

Political Connections and Labor Repression during Argentina's *Dirty War*

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Motivation

- ▶ During Argentina's infamous "dirty war" in the mid-1970s thousands of civilians were kidnapped, tortured, killed and disappeared by the security forces.
- ▶ The junta described its victims as terrorists; yet, subversion in the workplace became a pretext to bring an end to labor activism.
- ▶ Currently open lawsuits and investigations against specific firms alleging collusion between management and security forces (Acindar, Astarsa, Dálmine Siderca, Ford, Ledesma Mercedes Benz).

Motivation



Main question: Is labor repression by dictatorships primarily driven by an economic or crony logic?

This Paper

- ▶ We argue that political connections influenced which firms' union leaders and worker-activists were targeted for violence by the government.
- ▶ We show that a relationship can be established even after accounting for most plausible alternative economic and political rationales for targeting.
- ▶ We document how personal connections allowed certain firms to benefit from the atrocities wreaked on the population by the repressive state apparatus.

Related Literature

- ▶ Labor Exploitation under Dictatorships (Rodrick 1999; Przeworski et al. 2000).
- ▶ Labor Repression during “dirty war” (Andersen 1993; Basualdo 2006; Verbitsky & Bohoslavsky 2013)
- ▶ Value of political connections (Acemoglu et al. 2013; Fisman & Wang 2015)

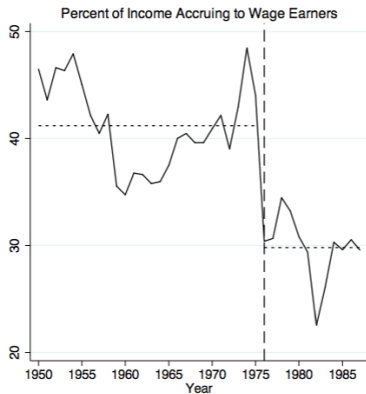
Background

- ▶ On 24 March 1976, Lt. Gen. Jorge R. Videla led a successful military coup and appointed José A. Martínez de Hoz (CEO of a major corporation) as Minister of Economy.
- ▶ The economic team imposed a strict wage freeze while simultaneously lifting price controls and devaluing the Argentine peso.
- ▶ The government also sought to undermine the structural basis of trade union power:
 - ▶ Largest unions were intervened, collective bargaining was abolished and strikes were declared to be subversive activities punishable with jail.

Background (cont.)

- ▶ The regime also relied on coercion and fear to bring an end to labor activism, particularly at the rank-and-file level.
- ▶ At least 9,000 civilians (including children and pregnant women) were secretively kidnapped, tortured, killed and disappeared by military and paramilitary death squads.
- ▶ Roughly 40 percent of the disappeared were salaried workers.

Coup's Impact on Labor Income



Targeted Repression

- ▶ Against this backdrop of structural adjustment and violence against workers, certain firms became specific targets for labor repression.
- ▶ Anecdotal evidence: managers provided lists and requested the disappearance of “trouble-makers.”
- ▶ Yet, we are the first to provide systematic evidence that collusion between management and security forces was facilitated by personal connections.

Methodological Challenges

Confounders

- Company's size: Large and important companies are more likely to be part of the economic cabinet and have disappearances.

Reverse Causality:

- Leftist organizations may try to create labor unrest in companies connected to the regime.

Measurement Error:

- Disappearance of union leaders in connected companies more likely to be documented.

Not purely technical problems calling for an econometric solution.

Methodological Challenges

Given the clandestine nature of the repressive activities carried out by the military government, the list of victims had to be compiled from depositions of relatives or friends of the disappeared.

- ▶ 9,539 documented cases of disappearances; 3,595 salaried workers (1,231 blue collar workers).
- ▶ Firm-level data on disappeared union leaders and shop-stewards (Top 300 Firms): 158 cases in 37 firms.
- ▶ Firm-level data on worker disappearances (Top 300 Firms): 424 cases in 81 firms.

Methodological Challenges

To address heterogeneity, we control for:

- ▶ Firm's size: total sales;
- ▶ Firm's importance: firm's rank, listed in stock exchange;
- ▶ Firm's activity: financial, industrial, etc;
- ▶ Pre-existent labor conditions: strikes, collective bargaining agreements;
- ▶ Terrorist attacks against the firm;
- ▶ Centrality of the firm on Argentina's economy (upstream/downstream effects);
- ▶ Industry fixed effects (2-digit level)

Methodological Challenges (cont.)

