and trade liberalization, recommended by international lending agencies. Indeed, this implied, as in much of the region, a retraction of the social role of the State, but unlike the rest of the region, in Uruguay this process experienced certain particularities. In effect, although the Washington Consensus became the hegemonic paradigm in most Latin American countries, in Uruguay that model was only partially implemented. This country became known in the Latin American context for the combination of 'gradualism' and 'heterodoxy' in neoliberal reforms (Moreira, 2004: 11; Filgueira and Alegre, 2008: 6), presenting the lowest progress in the index of structural reforms elaborated by the IDB (Lora, 2001). Accordingly, social public expenditure rose throughout the decade; the educational reform adopted a clear state profile; the reform of social welfare adopted a heterodox modality that combined market devices with state participation and fiscal stability programs were far away from the shock strategies dominant in the region (Moreira, 2004: 11).

The second democratic Uruguayan government (1990-1995) tried to impose privatizations in some State services such as water, telephone services, and electricity, passing an Enterprise Act Public in Congress. However, the alliance between the central trade union PIT-CNT (*Plenario Intersindical de Trabajadores - Convención Nacional de Trabajadores*) and the centre-left political party Frente Amplio managed to gather large majorities to promote the use of direct democracy mechanisms, widely used in Uruguay, such as plebiscites and referendums⁵⁰, blocking thereby most of the neoliberal reform process (Altman, 2011; Moreira, 2007, Welp, 2020)⁵¹. Indeed, direct democracy mechanisms have played a vital role in Uruguay during that period curbing the privatisation process that took

⁵⁰ As noted in Chapter 2, there are two basic types of direct democracy mechanisms in Uruguay: the plebiscite and the referendum. The plebiscite is of a constitutional and approving nature: it serves to approve constitutional texts. The referendum, on the other hand, refers to laws, not to the Constitution, and is used to repeal laws that have already been voted on. Plebiscites and referendums may or may not be linked to the national electoral process (they are voted on together with national elections) or may constitute a single and separate instance. A plebiscite requires the support of 10% of citizens; a referendum requires the support of 25%.

⁵¹ According to Altman (2001), before 1945, Switzerland, Australia and France were the main users of this mechanism. After that date, and until 1970, Uruguay, together with France, were the second largest users of this mechanism, after Switzerland. During the period 1970-1995, Uruguay ranked third in the world in the use of these mechanisms.

place in most Latin American countries⁵² as well as preventing cuts in public spending, wages and pensions.⁵³

In addition to the 'stop' imposed by these direct democracy mechanisms, reform proposals in line with the Washington Consensus were timid and gradual. For instance, regarding labour reforms, since the recovery of democracy in 1984, the government supported the restoration of a formalised and embedded industrial relations system (Valenzuela, 1989: 465), labour market regulations were almost not altered and privatization almost did not happen there (Alegre, 2008: 146). Indeed, the flexibilization of the labour market was carried out without significant institutional reforms in both individual and collective labour rights (Cook, 2007, 27-28). Thus, while industrial relations were weakened, they were not eliminated. The Executive Branch stopped convening the Salary Councils, thus severely weakening their functioning at the tripartite level, but bipartite negotiations continued to exist, especially in some economic sectors due to their strategic weight in the economy (e.g., banking unions) or because of the union power (e.g. beverage union). Furthermore, despite its greater weakness in terms of membership numbers and lobbying power, the Trade Union Central (PIT-CNT) did not cease to be a relevant political actor with the capacity to place issues on the political agenda (Notaro et al 2012; Antía, 2014; Moreira & Illa, 2008). Moreover, social security reform was characterized as 'heterodox' to the extent that the individual capitalization systems were implemented only for certain groups of employees (Moreira, 2004: 12).

As in labour matters, no significant changes were implemented in tax matters during 1980-2000. Indeed, the key features of the Uruguayan tax system in force until 2004 were implemented in the 1970s during the dictatorship. During 1970s, a tax reform was implemented whose main novelty was the creation of VAT and the elimination of personal income tax; measures that together increased the regressivity of the system (Barreix and Roca, 2008). From 1985 onwards, there was no comprehensive reform of the tax system, but there were several partial modifications seeking to increase revenue to respond to the growing public spending. Therefore, over the years, a complex tax system took shape, with numerous taxes with low revenue collection, although mainly based on VAT (Barreix and Roca, 2007; Grau and Lagomarsino, 2002).

To sum up, the governments of the 1990s tried only timidly to promote reforms that would imply changing the country's distributive model in labour, taxation and social protection in general. And, in fact, when they tried to promote these reforms, they were largely "stopped" by an active civil society that had institutional mechanisms to express itself, such as direct democracy mechanisms and a strong and unified trade union organisation that also had ties to the centre-left political party. Thus, these institutional mechanisms, born throughout the 20th century, were consolidated in this period and allowed the process of state withdrawal

⁵² In fact, of this set of initiatives, seven instances were against the government's state reform programme: Investment Law, Energy Regulatory Framework Law, Public Companies Law, Budget Law, ANCAP Law, Social Security Law, Emergency Law.

⁵³ For plebiscites dealt with public spending and referred directly or indirectly to the budget: for pensioners (2), for education (1) and for the Judiciary. See Appendix 2: Table. Plebiscites and referendums in Uruguay.

in distributive matters to be less severe in Uruguay than in the rest of the Latin American countries. In what follows, I describe the changes experienced during this period in Chile.

Exclusionary development in Chile

After the great economic crisis that hit Chile in the early 1970s, by 1974 the economy began to recover, inflation was controlled and real wages began to grow in what was called the 'Chilean miracle' (Solimano et al., 2002). The growth model was characterized by a consumption boom based on credit expansion facilitated by reforms in the financial and commercial sphere. For a time, the current account deficit was kept under control by a substantial increase in capital inflows (Rodríguez Weber, 2014). Nonetheless, the debt reached significant levels and in 1982 a major crisis was unleashed with a 15% drop in GDP and massive bankruptcies of companies. Subsequently, between 1999 and 2003 the economy again entered a recessionary economic process due largely to the loss of dynamism of exports (Ffrench-Davis, 2016: 20). As a solution, the Chicago Boys⁵⁴ established a 'preferential' exchange rate for debtors in dollars and at the same time, public policies were adopted to reduce aggregate demand, while the contractionary policy affected social spending, unemployment soared and real wages fell (Rodríguez Weber, 2014: 345). This crisis 'slowed down' several of the progressive reforms that were under discussion, such as the labour reform (Idem). In summary, the measures adopted to face the unfavorable economic situation that developed in the early 1980s and late 1990s especially affected workers, who had to endure declines in wages and high levels of unemployment. Moreover, when the government was forced to intervene to alleviate the consequences of the recession, it did so mainly in a regressive sense, providing benefits for business while social spending and wages were reduced and unemployment soared (Rodríguez Weber, 2014; Ffrench-Davis, 2016).

Moreover, while in Uruguay during the 1980-1990s things partially returned to the way they were before the civilian-military coup, in Chile redemocratisation maintained many of the features inherited from the military dictatorship. As noted in Chapter 2, unlike in Uruguay, in Chile the dictatorial Pinochet government made changes that altered the composition of the political and social system enacting a new constitution that drastically modified the Chilean society and maintained authoritarian enclaves such as the appointed senators that existed until 2006. The elites regained or even increased their role in the state. In this context, as Haagh has stressed (2002: 88), any reform could be seen as a threat to the free-market model. That is why social actors, such as unions, took exceptional care to moderate their demands.

Regarding the labour system, with the return to democracy in March 1990, the new governments introduced several modifications. During 1990-1994 the government enacted a reform that eliminated the authoritarian measures of the dictatorial regime. Thus, trade unions were legalised and the requirements to form them were made more flexible. However, the rules relating to collective labour law retained the essence of the Labour Plan

⁵⁴ The Chicago Boys were a group of prominent Chilean economists around the 1970s and 1980s, most of whom were trained in the Economics Department of the University of Chicago, under the direction of Milton Friedman and Arnold Harberger. After completing their studies and returning to Latin America, they held positions in numerous South American governments, most notably Chile's military dictatorship (1973-1990).

implemented during the dictatorship period (Haagh, 2002: 101). For example, the employer retained the right to replace the striking worker for the duration of the strike or simply to close the enterprise for 30 days (lockouts), in which case the workers could not benefit from unemployment insurance (Bogliaccini, 2021: 834). During the next government (1994-2000) a comprehensive reform was promoted that included the elimination of the 'replacement issue' of workers during strike action and the extension of Collective Bargaining at the industry level but was not approved. Subsequently, a third labour reform attempt was made during the third democratic government (2000-2006). This time, the government had an unprecedented window of opportunity to implement the reform since it had a majority in both chambers of Congress (Bogliaccini, 2021: 834). Though, once again, the reform could not be implemented in its central objectives. The employers opposed the reform in two aspects that were strategic for trade union life: changes at the level of Collective Bargaining and the elimination of the replacement of striking workers. Because of this, the government sent to Parliament a bill that excluded the issues that were most opposed by employers, maintaining thereby the essence of the Labour Plan implemented by Pinochet (Gamonal, 2019: 230-231). In sum, all the governments led by the centre-left party the Concertación (1990-2010) pledged to modify the restrictive nature of the labour legislation inherited from the dictatorship. All of them carried out electoral campaigns in which the issue of labour reform was present, and all of them approved partial reforms in the labour sphere (1990, 1993 and 2001), but these did not strengthen workers' capacity for collective action in any significant way (Haagh, 2002; Gamonal, 2019; Perez Ahumada, 2021). As a result of these failed attempts, labour policy in Chile has weakened as a distributive policy over the last decade.

As in the case of labour policy, during the redemocratisation, the centre left Concertación governments managed to change very little of what was inherited from the dictatorship in tax matters. Two main reforms were approved during the Concertación governments. The first one during 1990-1994 had the objective of increasing the tax burden to finance the expansion of social spending, without having a redistributive purpose (Marcel, 1997: 62-63). Overall, it was a moderate reform, which kept the tax burden between 17% and 18% of GDP on average, without reaching the levels of the early 1980s, close to 20% of GDP (Jorrat, 2009: 14). Then, during 2000-2006, several partial and not very distributive tax reforms were carried out. In June 2001, a law was passed that created a set of provisions to combat tax evasion and avoidance (Law No. 19.738). Also in 2001, a second tax adjustment was processed through Law 19.753, which increased the First Category Tax from 15% to 17% (Idem). This progressive but moderate change was also compensated by a reduction in the maximum marginal personal income tax rate from 45% to 40% (Idem). Finally, in 2005, Congress approved the creation of a specific tax on income obtained from the sale of mining products and introduced amendments to the Foreign Investment Statute, to make the guarantees of tax invariability of mining projects compatible with this new specific tax (Fairfield, 2015). In short, after twenty years of democracy and after the centre-left governed for four consecutive terms, the Chilean tax system changed only moderately and remained highly regressive (Arenas, 2016).

Finally, another significant change that can be observed in Chilean politics was that the political role of technocrats, implemented during the Pinochet coup (See Chapter 2), was

extended during the democratization when *technocratization* was maintained as a key element in the Chilean political arena (Silva, 2009; Montecinos, 1997; Joignant y Güell, 2010; Joignant, 2011). Health, education, and culture started to be thought of as ‘markets’, and economists became even more central pieces as administrators of these realities (Montecinos, 1997; Chwiero, 2010). The technocracy gave legitimacy based on expert knowledge to people who, in their vast majority, already had access to the influential circles of political and economic power. Since the Chilean system was highly stratified, and academic credentials were a major factor in political careers, the technocracy operated in favour of the power of the elites. During that period, politicians became an even more homogeneous class than before sharing the same families, the same foreign universities, the same jobs, and the same national and international networks (See UNDP, 2017; Moya and Hernandez, 2014). This factor is especially important because it reaffirms the homogeneity of Chilean elites and thus catalysed that state-society coordination continues to be based essentially on the relationship between the state and the elites.

In short, neoliberal reforms began in Chile before any other Latin American country, during the military government. Later, in democracy, the power of the elites over the state was maintained, while civil society remained largely fragmented and with little power to exert pressure on the state. Therefore, the long-term trend that characterized the Chilean model strongly marked by exclusionary coordination between the elites and the state was maintained and even increased in democracy. Thus, when the government had to face economic slowdown phases, it addressed these problems through regressive policies that especially affected workers, their working conditions, and their organization. Moreover, attempts at labor and tax reforms in the four center-left governments failed to significantly change the contents of these policies inherited from the dictatorial regime due to the strong veto power of the elites over these reforms.

Conclusions: the regressive impulse in Chile and Uruguay 1980-2000

The neoliberal reform process was implemented in the 1990s in much of Latin America. In Chile, it was implemented more radically and earlier than in most countries, while in Uruguay it was only partially implemented. Therefore, while in Uruguay, the retraction of the redistributive process was only a gradual 'brake', in Chile the retractive model of the 1970s was to some extent maintained. The organisational capacity of civil society and unions made it possible to halt much of the neoliberal process in Uruguay. In this way, by having mechanisms of direct democracy and a highly institutionalised trade union centre, Uruguayan society was able to put a ‘stop’ on the neoliberal process that developed in most of the region. Instead, having a civil society characterized by powerful elites with great power over the state and very fragmented trade unions, the Chilean neoliberal process implemented during the dictatorship were maintained in democracy. Likewise, during the 1980s and 1990s, the existence of an elitist technocracy with a growing presence in the state, ideologically closer political parties, and the presence of authoritarian enclaves; fostered the model of exclusionary state-elite coordination that characterises Chilean society in the long-term.

Two central ideas can be drawn from the above analysis. First, during the 1980s and 1990s neoliberal hegemony became increasingly important, catalysing a regressive momentum of

distributive policies across the region. Second, although the neoliberal process was regional in scope, it materialised very differently in Chile and Uruguay, depending on the state-society coordination in each country. In Chile, elitist technocracy, and the homogenisation of elites with growing powers over the state largely determined the continuation of regressive policies over time. In Uruguay, instead, the participation of society through mechanisms of direct democracy and the mobilisation of a highly organised trade union centre made it possible to partially ‘halt’ the regressive impulse and gradually recover the previous distributive model. In other words, as the following table shows, the different models of state-society coordination – exclusive in Chile vs. inclusive coordination in Uruguay - determined different outcomes in each case. Hence, while in Chile the neoliberal paradigm was implemented earlier and more radically than in most of the region, in Uruguay, at the other extreme, neoliberal reforms were implemented only gradually. Around the beginning of the 2000s, economic and political conditions at the regional level began to change and a new distributive wave began. Still, as I will show in the following pages, once again, given the differential trajectory of both countries, this scenario had different results in each case.

Table 12. State-society Coordination in Chile and Uruguay 1940-1990

URUGUAY			CHILE	
	Coordination mechanism	Coordination model	Coordination mechanism	Coordination model
1940-1970 Expansive distributive process	The polyclassist party system was consolidated, direct democracy was strengthened, the trade union centre was unified and wage councils were created.	<i>Inclusive state-society coordination.</i> The distributive model is based on the segmentation of benefits to different institutionalised and organised groups.	The role of the elites in the state is consolidated, the elitist technocracy is strengthened.	<i>Exclusionary state-society coordination model.</i> Distribution is processed through a confrontation between elites and grassroots sectors, with the elites dominating the state
1970-1990 Stagnation and retraction of the distributive process	Coordination mechanisms remain in place, albeit weakened.	The model of <i>inclusive state-society coordination</i> makes it possible to halt a large part of the regressive impulse through the organisation and advocacy capacity of the trade union centre and the mechanisms of direct democracy.	Coordination mechanisms remain in place.	<i>Exclusionary state-society coordination model</i> based on state-elite coordination is maintained and even developed.

Source: own elaboration

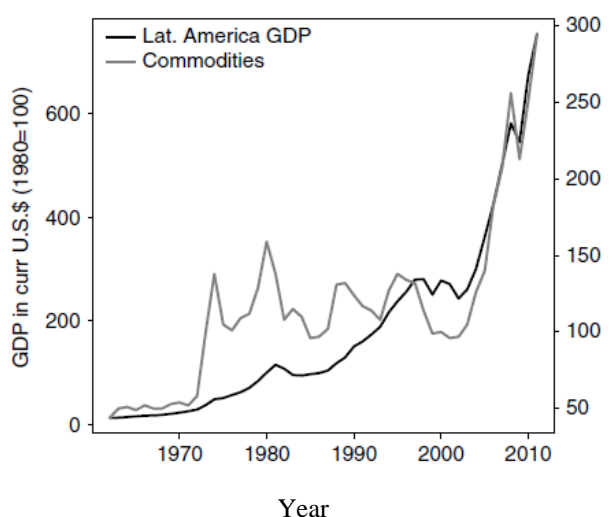
Section 2: The distributive impulse and its ending

In this section, I describe the general macroeconomic and political elements that characterized Chile and Uruguay during the years 2000-2020 to present the reader with an overview of the period in which the empirical studies carried out in the following four chapters take place. Overall, this section allows us to describe the scenario that fostered the distributive impulse in both countries until approximately 2013 and the subsequent macroeconomic and political scenario more adverse to implement these changes.

The upward economic cycle shaping the distributive process

As I mentioned before, the trend of falling commodity prices that had started during the 1960s implied a long-lasting economic slowdown, which only began to change in the middle of the first decade of the 21st century (Ocampo and Parra, 2003 and 2010). Nonetheless, after a twenty-five-year decline, commodity prices grew notably from the 2000s onwards (Burchardt and Dietz, 2014). As a result, the terms of trade increased by more than 50% in Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela, grew significantly in Argentina and Brazil and had a significant although smaller impact in countries such as Paraguay and Uruguay (Sánchez Ancochea, 2021 b: 131)⁵⁵. In effect, the increase in China's demand, the speculative movements linked to excess liquidity, and the lack of solid and tangible financial assets, led to a price increase of commodities (mainly metals and agriculture) since 2002 and especially since the USA crisis in 2008 (Ocampo, 2009). By 2010, most of the region's export commodities showed soaring growth (Ocampo, 2017). This commodity boom also coincided with a drop in the US interest rates (Campello, 2015). Overall, rising commodity prices and falling interest rates triggered remarkable growth in most Latin American countries (See Figures 7 and 8).

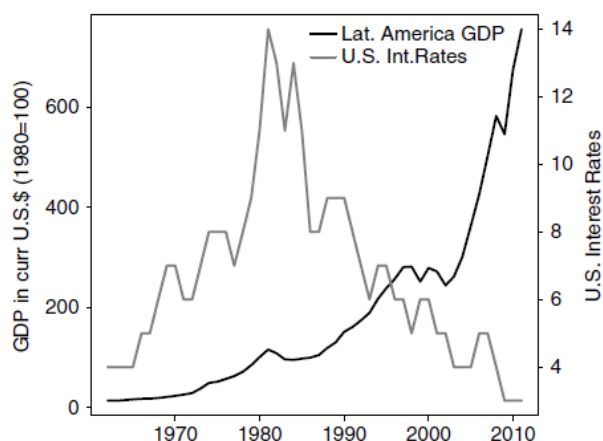
Figure7. Commodity and GDP in Latin America



Source: Campello (2015: 15) (Figure 1.4.) Note: Free Market Commodity Price Index from UNCTAD and U.S. 10-Year Treasury Constant Maturity Rate from the Federal Research Bank of Saint Louis (FRED).

⁵⁵ In contrast, in Central America and the Caribbean, the commodity boom hurt the terms of trade (Ocampo, 2017).

Figure 8. Interest rates and GDP in Latin America



Source: Campello (2015: 15) (Figure 1.4.)

Peak values were reached around mid-2008 and, after a brief slowdown in 2009, returned to historically elevated levels from 2011 to mid-2014 approximately. Moreover, after the 2008 worldwide Financial Crisis, excess liquidity, and the search by financial market players for a ‘real’ and tangible asset base with which to diversify their financial asset portfolios catapulted the value of land as the new ‘star’ financial asset (Ouma, 2018). Gradually, the land began to acquire interest not only from agro-industrial companies but also from financial investors such as pension funds, insurance companies, and international banks, which further increased even more the weight of commodities in regional production structures (Ouma, 2020 and 2022; Burchardt and Dietz, 2014). In the metals, agricultural raw materials, and food sectors, the new values recorded even exceeded those before the outbreak of the crisis (ECLAC, 2018: 230). In this scenario, ‘flex crops’ for export (i.e. crops that can be used as food, biofuels, industrial inputs, etc.), such as soybeans, maize, palm oil and sugar cane, began to be developed on a large scale (Giraudó, 2017: 10). This accentuated the importance of commodities in the export basket of all Latin American countries, in a process that ECLAC has called the ‘reprimarisation of production structures’ (ECLAC, 2018). In this context, commodities have consolidated their place in most Latin American countries as the central axis of the ‘imaginary’ on how to achieve development (Giraudó and Grugel, 2022: 798).

As I have developed in Chapter 1, a large part of capital inflows, as well as economic growth rates in Latin America, are fundamentally determined by capital risk aversion in the international financial market, the flight to currencies with higher liquidity premiums, the global trend of commodity prices and U.S. interest rates (Lampa, 2021: 106-107; Campello, 2015: 14-16). Similarly, these last two factors tend to be largely the product of liquidity, risk aversion, and monetary decisions in the face of situations occurring in developed countries, particularly in the USA. Since the early 2000s, excess liquidity catapulted changes in interest rates and commodity prices in the US (Lampa, 2021). Thus, during the years 1980-1990, interest rates rose but commodity prices remained stagnant and fell after 1995, while from 2003-2004, -and especially after the 2008 crisis- there was a sharp rise in commodity prices that occurred simultaneously with the fall in interest rates (Campello,

2015: 14-16) (See figures 7 & 8). All these factors together modified the traditional scarcity of foreign exchange that historically characterized Latin America and, instead, implied an unprecedented abundance. Consequently, the region experienced a notable change in the availability of resources to promote public policies and distributive policies.

In this new economic scenario characterised by the massive inflow of foreign currency to Latin America, the political situation also began to change. This period coincided with the arrival of left and center-left governments in most Latin American countries. In 2003 ex-metalworker from the Partido de los Trabajadores (PT) leader Luiz Ignácio ‘Lula’ da Silva became president of Brazil. ‘Lula’ was followed by left Peronist Néstor Kirchner in Argentina (2003); Tabaré Vázquez of the leftist Frente Amplio (FA) in Uruguay (2004); coca growers’ union leader with Aymara heritage Evo Morales (2005), a socialist and former prisoner of the dictatorship Michael Bachelet (2006) and left economist Rafael Correa (2006). Afterward, incumbent leaders or their political parties were subsequently re-elected in most countries, including ex-political prisoner Dilma Rousseff (2011) in Brazil, Peronist leader Cristina Fernández de Kirchner (2011) in Argentina, and former guerrilla revolutionary leader José ‘Pepe’ Mujica (2010) in Uruguay. All these governments rejected the idea that the market regulated itself and, instead, pointed out state regulation (Grugel and Ruggirozzi, 2009: 18; Levitsky and Roberts, 2011: 73). In addition, ‘the left’ was articulated around greater inclusion and the promotion of distributive processes to combat inequality (Grugel and Ruggirozzi, 2018: 549; Levitsky and Roberts, 2011: 3) and the rejection of the policies derived from the austerity of the Washington Consensus. This process is often referred to in the literature as ‘the pink tide’ (Lievesley and Ludlam, 2009: 35) or the ‘left turn’ (Luna and Filgueira, 2009: 371).

Not only did left-wing governments come to power with a discourse based on social inclusion and equality (Levitsky, 2011; Huber and Stephens, 2012; Grugel and Ruggirozzi, 2018) but also distributive issues gained increasing visibility in academia and in the discourse of international organizations. Indeed, the visibility of this issue was such that even centre-right governments during this period had to speak out and implement policies aimed at improving distribution (Altman and Castiglioni, 2019; Fairfield and Garay, 2017; Garay, 2016; Roberts, 2012; Huber and Stephens 2012)⁵⁶. The 2000s commodities boom modified economic restrictions making it easier to process social and political reforms with progressive effects (Weyland, 2009; Kaufman, 2011; Sánchez Ancochea, 2021 b). The reduction in inequality was not only caused by the distributive policies promoted by left-wing governments but also by market forces that boosted employment and formalisation (López-Calva and Lustig 2010). Inequality fell during the period also in countries governed by the right (e.g. Panama and Colombia, see Roberts, 2012: 15). However, the role of distributive policies, especially social policies, has been crucial in addressing inequality (Roberts, 2012; Sánchez-Ancochea, 2021). Indeed, most countries promoted social programs to cover informal workers and the population in poverty (Pribble 2013; Garay 2016). Amongst them, some of the most noticeable social assistant interventions were the so-called Conditional Cash Transfer Programs (CCTP) (Cecchini and Atuesta, 2017: 15).

⁵⁶ For example, Vicente Fox (2000-2006) in Mexico or Sebastián Piñera (2010-2014) in Chile (See Fairfield and Garay, 2017).

The Pink Tide governments also implemented health, education, labor, and social security reforms, although with different outcomes (Midaglia et al., 2013; Barba and Valencia, 2013; Pribble and Huber, 2011; Midaglia and Villegas, 2019). Because of that process, by 2012 the Gini coefficient was lower than 0.5 (0.47) for the first time while poverty and extreme poverty rates were reduced dramatically (CEPALSTAT, 2019).

Until 2013-2014 approximately, the left governed the region in a climate of economic prosperity that translated into increases in employment, wages, social protection, and a growing fall in inequality. Nevertheless, around this time, this scenario began to change. By 2013, there was a considerable decrease in China's demand, and the monetary and trade policies of the USA -which drove US dollar value- contributed to a downward price pressure on *commodities* (Erten and Ocampo, 2013). Prices of energy, metals and agricultural raw materials fell, especially since the last quarter of 2014 (Pérez Caldentey and Vernengo, 2017: 173). The change in the terms of trade made it impossible to maintain levels of public expenditure and by 2012-2013 many of the social programs had to be suspended (ECLAC, 2018).

During these years, left-wing leaders and parties began not only to lose political support but in many cases were directly accused of corruption. So, while between 2003 and 2013 most Latin American countries were under left-wing governments, by 2019, the former presidents of Brazil, Argentina, Ecuador, and Bolivia were indicted for corruption and many of them lost power largely because they were accused of corruption or at best inefficient spending of the public budget. By 2014, Latin America's left turn was officially over. The right and centre-right political parties that came to power in the region after that differed significantly from each other. In Argentina, Chile, and Uruguay, for example, programmatic center-right parties came to power, promoting fiscal adjustment and austerity policies, while in countries such as Brazil and Colombia, the right-wing parties in power have had a much more radical conservative right-wing component (Vommaro and Gené, 2022: 50-51).

In a nutshell, since the early 2000s, the price of commodities has risen sharply due to both the increase in real demand and their growing importance in the financial economy - and this triggered massive inflows of foreign exchange at the regional level. At the same time, this process catalysed the primarisation and fiscal imbalance of Latin American economies, increasing their external vulnerability. However, by 2013-2014, there was a considerable decrease in China's demand and the monetary and trade policies of the USA contributed to triggering an economic slowdown process (Erten and Ocampo, 2013). Like the regressive impulse of the 1980s-2000s, this distributive impulse during 2003-2014, was a regional phenomenon. Though, the depth and stability of distributive policy materialised differently in each country as I will show in the next section.

Commodity prices affected Latin American countries in diverse ways, especially those most dependent on raw materials. In the case of Uruguay and Chile, where commodity exports are of utmost importance in their economies, this boom-and-bust cycle was especially relevant (IMF, 2022). In fact, between 2014 and 2020, the share of commodities in exports (commodity dependence) was 57% in Uruguay and 52% in Chile (World Bank, trade data, 2022). In Uruguay, commodity prices began to rise gradually in the early 2000s and, after a brief pause during the 2008-09 global fiscal crisis, resumed their upward trend. The boom

ended in 2014 when prices began to fall rapidly (Idem). Just as the commodity price boom period was associated with higher growth, the subsequent slowdown entailed a slowdown in growth in this country (IMF, 2022: 2-4). In Chile, as in Uruguay, from 2004 until the momentary break in 2008-2009, the economy was boosted by a positive external shock, which returned to growth from about 2009 until 2012-2014, when the economy began to slow down (Ffrench-Davis, 2016: 13; Cifuentes, 2016: 7).

Chile and Uruguay: general characteristics of state-society coordination

The arrival of leftist governments in the region took place in Chile and Uruguay but with its particularities. The ‘left turn’ at the regional level took different forms depending on the social and political characteristics of each country (Grugel and Riggirozzi, 2009: 16-17). Thus, instead of speaking of ‘the Latin American left’, one should differentiate between the left-wing models that coexisted during this period (Levitsky and Roberts, 2011). Many recent analyses coincide in classifying two types of left-wing governments in Latin America: left-liberal vs left-populist post-neoliberalism (Levitsky and Roberts, 2011), moderate vs. radical (Weyland 2009); moderate vs. contestataria (Weyland, Madrid and Hunter 2010) or social democratic vs. populist (Panizza 2005; Lynch 2007). Beyond the different name categories, overall, literature coincides in classifying Chile and Uruguay as ‘more moderate leftist’ governments or as ‘new social democracies’ where social policies were applied while broadly liberal economic regimes were maintained. In addition, both countries have been commonly classified in the literature as the most stable and consolidated democracies and the less corrupted countries in Latin America during that period as the following tables show (Tables 13 and 14).

Table 13. Corruption perceptions, selected European and Latin American countries, 2013

Country	Corruption Ranking	Corruption Index
United Kingdom	11°	81
United States	16°	76
Uruguay	21°	74
France	23°	70
Chile	23°	70
Brazil	76°	38
Argentina	106°	32

Source: Transparency International Organization, Corruption Perceptions Index (CPI).

Table 14. Democracy Index 2021

Country	Global Rank	Regional rank
Uruguay	13	1
Costa Rica	20	2
Chile	25	3
Trinidad y Tobago	41	4
Jamaica	42	5
Brazil	47	6
Panamá	48	7
Suriname	49	8
Argentina	50	9
Colombia	59	10

Source: The Economist Intelligence Unit, 2022

The left-wing political parties -the Concertación and the Nueva Mayoría in Chile and the Frente Amplio in Uruguay- did not promote constitutional reform processes nor promoted major changes in the economic model as happened in other countries in the region. In both cases, political parties governed in a climate of political stability and respect for democratic rules, maintained relatively orthodox financial, monetary, and trade policies, while deploying policies to combat poverty (Levitsky et al., 2011: 325).

At the same time, Chile and Uruguay are among the most liberal trade and financial openness regimes at the regional level⁵⁷. Thus, in contrast to what happened with several of the more statist left-wing regional governments, such as Ecuador and Argentina, which were often perceived by foreign capital as much riskier, Uruguay and Chile were seen as a good place to make business (Campello, 2015: 54) (See Table 15). Largely thanks to its political and institutional stability and its policy of attracting investment, both countries became the most transnationalized regional economies, measured by the ratio of Foreign Direct Investment (FDI) accumulated over GDP (Uruguay XXI, 2018, Doc. 13: 5), which explain to some extent the growth of both economies during this period (Bittencourt et al., 2020: 18-22).

Table 15. Country Risk Ratings in Latin America

Country	Rating
Chile	A
Uruguay	BBB
Brazil	BBB
Perú	BBB
Argentina	B
Ecuador	CC

Source: "Country Risk Reports," Economist Intelligence Unit, September 2013

⁵⁷ This group also includes Panama and Costa Rica.

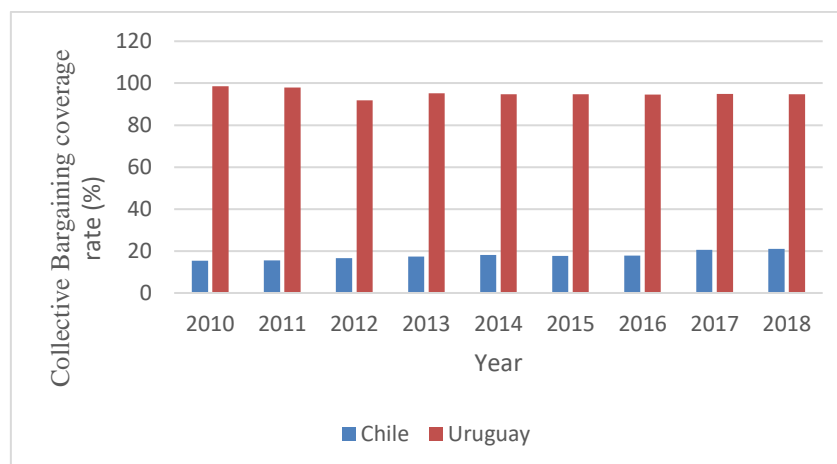
Nevertheless, although both lefts share a programmatic and moderate character, they differ on some significant points. First, while the Concertación governed from 1990 to 2010, and its replacement, the Nueva Mayoría, from 2014 to 2018, the Frente Amplio in Uruguay governed from 2005 to 2020 uninterruptedly. Thus, only the last Concertación government and the Nueva Mayoría government governed during the so-called "left turn" period while the Frente Amplio in Uruguay governed during this entire period. This is important because, as I will show in the following four empirical chapters, the most transformative distributive tax and labour policy objectives took place precisely during the expansionary economic cycle of the 'left turn' (2003-2014). For this reason, the focus of analysis in the following four chapters will be on this period. The second point of divergence is the fact that both countries had different relations with trade unions and enterprises. Consequently, while union organisation has been strengthened in both countries, it has been much stronger in Uruguay than in Chile. In Uruguay, bargaining coverage and unionisation rates have historically tended to be higher and remained so during the 'left turn' (See Figure 9 and Table 16).

As I described in Chapter 2, Uruguay has historically been a leader in the promotion of labour rights and Collective Bargaining at the regional level. There, labour representation was organized, following its long-standing trajectory, around a single union federation, the PIT-CNT, which has allied with the Frente Amplio based on common objectives, while retaining its institutional autonomy (Padrón and Wachendorfer, 2017). The Frente Amplio also operated as the main institutional vehicle for civil society and social movements, with strong party-community links mediating demands and dampening autonomous contention. Likewise, business is fragmented into multiple chambers and lacks a nationwide association, but has managed to exert influence through political parties, including the leftist Frente Amplio - in addition to enjoying other mechanisms of influence, such as control of the media or political campaign financing (Serna and Bottinelli, 2020).

In Chile, by contrast, organised labour remained weak and fragmented and had limited support even within the Concertación, linking mainly with its more left-wing minority, while company-level bargaining significantly discouraged labour coordination (Haagh 2002; Somma and Medel, 2017). Contrary to organized labour, large business groups in Chile maintained high levels of coordination, very close links with political parties, and remained highly institutionalized in long-standing associations with high levels of organization and incidence –exemplified by the powerful multi-sectoral CPC (*Confederación de la Producción y Comercio*) (Bogliaccini, 2019; Bril-Mascarenhas and Madariaga, 2019). Moreover, a close relationship between business sectors and political elites that survived the democratic transition was maintained during the 2000s when businesses established close relations with left-wing politicians, mobilizing resources such as direct access to policymakers, campaign financing, or connections with think tanks (Fairfield, 2010). In addition, this exclusive and elitist coalitional Chilean configuration was stabilized by a strong technocratic consensus among political elites concerning public policy making, which depoliticized certain areas of economic governance and social policy and removed them from public debate. This technocratic consensus shaped a generally conservative political culture where discussing social welfare and poverty reduction strategies did not require *'politicizing class inequalities, promising major distributive*

measures in election campaigns, or mobilizing popular constituencies outside the electoral arena' (Roberts, 2016: 136). The result of this was a political system that as noted by Luna (2016) was relatively coherent and accountable horizontally but enjoyed an important degree of vertical insulation – partly due to the fragmentation of interest groups, partly due to the (technocratic) distancing of political parties from society.

Figure 9. Collective Bargaining coverage rate (%) in Chile and Uruguay 2010-2018



Source: own elaboration based on ILOSTAT

Table 16. Trade union density rate⁵⁸

	1990-1995	1995-2000	2000-2005	2005-2010	2010-2015
Chile	12.6	11.23	12.1	13.05	14.3
Uruguay	23.7	16.4	19.1	17.32	29.2

Sources: own elaboration based on several sources. Chile 1990-2015 extracted from Dirección General del Trabajo, Uruguay 1990-2009 extracted from Mazzuchi, 2009 (Table 2, page 23), and Uruguay 2009-2015 extracted from ILOSTAT.

Conclusions

In this chapter, I pursued two objectives. First, I analysed how state-society coordination has shaped the role of the global economy in domestic politics during the period 1980-2020. In this sense, I exposed that thanks to increased state-society coordination, Uruguay was able to ‘stop’ to a large extent the process of state retrenchment that characterized several Latin American countries, including Chile, during this period. Second, I described the main macroeconomic and political characteristics that shaped the 2000-2020 period. In this case, I showed that an expansive macroeconomic scenario and a leading role of distributive issues through the political agenda of centred-left governments placed distributive policies at the forefront of the political agenda. I also showed that by the early 2000s, state-society relations in both countries followed their past trajectories. Thus, while in Chile there was a more fragmented civil society but technocratic business elites with broad influence over the

⁵⁸ The union density rate is the share of employees who are union members, expressed as a percentage. Union membership excludes union members who are not gainfully employed (self-employed, unemployed, retired, etc.).

state, in Uruguay both civil society, trade unions, and elites maintained the capacity to influence the state.

The description of the general macroeconomic and political-institutional aspects of the period 1980-2020 in this chapter allows me to present the reader with the general picture framing the distributive labour and tax policies that I will analyse in the following four chapters (4-7). Accordingly, in the following chapters, I analyse how distributive labour and tax policies were processed in both countries during these two sub-periods of the 2000s: the window of opportunity created by the macroeconomic and political context during 2003-2014, and the closing of that window and the creation of more adverse conditions in a more restrictive economic and political scenario from 2014-2015 onwards to implement or even maintain these processes.

Moreover, as I have pointed out in this chapter, since the 1970s-80s, but especially since the early 2000s, the external vulnerability of Latin American economies has been exacerbated by their increasing trade and financial liberalisation processes. Furthermore, especially since the 2000s, several regional economies, and in particular Chile and Uruguay, have undergone important processes of transnationalisation, making them two of the most transnationalized economies in Latin America, according to the ratio of Foreign Direct Investment/Gross Domestic Product. I am therefore interested in investigating how state-society coordination models have been maintained or changed in both countries during these years. As this is a period in which both countries are more exposed than ever to boom and bust cycles, I will explore how state-society coordination in each country manages to moderate the effects of the global economy on distributive policy during this period, and what extent this coincides with the trends exhibited for both countries in the long run. To this end, in the following four chapters (4-7), I analyse the labour and tax institutions in both countries, taking as case studies the labour and tax policies that have the greatest impact on distribution. So, I analyse seven public policies implemented during the window of opportunity of the period 2003-2014 and then analyse their evolution and maintenance or eventual retraction during the more adverse economic and political context of the years 2014-2020.

CHAPTER 4. Structural State Autonomy in Uruguayan Tax Policy (2003-2020)

Introduction

This chapter explores the role of Structural State Autonomy in the Uruguayan Tax Policy with distributive effects during 2003-20. In Chapter 1, I argued that distributive processes in Latin America are strongly influenced by high regional structural volatility, with redistributive policies developed in expansionary phases followed by a retrenchment of these policies in economic slowdown phases. However, I also outlined the expectation that coordination between firms, workers, and the state in decision-making structures contributes to more stable distributive processes. Accordingly, I am interested in exploring the extent to which state-society coordination shapes the effects of the global economy on distributive policies. In Chapters 2 and 3, I analysed how state-society coordination has shaped distributive processes in Chile and Uruguay from a comparative perspective.

