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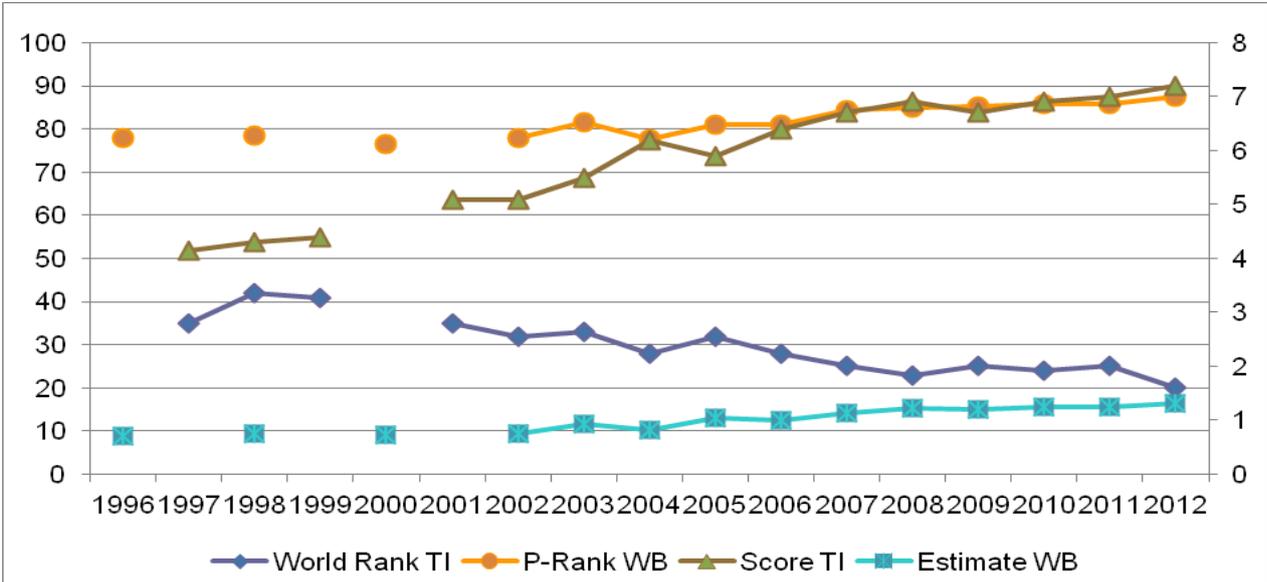
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Introduction

Uruguay shows a long history of political particularism. The way in which most of the citizenry related with the state had a significant discretionary component until the 1960s. The intermediation of political brokers was the norm in order to obtain state services, and patronage defined the logic of recruitment into work in the public sector. Although corruption in the strict sense of the word was never a pervasive practice, particularism in Uruguayan politics marked the regime as not adhering to universal criteria in the application of public policy. Nevertheless, significant changes in institutions and political competition –occurring between the sixties and the nineties- made clientelism increasingly ineffective or directly non-viable in such a way that transformed the country into an open access regime.

Nowadays, Uruguay’s international image in terms of corruption is generally positive. Even though clientelism, as a discretionary practice to distribute goods, public employment and preferential treatment in exchange for electoral support, was a common political practice for an extended period of time, the phenomenon of corruption, as “...the misuse of public office for private gain” (Rose-Ackerman 2008:551), never became similarly pervasive. More recently, the introduction of comparative instruments of measurement has not only confirmed this intuitive image, but has also showed that Uruguay is well located and progressing in the international context. Figure 1 illustrates both, the score that Uruguay has obtained and the country’s position in the international rankings that Transparency International (TI) and the World Bank (WB) publish on a regular basis from the mid-nineties.

Figure 4. Score and Position of Uruguay According to Transparency International and World Bank



Source: Figure generated using Transparency International’s “Corruption Perceptions Index.” http://www.transparency.org/policy_research/surveys_indices/cpi and the World Bank “Control of corruption indicator” <http://info.worldbank.org/governance/wgi/index.aspx#home> Transparency International’s scores vary from 1 to 10, with 10 indicating maximum levels of transparency and the World Bank indicators ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance

Uruguay has advanced in both TI and WB rankings, and now finds itself in a position of relative privilege. Further, the figure indicates a significant and persistent increase in the scores the country has received over the past decade or more. In Latin America, Uruguay is a leader, achieving the highest scores in recent years along with Chile, with a corruption profile that is clearly different from other countries in the region. Furthermore, diverse

comparative political studies of public opinion, such as those published by Latinobarometer and Latin American Public Opinion Project also place Uruguay in a position of regional leadership. Finally, recent comparative academic works on corruption also place Uruguay, along with Costa Rica, among developed countries where “corruption revolves around the use of wealth to seek influence within strong political and administrative institutions” (Johnston 2005:60).