We identified the firms directly connected to the economic cabinet.

Instrument for cabinet connections via:

- ▶ Business Connections in 1972: Influential companies within the business community via overlapping directorships.
- ▶ Social Connections in 1969: Companies whose board members belonged to the elite Jockey Club.

Preview of Results

Substantial variation in disappearances for firms in same industry

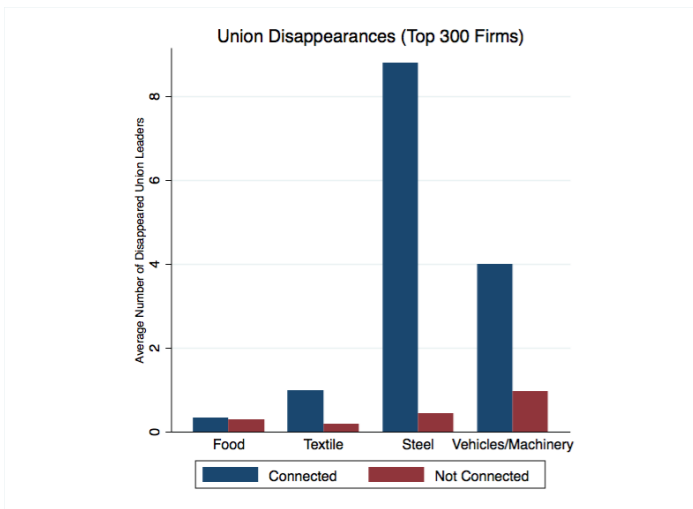


Table 1: Average Number of Disappearances by Connections

	Cabinet Connections (1976)			Industry Connections (1972)			Jockey Club Membership (1969)		
	Not Connected	Connected	Difference	Not Connected	Connected	Difference	Members	Non Members	Difference
Firms Included in top 300 Firms (Prensa Economica, 1975)									
Union Leaders Disappeared	3.0455 (6.904)	0.3555 (1.904)	2.6900*** [0.5868]	2.5161 (6.066)	0.3239 (1.844)	2.1922*** [0.5052]	1.3368 (4.511)	0.1694 (0.637)	1.1674*** [0.3393]
Workers Disappeared	4.5000 (7.570)	1.3828 (4.169)	3.1172*** [1.0040]	5.1290 (9.316)	1.1903 (3.375)	3.9387*** [0.8433]	2.8316 (6.195)	1.0055 (3.329)	1.8261*** [0.5708]
Total Number of Firms	22	256		31	247		95	183	
Firms Included in top 150 Firms (Mercado, 1975)									
Union Leaders Disappeared	4.1333 (8.158)	0.6250 (2.611)	3.5083*** [0.9745]	3.3636 (7.021)	0.5620 (2.552)	2.8017*** [0.8320]	1.8507 (5.287)	0.2368 (0.586)	1.6139** [0.6103]
Workers Disappeared	6.4000 (8.559)	2.7500 (6.280)	3.6500*** [1.7852]	7.0909 (10.474)	2.4132 (5.402)	4.6777*** [1.4872]	3.9701 (7.082)	2.3947 (6.126)	1.5754 [1.1044]
Total Number of Firms	15	128		22	121		67	76	