Following this line of research, in this chapter 4 and the following ones (5-7), I deepen this analysis for the period 2003-2020. As I pointed out in Chapter 3, I am interested in analysing this period in greater depth for two reasons. First, because of the existence of an unusual window of opportunity to carry out distributive processes during 2003-2014 due to the confluence of a very favourable macroeconomic scenario and the arrival of governments with political agendas largely focused on distribution. Thus, I am interested in observing in detail the changes in distributive policies during the boom (2003-2014) and bust (2015-2020) of the economic cycle. Second, as I described in Chapter 1 and detailed in depth in Chapter 3, this period saw the consolidation and expansion of a trend that had been brewing since the 1980s, that is: the greater transnationalisation and dependence of Latin American economies manifested in the increasing dependence of their monetary structures, the primarization of their productive structures, and in the greater trade and financial openness. I am therefore interested in exploring how state-society coordination shapes the effects of the global economy on domestic politics specifically during this period of increased regional external vulnerability. To what extent are the state-society coordination models inherited from the past maintained in both countries during the 2000s? How does the global economy affect local distributive politics in this new economic framework of the 2000s?

To address these questions, in this and the following four chapters (4-7), I analyse the relationship between the state-society coordination models of Chile and Uruguay and their distributional impacts specifically on tax policy and labour policy during 2003-2020. In this Chapter 4 I study the case of tax institutions with distributional effects in Uruguay. To do so, I explore in detail two closely interconnected tax policies: the New Investment Regime (NIR) and the Tax Reform (TR). The TR focused on reforming taxes on labour and capital to improve inequality, while the NIR focused on investment-oriented tax regimes, which ‘erode’ some TR taxes. As I noted, I am interested in exploring two dimensions of analysis. First, the extent to which state-society coordination mechanisms shape the approval and implementation of the TR and the NIR during the economic expansion phase (2003-2014).

Second, the extent to which TR and NIR distribution mechanisms are affected during the period of economic slowdown (2015-2020).

Overall, the analysis developed in this chapter shows three main results. First, inclusive state-society coordination in Uruguay allowed the construction of widely negotiated distributive fiscal agreements based on the partial granting of segmented benefits to distinct groups during the boom of the cycle (2003-2014). Second, during the downturn of the cycle (2015-2020), this coordination implied that distributive conflicts were again resolved in a partial segmentation of benefits to different organized groups, conferring stability to distributive policy even during the economic downturn. Taken together, in line with what was presented in Chapters 2 and 3, these two findings show that Uruguay's inclusive state-society coordination partially inhibits the potential tendency for distributive arrangements to weaken during economic slowdown phases.

However, this chapter also shows a third finding regarding the role of transnational capital. In this sense, not only do expectations about how distributive fiscal policy would affect the attraction of international capital significantly shape policy design, but transnational capital has consolidated its own 'behind closed doors' bargaining space in the Uruguayan policy-making process. In sum, the analysis shows that although inclusive state-society coordination consolidates a process that generates agreement and a certain stability in distributive matters in line with what has been shown in previous chapters, in the current context, distributive tax agreements in Uruguay are increasingly mediated by other power centres that transcend trade unions or a local business, and that refers to transnational capital.

This chapter deploys a process tracing strategy supported by an ample variety of qualitative and quantitative evidence used in a triangulated manner. This evidence includes in-depth interviews with academics, politicians, and tax specialists, a review of parliamentary records, a review of government programs, tax records, and information extracted from the country's main press. The analysis is carried out through the following structure. In the first section, I explore the process of approval of the TR and the NIR during the window of opportunity provided by the expansionary economic phase. In the second section, I explore the changes that both policies implemented during the economic slowdown phase. Finally, the chapter concludes with some reflections on the role of the Structural State Autonomy in distributive tax policy in Uruguay.

Tax Policy in the expansionary economic phase: the TR and the NIE (2003-2014)

In this section 1, I analyse the approval processes of the Tax Reform (RT) and the New Investment Regime (NIR) during the expansive economic phase of the Uruguayan economy when most of the distributive processes were implemented. In the following pages, I will describe the negotiation and approval process of both reforms and in section 2, I will analyse the main changes in both reforms in the face of a scenario of greater economic deceleration. Overall, we see that the coordination mechanisms that served to institutionalise business and labour organisations into decision-making processes functioned to generate significant stability for the Tax Reform (TR) and the New Investment Regime (NIR) and allowed their

redistributive effects to be maintained through the policy implementation. Due to the existence of institutionalised state-society coordination mechanisms, both reforms were implemented by granting partial concessions to groups (businesses and workers) in a coordinated manner without affecting the central objectives of the reforms.

The approval process of the Tax Reform (TR)

To analyse Structural State Autonomy enjoyed by a government during a policy reform process, it is necessary to explore the initial ambitions of the government in this area to be able to identify eventual coherence with or deviation from these ambitions displayed by outcomes. Through this section, I present the policymaking process of the TR. I divide the process into four moments marked by: i) the political objective of carrying out a tax reform, ii) the design of the Tax Reform, iii) the parliamentary debate, and finally, iv) the intervention of civil society in the debate of the TR.

Phase 1: The origins of the TR proposal

The left-wing political party Frente Amplio and most tax specialists agreed that Uruguay's tax structure lacked what is known as vertical and horizontal equity (Barreix and Rocca, 2007: 124-125; Rius, 2012: 11-13). The lack of horizontal equity problems referred to the fact that personal income tax just taxed salary and liability income, leaving out of the tax income obtained from rentals, and capital gains (Barreix and Rocca, 2007: 131). In turn, vertical equity referred to the fact that labour income was taxed at higher rates than capital income. (Ibidem). In addition, income tax also did not take into account the taxable capacity of individuals, since it did not include a non-taxable minimum and did not consider family burdens (Ibidem). In turn, the high component of indirect taxes⁵⁹, which generated 71% of total tax revenues, made the tax structure even more regressive, since, as mentioned in Chapter 3, indirect taxes especially affect the lower income sectors. Given all of those factors, scholars indicated that the Uruguayan tax structure was regressive, and therefore contributed to increased inequality (Grau and Lagomarsino, 2002; Amarante & Perazzo, 2009; Amarante et al., 2007; Barreix and Rocca, 2006).

Following this diagnosis, the idea of implementing a tax reform became part of the electoral proposals of the left-wing political party Frente Amplio became a crucial element of the left-wing political party Frente Amplio since 1971⁶⁰, following the objectives of equity, inclusion, and productive growth.⁶¹ Accordingly, as soon as the Frente Amplio won the elections and began to rule in 2005, the tax reform process became a priority in the political

⁵⁹ Direct taxes are levied on the sources of wealth, property and income of individuals or companies, while indirect taxes are levied on economic activities such as consumption, or the use of a good or service.

⁶⁰ Information identified in primary sources by the author. Information mentioned in the following documents: 1) The Constitutive Declaration ("*Declaración Constitutiva*") February 5, 1971. The Political Commitment ("*Compromiso Político*"), signed by the National Plenary meeting in Montevideo on 9/2/1972, page 3. 2) Main Programmatic Guidelines and proposals for Government Plans. III Extraordinary Congress of the "Alfredo Zitarrosa" Frente Amplio. Montevideo, 20, 21 and 22 November 1998. (*Grandes Lineamientos Programáticos y propuestas de Planes de gobierno. III Congreso Extraordinario del Frente Amplio "Alfredo Zitarrosa"*).

⁶¹ Information identified in primary sources by the author. See Uruguay. Session of the Committee on Budgets integrated with the Committee on Finance (*Comisión de Presupuesto Integrada con Hacienda*) Folder No 415 of 2005. Annex XIV to Distribution No. 384. October 2005 National Budget 2005-2009. In: <https://parlamento.gub.uy/>. On "social exclusion" page 3.

agenda. This political party had many advantages to implement the TR: they had an absolute majority in the Legislative Branch (50 +1), and they controlled the Executive Branch (which has the initiative in tax matters). In addition, the reform proposal by the Frente Amplio was technically feasible according to several experts in the field and they had the advantage that the tax authority (the General Tax Directorate, DGI) had been reformed and modernized by the previous government (Rius, 2012:12). Furthermore, after a period of the economic recession that led to the 2002 economic crisis (-7.73% GDP growth), from 2004 onwards per capita GDP started to grow significantly (5% per year), reaching an average of 7.46% per year in 2005⁶², which could suggest a more advantageous scenario for distribution in a generalized increase in revenues.

Phase 2: The Tax Reform design: the dual system 'Uruguayan style'

After taking office, the Frente Amplio created a Tax Reform Commission (*Comisión de Reforma Tributaria, CRT*) in order to elaborate the new reform design with more distributive aims (González, 2007). The commission was coordinated by the Undersecretary of the Ministry of Economy and Finance and composed of renowned tax experts, most of them close to the Frente Amplio⁶³. In November 2005, the Commission established that the tax structure would follow a dual tax scheme and not the synthetic scheme that had been proposed until then by the Frente Amplio⁶⁴.

There are different tax models in the world. The so-called *synthetic tax model* integrates all the taxpayer's income (the individual or the family nucleus) and taxes it according to a progressive marginal rate structure applied to income brackets. The tax follows the Haig-Simons definition of income in the broad sense: consumption plus change in wealth in a given period. Instead, the *flat-rate tax model*, based on Hall and Rabushka (1983; 1995) proposes a combination of two taxes at the same rate: consumption plus wealth change in a given period. Finally, there is the Nordic-style tax model known as the *dual tax structure*, in which tax is levied separately on earned income at progressive rates while capital income is taxed at a proportional rate - whether business or passive (Barreix y Rocca, 2007: 128-130).

The Tax Reform Commission that designed the Uruguayan tax structure sought to follow the *dual tax structure* inspired by the Nordic model but as they themselves stated they did it 'Uruguayan style' (Barreix and Rocca, 2007). The new 'Uruguayan-style' dual income tax took from the *Nordic dual system* the central idea of taxing labour income separately, at progressive rates, and capital income at a proportional rate. In other words, it established a lower tax rate for capital income (interest, dividends and profits, rents, capital gains), equal to the lower marginal rate for labour income (Barreix and Rocca, 2007: 132). Likewise, this dual system took from the flat tax the characteristic of setting a non-taxable minimum which meant that a large part of the population did not pay this tax (at that time it was around 60%). At the same time, this structure allowed only a limited number of deductions, facilitating its administration, and avoiding the erosion of the tax base (Idem: 133).

⁶² Available in: <https://datos.bancomundial.org/>

⁶³ Information identified in primary sources by the author. In Basic Guidelines for Tax Reform available in: http://archivo.presidencia.gub.uy/web/noticias/2005/11/consulta_publica_TR.pdf

⁶⁴ Idem.

The decision to establish a dual tax was predominantly based on three reasons. First, this dual model is easy to comply with and to audit because on the one hand, it taxes capital income at a uniform rate, and on the other hand, it leaves 60% of the total population out of the tax (Barreix and Rocca, 2007: 133)⁶⁵. Second, the dual system allows the preservation of banking secrecy⁶⁶ without identifying Uruguay as a tax heaven⁶⁷. The possibility of the personal income tax following another type of model, such as an integrated tax rate, was ruled out because it implied discarding bank secrecy. In contrast, the dual tax is levied without the need to identify the taxpayer⁶⁸. The dual tax is therefore consistent with maintaining strict banking secrecy, while limiting the fear of possible capital flight. Although the members of this Commission state that they are not *per se* in favour of banking secrecy, they argued that in a small country like Uruguay '*this tool is necessary to attract saving and foreign investment*'⁶⁹. Third, the dual system allows the possibility of placing differential rates on capital and labour as incentives to attract foreign capital⁷⁰. In that regard, the dual income tax was to set a lower rate for taxing capital income compared to labour income. It was argued that by doing so, '*savings would be rewarded while limiting the fear of possible capital flight*'.⁷¹ To sum up, although the Frente Amplio has been historically in favour of a synthetic tax structure that taxed capital at higher rates than labour, as they considered it more egalitarian, the dual tax structure 'Uruguayan style' was the one that finally prevailed. The need to create advantages to attract investment, through lower rates on capital and the preservation of banking secrecy shaped the tax model implemented by the TR.

Phase 3: Congress debate

When the TR proposal from the Frente Amplio entered congress, immediately received opposition from the rest of political parties (Ruis, 2012). However, since the Frente Amplio had absolute majorities in both chambers this was not a drawback in the approval process. Instead, the negotiation took place within the governing political party itself between the sectors of the left-wing and the centre-left wing. The project presented was designed by the centre-left wing compound by the Tax Reform Commission led by the Ministry of Economy. However, the sectors that made up the left wing had more votes and therefore more popular support and more parliamentary seats (See Table 17).

⁶⁵ Information mentioned in in-depth interviews: Interviewee 4, technical-academic, close to Frente Amplio.

⁶⁶ Banking secrecy consists of the protection that banks and financial institutions must grant to information on deposits of any nature that they receive from their customers. It is understood that this information is part of the privacy of the customers of the financial system.

⁶⁷ The information mentioned in the in-depth interview: Interviewee 2 is an expert in Tax Policy and, a member of the Tax Reform Commission. In addition to being mentioned in the in-depth interviews, the importance of the dual structure for maintaining bank secrecy is highlighted in public documents. See for example the following document made by two of the former members of the Tax Reform Commission: Barreix and Rocca (2007: 134).

⁶⁸ According to the Tax Reform Law passed in 2007, the 'Lifting of Bank Secrecy' is allowed 'when the tax administration files a well-founded complaint under Article 110 of the Tax Code. Article 54, Law N° 18083.

⁶⁹ Information mentioned in in-depth interview: Interviewee 2, Expert in Tax Policy, member of the Tax Reform Commission.

⁷⁰ Idem.

⁷¹ Idem.

Table 17. Political coalitions within the Frente Amplio debating Tax Reform

Sectors	Members	Resources available to them
Centre-left sectors	Tax Reform Commission, including its leader, the Minister of Economy Centre-left political sectors within the Frente Amplio	Support from the President of the Republic Leading role in the reform process Leading role of the Minister of Economy, who besides this position has been a historic leader of the party in economics.
Left-wing sectors	Left-wing political sectors within the Frente Amplio	Sector with the largest number of votes within the ruling Frente Amplio and therefore the largest number of members in parliament. Leading role of one of the main leaders of the political party Frente Amplio (Jose Mujica)

Source: own elaboration based on information obtained from in-depth interviews and press.

The main points of contention between these two sectors were: the dual structure of the system (and its effects on banking secrecy), the tax for corporate economic activities (IRAE) (which was lower than what was proposed by the left wing sectors), the minimum non-taxable income tax for retirees (IASS), and the progressivity of tax income (IRPF). The following table describes the position of the left-wing sectors (majority in the parliament) regarding the proposal of the Tax Reform Commission led by the Minister of Economy and supported by the more centre-left sectors of the Frente Amplio.

Table 18. Main taxes under discussion in the approval of the TR

Tax	Description of the disputed components of the reform process	Demands of the left-wing sectors of the Frente Amplio to the proposal of the Reform Commission (center-left sectors)
IRPF	The Personal Income Tax (IRPF) is a personal and direct tax levied on income from Uruguayan sources as well as on income from capital coming from abroad obtained by individuals considered residents of the country.	Raise the minimum of the first tax categories, and increase the tax on the upper income
IRAE	The Tax on Income from Economic Activities (IRAE) is a tax net income from Uruguayan source, obtained by companies and derived from economic activities of any nature.	Raising the tax rate
VAT	VAT is an indirect tax levied on transactions for consideration consisting of the internal circulation of goods and services.	Lowering the tax rate
IASS	Social Security Assistance Tax (IASS) is a personal and direct tax levied on income from Uruguayan sources arising from retirements, pensions and similar passive benefits.	Establish a minimum non-taxable rate
OTHER ISSUES	TAX STRUCTURE	Implement a 'synthetic' rather than 'dual' structure

Source: own elaboration based on Law No. 18.083 of 12/27/2007 and information obtained from in-depth interviews, press and parliamentary records.

In short, the approved reform was widely debated between the left and centre-left sectors within the Frente Amplio. The left sectors had to give in on their demands for an increase in the tax on economic activities, the elimination of bank secrecy for tax purposes, and their

preference for a ‘synthetic’ rather than a ‘dual’ tax structure. The centre-left wing sectors- which were in charge of the reform - believed that these elements were key to attracting foreign capital and therefore did not give in to their modification. However, as will be seen in the following pages, the centre-left wing leading team also had to compromise on other components to achieve a consensual reform.

Phase 4: the response of the civil society to the Tax Reform

In addition to the debate among members of parliament, the TR was discussed with some of the most influencing power groups in Uruguay. For instance, objections were received from pensioners and cooperative members⁷², and in both cases, their demands were negotiated towards schemes that were less harmful to them⁷³. As for the business associations, at the beginning, the groups associated with industry and agriculture⁷⁴ argued that the new tax policy with the new employer contributions affected the profitability of these sectors. However, once underway, the reform did not appear to be opposed by these organizations as the reform was presented as advised to promote investment⁷⁵. Although the unification of employers’ social security contributions (7.5%) hurt the industrial sectors which had less tax before, the construction, services, and trade sectors benefited vastly from a significant reduction (Llambí et al, 2009: 11). Consequently, as the business chambers usually act in a fragmented manner and that the TR affects them differently there was no systematic opposition to the TR on the part of the local business associations. In addition, as will be discussed in the next section of this chapter, business achieved other benefits in the new Investment System that ‘erode’ part of the taxes they pay through the TR, so they did not significantly oppose it.

Finally, regarding labour unions, once the reform was approved, the National Trade Union (PIT-CNT) (August 2007) met to discuss the changes to be demanded from the government. In addition, the Cuesta Duarte Institute, a technical body associated with the PIT-CNT, conducted a survey showing that the new tax structure will have a positive impact on most salaries.⁷⁶ This report was extremely instrumental in positioning workers and public opinion in favour of TR (Rius, 2012). Workers’ criticisms focused on capital tax, minimum taxable income, and the type of deductions. They suggested that the non-taxable minimum should be raised to the cost of the basic food basket⁷⁷. In addition, they also called for a ‘significant’ reduction in indirect taxes, especially in VAT, the creation of price control agencies, and the

⁷² Information collected by the author from primary sources. See the document [‘The cooperative movement and tax reform’](#)

⁷³ At first the government tax was declared unconstitutional, although later the court changed its integration and ruled in favor of the government tax. Even so, the government decided to eliminate the IRPF contributions and create a similar tax to collect them, the Social Security Assistance Tax (IASS), in force since July 1, 2008.

⁷⁴ Information gathered from the stenographic version of the reception of the delegation of the Rural Association of Uruguay in the Finance Committee in the national parliament (*Versión taquigráfica sobre la recepción de la delegación de la Asociación Rural del Uruguay en la Comisión de Hacienda. 8 de junio de 2006*). Available in: Doc. [849/20006](#).

⁷⁵ Information collected by the author from primary sources. See: “Explanation of Reasons. House of Representatives, Finance Committee” (*Exposición de Motivos. Cámara de Representantes, Comisión de Hacienda, Mensaje Presidencial, Carpeta No 849, Repartido No 585”, 16 de marzo, 2006*).

⁷⁶ Information from the press. See: “[Entrevista Juan Castillo](#)”, president of the National Trade Union Centre of Workers (PIT-CNT) on *Radio El Espectador*. 20 August 2007.

⁷⁷ Information gathered from in-depth interviews. Interview 8, Union leader, Central National Union PIT-CNT.

progressive taxation of capital.⁷⁸ The Reform Commission was prepared to give up most of those points as those relating to the raising of the non-taxable minimum, deductions, and greater progressiveness concerning the tax on income generated by work as well as creating institutions to negotiate price controls. However, in the successive negotiations they were unwilling to lower VAT nor to increase the tax on economic activities (IRAE) (See Table 19).

Table 19. Actors and positions on the main elements discussed in the TR.

Group	Subject	Position	Justification
Left wing sectors of the Frente Amplio	Tax structure	Synthetic	The synthetic tax rate is more equitable.
	Economic activity tax rates (IRAE)	Raise tax on economic activities to 30%.	Improve the distribution of income and wealth
	Non-taxable minimum	In favour	Improve the progressivity of the tax structure.
Centre-left wing sectors of the Frente Amplio (Reform Commission+ Minister of Economy)	Tax structure	Dual	Attraction of foreign capital, increased investment benefits, maintenance of banking secrecy.
	Economic activity tax rates (IRAE)	Maintain the tax on economic activities in 25%.	Attraction of foreign capital, increased investment benefits.
	Non-taxable minimum	In favour	Improve the progressivity of the tax structure.
Single national trade union centre (PIT-CNT)	Tax structure	Synthetic	The synthetic structure is more equitable
	Economic activity tax rates (IRAE)	Tax on economic activities 30%.	Improve the distribution of income and wealth
	Non-taxable minimum	In favour but should be higher than that proposed by the Commission.	Significantly improve the progressivity of the tax structure.
Outcome: REFORM AGREED (Approved by Law 18083, 2007)	Tax structure	Dual	Attraction of foreign capital, increased investment benefits, maintenance of banking secrecy
	Economic activity tax rates (IRAE)	Tax on economic activities 25%	Attracting foreign capital, increasing investment benefits, maintaining banking secrecy.
	Non-taxable minimum	Increased. (At the time of its approval, 60% of formal workers were excluded from paying this tax).	Improve the progressivity of the tax structure.

Own elaboration based on in-depth interviews and parliamentary minutes.

⁷⁸ That piece of information was published in the press. In: *Últimas Noticias*. 21 de agosto de 2007.

In summary, the approval of the TR during the expansionary economic phase was the result of the partial concession of segmented benefits to distinct groups: capital -domestic and foreign- and organized workers. The TR conferred new benefits on each group, but each group also had to agree to drop some of its demands. The coordination and negotiation of these groups with the state allowed the TR to be broadly consensual. In the negotiation process, however, although the centre-right sectors agreed to improve tax conditions for workers (lowering the non-taxable minimum income tax), they did not agree to implement the reforms that, according to them, would affect capital attraction (raising the IRAE and the synthetic tax structure).

Conclusions: the effect of Structural State Autonomy in the Tax Reform

After the parliamentary discussion phases, the TR was approved with the following main contents. The reform sought to reduce the weight of indirect taxes and make the system simpler by repealing 15 tax categories and reducing the maximum VAT rate (from 23 to 22%) and the minimum VAT rate (from 14 to 10%).⁷⁹ Labour income is taxed at a progressive rate, while capital income is taxed at a proportional rate (Amarante et al., 2007: 91). The TR was structure in the following main taxes.

1. *Income from work* (Income Tax- IRPF II): Previously labour taxes paid a fixed rate of 7%, while now they pay a progressive rate that has reached 36% in the upper category. The implementation of this progressive tax category has had a clear impact on inequality as measured by the Gini Index because is distributed mostly between middle and low-wage earners, but this tax does not affect significantly business sectors (Perazzo, 2006; Amarante et al., 2007).
2. *Income from capital* (IRPF I): includes all income in money or kind, from deposits, loans and capital or credit placements of any kind, dividends or profits distributed by IRAE taxpayers, and leases, assignment of rights to movable property, trademarks, patents, copyright, among others. The owner must pay a flat rate of 7%.
3. *Income from economic activities* (IRAE): Corporate income tax replaced many taxes under the previous system. With the IRAE the tax rate was reduced in comparison with the previous system from 30% to 25% of profits, generalizing it to all sectors, and making it coincide with the maximum rate of income tax.

Overall, the analysis carried out shows that state-society coordination allows the state to implement TR without significantly modifying its core contents but granting partial benefits to different groups. On the one hand, business groups benefited from the reduction of the business tax (IRAE) and the maintenance of banking secrecy. On the other hand, organised workers have benefited from the more progressive tax structure and the reduction of the non-taxable minimum, which has a particular impact on the lower and lower-middle sectors (Amarante et al., 2007; Barreix and Rocca, 2007: 133)⁸⁰. In conclusion, the TR was

⁷⁹ Information identified in primary sources by the author. Information gathered from: House of Representatives, Finance Committee, Presidential Message, Folder No 849, Delivered No 585, March 16, 2006 (*Cámara de Representantes, Comisión de Hacienda, Mensaje Presidencial, Carpeta No 849, Repartido No 585, 16 de marzo, 2006*).

⁸⁰ This distribution between middle and low middle sectors largely explains the impact of TR on an improvement in the Gini index of between 1 and 2 percentage points (Martorano, 2014; The World Bank; 2008; Burdin, De Rosa and Vigorito, 2015). The most disadvantaged sector in this regard has been the high-

approved quickly and with a high political and social consensus because it was based on a state-society coordination system that allowed segmenting different benefits for each of the socioeconomic sectors with organization and agenda capacity: capital -national and foreign- and organized workers (See Table 20).

Table 20. Support of the TR based on benefit segmentation to each organized group.

Group	Benefit compared to the previous system
National capital and Foreign capital	Reduction of the tax on economic activities (IRAE) Maintenance of banking secrecy through the dual system.
Organized labour	Reduction of personal income tax for the lowest salaries, tax reductions related to the number of children and other family burdens and increase of the non-taxable minimum.

Source: Own elaboration.

Finally, it should be highlighted that the Tax Reform in Uruguay cannot be understood without considering the multiple ‘erosions’ it receives from a regime approved during the same period, the New Investment Regime. For this reason, in the following section, I develop in detail the contents of this regime where the largest tax exemptions to capital are found, and which explains ‘the other side’ of the Tax Reform.

The approval process of the New Investment Regime (NIR)

The Uruguayan tax system cannot be analysed without considering the multiple ‘erosions’ received through the exemptions and deductions provided to encourage investment. To this end, the following pages analyse the approval process and contents of the New Investment Regimen, which is compounded by two central elements: the new Investment Promotion and the new Free Economic Zones. Overall, this analysis shows that the New Investment Regime can be considered as a concession granted mainly to business organizations, which guarantees support for the progressively redistributive central Tax Reforms considered above. In addition, this regime establishes special tax exemptions that especially benefit foreign capital.

The New Investment Promotion and Free Trade Zones

Before the approval of this new tax structure, Uruguay had several tax exemptions⁸¹, some of those came from special rates on social security contributions and others from exemptions on corporate income tax under the 1998 Investment Promotion and Protection Law. This law gave the executive branch the power to grant tax improvements under a discretionary regime that could even reach total tax exemption (Llambí et al, 2009; 2014). However, from 2007, this model changed, as the government of the left-win party Frente Amplio approved two decrees regulating and significantly expanding the Investment Promotion Regime (Decree No. 455/007 of 26/11/07). By doing that, the traditional special treatment to some economic

salaried employees from high-middle sectors (professionals, personnel in high executive positions in the State or in private companies) (Burdin et al., 2015).

⁸¹ Information identified in primary sources by the author. See: Law 16,906 of Promotion and Protection of Investments of 1998, Law of Free Zones (Law N° 15,921) promulgated in 1987, Law of Ports (Law N° 16,246), in 1992, Law of Industrial Park (Law N° 17,547), in 2002; among the most outstanding ones.

sectors was transferred to the investment promotion regime, which the government approved almost in parallel to the TR (Rius, 2015: 2). Later, in 2012, partly because of the complaints of the exporters' associations, the government passed a new decree on this matter improving even more incentives for investment (Decree No 2/012 of 03/02/2012).

Unlike TR, the New Investment Promotion Regime (NIR) did not have a significant impact on the public opinion. The population and the press covered it to a significantly lesser extent than the TR, probably largely because the population saw it as a foreign issue that did not significantly affect them. However, this process was not without debate either. On the contrary, the business groups and the State, through a broad participation process, exchanged extensively on this new regime, which was also approved almost simultaneously with the TR. The new system approved promoted a series of tax benefits for companies according to their impact on investment and employment generation⁸², including tax exemptions on IRAE and VAT, among others⁸³. Moreover, in the case of investment projects classified as of great economic significance for amounts equal to or exceeding index unities 7,000 million (approximately US\$36 billion as of January 2022) the new regimen includes the possibility of applying tax benefits exceeding those established⁸⁴ (Uruguay XXI, 2018: 8-9). This has led to a series of meetings and *ad hoc* agreements between the government and numerous foreign investors, which are the only ones in Uruguay, except for the State, which handle amounts on the scale required to enter these negotiations⁸⁵.

Foreign investors are not included in national business associations (e.g. Rural Association, Rural Federation, and Chamber of Industries). They are not interested in being there because their negotiation mechanisms are much more direct and effective as they have a '*seat to negotiate close-door vis a vis with the government*'.⁸⁶ As one of the interviewees highlighted, these mechanisms of direct negotiation with the government was not born with the Frente Amplio but developed significantly with them⁸⁷. To the extent that local interests (agro-exporters) have historical ties with Uruguay's right-wing and centre-wing political parties, the left-wing Frente Amplio granted a 'seat' to bargain specially to foreign capital⁸⁸.

As it was mentioned during the interviewees: (...) *before, everyone went and knocked on the door of the person they knew because liberal governments tend to work more like that, but*

⁸² Generation of employment: 40%, Decentralization: 10%, Increase in exports: 15%, Cleaner production: 20%, Investment in research and development (RandD): 25%, Sectorial indicator: 20%. See: Uruguay XXI.

⁸³ All taxpayers of the Tax on Income from Economic Activities (IRAE) and the Tax on the Disposal of Agricultural and Livestock Goods (IMEBA), who develop industrial or agricultural activities, will be entitled to exemption from Wealth Tax, VAT and the Internal Specific Tax (IMESI) on personal property directly destined to the productive cycle and equipment for electronic data processing. In addition, those companies that submit an investment project promoted by the Executive Branch will have the possibility of accessing a variety of additional benefits, amongst them: (i) Exemption from Wealth Tax, (ii) Exemption from import taxes on fixed assets declared non-competitive of the national industry, (iii) VAT refund for the purchase of materials and services for civil works, (iv) Exemption from IRAE. See: *Uruguay XXI, 2018*

⁸⁴ Article 16 of Law 16,906, regulated by Decree No. 455/007, and Decree No. 477/08.

⁸⁵ Information extracted from in-depth interviews. Interview 1, Technician and academic, former head of the Ministry of Finance.

⁸⁶ *Idem*.

⁸⁷ Information extracted from in-depth interviews. Interview 9, business leader of Free Trade Zones in Uruguay.

⁸⁸ Information extracted from in-depth interviews. Interview 1, Technician and academic, former head of the Ministry of Finance.

*with the Frente Amplio government, business have a concrete mechanism to negotiate, and it is especially good for foreign capital (...). Foreign investors come to Uruguay and have many benefits to invest (...) Uruguay exempts you from everything if you invest! (...)The system has always been good for foreign capital and the Frente Amplio expanded these benefits (...) what happened is that the foreigner brings more capital and therefore imposes more conditions (...)*⁸⁹

In addition to the New Investment Promotion System, the government implemented a new Free Trade Zone System. Uruguay has a long history of implementing free economic zones, having been the first country in Latin America to implement the free trade regime in 1923 (Law 7.593). The Uruguayan free trade zone (FTZ) regime was reformulated in 1987 through Law 15921 and has several regulatory decrees and related resolutions that have increased the potential of this tool in attracting investment. The activities of Free Trade Zone users are not subject to Income Tax on Economic Activities (IRAE), Wealth Tax (IP), or any other national tax⁹⁰. Once the Frente Amplio came into government in 2005, it began to expand the benefits to the Free Trade Zones. Afterward, in 2013, the Frente Amplio second government sent the Special Economic Zones (SEZs) Bill to Parliament, amending Law 15,921 on SEZs, and extending the benefits for the creation of free zones. It was argued that a new SZF was needed to improve the country's international integration into the dynamics of international trade in goods and services and international investment flows. In addition, political and democratic stability and the growing dynamism of the agro-export sector resulted in a robust growth in investment in those free zones⁹¹.

New Investment Regime (NIR) and Tax Reform (TR) as two parts of the same coin

In terms of capital taxation, the TR and the NIR should be understood as part of the same process, not only because both policies were implemented almost simultaneously, but also especially because the effects of the taxation of domestic and foreign capital (particularly the tax for economic activities the IRAE) are the product of the interaction between both of them. Thus, once implemented, the investment promotion law contributed significantly to reduce the effective rates of the economic activities tax (IRAE) contained in the TR. By doing that, the investment promotion regimen generates a tax expenditure⁹² of 0.47% of GDP in 2011, equivalent to 20% of the effective collection of this tax (CEF, 2012: 14). It is also estimated that the income generated in Free Trade Zones and exempted from taxes represented 38% of the total loss of IRAE generation in 2010. In short, the NIR significantly 'erodes' the distributional potential of the tax from economic activities (especially the IRAE) approved in the TR. Indeed, as the table below shows (Table 21), more than 50% of what would be collected through IRAE and Wealth Tax is lost due to the NIE' tax exemptions (CEF, 2012: 14).

⁸⁹ Mentioned in in-depth interviews. Interview 9, business leader of Free Trade Zones in Uruguay.

⁹⁰ Foreign personnel (up to 25% of the total employed) may choose not to pay social security contributions in Uruguay, but Uruguayan companies must comply with the social laws that apply to all workers in the country. Sales and purchases abroad of goods and services are not subject to Value Added Tax (VAT), nor are sales and services within the Free Zone (Uruguay XXI, 2018).

⁹¹ Mentioned in in-depth interviews, Interview 4, academic and economic consultant, Interview 6, academic.

⁹² Tax expenditures are a departure from the "normal" tax code that lower the tax burden of individuals or businesses, through an exemption, deduction, credit, or preferential rate.

Table 21. Tax Expenditure 2008-2010 (as a percentage of revenue and GDP) based on the NIR.

Tax	Tax expenditure as a percentage of GDP			Tax expenditure as a percentage of the collection of each tax		
	2008	2009	2010	2008	2009	2010
VAT-Consumption tax	2,89%	2,75%	2,77%	27,22%	26,27%	27,09%
IRAE-tax on economic activities	1,64%	1,68%	1,74%	61,21%	61,30%	63,05%
IRPF-Personal income tax - income from work	0,19%	0,20%	0,22%	8,74%	9,48%	10,44%
Wealth Tax	0,99%	1,10%	0,99%	93,85%	89,81%	89,57%
Total	5,72%	5,72%	5,72%	34,46%	34,68%	35,23%

Source: CEF, 2012: 10 based on the Tax Expenditure Report 2005-2010, Asesoría Económica-DGI

In short, the NIR erodes TR in two main ways: by lowering what is actually paid in business and wealth taxes (IRAE) and by giving international capital a privileged place to negotiate behind closed doors with the government. Hence, the NIR contributes to further increasing transnational capital greater power in the local economy. The system of incentives created through the NIR particularly benefits Large Investments; as one interviewee mentioned *‘the higher the volume of investment, the greater the additional benefits they can obtain’*⁹³. When the Frente Amplio approved this new regimen, they designed this system in such a way that it gave the Executive Power discretion to grant considerable closed-door arrangements, besides those already provided to large capitals⁹⁴. However, to access these benefits, the company had to qualify as ‘large’ by stipulating costs that in Uruguay besides the state only foreign capital can meet, being the share of national private entrepreneurs in large-scale investments almost nil (UNDP, 2014: 11). Consequently, although the tax incentives used in these years did not discriminate by the origin of the investor, they offer discretionary and closed-door advantages that are only available to large foreign capital. This system also lacks transparency since negotiations are carried out directly between the Ministry of Economy and the investor behind closed doors⁹⁵. The general contents of the projects are only made known once the negotiations are closed, being thereby an additional benefit for large capitals compared to the rest of the economic and social actors in Uruguay.

Part of the support of the business community for the distributive components of the TR lies in this TR-NIR binomial regarding tax policy. Thus, this analysis shows, once again, the importance of the partial extension of benefits that characterizes the Uruguayan system. Accordingly, the TR-NIR complex, its legitimacy, and agreement reside precisely in the fact that organized groups with the capacity to influence (social movements such as retirees and cooperatives, organized labour, and national and foreign capital) obtain partial benefits from the system, which guarantees their support and agreement, thus fostering its stability over time. Are these broadly consensual distributive segmented arrangements an exclusive feature of economic upswings? To what extent do the arrangements and coordination

⁹³ Information extracted from in-depth interviews. Interviewee 3, technical-academic, close to Frente Amplio, Uruguay.

⁹⁴ Idem.

⁹⁵ Information extracted from in-depth interviews. Interviewee 2, Expert in Tax Policy, member of the Tax Reform Commission, Uruguay.

mechanisms break down in a scenario of increased economic slowdown? In the following pages, I analyse the changes in the TR-NIR binomial in the face of the new economic slowdown scenario developed since 2014, questioning to what extent distributive agreements were broken and to what extent a ‘race to the bottom’ in the attraction of investments was accentuated, threatening the stability of the distributive process.

Tax Policy in the economic slowdown phase (2015-2020)

Just as in the previous section I analysed the adoption of the TR and the NIE during the expansionary economic phase (2003-2014), in this section I analyse the evolution of both policies during the general economic slowdown (2014-2020). Overall, the analysis shows that state-society coordination has allowed segmented benefits to be granted to diverse groups (business and workers), while keeping the core elements of both policies unchanged. In sum, state-society coordination has ‘shielded’ distributive arrangements, making them more resilient to macroeconomic changes and contributing to their stability.

Distributive policy in the downturn of the economic cycle

As I have argued throughout this dissertation, especially in Chapter 1, I am interested in analysing the factors that contribute to explaining the approval of distributive processes as well as the factors that explain the stability and permanence of these processes over time. I argue that distributive processes in this region tend to develop mostly in expansionary phases and to break down in economic slowdown phases, which compromises the stability and institutionalisation of these processes. However, I have also argued that state-society coordination can moderate these effects (Chapters 1-3).

The evolution of public policies over time always implies changes; however, as I have argued here, and developed at length in Chapter 1, policy stability faces specific problems in Latin America. Business cycles are more volatile in this region not only in developed economies but also in economies with similar income levels. In the high phases of the economic cycle, the political economy derived from the inflow of foreign exchange promotes greater ease in implementing distributive processes. However, once the cycle changes - largely explained by exogenous factors such as commodity prices or the US interest rate- economic constraints make the distributive process much more difficult. Given that this high volatility is a long-term structural phenomenon in the region, I have argued that this has concrete consequences for the institutionalisation of distributive policies. In particular, ‘political coalitions’ would have greater incentives to break down and there would be greater incentives to encourage a ‘race to the bottom’ in the extension of benefits to capital to attract investment, undermining distributive objectives during downturns in the business cycle (see Chapter 1). Accordingly, in this section, I question whether the main distributional components of the TR and NIR were modified in the face of the general economic slowdown since 2014. Therefore, while in the last section, I captured the enactment of the TR and the NIR during the high phase of the business cycle, this section aims to interrogate the extent to which the main distributional components of both policies were eliminated or diminished during the downturn.

The TR and the NIE during 2015-2020: segmented coordination and maintenance of core elements

During this period, both unions and employers held several meetings with the government to negotiate tax changes adapted to the new environment characterized by a macroeconomic slowdown. While organized workers demanded an improvement in tax progressivity, business demanded greater benefits to boost investment⁹⁶. The analysis carried out shows three main salient features. First, the progressive slowdown of the economy had its correlate in a discourse of greater 'fiscal consolidation', which was particularly evident during the third Frente Amplio government in 2015-2020.⁹⁷ Second, the government introduced several changes in the tax structure. In particular, the government implemented a new personal income tax bracket for higher incomes, new deductions for amounts paid in mortgage loan instalments for home purchases, and a VAT refund to the population below poverty (Programa Frente Amplio, 2010-2015). Third, a series of measures were implemented to improve investment incentives in line with the demands of business associations. Therefore, new rules regarding transparency and banking secrecy to comply with international parameters were implemented (Law 19,484 of 2017), improving the country's international image. In addition, a series of measures contained in the new National Competitiveness System implemented since 2016 were promoted, implying greater benefits for capital⁹⁸. Later, the downward trend in private investment led the Ministry of Economy and Finance to increase investment incentives again in 2018, with higher rates and terms for tax exemptions; the weighting of job creation in the indicator used to allocate exemptions was also increased.⁹⁹ Moreover, the new center-right government initiated in 2020 did not propose substantive modifications to the tax structure.¹⁰⁰

⁹⁶ Information identified in primary sources by the author. Information extracted from the followings documents: Confederación de Cámaras Empresariales (2019) [Proposal of the Confederation of Business Chambers of Commerce and Industry to implement in the next government period](#); PIT-CNT (2016). [The PIT-CNT presented an alternative proposal to the government's economic team and obtained the same increase in revenues](#). PIT-CNT (2016). [Alternative Tax Proposal](#); Instituto Cuesta Duarte (2016). [Tax proposals of the PIT CNT](#).

