CRONYISM IN STATE VIOLENCE: EVIDENCE FROM LABOR REPRESSION DURING ARGENTINA’S LAST DICTATORSHIP

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Abstract
We study whether crony governance can extend beyond economic policy to the targeting of state violence against citizens. Specifically, we examine the logic driving the choice of firm level union representatives who were subjected to state repression by the 1976–1983 Argentine military junta. Using an original dataset, we find a positive, non-spurious, and robust correlation between labor repression and cronyism, measured by political, business and social connections to the regime. Our results indicate that the number of firm level union representatives victimized by the regime is three times higher for connected firms relative to non-connected ones. The effect is 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 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 governmental cronyism, even in cases where one of the regime’s main stated goals was to curb such behavior. (JEL: D73, D74, J52, N46)

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