

Cronyism in State Violence

Evidence from Labor Repression During Argentina's Last Dictatorship

Esteban F. Klor¹ Sebastian M. Saiegh² Shanker Satyanath³

¹Hebrew University

²UC San Diego

³NYU

Motivation

- ▶ Large literature on the role of cronyism influencing state economic decision making.
- ▶ A defining feature of the state is its monopoly over the use of violence (Weber).
- ▶ Yet, little work identifying the role of cronyism in the deployment of violence.

This paper

- ▶ Examine whether cronyism was present in the deployment of violence in a context where one of the claimed goals of the violence was the elimination of cronyism (Argentina following the coup of March 1976).
- ▶ Interesting case from a policy standpoint because one of the reasons why the US supported the coup was the junta's promise of moving away from cronyism to a free market mode of governance.

Focus of this paper

- ▶ We focus on violent repression of firm level union leaders following the coup of March 24, 1976 in Argentina
- ▶ After the coup, thousands of civilians were kidnapped, tortured, killed and disappeared by the security forces.
- ▶ We focus on violence against union leaders because we were able to build a comprehensive data set linking disappeared union leaders to firms.

Focus of this paper (cont.)

- ▶ The junta thus claimed an ideological rationale for repression: it declared a war against communist subversion and justified violent acts in the name of economic efficiency and stability.
- ▶ Yet, open lawsuits and investigations against specific firms suggest collusion between management and security forces following crony logic.

Examples of Firms' Complicity with the Regime

Studies and court cases show that connected firms:

- ▶ Provided lists of “subversives” in their work force, including addresses and IDs;
- ▶ Provided vehicles to remove arrested union representatives and workers to military facilities to be tortured;
- ▶ Were present in torture sessions;
- ▶ Offered on-site buildings to hold people who were tortured and subsequently disappeared;

Shortcomings of existing studies:

- ▶ Focus on a small sample of firms (around 10).
- ▶ Non-representative sample.
- ▶ Do not look at non-connected firms.
- ▶ Do not systematically address other factors affecting disappearances (that is, OVB).

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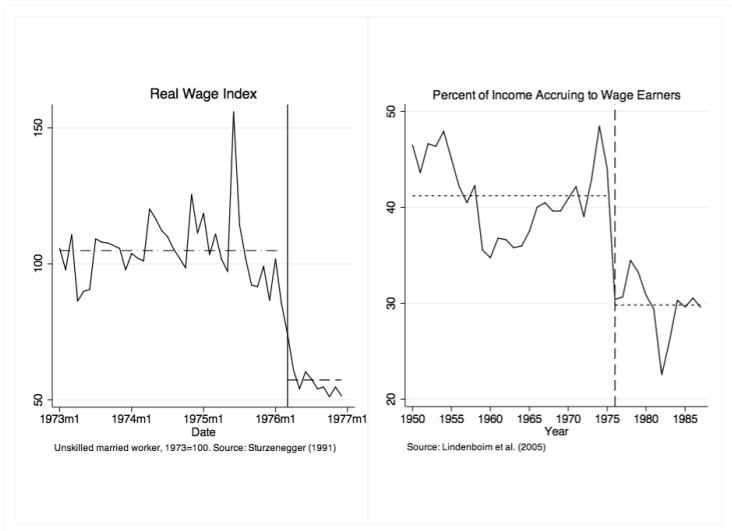
- ▶ We show that political, social and business connections influenced which firms' union representatives were targeted for violence by the government.
- ▶ We do so even after accounting for most plausible alternative rationales for targeting (i.e., ideology of workers, firm centrality).
- ▶ We document how personal connections allowed certain firms to benefit from the atrocities wreaked on the population by the repressive state apparatus.

Background

- ▶ Military junta appointed a civilian, 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.)

