Crony Capitalism and the Targeting of Violence:

Labor Repression During Argentina's Last Dictatorship

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ABSTRACT: Well-known dictatorships have justified massive human rights violations on the grounds that they were aimed at attacking crony capitalism (governance based on favoring firms that are connected to the regime). So far, however, there is no systematic study examining whether this justification should be believed. We address this gap in the literature in the context of one of the best-known episodes of human rights violations in modern history, the repression following the coup in Argentina on March 24, 1976. Specifically, we examine the logic driving the choice of firm level union representatives who were subjected to violence following the coup. Using an original dataset assembled and digitized by us, we find that political, business and social connections to the regime are associated with an increase of 2 to 3 times in the number of firm level union representatives arrested and/or disappeared. This is the case even after controlling for a battery of firms' characteristics that capture alternative explanations for the targeting of violence. The effect is particularly pronounced in privately owned (as opposed to state-owned) firms, suggesting that the correlation is driven by cronyism for financial gain rather than ideology or information transmission. We also show that connected firms benefited from violence against union representatives by subsequently having less strikes and a higher market valuation. Our findings highlight the pervasiveness of ties to the government, even in cases where one of the main stated goals of the regime is to curb cronyism.

Keywords: Political Connections, Labor Repression, Human Rights Violations, Argentina

JEL Classification: D73, D74, J52, N46

1. Introduction

When it comes to our understanding of the drivers of violent repression by the state, the literature is weak on comparing justifications for violence with the actual logic with which violence unfolds. For instance, various dictatorial regimes responsible for major human rights violations present themselves as agents of development. The key to this purported capacity to deliver superior economic performance is "state autonomy;" namely, their ability to "insulate" themselves from particularistic pressures [see, for example, Amsden (1989), Bardhan (1990), and Haggard (1990) among many others]. However, we know little about whether or not the deployment of violence in such cases actually diverges from the logic of favoring special interest groups. This paper addresses this issue in the context of one of the best-known episodes of human rights violations in modern times, the repression following the coup in Argentina on March 24, 1976.

The Argentine military regime that took power in a coup in March 1976 was responsible for the "disappearance" (killing and/or imprisonment without due process) of at least 9,000 purported supporters of leftist ideology, including a large number of union representatives and blue-collar workers (CONADEP 1984). The estimates of some human rights organizations put the number of disappearances between 1976 and 1983 in the vicinity of 30,000. According to statements of the military junta, the overall goals of the repression included not only the suppression of communist subversion, but also the restoration of economic efficiency and political stability. Indeed, the newly established regime branded itself as the National Reorganization Process (*Proceso de Reorganización Nacional*).[1]

The regime's goals also explicitly included eliminating the excessive influence of

[1] See Novaro and Palermo (2013) for a detailed study of the military regime in Argentina.

particularistic interests over policy-making. In the words of General Jorge Rafael Videla (the head of Argentina's military junta following the coup):

> "Our objective was to discipline an anarchic society … regarding *Peronism*, to put behind its populistic and demagogic vision; with respect to the economy to go to a liberal market economy… In order to become more efficient, society needed to be disciplined. We thus also wanted to discipline unionism and crony capitalism (*capitalismo prebendario*)." (Reato 2012, 159).[2]

Despite the above claim, an interesting debate has recently developed as to whether business groups that were connected to the regime were especially complicit with the security forces that implemented the violent repression following the military coup. Several qualitative accounts have emerged over the years that offer evidence of such complicity. For instance, the Argentine Commission for Human Rights (CADHU) has reported that the choice of targets for violence in the labor force was based on lists of "subversives" created by firms that were close to the regime (CADHU 2014, 158).

In this paper we systematically examine the empirical implication of the above claim, which is that the disappearance of members of the work force is correlated to firms' connections to the military junta. Specifically, we focus on which firms' union representatives were targeted when it came to the deployment of violence. We primarily focus on firm level union representatives because this is the sub-set of victims of the Argentine junta for which we have comprehensive data linking individual victims to the firms where they worked.[3] We have

[2] *Peronism* is an Argentine political movement based on the political legacy of former President Juan Domingo Perón and his second wife, Eva Perón.

[3] We do not include industry level union leaders in our study because the analysis relies on within industry variation in the targeting of violence.

collected data on the connections to firms of all members of the military junta's economic cabinet.[4] We have also collected and digitized a new data set with extensive firm level information for variables that capture alternative explanations for the targeting of violence. These variables are represented on the right hand side of our regressions along with industry-level fixed effects.

An obvious concern in terms of econometric identification relates to the possibility that the connections of firms to cabinet members were developed endogenously to the anticipated repression of the firm's union representatives following the coup. We address this concern by developing different historical measures (from several years before the 1976 coup) of the extent to which a firm was embedded in a network including business and social luminaries. One measure proxies for firms' social connections by using the number of senior members of a firm who belonged to the socially prestigious Jockey Club in 1969. The second measure proxies for firms' industry connections by looking at whether or not the directors of a firm were networked to other firms in industry via other board directorships between the years 1970 and 1972. We believe it is plausible that these measures are reasonably exogenous proxies for cabinet connections in 1976, because these relationships were developed well before the coup was anticipated, and because cabinet members were drawn from the elite part of Argentine society.

The empirical analyses indicate that the number of firm level union representative disappearances is higher for connected firms compared to firms without connections. This finding is consistent with the qualitative literature's claim that firms close to the regime were complicit in the post-coup violence. The effect of connections is of a substantial magnitude,

[4] The economic cabinet was the body in charge of economic policy-making during the dictatorship. It was appointed immediately after the coup and consisted entirely of former business managers and directors of mayor companies in Argentina.

corresponding to a relative 300 percent increase in the number of union representatives disappeared. That is, the presence of a connection for a firm to a cabinet member raises the number of disappeared union representatives by almost one standard deviation. Measures of industry and social connections to the regime deliver similar qualitative and quantitative results. The results are remarkably stable across a battery of robustness tests that address identification concerns. These include a wide range of specifications and samples, as well as the inclusion or exclusion of a rich set of firms and industries characteristics that account for firms' size, firms' prominence, and pre-existing labor conditions.

The main causal mechanism that we are interested in verifying is whether the targeting of violence toward connected firms was likely driven by considerations of financial gain. This is of special interest because it is in line with common understandings of cronyism. We test for this mechanism by including into the sample state-owned firms. These companies, unlike private firms, are not profit maximizers [World Bank (1995), Banerjee (1997) and Shleifer (1998)]. Moreover, the military junta directly appointed their top management. The empirical findings show that private sector firms overwhelmingly drive the positive correlation between connections and union representatives disappearances. As we explain in detail later, this suggests that the effects of connections are not driven by plausible mechanisms that are potentially independent of financial gains such as credible information transformation or smoother transmission of commands from the regime, which should function more effectively for state-owned firms.

As for the effects of these disappearances, we find that connected firms that are subject to violence against its union representatives benefit from this violence in terms of less subsequent

strikes and a rise in their market value.[5] Our results are consistent with a causal mechanism in which the disappearance of a connected firm's union representative credibly signals the firm's ability to deploy the repressive tools of the state to crack down on future labor unrest, which thus serves to reduce future labor activism. Overall, our findings indicate that connections to the regime played a significant role in driving the targeting of violence (despite the military junta's claim that one of their main goals was to end crony capitalism), and that connected firms that had their union representatives disappeared benefited from the selective deployment of violence.

This paper is broadly related to the literature on the effect of political regimes on workers' welfare. Rodrik (1999) documents a robust and statistically significant association between the extent of democracy and the level of manufacturing wages in a country. The findings in Przeworski et al. (2000) indicate that growth under autocracies tends to be both labor-extensive and labor-exploitative. While this prior research assumes that all employers and owners of capital benefit equally from labor exploitation, in this paper we examine the selective nature of labor repression based on political connections. As such, our work contributes most directly to the literature on the value of political ties during turbulent political times [see Fisman (2001), Faccio et al. (2006), Guidolin and La Ferrara (2007), Ferguson and Voth (2008), Dube et al. (2011), and Acemoglu et al. (2016) among many others].

Most of the related literature analyzes the effects of political ties on firms' profits. Our study, in contrast, focuses mostly on the welfare costs of connections, much like Cingano and Pinotti (2013) and Fisman and Wang (2015). Our analysis is particularly related to Fisman and Wang's (2015) study of the relationship between political connections of Chinese firms and

[5] This result is consistent with Lee and Mas (2012). They report that private-sector unionization has a negative effect on firms' equity value. In our case, a weakening of private firms' unions (by eliminating firm-level union representatives) has a positive effect on firms' value.

workplace fatalities. They also find that workers' fatalities are higher in politically connected firms. The main difference between the two studies is that during the Argentinean dictatorship the junta played an active role in the disappearance of workers of connected firms, whereas in the Chinese case connected firms have higher workers' fatalities because they are more prone to avoid safety compliance measures. Therefore, while in Fisman and Wang (2015) welfare costs are due to government omission, in this paper they are due to government commission.

Finally, this paper extends the burgeoning qualitative work on the role played by connected business groups during Argentina's military dictatorship. We discuss this literature in more detail in the next section. We transcend these studies, however, by being the first quantitative social scientific analysis of this topic.

The paper proceeds as follows. Section 2 discusses the historical context. Section 3 presents our data, and Section 4 the empirical framework. Section 5 shows our main empirical results and Section 6 includes robustness tests with additional specifications and samples. Section 7 presents evidence that firms' seeking the regime's cooperation to curb labor's demands is the main driver behind the effect of connections on disappearances. Section 8 argues that connected firms with disappearances of labor representatives benefited relative to the rest of the firms, and Section 9 concludes.

2. Background and Related Literature

On March 24, 1976, following a half-decade of increasingly intensifying violent confrontations between the sectors of the left and the right, within *Peronism* and beyond it, a right-wing military junta led by General Videla undertook a military *coup d'état*. The primary goals stated by the junta are well summarized in the Videla's quote provided at the outset of the

paper and described in further detail in Reato (2012). In line with the quote, the military immediately launched an all-out attack that was aimed at undermining the structural basis of trade union power [Andersen (1993) and Munck (1998)].[6]

The Argentine labor movement is characterized by strong nationally-based organizations and a centralized leadership dominated by a single labor confederation. Another key aspect of labor relations in Argentina is the existence of dynamic institutions of representation at the shop-floor level such as shop stewards and internal committees (*comisiones internas de reclamos*) (Basualdo 2011).[7] This latter group is the focus of the analysis of this paper since we are interested in exploring within industry variation in violence. We refer to such shop floor level union leaders as firm level union representatives for the rest of the paper.