Table 2: Balancing Tests

	Top 300 firms				Top 150 firms			
	Mean	Difference in Means			Mean	Difference in Means		
	Connected	Not Connected	No Ind FEs	Industry FEs	Connected	Not Connected	No Ind FEs	Industry FEs
Trades in Stock Exchange (Merval)	0.591 (0.107)	0.410 (0.031)	0.181 [0.110]	0.105 [0.0968]	0.733 (0.118)	0.375 (0.043)	0.358*** [0.132]	0.290*** [0.0557]
Industrial Firm	0.955 (0.045)	0.918 (0.017)	0.0366 [0.0602]	-0.0423 [0.0420]	0.933 (0.067)	0.852 (0.032)	0.0818 [0.0951]	-0.0566 [0.0631]
Downstream Effects	1.220 (0.073)	1.214 (0.020)	0.00652 [0.0717]	-0.00782 [0.0136]	1.278 (0.093)	1.211 (0.030)	0.0668 [0.0924]	-0.0161 [0.0140]
Upstream Effects	1.117 (0.110)	0.983 (0.040)	0.133 [0.138]	-0.0313 [0.0819]	1.120 (0.135)	1.095 (0.067)	0.0253 [0.202]	-0.0259 [0.0903]
Workers Collective Bargaining Agreement	0.091 (0.063)	0.082 (0.017)	0.00888 [0.0614]	0.0195 [0.0496]	0.133 (0.091)	0.148 (0.032)	-0.0151 [0.0973]	-0.0271 [0.0353]
Workers' Strikes (1974-1975)	0.318 (0.102)	0.223 (0.026)	0.0955 [0.0937]	0.0851 [0.132]	0.400 (0.131)	0.320 (0.041)	0.0797 [0.129]	0.0651 [0.137]
Attacks against the Firm (1974-1975)	0.273 (0.097)	0.105 (0.019)	0.167** [0.0714]	0.149 [0.127]	0.333 (0.126)	0.203 (0.036)	0.130 [0.113]	0.0543 [0.130]
Ranking	109.4 (87.99)	125.9 (73.66)	-16.52 [16.63]	-16.68 [24.21]	76.1 (54.31)	75.4 (42.14)	0.65 [11.87]	4.757 [13.23]
Total Sales	2262 (2576)	1615 (3983)	647.67 [865.1]	622.8 [495.9]	1993 (1980)	2170 (5196)	-177.72 [1356.6]	-99.97 [652.2]
Total Number of Firms	22	257			15	128		

Empirical Specification

$$DisapUnion_i = \alpha + \beta \cdot CabinetConnections_i + X_i \cdot \Phi + \mu_s + \varepsilon_i$$

DisapUnion_i - Indicator for Disappearance of Union Leader working in firm *i*

CabinetConnections_i - A member of the firm's board was appointed to the Cabinet of Economic Advisors to the Junta.

X_i - vector of firm's characteristics

μ_s - industry fixed effects

Empirical Specification

$$DisapUnion_i = \alpha + \beta \cdot CabinetConnections_i + X_i \cdot \Phi + \mu_s + \varepsilon_i$$

- ▶ OLS: β may be biased due to simultaneity, reverse causality and measurement error.
- ▶ We use industry connections in 1972 and social connections in 1969 as our instrumental variables.
- ▶ Exclusion restriction: Firms' social connections in 1969 or industrial connections in 1972 affect the number of union leaders disappeared in 1976 only through their cabinet connections in 1976 (after controlling for the firms prominence and all other characteristics).

Effect of business connections on union leaders disappearances (Top 300 firms)

VARIABLES	Without Additional Controls			
	OLS (1)	Reduced Form (2)	First Stage (3)	2SLS (4)
Cabinet Connections	0.213* (0.115)			1.035** (0.428)
Industry Connections		0.279* (0.145)	0.269*** (0.0536)	
Industry Fixed Effects	Yes	Yes	Yes	Yes
Observations	271	271	271	271
R-squared	0.087	0.119	0.132	0.093

Note: Standard errors, clustered by industry, appear in parentheses. * indicates statistical significance at the 10% level; ** indicates statistical significance at the 5% level; *** indicates statistical significance at the 1% level.

Effect of business connections on union leaders disappearances (Top 300 firms)