Figure 1: Impact on Workers' Income



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 secretly kidnapped, tortured, killed and disappeared by military and paramilitary death squads.
- ▶ Roughly 40 percent of the disappeared were salaried workers.
- ▶ However, not all firms had their union leaders disappeared. What explains this variation?

Data Collection

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 representatives (Top 300 Firms): 150 cases in 32 firms.
- ▶ Firm-level data on disappeared union representatives (Top 150 Firms): 133 cases in 26 firms.

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 (cont.)

To address these issues, we account for:

- ▶ Firm's size: total sales and number of workers;
- ▶ Firm's importance: firm's rank, listed in stock exchange;
- ▶ Firm's Management orientation (ISI vs. Free Market);
- ▶ 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): financial sector, industrial, etc.

Measures of Connections

We identified the firms directly connected to the economic cabinet.

- ▶ **Political Connections in 1976:** Firms with members in the Cabinet of Economic Advisors to the Regime.
- ▶ **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.

Disappearances by Connections

Table 1
Mean Number of Disappearances by Connections

	Cabinet Connections (1976)			Business Connections (1972)			Social Connections (1969)		
	Connected	Not Connected	Difference	Close to Martinez de Hoz	Far from Martinez de Hoz	Difference	At least 3 Jockey Club Members	Less than 3 Jockey Club Members	Difference
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Panel A: Firms Included in top 300 Firms (Prensa Economica, 1975)									
Union Representatives Disappeared	3.0455 (6.904)	0.4020 (2.139)	2.6434 *** [0.6630]	1.3750 (4.120)	0.2624 (2.140)	1.1126 *** [0.4211]	1.1688 (4.034)	0.3958 (2.333)	0.7730 ** [0.4283]
Total Number of Firms	22	199		80	141		77	144	
Firms with Union Disappearances	8	22		21	9		17	13	
Panel B: Firms Included in top 150 Firms (Mercado, 1975)									
Union Representatives Disappeared	4.1333 (8.158)	0.7083 (2.987)	3.4250 *** [1.1118]	1.8491 (4.940)	0.5517 (3.288)	1.2973 *** [0.7026]	2.0488 (5.366)	0.6571 (3.252)	1.3916 ** [0.8171]
Total Number of Firms	15	96		53	58		41	70	
Firms with Union Disappearances	6	18		17	7		14	10	

Notes: Standard deviations in parentheses in columns (1), (2), (4), (5), (7) and (8). Standard errors in brackets in columns (3), (6) and (9). *, **, and *** represent statistical significance at 10, 5 and 1 percent levels.

Balancing Tests

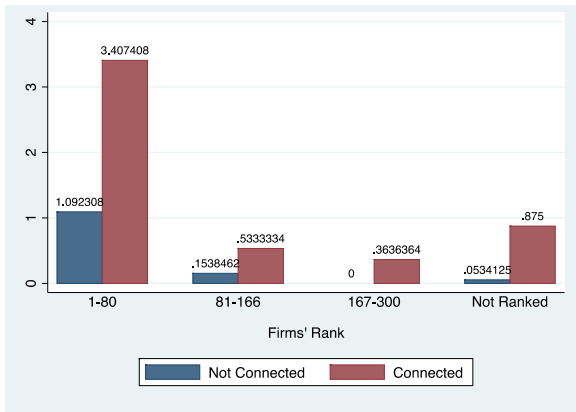
Table 2
Summary Statistics of Firms' Characteristics and Balancing Tests, Based on Firms Cabinet Connections