The military considered unions' enormous strength to be one of the country's biggest problems. The six million-member General Confederation of Workers (CGT) as well as the country's largest apex unions were intervened right after the coup. The government abolished collective bargaining agreements. In addition, strikes, work slowdowns, and other forms of sabotage were declared by the junta to be "subversive activities," punishable with lengthy prison

[6] Indeed, Videla also confessed to Reato in 2011 that, from a strictly military point of view, the armed forces did not need to carry out the coup to defeat the left-wing guerrillas; but that seizing political power allowed them to "… extend that war into the political, social, economic, and international realms …" (Reato 2012: 156).

[7] At the time of the coup, workers of firms with ten or more employees were entitled to elect union representatives. The number of union representatives for each firm was regulated by legislation, and was proportional to the number of employed workers. Union representatives were usually voted by the workers of a firm's section or department in elections organized and held by the local branch of the national union. Internal committees were composed of several union representatives. The main task of the internal committee was to collect and convey workers' demands regarding labor conditions, health issues, wages, and any other specific complaints they may had (Basualdo 2011).

sentences (Munck 1998). Union representatives and members of internal committees were usually the ones leading the protests and activities in the country's main industrial plants before the coup (sometimes acting independently from the union leadership). As such, these labor activists became a target for repression. Many of them were arrested and subjected to torture and/or killing without due process.

In addition to repressive policies against organized labor, the new government imposed a strict wage freeze while simultaneously lifting price controls and devaluing the Argentine peso.[8] As a result, as shown in Figure 1, by late 1976 real wages had dropped an average of more than 50 percent relative to the last year of the Peronist regime (Panel A, taken from Sturzenegger 1991), and the workers' share of the national income declined from 48.5 percent in 1975 to just 29 percent in 1976 (Panel B, taken from Lindenboim et al. 2005).[9]

Notwithstanding the expressed goal of the labor repression on the part of the military junta, the related qualitative literature raises numerous suspicions that cronyism played an important role in the actual deployment of violence. By cronyism, we mean violence deployed to favor actors with connections to the regime. A number of recent qualitative studies argue that connected firms provided lists of "subversives" in their work force to the military regime, and that the regime used these lists to target firm level union representatives and workers for

[8] See Canitrot (1980) for a detailed description of the military government's economic policies.

[9] The economic team's disdain for the lot of the working class did not go unnoticed by Robert C. Hill, the U.S. ambassador to Argentina. In a secret cable to the State Department on April 27, 1976, he described a conversation that he held with Guillermo Walter Klein, the second-ranking member of the Economy Ministry, regarding the wage-price squeeze. According to Hill, he stated that prices were climbing but wages were not, and asked Klein if the government planned to adopt any measures to give wage-earners some relief. Klein replied in the negative and said that the Argentine wage-earner would just have to learn to shop more wisely. Hill, a conservative Republican, inferred from this answer that Klein was "not worried about the views of the wage-earner" (United States Embassy Argentina, 1976).

disappearances [CADHU (2014), Basualdo (2006), Lorenz (2007), Cieza (2012), Ministerio de Justicia y Derechos Humanos (2015); Basualdo et al. (2015), Dandan and Franzki (2015), Paulón (2015), Verbitsky and Bohoslavsky (2016)]. Moreover, court filings indicate that managers of some firms went even further than providing lists of "subversive workers"; they provided vehicles to remove arrested union representatives and workers to torture facilities; were present in torture sessions; and even offered on-site buildings to hold people who were subsequently disappeared (see Verbitsky and Bohoslavsky, 2016). To this was added the constant presence of police in their factories and their use to impose arbitrary company orders. In some cases, managers provided additional monetary compensation to the police and the army for them to became the virtual enforcement arm of corporate personnel policy (Paulón, 2015). As such, the recent qualitative literature claims that firms that were connected to the regime were complicit in, and in some cases even instigated, the anti-labor violence that followed the coup.

The historical record also lists plenty of individual cases where firms used their connections to the military regime to repress workers' demands. The "Noche del Apagón," a famous case brought against the Ingenio Ledesma provides a particular perturbing example (Basualdo, 2006). In this case, there were blackouts between July 20th and July 23rd 1976 in the towns surrounding the Ledesma plant. During the blackouts, the armed forces kidnapped between 300 and 400 individuals and took them to clandestine detention centers at the Ledesma plant, where they were tortured and interrogated. Ultimately, 55 of them disappeared.

In her testimony to the National Commission on the Disappearance of Persons (CONADEP, 1984, No. 3376), Olga Aredes states that: "My husband was loaded into the back of a van with the Ledesma company logo printed on the doors of the vehicle. The van was driven by a company's employee." Aredes also claims that Alberto Lemos, the CEO of Ingenio

Ledesma, admitted to her that the company had made available its vehicles for the action carried out by the armed forces, in his words, "to cleanse the country of undesirables." He also said to her that her husband had been very damaging to the economic interests of the company Ledesma because of his activity helping the workers."[10]

While the studies and anecdotal evidence cited above present a poignant picture of how firms used their ties to the military regime to repress workers' demands, the conclusions are based entirely on cases collected from a small sample of specially selected firms, rather than a systematic analysis based on the universe of firms. It is possible that the firms analyzed in the related literature underwent experiences that were not representative for the rest of connected firms. In addition, these studies do not attempt to establish a causal relationship between ties to the regime and the repression of union representatives, nor do they address alternative explanations for their disappearance.

To the best of our knowledge, this study provides the first systematic analysis of how connections to the military regime affected labor repression at the firm level. We examine this issue with standard econometric tools. We use an original data set that contains the universe of firms, including extensive firm level data to control for alternative explanations for targeting. We focus on three different measures of connections to the regime and address the possibility that connections are endogenously determined. Therefore, this paper fills a gap in the literature by systematically examining if there is a causal connection between connections and union representative disappearances.

[10] In 2012 Carlos Blaquier, the owner of Ingenio Ledesma, and Alberto Lemos, its CEO, were found guilty of complicity in the illegal deprivation of freedom of 29 individuals during the military dictatorship. They were absolved of those charges in 2015 for lack of clear proof of their involvement and knowledge of the company's acts.

3. Data

Our analysis relies on an original data set that includes detailed information on the 648 largest Argentine firms during the period under study. We relied on several sources to identify these firms. The main sources are the annual rankings produced by the business periodicals *Prensa Económica* and *Mercado* in 1975 and 1976. *Prensa Económica*'s annual ranking provides a list of the 300 largest firms, ranked according to their volume of sales and estimated profits. In addition, *Prensa Económica*'s list includes other prominent firms in the economy but does not rank them because of lack of information. As many as 451 of the firms in our sample appear in *Prensa Económica*. *Mercado*'s list ranks the 150 top-firms using similar criteria. These rankings are highly correlated with one another, but due to some slight differences in how their information was compiled, they do not include identical sets of firms. In our sample, 143 of the firms are listed in *Mercado* (only 3 of those firms do not appear in *Prensa Económica*). In addition to the firms listed in these publications, we added to our sample firms that traded in the Buenos Aires Stock Exchange, and other major industrial firms listed in Werner and Aguirre (2009).[11]

3.1 Firms' Connections to the Military Regime

We use different sources to build three measures to assess firms' connections to the military regime. Our main measure relies on the fact that following the coup, the Economic

[11] There are 289 firms in the sample that traded in the Buenos Aires Stock Exchange, but only 145 of them are not listed by *Prensa Económica* and/or *Mercado*. We obtained from Werner and Aguirre (2009) a list of 49 industrial firms. These firms do not appear in any of the other sources. The full list of firms included in the analysis is available from the authors upon request.

Cabinet (the body in charge of economic policy-making during the dictatorship) consisted entirely of former business managers. The cabinet was appointed by José Alfredo Martínez de Hoz, the Finance Minister of the military regime, who was himself a businessman with strong connections to U.S. banking and financial interests. Our first measure of political connections codes the firms of origin of the members of the post-coup Economic Cabinet as being politically connected. It is based on Schvarzer (1986) and Castellani (2007, 2009), who provide a list of the members of Martínez de Hoz's team, together with their business affiliations (based on their participation as directors or board members of these firms). These members include the finance minister's inner circle, members of the Economic Cabinet, as well as members of his team in charge of specific organizations linked to economic policy-making. For example, Martínez de Hoz was the CEO of Acindar, the country's leading steel manufacturer, before his appointment as Finance Minister. Therefore, we code Acindar as a being politically connected to the regime. In addition, in robustness checks, we code all state owned firms as connected to the regime, since the regime directly named these firms' directors.

Column 1 of Table 1 includes the number of firms with cabinet connections for the entire sample of firms (Panel A), the top 300 firms as listed by *Prensa Económica* (Panel B) and the top 150 firms as listed by *Mercado* (Panel C). Panels B and C exclude from the sample state owned firms.[12] This column shows that, out of 648 firms in our sample, 85 firms are politically connected. Of the firms in the *Prensa Económica* sample, 9 percent are politically connected (22

[12] In our sample of 648 firms there are 49 firms owned by the state. These firms had a direct connection to the military junta, since the firms' directors were appointed by the military regime (a sizable number of those directors were retired generals). We classify these firms as connected to the regime. The main analysis of the paper adopts a conservative approach and excludes state-owned firms from the sample of firms. As we show below, the results are robust to including or excluding state-owned firms from the analysis.

out of 247 firms), whereas 12.3 percent of the firms in the *Mercado* sample are coded as politically connected (15 out of 122 firms).

The main concern regarding this measure of political connections is that it may not be exogenous. Selection into the Economic Cabinet could have been driven by the goals of the military junta with respect to the outcomes that we are studying. To overcome this problem we build two historical measures of connections from several years before the military coup.

Our second measure of connections captures the degree of centrality of firms within the business community in 1972, four years before the coup. Specifically, the measure captures whether or not a firm's director was also a director of at least one other firm. If so the firm is coded as having business connections. We believe that this is a plausible proxy for connections to the 1976 Economic Cabinet because such firms are more likely to find a way to gain access to Martínez de Hoz and his colleagues in the Economic Cabinet than firms that were isolated within the business community. It should be noted that in 1972, the government led by Gen. Alejandro Agustín Lanusse was in its last gasp. In fact, as Fraga (1988) notes, no one envisioned that the military would be in a position to stage a successful coup in the future. Therefore, it is highly unlikely that the connections captured by this second measure were driven by the goals of the then unforeseen 1976 coup.