VARIABLES	With Additional Controls			
	OLS	Reduced Form	First Stage	2SLS
Cabinet Connections	0.173** (0.0616)			0.685** (0.316)
Industry Connections		0.181* (0.0851)	0.264*** (0.0671)	
Ranking (1975)	-0.00131** (0.000454)	-0.00118** (0.000440)	0.000279 (0.000352)	-0.00137*** (0.000249)
Total Sales (in thds, 1975)	-0.00732** (0.00246)	-0.00718** (0.00249)	0.000331 (0.00272)	-0.00741** (0.00309)
Trades in Stock Exchange	-0.0494* (0.0227)	-0.0583* (0.0310)	0.0142 (0.0375)	-0.0680** (0.0273)
Industrial Firm	0.204*** (0.0397)	0.108*** (0.0215)	-0.484 (0.334)	0.439*** (0.158)
Ranked in Mercado	-0.0314 (0.0404)	-0.0301 (0.0397)	0.0468 (0.0267)	-0.0622* (0.0348)
Downstream Effects	-0.0783 (0.479)	-0.265 (0.480)	-0.550 (0.479)	0.111 (0.404)
Upstream Effects	0.136*** (0.0204)	0.143*** (0.0203)	0.00633 (0.0165)	0.139*** (0.0114)
Bargaining Agreement	0.111 (0.0728)	0.132 (0.0783)	0.0128 (0.0309)	0.124* (0.0646)
Strikes (1974-1975)	0.0982 (0.0617)	0.0897 (0.0648)	0.00158 (0.0377)	0.0886 (0.0559)
Attacks against Firm	0.240* (0.125)	0.232* (0.112)	0.0580 (0.0791)	0.193 (0.147)
Industry Fixed Effects	Yes	Yes	Yes	Yes
Observations	271	271	271	271
R-squared	0.344	0.350	0.170	0.194

Note: Standard errors, clustered by industry, appear in parentheses. * indicates statistical significance at the 10% level; ** indicates statistical significance at the 5% level; *** indicates statistical significance at the 1% level.

Effect of social connections on union leaders disappearances (Top 300 firms)

VARIABLES	Without Additional Controls				With Additional Controls			
	OLS (1)	Reduced Form (2)	First Stage (3)	2SLS (4)	OLS (5)	Reduced Form (6)	First Stage (7)	2SLS (8)
Cabinet Connections	0.213* (0.115)			0.932*** (0.235)	0.117* (0.0547)			0.504*** (0.172)
Jockey Club Connections		0.0396* (0.0206)	0.0425** (0.0168)			0.0305** (0.0117)	0.0618*** (0.0156)	
Company's Board Size					-0.00253 (0.00398)	-0.00558 (0.00426)	-0.00430** (0.00158)	-0.00342 (0.00380)
Ranking (1975)					-0.00137 (0.00112)	-0.00136 (0.00107)	0.000347 (0.000565)	-0.00153* (0.000807)
Total Sales (in thds, 1975)					-0.00464 (0.0200)	-0.00365 (0.0203)	0.000369 (0.0117)	-0.00383 (0.0159)
Trades in Stock Exchange					0.00518 (0.0777)	0.000624 (0.0692)	0.0731 (0.0452)	-0.0362 (0.0768)
Industrial Firm					1.109*** (0.321)	1.177*** (0.312)	0.252 (0.926)	1.802* (0.923)
Ranked in Mercado					0.0232 (0.113)	0.0166 (0.101)	-0.0200 (0.0536)	0.0266 (0.0821)
Downstream Effects					0.330 (0.554)	0.364 (0.560)	0.0231 (0.959)	0.352 (0.879)
Upstream Effects					0.412*** (0.0919)	0.367*** (0.0806)	-0.175 (0.459)	0.455** (0.193)
Bargaining Agreement					0.0516 (0.147)	0.0520 (0.132)	0.0429 (0.0425)	0.0304 (0.117)
Strikes (1974-1975)					0.181 (0.103)	0.179* (0.0932)	-0.00599 (0.0284)	0.182** (0.0796)
Attacks against Firm					0.139 (0.121)	0.140 (0.117)	0.120 (0.0801)	0.0791 (0.122)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	271	271	271	271	119	119	119	119
R-squared	0.087	0.101	0.119	0.088	0.381	0.392	0.306	0.306

Note: Standard errors, clustered by industry, appear in parentheses. * indicates statistical significance at the 10% level; ** indicates statistical significance at the 5% level; *** indicates statistical significance at the 1% level.

Union leaders disappearances (Top 150 firms)

VARIABLES	OLS (1)	Reduced Form (2)	First Stage (3)	2SLS (4)	OLS (5)	Reduced Form (6)	First Stage (7)	2SLS (8)
Cabinet Connections	0.135** (0.0514)			0.685 (0.457)	0.0631 (0.0546)			0.376*** (0.121)
Industry Connections		0.187 (0.115)	0.273*** (0.0830)					
Jockey Club Connections						0.0266** (0.00975)	0.0709** (0.0300)	
Observations	142	142	142	142	82	82	82	82
R-squared	0.376	0.390	0.242	0.235	0.471	0.479	0.400	0.434

Note: In addition to variables specified in the table, all specifications include the same controls as specifications (5) to (8) in Table 3. Standard errors, clustered by industry, appear in parentheses. * indicates statistical significance at the 10% level; ** indicates statistical significance at the 5% level; *** indicates statistical significance at the 1% level.