	Panel A: Prensa Economica			Panel B: Mercado		
	Mean		Difference in Means	Mean		Difference in Means
	Connected	Not Connected		Connected	Not Connected	
	(1)	(2)	(3)	(1)	(2)	(3)
Total Sales	2262.32 (2575.69)	1167.75 (1389.43)	1094*** [346.7]	1992.66 (1980.38)	1375.97 (1589.36)	616.69 [456.7]
Ranking	109.41 (87.99)	129.98 (69.99)	-20.57 [16.16]	76.07 (54.31)	80.99 (39.11)	-4.92 [11.49]
Trades in Stock Exchange (Merval)	0.5909 (0.503)	0.4573 (0.499)	0.1336 [0.112]	0.7333 (0.458)	0.4271 (0.497)	0.306** [0.137]
Downstream Effects	1.2201 (0.342)	1.2244 (0.314)	-0.0044 [0.071]	1.2782 (0.359)	1.2412 (0.323)	0.0370 [0.091]
Upstream Effects	1.1166 (0.516)	0.9439 (0.549)	0.1727 [0.123]	1.1202 (0.523)	1.0007 (0.589)	0.1195 [0.161]
Workers Collective Bargaining Agreement	0.0909 (0.294)	0.0653 (0.248)	0.0256 [0.057]	0.1333 (0.352)	0.1250 (0.332)	0.0083 [0.093]
Workers' Strikes (1974-1975)	0.3182 (0.477)	0.2111 (0.409)	0.1071 [0.093]	0.4000 (0.507)	0.2813 (0.452)	0.1188 [0.128]
Attacks against the Firm (1974-1975)	0.2727 (0.456)	0.1055 (0.308)	0.17** [0.073]	0.3333 (0.488)	0.1979 (0.401)	0.1354 [0.115]
Support to Private Enterprise (CICYP)	0.3182 (0.477)	0.1508 (0.359)	0.167** [0.084]	0.3333 (0.480)	0.2188 (0.416)	0.1146 [0.118]
Total Number of Firms	22	199		15	96	

Notes: Standard deviations in parentheses in columns (1) and (2). Standard errors in brackets in columns (3) and (4). *, **, and *** represent statistical significance at 10, 5 and 1 percent levels.

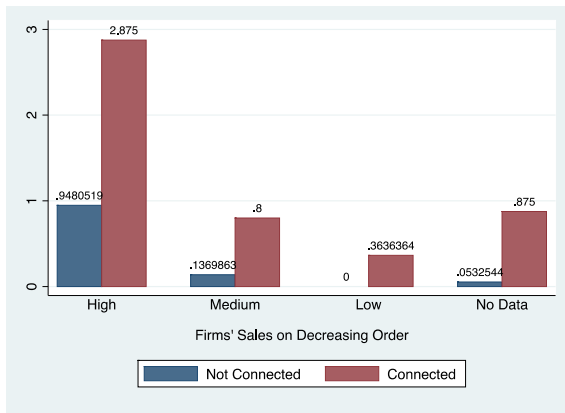
Rank and Disappearances

Figure 2: Average Number of Disappearances by Connections and Rank



Sales and Disappearances

Figure 3: Average Number of Disappearances by Connections and Sales



Empirical Specification

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

DisapUnion_i - Number of Disappearances of Union Representatives working in firm *i*

Connections_i - Three different measures: Political, Business and Social Connections.

X_i - vector of firm's characteristics

μ_s - industry fixed effects

Effect of connections on union disappearances (300 firms)

Table 3: The Effect of Firms Connections on the Number of Union Representatives Disappeared, Negative Binomial Estimates, Top 300 Firms (Prensa Economica Sample)