⁹⁷ Information extracted from the press, see: Carve Media, 25 May 2016, ['It is consolidation and not adjustment because it is very different from what was done in other times'](#), 180 on line, 6 August 2016 ['Astori's lapse, adjustment or fiscal consolidation'](#) Information also mentioned in in-depth interviews: Interviewee 2, Expert in Tax Policy, member of the Tax Reform Commission, Uruguay and Interviewee 3, technical-academic, close to Frente Amplio, Uruguay.

⁹⁸ Decree 299/015 establishes two different mechanisms for the transitional increase of the economic activities exemptions. First, projects submitted between 1 December 2015 and 31 December 2016 will receive a 10% increase in the IRAE exemption according with their impact on investment and employment. Second, investments made between 1 December 2015 and 31 December 2016 will count for 120% of the amount invested for the purposes of calculating the amount exempted from IRAE.

⁹⁹ Information identified in primary sources by the author. Extracted from: Ministry of Economy and Finance (MEF). (2018, October 29). [Law 19689](#). Modification of provisions related to granting incentives for the generation of new jobs promoting youth employment.

¹⁰⁰ Information identified in primary sources by the author. See [Government Program of the National Party 2020-2025](#). In fact, although they sent a budget proposal that was "austere" -according to them- it did not lose sight of its 'social vocation without increasing taxes'. See In press, December 1, 2020, [Press Conference of President Luis Lacalle Pou](#). Although the new government proposed some changes in financial matters as well as a fiscal rule, the overall tax strictness was not modified as the following interviews point out: Interviewee 3, technical-academic, close to Frente Amplio, Uruguay; Interview 7, Expert-academic, Uruguay.

In short, faced with the scenario of economic slowdown, the state resolved the tensions arising from the need for higher incomes with the same equation that has been shown throughout the chapter: a coordinated and negotiated balance of partial benefits for different social sectors. The existence of spaces for consultation between the three parties has been key to maintaining dialogue and, above all, to defining joint strategies to face the current situation (much more adverse and complex than in previous periods). Hence, at the same time as the State increased tax benefits for lower-income workers (deductions for social plans, access to housing, and an increase in the non-taxable minimum), it promoted a set of benefits aimed at attracting investment through deductions from the tax on income from economic activities (IRAE), further eroding the distributive potential of this tax. In this way, as one of the senior officials of the Ministry of Economy mentioned at the time, *‘the Uruguayan government continues to bet on the virtuous circle of investment, growth, and social development’*.¹⁰¹

Overall, this analysis has shown that state-society coordination ‘shields’ largely the stability of distributive arrangements, contributing to their stability and institutionalisation over time. Thus, when political economy changes due to the availability of fewer resources in economic slowdown phases, the state proceeds to extend the system of segmented benefits, but neither the content nor the objectives of the approved distributive policy were modified (See Table 22).

Table 22. Segmentation of benefits to diverse groups in Uruguay’s Tax Policy in the 2000s

Public policy	Group	Economic growth process 2003-2014	Economic slowdown process 2015-2020
TR	Organized labour	Tax exemptions for family burdens, increase in the non-taxable minimum, and progressive taxation of labour income tax (IRPF).	Tax exemptions for housing, greater progressivity of labour tax (IRPF), VAT tax exemptions for people below the poverty line.
	Business	Reduction of tax for economic activities (IRAE), Dual tax structure	Increased benefits and exemptions on business tax and other taxes.
NIR	Organized labour	Tax benefit scoring system takes into account impact on employment generation	The scoring system for business tax benefits gives a higher score than before to a company's impact on employment generation
	Business	Tax exemptions for companies and especially for large investments, mostly foreign.	Increased benefits and exemptions on business tax and other taxes.

Source: own elaboration based on in-depth interviews, press and documentary sources

¹⁰¹ Information extracted from the press See: Pablo Ferreri, Temporal Minister of Economy and Finance, public statement on 11 November 2015, available at [Comunicaciones, Presidencia de la República, 2015](#).

Conclusions

The analyses of the Tax Reform (TR) and the New Investment Regime (NIR) show that the existence of coordination mechanisms between civil society and the state has been crucial to implementing a stable TR and NIR. Overall, the TR and the NIR promote partial benefits for workers -especially those with lower incomes- but also for capital -national and foreign- fostering a system of balances that is the product of negotiation and coordination between business, labour, and the State. This coordination confers stability to the distributive arrangements and the coalitions that sustain them even in economic downturns.

When economic conditions changed, and distributional tension increased in a slowdown scenario, the state resolved the distributional conflict with the same equation as before. Thus, just as the TR and NIR approval process was underpinned by a coordinated system of fragmented benefits, these benefits were accentuated in the economic slowdown phase. Middle and lower-middle-income workers received additional tax benefits, as did business through IRAE exemptions. In doing so, the TR and NIR tax system did not change its central objectives. In the case of taxation in Uruguay, state-society coordination and the existence of partial benefits for different socio-economic groups with the capacity to influence gives the state autonomy to implement negotiated and therefore legitimate and lasting distributive processes. These findings coincide with the evidence shown in Chapters 2 and 3 where it was pointed out that thanks to the inclusive model of state-society coordination, the Uruguayan state has tended to promote distributive policies based on the extension of segmented agreements to different organized groups, which confers a certain stability to the distributive process.

Still, the analysis developed in this empirical chapter shows an additional finding: the growing role of transnational capital in shaping distributive tax policy. Thus, the analysis shows that expectations about how the changes to the tax regime would affect foreign capital significantly shaped both the TR and the NIE reforms. Indeed, even going against the position of most of the ruling party, the TR passed a synthetic tax in order not only to place different rates on capital and labour but also to protect banking secrecy. Similarly, the NIR not only introduced a series of tax benefits for capital but also increased the benefits on certain investment values that in Uruguay are only managed by foreign capital. In addition, the NIR creates a system in which foreign capital, unlike what happens mostly with local actors, can negotiate discretionary benefits behind closed doors, giving it even greater weight in shaping domestic policy. In summary, the analysis of fiscal policy in the years 2003-2020 shows that, although the long-term structural trend of inclusive state-society coordination and its effects on the stability of the distributive process continues, the role of transnational actors emerges as an increasingly key factor in shaping fiscal policy.

In the following chapter, I conduct a similar analysis to the one conducted in this chapter for the case of tax policy in Chile during 2000-2020. This chapter will be followed by two additional chapters that perform a very similar analysis but for the case of labor policy in Uruguay and Chile, respectively.

CHAPTER 5. Structural State Autonomy in Chilean Tax Policy (2003-2020)

Introduction

This chapter explores the role of Structural State Autonomy in the Chilean Tax Policy with distributive effects during 2003-20. In Chapter 1, I argued that redistribution in Latin America is strongly influenced by high regional structural volatility, with redistributive policies developed in expansionary phases followed by a retraction of these policies in economic slowdown phases. At the same time, I outlined the expectation that coordination between business, workers, and the state in decision-making structures will contribute to more stable distributive processes. As I have pointed out in Chapters 3 and 4, 2003-2020 has been characterized by an unusual window of opportunity to implement distributive policies in a process of growing transnationalization at the regional level, especially in Chile and Uruguay. Following this, as I did for the Uruguayan case in the previous chapter (4), in this chapter I am interested in exploring the extent to which state-society coordination mechanisms shape the adoption and implementation of the Tax Reform (TR) during the economic boom phase (2003-2014), as well as their changes during the economic downturn (2015-2020) in Chile. To do so, I analyse the Tax Reform implemented in 2014 to increase revenue and improve progressivity. I selected this policy because it was the most ambitious and comprehensive project to transform the Chilean tax structure approved during the 2003-2020 period¹⁰²

The central idea shown in this chapter is that the exclusive coordination between the state and the elites in Chilean fiscal policy shaped a weak TR with little social agreement. Thus, during the economic boom phase, state co-optation of elites and the limited organization and participation of labour unions in the policy-making process resulted in a TR significantly 'eroded' by elites in its core components and implemented with low levels of social support. As a result, as it distanced itself from its original distributive objectives, the TR received strong criticism and no support from the grassroots social sectors (unions and social movements), nor did it receive guaranteed support from the companies which, despite having shaped it largely to their interests, preferred the previous system that benefited them even more. Therefore, having been approved with weak support and distancing itself from its original distributive objectives, the TR was approved as a weak reform. Accordingly, during the phase of a generalized economic slowdown that began to worsen in 2014-2015, the low agreement of the TR caused it to be significantly modified in several of its distributive objectives during 2016, 2018, and 2020; returning to a system more similar to the one that existed before the 2014 reform. In addition, as in the case of Uruguay, the TR maintains special benefits for transnational capital that did not seek to be modified by the 2014 reform and even sought to be enhanced in the 2018 reform.

¹⁰² As has been corroborated in the interviews conducted, unlike the Uruguayan case, the main tax exemption mechanisms for domestic and foreign capital are contained within the model of this reform. The investment regime does not impose significant 'erosions' to this system, but rather the erosions are contained within the functioning of this reform as will be explained throughout the chapter.

Overall, the analysis in this chapter shows that the lack of negotiation, agreement, and consensus derived from exclusionary state-society coordination in Chile weakened the TR and hindered its stability over time. These findings are in line with the evidence provided in Chapters 2 and 3 on the exclusionary functioning of state-society coordination in Chile, strongly based on the co-optation of business, which constrains the implementation and stability of distributive policy. Moreover, this chapter shows an additional finding: by being able to slow down the RT process and shape it according to their interests, in an unusually favourable scenario for implementing this policy, the business sectors were further strengthened. Thus, the process that sought to weaken them strengthened them even more. This chapter deploys a process tracing strategy supported by an ample variety of qualitative and quantitative evidence used in a triangulated manner. This evidence includes in-depth interviews with academics, politicians, and tax specialists, a review of parliamentary records, a review of government programs, and tax records and information extracted from the country's main press. The analysis is carried out through the following structure. In the first section, I explore the TR approval process during the window of opportunity provided by the expansionary economic phase (2003-2014). In the second section, I explore the changes that the TR underwent during the economic slowdown phase (2015-2020). Finally, the chapter concludes with some reflections on the role of Structural State Autonomy in distributive tax policy in Chile.

Tax Policy during the expansionary economic phase (2003-2014)

In this section 1, I analyse the approval process of the Tax Reform (TR) during the expansive economic phase of the Chilean economy when there was an opportunity window to implement it. Overall, this section shows that due their influence in the policymaking process, business had a preponderant place in shaping the TR. Furthermore, due to the low power of trade unions and other sectors of civil society in the policymaking process, the TR was the product of little state-society coordination, being almost exclusively negotiated with business groups. Accordingly, the TR was passed with low levels of social support and legitimacy, and significantly 'eroded' in its core original components according with business' interest.

The approval process of the Tax Reform (TR)

In this section, I present information about the political debate surrounding the tax reform by contrasting the government's objectives with the changes that this proposal underwent throughout the political process. To do so, I divide the process into three moments marked by: i) the political objective of carrying out a tax reform, ii) the role of civil society in the debate of the TR, and finally iii) the TR approval notice and the final conclusions derived from this analysis.

Phase 1: The TR proposal

As I described in Chapter 3, since redemocratisation there have been several attempts at progressive tax reform that have failed. Indeed, during 1990-2010 there had been timid and partial attempts to modify the tax system, and although the possibility of a more transformative tax reform entered the political debate in 2010, it was not until 2014 that it

became part of the political agenda¹⁰³. Thus, the 2014 reform is the first ambitious proposal for a transformative distributive tax reform to enter the parliamentary debate and will therefore be analysed in detail in this chapter. In fact, Michelle Bachelet's Government Programme proposed to carry out three majors 'fundamental reforms': tax, education and a new Political Constitution, transformations proposed to 'resolve the inequality gaps', within a 'new political and social cycle that the country is experiencing'.¹⁰⁴

The Tax Reform managed to enter the political agenda due to the confluence of three factors. First, during 2011 and 2012, there was a process of mass mobilisation of university students demanding an education reform that should be financed by a tax reform aimed at raising more revenue progressively. Second, international organizations, and especially the OCDE have been pointing out for several years that the Chilean tax structure accentuated inequality. Once Chile joined the OECD in 2010, this organization insisted on the diagnosis that the Chilean structure was not only highly regressive but also encouraged avoidance and evasion. Third, distribution had become a crucial issue in Latin American politics during the 2000s framed by the 'left turn', where implementing progressive fiscal schemes to combat inequality started to become increasingly important (See Chapter 3). Finally, in 2013 the traditional centre-left political party -the Concertación- was replaced by the so-called Nueva Mayoría; a coalition that brought together several of the members of the Concertación, but which also included more left-wing sectors such as the Communist Party and several former student leaders, who have been leading the agenda for tax reform¹⁰⁵. During the 2013 election campaign, taxation, and inequality took centre stage. In this context, candidate Michael Bachelet announced plans to increase income tax by 3% of GDP by taxing the country's economic elites to finance public education reform¹⁰⁶. Bachelet was elected president leading the Nueva Mayoría in 2014 and as soon as she began to rule, she started negotiating the TR¹⁰⁷.

The 2014 tax reform proposal was based on the diagnostic that Chile's tax structure promoted inequality and inefficiency. First, there was a problem of insufficient revenue collection. Thus, while the Tax Burden (tax collection as a percentage of total production, measured by GDP), remained constant over a quarter of a century (1987-2013), Chilean

¹⁰³ During the 2005 election campaign when Ricardo Lagos proposed to eliminate a highly inefficient tax, inherited from the dictatorship, known as '57 bis'. Later, in the 2009-2010 electoral campaign, the issue of a possible reform in pursuit of an increase in equity was again the subject of debate among the main candidates. With the issue already on the public agenda, the elected president Sebastián Piñera (2010-2014) had to make a statement on the subject. Thus, when Piñera came to government in 2010, he temporarily raised the corporate tax to 20 per cent, partly due to the force of a strong earthquake that demanded large and unexpected tax revenue needs, but also probably to detach his figure from the interest of big business (Fairfield, 2015: 148).

¹⁰⁴ Information identified in primary sources by the author. See: Nueva Mayoría Government Program (2014-2018) 'A Chile for all'. Available at:

https://www.subdere.gov.cl/sites/default/files/noticias/archivos/programamb_1_0.pdf

¹⁰⁵ Information mentioned in in-depth interviews Interview 14, Economist and politician, former Minister of Finance, member of the Concertación and the Nueva Mayoría, Chile.

¹⁰⁶ Information identified in primary sources by the author. See: Programme of Government. Michelle Bachelet 2014-2018. "Chile de todos": "In order to achieve development, Chile needs to make important transformations in some areas. One of the main ones is a profound educational reform" (...) evidently, this implies the need to carry out a tax reform in order to have permanent revenues that allow achieving fiscal sustainability".

¹⁰⁷ Information identified in primary sources by the author. See: [Simple Documentary Unit 0252 - Michelle Bachelet's National Chain on approval of Tax Reform](#)

GDP per capita tripled in the same period. Second, the tax system was regressive, which means that after taxation the distribution of income worsened. The regressiveness of the system was explained by the fact that a large part of the revenue was based on indirect taxes (VAT) and the income tax had little revenue-raising power (Fairfield and Jorratt, 2014). Third, the tax structure lacked vertical equity; implying that at similar incomes, labour income paid more than capital income (Jorrat, 2009: 40). Finally, due to the Chilean tax structure -the so-called 'integrated system'- tax policy promoted tax avoidance and evasion (Jorrat, 2019: 3-4).

The TR had four objectives: i) to increase the tax burden to finance the permanent expenses of the education reform, ii) to improve income distribution, iii) to introduce new and more efficient incentive mechanisms for savings and investment, and finally, iv) to reduce tax evasion and avoidance. To achieve that, the TR proposal of the Nueva Mayoría designed a set of crucial tax structure modifications: the elimination of the integrated system, a gradual increase in corporate taxes from 20% to 25%; a reduction from 40% to 35% of personal taxes; among the most important ones.¹⁰⁸

Of this set, the elimination of the so-called 'integrated system' was the most controversial point. Since 1984, the income tax regime maintained two main characteristics. First, the corporate tax was a fully integrated tax with the final taxes, i.e., what was paid by the company was used 100% as a credit against the personal taxes of its owners. Second, the deferral of the final taxes was allowed, as long as the owners did not withdraw the profits from the companies. In short, the owners' taxes function as an 'advance' on personal taxes; that is why is called an 'integrated system'. This system not only benefited capital owners in comparison with wage earners but also facilitated tax avoidance and evasion as business owners found multiple ways to consume profits without declaring them as individual income, for example, buying luxury vehicles for personal use was registered in the name of the company (Fairfield, 2015). The proposal was to implement a 'non-integrated system', which implied that companies would have to pay taxes at the corporate level as definitive, and owners would pay a different tax when withdrawing profits or distributing dividends, without the possibility of the latter being used as a credit for personal taxes paid by the company. The proposed system is called the 'non-integrated system' and is the one that exists in many countries, including Uruguay. The new government had many advantages to implementing the TR: the Chilean Constitution grants the executive branch exclusive initiative in tax policy, and the elected president Michael Bachelet had included this measure in the government program of the Nueva Mayoría with which she obtained 64% of the votes and a majority in both parliament chambers.

Phase 2: the role of civil society before and after the TR congress debate

At the end of March 2014, the TR bill was sent to the National Congress and the debate began in the Chamber of Deputies. The TR initially proposed moving to an integrated system where the amount paid by the company could not be considered as an 'advance' on the

¹⁰⁸ It also includes other amendments relating to small businesses, investments, regulations to prevent evasion and avoidance, among others. Information identified in primary sources by the author, see: Biblioteca del Congreso Nacional (BCN), (Mayo, 2020). ['Synthesis of Michelle Bachelet's Tax Reform Proposal and compilation of observations'](#)

owners' tax obligations. The Nueva Mayoría government quickly approved the TR in the lower house of Congress in May 2014 but in June, the right-wing political parties and business groups presented a bill to the Senate Finance Committee where it was immediately rejected announcing that if no agreement was reached they would appeal to the Constitutional Court (Arenas, 2016: 175). In this scenario, the Finance Ministry had to negotiate a bill in the House of Senators to make the reform more acceptable to business groups, and members of the government coalition itself. Seeking to strengthen dialogue and negotiation with business groups, the government established a TR committee in the Senate chamber and at the same time held several formal and informal meetings with business organizations. Besides the business groups themselves, three former finance ministers from the sectors that composed the Nueva Mayoría publicly expressed concerns about the impact of the tax reform on investment, which reinforced the business' arguments against the reform¹⁰⁹. In July 2014, Chilean newspapers began to leak details of an agreement between the government, the right-wing political parties, and some business groups¹¹⁰.

The importance of arriving at a 'negotiated' reform was central to the government team. As noted in Chapters 2 and 3 of this dissertation, 'the politics of consensus' is a salient feature of the Chilean political system that rests on two factors. On the one hand, the 'elitist-technocracy' generates agreement on certain 'technical' issues that remain outside the space of political debate (Joignant, 2011; Markoff and Montecinos, 2009). On the other, consensus on economic issues actually refers to agreement with business actors. Thus, being business groups significantly powerful and having a wide variety of instruments to affect policy-making process, their agreement is central to ensuring governance (Fairfield, 2015; Schneider, 2004; Marcoff and Montecinos, 1994). Because of this, as in other policy areas, agreement with business sectors was a central concern of the Chilean government. As one of the interviewees mentioned: *'The TR should be the product of agreement (...) in Chile the politics of consensus has been central to establishing economic and social agreements (...) since democratisation, the politics of consensus has been the core of Chilean politics allowing the generation of policies with broad agreements that transcend the governments of the day (...)'*¹¹¹.

The socio-economic elites acting as a common bloc were almost exclusively the only group in the TR debate deploying a variety of collective actions¹¹² with the same claims. The co-optation of the Chilean state by business groups meant that the Nueva Mayoría government began negotiating the TR with them even before the reform was introduced in Congress. Later, negotiations between the Nueva Mayoría and the business groups took place in congress but also in meetings in private homes. Direct and indirect lobbying strategies were

¹⁰⁹ Information collected in in-depth interviews. Interview 19, tax expert, Academic, Chile.

¹¹⁰ These groups were mainly the Santiago Chamber of Commerce and (CCS) the National Chamber of Commerce, Services and Tourism (SOFOFA), the Banking Association, the Chilean Chamber of Construction (CCC) and the National Mining Society (Sonami), the Confederation of Production and Commerce (CPC) and the Association of Entrepreneurs of Chile

¹¹¹ Information mentioned in in-depth interviews, Interview 15, Politician, economist, former senior official in the Ministry of Finance, member of the Concertación, Chile.

¹¹² The business groups carried out a variety of public campaigns. For example, the Association of Entrepreneurs of Chile (ASECH) explained how the tax reform, and in particular the elimination of the FUT, would have negative consequences for middle sectors.

extremely broad, and the business groups had a variety of means and interlocutors to express their message of rejection. As one of the interviewees from the Nueva Mayoría highlighted: *‘Businessmen from all sectors came to the Commission (in the Senate) (...) on various sectoral issues, one has seen lobbyists in Congress in the past and had coffee with them, but in this case, it was very high-level lobbying. The businessmen were supported by intellectuals, university professors and think tanks that carried out various studies (...) there were former ministers, columnists, academics, protecting the country’s major business interests (...)’*¹¹³.

In addition to having the ability to block or ‘erode’ policies that are contrary to their interests, Chilean business groups have an implicit negotiating seat reserved for them in Chilean politics. This implies that not only do they exercise direct power through lobbying or multiple strategies to defend their interests, but they also have the legitimacy to participate in the policymaking process in a way that no other group in society has. Thus, in Chile, state-society coordination is manifested in fact through a system of business-state co-optation, where companies have direct and continuous dialogue with state structures and participate in the political negotiation process, from which trade unions and social movements are mostly excluded. The following quotes expose this implicit place of Chilean elites in the Tax Reform negotiation process.

*‘The Reform was wrong (...) it had errors, and this was partly due to the fact that it was not sufficiently negotiated (...) the tax reform should have had more negotiation with tax experts and established a dialogue from the beginning with business sectors (...) when we implemented the tax reform [in 2005] what we did was to work hard with business groups and listen their concerns (...)’*¹¹⁴.

*‘(...) The reform should have been the product of greater consensus. The tax reform should have had the approval of business (...) until then, Chile had had a policy of consensus (...) all the political parties and businessmen should have been called together immediately’*¹¹⁵.

Unlike what happened with the business sectors, trade unions were part of the debate on the TR only in an *ad hoc*, fragmented, and low-incidence manner¹¹⁶. As detailed in Chapters 2 and 3, trade unions in Chile have little collective organising power and influence in the political arena. Moreover, unlike employers, policymakers did not believe that trade unions should have a place at the bargaining table as business groups did. The state did not generate institutionalised instances of dialogue with trade union groups, as the Uruguayan state did, or as the Chilean state did in the case of business. Consequently, contrary to what happened with the employers, the organised workers’ power of interference in the TR was low and fragmented.

¹¹³ Information mentioned in in-depth interviews Interview 14, Politician, economist, former senior official in the Ministry of Finance, member of the Concertación and the Nueva Mayoría, Chile.

¹¹⁴ Information mentioned in in-depth interviews, Interview 15, Politician, economist, former senior official in the Ministry of Finance, member of the Concertación, Chile

¹¹⁵ Information mentioned in in-depth interviews, Interview 18, Economist close to the centre-right, leader of a centre-right Think Tank, Chile

¹¹⁶ Information mentioned in in-depth interviews, Interview 14, Economist and politician, former Minister of Finance, member of the Concertación and the Nueva Mayoría, Chile.

The TR could have implied a significant opportunity for change in the Chilean exclusionary coordination model. Indeed, the government had as one of its electoral campaign axes to implement a TR that would have a significant impact on distribution, it had strong electoral support and parliamentary majorities, and it had also received numerous recommendations from international organizations to implement a TR with distributive effects. Furthermore, promoting a TR that would modify the ‘integration’ of the system was a demand of organized students and unions. In this scenario, the government could have promoted the organization and coordination of these actors through their institutionalized participation in the TR debate, as happened in Uruguay, but this was not the case. In contrast, even in a particularly favourable scenario for implementing the TR with distributive effects, the business groups managed to significantly erode this reform. To this end, they deployed a series of simultaneous actions organized in a coordinated manner among the various business groups, in alliance with academia, think tanks, and the media. By doing so and succeeding in their objectives in such a scenario, the business groups were further strengthened in their coordination and demonstration of advocacy. Thus, the process that sought to weaken them further strengthened them.

Finally, as in the case of Uruguay, the TR maintains special benefits for transnational capital. The maximum rate for distributed profits of foreign companies is 35% and not 40%, as it is for local investors. This point is a crucial issue in a reform that sought to increase revenue and improve distribution. While it is true that Chile has legal commitments of tax invariability with large mining companies that bind the country to not change mining-specific taxes such as the royalty until 2024, it would be enough to repeal the legal statute that grants the privilege of a 35% maximum rate to non-mining foreign companies to increase taxation of non-mining foreign capital¹¹⁷. This point was initially raised by some sectors of the more left wing within the government coalition but did not even make it into the parliamentary debate as it was discarded from the draft tax proposal earlier¹¹⁸. Instead, the TR maintains the benefits to transnational capital, which is particularly evident in the copper industry. This is particularly relevant in Chile, especially with respect to the importance of copper revenues in this country. That industry is the most important in the Chilean economy: on averaged, it accounts for 10-15% of GDP and around half of exports representing more than 30% of the global production (Biehl et al., 2019). The pound of copper grew significantly between 2003 and 2013 (Palma, 2013). The profits of foreign copper companies in Chile between 2003 and 2013 were 180 billion dollars; six times more than what they earned in the previous decade (Palma, 2013). In particular, as Gabriel Palma points out, in 2006 and 2007 more than US\$20 billion per year went out, equivalent to 1.7 times the GDP of Bolivia and more than twice the GDP of Paraguay (Idem). Despite this,

¹¹⁷ Information extracted from the press. See: CIPER 10 April 2014, [‘Tax Reform: A Dramatic Call to Congress’](#).

¹¹⁸ Information mentioned in in-depth interviews, Interview 15, Politician, economist, former senior official in the Ministry of Finance, member of the Concertación, Chile.

and some suggestions, mainly from academia, to implement a copper royalty¹¹⁹, this proposal was never included in the design of the TR¹²⁰.

Conclusions: the effect of Structural State Autonomy in the Tax Reform

Due to the power of business to influence the political process, the TR was significantly ‘eroded’ from its original design, in line with business interests. The TR was modified by the business in its original objectives, particularly in two aspects central to the distribution: the integrated structure of the system and the reduction of the maximum marginal income tax rate from 40% to 35%. In addition, the TR maintains benefits for transnational capital that did not even manage to be debated. Thus, like Uruguay, the Chilean TR does not significantly affect transnational interests. However, unlike the Uruguayan case, the TR in Chile was not the result of state-society coordination, nor of the segmentation of benefits, but was mostly the product of the state-business coordination structure. Moreover, due to the actions taken to influence the TR policy-making process and to do so successfully, business groups were further strengthened during the TR debate.

As mentioned above, the Government’s original proposal sought to end the so-called integrated system and move to a non-integrated system in which the corporate tax rate was increased from 20% to 25% and the top personal tax bracket was reduced from 40% to 35%. However, in the end, instead of approving a non-integrated system where capital and labor were levied separately, as was originally proposed; the TR was approved with two systems amongst which it was possible to choose. The first, is a type of non-integrated system, the so-called ‘Attributed Income Taxation System’ (*Sistema de Renta Atribuida*), in which the owners of companies would have to declare as annual income their share of the profits accrued in the companies, instead of the dividends or retreats received. Second, a ‘Semi-Integrated System’, a system more similar to the one that existed up to 2014, which maintains taxation based on withdrawals but with partial integration as only 65% of the payment on withdrawn profits will be deducted as a credit on the global complementary tax (instead of 100% as it used to be up to 2014) (Jorrat, 2019: 5). As happened with the previous tax system, several authors have coincided in pointing out that this system would not only imply a lower tax collection than the original proposal but will also stimulate evasion and avoidance¹²¹. In addition, lowering the maximum marginal income tax rate from 40% to 35% exclusively favoured the 25,000 richest taxpayers in the country, who are among the richest 0.3% of the population (CIPER, 2014)¹²² (See Table 23).

¹¹⁹ The mining royalty is a specific tax for large mining companies that is very common in the world, whereby the company exploiting the resource pays for the right to exploit it because it is a scarce and non-renewable natural resource.

¹²⁰ Information extracted from press. See: CIPER: [And where did the surpluses from the copper boom go?](#), 8 March 2013.

¹²¹ Information extracted from press. See public statements of expert in taxation: Ramón López and Claudio Agostini. Available in [CIPER 17/7/2014](#).

¹²² Also mentioned in in-depth interviews, Interview 17, Economist, leader of the centre-left governments during the Concertación (2000-2013), Nueva Mayoría (2013-2018) and Convergencia Social (2021-present).

Table 23. Tax systems under debate during the 2014 Tax Reform

TAX STRUCTURE		Definition
System in place until 2014, approved in 1984 during the period of military dictatorship. <u>The so called Integrated system</u>	Integrated tax regime	This regime - almost unique in the world - treated the taxes paid by the company as an ‘advance’ on the tax payable by its owners. The company generates profits, pays tax on them, and then its owners are recognised that they have already paid tax on the income they earn from the company, with a deduction being made from their personal liability. In addition, the system allowed company owners to be taxed only on the profits they withdrew from their companies, with the aim of saving and/or reinvesting the rest of the profits. If these profits are not withdrawn, they are not taxed.
System initially proposed by the government. <u>The so-called Non-integrated system</u>	1) Type of non-integrated system called “Attributed income”	The amount paid by the company could not be considered as an ‘advance’ on the owners’ personal tax obligations. In addition, the owners of the companies must pay tax on all the income generated by them, regardless of the profits they withdraw. The proposed new corporate tax structure consisted of an "attributed income" with a tax rate of 35%.
System agreed in the negotiation process during 2014 amongst the government, the political right and the business sectors. <u>Taxpayers can choose between two options</u>	1) Semi-integrated system	This regime establishes that the owners of the companies must pay tax based on the effective profit withdrawals they make. However, unlike the Attributed Income Regime, partners, shareholders or co-owners are entitled to credit 65% of the First Category Tax paid by the respective company.

Source: own elaboration based on Arenas, 2016, the Biblioteca Nacional de Chile¹²³ and in-depth interviews.

Once the TR was approved with modifications, the Ministry of Finance ratified that the TR did not change its main objectives, arguing that ‘*what was done was to make the tools used more flexible to meet the established objectives*’ (Arenas, 2016: 177). However, in the end, the original bill received more than 140 modifications to be approved in September 2014¹²⁴. In May 2015, despite having been willing to negotiate, and despite multiple concessions granted to business sectors, Alberto Arenas, the Minister of Finance, and leader of the tax reform process, was dismissed; becoming the first in his position to be removed since the democratic restoration. By then, the former minister described his departure as ‘*a signal of attenuating the committed reforms*’¹²⁵. Briefly, although to a much lesser extent than planned, the TR improved distribution (WB, 2014; Arenas, 2016; Candia and Engel; 2018;

¹²³ See, for example, Document of the National Library of Chile [‘Reformas tributarias, crecimiento y productividad. Elements for the analysis of the tax amendments. 2014, 2018 and the 2022 bill’](#).

¹²⁴ Law No. 20,780, on “Tax reform that modifies the income taxation system and introduces various adjustments to the tax system”, available in [09/2014](#).

¹²⁵ See Press information available in [Tele13 25/09/2016](#).

Jorrat, 2019)¹²⁶. Nonetheless, the approved TR was significantly eroded in its most distributive components, especially through the approval of the semi-integrated system. In addition, as the case of the dismissal of the Minister of Finance illustrates, business groups were strengthened during this process, showing their capacity for organization and advocacy, and making the government give political signals in their favour.

Overall, the analysis carried out shows that the TR was the product of a process with little State-society coordination, where business groups played a predominant role compared to organised workers or other civil society groups. As a result, the TR was approved with significant changes to its original design according to business interests. Moreover, despite the political-economic advantages the government had in implementing the TR, the negotiation process with the business sectors significantly damaged their support. Indeed, in the end, the government not only dismissed the minister in charge but also had significantly less popular support¹²⁷. In short, the window of opportunity provided by the favourable economic context and the political importance of the issue in a government that also had parliamentary majorities made it possible to effectively implement the TR. Even yet, these factors were not enough to consolidate a negotiated and consensual TR due to the preponderant role of business in shaping the policymaking process.

Tax Policy during the economic slowdown phase (2015-2020)

Just as in the previous section I analysed the adoption of the TR during the expansionary economic phase (2003-2014), in this section I analyse the evolution of this policy during the general economic slowdown (2015-2020). In this section, I show that because the approved TR was the product of exclusive state-business coordination -and not of a broad state-society debate as in Uruguay- the TR in Chile has low support and is therefore malleable to change in the face of a more adverse economic scenario. In particular, I show that the TR was modified in 2016 and 2018 in the opposite direction to its original objectives, largely due to changes in the political-economic scenario.

Distributive policy in the downturn of the economic cycle

As I have argued throughout this dissertation, I am interested in analysing the approval process of distributive policies as well as the factors that explain the stability of these policies over time. My main contention is that while macroeconomic regional volatility tends to undermine distributive agreements, state-society coordination favours the approval

¹²⁶ The positive effect of the reform is mainly associated with the taxation of profits on an attributed basis for individuals whose companies choose the attributed system, the increase in the First Category Tax rate both for companies that choose the attributed system (from 20% to 25%) and for companies that choose the semi-integrated system (from 20% to 27%), and in the latter case, the partial integration between personal and corporate taxes (WB, 2014: 7).

¹²⁷ Bachelet's first government (2006-2010) ended with 78 percent approval and 11 percent rejection. The second term began with high approval and a parliamentary majority. Bachelet was elected with 62.2% of votes in the 2013 run-off election and obtained a large majority in both chambers in parliament (Castiglioni, 2014). However, after the Tax Reform and other political events that may have affected the government, its average disapproval stood at 48 percent. In this regard, see Press: La Tercera, 28 February 2018, [Bachelet's approval falls to 37% two weeks after leaving government](#); Press, Reuters, 14 August 2014, [Approval of Chilean Bachelet's government reaches 50 points, reforms in focus: poll](#); See: Press, La Tercera, 9 March 2018, [Adimark: Bachelet leaves government with 39% approval rating](#).

of development agreements such as distributive ones. Thus, even though the evolution of public policies over time always implies changes, I have argued that policy stability faces specific problems in Latin America. Economic cycles are more volatile in this region not only compared to developed economies, but also compared to economies with similar income levels. Accordingly, I argued that distributive processes in Latin America are strongly influenced by this regional structural high volatility, with redistributive policies developed in expansionary phases followed by a retraction of these policies in economic slowdown phases. However, I have also argued that distributional policy fluctuations are explained by state-society coordination that moderates the effects of the global economy on domestic policy. Therefore, while the analysis of the last section on the TR policymaking process seeks to capture the role of state-society coordination during the high phase of the business cycle, in the following pages I seek to interrogate the extent to which the main distributional components of the TR were eliminated or diminished during the slowdown phase from 2014-2020.

Since 2015, TR has again been the subject of intense debate. By grounding on the argument that the system enacted in 2014 needed to be simplified to make it more efficient, a TR bill was sent to Congress in December 2015 and after just six weeks was passed. Moreover, the opposition and the government itself argued that TR could have negative effects on growth in a context characterised by a marked slowdown¹²⁸. On February 8, 2016, Law No. 20,899¹²⁹ was approved, which modifies several of the original contents of the TR approved in 2014 (Law 20,780) and what has been known as ‘the reform of the reform’¹³⁰. Several experts have described these modifications in 2016 as a ‘reverse’ of the original 2014 bill¹³¹. The 2016 TR assigned different systems depending on whether the owners of the company were natural or legal persons (Arenas, 2016). Thus, according to the amendments introduced in 2016, from now on companies whose owners are natural persons could opt between the Attributed Income and the Semi-integrated system. However, for companies owned by legal persons must join the semi-integrated system (Arenas, 2016: 216). Thus, by leaving a large part of the entrepreneurs in the Semi-Integrated system that is taxed on the basis of the effective withdrawal and not on profits as the Attributed Income system, the TR takes a step backward in returning to something very similar to what Chile had before the 2014 reform. In this way, the new TR ‘reintegrates’ a central part of the system, which implied a new retraction of the initial objectives of the TR.

¹²⁸ Information gathered from in-depth interviews, mentioned in Interview 15, Politician, economist, former senior official in the Ministry of Finance, member of the Concertación, Chile. Also mentioned in Press, see for example: 6 August 2013, *América Económica*, [‘Michelle Bachelet defends reform amid economic slowdown’](#).

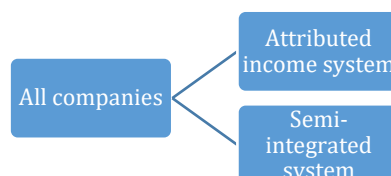
¹²⁹ Available [here](#).

¹³⁰ See: [Library of the National Congress of Chile \(2018\). Department of Studies, Extension and Publications. Main aspects of the 2014 tax reform.](#)

¹³¹ Information extracted from in-depth interviews, Interview 16, Economist, United Nations System, Chile; Interview 19, tax expert, Academic, Chile.

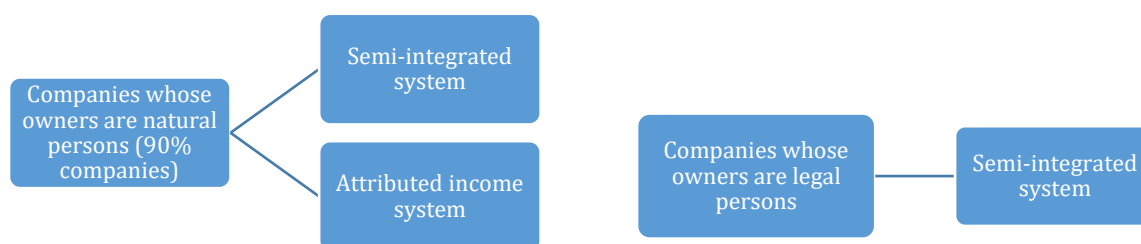
Illustration 3. Tax Reform in Chile: 2014-2016

Chile: 2014 TR



Source: Arenas, 2016 (own translation)

Chile: 2016 TR



Source: Arenas, 2016 (own translation)

In 2017, a centre-right political party led by Sebastián Piñera won the national elections, who after five months of having started his mandate (2018-2022) sent a project that aimed to make a tax counter-reform. In the first twelve months of President Piñera's government, the economy grew below the annual average of Michelle Bachelet's government (1.8%) (See Chapter 3). The government justified much of this slowdown as being related to the tax and labour reforms implemented by the previous government. In that regard, President Piñera said: *'After a long phase of great dynamism, in which Chile was growing faster than Latin America and the world, strongly reducing poverty and becoming a middle class society, this progress was interrupted because we neglected the value of agreements and economic growth' (...)* Together with the push for reforms such as Tax and Labour, it generated uncertainty, weakened macroeconomic balances, stifled innovation and entrepreneurship and reduced our capacity to grow, create jobs and improve wages'¹³². For this reason, according to the government, it was needed to carry out a new TR to provide a special incentive for investment in a context of economic stagnation.¹³³ Thus, a new project called 'fiscal modernisation' was presented, which -according to the government- would benefit small businesses and provide the necessary resources to finance reforms in a more restrictive fiscal environment.¹³⁴ Moreover, throughout the debate, the government and the

¹³²Information extracted from the press. See: [President Piñera's speech at the first Public Account to the Nation](#). 1 June 2018. Presidency. Government of Chile.