Effect of cabinet connections on workers' disappearances

VARIABLES	Top 300 Firms				Top 150 Firms			
	OLS (1)	Reduced Form (2)	First Stage (3)	2SLS (4)	OLS (5)	Reduced Form (6)	First Stage (7)	2SLS (8)
Cabinet Connections	-0.0956* (0.0428)			-0.000986 (0.247)	-0.137 (0.0739)			0.0164 (0.361)
Industry Connections		-0.000260 (0.0652)	0.264*** (0.0671)			0.00449 (0.0985)	0.273*** (0.0830)	
Observations	271	271	271	271	142	142	142	142
R-squared	0.308	0.305	0.170	0.305	0.328	0.322	0.242	0.320
Cabinet Connections	-0.106 (0.0849)			0.589 (0.433)	-0.120 (0.121)			0.778 (0.515)
Jockey Club Connections		0.0364* (0.0167)	0.0618*** (0.0156)			0.0552** (0.0166)	0.0709** (0.0300)	
Observations	119	119	119	119	82	82	82	82
R-squared	0.354	0.366	0.306	0.195	0.343	0.371	0.400	0.110

Note: In addition to variables specified in the table, all specifications include the same controls as specifications (5) to (8) in Table 3. Standard errors, clustered by industry, appear in parentheses. * indicates statistical significance at the 10% level; ** indicates statistical significance at the 5% level; *** indicates statistical significance at the 1% level.

Effect of connections on number of union leaders disappeared (Negative Binomial Estimates)

	NBR (1)	NBR (2)	NBR (3)
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VARIABLES	Top 300 Firms (Prensa Economica, 1975)		
Cabinet Connections	1.797*** (0.383)		
Industry Connections		1.768*** (0.271)	
Jockey Club Connections			0.272*** (0.0882)
Observations	271	271	271
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VARIABLES	Top 150 Firms (Mercado, 1975)		
Cabinet Connections	1.193** (0.588)		
Industry Connections		1.443*** (0.197)	
Jockey Club Connections			0.228*** (0.0783)
Observations	142	142	82

Note: In addition to variables specified in the table, all specifications include the same controls as specifications (5) to (8) in Table 3. Standard errors, clustered by industry, appear in parentheses. * indicates statistical significance at the 10%

Cronyism?

Results suggest that targeting of union leaders was:

- ▶ not solely motivated by retaliation (we control for terrorist attacks)
- ▶ not exclusively done to propagate “shock” over economic network (we control for upstream/downstream)
- ▶ not merely an industry effect – picking “winners” (we control for different sectors)
- ▶ not just a function of the size/prestige of firm

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- ▶ not just a function of the size/prestige of firm

Cronyism may have also motivated the targeted disappearances.

Did it help connected firms to outperform rest of firms?

Effect of cabinet connections on post-coup strikes

Table 8: The Effect of Cabinet Connections and Disappearance of Union Leaders on Workers' Strikes

VARIABLES	Top 300 Firms			Top 150 Firms		
	Cabinet Connections (1)	Industry Connections (2)	Jockey Club Connections (3)	Cabinet Connections (4)	Industry Connections (5)	Jockey Club Connections (6)
Connections	0.0278 (0.0576)	-0.00276 (0.0385)	0.00911 (0.00554)	0.0779 (0.0731)	0.0385 (0.0656)	0.0111 (0.00736)
Union Disappearances	0.0111 (0.0105)	0.00789 (0.00866)	0.0177 (0.0159)	0.0145 (0.0101)	0.0100 (0.00871)	0.0416** (0.0124)
Connections * Union Disap.	-0.0288** (0.00930)	-0.0250** (0.00849)	-0.00443* (0.00233)	-0.0356*** (0.00985)	-0.0296** (0.00948)	-0.00853*** (0.00162)
Observations	271	271	271	139	139	139
R-squared	0.372	0.369	0.363	0.429	0.420	0.425

Note: All specifications include the same controls as specifications (5) to (8) in Table 3, as well as industry fixed effects. Standard errors, clustered by industry, appear in parentheses. * indicates statistical significance at the 10% level; ** indicates statistical significance at the 5% level; *** indicates statistical significance at the 1% level.