VARIABLES	Without Additional Controls			With Additional Controls		
	Cabinet (1)	Business (2)	Social (3)	Cabinet (4)	Business (5)	Social (6)
Connections	1.990*** (0.476)	0.314*** (0.106)	0.315*** (0.104)	1.472*** (0.339)	0.311*** (0.108)	0.330*** (0.0368)
Board Size			0.0291 (0.0640)			-0.0102 (0.0982)
Ranking (1975)	-0.0149*** (0.00252)	-0.0106*** (0.00252)	-0.0105** (0.00420)	-0.0153** (0.00626)	-0.0114*** (0.00434)	-0.0145*** (0.00502)
Total Sales (in thds, 1975)	0.272*** (0.0479)	0.313*** (0.0398)	0.354*** (0.0650)	-0.0589 (0.0840)	-0.0316 (0.0390)	-0.0284 (0.0774)
Trades in Stock Exchange				-1.183*** (0.408)	-0.716 (0.712)	-0.973* (0.509)
Ranked in Mercado				-0.576 (0.673)	-0.444 (0.651)	-0.643 (0.570)
Downstream Effects				-10.21*** (1.584)	-8.792*** (0.990)	-6.012*** (1.225)
Upstream Effects				3.846*** (1.289)	3.201** (1.507)	2.648 (1.946)
Bargaining Agreement				-0.426** (0.203)	-0.473* (0.252)	-0.535*** (0.119)
Strikes (1974-1975)				1.436*** (0.435)	1.667*** (0.514)	1.373*** (0.481)
Attacks against Firm				0.950* (0.545)	0.864* (0.479)	1.237** (0.593)
Support to Private Enterprise (CICYP)				0.517 (0.447)	0.394 (0.438)	0.383 (0.421)
Industry Fixed Effects	No	No	No	Yes	Yes	Yes
Observations	221	221	221	221	221	221

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 connections on union disappearances (150 firms)

**Table 4: The Effect of Firms Connections on the Number of Union Representatives Disappeared,
Negative Binomial Estimates, Top 150 Firms (Mercado Sample)**

VARIABLES	Without Additional Controls			With Additional Controls		
	Cabinet (1)	Business (2)	Social (3)	Cabinet (4)	Business (5)	Social (6)
Connections	2.289*** (0.474)	0.348*** (0.133)	0.470*** (0.141)	0.464 (0.487)	0.171*** (0.0492)	0.197*** (0.0741)
Board Size			0.0568 (0.0658)			-0.0329 (0.0511)
Ranking (1975)	-0.0187* (0.00961)	-0.0138 (0.0150)	-0.0161 (0.0104)	-0.00628 (0.00582)	-0.00706 (0.00636)	-0.00817 (0.00552)
Total Sales (in thds, 1975)	0.294* (0.156)	0.278 (0.225)	0.361* (0.204)	0.0626 (0.102)	0.0719 (0.0820)	0.0671 (0.0898)
Trades in Stock Exchange				0.129 (0.779)	0.367 (0.544)	0.268 (0.578)
Downstream Effects				-15.24*** (4.642)	-16.65*** (3.222)	-16.80*** (3.382)
Upstream Effects				8.241*** (1.870)	8.226*** (1.330)	8.594*** (1.248)
Bargaining Agreement				0.137 (0.597)	0.0312 (0.603)	0.184 (0.516)
Strikes (1974-1975)				2.239*** (0.798)	2.384*** (0.812)	2.127*** (0.820)
Attacks against Firm				0.143 (0.926)	-0.0569 (0.893)	0.138 (1.022)
Support to Private Enterprise (CICYP)				0.719*** (0.157)	0.669*** (0.104)	0.514*** (0.191)
Industry Fixed Effects	No	No	No	Yes	Yes	Yes
Observations	111	111	111	111	111	111

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.

Robustness tests

Results are robust to:

- ▶ Controlling for firms' number of workers (directly determines number of union delegates);
- ▶ Controlling for number of workers disappearances at the firm level;
- ▶ Eliminating from the sample firms with more than 10 union representatives disappeared.