¹³³ Information gathered from press: OPES (2018). Observatorio de Políticas Sociales. 19 October 2018. [Why big business celebrates with Piñera's Tax Reform](#).

¹³⁴ Information extracted from the press. See: Reuters, 1 June 2018. [Piñera reverses course and will not cut corporate tax to finance Chile's reforms](#); Reuters, 4 March 2014, [Bachelet should moderate tax reform in Chile due to slowdown: minister](#).

business community publicly insisted that failure to pass this new TR would severely affect the already weak economic framework.¹³⁵

The new reform was supported by business organizations, and the right and centre-right political sectors, which included ruling and opposition parties¹³⁶. According to estimates of several right-wing and centre-left think tanks, the announced reform will generate a tax benefit for large companies in the order of 400 to 800 million dollars¹³⁷. The main objective of the new reform was to establish incentive mechanisms for savings and the (re)integration of the system. This law was presented as a central change to ‘provide legal certainty’ and ‘safeguard fiscal balances’ in the context of slowdown.¹³⁸

In August 2018, the bill entered Congress and after almost two years of legislative processing, Law No. 21.210 on 'tax modernisation' was passed. It proposed, in simple terms, to return to a fully integrated system on a withdrawal basis as the one that existed before TR 2014-2016 (Laws N°20.780 of 2014 and N°20.899 of 2016), which implies that taxes will only be paid at the personal level once company profits are withdrawn (except for a special regime for SMEs). Specifically, the partially integrated system is established as the sole tax regime for large companies, with a rate of 27%, and the attributed income system is eliminated. In addition, another of the most significant changes of the TR of 2018 includes the creation of new investment incentives¹³⁹ and new regulations to encourage foreign investment and the globalization of the national economy (Law 21210).¹⁴⁰ Overall, this analysis shows that in the economic slowdown, the TR received successive modifications and reversals in terms of its distributional impact. Weak state-society coordination shaped a structurally weak TR, which was modified in the face of changes in the macroeconomic context that gave rise to it, in a way that was increasingly favourable to the business groups.

¹³⁵ Information extracted from the press. See: El Ciudadano, [‘Government threatens "slowdown" if its tax reform is not passed’](#); El País, 5 September 2014, [‘Chile's economic slowdown lands amid reforms’](#).

¹³⁶ Information mentioned in in-depth interviews, Interview 15, Politician, economist, former senior official in the Ministry of Finance, member of the Concertación, Chile. Information also mentioned in the press: El Desconcierto, 22 August 2018, [‘Businessmen celebrate Piñera's tax reform: ‘It is the only path that can lead us to development’](#).

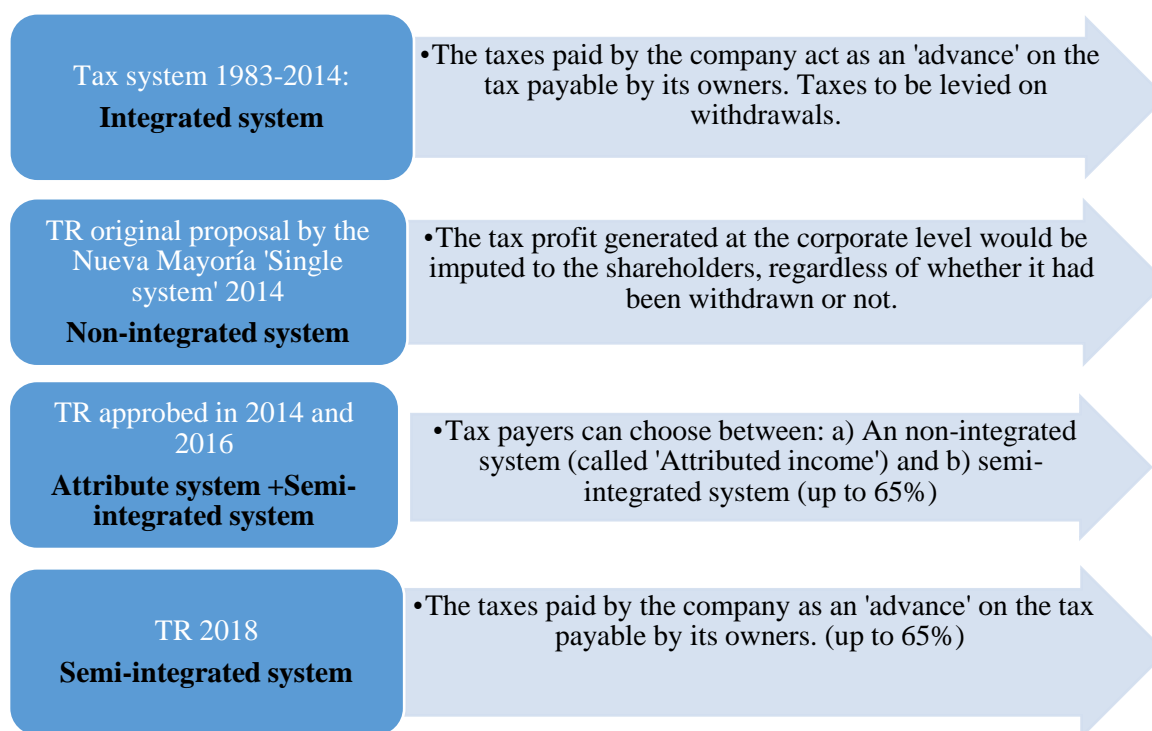
¹³⁷ Information extracted from the press. See: Cooperativa.cl, 22 August 2018, [Former Undersecretary of Finance: Tax modernisation has many open questions](#).

¹³⁸ Information identified in primary sources by the author. Information mentioned in the following documents: 1) Proyectos de ley boletines 9.290-05 y 12.043-05; 2) Biblioteca Nacional del Congreso de Chile. 22 September 2022. Parliamentary Technical Advisory Office. [Tax reforms, growth and productivity. Elements for the analysis of the tax changes 2014, 2018 and the 2022 bill](#).

¹³⁹ This includes instant depreciation of fixed assets (50% for a term of 2 years, and the remaining 50% depreciable at an accelerated rate); 100% instant depreciation for investments in the Araucanía Region, modification of the anti-avoidance rule, among others.

¹⁴⁰ See: Library of the National Congress of Chile (2018). [Bill that Modernises Tax Legislation. August 2018](#). Summary of its main aspects.

Illustration 4. Proposals in debate regarding the tax structure in Chile 2013-2018



Source: own elaboration. Note: The definition of 'semi-integrated' refers to the fact that only 65% of the first category tax paid can be used as a credit against final taxes, not 100% as before 2014.

Conclusions

The Chilean tax system has historically been one of the most regressive at the regional and international levels. From 1984 onwards, the income tax system had two main characteristics. First, the corporate tax was fully integrated with the final taxes, meaning that what the company paid was used 100% as a credit against the personal taxes of its owners. Second, if the owners did not withdraw the profits from the companies, they would not be taxed at a personal level for them. This system was well-known as an integrated system. Because of the existence of a particularly favourable window of opportunity to carry out this process, the centre-left government of the Nueva Mayoría attempted to carry out an ambitious Tax Reform, in comparison with the timid attempts developed during the Concertación governments (1990-2010). In the beginning, this government had great popular support, they had parliamentary majorities, the political left, and the student movement supported the idea of a progressive TR, and the implementation of fiscal policies to improve distribution had taken centre stage on the local and regional political agenda.

In this context, the new government proposed, among other measures, to move from an integrated to a non-integrated system, in which companies would pay taxes at the corporate level as definitive, and the owners would pay a different one at the time of withdrawal of profits or distribution of dividends, without the possibility for the latter to use as a tax credit. But this system failed to pass because business actors, using a wide range of tools and supported by parliamentarians, think tanks, and the media, prevented it. Instead, a system

containing a mix between an integrated and a semi-integrated system was approved, and other benefits for companies were approved, such as the reduction of the maximum marginal income tax rate from 40% to 35%, and at the same time tax benefits for transnational capital were maintained. Therefore, during the expansionary economic cycle, the TR managed to enter the political debate in 2014 and although it was approved, it received important modifications concerning its original proposal due to the preponderant role of business groups in the political process. Afterward, in 2016, the TR was slightly modified due to the argument that it contained ‘technical errors’ and some ‘inefficiencies’ that were considered particularly important to correct in a slowdown scenario to better capture investment. Finally, in 2018, the new centre-right government blamed the previous government and its labour and tax reforms for much of the causes of the economic slowdown promoting a system more similar to the one that existed before 2014 aimed at boosting investment in a context of increased fiscal restraint.

Overall, the analysis developed points to three central ideas for distributive fiscal policy in Chile. First, unlike in Uruguay, in Chile, the weakness of coordination, derived from the co-optation of the state by business groups, determines that distributive fiscal policy is weak and lacking in consensus. Consequently, in line with those shown in chapters 2 and 3, this chapter indicates that Chilean distributive policy tends to be less profound and more volatile and difficult to consolidate over time. Second, as in the analysis carried out for Uruguay in Chapter 4, this chapter shows that the TR designed to influence distribution in Chile in the 2000s did not propose changes that affected the interests of foreign capital. This points to the importance of this ‘consensus’ in the local politics of these moderate leftists who are also significantly transnationalized as are the cases of Uruguay and Chile. Unlike Uruguay, the placement of a tax affecting foreign capital, such as a copper royalty, was present in the public debate largely because several academics placed the issue in the media, but it did not manage to be discussed even in the original design of the TR. In short, the tax benefits to capital, which were widely significant in Chile during the period, were not even the subject of debate.

Finally, the analysis developed in this chapter shows a third finding regarding the role and power of business groups. Indeed, thanks to the multiple coordinated and successful actions that allowed business groups to shape the TR to their interests, these groups were strengthened. Hence, a reform that sought to weaken these actors ended up strengthening them. The demonstration of business support was such that, even after conceding several of the main business demands that eroded the core content of the reform, the centre-left government had to give a political signal of support to the business by dismissing the Minister of Economy in charge of the reform; being the first such case since the democratic recovery in 1989. In sum, the analysis of the TR in Chile shows that in coincidence with the path dependence of this country analysed in previous chapters, the weak state-society coordination makes it difficult to implement deep and stable distributive policies. In addition, new developments in this trajectory confirm a growing role of transnational capital in shaping the TR and a growing empowerment of local elites through processes that were supposed to weaken them.

Hence, the Structural State Autonomy to implement distributive processes is limited in both countries as far as transnational capital is concerned. However, given the existence of institutionalized state-society coordination mechanisms, the negotiation process grants segmented benefits to diverse groups in Uruguay, which results in a more consensual and stable tax distributive policy than in the Chilean case. In other words, transnational capital may affect both countries in similar ways, constraining the political economy of distribution, but in Uruguay inclusive state-society coordination allows for the generation of partial and stable distributive benefits that create a system that not only tends to be more distributive but also more stable over time. In Chile, by contrast, tax policy continues to privilege the role of business elites, giving them not only benefits but also a privileged place in the debate, which organised workers and other grassroots groups do not have. Accordingly, despite facing similar restrictions concerning transnational capital, the Uruguayan state has greater autonomy to implement transformative, consensual, and stable distributive tax reform, while in Chile this policy has been weaker and more volatile. This would indicate that Structural Autonomy is not the product of external or global restrictions, but rather the product of the systemic interaction of both dimensions and their effects on the local political economy.

CHAPTER 6. Structural State Autonomy in Uruguayan Labour Policy (2003-2020)

Introduction

This chapter explores the role of Structural State Autonomy in Uruguayan labour policy with distributional effects during 2003-20. In Chapter 1, I argued that distributive processes in Latin America are strongly influenced by high regional structural volatility, with redistributive policies developed in expansionary phases followed by a retraction of these policies in economic slowdown phases. I also argued that state-society coordination mechanisms provide stability to distributive policy. In seeking to delve deeper into both dimensions, I study how state-society coordination shapes the effects of the global economy on distributive policy. In Chapters 2 and 3, I analysed these ideas in both countries through historical comparison, while in Chapters 4 and 5, I focused on exploring this for the case of tax reforms in Chile and Uruguay during 2003-2020. Following this, in this chapter and the next one (6 &7), I carry out a similar analysis, but this time focusing on labour policy in both countries.

To do so, I analyse two closely interconnected labour policies: the Labour Reform and the Wage Councils. The Labour Reform aimed at improving workers' individual and collective labour rights, while the Wage Councils are tripartite bargaining bodies that determine minimum wages and access to a set of fringe benefits for different groups of workers. I am interested in exploring two dimensions of analysis. First, the extent to which state-society coordination mechanisms determine the approval and implementation of labour reform and the evolution of fringe benefits in wage councils during the phase of economic expansion (2003-2014). Second, I am interested in exploring the extent to which labour reform and wage councils are affected during the economic downturn (2015-2020).

Overall, the analysis carried out in this chapter shows three main results. First, state-society coordination allows for inclusive negotiation of labour regulation that, with this breadth of coverage exerts a stabilizing force by creating a supportive coalition of beneficiaries. Second, this coordination confers stability to the distributive arrangements and the distributive coalitions that sustain them even in economic downturns. In short, state-society coordination in the labour sphere has allowed both the Labour Reform and the Wage Councils to become significant changes in distributive policy that have also managed to remain stable over time. Thus, similar to what was shown in the case of the Uruguayan Tax Policy, state-society coordination in the labour area, inhibits to some extent the potential tendency for distributive agreements to weaken during economic slowdown phases. In sum, in line with what was argued for the case of Tax Policy in Uruguay (Chapter 4), the analysis of Labour Policy also shows that State-society coordination confers Structural Autonomy to the State to implement deep and lasting distributive processes. However, an additional finding of this chapter is that, unlike what happens in the case of Tax Policy, in the case of Labour Policy in Uruguay, the role of transnational capital does not turn out to be so relevant in the moderation of distributive labour policy.

This chapter deploys a process tracing strategy supported by a significant variety of qualitative and quantitative evidence used in a triangulated manner. This evidence includes

in-depth interviews with academics, politicians, and labour specialists, a review of parliamentary records, a review of government programs, information extracted from the country's main press, and finally; the first-hand compilation, and systematization and analysis of all the agreements approved in the Salary Councils during 2005-2017.¹⁴¹ The chapter is carried out through the following structure. In the first section, I explore the process of approval of the Labor Reform and the evolution of Salary Councils during the window of opportunity provided by the expansionary economic phase. In the second section, I explore the changes that both policies implemented during the economic slowdown phase. Finally, the chapter concludes with some reflections on the role of Structural State Autonomy in distributive labour policy in Uruguay.

Labour Policy during expansionary economic phase (2003-2014)

As in the previous chapters on tax reforms in Chile and Uruguay, in section 1, I analyse the approval and implementation of both policies during the expansionary phase of the economy (2003-2014), while in section 2, I explore the main changes experienced by these policies in the economic slowdown phase from 2015-2020. In the case of Labour Policy in Uruguay, I study the Labour Reform and the Salary Councils, being both policies central axes of the Uruguayan labour regime, especially in terms of distribution. The Labour Reform aimed at improving workers' labour individual and collective rights, while Wage Councils are Collective Bargaining institutions that largely determine minimum wages and access to a set of fringe benefits for different groups of workers. Overall, we see that the coordination mechanisms that served to institutionalise business and labour organisations into decision-making processes functioned to generate significant stability for these policies and allowed their redistributive effects to be maintained through the policy implementation. Therefore, state-society coordination has allowed both policies to be implemented by granting partial concessions and benefits to groups (workers and business) without modifying the central objectives of the reforms.

The approval process of the Labour Reform (LR)

To analyse the Structural State Autonomy enjoyed by a government during a policy reform process, it is necessary to explore the general characteristics of the policy area in which intervention is sought as well as the government's initial ambitions, to identify the eventual consistency with these initial intentions and the deviation from them shown by the results. In this section, I present information on the political context from which the Labour Reform process was initiated and its evolution. I divide the process into two chronological moments marked by: i) the government LR' proposal and ii) the role of business and civil society in shaping the LR.

¹⁴¹ Complete information on sources used is available in the Annex.

Phase 1: The origins of the LR proposal

The Labour Reform was an electoral proposal of the then-ruling Frente Amplio party that began to be debated in the first years of government. The Labour Reform included several measures. On collective workers' rights, the Salary Councils for the private sector were reconvened (Decreets N° 138/2005 and N° 139/200) restoring the old mechanism of tripartite Collective Bargaining by branch of activity present in Uruguayan legislation since 1943¹⁴². What is more, the government decided to extend Salary Councils to sectors of workers that had not traditionally been covered, such as civil servants, rural workers, and domestic workers (Pucci et al., 2012: 36). In addition, several modifications were made regarding individual rights, among them: domestic workers were granted the right to severance pay and were included in the unemployment insurance, maternity leave days were increased, a maternity allowance and a parental allowance were created, 8 hours of work in the rural sector were established, among many others.

Table 24. Contents of the Labour Reform

Individual working relationship	Regulation of business decentralisation (outsourcing). Regulation of domestic work. Legal limitation of working hours and rest periods in the rural sector. Special paid leave regime. Change in the role of the state in relation to occupation of workplaces.
Collective dimension of industrial relations	Law on the Protection and Promotion of Trade Union Freedom. Law on Collective Bargaining for the public and private sector.
Other measures	Convening institutionalised tripartite social dialogue mechanisms (e.g. National Commitment for Employment, Income and Responsibilities).

Own elaboration based on Frente Amplio electoral proposal, government 2005-2010, Labour Reform¹⁴³.

Of these proposals, the regulation of outsourcing, the law on freedom of association, and the mechanisms for the functioning of Collective Bargaining were the most debated points. As described in the previous chapters, Uruguayan labour policy has been marked largely by the existence of Salary Councils. These tripartite wage bargaining institutions created in 1943 went through different vicissitudes in their functioning. The Salary Councils were convened from 1943 to 1968 and were then replaced by a price control body, only to be partially reinstated in the 1990s (see Chapters 2 & 3). The convening of these Councils depended on the Executive Branch and therefore their functioning was certainly unstable since they were subject to the will of the government of the day. The Salary Councils were central to Uruguay's labour policy because, in the absence of a Labour Code, what was approved in these councils was key in terms of workers' collective and individual rights. For

¹⁴² Collective Bargaining is a mechanism through which employers and their organisations and trade unions negotiate wages and working conditions for a certain group of workers. As I developed in Chapter II, the Wage Councils are one type of Collective Bargaining consisting of tripartite commissions, composed of the government, unions and employers, constituted by branches of activity, which have the power to set minimum wages.

¹⁴³ Information identified in primary sources by the author. See: Broad programmatic outlines for government, Frente Amplio, 2005, available at: <https://www.frenteamplio.uy/documento/lineamientos-programaticos-para-el-gobierno-2005/>

this reason, the Frente Amplio and the trade unions through the National Trade Union (PIT-CNT) had been advocating for this reform that would allow the councils to function autonomously, without the need for the executive branch to convene them. Thus, as soon as the Frente Amplio came to government, it began to implement the Labour Reform.

When the Labor Reform entered the parliamentary debate, the centre-right political parties in opposition and business sectors spoke out against the reform. Even though, the Frente Amplio had parliamentary majorities and did not need the votes of the opposition to pass the reform, they did have a marked intention to favour the negotiation process with the business chambers. With that goal, even before taking office, the Frente Amplio had called meetings with the participation of members of the business chambers and the National Trade Union Association PIT-CNT to seek agreements for drafting a Collective Bargaining law¹⁴⁴. Therefore, in 2006, the government created a Labour Legislation Commission, from which the government invited unions and employers to advance in the definition of a new Collective Bargaining law.

Phase 2: the response of the civil society to the Labour Reform

At the beginning, employers and workers welcomed the government's invitation to negotiate¹⁴⁵. However, shortly after, two laws that were rejected by employers were passed in Congress, the 'Labour Credit Prescription Law'¹⁴⁶ and the 'Outsourcing Law'¹⁴⁷ (Rodriguez et al. 2010: 150), which complicated the negotiation process on the reformulation of the 1943 Salary Councils' law¹⁴⁸. The employers were against both proposals and therefore said that if the government did not negotiate with them on these issues, they would not move forward on the other negotiating points either, including the reform of the Wage Councils. As a result, three of the main business organizations -the Chamber of Industries, the Chamber of Commerce and the Rural Association- threatened to withdraw from the Labour Legislation Commission if the government did not review the two laws that had been recently approved.¹⁴⁹ In the end, after the negotiations failed to reach agreements, the business community decided to abandon the Labour Legislation Commission.

In a new attempt to recover the dialogue, the government invited the employers to participate in a tripartite forum to discuss possible modifications to the laws that were concerning the employers. Once again, trying to recover the negotiation with employers, the government submitted to Parliament a bill amending the Outsourcing Law, which considered some of the employers' criticisms (Law No. 18,251). As time went by,

¹⁴⁴ Information extracted from in-depth interviews Interview 5, Politician, Frente Amplio, Uruguay

¹⁴⁵ Idem.

¹⁴⁶ Law 18,091, dated January 7, 2007, establishes that once the labor relationship has ended, the employee has a period of one year to claim for unsatisfied credits.

¹⁴⁷ Under Law 18,099, any employer who uses subcontractors, intermediaries or labor suppliers is jointly and severally liable for labor obligations, payment of social security contributions, work accident premiums and penalties owed to the employee's social security.

¹⁴⁸ Information extracted from in-depth interviews Interview 8, Union leader, Central National Union PIT-CNT, Uruguay

¹⁴⁹ Amongst the bigger ones 'Cámaras de Industria y de Comercio' while amongst the smaller ones were 'Cambadu', 'Asociación Nacional de Micro y Pequeñas Empresas', 'Andebu', 'Cámara de Transporte, Intergremial del Transporte de Carga', 'Cámara de la Construcción, Asociación de Promotores Privados'. de la Construcción, Liga de la Construcción and Cámara de la Alimentación.

negotiations continued but began to stall again due to disagreement between the government and employers over the regulation of Salary Councils. However, in October 2007, after ten months of work, employers' institutions withdrew from this forum arguing that their demands were not being heard. Seeking to increase its advocacy capacity, 24 business chambers met in an informal space known as the 'Intercameral'.¹⁵⁰

Despite the government's attempts to recover the dialogue and despite having given in to some of the employers' demands, the employers continued to point out that they disagreed with the bill to modify the regulation of the Salary Councils. According to the employers' view, Collective Bargaining should be bipartite, without government interference and not mandatory¹⁵¹. However, regardless of the government's bargaining intentions, modifying the Wage Councils, and making them bipartite would imply completely changing the essence of the labour system, so the government did not give in to these demands¹⁵². The bill was approved in the Chamber of Deputies and the Senate on July 22 and August 18, 2009, respectively. In the Chamber of Deputies, the chapter on occupations was removed from the bill according with business' claims¹⁵³. In the Senate, due to the demands of employers, a new stage of discussion was opened about the incorporation of a conflict prevention peace clause, which implies that while an agreement is in force, workers will not be able to initiate a conflict over the issues contained in that agreement¹⁵⁴.

In short, in the negotiation process the government gave in to several of the employers' objections. However, it did not give in to transforming the core content of the reform, for example by maintaining that the Salary Councils should remain tripartite. Thus, while the government insisted on its willingness to dialogue and negotiate with businesses and unions, it also reaffirmed that the most central content of the reform could not be modified. Furthermore, making the Salary Councils bipartite would have implied a historic step backward in the Uruguayan labour system under the first centre-left government and at the same time breaking the dialogue with the unions. Therefore, in 2009, Parliament passed the Collective Bargaining Act, which puts an end to the Executive's monopoly on the power to convene Salary Councils; and from now on, the convening can be requested by any of the three parties in the system (business, workers, State). At the same time, the government promoted a new discussion forum between employers and workers called the National Commitment on Employment, Income and Responsibilities, with the aim to achieve a national commitment that would serve as a regulatory framework for subsequent Collective Bargaining.

¹⁵⁰Information extracted from in-depth interviews Interview 8, Union leader, Central National Union PIT-CNT, Uruguay The employers' criticisms of the bill coincided in general with the positions of the opposition parties in parliament. The Colorado Party opposed the new Collective Bargaining Law overall while the National Party voted for it but voted and argued against the main articles. However, despite that opposition, the legislative majority of the governing party in parliament prevented these actors from moderating the most ambitious changes of the law.

¹⁵¹ Information extracted from in-depth interviews Interview 8, Union leader, Central National Union PIT-CNT, Uruguay

¹⁵² Idem.

¹⁵³ Information identified in primary sources by the author. See: Parliamentary document: Journal of Sessions, Chamber of Deputies, No 3599, 2009.

¹⁵⁴Information identified in primary sources by the author. See: Parliamentary document: Shorthand version No. 923, 13 March 2007. House of Representatives, Journal of Sessions, No. 3599, 23 July 2009.

The business groups spoke out against some of these reforms, and as a result, seeking to increase their advocacy capacity, the employers resorted to international pressure. Thus, the National Chamber of Commerce and Services and the Chamber of Industry -supported by the International Organization of Employers- denounced the Uruguayan government before the International Labour Organization (ILO) Committee on Freedom of Association. In March 2010, the ILO Committee stated this complaint suggesting the government to deepen the dialogue with employers and unions to modify this law, and added a series of recommendations that address several of the claims of the business sector¹⁵⁵. Although the ILO resolution is not binding, the government expressed its intention to comply with it. The centre-left government did not want to be ‘tainted’ by a conflict that had escalated to the international sphere¹⁵⁶. For that reason, in February 2011 the Minister of Labour and Social Security invited –again- business and labour union representatives to open a new space for dialogue to modify the Collective Bargaining Law. A series of formal and informal meetings took place between the three parties over two years, but no consensus was reached (Rodriguez et al., 2011: 16). In March 2013, the government sent a bill to Parliament that proposed to modify the current Collective Bargaining law, taking up some of the suggestions made by the ILO¹⁵⁷.

Table 25. Sectors in favour of LR and sectors against it

	Groups	Resources
Sectors in favour of labour reform	The centre-left party in government (Frente Amplio) in alliance with the single national workers’ centre (the PIT-CNT).	Parliamentary majority Long-standing high cohesion of the trade union sector
Sectors against labour reform	The centre-right political parties and the business sectors.	Growing organisation of employers, support of the ILO in the face of complaints against the reform bill.

Source: own elaboration

¹⁵⁵ Among the most relevant aspects, it is suggested that the composition of the Superior Tripartite Council be modified so that each party has an equal number of members and that a person independent of the government hold the presidency. It also states that the parties themselves should establish the level of Collective Bargaining, and when there is no union organization, the right to negotiate should be recognized through representatives elected by the workers, and not with the union of the branch. Finally, the ILO states that the exercise of the right to strike and the occupation of the workplace must respect the freedom of work of non-strikers, as well as the right of the company’s management to enter the company’s facilities.

¹⁵⁶ Information extracted from in-depth interviews Interview 8, Union leader, Central National Union PIT-CNT, Uruguay; Interview 5, Politician, Frente Amplio, Uruguay.

¹⁵⁷ Information identified in primary sources by the author. Parliamentary document: Committee on Labour Affairs and Social Security, Message and Bill from the Executive Branch, Folder 1142/2013, Distributed 1962/20, March 11, 2013.

Table 26. The government's position concerning companies' demands.

The government accepts the amendments	The duty to preserve the confidentiality of information exchanged between employers and employees. Establishment of bipartite rather than tripartite negotiation regarding working conditions. Incorporation of the peace clause for agreed issues.
The government does not accept the amendments	Voluntary Collective Bargaining system. Establishment of greater regulation of trade unions. Non-intervention of branch unions in bargaining in companies where there is no union.

Source: own elaboration

To sum up, throughout the entire process of debate the government promoted negotiation between workers, businesses, and the state on labour reform. In this process, some points were highly criticised by the business sectors. The government gave in to several of the employers' objections and continued to promote negotiation bodies throughout the entire process. Furthermore, despite not being mandatory, the government gave in to most of the ILO's indications to avoid damaging the country's investment image. However, the government did not accept the employers' demands on the core aspects of the Labor Reform.

Conclusions: the effect of SSA in the Labour Reform

Despite having parliamentary majorities and the support of the trade union central, the governing party insisted on negotiating with the business chambers and modified several aspects of the LR to reach a consensual agreement, but without modifying the central contents of the reform. Overall, State-civil society coordination between labour unions, business sectors, and the state, allowing for dialogue and the strengthening of the implementation process of the LR, making it more legitimate for all social actors and favouring embeddedness.

The regulation modifying the Collective Bargaining Law was the most debated point between the government, businesses, and trade unions. The government made concessions that considered business preferences and ILO recommendations in three main aspects: the introduction of the duty to preserve the confidentiality of information exchanged between employers and workers; the establishment of the negotiation of working conditions in bipartite rather than tripartite settings; and the incorporation of the peace clause for agreed issues¹⁵⁸. In addition, according to business demands, a bill was passed amending the composition of the Tripartite High Council - the body that guides Collective Bargaining - by equalising the number of representatives of the state, employers, and trade unions (Law No. 19.027). Nonetheless, the amendments did not address other business demands that would have completely changed the central objectives of the reform, such as the preference for voluntary Collective Bargaining, the establishment of greater regulation of unions, or that branch unions should not intervene in the negotiation of those companies in which there

¹⁵⁸ During the term of the agreements to be concluded, the parties undertake not to promote actions that contradict what has been agreed nor to apply measures of force of any kind for this reason. This clause applies to all issues that were part of the negotiation and that have been agreed in the signed agreement. Adherence to national trade union measures called by the trade union organisations is excluded from its scope.

is no union¹⁵⁹. In short, state-society coordination in the discussion of the LR made it possible to approve a reform that contains concessions to diverse groups (workers, business), but without affecting the central contents of the reform.

In the following pages, I analyse the evolution of the other central labour policy developed during this period with incredibly significant distributional impacts: the Salary Councils. Unlike the LR, where I analyse their approval, in the case of the Salary Councils, since they are already in operation, I will analyse the general evolution of the agreed labour benefits.

The evolution of the Salary Councils

Just as in the previous section, I analysed the approval of the LR during the economic upswing, in this section I am interested in analysing the evolution of the agreements reached in the Salary Councils for the same period¹⁶⁰. Overall, in a remarkably similar vein to the conclusions reached for the LR, the SC's analysis shows that in those economic sectors where there is greater coordination between the state, workers, and business, there tend to be greater additional benefits, which tend to be sustained over time.

Overall characteristics of Salary Councils

As mentioned, Salary Councils are tripartite commissions, integrated by the government, unions, and employers, organized by branches of activity, which have the power to set minimum wages and other fringe benefits. Within each economic sector (e.g. industry), negotiating spaces are set up by sub-sector (e.g. food and beverage industry) tables (e.g. soft drinks industry) and even sub-tables¹⁶¹. The level of disaggregation reached by each economic branch of negotiation depends on the complexity and variety of the sector. The resolution of the Salary Councils is binding for the entire group of negotiation defined in each case and cover all workers in the formal sector. Decision-making requires the presence of workers, employers, and the government, but the government's role is only arbitral (Villegas and Castillo, 2021; Villegas and Peña, 2023). A Tripartite High Council made up of business, labour and government establishes bargaining recommendations, which the groups consider although they are not binding. According to ILO data, the Collective Bargaining coverage of public and private in 2018 was 94.7% of the total number of formal workers¹⁶² (ILO, 2022 b: 3). In the following diagram I show the organisation of the Wage Councils with some examples for illustrative purposes (See Illustration 5).

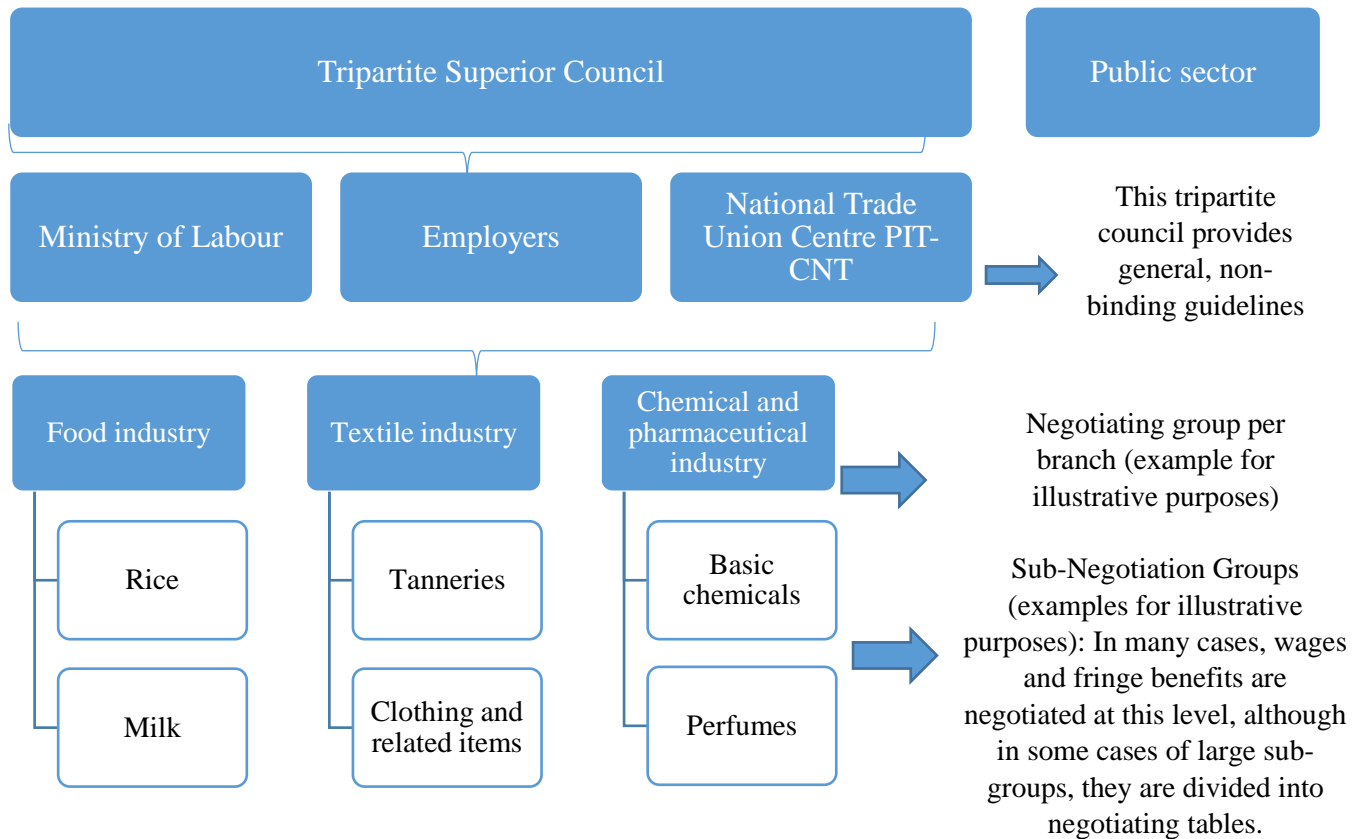
¹⁵⁹ Information extracted from the approved law and in-depth interviews, in particular at Interview 5, Politician, Frente Amplio, Uruguay; Interview 6, Politician, Frente Amplio, Uruguay.

¹⁶⁰ Although the law that modifies Collective Bargaining by making it independent from the Executive Branch was passed in 2009, Salary Councils have been convened since the Frente Amplio government took office in 2005. The first round of negotiations ended in 2007, and since then, they have continued to be convened without interruption. The last completed of wage negotiations ended in 2018. The next round of these bargaining councils was not included because when the construction of this database started it had not yet been completed for all activity groups. For this reason the analysis of the Salary Councils in this chapter is carried out for the period 2005-2018.

¹⁶¹ Agreements in Salary Councils are organised by groups or sub-groups defined according to the definitions of the International Standard Industrial Classifier.

¹⁶² This includes both formal and informal workers. Informality in Uruguay has been around 20% for 2015-2020 (see Figure 3).

Illustration 5. Organisation of the Salary Councils in Uruguay



Source: own elaboration

It is necessary to highlight some characteristics of the Salary Councils in the long term. First, even though these institutions were originally designed to negotiate wage settlements, over the years they have evolved to cover a variety of fringe benefits, such as basic food baskets, allowances for workers with children, days off to care for family members, monetary compensation for health care, among many others (Villegas and Castillo, 2021). The second characteristic refers to the fact that the extension of fringe benefits in the Salary Councils has been largely influenced by the power of the trade unions negotiating at each of the bargaining tables (Idem). Thus, some unions with greater bargaining power have been able to negotiate more and better benefits than other relatively weaker unions. As a result, access to fringe benefits in the Salary Councils has historically been fragmented (Midaglia et al., 2017; Villegas and Castillo, 2021). However, a third factor to consider is particularly relevant to this analysis. As Midaglia et al. (2017) point out, the agreements in these institutions served at the beginning of their operation in the 1940s and 1950s for the design of public policies from the State. At that time, the few unions that negotiated in the Wage Councils approved extra-wage benefits on which the State later relied heavily to generate national policies (Midaglia et al., 2017). Based on the benefits created by some economic sectors, the State then created laws of national scope. This is a very particular characteristic of the Uruguayan labor system where the arrangements of the sectors were the basis of not only labor laws but also welfare, and health, among others, by which the State intended to benefit large contingents of the population (Midaglia et al., 2017; Midaglia and Villegas, 2019, Villegas and Castillo, 2021).

The evolution of fringe benefits in Salary Councils 2007-2017

As I indicated, I am interested in knowing the number and quality of the extra-wage agreements (fringe benefits) that have been approved in the Salary Councils in the different economic sector. Table 27 exemplifies the diverse types of fringe benefits that I have found in the wage councils¹⁶³. Overall, the analysis of these agreements and the in-depth interviews indicate that the quality of the benefits agreed in the different groups is largely explained by the coordination between state, business, and trade unions in each case, as I develop in the following pages. As Table 28 shows, 327 agreements were found, of which 81 contain no fringe benefits. In addition, most of the fringe benefits (181) are classified as ‘nominal’, being no more than references to allowances already provided for by law. Figure 10 shows that fringe benefits include a wide range of allowances ranging from special training for workers to financial allowances, family allowances, and childcare centres, among others. However, ‘above the law’ and ‘very favourable’ fringe benefits are present in only 20% of the agreements. As Figure 11 shows, agreements that provide the worker with monetary compensations and services that go beyond what the law universally foresees are concentrated in a few sectors such as General Trade, Chemical and drug and pharmaceutical, Transport, Sports centres, and the Food and Drink Industry. In particular, the General Trade and the Food and Beverage Industry stand out for the quantity and quality of approved fringe benefits. In particular, the ‘very favourable’ benefits include health insurance, special leave for family care paid by the company, childcare centres, economic bonuses for families with school-age children, among others.