The above measure is based on data from Lluch et al. (2014), who examine the interlocking board structure of prominent Argentine business groups at the end of the import substitution period (1970-72). Column 4 in Table 1 shows that: (i) 94 out of 648 firms in our sample have business connections; (ii) 31 out of the 247 firms included in *Prensa Económica*'s ranking have business connections (that is, 12.55 percent of the firms); and (iii) 22 out of the 122 firms included in *Mercado*'s ranking have business connections (18 percent of the firms).

The final proxy for connections to the military regime reflects firms' social connections seven years before the coup. The idea behind this proxy is analogous to the previous one. A firm whose directors are well represented in the main social meeting ground of the elite is more likely to find a way to access Martínez de Hoz and his Economic Cabinet than a firm that is socially isolated. This measure of social connections comes from the 1969 roster of active members of Buenos Aires' Jockey Club. Founded in 1882, The Jockey Club is the most traditional club of Argentina and its membership is restricted to the Argentine aristocracy. The criteria for membership are heavily weighted in favor of only accepting as members either people from "old money families" or those that have long invested in horse-breeding related pastimes. The club's selection procedures include a limited number of members, as well as legacy quotas and the *black ball* method to reject potential new members (Newton and Newton 1966).[13] As such, these rules ensure that only scions of patrician families are accepted as members.

For our measure of social connections, we look at the number of board members of a firm who are members of the Jockey Club (while controlling for firms' total number of board members). We believe that this is a reasonable proxy for social connections to the economic cabinet for the following reason. At the time of his appointment as minister, Martínez de Hoz was already an active, life member of the Jockey Club (one of his ancestors was a founding member of the club). The chance of a firm director being socially acquainted with Martinez de Hoz would thus plausibly increase to the extent that a firm has numerous members in the Jockey Club. Most important, this proxy is reasonably exogenous since the stringent criteria for

[13] A black ball vote is an anonymous negative vote that is given great weight when it comes to blocking the acceptance of a new member.

admission into the club are plausibly orthogonal to firms' desire to deploy violence against union representatives several years later.

To construct the measure of social connections, we matched the active members of the Jockey Club (according to their 1969 roster) to names appearing in the 1973 edition of the *Guia Senior,* a business directory listing all the executives of all Argentinian companies and their respective business affiliations. Column 7 in Table 1 shows that 26.7 percent of the firms have Jockey Club members in their boards of directors in our full sample of firms; the equivalent numbers are 36.84 percent of the firms in the *Prensa Económica* sample (top 300 firms) and 51.63 percent of the firms in the *Mercado* sample.

3.2 Data on Union Representatives Disappearances

To collect data on disappearances of union representatives at the firm level we first consulted the records held by the Archivo General de La Memoria, an Argentine government agency (http://anm.derhuman.jus.gov.ar). These records, based on the pioneering work of Argentina's National Commission on the Disappearance of Persons (Comisión Nacional sobre la Desaparición de Personas, CONADEP), contain a comprehensive list of disappeared persons.[14] The sample consists of 8,253 documented cases of disappearances.

Given the clandestine nature of the repressive activities carried out by the military government, the list of victims had to be compiled from depositions from relatives or friends of the disappeared. In many cases, the recorded information is restricted to a person's name, age, gender, as well as the date and place and where he/she was last seen before being abducted by repressive forces.

[14] The CONADEP was an organization created on December 15th, 1983 to investigate the fate of the individuals that disappeared during the dictatorship.

Because we are interested in linking repressive patterns to the firms in our sample, we needed to add to the basic CONADEP/Archivo General de la Memoria database information on the disappeared individuals' place of work and status at work (employee, union representative, etc.). Fortunately, a team led by Izaguirre (2009) assembled a database of 12,198 disappeared persons. This database contains ancillary information including whether the missing person was a firm-level union representative. In addition, there are 490 cases in which the actual firm where a disappeared person worked is identified (for a total of 129 firms in our sample).

We complemented this information with a comprehensive list of firm-level union representatives who were disappeared and/or arrested by the military government included in Fernandez (1985). Our data cover 158 cases of arrested union representatives who come from 56 firms in our sample. Our analysis focuses on firm-level union representatives rather than workers because we are only able to map a sub-set of disappeared workers to the firms where they worked.[15] We focus on firm-level union representatives rather than industry-level union leaders because that allows us to explore within-industry, across firm-variation (via industry fixed effects).

Table 1 displays the mean number of union representatives disappeared differentiating between connected and non-connected firms. The table shows that the number of disappearances at connected firms is significantly higher than that of not connected firms for the three different measures of connections and the three different samples of firms. For example, in the full sample of firms, the mean number of union representatives disappeared in firms with cabinet connections is almost ten times higher than that in firms without cabinet connections.

[15] Based on the data collected by Izaguirre (2009), we only know the place of work for 490 disappeared workers out of over seven thousands workers disappeared.

The mean number of disappearances increases as we move from the full sample of firms to a more selective sub-sample containing only more prominent and larger firms. This suggests that some of the firms' characteristics may be associated with connections to the military regime and the disappearance of union representatives. The sub-section below presents the data on firms' characteristics that we use to control for potential confounders.

3.3 Data on Firms' Characteristics

Given the observational nature of our data, there are a number of concerns regarding causal inference. The first main concern is related to companies' size and salience. Many of the largest Argentine firms in the early 1970s were probably more likely to be represented in the cabinet and to have more disappearances than their smaller counterparts even in the absence of a causal relation between the two variables. Another concern is that leftist armed organizations may have attempted to create labor unrest in companies connected to the regime. A final concern is that certain firms had an antagonist policy towards workers and unions before the coup, and these companies successfully pursued connections to the economic elite after the military coup.

Our research strategy mitigates these concerns by narrowing the analysis to only the largest and most successful Argentine firms. Nevertheless, to ensure that our analysis is not at risk of confounders, reverse causality, and measurement error bias, we collected a host of additional information regarding the characteristics of the firms included in our sample.

To capture firms' size, we collected information on each firm's total estimated sales in 1975 (measured in millions of Argentine pesos of 1975). We also control for the firm's position in the top-300 and top-150 ranking as a measure of its importance and salience, and in our

robustness checks also for the firm's workforce size, which by law directly determines each firm's number of union representatives. We only use the workforce size variable in our robustness checks because it is only available for 99 firms. Note that workforce size is highly correlated with other measures of firms' size. For example the correlation of workforce size and firms' sales is over 0.74 for the top-300 and top-150 sample of firms. In addition, we distinguish between publicly traded firms from privately owned firms. Finally we classify each firm according to its 3-digit industrial code using the 1974 Industrial Census.[16]

We also constructed two additional variables to capture a firm's importance and centrality in the Argentine economy. As Acemoglu et al. (2012) note, the location of a firm in the network structure of an economy may affect how a micro-economic shock to the firm propagates through the economy. The shocks may work up or downstream (i.e. from an input supplier to a final producer or vice versa). Since the goal of the military junta may have been to efficiently disseminate a negative wage shock through the economy (via repression of union representatives in firms that were strategically located in the network) we need to control for a firm's propensity to effectively disseminate such shocks up and downstream in our specifications.

As Acemoglu et al. (2012) point out, the above mentioned downstream and upstream effects can be captured in their entirety by the Leontief inverse of an economy's input-output matrix. We calculated the downstream and upstream effects measures for each firm using its 2-digit classification and the inverse matrix in the 23-sector table of the 1970 Argentine input-output matrix from the Secretaria de Planeamiento y Acción de Gobierno (1970).

[16] This code differentiates firms according to their main sector of production. Some of the categories are banking sector, textile, food products, wearing apparel, wood products, chemicals, machinery, motor vehicles, etc.

We also collected information on firm-level labor conditions before the military coup took place. The first measure is a dummy variable that takes the value of 1 for those firms where workers were able to negotiate with the firm's management on their salaries and working conditions using firm-level collective bargaining agreements (convenios colectivos de trabajo) during 1975, and 0 otherwise.[17] This residual category includes firms where collective bargaining took place at the industry level or those where salaries and working conditions were not set by collective bargaining agreements. The second measure is a dummy variable for workers' strikes. It takes the value of 1 if a firm experienced a firm-level strike in the year preceding the coup, and 0 otherwise.[18]

Finally, it is important to note that Argentina faced a scourge of kidnappings in the 1970s when many armed organizations resorted to them to finance their activities. Left-wing groups often targeted business executives, and in particular high-ranking managers from multi-national corporations. [The best known case involved Jorge and Juan Born, who were released in 1974 after a ransom of 60 million dollars (the equivalent of 293 million today) was paid to the *Montoneros* organization.] To account for this peculiar context in Argentine history, we constructed a dummy variable for firms that suffered at least one violent attack from armed guerilla groups (including kidnappings, as well as bombings and arson) before the coup. This

[17] We coded this variable using the collective bargaining agreements themselves, which can be found at the Ministerio de Trabajo de la Republica Argentina:
https://convenios.trabajo.gob.ar/ConsultaWeb/consultaBasica.asp.

[18] Data on general strikes during the period under study are readily available. Yet, information on firm-level conflicts is harder to come by. To construct this indicator, we reviewed the monthly reports published by DIL -- Servicio de Documentación e Información Laboral (Job Documentation and Information Service).

variable is based on incidents listed in Fernández Meijide (1988) as well as information reported in the *Hechos Armados* dataset (Marín 1996).

These additional firm-level variables seek to address endogeneity concerns. It is possible that most of the disappearances occurred in firms with historically more combative labor unions. Combative unions, in turn, may lead firms' executives to cultivate connections with the regime to help them suppress the union's demands. It is also possible that business executives who had hitherto been threatened and/or effectively harmed by left-wing armed organizations sought to exert revenge on their firms' political and labor activists after the coup took place.

Tables 2A, 2B and Appendix Table A1 examine differences in observed characteristics of firms with connections to the military regime and firms without connections to the regime. For each panel of each table, the first two columns show mean characteristics of the firms, while the third column presents the difference between the means. Column four reports this difference controlling for industry fixed effects.

A number of variables show significant differences in means between connected and non-connected firms for the full sample (Appendix Table A1). We thus study whether the top 300 and top 150 firms offer more balanced samples. Table 2A shows balancing tests for the top 300 firms while Table 2B shows balancing tests for the top 150 firms. The imbalances seen for the full sample largely disappear when we focus on these subsets of firms, especially the top 150 sample of firms.

These tables lend support to our identification strategy of focusing on large firms in our core specifications: given that both sets of firms are statistically similar in terms of their observable characteristics, there is little evidence to suggest that, in a given industry, connected firms are systematically different from non-connected firms with regards to their unobserved

characteristics (especially when looking at the *Mercado* sample that includes only the top 150 firms). Hence, the analysis in the body of the paper focuses exclusively on these two sub-samples of firms. Results for the entire sample of firms are relegated to the appendix.[19] Results are presented with a restricted as well an extensive set of controls, in addition to industry fixed effects.