Robustness: Top 300

The Effect of Firms Connections on Union Representatives Disappearances, Robustness Tests

VARIABLES	A: Controlling for Firms' Number of Workers			B: Controlling for Firm's Number of Disappeared Workers			C: Eliminating Firms with over 10 Union Disappearances		
	Cabinet	Business	Social	Cabinet	Business	Social	Cabinet	Business	Social
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Top 300 Firms (Prensa Economica, 1975)								
Connections	0.917*** (0.314)	0.315* (0.164)	0.353*** (0.0551)	0.981** (0.476)	0.212* (0.123)	0.149* (0.0862)	1.664*** (0.509)	0.316*** (0.112)	0.406*** (0.0582)
Board Size			-0.0825 (0.0680)			-0.0225 (0.104)			-0.0595 (0.149)
Ranking (1975)	-0.00986*** (0.00301)	-0.00874*** (0.00316)	-0.0122*** (0.00354)	-0.0145*** (0.00284)	-0.0121*** (0.00263)	-0.0138*** (0.00270)	-0.0280*** (0.00810)	-0.0200*** (0.00355)	-0.0211*** (0.00563)
Total Sales (in thds, 1975)	-0.321 (0.217)	-0.321* (0.164)	-0.393*** (0.143)	-0.403*** (0.127)	-0.357*** (0.105)	-0.372*** (0.136)	-0.677*** (0.220)	-0.564** (0.224)	-0.498 (0.334)
Strikes (1974-1975)	1.192*** (0.423)	1.464*** (0.382)	1.164** (0.495)	0.906* (0.521)	1.066* (0.639)	0.925* (0.537)	1.425*** (0.498)	1.624*** (0.612)	1.410*** (0.500)
Number of Workers	0.345*** (0.101)	0.339*** (0.0712)	0.354*** (0.0806)						
Number of Disap. Workers				0.151*** (0.0396)	0.141*** (0.0430)	0.152*** (0.0465)			
Observations	90	90	90	221	221	221	216	216	216

Robustness: Top 150

VARIABLES	Top 150 Firms (Mercado, 1975)								
Connections	0.0629 (0.552)	0.203* (0.106)	0.144* (0.0749)	0.001 (0.315)	0.004 (0.0663)	0.0626 (0.0564)	0.612 (0.584)	0.145* (0.0742)	0.274** (0.132)
Board Size			-0.0301 (0.0444)			-0.0590 (0.0487)			-0.0379 (0.0870)
Ranking (1975)	-0.00910* (0.00542)	-0.00995 (0.00644)	-0.00935* (0.00543)	-0.0110** (0.00468)	-0.0110** (0.00523)	-0.0106** (0.00517)	-0.0321*** (0.00275)	-0.0262*** (0.00512)	-0.0165* (0.00852)
Total Sales (in thds, 1975)	-0.177* (0.103)	-0.109 (0.167)	-0.0910 (0.151)	-0.251 (0.163)	-0.254 (0.212)	-0.255 (0.257)	-1.194*** (0.415)	-0.888** (0.404)	-0.110 (0.221)
Strikes (1974-1975)	2.449*** (0.932)	2.585*** (0.873)	2.234*** (0.831)	1.615 (1.120)	1.610 (1.160)	1.581 (1.134)	1.958* (1.067)	2.078** (0.954)	2.079*** (0.518)
Number of Workers	0.173*** (0.0522)	0.133 (0.0992)	0.127 (0.0788)						
Number of Disap. Workers				0.0912** (0.0391)	0.0919** (0.0461)	0.0943 (0.0584)			
Observations	60	60	60	111	111	111	106	106	106

Note: Every column in each panel presents the results of a Negative Binomial regression. In addition to variables specified in the table, all specifications include the same controls as specifications (4) to (6) 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.

Robustness: Union Representatives' Ideological Affiliation

Union Representatives Ties to Left-Wing Armed Organizations (by Firms' Connections to the Regime)

	Firms with Cabinet Connections	Firms without Cabinet Connections	Total
Union representatives disappeared without ties to an armed group	26 (72.22)	52 (52.53)	78 (57.78)
Union representatives disappeared with ties to an armed group	10 (27.78)	47 (47.47)	57 (42.22)
Total	36 (100)	99 (100)	135 (100)

Note: Based on data from Izaguirre (2009).