Table 27. Illustrative table. Categories of analysis: fringe benefits according to their quality

Quality of fringe benefits	Definition	Examples
No benefits	The final document describing what was approved in the Salary Council does not mention any extra wage agreements.	Not applicable.
Nominal fringe benefits	Law already guarantees the benefits mentioned in the agreements.	Maternity leave,
Fringe benefits ‘above the law’	Benefits exceed what is guaranteed by national law	Parental leave 15 days (more than the amount provided by law)
Fringe benefits ‘very beneficial to employees’	The benefits are much higher than those provided for by labour laws	Life insurance, hospital companion services, day-care centres

Source: own elaboration

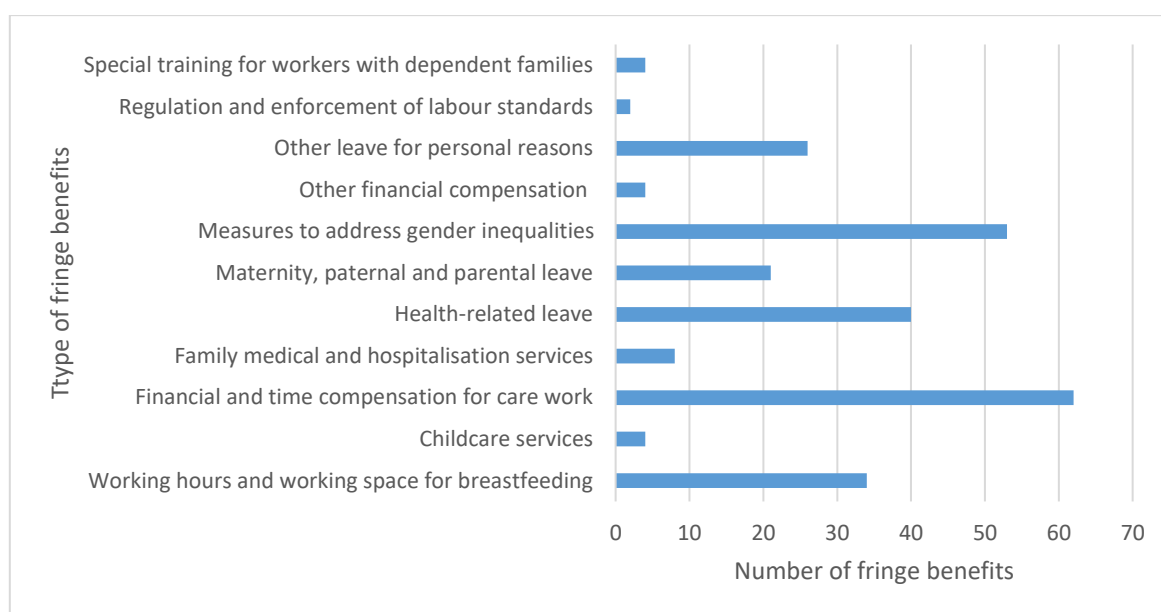
¹⁶³ The description of these categories and their construction is detailed in the Methodology section in the Introduction chapter of this thesis.

Table 28. Quality of fringe benefits agreed at Wage Councils 2005-2017

Type of benefit	Number of fringe benefits in each agreement
No fringe benefits in this agreement	81
Nominal fringe benefits	181
Above the law' fringe benefits	40
Very favourable' fringe benefits	25
Total	327

Source: Sources: own elaboration based on first-hand collection of the agreements approved in the Wage Councils deposited at the Ministry of Labour and Social Security for the reference period¹⁶⁴.

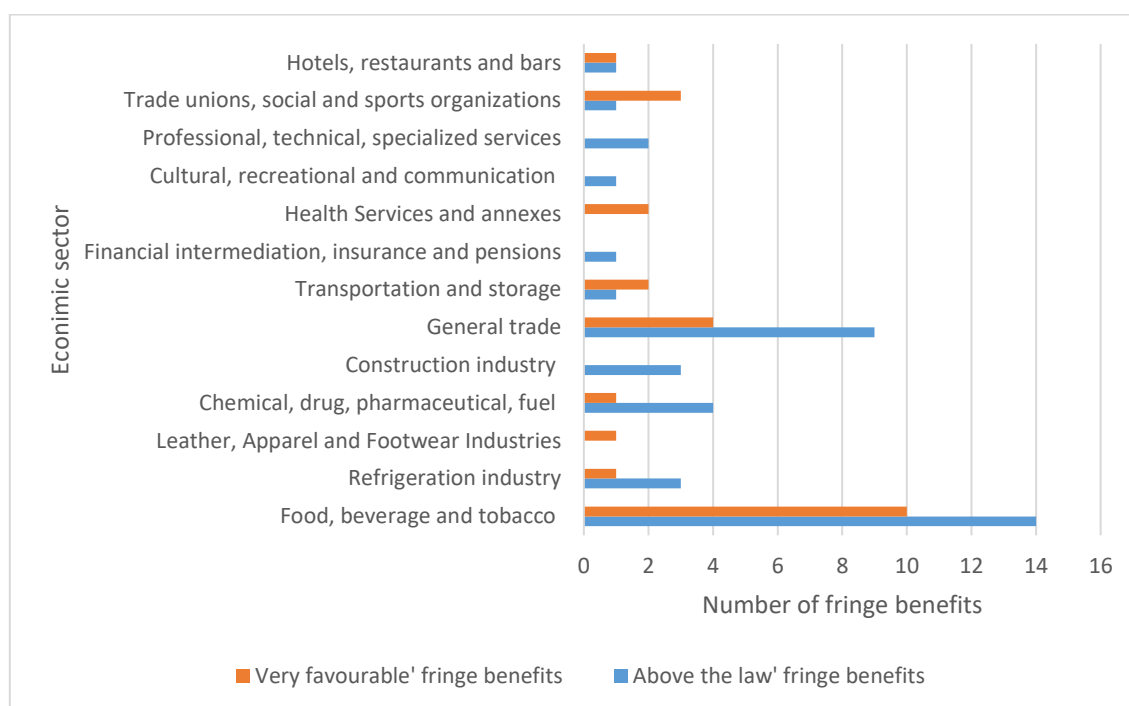
Figure 10. Types of fringe benefits agreed at Wage Councils 2005-2017



Source: Sources: own elaboration based on first-hand collection of the agreements approved in the Wage Councils deposited at the Ministry of Labour and Social Security for the reference period.

¹⁶⁴ See complementary tables in Annexes.

Figure 11. Fringe benefits 'above' the law, and 'especially benefits' in Salary Councils 2005-2017, by economic sector.



Source: Sources: own elaboration based on first-hand collection of the agreements approved in the Wage Councils deposited at the Ministry of Labour and Social Security for the reference period.

I am particularly interested in analysing why some groups manage to accumulate more benefits than others, and for this purpose I used in-depth interviews with several trade union leaders and with those involved as ‘negotiators’ in the Salary Councils by the Ministry of Labour.¹⁶⁵ The interviews revealed that the groups that were able to accumulate higher fringe benefits were generally groups with high levels of trade union organisation and especially with long-standing company-worker bargaining mechanisms. As one of the interviewees mentioned *‘there are groups in which employers and workers have coordination commitments that go back decades (...) it is not a new issue (...) some of them even maintained bipartite negotiation during the 1990s when the councils were suspended (...)’*¹⁶⁶.

*‘(...) Some companies are always at the minimum, but there are groups that you already know that they work perfectly (...) they are groups where their members are used to negotiate and they even talk to each other personally, in these groups many times they were the ones who proposed rights and benefits that were much higher than the guideline suggested by the State and then this also had an impact on other groups’*¹⁶⁷.

As interviewees have insistently pointed out, the bargaining and organising capacity of each union is different from each other due to long-term factors. As a member of the unions

¹⁶⁵ See Annexes for a complete list of interviewees. The Negotiators represent the Executive Branch in the tripartite negotiations between the State, companies and workers in the Wage Councils.

¹⁶⁶ Information extracted from in-depth interviews. Interview 11, Ministry of Labour and Social Security, Executive Branch Negotiator in the Wage Councils, Uruguay.

¹⁶⁷ Information extracted from in-depth interviews. Interview 12, Ministry of Labour and Social Security, Executive Branch Negotiator in the Wage Councils, Uruguay

characterized by low union strength, pointed out: *'(...) In the first rounds since 2005 we focused on other things. The working conditions were really bad, we had many things to improve (...) For example, only in 2008, a clause was included that would seem impossible to include in an agreement, it was even embarrassing, it was to include in an agreement the possibility of going to the toilets during the working day. Something that seems so silly, is very important (...) you must see how they worked in the sector, then you had to start improving things from very low (...). This clause, in 2008, was so important that it was one of the most applauded, more than some salary increases! In some places until 2008, they controlled you with a card, it was shameful' (...)*¹⁶⁸.

Instead, when asked about high-quality fringe benefits to some trade unions with a high organisational capacity and very long-term negotiation mechanisms with the companies, they mentioned: *'This agreement comes from the 90's (...) but it probably even comes from before and was taken up again there (...) It started in some unions before the dictatorship [1970s] and then it began to be extended to the entire branch. We used to call it 'health quota'; it was the payment of the medical society fee for children (...)*.¹⁶⁹

These interviews highlight that, even though the Salary Councils cover all economic sectors, the type and quality of fringe benefits to which the different groups have access depends mostly on the bargaining power of the unions at each bargaining table or branch of bargaining. For example, one of the groups with the highest number of 'especially favourable' benefits is the Food and Beverage Industry group (see Figure 11). This group was mentioned many times in the in-depth interviews because it has one of the strongest unions and has bargained collectively with employers continuously for decades. As one of the interviewees mentioned¹⁷⁰, most of the fringe benefits that exist in this group are due to the beverage trade union bargaining achievements with the employers. There, the Federation of Beverage Workers and Employees-FOEB (*Federación de Obreros y Empleados de la Bebida*) has a tradition of bargaining with the business sectors and therefore more agreements tend to accumulate.¹⁷¹ This union has occupied a historically important place in the workers' national union (PIT-CNT) and, in addition to having largely favourable wages in the national context, has had access to many fringe benefits in the Salary Councils, even during the period when these institutions were not convened (1990-2005).

In that regard, one of the leaders of this union pointed out: *'There are several groups in the same branch and we have very different conditions (...) that is why there are also very different fringe benefits (...)*We have had special leaves for study or for particular situations

¹⁶⁸ Information extracted from in-depth interviews. Interview 13, union leader, Needle workers' Union, Uruguay. This union trades within 'other manufacturing industries'.

¹⁶⁹ Information extracted from in-depth interviews. Interview 23, trade union leader, Transport Union, Uruguay. The two high quality fringe benefits obtained within the bargaining sector 'transport and warehousing' were won by this union.

¹⁷⁰ Interview 11, Ministry of Labour and Social Security, Executive Branch Negotiator in the Wage Councils, Uruguay.

¹⁷¹ Also, like this union (FOEB), there are other very powerful unions within the highly transnationalized sectors, which has many more fringe benefits than the rest of groups in their same branch, such as the Construction Trade Union (Sindicato Único Nacional de la Construcción y Anexos, SUNCA) and Gas workers' trade union (Sindicato Único del Supergas, SUTS) as it can be seen in figure 2.

for many years [before the existence to the enactment by national law] (...). In 2012 what we did was to extend those leaves (...) In this group, the benefits do not expire, it is the tradition that they are maintained, but in other sectors of the branch it is not so, then it is more difficult to accumulate" (...) 'We have a very important tradition of fringe benefits. Since 1985 we had paid leaves of absence for colleagues who had the possibility of studying, and paid leaves of absence for marriage and birth (...) This was later included in 2005 with the law on special leaves of absence presented to parliament. In other words, the basis of this national law was our agreement of 1985! Even in the 90's when the Wage Councils were not convened, the unions with more tradition (beers, waters, and soft drinks) maintained a bipartite negotiation with the employers and all the fringe benefits that were had conquered before were maintained (...).'¹⁷²

This sentence exposes a very central aspect of the distributive labour policy in Uruguay namely: the agreements approved in the Wage Councils in some groups serve as a basis for the State to then universalise these benefits. As the above quotation shows, and as other interviewees have highlighted when consulted on this point¹⁷³, the agreements obtained by the more 'successful' unions serve as a basis for the 'less' successful trade unions to claim these fringe benefits not only in the Salary Councils but also at the national level. Accordingly, when a union like FOEB manages to obtain an agreement that includes family care leave, other unions try to include it in their agreements, but if they do not succeed, they take it to the national centre (PIT-CNT) and try to make it part of the demands of the national trade union centre. As part of the agenda of the PIT-CNT and as part of the negotiations that this entity usually has with the State, sometimes these laws end up becoming laws, as the previous quote related. This reveals that this mechanism, which was present at the beginning of the Salary Councils, is still present. Indeed, the Salary Councils and their results serve as the basis for laws that the State then creates to cover all workers universally.

Something similar is indicated for the General Trade sector where the Single Trade Union of Supergas Workers (*Sindicato Único de Trabajadores del Supergas-SUTS*) is located, which has also managed to maintain over time a tradition of negotiation with the employers. There, important benefits have been negotiated - as in the beverage union - including childcare services and special paid leave to care for family members¹⁷⁴. The remaining 'particularly favourable' fringe benefits of the General Trade group are located at the bargaining tables where the Construction area participates. This is where another of the most consolidated unions with the longest bargaining tradition is located, the *Sindicato Único Nacional de la Construction y Anexos-SUNCA*. As one of the interviewees pointed out in this regard: '(...) yes, there are unions like SUNCA that have a very strong tradition of negotiation, in general they know and get along very well with the employers, they themselves negotiate alone, there the Executive Power often intervenes little (...) they are

¹⁷²Information extracted from in-depth interviews. Interview 8, Union leader, Beverage Union and leader at the Central National Union PIT-CNT, Uruguay.

¹⁷³Information extracted from in-depth interviews Interview 10, Union leader, Central National Union PIT-CNT, Uruguay; Interview 12, Ministry of Labour and Social Security, Executive Branch Negotiator in the Wage Councils, Uruguay.

¹⁷⁴ Information extracted from in-depth interviews Interview 11, Ministry of Labour and Social Security, Executive Branch Negotiator in the Wage Councils, Uruguay.

*unions that have an advanced agenda (...) and the employers know that they have to negotiate, this has always been part of the group' (...)*¹⁷⁵. Instead, at the other extreme, in sectors linked to the agro-export industry, with much less tradition of negotiation between workers and companies, such as agriculture and viticulture, the fishing industry, the leather industry, the wood industry, pulp and paper, and the basic metal industries; fringe benefits either do not exist or are simply 'nominal' benefits, which do not provide anything more than what the law stipulates.

In a nutshell, there is a significant variation in access to quality benefits within economic sectors. If we compare the data extracted from the analysis of fringe benefits in the Salary Councils with the information provided by the in-depth interviews, we see that the highest number of benefits tend to be in the most coordinated sectors; where trade unions are strong and there is a tradition of business-trade union bargaining. The analysis also reveals that Salary Councils can be an important source of fragmentation among workers. Thus, in those sectors where there is a tradition of bargaining, fringe benefits have accumulated to a greater extent and uninterruptedly. Moreover, the agreements passed in these sectors have been key to the subsequent inclusion of these benefits for all workers in national labour policy¹⁷⁶. Overall, both the study of the Labor Reform and the Salary Councils during the upward economic phase shows that the existence of coordination mechanisms between the state, business and trade unions, favours consensus and stability of labour agreements.

Labour Policy during the economic slowdown phase (2015-2020)

Just as in the previous section I analysed the adoption of LR and SC during the expansionary economic phase (2003-2014), in this section I analyse the evolution of both policies during the economic downturn (2015-2020). Overall, the analysis developed for both policies show that, given state-society coordination, distributive labour arrangements have remained stable during the downturn. Thus, in the face of increased pressure from groups to obtain concessions in a context of greater fiscal restraint, the state resolved tensions by granting partial benefits to diverse groups without substantively modifying either the LR or the CS. In short, state-society coordination has 'shielded' distributive arrangements, making them more resistant to macroeconomic changes and contributing to their stability.

The LR and the SC during 2015-2020

As I have argued throughout this dissertation, especially in Chapter I, I am interested in analysing the factors that contribute to explaining the approval of distributive processes as well as the factors that explain the stability and permanence of these processes over time. I argue that while state-society coordination favours the approval of development agreements such as distributive ones, macroeconomic regional volatility tends to undermine these agreements. Consequently, distributive processes in this region tend to develop mostly in expansionary phases and break down in economic slowdown phases, which compromises the stability and institutionalisation of these processes. Given that high volatility is a long-term structural phenomenon in the region, I have argued that this has concrete consequences

¹⁷⁵ Information extracted from in-depth interviews Interview 10, Union leader, Central National Union PIT-CNT, Uruguay.

¹⁷⁶ This evidence reaffirms the validity of this mechanism that some authors such as Midaglia et al. (2017) pointed out for the 1940s.

for the institutionalisation of distributive policies. Consequently, in this section - as in the previous chapters - I question whether the main distributional components of the LR and the SC changed in the face of the general economic slowdown since around 2014, and what has been the role of state-society coordination in moderating these changes.

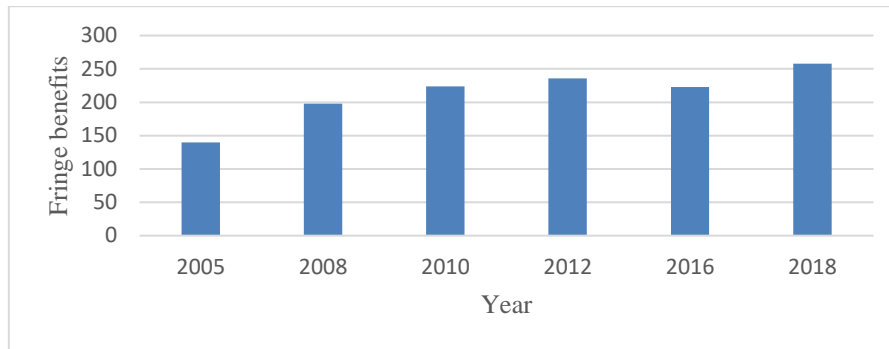
In Uruguay, this slowdown scenario coincided with the debate on the government's five-year budget allocation in 2015. The increased budgetary restriction, in a context of rising inflation and budget debate, triggered a substantial increase in social conflict, which during 2015 reached the highest level since the beginning of the first Frente Amplio government in 2005 (UCUDAL, Institute of Labour Relations, Observatory of labour conflict, 2016). This less favourable economic scenario triggered the confrontation between actors who had traditionally been allies in the promotion of distributive labour policy: the Frente Amplio and the central union PIT-CNT. A few episodes catalysed this confrontation such as the conflict with the education sector unions. The lack of agreement led the education unions to a wave of strikes, which culminated in a decree of essentiality from the executive branch, a measure that had been taken before only where the interruption of activities implied a risk of life or health for the population (Pérez and Piñeiro, 2016). By doing that, the government gave an authoritarian sign of confrontation with one of the trade unions traditionally allied to the leftist Frente Amplio. Implementing this measure also generated major clashes within the Frente Amplio itself, where some sectors of the ruling party vehemently opposed this measure as it was considered anti-democratic and against trade union action. Additionally, rifts also began to become visible within the trade union movement itself since during this process of wage demands, different union currents developed different strategies, which gave rise to strong internal controversy¹⁷⁷.

Even though social conflict increased significantly in a new scenario marked by greater fiscal restraint and a slowdown in the economy, the Labour Reform was not modified. Moreover, the government insisted on continuing to promote coordination and negotiation mechanisms between business, trade unions, and the State¹⁷⁸. In the end, the insistence on dialogue during the budget debate determined that social conflict decreased and returned to previous levels (UCUDAL Institute of Labour Relations, Observatory of Labour Conflict, 2016). As for the Salary Councils, the logic was quite similar to that analysed in the Labour Reform. As has been shown, the evolution of fringe benefits in the councils is largely explained by the organisation and coordination between businesses and workers. The deterioration of economic conditions was accompanied by a decrease in the number of benefits achieved in the 2015-2016 bargaining round, but the approved fringe benefits grew again in 2018 (See Figure 12).

¹⁷⁷ Information extracted from in-depth interviews Interview 11, Ministry of Labour and Social Security, Executive Branch Negotiator in the Wage Councils, Uruguay; Interview 10, Union leader, Central National Union PIT-CNT, Uruguay.

¹⁷⁸ Information extracted from in-depth interviews Interview 10, Union leader, Central National Union PIT-CNT, Uruguay.

Figure 12. Number of fringe benefits in the Salary Councils 2005-2018



Source: own elaboration based on data for 2005-2018 provided by the Ministry of Labour and Social Security¹⁷⁹.

In addition, the elevated level of coordination enabled the State to promote policies aimed at maintaining the Government's objectives without bowing to pressure from any group. Regarding that, as I have noted, Salary Councils are structured on a tripartite basis, headed by a Tripartite High Council which acts as a policy coordination body. In this council, the executive branch has the power to recommend the minimum wage levels that should be adopted to meet the government's macroeconomic objectives. Employers and workers may or may not accept these recommendations, but they are generally considered. As Etchemendy (2021) points out, the wage guideline recommended by the executive branch in the Tripartite High Council has varied over the period. During the expansionary phase (2003-2014), pressure from employers did not prevent the State from promoting an increase in the collective and individual rights of workers and a sustained growth in real wages. Nevertheless, during the economic slowdown phase (2015-2020), union pressure did not prevent the State from deciding to position itself at a lower wage level than that demanded by workers, close to the business' demands, to achieve the objective of controlling inflation (Idem). Along with this change of position, the government negotiated a price agreement with the business chambers that included a wide range of products of the basic basket¹⁸⁰.

In short, during the slowdown phase, the State negotiated extensively with both parties, establishing agreements on both prices and wages; thus, providing partial benefits to both employers and workers but managing to contain inflation (Etchemendy, 2021). This case exemplifies, once again, how the Uruguayan state, through coordination, manages to maintain the central objectives of the policies and resolves distributional tensions in economic slowdown phases by granting partial benefits to different groups. In this way, as I have shown in the case of tax policy in Uruguay, the case of labour policy also shows that state-society coordination allows agreements to be maintained and 'shielded' from changes in the economic cycle, thus contributing to their stability and institutionalisation.

Finally, in 2020, after 15 years of Frente Amplio governments, a centre-right coalition won the national election. As promised in the campaign, once in government, the National Party

¹⁷⁹ Only those agreements that actually contain fringe benefits were taken into account, not the total number of agreements. As an example, for 2018 the total number of agreements is 327 but there are 69 agreements that do not contain any fringe benefits.

¹⁸⁰Information extracted from the press. Press, 23 October 2015, Presidency of the Republic of Uruguay. ['Government and businessmen agree to maintain prices of 1,500 products for 90 days'](#).

sent a decree repealing the law on workplace occupations while approving new rules on this issue. However, it did not propose a notable change in labor policy. Furthermore, following the logic of the previous government, once the new center-right government took office in 2020, a price agreement was established between the state, workers, and companies¹⁸¹, which included a commitment to adjust wages below what was initially demanded by workers with the commitment that, as the economy returned to growth, real wages would recover (Instituto Cuesta Duarte, 2022). What is more, in the election campaign and so far in office, the President repeatedly emphasised that he would not eliminate the Salary Councils, even though he disagrees with some of their features, and even though his political party was the main opponent of the law that institutionalised them in 2009¹⁸². In this regard, the centre-right President-elect in 2020 mentioned: *'we are not going to stop convening salary councils. No!' (...)* *'I will say here, as I have already repeated, we must bet on stability (...) and even if there are differences with the PIT-CNT [the policy] must be always stable.'*¹⁸³ Although it is too early to draw definitive conclusions because this government is still in power, for now, the labour scheme is still similar to the one that existed during the centre left Frente Amplio government. Moreover, the aforementioned quote from the President underlines the importance of maintaining distributive arrangements, even in a scenario of further slowdown and under a centre-right government. This demonstrates, once again, the importance of coordination to generate embedded, stable, and institutionalised distributive labour policies over time in Uruguay.

To sum up, the Labor Reform remained unchanged, and the Salary Councils continued to exist and to evolve in the number and quality of agreements during the slowdown economic phase. This was possible thanks to the existence of highly negotiated and legitimised labour agreements, which have tended to be maintained over time. Therefore, as a solution to the growing conflict during the economic slowdown, the State continued to maintain and even increased coordination between actors, granting partial benefits to each of them without touching the central nodes of Labour Policy, as I show in the following table (See Table 29).

¹⁸¹ Information extracted from the press. Press, Presidency of the Republic Uruguay, 8 May 2020, '[Government announced price agreement for basic food basket, hygiene and sanitation](#)'.

¹⁸² Information extracted from the press. Information gathered in Press: UYPRESS , 8 January 2020 '[Lacalle Pou and PIT-CNT: Wage Councils will continue and "there will be dialogue and a direct line"](#)'; El Observador, 7 January 2020, '[Lacalle Pou assured the PIT-CNT that the Wage Councils will remain in force](#)';

¹⁸³ Information gathered in Press: Subrayado, 10 October 2019, available at: <https://www.subrayado.com.uy/ante-el-pit-cnt-lacalle-pou-defendio-los-consejos-salarios-con-flexibilidad-n559389>

Table 29. Segmentation of benefits to different groups in Uruguay's Labour Policy in the 2000s.

Public policy	Group	Segmentation of benefits for each group during the economic growth process 2003-2014	Segmentation of benefits for each group during the economic slowdown process 2015-2020
LABOR REFORM	Organized labour	The State institutionalized Salary Councils and made them independent of executive branch convening, and a wide range of collective and individual labour rights are implemented.	The structure of the Salary Councils is maintained, and agreements on collective and individual labour rights are maintained.
	Business	The State accepts some of the employers' demands to the LR, for example: peace clauses, composition of the Tripartite Superior Council, among others.	Agreements reached are maintained
SALARY COUNCILS	Organized labour	The State recommends that the Salary Councils agree on a wage guideline that is <u>in line with the guideline submitted by the workers.</u>	The state creates the Price Control Commission
	Business	The state negotiates to contain social unrest.	The State recommends that Salary Councils agree on a wage guideline that coincides with the <u>guideline presented by employers.</u>

Source: own elaboration

Conclusions

Using a wide variety of quantitative and qualitative sources, this chapter analyses the role of the Structural State Autonomy in Uruguayan Labour Policy from 2003 to 2020. The analyses of the Labour Reform and the Salary Councils show that the existence of coordination mechanisms between the state and society has been crucial to implementing a stable and legitimized labour distributive process. This coordination confers stability to the distributive arrangements and the coalitions that sustain them even in economic downturns. Overall, coordination enables the implementation of these processes while making them temporarily resilient and stable.

The chapter draws three central ideas. First, thanks to the existence of coordination mechanisms between business and organized labour, the government Labour Reform could be implemented with only slight modifications concerning its initial contents. The State's vocation for negotiation meant that some of the employers' demands were conceded, but at the same time, the central contents of the reforms regarding workers' individual and collective rights were not eroded. In effect, making the Salary Councils bipartite and voluntary or increasing the regulation of the unions, as proposed by the companies, would have meant a rupture and confrontation between the government and the central union and a weakening of the central objective of the reform, which was to strengthen Collective Bargaining. Instead, the government did give in on other aspects not so central to the reform, such as the classic peace clauses and the confidentiality of agreements, among others.

Second, the evolution of Salary Councils shows that in those sectors where there is more union organisation and where business and labour have long-standing coordination and bargaining mechanisms, workers tend to reach better fringe benefits. This shows that coordination between the state, companies, and the trade union centre is not only key to explaining the negotiation of reforms at the universal level, but that this coordination also explains the fragmentation in access to fringe benefits within economic groups. Thus, the analysis shows that those groups with better fringe benefits agreed upon in the Salary Councils tend to be the groups that are more institutionalized in the company-union bargaining mechanisms. In these cases, many of the agreed fringe benefits are much higher than the average national level and tend to act as 'inspiration' on the part of the state to promote universal labour laws. Instead, in those groups with weaker or less organized unions, or with companies with less bargaining tradition, fringe benefits tend to be of much lower quality.

Third, this chapter analysed the extent to which Labour Reform and Salary Councils were affected by the deterioration in economic conditions during 2014-2020. As mentioned, State-society coordination has promoted embeddedness, allowing the government to grant segmented benefits to different groups in a coordinated manner. This, in turn, gives the state the autonomy to maintain agreed labour policy objectives during this worst-case economic scenario while at the same time meeting other macroeconomic objectives considered priority objectives, as shown in this case with the control of inflation. Thus, fringe benefits did not stop growing in the Salary Councils throughout the period and the Labour Reform was not modified in its central contents. However, while until 2015 the government had agreed with the unions on the wage labour guidelines in the Wage Councils, since 2015 when the economy worsened it started to agree with the employers, with the central objective of containing inflation. The state-society coordination allowed the distributive conflict to be channelled in an institutionalized manner and the government to maintain its central objective, which was the macroeconomic balance, changing its position regarding the wage guideline and in between negotiating other benefits to compensate the losing groups in each case.

CHAPTER 7: Structural State Autonomy in Chilean Labour Policy (2003-2020)

Introduction

This chapter explores the role of Structural State Autonomy in Chilean labour policy with distributional effects during 2003-20. In Chapter 1, I argued that distributive processes in Latin America are strongly influenced by high regional structural volatility, with redistributive policies developed in expansionary phases followed by a retraction of these policies in economic slowdown phases. At the same time, however, I argued that the expansion and retraction of distributive processes do not occur in all contexts in the same way. In this vein, I outlined the expectation that coordination between business, workers, and the state in decision-making structures would contribute to deeper and more stable distributive processes. In sum, while macroeconomic volatility would weaken the stability of distributive policy, state-society coordination would confer stability to these processes shaping what I have called the Structural Autonomy of the State; defined as the state's capacity to implement stable distributive arrangements over time. Consequently, as I did in the previous chapter for the Uruguayan case, in this chapter I study labour policy in Chile during 2003-2020. In that line, I analyse two closely interconnected labour policies: Labour Reform and the evolution of Collective Bargaining Agreements. The Labour Reform aimed at improving workers' individual and collective labour rights, while Collective Bargaining is a bargaining process –carried out mostly at the company level- amongst workers and employers that determines wages and access to a set of fringe benefits. According to the theoretical framework of this thesis, I am interested in exploring two dimensions of analysis. First, to what extent did state-society coordination mechanisms shape the approval and implementation of Labour Reform and the agreements approved in Collective Bargaining during the economic boom phase (2003-2014)? Second, to what extent the distributive agreements reached within the framework of the Labour Reform and Collective Bargaining are modified during the period of economic slowdown (2015-2020).

This chapter draws two central conclusions. First, the low coordination of the unions among themselves, and the weakness of their links with the State, contributed to generating an unstable distributive coalition. This weakness contrasts with the sectors opposing the Reform, composed of highly coordinated businesses with institutionalized and long-term links to the State. As a result, not only were the most distributive components of the Labour Reform eliminated from the approved law, but also this reform was poorly negotiated and legitimized and therefore less stable, being vulnerable to modifications in the face of changes in the political-economic scenario. These conclusions coincide with the findings of the previous chapters, especially the analysis of the Tax Reform in Chile (Chapter 5). Secondly, as in the case of Uruguayan labour policy (Chapter 6), the analysis of Collective Bargaining showed that in those economic sectors where trade unions tend to be more coordinated and institutionalised and have a tradition of participation in bargaining processes with the business sectors, the extra-wage agreements obtained tend to be higher. Overall, the analysis of both policies shows that coordination between the State and society and within society (unions and business) is key to explaining the distributive outcome of

labour policy as well as its stability over time during the ‘ups’ and ‘downs’ of the economic cycle. Finally, this chapter also shows - in line with the findings of the previous chapter on labour policy in Uruguay - that the role of transnational capital in shaping labour policy is smaller than in the case of tax policy.

This chapter deploys a process tracing strategy supported by an ample variety of qualitative and quantitative evidence used in a triangulated manner. This evidence includes in-depth interviews with academics, politicians and labour specialists, review of parliamentary records, review of government programs, information extracted from the country’s main press, and finally information on fringe benefits approved in Collective Bargaining using data extracted from the Ministry of Labour and the Chilean Labour Survey. The analysis is carried out through the following structure. In the first section, I explore the process of approval of the Labour Reform and the evolution of Collective Agreements during the window of opportunity provided by the expansionary economic phase (2003-2014). In the second section, I explore the changes that both policies implemented during the economic slowdown phase (2015-2020). Finally, the chapter concludes with some reflections on the role of the Structural State Autonomy in explaining the distributive labour policy in Chile.

Labour Policy during the expansionary economic phase (2003-2014)

As in the previous chapters, in section 1, I analyse the approval and implementation of both policies during the expansionary phase of the economy (2003-2014), while in section 2, I explore the main changes experienced by these policies in the economic slowdown (2015-2020). In the case of Labour Policy in Chile, I study the Labour Reform (LR) and the Collective Agreements (CA), being both policies central axes of the Chilean labour regime, especially in terms of distribution. The Labour Reform aimed at improving workers' individual labour rights and especially collective rights; eliminating the central components of the Labour Plan (1979) approved during the Pinochet dictatorship, which despite several attempts, no government since redemocratisation had been able to reform (See Chapter 3). In turn, Collective Bargaining is *‘the procedure through which one or more employers relate with one or more trade union organizations or with workers who join for such purpose, in order to establish common working conditions and remunerations for a determined period of time (...)’* (Art. 303 of the Labour Code, Chile).

The analysis developed shows that the power of the business sector to ‘erode’ the objectives of the reforms and the fragmentation and weakness of labour union, shapes the approval of the Labour Reform with significant changes with respect to the original project, in line with business interests. In the case of Collective Bargaining, the analysis shows that in those sectors where unions are more organized and have a negotiation trajectory with employers, the results of negotiations are more successful. Overall, both policies show the importance of coordination between the State and social groups, and between the groups themselves (business and labour) to explain to explain the depth and stability of the distributive labour policy.

The approval process of the Labour Reform

In order to analyse the Structural State Autonomy during a policy reform process, it is necessary to explore the general characteristics of the policy area in which intervention is sought as well as the government's initial ambitions, to identify the eventual consistency with these initial intentions and the deviation from them shown by the results. In this section, I present information on the political context from which the Labour Reform process was initiated and its evolution. I divide the process into three chronological moments marked by: i) the government LR' proposal, ii) the role of business and unions in shaping the LR and iii) the characteristics of the approved reform in a new political and economic scenario.

Phase 1: The origins of the LR proposal

As I described in Chapter 3, during the first two decades of democratic government, the Concertación governments (1990-2010) tried on numerous occasions to reform the main norms of the 1979 Labour Plan approved during the dictatorial regime. Although some changes were made, the central contents of the Labour Plan remained largely unchanged. By 2010, during the first right-wing government (2010-2014) in decades, there was a progressive consolidation of opposition left-wing forces to the government. The massive social mobilisations in favour of education reform during 2011 and 2012 triggered a progressive rapprochement between the Concertación and left-wing parties such as the Communist Party, which had traditionally had exceptionally low parliamentary representation. At the same time, by supporting the process of social mobilisation and opposing the government, several former leaders of the 2011 student protests began to move closer to some Concertación leaders. Because of this rapprochement, in 2013 a new political party was born, the Nueva Mayoría, replacing the Concertación¹⁸⁴.

As I mentioned in Chapter 4 on Tax Reform in Chile, the Nueva Mayoría government (2014-2018) -headed by Michelle Bachelet- had a very different profile from its predecessor the Concertación (1990-2006), even from Bachelet's previous term (2006-2010). First, in line with the rest of the left turn in Latin America, the second Bachelet government –under the Nueva Mayoría political alliance- placed distributive issues at the centre of its political agenda, coinciding with the 'political climate of the time' at the regional level (Levitsky and Roberts, 2011). Second, with the incorporation into the alliance of the Communist Party and other minor left-wing sectors, as well as social, union and student leaders, the Nueva Mayoría incorporated a more transformative discourse than the gradualist one that had traditionally characterized the Concertación (See Chapter 3). Therefore, in that context, labour issues acquired much more political importance than before.

The Nueva Mayoría came to the government in 2014 with a favourable correlation of forces in Parliament and strong popular support for Bachelet herself. Thanks to a popularity ably enhanced during her previous term and her inaugural role as executive director of UN WOMEN (2010-2013), she was elected with a huge advantage (62% of the vote in the

¹⁸⁴ The Nueva Mayoría was compound by the Christian Democratic Party (PDC), the Socialist Party of Chile (PS), the Party for Democracy (PPD), the Radical Social Democratic Party (PRSD), the Communist Party of Chile (PCCh), the Citizen's Left (IC) and the Broad Social Movement (MAS).

second round)¹⁸⁵. The government program included significant reforms in three central pillars: education, taxation, and constitutional order, while also proposing reforms aimed at strengthening workers' collective rights (Bachelet's Government Programme, 2014-2018). The Labour Reform sought to address some historical demands not only of workers but also of international organisations. On numerous occasions, the ILO pointed out many breaches in Chilean labour legislation of the principle of freedom of association (Gamonal, 2019: 231-232) by ILO Convention No. 135 on workers' representatives¹⁸⁶. All those factors, helped to mobilise a political correlation of forces in favour of a labour reform aiming at modifying the labour regimen inherited from the Pinochet' dictatorship. Before the official presentation of the Labour Reform project, the Minister of Labour called together the main business associations -the Confederation of Production and Commerce (CPC), the Society for the Promotion of Manufacturing (SOFOFA), the National Society of Agriculture (SNA), the representatives of small and medium-sized enterprises, the three trade union centres and experts to more than 100 meetings¹⁸⁷, with the aim of generating a reform that would be the product of dialogue between all the social actors with relevance in the matter¹⁸⁸.

On 29 December 2014, President Bachelet announced the presentation of the labour reform bill. In the message presenting the bill, the President stated: *'In modern societies, democracy is not limited to the exercise of civil and political liberties (...) Collective Bargaining is also a manifestation of a democratic society, since it contributes to the organisation of workers and their expression as interest groups in the formulation of proposals aimed at improving employment and living conditions'*¹⁸⁹. The Reform was thus presented as a central axis in the democratisation and distributive processes. But what is even more important is the Reform placed Collective Bargaining and collective rights as a central objective¹⁹⁰; transcending the objectives centred on individual labour rights¹⁹¹ that had characterised the labour reform processes in the last Concertación governments (1990-2010).

The bill introduced in Congress proposed transformations that sought to strengthen workers' capacity for collective action based on five main provisions: 1) the recognition of trade union ownership and the prohibition of negotiating groups in companies where there were

¹⁸⁵ The Labor Reform required the approval of 69 deputies and 22 senators, although the Nueva Mayoría had the votes in the Chamber of Deputies, it lacked one vote in the Senate.

¹⁸⁶ In Press, [ILO Director General praised Chile's labor reform process](#), 9 de junio de 2016.

¹⁸⁷ Information extracted from the press. Press January 5, 2015 Asociación de Mutuales ['How the Labor Reform Managed to Impose Itself in the Face of the Treasury's Precautions'](#); Press January 13, 2015, Cooperativa.Cl ['Lessons from the Labor Reform'](#).

¹⁸⁸ Information extracted from the press In Press July 28, 2014 Dirección del Trabajo Chile, [Labor Minister, Javiera Blanco, delivered to the CUT methodological guidelines for the elaboration of the Labor Agenda](#); Press, September 9, 2014 La Tercera, [Minister Blanco reaffirms that labor agenda will be done "with a lot of dialogue and building agreements"](#); Press Dirección del Trabajo Chile, Press November 24, 2014 Cooperativa cl, [Government guaranteed dialogue "with all stakeholders" for labor reform](#); Press, December 27, 2014 Emol, ['Blanco says there has been "intense dialogue" with all actors after criticism of labor reform'](#)

¹⁸⁹ Information extracted from the press Presidential Message N° 1055-362. Date 29 December, 2014. Message in Session 110. 362nd Legislature.