4. Empirical Strategy

Our empirical strategy is designed to identify the effect of firms' connections to the regime on their number of disappeared union representatives. The unit of observation is the firm, and we model the number of disappeared union representatives of a firm as a function of the firm's characteristics, pre-existent labor conditions at each particular firm, the centrality of the firm on Argentina's economy, and whether the firm was connected to the junta's Economic Cabinet. Formally, we estimate the following Negative Binomial model:

$$(Union\ Disappearances)_i = \alpha\ (Connections)_i + \mathbf{X}_i\,\Phi + \mu_s + \varepsilon_i, \quad (1)$$

where $(Union\ Disappearances)_i$ is the number of union representatives of firm i who were disappeared, and $(Connections)_i$ is an indicator of a link between a firm and a member of the economic cabinet. We successively replace in subsequent regressions the measure of cabinet

[19] A remaining concern is that the samples of top 300 firms and top 150 firms are balanced because of their small sample size. (This concern though also implies a higher standard error for the estimated coefficient on connections to the regime, which should also lead to the rejection of a statistically significant effect for the main explanatory variable of interest). Section 6 below shows that selection on the estimated effect of connections on union disappearances is not likely to be driving the results of our estimations using the coefficient stability approach proposed by Altonji et al. (2005) and extended by Oster (2013).

connections with our measures of business and social connections. $\mathbf{X}_i$ is a vector of the firm level control variables that were described in the previous section. μ_s is a fixed-effect for the firm's industry (according to firms' 3-digit industrial code). Unobserved determinants of union disappearances are captured by the error term ε_i.

Our interpretation of the coefficients is straightforward. We see robust, significant, positive coefficients for the connections variable as offering evidence of cronyism in the targeting of disappearances. This interpretation, of course, is subject to ruling out non-crony mechanisms that could be consistent with this correlation (which are addressed in Section 7).

5. The Effects of Connections on Union Disappearances

In this section we present our main results. Section 6 includes robustness checks, while Section 7 addresses the main mechanism behind the relationship between connections and disappearances.

Table 3 presents our results for the top 300 firms. The first three columns show results for the three measures of connections with a limited set of controls while the latter three show results for the extended set of controls. All models include industry fixed effects. Note that board size is included as a control for the social connections variable because this is a measure of the number of company board members who are members of the Jockey Club. As the table shows the effect of connections is extremely strong and robust for all measures of connections. For our core cabinet connections variable, the estimated effect implies that having a connection to the military regime raises the number of disappeared union representatives by 300 percent, which is equal to almost a one standard deviation increase on the number of disappearances (this effect is based on the estimated incidence rate ratio which equals 4.08). The estimated effects

are also highly statistically significant and of a substantial magnitude for the other two measures of connections. Accordingly, business connections raise the number of union representatives disappearances by 134 percent for average firms, and a standard deviation increase in social connections brings about an increase of 180 percent on the number of union disappearances.[20] These results are consistent with the results for the full sample of firms (see Appendix A2).

While connections drive disappearances, other variables also played a substantial role. Larger firms have more disappearances (a low number for ranking implies a larger firm). There is also evidence that firms with a more hostile labor environment had more disappearances. Disappearances of union representatives increase for firms who suffered from strikes before the coup and decrease in the presence of a prior bargaining agreement (significant in two out of three specifications). Firms that suffered attacks prior to the coup seem to be associated with more disappearances (although the effects are only statistically significant for one specification). The results for downstream effects are not consistent across the different specifications, while the point estimates for upstream effects are significant and positive for only one out of three specifications.

Table 4 focuses on union representative disappearances in the top 150 firms. The results for our main variable of interest are consistent with those displayed in Table 3 for the top 300 firms. The point estimates for connections are still of a substantial magnitude even though we are restricting the sample to large and homogenous firms. Cabinet connections or business connections to the regime raise the number of union representative disappearances by slightly over 100 percent, whereas a standard deviation increase in social connections brings about an increase of 150 percent on the number of union disappearances. In line with the fact that Table 4

[20] Remember that social connections reflect the number of board members of each firm that belong to the Jockey Club, whereas cabinet and business connections are dichotomous indicators for connections.

focuses only on large and homogenous firms, the effect of firms' ranking and sales is not statistically significant. This gives further support to the evidence presented in Table 2B that the *Mercado* sample of firms is balanced.

Strikes before the military coup continue to be strongly associated with disappearances. Upstream effects (input suppliers) are also significant across the board for this sample and downstream effects are statistically significant for two of the models. This suggests that, in addition to cronyism, curbing inflation also played a role on the targeting of union representatives. [21]

6. Robustness Tests

The main specification used in model (1) includes several proxies for firms' size, like firms' rankings (an indicator for firms' market value) and their total sales. While these variables are arguably correlated with firms' number of workers, there is still a concern that they do not completely account for it. This section shows that the impact of connections on disappearances is not a mechanical artifact of larger firms having more union representatives, and is not driven by particularly large firms with outlier number of disappearances.

We begin this section by adding firms' number of workers to the estimated model. As mentioned above, these data are not available for all firms (the sample size decreases from 235 to 99 firms when focusing on firms in *Prensa Económica* and from 116 to 65 for firms listed in

[21] As mentioned above, one of the main economic goals of the dictatorship was to lower the inflation rate, which was at the time over 300 percent. To this end, the economic plan ended the indexation of wages to inflation. If union disappearances are an effective tool to reign on workers' demands, the most efficient way to curb inflation is to avoid price increases at firms with high downstream and upstream effects. That is, specifically target union representatives at firms whose price changes tend to propagate to the rest of the economy.

Mercado). With that caveat in mind, this is still a useful robustness test because, by a law passed in 1973, the number of workers in a firm mechanically determines its number of union representatives. Hence, when controlling for firms' workforce size we are basically estimating the effects of connections on the share of union representatives disappeared.

Columns 1-3 of Table 5 show the results of estimating the same models estimated in Tables 3 and 4 adding firms' number of workers to our extended controls specification. The top panel shows the results for the top 300 firms and the bottom panel shows the results for the sample of top 150 firms. As expected, the estimates for number of workers are positive and significant, showing that firms with more workers also have more union representatives disappeared. Importantly, the estimated coefficients for connections to the military regime remain positive, statistically significant and of a substantial magnitude for five out of six specifications despite the small sample size. Again, connections are not the only variable affecting disappearances. Strikes before the coup, one of the main proxies related to economic efficiency considerations, is also positive and significant across all specifications.

The specifications in Columns 4 to 6 of Table 5 control for firms' number of disappeared workers. As mentioned in Section 3.1, Izaguirre (2009) compiled a detailed data set with characteristics of individuals that disappeared during the dictatorship. This list contains the name and place of work for 490 workers. Combining Izaguirre (2009) with Fernandez (1985), we are able to build a more comprehensive data set. Unfortunately, we are not able to build a similar data set for the rest of workers disappeared because Izaguirre's (2009) list does not include firm affiliation for workers that disappeared outside their workplace. Hence, the available variable for number of workers disappeared is only a noisy indicator that may suffer from measurement error.

With those caveats in mind, Columns 4 to 6 add this variable to model (1). The results of the regressions show that our results are also robust, for the most part, to including this variable in the analysis. The coefficients for the disappearance of workers are positive and significant, and so are the effects for cabinet and social connections to the regime. These results are remarkable given the high correlation between workers' and union representatives' disappearances (0.68 for top 300 firms and 0.71 for top 150 firms).

Columns 7-9 in Table 5 exclude from the sample firms with an unusually high number of disappeared union representatives. There are in our data set five firms with over 10 disappeared union representatives. Given that 95% of the firms in the top 300 firms sample have less than three union representative disappearances (the median number of disappeared union representatives equals 0 and the mean equals 0.607), firms with over 10 union representative disappearances are clear outliers.[22] This raises the concern that a few firms, with particularly high number of disappearances, are responsible for the effect of connections on disappearances.

The last three columns of Table 5 address this concern. These columns eliminate from the sample the five firms with over 10 union representative disappearances. As these columns show, the results are not affected at all by eliminating the five outliers from the sample. The point estimates remain high and statistically significant across the board. Moreover, they are of a higher magnitude than the respective point estimates in Tables 3 and 4 for five out of the six models.

[22] The firms with over 10 union disappearances are Acindar (29 union disappearances), Ford (25), Fiat (14), Dalmine Siderca (14) and Renault (11). These are all very large and prominent firms. Except for Dalmine Siderca (which at the time was ranked in the 20th position), the rest of them are ranked among the top 10 firms by *Prensa Económica*.

The analysis thus far estimated the effects of political, business and social connections on the number of union representatives disappearances (e.g., the intensive margin of connections). Table 6 focuses instead on the effects of connections on the probability of having union representatives disappeared; that is, the extensive margin of connections on disappearances. This table shows estimates from a linear probability model where the dependent variable equals one for all firms with union disappearances and zero otherwise. The models include all the control variables used in models 4 to 6 in Tables 3 and 4. The results of these estimations confirm that firms with connections to the regime had a significantly higher probability of union disappearances. The estimated coefficients are of a substantial magnitude. They imply that cabinet or business connections to the regime are associated with an increase of 10 to 15 percent in the probability of a union representative disappearance.

We use these linear probability models to compute Oster (2013) ratios.[23] Oster (2013) builds on the Altonji, Elder and Taber (2005) ratio, which compares how much the coefficient on connections declines as we add control variables. Oster (2013) generalizes this ratio to take into account by how much the overall fit improves when controls are added. The higher the ratio, the stronger would selection on unobservables have to be relative to selection on observables to completely explain away the estimated effect. Importantly, this approach assumes that the variation on union representative disappearances related to the observables has the same relationship with connections to the regime as the part of the variation driven by unobservables.

[23] We are not able to compute Altonji et al. (2005) or Oster (2013) ratios for previous estimations because these ratios can only be computed for linear models.

For the models estimated in Table 6, the R^2 of models with controls is roughly 10 times higher than the R^2 of models without controls.[24] This confirms that the observables included in the estimations account for a substantial share of the overall variation. As a consequence, the estimated Oster (2013) ratios of the degree of selection on unobservables to the degree of selection on observables for statistically significant coefficients range from 2.43 (for the model on cabinet connections using the top 300 sample of firms) to 6.1 (for the model on business connections using the top 150 sample of firms). This implies that selection on unobservables would have to be substantially stronger than selection on observables for our main result to be overturned.