Robustness: Neighboring Firms and Matching

The Effect of Firms Connections on Union Representatives Disappearances, using Propensity Score Weighted Samples

	Top 300 Firms (Prensa Economica, 1975)			Top 150 Firms (Mercado, 1975)		
	Cabinet (1)	Business (2)	Social (3)	Cabinet (4)	Business (5)	Social (6)
NEIGHBORING FIRMS						
Connections	3.75*** (1.391)	0.502** (0.249)	0.408* (0.232)	8.583** (3.435)	2.258* (1.196)	1.426 (0.961)
Observations	39	39	39	24	23	23
PROPENSITY SCORE WEIGHTED SAMPLES						
Connections	1.201** (0.549)	2.295*** (0.707)	1.822** (0.893)	0.739 (0.773)	2.207** (0.863)	2.782*** (0.840)
Observations	199	218	202	105	109	110

Note: Every column in the top panel presents OLS coefficients of a first difference regression of number of disappearances on connections for neighboring firms. Every column in the bottom panel presents the results of a Generalized Linear Model with a Log link. Robust standard errors appear in parentheses. * indicates statistical significance at the 10% level; ** indicates statistical significance at the 5% level; *** indicates statistical significance at the 1% level.

Cronyism?

Results suggest that targeting of union representatives was:

- ▶ strongly related to connections.
- ▶ not exclusively motivated by technocratic concerns
- ▶ 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

Cronyism may have also motivated the targeted disappearances.

Investigating the Mechanism

1. Profit Pull

Managers of firms actively sought the regime's cooperation to curb labor's demands and maximize profits.

2. Ideology Push

Correlation could be driven by the military regime forcing connected firms to hand over lists of union representatives accused of opposing the regime.

3. Information Transmission

All firms provided lists of union representatives to the regime but lists of connected firms were more credible.

Investigating the Mechanism

What happens to the correlation between connections and disappearances when we add state owned firms to the analysis?

- ▶ There are 49 state-owned firms in our sample (31 in top 300 sample and 21 in top 150 sample).
- ▶ Usually large firms: utility companies, transportation and state banks.
- ▶ Mean ranking of state owned firms: in top 300 is 73.74 (131.52 for rest of firms); in top 150 is 41.81 (81.28 for rest of firms).
- ▶ State owned firms annual sales in 1975 is four times larger than rest of firms.

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Top down pressure or credible information transmission imply a positive correlation between connections and disappearances for state owned firms. Profit pull implies a negative correlation.

Investigating the Mechanism

The Effect of Firms Connections on Union Representatives Disappearances, State Owned versus Rest of Firms

VARIABLES	Top 300 Firms (Prensa Economica, 1975)			Top 150 Firms (Mercado, 1975)		
	Cabinet (1)	Business (2)	Social (3)	Cabinet (4)	Business (5)	Social (6)
Connections	1.523*** (0.301)	0.288*** (0.102)	0.346*** (0.0532)	1.457*** (0.147)	0.190** (0.0883)	0.278*** (0.0797)
State Owned	-1.664** (0.797)	-0.108 (0.648)	-0.168 (0.737)	-0.893 (0.958)	0.682 (0.940)	0.599 (1.025)
Board Size			-0.0293 (0.0891)			-0.0571 (0.0733)
Ranking (1975)	-0.0117*** (0.00428)	-0.00900** (0.00392)	-0.0109*** (0.00349)	-0.00400 (0.00790)	-0.00504 (0.00911)	-0.00703 (0.00752)
Total Sales (in thds, 1975)	0.0358* (0.0196)	0.0383** (0.0181)	0.0346* (0.0199)	0.0333 (0.0238)	0.0322 (0.0206)	0.0289 (0.0204)
Strikes (1974-1975)	1.341*** (0.465)	1.620*** (0.444)	1.397*** (0.512)	1.397*** (0.512)	2.140*** (0.718)	1.924** (0.771)
Observations	252	252	252	132	132	132

Note: In addition to variables specified in the table, all specifications include the same controls as specifications (4) to (6) 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.