¹⁹⁰ Information identified in primary sources by the author. See: Labour Section. [Government Program of the New Majority Government](#).

¹⁹¹ This differentiation is recurrent in the literature on labour reforms and is based on the different actors that can benefit or be harmed by reforms in each of these dimensions. While collective rights reforms directly affect trade union organizations and their leaders, individual rights reforms tend to affect formal workers in general, regardless of their degree of organization (see Cook, 2007; Murillo and Schrank, 2005).

trade unions; 2) the end of the replacement of strikers following Convention No. 87 (Freedom of Association and Protection of the Right to Organise) and Convention No. 98 (Right to Organise and Collective Bargaining) of the ILO; 3) the extension of Collective Bargaining coverage to new workers who join unions; 4) the obligation for the employer to negotiate with the inter-company union in large and medium-sized enterprises and the power to do so voluntarily in micro and small enterprises; and 5) the extension of the unions' right to information¹⁹². Instead, other historical demands of the unions were not even included in the original reform proposal, such as Collective Bargaining by branch of activity and not by company. Thus, although this proposal was especially demanded by the unions, it was not incorporated into the Labour Reform due to the strongly rejection it generated among the business sectors¹⁹³.

Phase 2: the response of the civil society to the Labour Reform

The announcement of the reform was immediately welcomed by the trade unions and harshly criticized by the political right and business sectors¹⁹⁴. Since November 2014, faced with the employers' request for a postponement, the president of the main trade union confederation, the Central Unitaria de Trabajadores (CUT), called for the approval of the bill to be speeded up, arguing that it was especially important for workers¹⁹⁵. However, during the same period, some groups represented by the CUT started to argue that *'although the bill was well inspired, it had fine print'*¹⁹⁶, questioning thereby the official backing given by the President of the CUT. In fact, as the secretary general of the CUT, a member of the Socialist Party and therefore close to the government, had pointed out within the CUT there were different opinions on the matter, since *'the labour reform has several issues that instead of helping, complicate trade unionism'*¹⁹⁷. In the same vein, the CUT vice-president argued that the project left much to be desired and that *'it further reinforces the deep mistrust with which the political leadership views workers' organisation'*¹⁹⁸. Over time, contradictory voices began to multiply within the CUT itself¹⁹⁹. Thus, some groups of workers emphatically rejected the provisions that obliged the union to provide 'minimum services' to guarantee the 'indispensable functioning' of the company during strikes (Perez Ahumada, 2021: 89-90). While Communist Party leaders argued that the reform should be

¹⁹² Information identified in primary sources by the author. See: [Boletín N° 11.617-07](#), 2014; Government Plan 2014-2018: 92.

¹⁹³ Interview 14, Politician, economist, former senior official of the Ministry of Finance, member of the Concertación and the New Majority, Chile. Also see Press, El Mostrador, [Studies: the boogeyman of branch bargaining and its comparative effect on other economies](#), August 15, 2015.

¹⁹⁴ Interview 14, Politician, economist, and former senior official in the Ministry of Finance, member of the Concertación and the Nueva Mayoría, Chile. Also in Press, El Mostrador, ['The boycott of Bachelet that no one dares to talk about'](#) 10 de Noviembre de 2017

¹⁹⁵ Information extracted from the press, See: Press November 2, 2014 The Clinic [Figueroa asks government to speed up sending labor reform bill to Congress](#); Press November 2, 2014, La Tercera, ['Labour reform: CUT asks government for meeting on "pending issues"'](#).

¹⁹⁶ Information extracted from the press, See: El Mostrador, February 5, 2015 [Labor reform opens new flank of dispute within the CUT](#); In Press, Diario UChile, January 14, 2015 [The fine print of the Labor Reform](#)

¹⁹⁷ Information extracted from the press. See: February 5, 2015 [La Tercera Labor reform opens new flank of dispute within the CUT](#)

¹⁹⁸ Idem.

¹⁹⁹ Information identified in primary sources by the author. See Document: [Statement on the Labor Reform Bill approved by the Labor Committee of the Chamber of Deputies](#).

largely protected for its positive aspects, others argued that that workers should reject the reform (Perez Ahumada, 2021: 89-90).

As time went by and the reform process progressed, the CUT distanced itself from the government. By January 2015, even the president of the CUT herself, who at the beginning had welcomed the initiative, now pointed out that there are *'elements that are even more serious since they contradict what the Presidential Message proposes and the first part of the bill'*²⁰⁰. In particular, the CUT rejected three points of the Reform that went against their original spirit: the bureaucratic obstacles to the exercise of Collective Bargaining between the counterparts (business and labour), the existence of rules that generate excessive regulation of trade union action typifying new grounds for dismissal and sanctions, and finally, the period of one year for the new regulation come into force, which they described as excessive²⁰¹. Meanwhile, a group of trade union associations, prominent trade union leaders and reputed law professors, together with former leaders of the student movement and current deputies, signed a public declaration stating that *'the labour reform bill, as it is formulated today, does not overcome the Labour Plan but maintains it and in other cases deepens its injustice'*²⁰². During the march on 1 May 2015, the vice-president of the CUT, the president of the Confederation of Copper Workers and other union leaders reinforced these same demands²⁰³.

In a nutshell, the position of the workers was changing and very fragmented. In particular, the country's main trade union confederation, the CUT, had a hesitant and changing position. Although they initially supported the proposal, they did not do so unanimously, and there were contradictions between the positions of their main leaders. The same could be said about the position of the other relevant trade union organisations - the Confederation of Copper Workers (CTC) and the Chilean Port Union (UPCh). Over time, both turned against the reform due to disagreements similar to those made by the CUT and additional criticisms such as the maintenance of emergency services during strike action, company-level bargaining, and the power given to the courts to suspend Collective Bargaining²⁰⁴.

Instead, unlike the workers, the business community acted in an organized and coordinated manner, pursuing common objectives²⁰⁵, as it did during the tax reform process (See Chapter 5) and as much of the literature has repeatedly pointed out in various areas of public policy (Bogliaccini, 2019; Fairfield, 2015; Schneider, 2004; Haagh, 2002). Therefore, a working group was formed by around 50 business associations, called *Por una reforma laboral para todos* ('for a labour reform for all'), through which they signed a protocol of agreement to

²⁰⁰ Information extracted from the press. See: January 12, 2015 [CUT Will Not Attend Labor Commission Due To Doubts About Labor Reform And Appointment With Ministries](#).

²⁰¹ Idem.

²⁰² Information extracted from the press. See: March 17, 2015, [Statement on the Labor Reform Bill](#).

²⁰³ Information extracted from the press. See: Sindical cl ['In the midst of the Labor Reform debate, workers commemorate their day'](#), May 1, 2015.

²⁰⁴ Information extracted from the press. See: July 2, 2015 ['Port Union of Chile announced a national stoppage of ports from July 6'](#); Press July 17, 2015 ['Portal fruticula, Unión Portuaria de Chile calls for national strike on June 18'](#); Press January 12, 2015 DiarioUChile ['Manuel Ahumada \(CTC\): "In the Labor Reform international agreements are not respected'](#)

²⁰⁵ Information extracted from the press Press, El País December 29 2014 [Labor reform put Bachelet against business leaders](#) 29 de Diciembre de 2014; Press August 28, 2015 El Financiero, [Businessmen reiterate that they are not opposed to the labor reform but to its design](#).

address negotiations with the government²⁰⁶. The employers deployed a variety of actions including publicity campaigns, explanatory videos on the negative aspects of the reform²⁰⁷, direct contact with senators and deputies close to them, dissemination of articles in the media and Think Thanks, among others²⁰⁸.

The Labour Reform bill was rejected by the six sectoral associations affiliated to the Confederation of Production and Commerce (CPC)²⁰⁹ (Perez Ahumada, 2021: 90). Employers argued that the reform promoted labour conflict and that it would be especially damaging given the macroeconomic context of the moment. For instance, the *Sociedad de Fomento Fabril* (hereafter Sofofa), through its president, had requested in September 2014 to postpone the debate until the country's growth reaches at least 4 or 5 percent²¹⁰. In the same vein, the president of the National Society of Agriculture (hereinafter SNA) pointed out that the labour reform inhibited growth, which was already affected by the 'bad' tax reform and the economic slowdown²¹¹. In addition, employers argued that *'the reform affected freedom of association and promoted inequality among workers (...)'*²¹². In the same vein, the president of Sofofa, referring to the end of strike replacement, argued that this measure could have a profound economic impact increasing in labour conflict and unemployment²¹³. Meanwhile, the National Confederation of Micro, Small and Medium Enterprises of Chile (hereinafter Conapyme) and the Association of Entrepreneurs of Chile (hereinafter Asech), described it as an *'attack on the middle classes'* and as a *'tombstone for small national companies'*²¹⁴.

Accordingly, as was the case in the Tax Reform debate process, during the Labour Reform negotiation process, business groups were further strengthened at the same time as trade union groups were weakened. In effect, the debate contributed to exacerbating the already existing fragmentation of the trade union actor by weakening its influence, while the business position was strengthened by its coordination in deploying a series of actions to influence the reform. In the end, the process that was supposed to contribute to a greater

²⁰⁶ Information extracted from the press Press, Diario El Financiero, [Labor reform: businessmen join forces and create negotiating commission to demand changes](#), April 16, 2015. La Tercera, [Business associations create negotiating commission for labor reform](#), April 15, 2015.

²⁰⁷ Information extracted from the press Press, La Tercera, [Business leaders launch video in which they make harsh criticism of labor reform](#), April 15, 2015; Press Televisión [Business leaders harshly criticize labor reform through video](#), April 15, 2015.

²⁰⁸ Information extracted from in-depth interviews.

Interview 15, Politician, economist, former senior official in the Ministry of Finance, member of the Concertación, Chile

²⁰⁹ The Association of Banks and Financial Institutions (ABIF), the Chilean Chamber of Construction (CChC), the National Chamber of Commerce, Services and Tourism (CNC), Commerce, Services and Tourism (CNC), the National Agrarian Society (Sociedad Nacional Agraria, SNA), the Society for the Promotion of Manufacturing (SOFOFA) and the National Mining Society of Chile (SONAMI)

²¹⁰ Information extracted from the press Red Digital, [Sofofa called for postponement of labor reform due to slowdown](#), October 22, 2015.

²¹¹ Information extracted from the press, La Tercera, [SNA President blames structural reforms for economic slowdown](#), June 15, 2015.

²¹² ²¹² Information extracted from the press Emol, [Labor reform: ABIF presents the union's concerns before the Senate Committee](#), July 13, 2015.

²¹³ ²¹³ Information extracted from the press, Cooperativa.cl, [Sofofa: Labor reform attacks democracy](#), July 20, 2015.

²¹⁴ Information extracted from the press, La Tercera, [Labor reform, if not reformed, is going to hurt SMEs'](#) March 9, 2015

balance of power between business and trade unions in distributive policy ended up exacerbating the already existing coordination model based primarily on state-business bargaining.

In a nutshell, Bachelet came to government with strong popular support and the original contents of the reform met the historical demands of both workers and the ILO. Yet, despite all this, the reform was substantially modified according to business interests. As the government accepted some of the points demanded by the employers, it was losing the already weak, fragmented, and hesitant support of the workers. As a product of this process, and the similar problems the government was facing with other reforms (e.g. tax reform: see chapter 5) the government began to lose popular support and the government coalition itself began to split. As a result, President Bachelet decided to change the course of the administration by promoting what she called and what became popularly known as *'the second half: realism without resignation'*.

Phase 3: Gradualism and 'realism without renunciation'

In 2015, President Bachelet sought to rebuild the relationship with the business community by giving clear signals of support for their demands and modifying several components of the original proposal.²¹⁵ Therefore, in May 2015, amid a wave of criticism of her reforms the president carried out a restructuring of her political orientation that she herself called *'realism without resignation'*²¹⁶. This new period was characterised by a major change in her political team, removing the ministers of the interior, finance, and secretariat of the presidency, the general secretariat of government and the minister of labour²¹⁷. In addition, it should be noted that this 'second half' of the reform debate took place after the Chilean economy had already begun to slow down due to the fall in the price of copper due to lower demand from China²¹⁸ (Poveda Bonilla, 2019). These factors had a significant impact on the government's position on the reforms²¹⁹. In this regard, President Bachelet stressed: *'For this new momentum to be effective, we must consider the conditions and difficulties of the new economic, social, political and management context we face (...) We have to approach our second term assuming, then, the effect of these difficulties, but without this meaning*

²¹⁵ Information extracted from in-depth interviews. Interview 15, Politician, economist, former senior official in the Ministry of Finance, member of the Concertación, Chile. Also see: Document: [National Evaluation and Productivity Commission, Bachelet seeks to rebuild relationship with entrepreneurs in the face of low growth](#), April 26, 2016.

²¹⁶ Information extracted from the press. See: Le Monde Diplomatique Chilean edition, ['Bachelet: between realism without renunciation and the measure of the possible'](#) July 14, 2015; EFE, ['Bachelet promises "realism without resignation" in the second phase of her mandate'](#) July 10, 2015; Cooperativa.cl ['Realism without resignation: Bachelet's new slogan'](#) July 10, 2015; America economy, ['Bachelet says she is not giving up on transcendental program reforms'](#), Aug. 9, 2016; El Mostrador, ['The gradualists' counter-offensive'](#), August 10, 2016.

²¹⁷ Idem.

²¹⁸ Mining is one of the most important economic sectors in Chile and has historically contributed the most to the country's GDP, in fact Chile is the source of one third of the world's copper supply, making it the largest copper producer in the world. The copper price had peaked in 2007, under the first Bachelet administration. However by 2013 China, which had become the largest importer of copper in 2014, accounting for 40% of the international market, began to lower demand affecting prices

²¹⁹ Interview 14, Politician, economist, former senior official in the Ministry of Finance, member of the Concertación and the Nueva Mayoría, Chile.

*forgetting our commitment to citizens...". If I could sum it up, this is realism without renunciation*²²⁰.

The economic situation was one of the main justifications used by business sectors against the reform and later echoed by the government to describe the initiative as 'gradualist'. Businessmen welcomed this new 'gradualism' in the labour reform, but even so, they continued to demand greater changes in the reform to improve the economic situation²²¹. The organized labor, instead, strongly criticized the government for this complacency to the demands and pressure of the employers, contrary to the government's own programme and the content of the president's own declarations at the beginning of her term in office. In particular, the trade union confederations criticized the maintenance of minimum services during strikes and the obligation to negotiate at the company level²²². In the same vein, a group of social organizations signed an open letter to President Bachelet, expressing their concern about the concept of 'realism without resignation' and the government's support for the position that the reforms would further affect the economic slowdown, arguing that the government would be giving in to the 'veto power of the owners of great wealth', and accusing the government of an 'economistic and mercantile evaluation' contradictory to 'the programmatic challenges committed'²²³.

Conclusions: the effect of SSA in the Labour Reform

On 29 December 2014, the draft Law No. 20.940 entered the Chamber of Deputies and during 2014 and 2015, employers had direct negotiations with some senators through various formal and informal meetings and carried out coordinated advocacy campaigns using think tanks, media, and others.²²⁴ On 13 April 2015, the Executive submitted more than 800 amendments to the Labour Committee of the Lower House for consideration²²⁵. As time went by and the negotiation process moved forward, the government lost the support of the CUT. After a debate of almost 2 years, the President of the Republic, Michelle Bachelet, signed Law No. 20,940 on August 29, 2016, which introduces modifications to the labour relations system. Following the passage of the law, legislators from the right-wing political parties Unión Demócrata Independiente (UDI) and Renovación Nacional (RN) challenged the constitutionality of four of its main provisions (Antia, 2019: 159). On 27 April 2016, the Constitutional Court declared two of the four challenged provisions unconstitutional: union tenure and the extension of union benefits to new members as a collective instrument. Consequently, the government had to enact a new law that eliminated some provisions of the previous one (Idem). According to the Nueva Mayoría, the reform

²²⁰ Idem.

²²¹ Information extracted from in-depth interviews. Interview 14, Politician, economist, former senior official in the Ministry of Finance, member of the Concertación and the Nueva Mayoría, Chile

²²² Information extracted from the press. See, Nuevo Poder, '[Labor Reform: CUT calls to march this Saturday with umbrellas](#)', July 9, 2015; The Clinic, '[Statement on the Labor Reform Bill](#)', March 17, 2015.

²²³ Press, El Mostrador, '[Social organizations ask Bachelet that "realism without resignation" should not be a brake on reforms](#)', August 3, 2015.

²²⁴ Information extracted from the press. See, América economía, '[Bachelet defends Labor Reform before Chilean businessmen](#)', November 6, 2014.

²²⁵ Information extracted from the press. See, '[Government introduces today changes to labor reform](#)', April 13, 2015.

approved in 2016 implied ‘a significant advance for labor relations’, however, President Bachelet herself emphasized that initially ‘we aspired to more’²²⁶.

Table 30. Main measures of the Labour Reform that favour workers with respect to the previous system.

Measures	Description
Collective Bargaining: extension of its coverage.	Article 365 states that temporary, seasonal and temporary workers may now bargain collectively.
	Art 364 states that workers affiliated to an inter-company union may negotiate with their employer
Right to strike	Article 345 states that ‘strike is a right that must be exercised collectively by the workers. However, limitations to the right to strike are outlined in Art. 359 concerning ‘minimum services and emergency teams.
Organizational parallelism between bargaining groups and unions	The reform bill was intended to install the so-called ‘union ownership’, which implies that the union is the main subject in charge of carrying out the Collective Bargaining process on behalf of the workers. This aspect was approved in the Chilean Congress but was challenged by the Constitutional Court (TC).
Expansion of negotiation topics	Article 306 states that Collective Bargaining covers matters of the common interest of the parties that affect the mutual relations between workers and employers.

Own elaboration based on González Candia and Portugal Campillay, 2018; Gamonal, 2019; Caamaño, 2016.

Table 31. Trade Unions and Strike regulations in Chile and Uruguay after left-wing labour reforms during 2003-2020

		Chile	Uruguay
Trade unions	Requirements for the formation of trade unions	There are regulated requirements	No requirements
	Monopoly of trade unions as bargaining groups in Collective Bargaining	No	Yes
	Trade Union Centres	Three national unions: Central Unitaria de Trabajadores de Chile (CUT), Central Autónoma de Trabajadores (CAT), Unión de Trabajadores (UT)	A Single Central national confederation union: Plenario Intersindical de Trabajadores- Convención Nacional de Trabajadores (PIT-CNT)
Strike	Restrictions	Unions and groups must provide ‘minimum services’, and workers providing ‘essential services’ are prohibited from striking.	It is not regulated except for essential services where the authority may provide for the necessary measures to maintain these services

Source: own elaboration

Overall, the balance of the reform process was negative for the workers. Although the Reform introduced some modifications favourable to workers (See Table 30), it maintained several of the central features of the labour regime inherited from the dictatorship and maintained during democratization. Due to their power, the employers were able to significantly ‘erode’ the reform. Likewise, due to the fragmentation and low organization

²²⁶ Information extracted from the press. See, El Mostrador, [Bachelet promulgates labor reform admitting: "We aspired to more"](#), August 29, 2016.

of the unions, they were unable to significantly influence the process and act as a 'counterweight' to business power. The disparity of power between the two actors (business and unions) creates a system that inhibits coordination, since employers can impose their interests without negotiating. Although Law 20.940 restricted the ability of employers to unilaterally extend Collective Bargaining agreements to non-unionized workers (now the extension has to be agreed between the union and the employer), the most relevant pro-worker measures included in the bill were eliminated from the approved law (See Table 32). In conclusion, the Chilean labour reform was passed and although it improved some provisions for workers, overall, it was significantly modified according to the interests and lobbying capacity of business groups. Complementing this analysis, in the next section, I analyse another key aspect of labour relations in Chile: Collective Bargaining.

Table 32. LR' modifications with respect to the original draft, in accordance with business interests

Maintenance of the scope of Collective Bargaining at the company (and not sectoral) level
Maintenance of non-unionized 'bargaining/negotiating groups' as an alternative interlocutor for trade unions when there is no trade union organisation with the right to negotiate
Increased barriers to obtaining union recognition in the workplace.
Limits to strike action, including the requirement to maintain 'minimum services.
Increased barriers to obtaining union recognition in the workplace.

Source: own elaboration based on González Candia and Portugal Campillay, 2018; Gamonal, 2019; Caamaño, 2016.

The evolution of Collective Bargaining in Chile

This chapter argues that to have a complete picture of the labour relations in Chile in the 2000s, it is not enough to analyse the Labour Reform, but it is also necessary to analyse the results of Collective Bargaining, as I did in the Uruguayan case (Chapter 6). In Collective Bargaining, workers and companies discuss wages and working conditions. The data about bargaining coverage in Chile indicate that only a small proportion of workers can bargain collectively. Taking as a reference 2015, the data indicate that Collective Bargaining does not exceed 20%, regardless of the calculation methodology adopted²²⁷ (Dirección del Trabajo, 2022: 31). The low coverage and the fact that Collective Bargaining takes place at the company level and not at the branch level -as is the case in Uruguay- structurally limit the power of this mechanism to influence the extension of individual and collective labour rights. Even so, although only a low percentage of the population bargains collectively in this format, analysing Collective Bargaining makes it possible to capture some phenomena that cannot be understood through the analysis of universal Labour Codes at the national level. Analyses of labour reforms can be particularly useful for understanding the role of local actors, but because of the universal component of these policies, they are less useful for identifying differences between different groups of workers. Thus, as in the Uruguayan case (Chapter 6), to understand the heterogeneity in access to labour instruments or

²²⁷ Data on bargaining coverage in Chile indicate that this instrument covers 17.6% of workers according to the ILO and 19%, according to the OECD.

agreements among different groups of workers, the results of Collective Bargaining must be analysed in depth. In general, this section shows that the bargaining power of unions and the willingness to bargain of business are crucial variables in explaining Collective Bargaining outcomes in each economic sector.

Overall characteristics of Collective Bargaining

Collective Bargaining is a right guaranteed by the Chilean Constitution through which extra-wage agreements are established between employers and workers for the purpose of fixing common working conditions and remuneration or other benefits in cash or in kind (Book IV of the Labour Code). In addition to the employers, the negotiating institutions may be composed of company, inter-company, or independent workers' unions (Article 216) - in their various forms of Federation or Confederation - or by a negotiating group²²⁸. The following table sets out the main characteristics of Collective Bargaining in Chile in comparison with Uruguay.

Table 33. Collective Bargaining and trade unions in Chile and Uruguay

	Chile	Uruguay
Name of the type of agreements negotiated	Collective instruments (collective agreements, Collective Bargaining agreements).	Fringe benefits or Labour clauses
Negotiating entity	Trade unions and negotiating groups ²²⁹	Trade unions
Negotiation level	Company, inter-company and self-employed	Economic branch (Salary Councils)
Negotiated issues	Salary, and fringe benefits (from 2016)	Salary and fringe benefits

Source: own elaboration

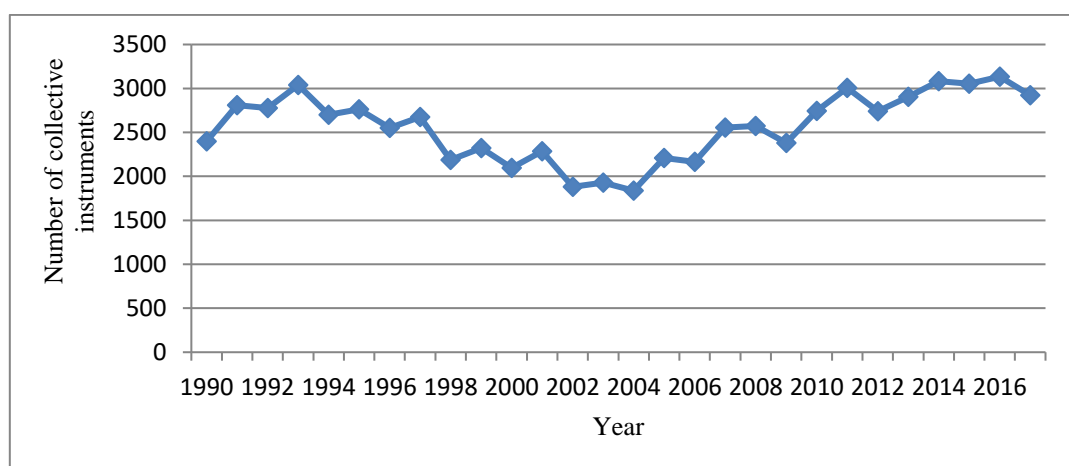
Collective Bargaining implements the so-called Collective Instruments or fringe benefits, which determine the common working conditions and remuneration for the period agreed between the parties. These instruments include severance payments, training, monetary benefits, or flexible working hours, among others. Overall, in Chile Collective Bargaining is mostly carried out at the company level and not at the branch level -as in Uruguay. Its coverage tends to be low, and the number of collective instruments approved has not varied significantly over the last thirty years. In fact, the evolution of the number of Collective Instruments from the end of the dictatorial period (1990) until one year after the approval

²²⁸ A negotiating group is a group of non-unionised workers who come together for the unique purpose of Collective Bargaining with their employer.

²²⁹ In companies where there is no trade union organisation with the right to negotiate, negotiating groups may do so.

of the new labor reform has shown to be slightly volatile although with an upward trend since 2014 (Figure 13).

Figure 13. Collective instruments per year 1990-2017



Source: own elaboration based on data from the Dirección del Trabajo, Chile.

The objective of this section is to explore the evolution of Collective Bargaining agreements during the last decade. I am interested in analysing the number of Collective Instruments approved by economic sector defined following the International Standard Industrial Classification (ISIC, rev 4)²³⁰. For this purpose, I accessed data from the Ministry of Labor on the number of agreements by the sector, and analyzed the agreements according to the relevance of their unions (using as a proxy the number of members, the number of active unions by sector, the unionization rate and information extracted from in-depth interviews). I combined these data with qualitative information extracted from in-depth interviews, from the Labor Survey (ENCLA) and with secondary information extracted from reports of the Labor Directorate (1990-2020). Overall, the results of this analysis allow me to conclude that company-labor coordination mostly explains the number of collective instruments approved.

Evolution of fringe benefits in the Collective Agreements

As the following figures and tables show, the sectors 'Transportation, Storage and Communications', 'Trade' and 'Manufacturing Industries' are the sectors with the highest unionization rate for the period 2011-2016 (Table 34)²³¹, they have the highest number of union members (Figure 14) and they concentrate the highest number of active unions (Figure 15). Likewise, these three sectors have the highest number of fringe benefits (Figure 16), demonstrating the importance of union organization in obtaining fringe benefits. Although these data may be influenced by the size of the sectors, other complementary data

²³⁰ The International Standard Industrial Classification of All Economic Activities (ISIC) is the international reference classification of productive activities. Its main purpose is to provide a set of activity categories that can be utilized for the collection and reporting of statistics according to such activities. Description of the economic sectors that make up the classification available in [ISIC rev 4](#). In Chile, negotiations are structured according to the following categories.

²³¹ The proportion of workers, expressed as a percentage, who are unionized (affiliated to a union) with respect to the total number of workers in the formal market.

indicate the importance of unions in the ability to obtain fringe benefits in Collective Bargaining. For example, a greater number of agreements are reached when unions participate in agreements rather than non-union bargaining groups (Figure 17).

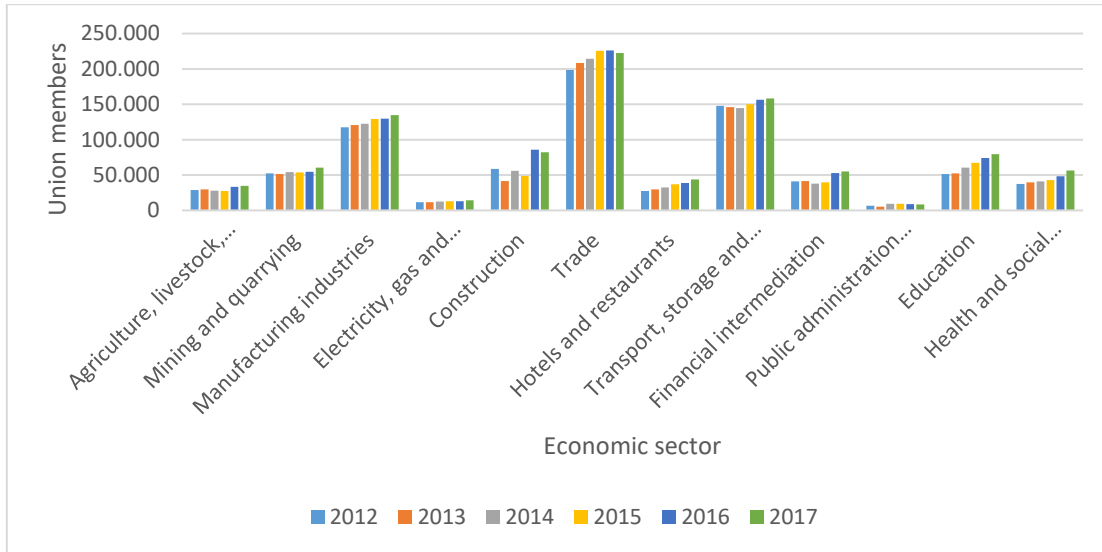
Furthermore, these results on the relationship between union membership and working conditions are consistent with the work of Landerretche, Lillo, and Puentes (2013) showing that workers who belong to unions tend to have 18-25% higher wages and are also consistent with the work of Huneus, Flores, and Gonzalez (2014) showing that unionized workers tend to accumulate better wage and working conditions. Finally, these results analysed for the last decade coincide significantly with a report made by the Labour Directorate at the end of the 1990s, which indicated that the variables that influenced the results of Collective Bargaining in Chile were the representativeness of the unions, their legitimacy in the eyes of the company and their bargaining capacity (Labour Directorate, 2000: 128). In sum, the descriptive statistics shown in this thesis, as well as the analyses carried out in previous studies, reaffirm the importance of union organization in obtaining complementary benefits in Collective Bargaining.

Table 34. Unionization, by branch of economic activity, 2011 to 2016 (percentage)

Sector	Year					
	2011	2012	2013	2014	2015	2016
Agriculture, livestock, hunting, and forestry	3.0	3.0	3.1	2.8	2.6	2.9
Fishing	4.2	3.8	3.6	3.7	3.7	3.5
Mining and quarrying	5.1	5.6	5.5	5.5	5.1	4.8
Manufacturing industries	12.7	12.5	12.8	12.4	12.3	11.4
Electricity, gas and water	1.3	1.2	1.2	1.3	1.2	1.2
Construction	6.9	6.2	4.4	5.7	4.7	7.5
Trade	20.5	21.1	22.2	21.8	21.5	19.8
Hotels and restaurants	2.8	2.9	3.2	3.3	3.5	3.4
Transportation, storage, and communications	16.2	15.7	15.5	14.7	14.3	13.7
Financial Intermediation	4.3	4.4	4.4	3.8	3.8	4.6
Real estate, business, and rental activities	5.6	5.6	5.7	5.7	5.8	5.4
Public administration and defence	0.7	0.7	0.6	1.0	0.9	0.8
Education	5.2	5.5	5.6	6.1	6.4	6.5
Health and Social Services	4.0	4.0	4.2	4.2	4.1	4.2
Other community, social and health serv. Community, social and personal services	7.0	7.1	7.0	6.5	7.7	7.2
Private households with domestic services	0.0	0.0	0.0	0.1	0.1	0.1
Extraterritorial organizations and bodies	0.0	0.0	0.0	0.0	0.0	0.0
Other and Unspecified	0.5	0.6	0.9	1.6	2.3	2.9
Total	100	100	100	100	100	100

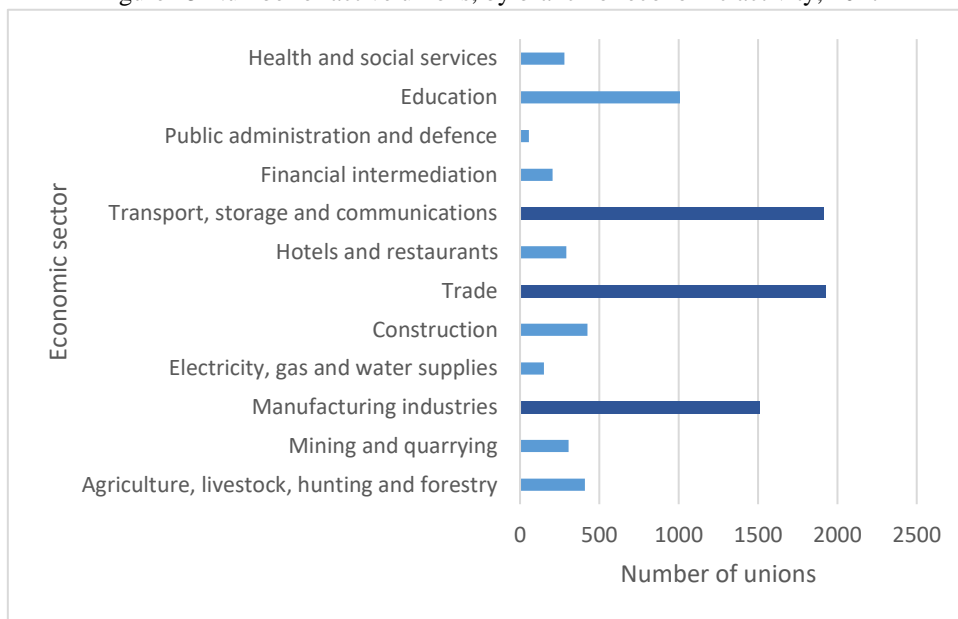
Source: Compendium of Statistical Series 1990-2016. Directorate of Labour.

Figure 14 Population affiliated to active labour unions, by branch of economic activity, 2012-2017.



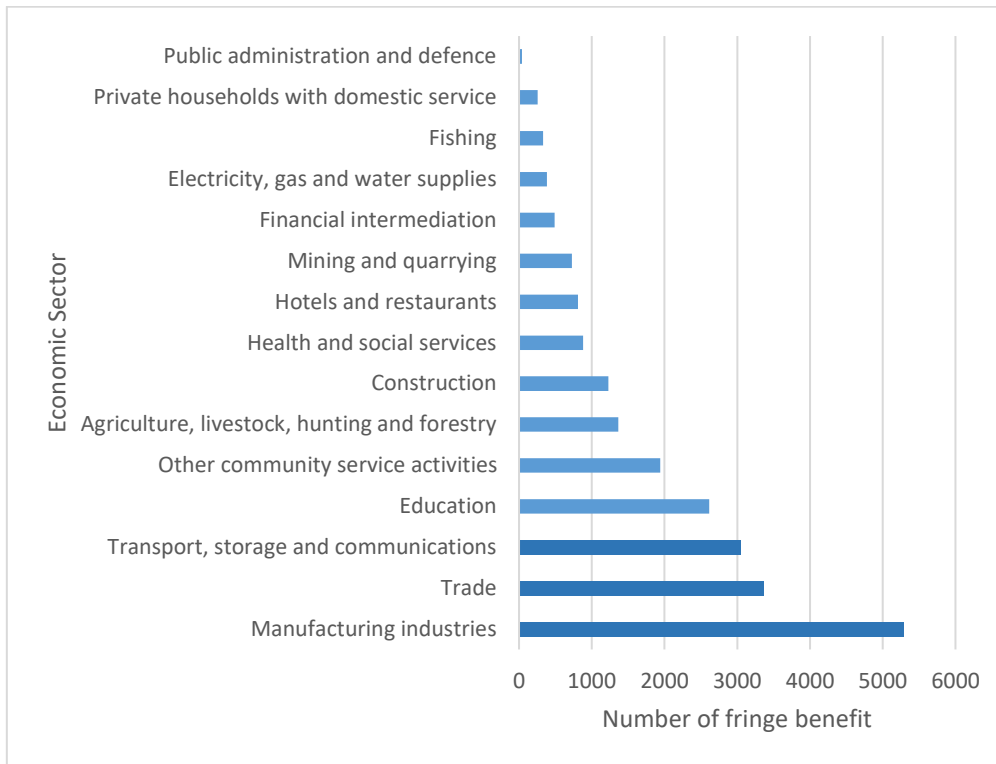
Source: Own elaboration based on administrative records, Dirección del Trabajo, Chile.

Figure 15 Number of active unions, by branch of economic activity, 2017



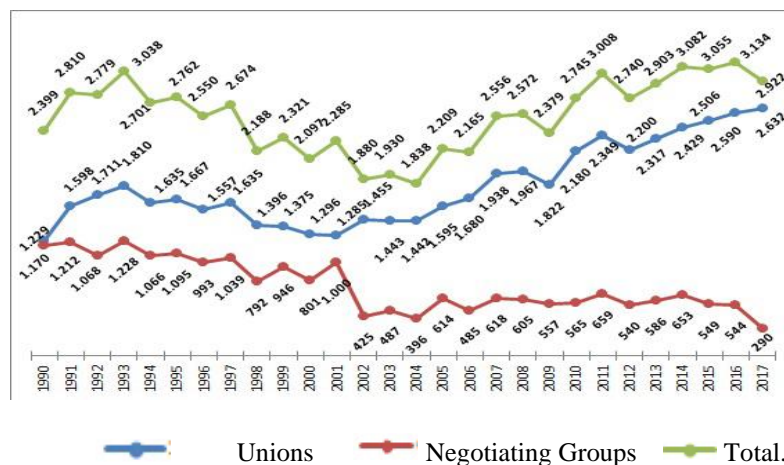
Source: Own elaboration based on administrative records, Dirección del Trabajo, Chile.

Figure 16 Collective Instruments bargaining agreements by economic sector 2009-2017.



Source: Own elaboration based on information on agreements approved in Collective Bargaining (extracted from the Ministry of Labor)

Figure 17. Collective instruments that enter into force each year, by bargaining entity, years 1990 to 2017



Source: Dirección del Trabajo, Chile. Prepared by: Statistical Analysis Unit, Research Department.

However, it is not only the unionization of trade unions that is crucial in analysing bargaining outcomes, but also the role of the employers in each sector. Indeed, as mentioned by one of the interviewees, *'the ability to negotiate is key, the information available to the union, the experience in negotiation and the attitude of the employer'*²³². Along the same lines, another of the interviewees pointed out: *'there are groups that are better equipped to*

²³²Information extracted from in-depth interviews. See: Interview 22, Economist, United Nations System, Chile.

*negotiate (...) there is already a certain tradition of negotiating and the businessmen expect it to be so (...) on the other hand, there is a lot of resistance in other groups*²³³.

These results are also showed by an analysis carried out by the Labour Directorate where, through interviews with union members, it is identified that not only the power of the union is relevant but also the attitude of the employer and its coordination and negotiation capacity (Díaz, 2022). Finally, this can also be corroborated by the Labour Survey (ENCLA) conducted in 2019, where unionists stated that the business attitude in negotiation is fundamental to achieve a more successful negotiation process and with greater labour benefits (See Table 35)²³⁴. In that line, the following table shows the opinions of union leaders regarding the extent to which the different attitudes of employers facilitate or inhibit union action and the functioning of Collective Bargaining.

Table 35. Perception of unions on how the company's attitude influences the union's achievements.

Willingness of the company to negotiate	Performance of the trade union	Collective Bargaining process
Facilitates	73.3%	56.7%
Does not hinder or facilitate	16.4%	29.5%
Hinders	10.3%	13.8%
Total	100%	100%

Source: own elaboration based on data extracted from the 2019 Labour Survey. Note: Percentage distributions are calculated over the total number of valid cases in the subset of companies whose majority union collectively bargained between 2015 and 2019.