7. Investigating the Mechanism: Profit Pull, Ideology Push, or Information Transmission?

An interesting question behind the robust correlation between connections to the regime and the disappearance of labor representatives relates to the mechanism behind this effect. The qualitative literature discussed in Section 2 mentions numerous examples in which connected firms' management actively sought the regime's cooperation to curb labor's demands. That said, a correlation between connections and disappearances, however robust, is also consistent with two other plausible mechanisms, neither of which fits a narrow definition of cronyism (in the sense of connected firms actively seeking disappearances for financial gain). The correlation could be driven by the military regime forcing connected firms to hand over lists of union representatives accused of being "subversive." Another possible mechanism is that all firms provided lists of union representatives to the regime but that the lists of connected firms were

[24] The pairs of R^2 for models without controls and models with controls using the top 300 sample of firms are (0.048, 0.365), (0.047, 0.403) and (0.043, 0.333) for cabinet, business and social connections. For the sample of top 150 firms those pairs are (0.029, 0.364), (0.050, 0.441) and (0.033, 0.362).

more credible. In order to justify the correlation between connections and disappearances as implying cronyism we need to be convinced that this correlation is not driven by the latter two mechanisms.

One way to disentangle whether top-down pressure from the military or information transmission are driving the strong correlation between connections and disappearances, rather than cronyism, is to see if the effects of cronyism attenuate or accentuate when state-owned firms are added to the sample. The rationale is as follows. The military junta had the responsibility of appointing the chief executives of all state-owned firms. Loyalty to the regime was a necessary criterion for obtaining and retaining the job (indeed, many of the appointees were in fact retired military officers). We should expect top-down pressure to work better when communicated down a chain of command within the regime, rather than outside a chain of command to private sector chief executives. Likewise, communications from chief executives who are holding their position based on loyalty to the regime should be, if anything, more credible on average than those from chief executives who were appointed by others based on numerous other criteria. The implication is that if top-down pressure or credible information transmission are driving the correlation between connections and disappearances, we should expect a positive coefficient on the interaction between connections and a dummy for state owned firms. If instead the correlation is driven by cronyism and profit-pull, we expect a negative coefficient on state-owned firms since these firms are arguably not driven by profit maximization.[25]

This section adds state-owned firms to the analysis to differentiate between the alternative possible mechanisms driving the results. The data set includes 49 state-owned

[25] We thank Fernando Alvarez for this insightful implication.

firms.[26] These firms are relatively large firms. They include utility companies (gas, oil, electricity, and water), transportation (airlines, railroads, and subways), state banks, as well as industrial firms that were nationalized in the early 1970s. Thirty-one of these firms appear in the top 300 sample of firms, and 21 appear in the top 150 sample of firms. Even for the two restricted samples, state-owned firms are relatively larger than private firms. For example, the mean ranking of state-owned firms in the top 300 sample is 73.74 whereas the mean ranking for the rest of the firms is 131.52. When focusing on the top 150 sample, the mean ranking for state-owned firms is 41.81 and the mean ranking for the rest of the firms is 81.28. State-owned firms are also four times larger than the rest of the firms in terms of their total annual sales in 1975. Since all state-owned firms are connected to the regime, we cannot include a state-owned dummy when including them into the sample.[27] That said, in the regressions presented below we continue to control for firms' size (as part of our full set of control variables) to account for the differences between state-owned and the rest of the firms.

Table 7 presents the analysis including state-owned firms, while interacting state-owned firms with connections to the military regime. The table shows that the interaction of connections with the state-owned dummy is never positive, and is in fact often both negative and significant. That is, despite being directly connected to the military junta, state-owned firms have a negative effect on the number of disappeared union representatives. There is thus nothing in the data to support the two alternative non-crony mechanisms described above. The table also shows that the effect of connections on union representatives disappearances for non state-owned

[26] We identified the set of state-owned firms using the comprehensive list compiled by FIEL (Fundación de Investigaciones Económicas Latinoamericanas) included in Consejo Empresario Argentino (1976).

[27] We assign to state-owned firms a value of one for the dummy measuring cabinet and business connections. With regards to social connections, we assign to state-owned firms a value of 3.257813, which is the average number of Jockey Club members for connected firms in the top 300 sample of firms.

firms remains statistically significant and of a substantial magnitude. In sum, the correlation appears to be driven by private sector pressure. But what did connected private sector firms stand to gain from union disappearances? That is the subject of the next section.

8. The Effects of Labor Repression on Firms' Performance

We now examine the effects of connections and union representative disappearances on firms' performance. Although we don't have information on firms' profits, we are able to estimate the effects of connections and disappearances on the probability of future strikes and firms' position in *Prensa Económica*'s ranking which is based on firms' market valuation.

Table 8 shows results of regressions where on the left hand side we have a dummy variable for whether or not a firm's workers went on strike after the March 1976 coup.[28] We control for firm-level strikes in the two years prior to the coup and the full set of covariates. We find that the interaction of connections with a union representative disappearance is negatively associated with the propensity to strike after the coup took place. The effect is significant across the board for the top 300 sample as well as the top 150 sample firms. Connections without disappearances (the variable called connections) and disappearances without connections (the variable called union disappearances) are both insignificant. None of the other covariates is consistently significant across specifications and data samples. Remarkably, not even the covariates that control for labor relations within the firm before the coup are significant (e.g.,

[28] The table presents the results of a linear probability model. Using probit delivers the same results. We exclude Mercedez Benz from the analysis because this is the only firm in our sample with all its union disappearances after its strikes. Including this firm in the analysis strengthen the results. The firm-level strike data for the coup period come from Falcón (1982).

prior strikes, having a signed bargaining agreement between the firm and the union, and workers' disappearances).

This finding is consistent with the following causal story. Strikes at the firm level can be deterred by credibly signaling that a firm is able and willing to use its ties to the regime to access the state's repressive apparatus in response to labor activism. Simply having a connection does not serve as a credible signal because the firm's management may not have the ability nor the willingness to utilize their connection to the economic cabinet to influence the security apparatus to implement violence. Only the disappearance of a union representative in a firm provides a credible signal of a connected firm's ability and willingness to access the repressive apparatus of the state. The resort to disappearances by connected firms may thus be driven by the incentive of credibly deterring future strikes.

Table 9 presents the results of a linear probability model that has on the left hand side a dummy variable for firms that improved their position in the *Prensa Económica* ranking of 1976. This table presents results only for the top 300 sample because the market valuation ranking for the top 150 sample is not available. The results of Table 9 are similar to those shown in Table 8. That is, the interaction of connections with disappearances is robustly associated with a rise in the ranking of a firm. Again, connections without disappearances and disappearances without connections don't have an effect on firms' relative changes on market valuation. The firms' ranking in 1975 has a negative effect on the probability of improving the firms' position in the 1976 ranking because the closer a firm is to the top of the ranking, the less chances the firm has to improve its position. Workers disappearances, on the contrary, seem to be correlated with better future rankings.

9. Conclusion

How much credibility should we give to authoritarian regimes' justification of violent repression on the grounds of attacking rent-seeking behavior and crony capitalism? In this paper we have tried to cast light on this question by studying a major case of violent repression where such a justification was offered -- Argentina in 1976. Our results, based on the close examination of the logic of the targeting of violence in this one case, suggest that such a justification should not be taken at face value. We not only show a robust correlation between connections to the regime and disappearances; we are also able to rule out major non-crony explanations for this correlation.

This is, to the best of our knowledge, the first systematic evidence showing that firms with ties to the military regime played an active role in the disappearance of union representatives. The impact of ties to the regime on the disappearance of union representatives is robust to a wide range of specifications and samples as well as the inclusion or exclusion of a rich set of firms' and industries' characteristics that account for firms' size, prominence, number of workers and pre-existing labor conditions. Our analysis establishes also that connected firms with union representatives disappearances suffered less strikes and improved their market value ranking after the coup vis-à-vis the rest of the firms.

We are aware of the limitations of our study, which is based exclusively on observational data. First, we are conscious of the fact that our study is limited (due to data availability) to only one part of the massive human rights violations that occurred in Argentina. We are also aware of the fact that we have only considered one country case, from which it may be hard to extrapolate to other cases. That said, we also believe that a careful micro-based study of one facet of repression in one extremely prominent episode of human rights violations serves as a useful

building block for more extensive research on the gaps between claims and reality in the implementation of violent repression.

Perhaps most importantly, this paper may serve to strengthen scholars' perceptions of the pervasiveness of cronyism. This would be justified because we have showed that even in a prominent case where political actors claimed to be motivated by the goal of attacking rent-seeking, the deployment of violence by these very actors followed the logic of cronyism. In light of the evidence presented here it would also make good sense to treat justifications for human rights violations based on high-minded goals with a greater degree of skepticism.

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Figure 1: Real Wage Index (Panel A) and Percent of Income Accruing to Wage Earners (Panel B) in Argentina at the outset of the military dictatorship