Rent Seeking by Connected Firms?

Did union representatives disappearances help connected firms outperform rest of firms?

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Casual Evidence from “Juicio por la Verdad” (La Plata courts):

- ▶ The Mercedes Benz’ plant in this city showed after the coup a substantial increase in productivity, a decrease in strikes, and less conflict between management and workforce;
- ▶ The judge asked a manager of the firm if that was related to the disappearance of workers and union representatives;

Rent Seeking by Connected Firms?

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Casual Evidence from “Juicio por la Verdad” (La Plata courts):

- ▶ The Mercedes Benz’ plant in this city showed after the coup a substantial increase in productivity, a decrease in strikes, and less conflict between management and workforce;
- ▶ The judge asked a manager of the firm if that was related to the disappearance of workers and union representatives;
- ▶ The manager’s answer: “Y ... milagros no hay”

Empirical Specification

$$\text{Strikes}_{i,t+1} = \alpha + \beta_1 \cdot \text{Connections}_i + \beta_2 \cdot \text{DisapUnion}_{i,t} +$$

$$\beta_3 \cdot \text{Connections}_i \cdot \text{DisapUnion}_{i,t} + X_i \cdot \Phi + \mu_s + \varepsilon_i$$

X_i - vector of firm's characteristics (including $\text{Strikes}_{i,t}$)

μ_s - industry fixed effects

We run similar model for firms improvements on their ranking (proxy for firms' market valuation).

Effect of cabinet connections on post-coup strikes

The Effect of Firms Connections and Union Representatives Disappearances on Workers' Strikes

VARIABLES	Top 300 Firms (Prensa Economica)			Top 150 Firms (Mercado)		
	Cabinet	Business	Social	Cabinet	Business	Social
	(1)	(2)	(3)	(4)	(5)	(6)
Strikes (1974-1975)	0.0964 (0.0775)	0.0906 (0.0771)	0.0976 (0.0755)	0.144 (0.117)	0.142 (0.110)	0.147 (0.113)
Connections	0.00839 (0.0546)	-0.000836 (0.00474)	0.00900 (0.00628)	0.0491 (0.0835)	0.00353 (0.0123)	0.0169 (0.0118)
Union Disappearances	0.00233 (0.0106)	0.0473 (0.0314)	0.0201 (0.0143)	0.000921 (0.00801)	0.0277 (0.0359)	0.0156 (0.0129)
Connections * Union Disap.	-0.0286** (0.0112)	-0.0098** (0.00394)	-0.00879*** (0.00189)	-0.0275** (0.00856)	-0.00678 (0.00430)	-0.00783*** (0.00219)
Workers Disappearances	0.00409 (0.00598)	0.00532 (0.00621)	0.00471 (0.00646)	-0.00126 (0.00582)	-0.00111 (0.00581)	0.000118 (0.00587)
Trades in Stock Exchange	0.0249 (0.0242)	0.0147 (0.0246)	0.0202 (0.0249)	0.0842 (0.0585)	0.0671 (0.0451)	0.0752 (0.0532)
Customer Firm	0.431 (0.520)	0.430 (0.516)	0.387 (0.534)	0.751 (0.591)	0.693 (0.629)	0.670 (0.626)
Input Supplier Firm	-0.172 (0.147)	-0.170 (0.148)	-0.161 (0.151)	-0.251* (0.116)	-0.246* (0.113)	-0.240* (0.117)
Bargaining Agreement	0.260* (0.131)	0.263* (0.123)	0.242* (0.123)	0.268 (0.190)	0.267 (0.184)	0.263 (0.170)
Attacks against Firm	0.113 (0.0952)	0.104 (0.0930)	0.0940 (0.0942)	0.144 (0.113)	0.139 (0.115)	0.132 (0.111)
Support to Private Enterprise (CICYP)	-0.0733 (0.0552)	-0.0643 (0.0559)	-0.0722 (0.0550)	-0.0594 (0.0634)	-0.0515 (0.0642)	-0.0609 (0.0601)
Ranked in Mercado	0.0283 (0.0332)	0.0303 (0.0333)	0.0336 (0.0353)			
Ranking (1975)	1.59e-05 (0.000240)	0.000155 (0.000187)	8.66e-05 (0.000211)	-0.000349 (0.00161)	-0.000653 (0.00163)	-0.000173 (0.00146)
Total Sales (in thds, 1975)	0.0564*** (0.0141)	0.0657*** (0.0161)	0.0625*** (0.0174)	0.0673* (0.0359)	0.0920*** (0.0250)	0.0709* (0.0340)
Observations	220	220	220	110	110	110
R-squared	0.433	0.431	0.439	0.522	0.516	0.53