In summary, the analysis of Collective Bargaining in Chile shows that there are significant differences within economic sectors in terms of agreed labour benefits. Through extensive triangulation and information including in-depth interviews, qualitative analysis of labour surveys, quantitative analysis of agreed benefits and unionization levels, and analysis of documents from the Directorate of Labour, this section shows that union power and the willingness of companies to negotiate are key variables in explaining the achievement of higher collective instruments, regardless transnationalization of the sector. Overall, the results of the analysis of Collective Bargaining coincide significantly with the results of the analysis of Labour Reform, pointing out in both cases the importance not only of union power but rather of the existence of a history of coordination and negotiation between workers and companies as key variables to explain the distributive results of labour policy.

Labour Policy during the economic slowdown phase (2015-2020)

Just as in the previous section I analysed the approval of the Labour Reform and Collective Bargaining Agreements during the expansionary economic phase, in this section I analyse the evolution of both policies during the general economic slowdown (2015-2020). As I have mentioned throughout this thesis, especially in Chapter 1, I am interested in analysing the factors that contribute to explaining the approval of distributive processes as well as

²³³ Information extracted from in-depth interviews See: Interview 20, Economist, United Nations System, Chile

²³⁴ In addition, as extracted from the analysis of the Encla 2014 and Encla 2019, employers' perception of the positive role of the union as an organization that facilitates labour relations is in the majority among employers who have experience of relations with at least one union in the medium term.

what explains the stability of these processes over time. I claim that when resources are scarcer, and various sectors see their relative situation worsen, greater distributional conflict occurs and tends to undermine distributional policy. However, I also argue that policy retrenchment processes tend to moderate when there is greater state-society coordination. Accordingly, in this section I question whether the main distributive components of Labour Reform and Collective Bargaining Agreements changed in the face of the general economic slowdown, and what has been the role of state-society coordination in these processes.

Overall, the analysis shows that the macroeconomic situation conditioned the approval of the Labour Reform itself, which, together with pressure from business sectors, eliminated the most distributive aspects of the original proposal. Moreover, after its approval, a new attempt was made to modify the LR with the aim of eliminating its most distributive components. Collective Bargaining, instead, remained stable during the period, but due to its low coverage, its distributive role is extremely limited. In sum, this section shows that due to the exclusionary state-society coordination, based fundamentally on state-business coordination, the Labour Reform had low social support and therefore tends to be more unstable and malleable during downturns in the economic cycle.

The Labour Reform and the Collective Bargain during 2015-2020

As I noted above, the less favourable macroeconomic situation that the country began to experience from 2014 significantly shaped the debate on the approval of the Labour Reform. Indeed, since 2015, the Nueva Mayoría government led by Bachelet was characterised by what she herself called 'realism without renunciation' in an attempt to moderate the objectives not only of the Labour Reform but also of other reforms such as the Tax Reform. As a result, unlike the other reforms analysed in the previous chapters (4, 5 and 6), in the case of the Labour Reform in Chile passed in 2016 there was little to retreat from, as the reform itself was significantly shaped by a discourse based on 'moderation'. However, given that the economy did not recover the dynamism of the super-cycle period and given that the Nueva Mayoría government was replaced from 2018 onwards by a centre-right government, it is worth asking what changes the Labour Reform underwent in this new political-economic scenario.

The new centre-right government led again by Piñera (2018-2022) included in its government plan a series of measures aimed at 'improving the economic situation' by 'correcting the course', such as the 'labour modernization' that imply setbacks in the distributive component of labour policy (Sebastián Piñera's Government Plan, 2018-2022). In this sense, among other labour flexibilization measures, it was proposed to create Collective Bargaining procedures for groups of negotiators outside the unions and to 'improve' the legal definition of minimum services in case of strike, in order to 'guarantee the right to work of people not involved in a strike'²³⁵. This proposal implied a major weakening of unions in their role as negotiators and furthermore, it implied a weakening of the Collective Bargaining procedure.²³⁶

²³⁵ Information identified in primary sources by the author. See: Government Plan, 2018-2022. ['Let's build better times for Chile'](#)

²³⁶ Information identified in primary sources by the author. See: Opinion 3938033, Labour Directorate, 2018; Opinion 11630029, Labour Directorate, 2017.

Though, this initiative failed to be approved because the Court of Appeals of Santiago rejected the proposal stating that *'There would be no other objectives in the ruling than to encourage dispersion in the organization of workers and undermine the bargaining power of unions'*²³⁷. In the court's opinion, the proposal makes it possible that, *'notwithstanding the existence of a union in a company, a temporary coalition of workers can bargain collectively without major limitations. This would open the possibility of divisions or other unfair practices induced by the employer', which weakens bargaining on equal terms'*²³⁸. Moreover, starting in 2018, Chile experienced an intense process of social mobilisations, unprecedented in its history, which made it difficult to implement regressive policies. Under the slogan 'Chile dignity', millions of people mobilised in the streets in search of a modification of the Chilean Constitution that would promote a more egalitarian economic and social system (See Chapter 3). As also noted in the chapter on Tax Reform in Chile (Chapter 5), this process caused the government to focus on addressing disengagement and mobilisation, and the planned policy agenda was put on hold.

In sum, even though the Labour Reform approved by Bachelet was significantly modified according to business interests and even though the government itself promoted gradualism of the reforms due to the 'bad' economic times, once a new center-right government came to power in even worse economic times, the Labour Reform was once again subject to debate. This demonstrates, once again, something that has been shown on numerous occasions throughout this dissertation; the tendency in Chile to retreat significantly in distributive policy during 'bad' economic times. Nonetheless, even though the new government tried to further limit the distributive potential of the reform, in this case, it failed due to the rejection of its legality and by a 'social earthquake' that drastically changed the focus of the political debates of the time. Instead, as in Uruguay, the evolution of Collective Bargaining has been fluctuating and no significant changes have been identified in the instruments approved during the entire period, including 'good' and 'bad' economic times, with the greatest number of benefits approved in groups where employers and unions have a longer bargaining tradition. Even so, it is necessary to mention that Collective Bargaining coverage remains low (below 20%) as noted above and, therefore, this policy has a weak distributive role; something that center-left governments have not been able to modify. In brief, this section shows, once again, that the weakness in state-union-business coordination shapes a distributive policy not only largely eroded by business interests, but also an unstable policy that tends to be frequently exposed to modifications in the face of change in the economic conditions.

²³⁷ Information identified in primary sources by the author. See: Eighth Chamber of the Iltma. Court of Appeals of Santiago, 2018

²³⁸ Information identified in primary sources by the author. See: Eighth Chamber of the Court of Appeals of Santiago, 2018.

Conclusions

Using a wide variety of quantitative and qualitative sources, this chapter analyses the role of the Structural State Autonomy in Chilean Labour Policy from 2003 to 2020. Overall, this chapter shows that due to the imbalance of power between unions and business in their influence on the state and the political process, there is little incentive for coordination in the Chilean labour area. As a result, labour policy has a limited redistributive impact and is often significantly eroded by business interests. Moreover, due to this poor coordination, labour policy has weak social support, and is thus often more malleable to changes in its composition between ‘good’ and ‘bad’ economic times than in Uruguay.

Since Chile's return to democracy in 1990, center-left governments have attempted to reform the provisions on Collective Bargaining agreements, strikes, and unions established by the Pinochet dictatorship in the 1979 Labor Plan. Between 2014 and 2016, President Michelle Bachelet made the last attempt to reform that. Despite significantly more favourable conditions than in previous governments, the distributive elements of the approved Labour Reform were modest. This chapter suggests that the high business coordination and advocacy, together with a weak and fragmented trade union movement is key to explaining why pro-worker reforms have failed.

What is more, as in the case of Chile's Tax Reform (Chapter 5), this chapter shows that the process that was supposed to weaken corporate influence on policy ended up contributing to its strengthening. Indeed, the organisational capacity of business and its results in shaping the LR helped to emphasise its role in influencing distributive policy. Conversely, the reform debate contributed to further dividing the already fragmented unions, weakening their capacity to influence the LR' policymaking process. In sum, the LR debate contributed to catalysing the weakness of the trade union actor and the strength of the business actor, thus perpetuating the Chilean coordination model centred essentially on the state-business relationship. Additionally, in this chapter I analyse the evolution of Collective Bargaining in Chile, showing that union organization and power and the bargaining history between unions and business largely explain the greater success of Collective Bargaining in some sectors than in others. Finally, this chapter also shows that state-elite coordination of an exclusionary type in Chile, as in the case of tax policy (Chapter 5), makes distributive agreements more unstable and subject to change in the face of changes in the political-economic situation. In the next chapter, I summarise the general results of this thesis on distributional policy in both countries and on labour and taxation in the 2000s.

CHAPTER 8. Conclusions

The difficulty of implementing labour and tax policies with distributive effects continues to be one of the most relevant phenomena to explain regional inequality in Latin America. I argue that to understand the shaping of distributive policies it is necessary to comprehend the role of local institutions as mediators between global pressures and domestic politics. To this end, my work combines two schools of thought that have respectively delved into the macroeconomic and global dimensions and the institutional-local components of distributive policies, but which have had little dialogue with each other. On the one hand, I draw on some ideas -derived from post-Keynesian theory, Latin American structuralism, and critical IPE- that have pointed out that the external dependence and macroeconomic volatility of Latin American countries generate recurrent and marked exogenous-determined 'boom and bust' cycles, which affect their long-term development. On the other hand, I draw on some institutionalist ideas that call attention to the importance of the state-society linkages in creating embeddedness and shaping stable public policies. Following those scholarships, I argue that given the regional macroeconomic volatility, distributive processes tend to be boosted in expansive economic phases and rolled back in less favourable macroeconomic scenarios. Nevertheless, I also claim that this retrenchment does not occur in all contexts in the same way. In this line, I explore the role of state-society coordination in moderating the effects of macroeconomic volatility on distributive processes. My main contention is that the interaction of both dimensions –macroeconomic and political-institutional- shapes the state's capacity to implement stable distributive processes, what I have termed Structural State Autonomy.

By bringing together the focuses of these two branches of scholarship, I provide a novel framework for providing a holistic account of key factors that constrain and enable the construction and maintenance of redistributive policy fiscal and labour programs. I specifically show two main results. First, the worsening economic situation accentuates the distributive problem undermining the stability of distributive processes in the long run. However, I also argue that not all Latin American countries retract their policies in similar ways. Thus, in second place, I show that the capacity of international markets to moderate the expansion or retraction of distributive processes depends on state-society coordination in each country. When state-society coordination is strong, there is less variability in distribution processes between the upstream and downstream phases of the economy. Conversely, when state-society coordination is weak, distributive arrangements tend to be weak and break down more easily in economic slowdowns. The reason for this variation is that state-society coordination gives consensus to distributive policies, protecting them in 'bad' economic times and contributing to their institutionalisation over time.

Therefore, combining a long-term historical-structural analysis (1800-1980) in Chapter 2, a medium-term historical analysis (1980-2020) in Chapter 3, and four case studies of distributive tax and labour policies in Uruguay and Chile (2003-2020) in Chapters 4-7 (studying seven policy cases), this thesis expose two central empirical results. I show that because in Uruguay civil society, trade unions and business groups maintain permanent links with the State, there is a long-term *inclusive State-society coordination* that promotes stable fiscal and distributive labour policies. Coordination amongst different groups

(business, labour, social movements) gives legitimacy to the agreements, ‘shielding’ them from changes in the face of economic downturns. In contrast, in Chile, the state capture by business and the low mobilisation of the other social actors, define a model of *exclusive State-society coordination* mostly based on the link between business and the state. Thus, distributive arrangements in Chile tend to be weaker, largely eroded by business interests, and with low levels of agreement and consensus. As a result, being weaker, Chilean distributive agreements tend to be undermined especially in economic slowdown phases. Overall, my work shows that while macroeconomic volatility affects distributive processes in both countries, its effects depend on the type of state-society coordination that exists in each case, showing that Chile has a weaker Structural State Autonomy than Uruguay to implement long-term distributive policies.

Empirical contributions

In Chapter 2 I developed a comparative structural historical analysis of Chile and Uruguay in the very long term (1800-1980). This chapter draws on an extensive amount of qualitative and quantitative sources for both countries, which include labour and business organization data, data on macroeconomic developments and social indicators, as well as secondary data based on an extensive historiographical review of the main political, economic and social processes that characterized each historical period. The chapter shows that because both countries have managed to achieve certain levels of development over the long term and have the most stable political systems and democracies in the region, both have been able to create stable models of state-society coordination. As mentioned above, I consider that these coordination models are strongly shaped by institutional legacies, development trajectories, and political values and imaginaries rooted in the long term. In this sense, although over time these countries may have undergone significant changes in the configuration and general dynamics of their political systems, the analysis developed shows the relevance of persistent and identifiable factors over time that have shaped their distributive models, namely: *exclusionary state-business coordination* in Chile vs. *inclusive coordination* in Uruguay.

In effect, due to the long-term socio-political and economic characteristics of each country, Uruguay developed an inclusive state-society model based on the partial segmentation of benefits to different social groups (labour, business, social movements) while Chile developed an exclusionary coordination model centred on the state-business relationship. Accordingly, during the expansionary economic phases -that coincided with growing processes of democratisation and social organisation- both countries implemented distributive policies. Nevertheless, while in Uruguay these policies have been more profound and have encouraged the organisation of social groups, in Chile they have been more focused on controlling social mobilisation. Finally, during economic slowdown phases, the distributive process tended to be retracted in both cases, but while in Uruguay these processes were ‘*temporary breaks*’, in Chile they translated into ‘*conservative restorations*’ that returned or increased the power of the business over the state. All in all, this historical analysis indicates that due to the existence of inclusive state-society coordination mechanisms, distributive policies in Uruguay tend to be more stable and long-

lasting than in the Chilean case where exclusive state-business coordination limits the scope and depth of these agreements.

In Chapter 3, I explored in depth how state-society coordination has shaped the distributive process during 1980-2020. This chapter allows me to reach three central conclusions. First, as shown in Chapter 2, the economic cycle largely delimited the distributional process in both countries in this period under study. Secondly, during the process of economic slowdown in the years 1980-1990, the existence of institutionalized mechanisms favouring inclusive State-society coordination contributed to the fact that regressive processes tended to be more gradual and partial in Uruguay. Thus, the Salary Councils and the highly institutionalized single trade union centre channelled the relationship between the State and socioeconomic groups, the existence of direct democracy mechanisms channelled the relationship between the State and civil society, and the poly-classist political parties strengthened the relationship between the State and society. In sum, these three mechanisms favoured the State-society coordination relationship (unions, social movements, and citizens in general). These mechanisms favour the creation of consensual and widely negotiated distributive arrangements that tended to be maintained even during the 'bad' economic times and the predominance of the state retrenchment discourse of the 1990s. For this reason, Uruguay 'slowed down' a large part of the neoliberalisation process in terms of social protection (labour rights, social security, etc.) that most Latin American countries experienced. In Chile, instead, the weak trade union organisation, the existence of highly organized and cohesive business groups, and the existence of elitist technocracy in the State in the different governments, have determined a model of exclusive State-business coordination. This meant that the neoliberal reforms already initiated in the 1970s were largely maintained during democracy.

Overall, the analysis carried out in Chapter 3 presents similar findings to Chapter 2, showing that although economic volatility largely shapes the implementation of distributive policies in both countries, the outcome of these policies varies according to the characteristics of state-society coordination in each case. Thus, in Uruguay, the processes of distributive retrenchment were more gradual, and the expansionary processes were more profound and stable in comparison with Chile. Finally, this chapter also presents the general characteristics of the macro-economic and political-institutional environment that began in the 2000s and thus serves as a central input for the in-depth analysis of the case studies in the following chapters.

In the second part (Chapters 4-7), I develop the central puzzle of this thesis, analysing the role of Structural State Autonomy in the distributive processes of labour and taxation during the period 2003-2020. The temporal selection seeks to capture the political economy of distributive policies during two sub-periods marked by the rise of left-wing governments during the so-called commodity super-cycle (2003-2014), and the increasing deceleration of regional economies (2015-2020), which is accompanied by increased political instability and a growing discourse of state and distributive retrenchment. To do so, I carried out an inductive process tracing applied to four case studies in both countries, exploring in detail seven public policies that are especially relevant to explain distributive policies.

The analysis of the four cases shows conclusions in line with the analysis carried out in the previous chapters (2 and 3). Overall, the institutional mechanisms that favour state-society coordination in Uruguay have allowed the implementation of more negotiated and coordinated distributive processes between the different groups, which has led to more legitimated and stable distributive policies during ‘good’ and ‘bad’ economic times. In Chile, instead, the weak mobilisation and organisation of social actors (trade unions and social movements) coexist with a strong business organisation with a high capacity to influence the state. This implies that when there is a window of opportunity to process distributive policies, firms have greater incentives not to cooperate as they can shape policies to their interests. As a result, distributive policies tend to be shallower and more unstable, being more susceptible to change in ‘bad’ economic times.

In Chapter 4, I explore in detail two closely interconnected tax policies: the New Investment Regime (NIR) and the Tax Reform (TR). The TR focused on reforming taxes on labour and capital to improve inequality, while the NIR focused on investment-oriented tax regimes, which ‘eroded’ some TR taxes. In this sense, my work makes a novel contribution by studying not only the Tax Reform but also the tax regimes of capital that erode the reform; something little or not at all analysed in political economy studies of fiscal policy in Latin America. As I noted, I am interested in exploring two dimensions of analysis. First, the extent to which state-society coordination mechanisms shape the approval and implementation of the TR and the NIR during the economic expansion phase (2003-2014) and, second, the extent to which both policies were modified in their distributional aspects during the economic downturn (2015-2020).

Overall, the analysis developed in this chapter shows three main results. First, inclusive state-society coordination in Uruguay allowed the construction of widely negotiated distributive fiscal agreements based on the partial granting of segmented benefits to different groups during the boom of the cycle (2003-2014). Second, during the downturn of the cycle (2015-2020), this coordination implied that distributive conflicts were again resolved in a partial segmentation of benefits to different groups, conferring stability to distributive policy even during the economic downturn. In line with what was presented in Chapters 2 and 3, these two findings show that Uruguay’s inclusive state-society coordination partially inhibited the potential tendency for distributive arrangements to weaken during economic slowdown phases. Nevertheless, this chapter also shows a third finding referring to the role of transnational capital. In this sense, the analysis of distributive tax policy in Uruguay shows that not only do expectations about how distributive tax policy would affect the attraction of international capital significantly shape policy design, but that transnational capital has consolidated its own ‘closed door’ negotiating space. In sum, the analysis shows that although inclusive state-society coordination consolidates a process that generates agreement and a certain stability in distributive matters in line with what has been shown in previous chapters, in the current context, distributive tax agreements in Uruguay are increasingly mediated by other power centres that transcend trade unions or a local business, and that refer to transnational capital.

In Chapter 5, I carry out a similar analysis to the one carried out in chapter 4 but this time for the Chilean case. I explore the extent to which state-society coordination mechanisms shape the adoption and implementation of the Tax Reform (TR) during the economic boom phase (2003-2013), as well as their changes during the economic downturn (2013-2020) in Chile. To do so, I analyse the Tax Reform implemented in 2014 to increase revenue and improve progressivity since this is the biggest reform aimed at modifying the general tax structure on capital and labor in Chile in this period. The central idea shown in this chapter is that the exclusive coordination between the state and the elites in Chilean fiscal policy shaped a weak TR with little social agreement. As a consequence, during the economic boom phase, state co-optation of elites and the limited organization and participation of labour unions in the policy-making process resulted in a TR significantly 'eroded' by elites in its core components and implemented with low levels of social support. As a result, the TR received strong criticism and no support from the grassroots social sectors (unions and social movements), nor did it receive guaranteed support from business sectors which, despite having shaped it largely to their interests, preferred the previous system that benefited them even more.

Therefore, having been approved with weak support and distancing from its original distributive objectives, the Chilean TR was approved as a weak reform. Accordingly, during the phase of generalized economic slowdown that began to worsen in 2014-2015, the low agreement of the TR caused it to be significantly modified in several of its distributive objectives during 2016, and 2018; returning to a system more like the one that existed before the 2014 reform. These changes were mostly based on a discourse that pointed out that the reforms implemented were detrimental in an economic scenario that was less favourable than the one experienced in previous years. In addition, as in the case of Uruguay, the TR maintains special benefits for transnational capital that did not seek to be modified by the 2014 reform and even sought to be enhanced in the 2018 reform. In sum, the lack of negotiation, agreement and consensus derived from exclusionary state-society coordination in Chile weakened the TR and hindered its stability over time. But moreover, this chapter shows an additional finding: by being able to slow down the TR process and shape it according to their interests -in an unusually favourable scenario for implementing this policy- business sectors were further strengthened. Indeed, opposition to the TR led business elites to organise themselves further and deploy a series of coordinated actions that strengthened them as a group. By demonstrating their power in this scenario, not only by shaping the reform but also by contributing to the departure of several ministers - most notably the Minister of Finance who led the reform - they strengthened their position in the political arena. Thus, the process that sought to weaken them strengthened them even more.

In Chapter 6, I analyse two closely interconnected labour policies: the Labour Reform and the Salary Councils. The Labour Reform aimed at improving workers' labour individual and collective rights, while the Salary Councils a tripartite negotiation bodies that determine minimum wages and access to a set of extra-wage benefits for different groups of workers (fringe benefits). In this sense, my work is innovative in that it comprehensively analyses both work processes, showing what is common and what is different in terms of labour relations between the different groups of workers. As in previous chapters, I am interested in analysing the extent to which state-society coordination mechanisms shape the approval

and implementation of the Labour Reform and the Salary Councils during the economic upswing (2003-2014) and the extent to which these distributional arrangements are affected during the economic slowdown period (2015-2020). Overall, the analysis carried out in this chapter shows three four ideas. First, state-society coordination allows for inclusive negotiation of labour regulation that, with this breadth of coverage exerts a stabilizing force. Second, this coordination confers stability to the distributive arrangements and the distributive coalitions that sustain them even in economic downturns. Thus, similar to what was shown in the case of the Uruguayan Tax Policy, state-society coordination in the labour area, inhibits to some extent the potential tendency for distributive agreements to weaken during economic slowdown phases. In sum, in line with what was argued for the case of Tax Policy in Uruguay (Chapter 4), the analysis of Labour Policy also shows that State-society coordination confers Structural State Autonomy to implement deep and lasting distributive processes. However, an additional finding of this chapter is that, unlike what happens in the case of Tax Policy, in the case of Labour Policy in Uruguay, the role of transnational capital does not turn out to be so relevant in the moderation of distributive labour policy. Indeed, the Labour Reform was not substantially affected by the perception of the effects that the policy would have on the reception of transnational capital. Finally, the analysis of fringe benefits in Salary Councils shows that sectors that tend to have a longer tradition of bargaining with business sectors tend to accrue more and better-quality fringe benefits than those that lack such bargaining structures. Moreover, the analysis reveals that the outcomes of Salary Wage Councils largely shape labour policy developments at the national level, with the state often relying on the benefits of the ‘most successful’ groups to create social and labour policies.

Finally, in Chapter 7, I analyse two closely interconnected labour policies: Labour Reform and the evolution of Collective Bargaining Agreements in Chile. The Labour Reform aimed at improving workers’ individual and collective labour rights, while Collective Bargaining is a negotiating process –carried out mostly at the company level- amongst workers and employers that determines wages and access to a set of fringe benefits. In the same line as the previous chapters, I explore to what extent state-society coordination mechanisms shape the approval and implementation of Labour Reform and the agreements approved in Collective Bargaining during the economic boom phase (2003-2014) and its eventual roll-back during the period of economic slowdown (2015-2020). Overall, this chapter draws two central conclusions. First, the low coordination of the unions among themselves, and the weakness of their links with the State, contributed to generating an unstable distributive coalition. This weakness contrasts with the sectors opposing the Labor Reform, composed of highly coordinated businesses with institutionalized and long-term linkages to the State. As a result, not only were the distributive components of the Labour Reform eliminated from the approved law, but this reform was poorly negotiated and legitimized and therefore less stable, being vulnerable to modifications in the face of changes in the political-economic scenario. These conclusions coincide with the findings of the previous chapters, especially the analysis of the Tax Reform in Chile (Chapter 5). Second, as in the case of Uruguayan labour policy (Chapter 6), the analysis of Collective Bargaining showed that in those economic sectors where unions tend to be more coordinated and tend to have a

tradition of bargaining with the business sectors, the fringe benefits obtained tend to be higher.

Overall, the analysis of both policy areas –tax and labour- shows that coordination between the State and society and within society (unions and business) is key to explaining the distributive outcome of labour policy as well as its stability over time during the ‘ups’ and ‘downs’ of the economic cycle. The following table summarises the functioning of labour and tax policy in Chile and Uruguay in 'good' and 'bad' economic times.

Analytical contributions to distributive processes in Latin America

At the beginning of the new millennium, and after years of economic stagnation, Chile, and Uruguay, like most Latin American countries, experienced a window of opportunity to implement distributive processes. Both had consolidated democratic regimes and were governed by mainly center-left parties that could be characterised as ‘moderate’ (Weyland, Madrid, and Hunter 2010) or ‘social-liberal’ (Levitsky and Roberts, 2011). Likewise, Chile and Uruguay are among the regional countries with the best performance regarding per capita incomes, the lowest poverty rates, and the best results in terms of institutional quality, democratic stability, and stability of the party system (see Table 1. Introduction). This is important because much of the literature on distributive policies has pointed to low credibility and trust in institutions as an important factor explaining the unwillingness of elites to accept a tax increase (e.g., Meltzer and Richard, 1981; IDB, 2022; 2015). In a similar vein, given the higher levels of formality in the labour market in both countries compared to the rest of the region, labour policy takes on greater importance in distribution than in the rest of the Latin American countries, where high informality means that only a small part of the population is affected by these policies.

In addition to the presence of centre-left governments combined with a very favourable macroeconomic scenario, there was also an ideational framework conducive to the implementation of distributive processes. In this sense, distribution as a political problem, identified by international organisations, academia, and regional governments, began to acquire increasing academic and political relevance. In effect, during these years there was a ‘repoliticisation’ of inequality at the regional level (Levitsky and Roberts, 2011; Roberts, 2016). Furthermore, Chile and Uruguay had the particularity that there were local political processes that catalysed the importance of implementing distributive processes. Thus, in Uruguay, there was a historical demand by the then centre-left Frente Amplio government for progressive tax reform, while there was strong historical pressure from the trade union movement to implement labour reform. Likewise, in Chile, the intense student mobilisation of 2011 triggered a process of greater centrality of distribution that placed tax and labour reform at the centre of the political agenda of the new centre-left Nueva Mayoría coalition.

In summary, as happened at other moments in history (see Chapters 2 and 3), the economic ‘good times’ during in the commodity supercycle (2003-2014) were accompanied by other processes. Indeed, in this framework, inequality began to gain increasing relevance in the political and academic debate, in the context of the processes of social inclusion during the ‘left turn’. In both countries, this enabling environment coincided with local political events that further catalysed the importance of implementing distributive reforms in labour and tax

policy. Though, despite these common factors, the results achieved by the two countries were very different. Thus, while Uruguay carried out reforms with important distributive impacts, in Chile the reforms tended to be weaker and more gradual. As noted, the Nueva Mayoría government (2014-2016) managed to carry out a tax reform in 2014 that was less transformative than expected but significant, but the labour reform it implemented was quite moderate, largely retaining several of the restrictive components inherited from the military dictatorship that strongly constrain workers' ability to collectively defend their interests. In Uruguay, by contrast, the first Frente Amplio government (2005-2010) implemented a major labour reform at the same time as it adopted a major tax reform, albeit with important concessions to the economic elites.

Yet, from around 2015 onwards, the economic scenario began to change. And, as has happened at other times in history, the economic situation was accompanied by new political scenarios. Within this framework, debates on 'austerity' and 'moderation' of reforms began to take on increasing relevance. At the same time, the political wind began to be less favourable for the Latin American left, which faced increasing processes of loss of political support, loss of government and even, in some cases, accusations of corruption. In Chile and Uruguay, the less favourable economic scenario was a key element in reopening the debate on the contents of labour and tax reforms. In both cases, opponents of the reforms argued that they were especially detrimental to growth in a more adverse economic scenario, where at the same time, labour unions and other social groups were demanding a more distributive system. Ultimately, the more adverse economic scenario triggered greater distributive conflict. However, the outcome of this process was very different in both cases.

Since 2010, Chile alternated politically between the centre-right and the centre-left, while in Uruguay the left remained in government from 2005 until 2020 when the centre-right coalition won the government. In this new scenario, both countries experienced different processes. In Chile, policies - especially tax policy - experienced significant setbacks, not only between the left and right governments but also during the left government itself. By contrast, in Uruguay, tax and labour policy changed very little, both during left-wing governments and between left-wing governments and the recent centre-right government. Of course there were changes, but while in Chile they tended to be significant, in Uruguay the retraction of distributive labour and tax policy was rather tenuous and gradual. Neither the Frente Amplio governments nor the centre-right government eliminated or substantially modified the Tax Reform implemented in 2008 or modified the Labour Reform approved in 2010, nor did they fail to convene the Salary Councils. Instead, they promoted partial and segmented benefits to organised groups -mainly companies and trade unions - to contain the distributive conflict²³⁹. By contrast, in Chile, the Tax Reform passed in 2014 faced setbacks in 2016 and 2018 and in 2020 is under debate again. The Labour Reform faced fewer changes but because there was less 'to backtrack on', as the more distributive components of this proposal, such as Collective Bargaining at the branch level, were removed from the reform due to pressure from business elites. Even so, in 2018 an attempt was made to roll

²³⁹ While the center-right government is still in place, there were no significant proposals for reforms in these areas in its electoral program or at the beginning of its government, as noted in Chapters 4-7.

back the distributive components approved in 2016, but due to the rejection of the justice system and the eruption of the 'social explosion' in Chile, this process was blocked.

In explaining the divergent distributional performance in these countries, the literature has tended to emphasise the presence of left-wing parties (e.g. Pribble, 2013), the role of elites (e.g. Fairfield, 2019: 2025) or the distribution of power between elites and trade union sectors (e.g. Antía, 2019; Pérez Ahumada and Andrade, 2021). I build on these insights by exploring the dynamic interaction between the state, business elites, and trade unions, and showing the importance of coordination in relevant policy- and decision-making processes in shaping outcomes. But I go beyond these more agential explanations of distributive outcomes by also considering the constraining impact of structural economic factors. In this sense, my work contributes to three central ways to distributional studies, and more specifically, to the analysis of the political economy of distributive policies in Latin America.

First, my work integrates global constraints into the analysis of the political economy of distributive policy. Thus, in the various chapters, I show that macroeconomic volatility and 'boom and bust' cycles largely shape debates on the implementation of distributive policies. Second, despite its focus on the structural, my work escapes economic determinism, showing that despite facing similar boom and bust cycles, distributional outcomes can vary significantly between countries according with the role of state-society coordination in each country. Third, this complex framework of analysis sheds light on the processes that shape not only the enactment but also the stability of distributive policies. By doing that, my thesis enriches political economy theories of distributive politics by modelling the role of business and trade union interest groups in policymaking and its implications for policy change. Moreover, it sheds light on the sustainability of distributive policies by showing that not all political economy configurations have the same outcomes. In this sense, the presence of left-wing governments and a favourable ideational and macroeconomic environment may be sufficient to approve moderate distributive processes, but it is certainly not sufficient to promote deep and sustainable processes over time. In this regard, a favourable economic, political, and ideational environment may be sufficient to approve distributive policies in terms of public social spending, as has happened in the 2000s in several Latin American governments, but this is probably not enough to promote more ambitious, politically more costly processes that require a longer term to produce results, such as labour and fiscal policies.

What my research shows is that promoting distributive processes 'from above' is not the same as promoting distributive processes characterized by a broad negotiation that guarantees the embeddedness - in Evans' words - of the processes. Precisely, as I have shown in this thesis, broad bargaining between these actors contributes significantly to the tenor and stability of distributive policies. Accordingly, the generation of new distributive agreements that involve profound changes in the status quo requires participation, representation, and negotiation between the state and society. Although the relative balance of power between business and trade unions is an advantage for building this type of negotiation - as the Uruguayan case indicates - these processes do not take place in a

vacuum. Indeed, my work shows that there are institutional mechanisms that promote the generation of state-society bargaining.

In this sense, the Uruguayan case illustrates that institutional mechanisms such as direct democracy and the existence of tripartite Salary Councils promote the participation and organisation of civil society and trade unions, and balance the distribution of power, while at the same time promoting bargaining and greater understanding and trust between workers and business sectors, favouring the links between them over time. In this sense, although in Chile there is an imbalance of power between business elites and trade unions that inhibits bargaining because the former can exert pressure without negotiating, there are institutional mechanisms that could help to balance at least partially that. As a result, my research shows that even though structural conditions in Chile are less conducive to the implementation of distributive processes, there is room for change and contingency. Hence, the promotion of institutional mechanisms that contribute to the organisation of grassroots groups - such as trade unions and civil society - generates a greater balance of power and institutionalise bargaining, which can contribute to the implementation of distributive processes in the long run. This does not mean that these mechanisms have the potential to change the fate of distributive policies outright, nor does it mean that these processes can happen quickly. On the contrary, these processes take time, and their effects tend to be gradual, but over time the promotion of these institutional coordination mechanisms could contribute to changing the balance and coordination between social actors, significantly impacting distributive policy implementation processes. Thus, by shedding light on the political economy of distribution, these aspects point to factors that may be useful in thinking about how to pave the way and build institutions that facilitate the implementation of distributive policies in the long term.

Future research agenda

Latin America is once again in an adverse distributive cycle. In a less favourable economic scenario -especially after the pandemic- the discourse has shifted towards the centrality of 'fiscal austerity'. Thus, the hazard, always present in this region, is to continue reinforcing a cycle in which macroeconomic volatility catalyses political volatility, affecting institutional consolidation in distributive processes. Is there a way out of this vicious circle? My work shows that while there is no magic solution to structural problems, there are institutions that help, such as those that promote dialogue and negotiation. Indeed, while the discourse of 'austerity' inhibits the capacity to implement distributive processes, coordination and embeddedness make a difference. Accordingly, while in Uruguay the current right-wing government emphatically promotes 'austerity' and control of public spending', affecting several of the distributive components of the social protection, it has not substantially modified the core of the Tax Reform or the Labour Reform, nor has it stopped convening the Salary Councils. Moreover, faced with the government's proposal to pass a comprehensive law that included seventy thematic areas (Luján and Puig 2022), the civil society organised itself -once again- by promoting a referendum (Antía and Vairo 2023), and although the result was unfavourable for its promoters, it strengthened the legitimacy of this reform and channelled the social conflict, pacifying it and contributing to democratic stability. In other words, direct democracy helps not only by 'slowing down' the

processes of retrenchment that society rejects but even if their results are not as expected by those who lead these initiatives, they contribute to containing social peace by channelling conflict in an institutionalized manner. Thus, at the end of the day, labour negotiation structures and direct democracy mechanisms provide stability to the system.

However, while it is true that the overall structure of the Uruguayan model seems to promote greater stability, the system also contains vulnerabilities. As described above, this stability is based on the existence of mechanisms that promote coordination and create a set of equilibria in which fragmented and non-rival benefits are granted to different organized groups, which seek at the same time to address latent distributive demands in civil society, and provide institutional guarantees and economic privileges to the main economic forces, national capitalists, and foreign investors. As long as these benefits can coexist without competing, the system can continue to promote some stability.

In Chile, the '*estallido social*' exposed the problems of promoting exclusionary coordination. Lacking organized structures and processes for channelling conflict in an institutionalized way, mobilization in Chile manifested itself in a disruptive, spontaneous, and largely acephalous manner. Thus, the dramatic remobilization experienced by Chilean civil society in 2019 and 2020, with millions of people taking to the streets, culminated in a constitutional reform process that became dominated by outsider and independent forces (67% of delegates had no party affiliation) (Piscopo & Siavelis, 2023) and has so far failed to be settled. In addition, the current left-wing government is again trying to promote Tax Reform (Boletín N° 15.170-051), but so far it has not been successful given the lack of agreement among political parties, the weak position of trade unions and the rejection of business elites²⁴⁰. Moreover, despite the intense process of mobilisations that Chile experienced since the 'social outburst' in 2018 and its significant impact on the political system and the constitutional order, politics seems unable to process these changes. Indeed, the new political configuration of the political system has not been able to establish fluid bridges with social movements and trade unions, they did not manage to strengthen the organisation and institutionalisation of these groups, nor did they manage to institutionalise the conflict (Villegas and Peña, 2023). Thus, in Chile, 'street politics' remains separated from the institutional channels of conflict processing in the political system, contrary to what happens in Uruguay where institutional coordination mechanisms favour the organisation and connection between both spheres.

My work offers some clues on how to transform protest into public policy by strengthening mechanisms for state-society dialogue and participation. This is precisely the challenge in terms of development: to generate agreements that allow for the promotion of distributive schemes in expansionary phases and protect them in slowdown phases. To this end, it is key to channel protest into institutionalised mechanisms that strengthen trade unions and civil society, and favour dialogue between them, the state, and business, controlling thereby political volatility and its effects on institutional consolidation and democratic quality. In any case, the promotion of redistributive social agreements is not only a matter of having

²⁴⁰ Press: 1 August 2023, [Chile's government presents a new fiscal pact to seduce businessmen and opponents](#), El Pais.

the political will to do so but also requires working on the political economy of these agreements, to consolidate deep and sustainable processes over time.

As discussed, democratic political dynamics in countries with aggravated distributive demands and highly volatile economies make it difficult to promote agreements that require deep and sustained changes over time. Hence, looking to the future, this thesis aims to develop two lines of research. First, it is particularly relevant to analyse how these processes manifest themselves in other Latin American countries with similar levels of socio-economic development and welfare states, but with dissimilar political formations, such as Argentina and Costa Rica. Second, it is relevant to study how these dynamics operate in other policy areas. We know that states are not monolithic entities and instead, they can generate spaces of excellence in parallel to very poorly developed areas. Therefore, a better understanding of how the mechanisms described in this thesis operate in other areas that are also crucial for distribution in the long term such as innovation (R&D) and education, becomes particularly important to enrich our understanding of the processes of development and inequality.