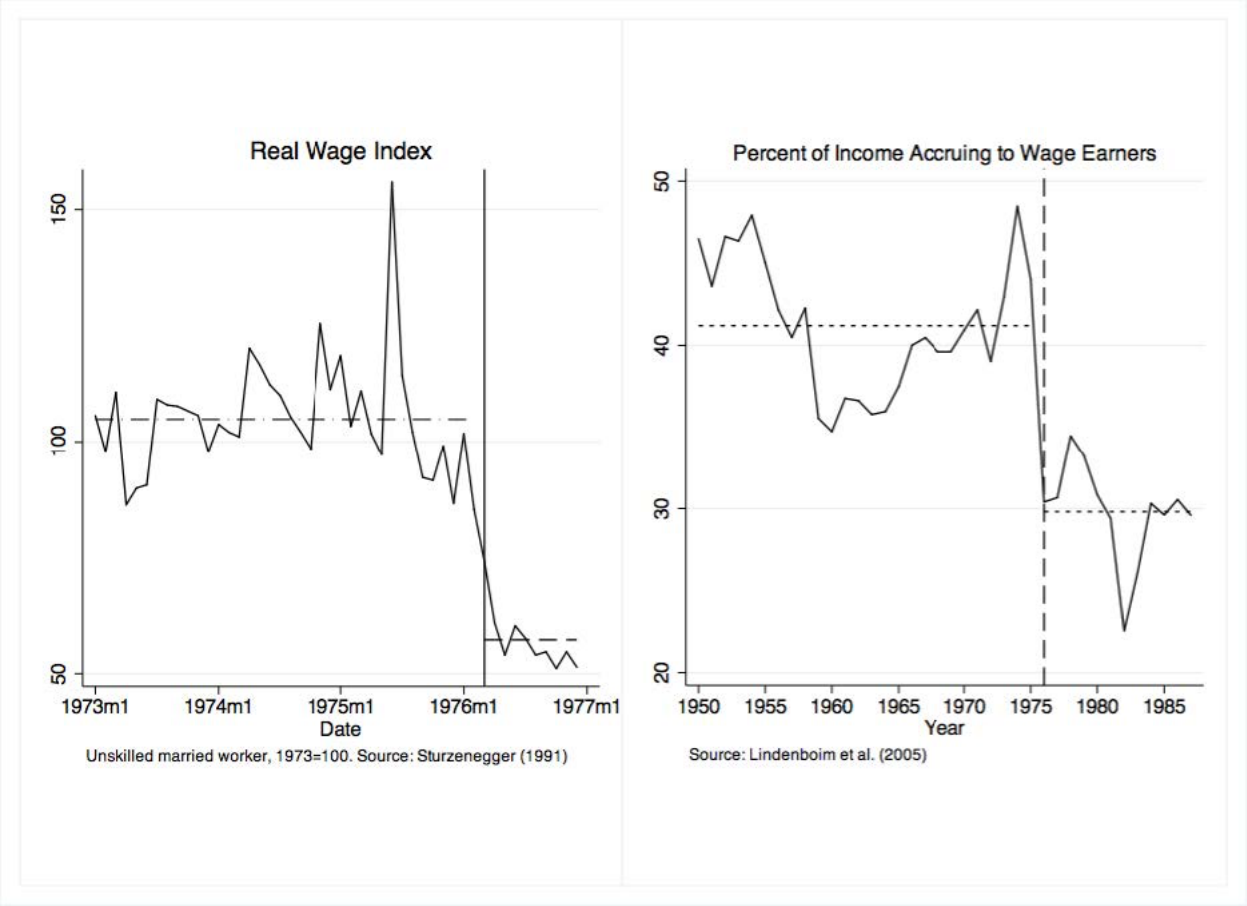


Table 1

Mean Number of Disappearances by Connections

	Cabinet Connections (1976)			Business Connections (1972)			Social Connections (1969)		
	Connected	**Not Connected**	**Difference**	**Connected**	**Not Connected**	**Difference**	**Connected**	**Not Connected**	**Difference**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
				Panel A: Full Sample of Firms					
Union Representatives Disappeared	1.5529	0.1794	1.3735 ***	1.4894	0.1679	1.3215 ***	1.0234	0.1058	0.9177 ***
	(4.521)	(1.322)	[0.2379]	(4.404)	(1.272)	[0.2280]	(3.923)	(0.525)	[0.1778]
Total Number of Firms	85	563		94	554		173	475	
Firms with Union Disappearances	23	33		24	32		37	19	
				Panel B: Firms Included in top 300 Firms (Prensa Economica, 1975)					
Union Representatives Disappeared	3.0455	0.3689	2.6766 ***	2.4516	0.3426	2.1090 ***	1.3956	0.1474	1.2482 ***
	(6.904)	(2.018)	[0.6243]	(6.082)	(1.961)	[0.5399]	(4.602)	(0.630)	[0.3738]
Total Number of Firms	22	225		31	216		91	156	
Firms with Union Disappearances	8	24		10	22		21	11	
				Panel C: Firms Included in top 150 Firms (Mercado, 1975)					
Union Representatives Disappeared	4.1333	0.6636	3.4698 ***	3.2727	0.6100	2.6627 ***	1.9524	0.1695	1.7829 **
	(8.158)	(2.838)	[0.7884]	(7.052)	(2.792)	[0.9161]	(5.437)	(0.497)	[0.7108]
Total Number of Firms	15	107		22	100		63	59	
Firms with Union Disappearances	6	20		9	17		19	7	

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.

Table 2A

Summary Statistics of Firms' Characteristics and Balancing Tests, Top 300 Firms (Prensa Economica, 1975)

	Panel A: Cabinet Connections				Panel B: Business Connections				Panel C: Social Connections			
	Mean		Difference in Means		Mean		Difference in Means		Mean		Difference in Means	
	Connected	Not Connected	Without Industry FEs	With Industry FEs	Connected	Not Connected	Without Industry FEs	With Industry FEs	Connected	Not Connected	Without Industry FEs	With Industry FEs
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Total Sales	2262.32	1128.37	1,134***	1,045**	2524.77	1043.46	1,481***	1,712**	1880.28	849.68	1,031***	1,085**
	(2575.69)	(1346.03)	[333.2]	[432.2]	(2878.78)	(1105.63)	[277.5]	[692.5]	(216.81)	(897.63)	[190.3]	[434.8]
Ranking	109.41	133.68	-24.27	-24.71	95.52	136.69	-41.17***	-52.13**	96.52	151.94	-55.42***	-55.94***
	(87.99)	(71.39)	[16.30]	[26.27]	(84.76)	(70.03)	[13.83]	[22.59]	(69.12)	(67.65)	[9.00]	[14.13]
Trades in Stock Exchange (Merval)	0.5909	0.4356	0.1550	0.0796	0.4839	0.4444	0.0394	0.1260	0.4000	0.4808	-0.0852	-0.0810
	(0.503)	(0.497)	[0.111]	[0.103]	(0.508)	(0.498)	[0.096]	[0.135]	(0.492)	(0.501)	[0.066]	[0.070]
Downstream Effects	1.2201	1.2136	-0.0062	-0.0058	1.1641	1.2342	-0.0701	0.0182	1.1763	1.2558	-0.0801*	-0.0021
	(0.342)	(0.321)	[0.071]	[0.011]	(0.283)	(0.320)	[0.063]	[0.011]	(0.293)	(0.326)	[0.042]	[0.008]
Upstream Effects	1.1166	0.9831	0.1800	-0.0168	0.9735	0.9500	0.0234	0.0523	0.9699	0.9485	0.0115	0.0452
	(0.516)	(0.629)	[0.122]	[0.070]	(0.587)	(0.540)	[0.108]	[0.040]	(0.570)	(0.537)	[0.073]	[0.028]
Workers Collective Bargaining Agreement	0.0909	0.0622	0.0287	0.0324	0.0323	0.0694	-0.0372	-0.0123	0.1368	0.0256	0.106***	0.1060
	(0.294)	(0.242)	[0.055]	[0.045]	(0.180)	(0.255)	[0.047]	[0.011]	(0.346)	(0.159)	[0.032]	[0.076]
Workers' Strikes (1974-1975)	0.3182	0.2000	0.1180	0.0841	0.3226	0.1944	0.1280	0.1930	0.3368	0.1346	0.206***	0.211*
	(0.477)	(0.401)	[0.091]	[0.137]	(0.475)	(0.397)	[0.078]	[0.128]	(0.475)	(0.342)	[0.052]	[0.095]
Attacks against the Firm (1974-1975)	0.2727	0.0978	0.175**	0.1570	0.2903	0.0880	0.202***	0.232*	0.1789	0.0769	0.0989**	0.106*
	(0.456)	(0.298)	[0.070]	[0.129]	(0.461)	(0.284)	[0.060]	[0.105]	(0.385)	(0.267)	[0.042]	[0.057]
Total Number of Firms	22	225			31	216			91	156		

Notes: Standard deviations in parentheses in columns (1) and (2). Standard errors in brackets in columns (3) and (4). Each entry in columns (3) and (4) is derived from a separate OLS regression where the explanatory variable is an indicator for the respective measure of connections. *, **, and *** represent statistical significance at 10, 5 and 1 percent levels.

Table 2B

Summary Statistics of Firms' Characteristics and Balancing Tests, Top 150 Firms (Mercado, 1975)

	Panel A: Cabinet Connections				Panel B: Business Connections				Panel C: Social Connections			
	Mean		Difference in Means		Mean		Difference in Means		Mean		Difference in Means	
	Connected	Not Connected	Without Industry FEs	With Industry FEs	Connected	Not Connected	Without Industry FEs	With Industry FEs	Connected	Not Connected	Without Industry FEs	With Industry FEs
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Total Sales	1992.66	1370.14	622.50	338.1	2104.03	1302.06	802.0**	909.7	1822.91	1044.94	778.0***	684.3
	(1980.38)	(1592.36)	[452.8]	[453.0]	(2691.90)	(1291.04)	[382.9]	[685.3]	(2007.64)	(1020.85)	[291.3]	[561.4]
Ranking	76.07	82.01	-5.94	3.045	66.59	84.51	-17.92*	-17.71	69.86	93.47	-23.62***	-20.72
	(54.31)	(39.36)	[11.41]	[14.17]	(42.48)	(40.49)	[9.62]	[14.33]	(41.48)	(37.67)	[7.19]	[13.89]
Trades in Stock Exchange (Merval)	0.7333	0.4112	0.322**	0.286***	0.5455	0.4300	0.1150	0.1500	0.4127	0.4915	-0.0788	-0.0731
	(0.458)	(0.494)	[0.135]	[0.052]	(0.510)	(0.498)	[0.118]	[0.144]	(0.496)	(0.504)	[0.091]	[0.124]
Downstream Effects	1.2782	1.2406	0.0376	-0.0146	1.2083	1.2535	-0.0452	0.0171	1.1969	1.2979	-0.101*	-0.0083
	(0.359)	(0.321)	[0.090]	[0.013]	(0.311)	(0.329)	[0.077]	[0.011]	(0.310)	(0.335)	[0.059]	[0.013]
Upstream Effects	1.1202	0.9878	0.1320	-0.0156	1.0928	0.9845	0.1080	0.0545	1.0052	1.0031	0.0021	0.0428
	(0.523)	(0.592)	[0.161]	[0.081]	(0.593)	(0.583)	[0.138]	[0.040]	(0.598)	(0.573)	[0.107]	[0.046]
Workers Collective Bargaining Agreement	0.1333	0.1215	0.0118	-0.0117	0.0455	0.1400	-0.0945	-0.0312	0.1905	0.0508	0.140**	0.1240
	(0.352)	(0.328)	[0.091]	[0.023]	(0.213)	(0.349)	[0.078]	[0.023]	(0.396)	(0.222)	[0.059]	[0.098]
Workers' Strikes (1974-1975)	0.4000	0.2804	0.1200	0.0516	0.3636	0.2800	0.0836	0.1410	0.4127	0.1695	0.243***	0.2410
	(0.507)	(0.451)	[0.126]	[0.140]	(0.492)	(0.451)	[0.108]	[0.123]	(0.496)	(0.378)	[0.080]	[0.145]
Attacks against the Firm (1974-1975)	0.3333	0.1963	0.1370	0.0431	0.3636	0.1800	0.184*	0.1560	0.2540	0.1695	0.0845	0.0422
	(0.488)	(0.399)	[0.113]	[0.137]	(0.492)	(0.386)	[0.096]	[0.097]	(0.439)	(0.378)	[0.074]	[0.098]
Total Number of Firms	15	107			22	100			63	59		

Notes: Standard deviations in parentheses in columns (1) and (2). Standard errors in brackets in columns (3) and (4). Each entry in columns (3) and (4) is derived from a separate OLS regression where the explanatory variable is an indicator for the respective measure of connections. *, **, and *** represent statistical significance at 10, 5 and 1 percent levels.