Effect of cabinet connections on firms' ranking (profits)

VARIABLES	Cabinet Connections		Industry Connections		Jockey Club Connections	
	(1)	(2)	(3)	(4)	(5)	(6)
Connections	0.124 (0.280)	0.117 (0.220)	0.0531 (0.190)	-0.0508 (0.197)	0.0321 (0.0409)	0.0113 (0.0271)
Union Disappearances	0.00148 (0.0116)	0.0219* (0.0112)	-0.00136 (0.0114)	0.0107 (0.0108)	-0.00227 (0.0500)	0.0262 (0.0326)
Connections * Union Disap.	-0.0289* (0.0137)	-0.0590*** (0.0131)	-0.0235** (0.00894)	-0.0394** (0.0144)	-0.00150 (0.00691)	-0.00748* (0.00397)
Observations	271	271	271	271	119	119
R-squared	0.011	0.183	0.010	0.180	0.026	0.211

Note: All specifications control for industry fixed effect in addition to variables specified in the table. Standard errors, clustered by industry, appear in parentheses. * indicates statistical significance at the 10% level; ** indicates statistical significance at the 5% level; *** indicates statistical significance at the 1% level.

HUBO RECORD DE ALZAS Y OPERACIONES EN LA BOLSA



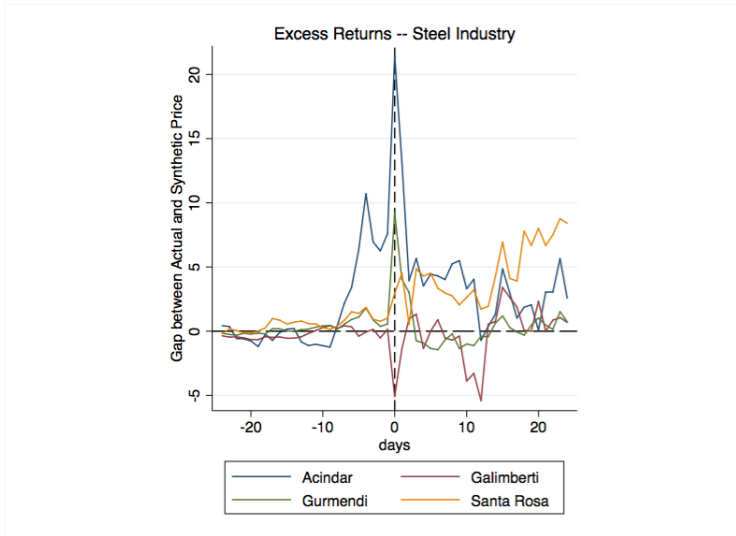
Dentro de un inédito clima de euforia se reanudaron ayer las operaciones bursátiles, registrándose récords absolutos tanto en los totales negociados como en las alzas de los diferentes títulos. El repunte fue más notable en los papeles privados, aunque los valores públicos continuaron gozando de la preferencia de los inversores. Entretanto, declinaron las divisas extranjeras en la plaza cambiaria, que también estuvo ganada por singular expectación en la jornada.

(INFORMACION EN LAS PAGINAS DOS, TRES, CUATRO, CINCO Y SEIS)

Cronyism? Preliminary Evidence from Stock Market

- ▶ We put together a data set with daily information on stock prices of all firms trading in the Buenos Aires Stock Exchange between 1975 and 1977.
- ▶ At the moment we focus on steel industry – Martinez de Hoz was Acindar's (steel) CEO before being appointed as finance minister.
- ▶ To estimate the effect of the coup on the stock market returns of firms in the steel industry we use synthetic control method (Abadie, Diamond and Hainmueller 2010).

Steel Industry



Concluding Remarks

- ▶ Cabinet connections, as explained by social or industry connections, had a substantial effect on the likelihood that a union leader disappeared during Argentina's dirty war.
- ▶ The findings are robust to different samples of firms and to controlling for a battery of firms' characteristics.
- ▶ Although the military regime claimed to be involved on a purely political and ideological crusade, economic considerations and personal connections played a substantial role on determining the choice of targets.