Note: Linear probability estimations of the likelihood that a firm's workers go on strike after the coup. 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.

Effect of cabinet connections on firms' ranking

The Effect of Firms Connections and Union Representatives Disappearances on Firms' Rankings

VARIABLES	Cabinet Connections		Business Connections		Social Connections	
	(1)	(2)	(3)	(4)	(5)	(6)
Connections	-0.0482 (0.102)	-0.0374 (0.0814)	0.00516 (0.0831)	0.0631 (0.0735)	-0.0122 (0.0151)	-0.0144 (0.0134)
Union Disappearances	-0.0193 (0.0108)	-0.0225 (0.0127)	-0.00825 (0.0232)	-0.0179 (0.0220)	-0.0190 (0.0115)	-0.0248* (0.0132)
Connections * Union Disap.	0.0175** (0.00689)	0.0271** (0.0122)	0.00012 (0.0018)	0.0018 (0.00196)	0.00265* (0.00130)	0.00478* (0.00246)
Workers Disappearances	0.0167*** (0.00419)	0.0192*** (0.00519)	0.0151** (0.00503)	0.0171*** (0.00463)	0.0164** (0.00534)	0.0186*** (0.00523)
Ranking (1975)	-0.00115** (0.000386)	-0.00134** (0.000458)	-0.00114** (0.000426)	-0.00142** (0.000472)	-0.00118*** (0.000352)	-0.00141*** (0.000407)
Total Sales (in thds, 1975)	-0.0685 (0.0407)	-0.0697 (0.0443)	-0.0712* (0.0387)	-0.0744 (0.0444)	-0.0730* (0.0394)	-0.0755 (0.0426)
Trades in Stock Exchange		-0.0471 (0.0375)		-0.0326 (0.0435)		-0.0411 (0.0411)
Customer Firm		0.406 (0.461)		0.431 (0.445)		0.485 (0.463)
Input Supplier Firm		-0.194 (0.170)		-0.192 (0.168)		-0.208 (0.172)
Bargaining Agreement		0.255 (0.167)		0.227 (0.150)		0.252 (0.159)
Strikes (1974-1975)		0.0444 (0.0790)		0.0537 (0.0751)		0.0416 (0.0808)
Attacks against Firm		-0.195*** (0.0554)		-0.194*** (0.0571)		-0.185*** (0.0557)
Ranked in Mercado		-0.0742* (0.0342)		-0.0803** (0.0347)		-0.0800* (0.0370)
Board Size					0.00686 (0.0104)	0.00958 (0.0106)
Observations	221	221	221	221	221	221
R-squared	0.120	0.157	0.117	0.152	0.119	0.157

Note: Linear probability estimations of likelihood that a firm improves its ranking. 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.

Concluding Remarks

- ▶ Despite the ideological and technocratic rationale offered by the military regime, political, business and social connections played a significant role in determining the choice of union representatives targets.
- ▶ The findings are robust to different samples of firms and to controlling for a battery of firms' characteristics.
- ▶ We also show that connected firms benefited from disappearances in terms of having less strikes and higher market valuation.