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

	Without Additional Controls			With Additional Controls		
	Cabinet	Business	Social	Cabinet	Business	Social
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
Connections	2.041***	0.921***	0.384***	1.407***	0.851***	0.441***
	(0.505)	(0.335)	(0.0705)	(0.291)	(0.311)	(0.118)
Board Size			-0.0326			-0.0995***
			(0.0238)			(0.0305)
Ranking (1975)	-0.0156***	-0.0121***	-0.0108***	-0.0171***	-0.0166***	-0.0136**
	(0.00211)	(0.00237)	(0.00410)	(0.00587)	(0.00557)	(0.00581)
Total Sales (in thds, 1975)	0.263***	0.315***	0.388***	0.00149	-0.0366	0.109
	(0.0412)	(0.0572)	(0.0973)	(0.0823)	(0.0994)	(0.0719)
Trades in Stock Exchange				-1.105***	-0.701	-0.145
				(0.334)	(0.467)	(0.257)
Ranked in Mercado				-0.489	-0.461	0.159
				(0.663)	(0.644)	(0.823)
Downstream Effects				-3.699***	-6.823***	5.575**
				(0.827)	(1.695)	(2.362)
Upstream Effects				2.750	2.864	10.91***
				(1.728)	(3.011)	(1.040)
Bargaining Agreement				-0.490***	-0.582**	-0.617
				(0.137)	(0.249)	(0.411)
Strikes (1974-1975)				1.132***	1.255**	1.472***
				(0.437)	(0.514)	(0.398)
Attacks against Firm				0.783	0.839**	0.150
				(0.555)	(0.335)	(0.466)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	240	240	114	240	240	114

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.

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

	Without Additional Controls			With Additional Controls		
	Cabinet	Business	Social	Cabinet	Business	Social
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
Connections	2.241***	1.675***	0.400***	0.756***	0.744**	0.340**
	(0.450)	(0.621)	(0.0899)	(0.275)	(0.328)	(0.159)
Board Size			0.00192			-0.0448
			(0.0422)			(0.0507)
Ranking (1975)	-0.0184*	-0.00400	-0.0136	-0.00721	-0.00812	-0.00734
	(0.0103)	(0.0160)	(0.0136)	(0.00614)	(0.00653)	(0.00578)
Total Sales (in thds, 1975)	0.272*	0.509*	0.256*	0.106	0.0520	0.250***
	(0.165)	(0.266)	(0.150)	(0.113)	(0.121)	(0.0683)
Trades in Stock Exchange				-0.106	0.220	0.614***
				(0.511)	(0.557)	(0.0911)
Downstream Effects				11.84***	6.450	30.67***
				(1.715)	(4.422)	(7.104)
Upstream Effects				7.249***	8.769***	6.413***
				(1.331)	(0.948)	(1.590)
Bargaining Agreement				0.257	0.222	0.720*
				(0.403)	(0.437)	(0.404)
Strikes (1974-1975)				2.189***	2.146**	2.793***
				(0.807)	(0.934)	(0.700)
Attacks against Firm				0.158	0.0791	-0.707
				(0.968)	(0.965)	(0.528)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	121	121	78	121	121	78

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.

Table 5

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

	A: Controlling for Firms' Number of Workers			B: Controlling for Firm's Number of Disappeared Workers			C: Eliminating Firms with over 10 Union Disappearences		
	Cabinet	Business	Social	Cabinet	Business	Social	Cabinet	Business	Social
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
VARIABLES	Top 300 Firms (Prensa Economica, 1975)								
Connections	0.898***	0.450*	0.458***	0.928**	0.0258	0.412***	1.621***	1.341**	0.495***
	(0.317)	(0.272)	(0.103)	(0.450)	(0.569)	(0.0831)	(0.392)	(0.584)	(0.102)
Board Size			-0.0753***			-0.0882***			-0.137***
			(0.0230)			(0.0270)			(0.0382)
Ranking (1975)	-0.0120**	-0.0107*	-0.0136*	-0.0161***	-0.0150***	-0.0166**	-0.0310***	-0.0274***	-0.0226
	(0.00517)	(0.00610)	(0.00818)	(0.00452)	(0.00473)	(0.00685)	(0.00884)	(0.00774)	(0.0179)
Total Sales (in thds, 1975)	-0.164	-0.175	-0.0675	-0.266	-0.279	-0.0499	-0.710**	-0.747**	-0.394
	(0.203)	(0.265)	(0.0719)	(0.189)	(0.217)	(0.0435)	(0.288)	(0.367)	(0.635)
Strikes (1974-1975)	0.915**	0.941**	1.057*	0.605	0.645	1.135**	1.190***	1.186**	1.415***
	(0.366)	(0.410)	(0.540)	(0.494)	(0.502)	(0.487)	(0.397)	(0.581)	(0.455)
Number of Workers	0.331***	0.357***	0.199***						
	(0.0804)	(0.0836)	(0.0712)						
Number of Disp. Workers				0.143***	0.170***	0.0714***			
				(0.0481)	(0.0373)	(0.0172)			
Observations	99	99	72	240	240	114	240	240	114
VARIABLES	Top 150 Firms (Mercado, 1975)								
Connections	0.761**	0.543	0.307**	0.343**	-0.226	0.344**	0.914**	0.917**	0.245***
	(0.312)	(0.423)	(0.121)	(0.146)	(0.599)	(0.165)	(0.416)	(0.372)	(0.0855)
Board Size			-0.0328			-0.0394			-0.00580
			(0.0436)			(0.0464)			(0.0486)
Ranking (1975)	-0.00702	-0.00572	-0.00511	-0.0103**	-0.0120**	-0.0112*	-0.0340***	-0.0111	-0.00988
	(0.00833)	(0.00910)	(0.00436)	(0.00459)	(0.00516)	(0.00601)	(0.00442)	(0.0234)	(0.0189)
Total Sales (in thds, 1975)	0.00749	0.0134	0.210	-0.123	-0.170	0.124	-1.216**	-0.0403	0.00877
	(0.0271)	(0.0249)	(0.134)	(0.191)	(0.226)	(0.106)	(0.516)	(0.624)	(0.532)
Strikes (1974-1975)	2.471***	2.532***	2.410***	1.414	1.361	2.545***	1.805*	1.770	1.558**
	(0.780)	(0.722)	(0.835)	(1.046)	(1.152)	(0.771)	(0.987)	(1.148)	(0.692)
Number of Workers	0.0165***	0.0169***	0.0363						
	(0.00334)	(0.00322)	(0.0624)						
Number of Disp. Workers				0.0918**	0.113*	0.0429*			
				(0.0424)	(0.0620)	(0.0259)			
Observations	65	65	54	121	121	78	116	116	73

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.

Table 6

The Effects of Firms Connections on the Likelihood of a Union Representative Disappearance

	Top 300 Firms (Prensa Economica, 1975)			Top 150 Firms (Mercado, 1975)		
	Cabinet	Business	Social	Cabinet	Business	Social
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
Connections	0.141**	0.127**	0.0257**	0.103*	0.152*	0.00787
	(0.0585)	(0.0620)	(0.0105)	(0.0550)	(0.0876)	(0.0223)
Board Size			-0.00429			-0.00215
			(0.00415)			(0.00607)
Ranking (1975)	-0.000677	-0.000864*	-0.000715	-0.00242	-0.00203	-0.00135
	(0.000574)	(0.000463)	(0.00104)	(0.00168)	(0.00124)	(0.00167)
Total Sales (in thds, 1975)	0.0377*	0.0253	0.0394***	0.00411	-0.00538	0.0448**
	(0.0183)	(0.0193)	(0.0106)	(0.0409)	(0.0308)	(0.0165)
Strikes (1974-1975)	0.131**	0.111**	0.155	0.253**	0.243***	0.340*
	(0.0537)	(0.0500)	(0.0843)	(0.101)	(0.0779)	(0.165)
Observations	240	240	114	121	121	78
R-squared	0.365	0.403	0.420	0.364	0.441	0.362

Note: Linear probability estimates of the effect of connections on the likelihood of a union leader disappearance. 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.

Table 7

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

	Top 300 Firms (Prensa Economica, 1975)			Top 150 Firms (Mercado, 1975)		
	Cabinet	Business	Social	Cabinet	Business	Social
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
Connections	1.591***	0.788**	0.441***	1.699***	1.060**	0.340*
	(0.262)	(0.380)	(0.118)	(0.215)	(0.453)	(0.179)
Connections * State Owned	-1.770*	-1.046	-4.690***	-1.118	-0.362	-5.646***
	(0.934)	(0.835)	(0.342)	(0.968)	(1.045)	(0.273)
Board Size			-0.0995***			-0.0448
			(0.0305)			(0.0507)
Ranking (1975)	-0.0130***	-0.0118***	-0.0136**	-0.00600	-0.00431	-0.00735
	(0.00378)	(0.00344)	(0.00582)	(0.00730)	(0.00887)	(0.00578)
Total Sales (in thds, 1975)	0.0364*	0.0400**	0.109	0.0278	0.0329*	0.250***
	(0.0196)	(0.0158)	(0.0719)	(0.0237)	(0.0195)	(0.0683)
Strikes (1974-1975)	1.134**	1.241**	1.472***	1.836***	1.811**	2.793***
	(0.484)	(0.592)	(0.398)	(0.668)	(0.812)	(0.700)
Observations	271	271	119	142	142	82

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.