Appendices

Appendix 1: List of Interviewees

Interviewees: identification code and interview date

Number	Identification code	Date
1	Interview 1, Technician and academic, former head of the Ministry of Finance, Uruguay	20/08/2020, in person
2	Interviewee 2, Expert in Tax Policy, member of the Tax Reform Commission, Uruguay	25/08/2020, in person
3	Interviewee 3, technical-academic, close to Frente Amplio, Uruguay	01/09/2020, in person
4	Interviewee 4, technical-academic, close to Frente Amplio, Uruguay	04/09/2020, in person
5	Interview 5, Politician, Frente Amplio, Uruguay	08/09/2020, online
6	Interview 6, Politician, Frente Amplio, Uruguay	16/09/2020, in person
7	Interview 7, Expert-academic, Uruguay	13/10/2020, in person
8	Interview 8, Union leader, Central National Union PIT-CNT, Uruguay	20/10/2020, in person
9	Interview 9, business leader of Free Trade Zones in Uruguay	21/10/2020, in person
10	Interview 10, Union leader, Central National Union PIT-CNT, Uruguay	28/10/2020, in person
11	Interview 11, Ministry of Labour and Social Security, Executive Branch Negotiator in the Wage Councils, Uruguay	19/11/2020, online & 21/10/2022, in person
12	Interview 12, Ministry of Labour and Social Security, Executive Branch Negotiator in the Wage Councils, Uruguay	26/11/2020, online & 20/10/2022, in person
13	Interview 13, union leader, Needleworkers' Union	28/11/2020, in person
14	Interview 14, Politician, economist, former senior official in the Ministry of Finance, member of the Concertación and the Nueva Mayoría, Chile	19/02/2021, online
15	Interview 15, Politician, economist, former senior official in the Ministry of Finance, member of the Concertación, Chile	11/03/2021 online
16	Interview 16, Economist, United Nations System, Chile	13/03/2021, online
17	Interview 17, Economist, leader of the centre-left governments during the Concertación (2000-2013), Nueva Mayoría (2013-2018) and Convergencia Social (2021-present).	17/04/2021, online
18	Interview 18, Economist close to the centre-right, leader of a centre-right Think Tank, Chile	27/04/2021, online
19	Interview 19, tax expert, Academic, Chile	04/05/2021, online
20	Interview 20, Economist, United Nations System, Chile	16/06/2022, online
21	Interview 21, Academic, Political Scientist, Uruguay	24/06/2022, online
22	Interview 22, Economist, United Nations System, Chile	29/06/2022, online
23	Interview 23, trade union leader, transport union, Uruguay	19/09/2022, online

Appendix 2: Plebiscites and referendums in Uruguay

Date	Topic	Outcome
25 November 1917	Constitutional plebiscite of 1917	1918 Constitution adopted.
19 April 1934	Constitutional plebiscite of 1934	1934 Constitution adopted.
27 March 1938	Constitutional plebiscite of 1938	Amendments to the 1934 Constitution adopted.
29 November 1942	Constitutional plebiscite of 1942	1942 Constitution adopted.
24 November 1946	Constitutional plebiscite of 1946	Not adopted
24 November 1946	1946 constitutional plebiscite	Not adopted
26 November 1950	Constitutional plebiscite of 1950	Not adopted
16 December 1951	1951 constitutional plebiscite	Adopted 1952 Constitution (creation of a collegial executive branch).
27 November 1966	Yellow" reform	Not approved
27 November 1966	Grey" reform	Not approved Not approved
27 November 1966	Pink" reform	Not approved Not approved
27 November 1966	Orange" reform	Passed. The "orange" reform was the only constitutional change proposal of these elections that reached the necessary number of votes to be approved. It established that the executive branch of government would once again be held by a president. The resulting constitution was the 1967 Constitution.
28 November 1971	Constitutional plebiscite of 1971	The re-election of the president was not approved.
30 November 1980	Constitutional plebiscite of 1980	The draft constitutional amendment proposed by the military-civilian government was not approved.
16 April 1989	Referendum on the Law on the Expiry of the Punitive Claims of the State	Not approved. The law was not annulled.
26 November 1989	Plebiscite on pension reform	Approved. The way in which pensions were calculated was changed.
13 December 1992	Referendum to annul the Law on Public Companies	Approved. The Public Enterprises Act was partially repealed.
27 November 1994	Plebiscite on the unconstitutionality of altering the value of pensions and retirement pensions by Accountability	Approved
27 November 1994	Plebiscite to establish 27% of the national budget for education ⁴	Not approved
28 August 1994	Plebiscite to implement the constitutional "Mini-reform" that enabled crossvoting between slogans ⁴	Approved Not approved
10 December 1996	1996 constitutional plebiscite	Adopted 1996 Constitution.
28 November 1999	Resource autonomy for the judiciary ⁴	Not adopted
28 November 1999	Plebiscite to prevent Directors and Autonomous Bodies from engaging in political activity ⁴	Not adopted
7 December 2003	Referendum to repeal the ANCAP Law ⁴	Adopted. The law was repealed.
31 October 2004	Plebiscite on water	Approved. Put drinking water and sanitation services in the hands of the state on a monopoly basis.

29 October 2009	Plebiscite to repeal the Law on Expiry of the Expiration Date	Not approved. The law was not repealed.
26 October 2014	Plebiscite to lower the age of criminal responsibility ⁵	Not approved.
27 October 2019	Plebiscite on constitutional reform in the area of security	Not approved ⁶
27 March 2022	Referendum on the Law of Urgent Consideration	Not approved. All 135 articles of the contested law were upheld.

Source: own elaboration

Appendix 3. Fringe benefits in Uruguay 2005-2017 by group and subgroup

Clause	Social or labor agreement	Type of benefit	CATEGORY	Group	Subgroup
Additional breastfeeding time	Adaptation of working hours and working space for breastfeeding	2	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.1 Milk Industry
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.1 Milk Industry
Paternal leave	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.1 Milk Industry
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.1 Milk Industry
Special leave for the care of children under 18 years of age	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.1 Milk Industry
Special license for training	Special training for workers with dependent families	2	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.1 Milk Industry
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.1 Milk Industry
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.1 Milk Industry
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.2. Fruits, vegetables packaging
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.4. Sugar industry

Flexible hours to attend family events	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.5 Rice mills
Flexible hours for personal reasons	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.5 Rice mills
Special licenses for medical check-ups	Health-related leave	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.5 Rice mills
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.5 Rice mills
Flexible hours to attend family events	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.5 Rice mills
Death leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.6. Wheat, flour, starch, salt and balanced ration mills/
Marriage leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.6. Wheat, flour, starch, salt and balanced ration mills/
Paternity leave	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.6. Wheat, flour, starch, salt and balanced ration mills/
Death leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.6. Wheat, flour, starch, salt and balanced ration mills/
Marriage leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.6. Wheat, flour, starch, salt and balanced ration mills/
Paternity leave	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.6. Wheat, flour, starch, salt and balanced ration mills/
(Three) sick days paid	Health-related leave	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.6. Wheat, flour, starch, salt and balanced ration mills/
Basket of materials for workers with school-age children	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.6. Wheat, flour, starch, salt and balanced ration mills/

Wage supplement to Christmas bonus	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.6. Wheat, flour, starch, salt and balanced ration mills/
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.7 Sweets, chocolates, candies, cookies and alfajores
Parental leave/employees with children with disabilities	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.7 Sweets, chocolates, candies, cookies and alfajores
Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.7 Sweets, chocolates, candies, cookies and alfajores
Parental leave/employees with children with disabilities	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.7 Sweets, chocolates, candies, cookies and alfajores
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.7 Sweets, chocolates, candies, cookies and alfajores
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.8 Oils of animal or vegetable origin for human or industrial use
Childbirth bonus	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.8 Oils of animal or vegetable origin for human or industrial use
Life insurance	Family medical and hospitalization services	3	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.8 Oils of animal or vegetable origin for human or industrial use
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.8 Oils of animal or vegetable origin for human or industrial use
Life insurance	Family medical and hospitalization services	3	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.9. Drinks
funeral service	Other leave for personal reasons	3	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.9. Drinks
paid companion service in hospitalization	Compensation in money and in days of leave for the	3	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.9. Drinks

	care of family members				
Childcare services	Childcare services	3	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.9. Drinks
Special leave for women to take care of children	Compensation in money and in days of leave for the care of family members	3	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.9. Drinks
Marriage leave	Other leave for personal reasons	2	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.9. Drinks
Medical emergency service	Family medical and hospitalization services	3	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.9. Drinks
Death leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.9. Drinks
Special leave for personal reasons	Compensation in money and in days of leave for the care of family members	3	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.10 Liquor stores
Basket of materials for school-age children	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.10 Liquor stores
Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.11 Wineries
Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.12 Manufacture of ice cream, bakeries, confectioneries and artisan catering
Death leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.12 Manufacture of ice cream, bakeries, confectioneries and artisan catering
Marriage leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.12 Manufacture of ice cream, bakeries, confectioneries and artisan catering
Parental leave for birth	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.12 Manufacture of ice cream, bakeries, confectioneri

					es and artisan catering
Supplementary vacation salary	Other financial compensation	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.12 Manufacture of ice cream, bakeries, confectioneries and artisan catering
Set of school supplies (small)	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.12 Manufacture of ice cream, bakeries, confectioneries and artisan catering
Supplementary vacation salary	Other financial compensation	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.12 Manufacture of ice cream, bakeries, confectioneries and artisan catering
Breastfeeding room	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.12 Manufacture of ice cream, bakeries, confectioneries and artisan catering
Special leave for workers with disabled children	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.12 Manufacture of ice cream, bakeries, confectioneries and artisan catering
Medical service	Family medical and hospitalization services	3	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.13 Tobacco and cigarettes
Birth bonus	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.13 Tobacco and cigarettes
Marriage bonus	Other leave for personal reasons	2	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.13 Tobacco and cigarettes
Single seniority bonus	Other financial compensation	2	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.13 Tobacco and cigarettes
Annual bonus for school-age children	Compensation in money and in days of leave for the care of family members	3	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.13 Tobacco and cigarettes
Special leave for death of family members	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.13 Tobacco and cigarettes

Special leave for birth of children	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.13 Tobacco and cigarettes
Special leave for marriage (1 week)	Other leave for personal reasons	2	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.13 Tobacco and cigarettes
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	1. Food, beverage and tobacco processing and preserving	1.14 Tobacco and cigarettes
Childbirth bonus	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	2 Refrigeration industry	2.2 Sausage industry (11)
Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	2 Refrigeration industry	2.2 Sausage industry (11)
Special leave for workers with children undergoing medical treatment	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	2 Refrigeration industry	2.2 Sausage industry (11)
Special leave for domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	2 Refrigeration industry	2.2 Sausage industry (11)
Maternal leave	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	2 Refrigeration industry	2.2 Sausage industry (11)
Change of work activities due to breastfeeding	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	2 Refrigeration industry	2.2 Sausage industry (11)
Childbirth bonus	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	2 Refrigeration industry	2.2 Sausage industry (11)
Measures to address workplace harassment	Measures to address gender inequalities	1	Industry, commerce and general activities groups	2 Refrigeration industry	2.2 Sausage industry (11)
Special leave for personal reasons	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	2 Refrigeration industry	2.2 Sausage industry (11)
Life insurance	Family medical and hospitalisation services	3	Industry, commerce and general activities groups	2 Refrigeration industry	2.2 Sausage industry (11)
Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	2 Refrigeration industry	2.3 Poultry industry (10)

Special leave for workers with children undergoing medical treatment	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	2 Refrigeration industry	2.3 Poultry industry (10)
Childbirth bonus	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	2 Refrigeration industry	2.3 Poultry industry (10)
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	3. Fishing	Administrative and operational ground personnel
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	3. Fishing	Administrative and operational ground personnel
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	4 Textile Industry	Administrative and operational ground personnel
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	4 Textile Industry	4.2 Manufacture of knitted fabrics
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	5 Leather, Apparel and Footwear Industries	5.1 Tanneries and their products
Special leaves for health check-ups	Health-related leave	0	Industry, commerce and general activities groups	5 Leather, Apparel and Footwear Industries	5.3 Clothing and related items
Childcare services	Childcare services	3	Industry, commerce and general activities groups	5 Leather, Apparel and Footwear Industries	5.3 Clothing and related items
Special measure to address gender inequality	Measures to address gender inequalities	1	Industry, commerce and general activities groups	5 Leather, Apparel and Footwear Industries	5.3 Clothing and related items
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	5 Leather, Apparel and Footwear Industries	5.3 Clothing and related items
Special leaves for health check-ups	Health-related leave	0	Industry, commerce and general activities groups	6 Wood, pulp and paper industry	5.3 Clothing and related items
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	6 Wood, pulp and paper industry	1 Pulp, paper, diapers, paperboard and their products
Special leaves for health check-ups	Health-related leave	0	Industry, commerce and general activities groups	6 Wood, pulp and paper industry	2 Sawmills and others
Special leaves for health check-ups	Health-related leave	0	Industry, commerce and	6 Wood, pulp and paper industry	3 Manufacture

			general activities groups		of parquet flooring, unspecified wood products
Special leaves for health check-ups	Health-related leave	0	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	3 Manufacture of parquet flooring, unspecified wood products
Special leaves for health check-ups	Health-related leave	0	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	3 Manufacture of parquet flooring, unspecified wood products
Special leave/mothers/fathers	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7.2 Basic chemical substances
Special leave/mothers/fathers	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7.2 Basic chemical substances
Special leave/mothers/fathers	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7.3. Perfumes
Special leave/mothers/fathers	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7.3. Perfumes
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7.3. Perfumes
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7.4. Painting
Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7.4. Painting
Special leave/mothers/fathers	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7.4. Painting
Special leave/mothers/fathers	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7.4. Painting
Special leave/mothers/fathers	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7.5 Petroleum and coal by-products, asphalt
Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7.6 Processing of rubber, tires, articles, etc.

Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7. 6 Processing of rubber, tires, articles, etc.
Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7. 6 Processing of rubber, tires, articles, etc.
Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7. 7 Medicines and pharmaceuticals for animal use
Special leave for workers with dependent children	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	5. 3 Clothing and related items
Special leave for workers with dependent children	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7. 7 Medicines and pharmaceuticals for animal use
Special leave for workers with dependent children	Compensation in money and in days of leave for the care of family members	3	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7.2.Basic chemicals
Special leave for workers with dependent children	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7. 7 Medicines and pharmaceuticals for animal use
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7. 7 Medicines and pharmaceuticals for animal use
Childbirth bonus	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7. 7 Medicines and pharmaceuticals for animal use
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	7 Chemical, drug, pharmaceutical, fuel and annex industries	7. 8 Alternative energies
special leave por personal reasons	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	8. Basic metal industries, metal products	1 Basic metal industries, metal products, metal products
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	8. Basic metal industries, metal products	1 Basic metal industries, metal products, metal products

No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	8. Basic metal industries, metal products	2 Auto parts sector
No agreement of this type	The agreement has no fringe benefits	1	Industry, commerce and general activities groups	8. Basic metal industries, metal products	4 Bodywork and upholstery, assembling
Special leave mother/father	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	8. Basic metal industries, metal products	8.5 Mechanic workshops, bodywork and painting. Mechanical assistance
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	8. Basic metal industries, metal products	8.5 Mechanic workshops, bodywork and painting. Mechanical assistance
Special leave mother/father	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	8. Basic metal industries, metal products	8.5 Mechanic workshops, bodywork and painting. Mechanical assistance
Special leave mother/father	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	8. Basic metal industries, metal products	8.5 Mechanic workshops, bodywork and painting. Mechanical assistance
Special leave mother/father	Maternity, paternal and parental leave	1	Industry, commerce and general activities groups	8. Basic metal industries, metal products	8.5 Mechanic workshops, bodywork and painting. Mechanical assistance
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	8. Basic metal industries, metal products	8.5 Mechanic workshops, bodywork and painting. Mechanical assistance
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	8. Basic metal industries, metal products	8.6. Extraction and Industrialization of Precious Stones.
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	8. Basic metal industries, metal products	8.7 Plastic products and toys. Fiberglass
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	8. Basic metal industries, metal products	8.8 Industrialization of glass and hollow glass.
Measures to address workplace harassment	Measures to address gender inequalities	1	Industry, commerce and general activities groups	9 Construction industry and complementary activities	9. 1 Construction Industry and Facilities
Breastfeeding room at work	Adaptation of working hours and working	1	Industry, commerce and general activities groups	9 Construction industry and complementary activities	9. 1 Construction Industry and Facilities

	space for breastfeeding				
special leave for health	Health-related leave	1	Industry, commerce and general activities groups	9 Construction industry and complementary activities	9. 1 Construction Industry and Facilities
Maternal leave bonus	Maternity, paternal and parental leave	2	Industry, commerce and general activities groups	9 Construction industry and complementary activities	7. 7 Medicines and pharmaceuticals for animal use
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	9 Construction industry and complementary activities	9 Alternative energies
Change of activities due to pregnancy	Measures to address gender inequalities	2	Industry, commerce and general activities groups	9 Construction industry and complementary activities	9. 1 Construction Industry and Facilities
Measures to address workplace harassment	Measures to address gender inequalities	2	Industry, commerce and general activities groups	9 Construction industry and complementary activities	2A. Quarries in general, limestone quarries, Balasteras,
Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	9 Construction industry and complementary activities	2A. Quarries in general, limestone quarries, Balasteras,
Change of activities due to pregnancy	Measures to address gender inequalities	1	Industry, commerce and general activities groups	9 Construction industry and complementary activities	2A. Quarries in general, limestone quarries, Balasteras,
Measures to address workplace harassment	Measures to address gender inequalities	1	Industry, commerce and general activities groups	9 Construction industry and complementary activities	2C Red, white, refractory, stoneware and brick ceramics
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	9 Construction industry and complementary activities	2C Red, white, refractory, stoneware and brick ceramics
Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	9 Construction industry and complementary activities	2C Red, white, refractory, stoneware and brick ceramics
Change of activities due to pregnancy	Measures to address gender inequalities	1	Industry, commerce and general activities groups	9 Construction industry and complementary activities	2C Red, white, refractory, stoneware and brick ceramics
Measures to address workplace harassment	Measures to address gender inequalities	1	Industry, commerce and general activities groups	9 Construction industry and complementary activities	2D Operation of toll booths located on roads
Breastfeeding time	Adaptation of working hours and working	1	Industry, commerce and general activities groups	9 Construction industry and complementary activities	2D Operation of toll booths located on roads

	space for breastfeeding				
Change of activities due to pregnancy	Measures to address gender inequalities	1	Industry, commerce and general activities groups	9 Construction industry and complementary activities	2D Operation of toll booths located on roads
No agreement of this type	The agreement has no fringe benefits	1	Industry, commerce and general activities groups	10. General trade	Free Shops
Death leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	10. General trade	10.1 Shops
Marriage leave	Other leave for personal reasons	2	Industry, commerce and general activities groups	10. General trade	10.1 Shops
Childcare services	Childcare services	3	Industry, commerce and general activities groups	10. General trade	9. 1 Construction Industry and Facilities
Study leave (additional)	Other leave for personal reasons	2	Industry, commerce and general activities groups	10. General trade	10.1 Shops
Special leave for domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	10. General trade	10.1 Shops
No agreement of this type	The agreement has no fringe benefits	1	Industry, commerce and general activities groups	10. General trade	10.2 Household Goods
Death leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	10. General trade	3 Office Machines
Marriage leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	10. General trade	3 Office Machines
Study leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	10. General trade	3 Office Machines
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	10. General trade	10.4 Bazaars, hardware stores, paint stores and toy stores
Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	10. General trade	10.6 Music Houses
Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	10. General trade	10.7 Bookstores and Stationery Stores
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	10. General trade	10.7 Bookstores and Stationery Stores

No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	10. General trade	10.8 Construction Sheds
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	10. General trade	10.9 Pharmacies, Homeopathic and Herbalist's Shops
special leave children under medical treatment	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	10. General trade	10.10 Opticians
Special leave for domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	10. General trade	10.10 Opticians
school supplies basket	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	10. General trade	10.10 Opticians
Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	10. General trade	10.10 Opticians
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	10. General trade	10.11 Photographic shops
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	10. General trade	10.12 Dental shops (sales of dental articles)
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	10. General trade	10.13 Pharmaceutical Drugstores. Distribution
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	10. General trade	10.14 Photographic laboratories
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	10. General trade	10.15 Sale of motorcycles, mopeds, their spare parts and accessories 10.15 Sales of motorcycles, mopeds, their spare parts and accessories 10.16 Sales of medical and/or medical equipment
No agreement of this type	The agreement has	0	Industry, commerce and	10. General trade	10.16 Companies selling

	no fringe benefits		general activities groups		medical devices and/or hospital equipment 10.17 Automotive spare parts.
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	10. General trade	10.17 Automotive spare parts
special leave workers with children	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	10. General trade	10. 18 Supermarkets
special leave workers with children	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	10. General trade	10. 18 Supermarkets
Special leave domestic violence	Measures to address gender inequalities	0	Industry, commerce and general activities groups	10. General trade	10. 18 Supermarkets
special leave for health check up	Health-related leave	0	Industry, commerce and general activities groups	10. General trade	10. 18 Supermarkets
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	10. General trade	10.19 Anda (rent guarantee)
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	10. General trade	10.20 Grain sheds and cooperatives
Disabled children's allowance	Compensation in money and in days of leave for the care of family members	3	Industry, commerce and general activities groups	10. General trade	10.21 Supergas packaging
Positive discrimination measures for women	Measures to address gender inequalities	2	Industry, commerce and general activities groups	10. General trade	10.21 Supergas packaging
Disabled children's allowance	Compensation in money and in days of leave for the care of family members	3	Industry, commerce and general activities groups	10. General trade	10.22 Supergas distribution
Positive discrimination measures for women	Measures to address gender inequalities	2	Industry, commerce and general activities groups	10. General trade	10.22 Supergas distribution
Disabled children's allowance	Compensation in money and in days of leave for the care of family members	3	Industry, commerce and general activities groups	10. General trade	10.23 Supergas freight forwarders

Positive discrimination measures for women	Measures to address gender inequalities	2	Industry, commerce and general activities groups	10. General trade	10.23 Supergas freight forwarders
special leave for workers with children	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	10. General trade	10.24 Consumer cooperatives
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	10. General trade	Residual category
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	11 Food retail trade	NC
special leave for workers with disabled children	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	11 Food retail trade	NC
Special leave for workers with children undergoing medical treatment	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	NC
Death leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.1 Hotels, apart-hotels, motels and inns
Marriage leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.1 Hotels, apart-hotels, motels and inns
Study leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.1 Hotels, apart-hotels, motels and inns
Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.1 Hotels, apart-hotels, motels and inns
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.3 Other lodging establishments
Special leave for workers with family undergoing medical treatment	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.3 Other lodging establishments
Special leave for workers with family with disabilities	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.3 Other lodging establishments
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.4 Restaurants, barbecues, cantinas

Death leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.5 Food chains
Marriage leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.5 Food chains
Study leave	Other leave for personal reasons	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.5 Food chains
Special leaves for health check-ups	Health-related leave	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.5 Food chains
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.6 Other forms of food and beverage services and other forms of food services
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.7 Cafes, bars and pubs
special leave for health check up	Health-related leave	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.7 Cafes, bars and pubs
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.7 Cafes, bars and pubs
Special leave for workers with family with disabilities	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.7 Cafes, bars and pubs
Special leave for workers with children undergoing medical treatment	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.7 Cafes, bars and pubs
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.8 Rotisseries
Special training for workers with dependent families	Special training for workers with dependent families	3	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.8 Rotisseries
Special leave for workers with family with disabilities	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.8 Rotisseries
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.8 Rotisseries

special leave for health check up	Health-related leave	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.8 Rotisseries
special leave for breastfeeding	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	12 Hotels, restaurants and bars	12.8 Rotisseries
Dependent child bonus for children under 18 years of age	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	13 Transportation and storage	13.1 Land transportation of people. Urban
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	13 Transportation and storage	13.2 International Land Transportation of Persons,
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	13 Transportation and storage	13.3 Ground transportation of passengers. Schoolchildren
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	13 Transportation and storage	13.4 Land transportation of persons. Remises
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	13 Transportation and storage	13.5 5 Land transportation of passengers .cabs and similar.
Monetary allowance for health care for children under 16 years of age	Family medical and hospitalisation services	3	Industry, commerce and general activities groups	13 Transportation and storage	13.6 Land passenger transportation. Suburban
special licenses for health controls	Health-related leave	0	Industry, commerce and general activities groups	13 Transportation and storage	13.6 Land passenger transportation. Suburban
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	13 Transportation and storage	13.7 Land transportation of cargo. National.
special leave for breastfeeding	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	13 Transportation and storage	13.8. Freight transportation by land. International
Special training for workers with dependent families	Special training for workers with dependent families	3	Industry, commerce and general activities groups	13 Transportation and storage	13.8. Freight transportation by land. International
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	13 Transportation and storage	13.9 Maritime Transportation
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	13 Transportation and storage	13.9 Maritime Transportation

No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	13 Transportation and storage	13.9 Maritime Transportation
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	13 Transportation and storage	13.9 Maritime Transportation
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	13 Transportation and storage	13.12 Air transportation of persons and cargo
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	13 Transportation and storage	13.12 Air transportation of persons and cargo
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	13 Transportation and storage	Residual
special leave to care for family members under medical treatment	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	14 Financial intermediation, insurance and pensions	1.1 Banks
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	14 Financial intermediation, insurance and pensions	1.2 IFES
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	14 Financial intermediation, insurance and pensions	1.3 Afaps
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	14 Financial intermediation, insurance and pensions	1.4 Bolsa Electrónica de Valores (Bevsa) 1.5 Credit card processors
special leave to care for family members under medical treatment	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	13 Financial intermediation, insurance and pensions	1.5 Credit card processors
special leave for domestic violence	Measures to address gender inequalities	0	Industry, commerce and general activities groups	14 Financial intermediation, insurance and pensions	1.5 Credit card processors
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	14 Financial intermediation, insurance and pensions	1.7 Trusts
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	14 Financial intermediation, insurance and pensions	14.2.3 Advance Savings Circles
special leave for breastfeeding	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	14 Financial intermediation, insurance and pensions	14.3.2 Supplemental Funds
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	14 Financial intermediation, insurance and pensions	14.3.3 Auxiliary Funds

No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	14 Financial intermediation, insurance and pensions	14.4 Securities Transportation Companies
Special measure to address gender inequality	Measures to address gender inequalities	1	Industry, commerce and general activities groups	14 Financial intermediation, insurance and pensions	14.5.1 Capitalization Cooperatives
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	14 Financial intermediation, insurance and pensions	14.5.2 Restricted Operating Cooperatives
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	14 Financial intermediation, insurance and pensions	14.6 Exchange houses
Life insurance	Family medical and hospitalisation services	2	Industry, commerce and general activities groups	14 Financial intermediation, insurance and pensions	14.6.2 Financial services companies
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	14 Financial intermediation, insurance and pensions	9 National Development Corporation
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	14 Financial intermediation, insurance and pensions	10 Quiniela Agencies and Betting Agencies
Regulation	Regulatory mechanisms for the enforcement of labour standards	0	Industry, commerce and general activities groups	15 Health Services and annexes	General Health/ (medical work)
Regulation	Regulatory mechanisms for the enforcement of labour standards	0	Industry, commerce and general activities groups	15 Health Services and annexes	General Health/ (medical work)
special leave to care for family members under medical treatment	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	15 Health Services and annexes	General Health/ (medical work)
Childcare services	Childcare services	3	Industry, commerce and general activities groups	15 Health Services and annexes	General Health/ (medical work)
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	15 Health Services and annexes	General Health/ (medical work)
special leave to care for family members under medical treatment	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	15 Health Services and annexes	Ambulances
Escort service during hospitalization	Family medical and hospitalisation services	3	Industry, commerce and general activities groups	15 Health Services and annexes	Ambulances
special leave to care for family members	Compensation in money and	1	Industry, commerce and	15 Health Services and annexes	Ambulances

under medical treatment	in days of leave for the care of family members		general activities groups		
special leave to care for family members under medical treatment	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	15 Health Services and annexes	Nursing Homes and Homes for the Elderly (non-profit)
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	16 Education services	1 Kindergartens and day-care centers
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	16 Education services	2 Pre-school, school, secondary and vocational schools
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	16 Education services	4 Special for handicapped persons
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	16 Education services	5 Language training
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	16 Education services	6 Private teachers and other types of education
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	16 Education services	7 Non-formal education
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	17 Printing industry	
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	18 Cultural, recreational and communication services	18. Cinemas
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	18 Cultural, recreational and communication services	18. 2. Print media
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	18 Cultural, recreational and communication services	18. 3. Radio stations
Training of workers with family responsibilities	Special training for workers with dependent families	2	Industry, commerce and general activities groups	18 Cultural, recreational and communication services	TV
special leave to care for family members under medical treatment	Compensation in money and in days of leave for the	1	Industry, commerce and general activities groups	18 Cultural, recreational and communication services	TV

	care of family members				
Special leave domestic violence	Measures to address gender inequalities	0	Industry, commerce and general activities groups	18 Cultural, recreational and communication services	6
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	18 Professional, technical, specialized services and those not included in other groups	1 Customs Brokers
special leave health controls	Health-related leave	0	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	2 Labor supply companies
special leave for pregnancy controls	Measures to address gender inequalities	0	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	2 Labor supply companies
special leave to care for family members under medical treatment	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	2 Labor supply companies
special leave for workers with disabled family members	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	2 Labor supply companies
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	2 Labor supply companies
special leave health controls	Health-related leave	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	4 Funeral parlors and their supervisors
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	4 Funeral parlors and their supervisors
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	5 Real estate and property management
special leave for health check up	Health-related leave	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	6 Waste collection
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	6 Waste collection
No agreement of this type	The agreement has no fringe benefits	0	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	7 Cleaning companies
special leave health controls	Health-related leave	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	8 Security and surveillance companies
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	8 Security and surveillance companies

Special measure to address gender inequality	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	8 Security and surveillance companies
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	8 Security and surveillance companies
special leave health controls	Health-related leave	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	8 Security and surveillance companies
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	11 Travel agencies
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	11 Travel agencies
Special measure to address gender inequality	Measures to address gender inequalities	2	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	18 Sanitary
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	18 Sanitary
special leave for workers with disabled family members	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	18 Sanitary
special leave health controls	Health-related leave	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	18 Sanitary
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	18 Sanitary
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	Call Centers
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	Call Centers
Childbirth bonus	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	21 Administration of commercial, industrial and service centers
special leave health controls	Health-related leave	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	21 Administration of commercial, industrial and service centers
Special leave domestic violence	Measures to address	1	Industry, commerce and	19 Professional, technical, specialized	21 Administration of

	gender inequalities		general activities groups	services and those not included in other groups	commercial, industrial and service centers
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	21 Administration of commercial, industrial and service centers
special leave for workers with family members under medical treatment	Compensation in money and in days of leave for the care of family members	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	22 Computer science
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	22 Computer science
special leave health controls	Health-related leave	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	22 Computer science
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	22 Computer science
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	23. Rental of filming equipment
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	19 Professional, technical, specialized services and those not included in other groups	99
special remuneration for domestic work	Compensation in money and in days of leave for the care of family members	3	Industry, commerce and general activities groups	20 Trade unions, social and sports organizations	2 Trade union entities
special leave for workers with disabled children	Compensation in money and in days of leave for the care of family members	3	Industry, commerce and general activities groups	20 Trade unions, social and sports organizations	3 Social entities
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Industry, commerce and general activities groups	20 Trade unions, social and sports organizations	4 Social entities
Childbirth bonus	Compensation in money and in days of leave for the care of family members	2	Industry, commerce and general activities groups	20 Trade unions, social and sports organizations	5 Social entities
Special leave domestic violence	Measures to address gender inequalities	1	Industry, commerce and general activities groups	20 Trade unions, social and sports organizations	6 Social entities
special leave for breastfeeding	Adaptation of working hours and working	1	Industry, commerce and general activities groups	20 Trade unions, social and sports organizations	7 Social entities

	space for breastfeeding				
special leave for workers with disabled family members	Compensation in money and in days of leave for the care of family members	3	Industry, commerce and general activities groups	20 Trade unions, social and sports organizations	3 Social entities
special leave for breastfeeding	Adaptation of working hours and working space for breastfeeding	1	Domestic Work.	21. Domestic work	NC
Breastfeeding room at work	Adaptation of working hours and working space for breastfeeding	1	Domestic Work.	21 Domestic work	2
No agreement of this type	The agreement has no fringe benefits	0	Rural Work	22. Agriculture and cattle raising	1 Sugar cane plantations
No agreement of this type	The agreement has no fringe benefits	0	Rural Work	22. Agriculture and cattle raising	2 Rice plantations
No agreement of this type	The agreement has no fringe benefits	0	Rural Work	22. Agriculture and cattle raising	3 Rainfed agriculture
No agreement of this type	The agreement has no fringe benefits	0	Rural Work	22. Agriculture and cattle raising	4 Dairy farms
Marriage leave	Other leave for personal reasons	1	Rural Work	23 Vineyards, fruit, horticulture, horticulture, floriculture, beekeeping	1 Horticulture
Death leave	Other leave for personal reasons	1	Rural Work	23 Vineyards, fruit, horticulture, horticulture, floriculture, beekeeping	1 Horticulture
Paternity leave	Maternity, paternal and parental leave	1	Rural Work	23 Vineyards, fruit, horticulture, horticulture, floriculture, beekeeping	1 Horticulture
No agreement of this type	The agreement has no fringe benefits	0	Rural Work	23 Vineyards, fruit, horticulture, horticulture, floriculture, beekeeping	2 Poultry farms
Supplementary annual bonus	Other financial compensation	1	Rural Work	23 Vineyards, fruit, horticulture, horticulture, floriculture, beekeeping	3 Vineyards
Marriage leave	Other leave for personal reasons	1	Rural Work	23 Vineyards, fruit, horticulture, horticulture, floriculture, beekeeping	4 Pig farms
Death leave	Other leave for personal reasons	1	Rural Work	23 Vineyards, fruit, horticulture, horticulture, floriculture, beekeeping	4 Pig farms
Paternity leave	Maternity, paternal and parental leave	1	Rural Work	23 Vineyards, fruit, horticulture, horticulture, floriculture, beekeeping	4 Pig farms
special leave health controls	Health-related leave	1	Rural Work	23 Vineyards, fruit, horticulture, horticulture, floriculture, beekeeping	4 Pig farms
No agreement of this type	The agreement has no fringe benefits	0	Rural Work	23 Vineyards, fruit, horticulture, horticulture, floriculture, beekeeping	5 Beekeeping

No agreement of this type	The agreement has no fringe benefits	0	Rural Work	23 Vineyards, fruit, horticulture, horticulture, floriculture, beekeeping	6 Citrus and Blueberries
special leave health controls	Health-related leave	1	Rural Work	23 Vineyards, fruit, horticulture, horticulture, floriculture, beekeeping	4 Pig farms
No agreement of this type	The agreement has no fringe benefits	0	Rural Work	23 Vineyards, fruit, horticulture, horticulture, floriculture, beekeeping	5 Beekeeping
No agreement of this type	The agreement has no fringe benefits	0	Rural Work	23 Vineyards, fruit, horticulture, horticulture, floriculture, beekeeping	6 Citrus and Blueberries

Appendix 4. Fringe benefits in Uruguay by quality 2005-2017

Social or labor agreement	Number of fringe benefits
Adaptation of working hours and working space for breastfeeding	34
Childcare services	4
Compensation in money and in days of leave for the care of family members	62
Family medical and hospitalisation services	8
Health-related leave	40
Maternity, paternal and parental leave	21
Measures to address gender inequalities	53
The agreement has no fringe benefits	69
Other financial compensation	4
Other leave for personal reasons	26
Regulatory mechanisms for the enforcement of labour standards	2
Special training for workers with dependent families	4
Total	327

Appendix 5. Types of benefits agreed in collective instruments in Chile 2007-2013

Special working time agreements
Christmas bonuses
Seniority allowance
Schooling allowance
Bonus for special working conditions and times
Section or function bonus
Housing plan clauses
Performance evaluation, promotion and advancement clauses
Health and safety and environmental working conditions clauses
Management participation clauses
Labour dispute settlement clauses
Clauses for monitoring compliance with contract or agreement
Clauses for training, education, retraining, re-training
Shift system clauses
Clauses relating to trade union organisation
Clauses on moral/sexual harassment, privacy of employees
Conventional guaranteed bonus
Profit bonus
Fixed production and/or productivity incentives
Variable production and/or productivity incentives
Year of service indemnity
Family leave
Not specified
Granting of meal allowances
Transport allowance
Other allowances
Payment of medical leave and health benefit entitlements
Assisted separation schemes
Royalties in kind
Cradle room, breastfeeding, childcare
Welfare service
Overtime with a value of more than 50%
Extra/legal holidays and holidays

Source: Administrative records, Directorate of Labor, Chile.

Appendix 6. Fringe benefits per year by sector in Chile, 2009-2017

Branch Economic Activity	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Agriculture, livestock, hunting and forestry	194	172	180	172	129	146	113	146	112	1364
Fishing	28	45	33	45	29	39	44	37	33	333
Mining and quarrying	81	75	88	77	63	93	91	64	94	726
Manufacturing industries	477	608	696	561	636	661	582	535	526	5282
Electricity, gas and water supplies	48	39	49	38	54	46	30	39	41	384
Construction	103	134	145	162	145	101	157	146	136	1229
Trade	329	369	448	367	422	347	383	378	312	3355
Hotels and restaurants	55	79	87	97	94	85	124	111	80	812
Transport, storage and communications	305	345	344	400	362	342	322	325	295	3040
Financial intermediation	32	56	77	39	46	59	80	47	52	488
Public administration and defence	3	8	4	5	2	5	5	3	6	41
Education	229	254	244	251	324	320	312	354	325	2613
Health and social services	101	90	78	77	107	127	67	143	89	879
Other community service activities	271	276	296	233	216	284	16	174	177	1943
Private households with domestic service	0	2	5	7	4	13	192	16	17	256
Extra-territorial organisations and bodies	4	0	0	2	1	0	0	0	0	7
Other unspecified activities	0	0	2	0	0	0	106	118	67	293

Source: Administrative records, Directorate of Labor, Chile.

Appendix 7. Population affiliated to active base unions, by branch of economic activity in Chile, 2012-2017

Branch Economic Activity	2012	2013	2014	2015	2016	2017
Agriculture, livestock, hunting and forestry	28.674	29.593	27.887	27.251	33.273	34.725
Mining and quarrying	52.221	51.298	54.320	53.618	54.556	60.556
Manufacturing industries	117.548	120.755	122.676	129.090	129.828	134.760
Electricity, gas and water supplies	11.592	11.725	12.623	12.840	13.149	14.395
Construction	58.783	41.604	55.820	48.868	85.692	82.042
Trade	198.457	208.652	214.542	225.566	226.064	222.264
Hotels and restaurants	27.354	29.703	32.588	36.990	38.708	43.816
Transport, storage and communications	147.887	145.985	144.830	150.128	156.503	158.347
Financial intermediation	41.081	41.630	37.840	39.449	52.948	54.914
Public administration and defence	6.464	5.289	9.403	9.233	8.980	8.241
Education	51.620	52.463	60.256	67.361	74.062	79.487
Health and social services	37.396	39.597	41.086	42.727	48.353	56.547

Source: Administrative records, Directorate of Labor, Chile.

Appendix 8. Number of strikes carried out, by branch of economic activity, years 2010-2017.

Branch Economic Activity	2010	2011	2012	2013	2014	2015	2016	2017
Agriculture, livestock, hunting and forestry	5	4	4	2	5	1	2	0
Mining and quarrying	11	6	7	2	12	4	8	5
Manufacturing industries	52	37	22	48	49	49	39	35
Electricity, gas and water supplies	0	1	0	1	1	0	2	2
Construction	10	14	11	12	6	11	11	7
Trade	26	43	24	26	35	22	19	15
Transport, storage and communications	20	16	19	21	17	32	23	20
Financial intermediation	13	22	4	2	5	3	7	1

Source: Administrative records, Directorate of Labor, Chile.

List of Abbreviations

- ECLAC-United Nations Economic Commission for Latin America and the Caribbean
- SC-Salary Council
- IDB-Inter-American Development Bank
- IMF-International Monetary Fund - IMF
- WB- The World Bank
- LR-Labour Reform
- TR-Tax Reform
- NIR- New Investment Regime
- ILO- International Labour Organization
- UNDP- United Nations Development Programme
- UN-United Nations
- SC-Salary Councils
- LAC-Latin American and Caribbean
- HDI-Human Development Index
- FDI-Foreign Direct Investment
- GDP-Gross domestic product
- GINI-Gross National Income Index
- EU-European Union
- OECD-Organisation for Economic Co-operation and Development
- SDG-Sustainable Development Goal
- UN-United Nations
- PIT-CNT- Plenario Intersindical de Trabajadores - Convención Nacional de Trabajadores
- FOCH-Federación Obrera de Chile
- CTCH- Confederación de Trabajadores
- CUT-Central Única de Trabajadores

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