Table 8

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

	Top 300 Firms (Prensa Economica)			Top 150 Firms (Mercado)		
	Cabinet	Business	Social	Cabinet	Business	Social
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
Strikes (1974-1975)	0.0849	0.0787	0.149	0.115	0.0994	0.233
	(0.0678)	(0.0656)	(0.135)	(0.0942)	(0.0871)	(0.193)
Connections	0.00475	-0.0388	0.00896	0.0693	0.0239	-0.0102
	(0.0555)	(0.0226)	(0.00546)	(0.0750)	(0.0699)	(0.0156)
Union Disappearances	0.00269	0.00218	0.0108	0.00765	0.00418	-0.00245
	(0.0104)	(0.00983)	(0.0248)	(0.00702)	(0.00720)	(0.0412)
Connections * Union Disap.	-0.0279**	-0.0391***	-0.00832***	-0.0378**	-0.0339***	-0.00254*
	(0.0105)	(0.00647)	(0.00192)	(0.0139)	(0.00571)	(0.00122)
Workers Disappearances	0.00559	0.0115	0.00168	0.00417	0.0101	-0.00391
	(0.00628)	(0.00767)	(0.00938)	(0.0101)	(0.0125)	(0.0141)
Trades in Stock Exchange	0.0260	0.0158	0.0112	0.101	0.0728	0.0839
	(0.0174)	(0.0205)	(0.0600)	(0.0566)	(0.0405)	(0.106)
Downstream Effects	0.371	0.502	-1.027**	0.593	0.631	-0.0320
	(0.566)	(0.515)	(0.446)	(0.514)	(0.481)	(0.785)
Upstream Effects	-0.156	-0.167	0.308*	-0.253*	-0.259**	0.0608
	(0.161)	(0.151)	(0.160)	(0.115)	(0.107)	(0.284)
Bargaining Agreement	0.246*	0.211*	0.165	0.262	0.251	0.155
	(0.112)	(0.105)	(0.134)	(0.152)	(0.153)	(0.188)
Attacks against Firm	0.120	0.113	0.137	0.143	0.130	0.118
	(0.0891)	(0.0847)	(0.115)	(0.105)	(0.0986)	(0.116)
Ranked in Mercado	0.0186	0.0283	0.0405			
	(0.0279)	(0.0306)	(0.0712)			
Ranking (1975)	6.20e-05	0.000334	9.21e-05	-0.000863	-0.000247	0.000261
	(0.000178)	(0.000186)	(0.000424)	(0.00160)	(0.00134)	(0.00134)
Total Sales (in thds, 1975)	0.0481**	0.0681***	0.0412*	0.0315	0.0500	0.0792
	(0.0149)	(0.0209)	(0.0207)	(0.0477)	(0.0446)	(0.0485)
Observations	239	239	113	120	120	77
R-squared	0.41	0.429	0.472	0.483	0.489	0.524

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.

Table 9

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

	Cabinet Connections		Business Connections		Social Connections	
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
Connections	-0.0431	-0.0294	0.0314	0.0963	0.0240	0.0255
	(0.105)	(0.0787)	(0.104)	(0.0936)	(0.0230)	(0.0190)
Union Disappearances	-0.0164	-0.0204	-0.0165*	-0.0172	-0.00723	-0.0186
	(0.00995)	(0.0121)	(0.00828)	(0.0107)	(0.0137)	(0.0169)
Connections * Union Disap.	0.0168**	0.0276**	0.0222***	0.0303***	0.000224	0.00251**
	(0.00651)	(0.0115)	(0.00396)	(0.00852)	(0.00135)	(0.001221)
Workers Disappearances	0.0158***	0.0193***	0.0130**	0.0138**	0.0163*	0.0224***
	(0.00405)	(0.00571)	(0.00416)	(0.00487)	(0.00786)	(0.00635)
Ranking (1975)	-0.00128**	-0.00151***	-0.00142***	-0.00176***	-0.00296***	-0.00259*
	(0.000406)	(0.000457)	(0.000420)	(0.000448)	(0.000432)	(0.00134)
Total Sales (in thds, 1975)	-0.0757*	-0.0750	-0.0876**	-0.0955**	-0.103*	-0.0840*
	(0.0372)	(0.0423)	(0.0361)	(0.0416)	(0.0469)	(0.0458)
Trades in Stock Exchange		-0.0675		-0.0621		-0.0537
		(0.0505)		(0.0502)		(0.108)
Downstream Effects		0.528		0.383		1.530
		(0.477)		(0.428)		(0.836)
Upstream Effects		-0.199		-0.183		-0.800**
		(0.170)		(0.158)		(0.292)
Bargaining Agreement		0.267		0.310**		0.249
		(0.154)		(0.126)		(0.200)
Strikes (1974-1975)		0.0264		0.0323		0.0493
		(0.0803)		(0.0792)		(0.146)
Attacks against Firm		-0.212***		-0.210***		-0.252**
		(0.0483)		(0.0540)		(0.0799)
Ranked in Mercado		-0.0957**		-0.110**		-0.0212
		(0.0397)		(0.0439)		(0.184)
Board Size					-0.0101**	-0.00569
					(0.00362)	(0.00368)
Observations	240	240	240	240	114	114
R-squared	0.121	0.168	0.168	0.175	0.176	0.235

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.

Table A1: Summary Statistics of Firms' Characteristics, Full Sample of Firms

	Cabinet Connections				Business Connections				Social Connections			
	Mean		Difference in Means		Mean		Difference in Means		Mean		Difference in Means	
	Connected	Not Connected	Without Industry FEs	With Industry FEs	Connected	Not Connected	Without Industry FEs	With Industry FEs	Connected	Not Connected	Without Industry FEs	With Industry FEs
Ranked in Prensa Economica (1975)	0.6235	0.3996	0.224***	0.237**	0.6596	0.3899	0.270***	0.239***	0.7052	0.3284	0.377***	0.386***
	(0.487)	(0.490)	[0.0570]	[0.0912]	(0.476)	(0.488)	[0.0543]	[0.0656]	(0.457)	(0.470)	[0.0414]	[0.0556]
Not ranked in PE due to lack of info	0.0235	0.0302	-0.00667	0.00735	0.0213	0.0307	-0.00941	0.00579	0.0173	0.0337	-0.0163	-0.0236***
	(0.152)	(0.171)	[0.0197]	[0.0250]	(0.145)	(0.173)	[0.0188]	[0.0236]	(0.131)	(0.181)	[0.0150]	[0.0062]
Ranked in Mercado (1975)	0.4235	0.1901	0.233***	0.178**	0.4574	0.1805	0.277***	0.229***	0.4855	0.1242	0.361***	0.352***
	(0.497)	(0.393)	[0.0475]	[0.0801]	(0.501)	(0.385)	[0.0450]	[0.0709]	(0.501)	(0.330)	[0.0340]	[0.0531]
Trades in Stock Exchange (Merval)	0.3529	0.4600	-0.107*	-0.0587	0.3085	0.4693	-0.161***	-0.108	0.3584	0.4779	-0.120***	-0.0805**
	(0.481)	(0.499)	[0.0578]	[0.0632]	(0.464)	(0.500)	[0.0552]	[0.0985]	(0.481)	(0.500)	[0.0440]	[0.0339]
Downstream Effects	1.0012	1.1301	-0.129**	-0.00175	1.0248	1.1278	-0.103**	0.00721	1.0177	1.1496	-0.132***	-0.00439
	(0.463)	(0.415)	[0.0502]	[0.0033]	(0.429)	(0.422)	[0.0486]	[0.0044]	(0.418)	(0.421)	[0.0381]	[0.0055]
Upstream Effects	1.2625	0.9619	0.301***	-0.021	1.2012	0.9685	0.233***	0.00649	1.0721	0.9758	0.0963*	0.00785
	(0.795)	(0.582)	[0.0731]	[0.0328]	(0.805)	(0.580)	[0.0710]	[0.0321]	(0.697)	(0.590)	[0.0564]	[0.0070]
Workers Collective Bargaining Agreement	0.1176	0.0320	0.0857***	0.0595*	0.0957	0.0343	0.0614***	0.0388*	0.1214	0.0147	0.107***	0.0943*
	(0.324)	(0.176)	[0.0235]	[0.0279]	(0.296)	(0.182)	[0.0226]	[0.0206]	(0.328)	(0.121)	[0.0176]	[0.0520]
Workers' Strikes (1974-1975)	0.3647	0.1368	0.228***	0.153**	0.3617	0.1336	0.228***	0.191***	0.3699	0.0926	0.277***	0.245***
	(0.484)	(0.344)	[0.0425]	[0.0629]	(0.483)	(0.341)	[0.0407]	[0.0495]	(0.484)	(0.290)	[0.0313]	[0.0665]
Attacks against the Firm (1974-1975)	0.1647	0.0657	0.0990***	0.102**	0.1702	0.0632	0.107***	0.117***	0.1445	0.0547	0.0898***	0.0867*
	(0.373)	(0.248)	[0.0311]	[0.0358]	(0.378)	(0.244)	[0.0298]	[0.0387]	(0.353)	(0.228)	[0.0237]	[0.0448]
Total Number of Firms	85	563			94	554			173	475		

Notes: Standard deviations in parentheses in columns (1) and (2). Standard errors in brackets in columns (3) and (4). Each entry in columns (3) and (4) is derived from a separate OLS regression where the explanatory variable is an indicator for Cabinet Connections. *, **, and *** represent statistical significance at 10, 5 and 1 percent levels.

Table A2

The Effect of Connections on the Number of Union Representatives Disappearances (Negative Binomial estimates, full sample of firms)

	Without Additional Controls			With Additional Controls		
	Cabinet	Business	Social	Cabinet	Business	Social
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
Connections	2.146***	2.196***	0.131	1.667***	1.133***	0.307***
	(0.532)	(0.592)	(0.178)	(0.354)	(0.266)	(0.0400)
Board Size			0.0913***			-0.00933
			(0.0327)			(0.0248)
Ranked in Prensa Economica				1.109	1.233*	1.325
				(0.699)	(0.679)	(1.455)
Ranked in Mercado				1.066**	1.412***	0.797
				(0.505)	(0.305)	(0.496)
Trades in Stock Exchange				-1.990***	-1.220***	-0.928***
				(0.294)	(0.237)	(0.276)
Mentioned in PE				-17.42***	-15.57***	-14.42***
				(0.536)	(0.518)	(1.033)
Downstream Effects				-8.487***	-6.406**	-0.192
				(1.869)	(2.561)	(1.985)
Upstream Effects				1.731***	0.581***	0.974
				(0.443)	(0.120)	(1.457)
Bargaining Agreement				-0.0325	0.536	0.151
				(0.324)	(0.653)	(0.384)
Strikes (1974-1975)				1.543***	1.655***	1.078**
				(0.188)	(0.345)	(0.454)
Attacks against Firm				1.016**	1.337***	1.326***
				(0.399)	(0.186)	(0.323)
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	592	592	170	592	592	170

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.