Few studies about corruption that have been carried out in Uruguay, while not discouraging a critical view of the phenomenon’s presence, do corroborate the suggestion that overall levels of corruption are low. For example, a report produced by the Instituto de Ciencia Política in 2002 concludes that, “although it is evident that corrupt practices exist in Uruguay, this analysis (...) suggests that these practices are not generalized and are produced in different ways in limited arenas” (93). Additionally, recent work by the Instituto de Comunicación y Desarrollo (ICD, 2009) shows, based on surveys of the mass public, business people, and public employees, that corruption in Uruguay is perceived as being much lower than in neighboring countries. 93% of those interviewed believe that in Uruguay there is less or much less corruption than in neighboring countries, and 7% believe that there is the same amount of corruption; none of the individuals interviewed answered that there was more or much more corruption in Uruguay (Buquet 2009:117).

The report published by the Insituto de Comunicación y Desarrollo also shows the evolution of corruption over time, as comparable studies were carried out for the Instituto de Ciencia Política 2002 report. In the report, it is possible to follow the evolution of one of the most robust indicators of corruption over time: the victimization of business owners by bribery. This indicator is particularly strong because it does not involve perceptions, which can be distorted by the media or social interactions; instead, it captures the actual experience of those interviewed who, at the same time, have limited incentives to answer untruthfully. In Table 1, the results from the 2002 and 2009 surveys are presented; in no case has the percentage of those interviewed who reported having paid a bribe increased. In fact the percentage of respondents who reported never having been asked to pay a bribe, increased substantially across the board.

Table 2. Payment of a Bribe

	2002		2009	
	Sometime*	Never	Sometime*	Never
Judicial Authorities	5%	92%	4%	93%
National Government	9%	88%	7%	91%
Departmental Government	14%	84%	13%	85%
Autonomous Entities	21%	76%	14%	84%
Legislators/ Politicians	10%	86%	5%	93%

Question: How frequently have you been asked or have you seen people obliged to pay bribes in...?
**Note: Summed responses for “frequently,” “occasionally,” and “rarely”.*

The simple teleological views of modernization theory associate the processes of modernization to the end of particularism and the adoption of universal criteria. However, many countries in the world have experienced important process of economic development without achieving significant improvements in terms of universalism. Noth, Wallis y Weingast (2012) and Fukuyama (2014) stress the complexities involved in this kind of transitions, in particular for countries that recently processed modernization.

This paper intends to describe and explain that process of change from particularism to universalism, departing from the socio-economic challenges the political system faced

between the fifties and sixties and the political responses to these challenges. In particular, it shows how the changes in the way parties compete for votes (from a clientelistic to a programmatic way) led to the more general transformation in the way that society grants rights and distributes and allocates resources. The following section characterizes Uruguay as an open access regime. Second, the paper tracks the process of change describing the main political transformations and analyzing the political agency behind these processes of reform. Finally, the main lessons of the Uruguayan political and social process from particularism to universalism are discussed.

Uruguay as an open access regime

In a broader sense, Uruguay became an open access regime during last years. The Uruguayan constitutional government exerts the monopoly of the use of force in its entire territory. The corresponding institutions perform all basic functions of the state. Since its independence, the country has been organized as a republic with a classic separation of powers. Moreover, the country has 19 subnational (departmental) governments, and a variety of autonomous public bodies specialized in different areas such as education, utilities, and regulatory agencies. In general terms, the regulatory, administrative and implementation functions of the state are completely fulfilled. Nevertheless, Uruguay has a strong legacy of patronage in the building of the bureaucratic apparatus. Traditionally Uruguayan state has had a clientelistic system of appointment. Most of the posts in public administration were allocated through the distribution of parties to their supporters in exchange for their electoral favor. As a consequence, public employees show low levels of professionalism on the one hand, but high levels of party loyalty on the other. These features restrict the state capacity in some areas and prevent attempts to reform. However, past politicization, lack of professionalism and patronage legacy do not translate into political use of bureaucracy as in the past.

Since the 1990s reforms, traditional parties have strived to tackle an oversized and inefficient state by reducing the number of state employees and privatizing state-owned enterprises. Additionally, the Frente Amplio (FA) governments, first at the level of the capital city hall (Intendencia Municipal de Montevideo) since 1990 and then at national government level since 2005, made significant changes, introducing more competitive recruiting procedures without completely removing political influences. Thus, in general terms, the government currently makes efficient use of most available human, financial and organizational resources.

Furthermore, there is a clear division of functions among the judiciary, the executive, and the legislative branches of government in Uruguay, with mutual checks and balances. Inter-branch conflict is unusual and solved according to the constitution. The judiciary is fully independent from the executive and capable of accomplishing its function. The Supreme Court is appointed by two thirds of the parliament, and can declare laws unconstitutional. This happens frequently and in many instances the verdicts goes against government interest. There is also a Contentious and Administrative Court, appointed by the same rule, which can declare administrative acts null, and which often reject administrative decisions. Under this framework, civil rights are guaranteed and generally respected by the state while all citizens have equal access to justice and due process.

Uruguay enjoys a pluralist landscape and its society has a long tradition of organized social groups. The most salient and influential are labor unions and business associations. Most unions are unified in one national labor association, PIT-CNT, created in the mid1960s.

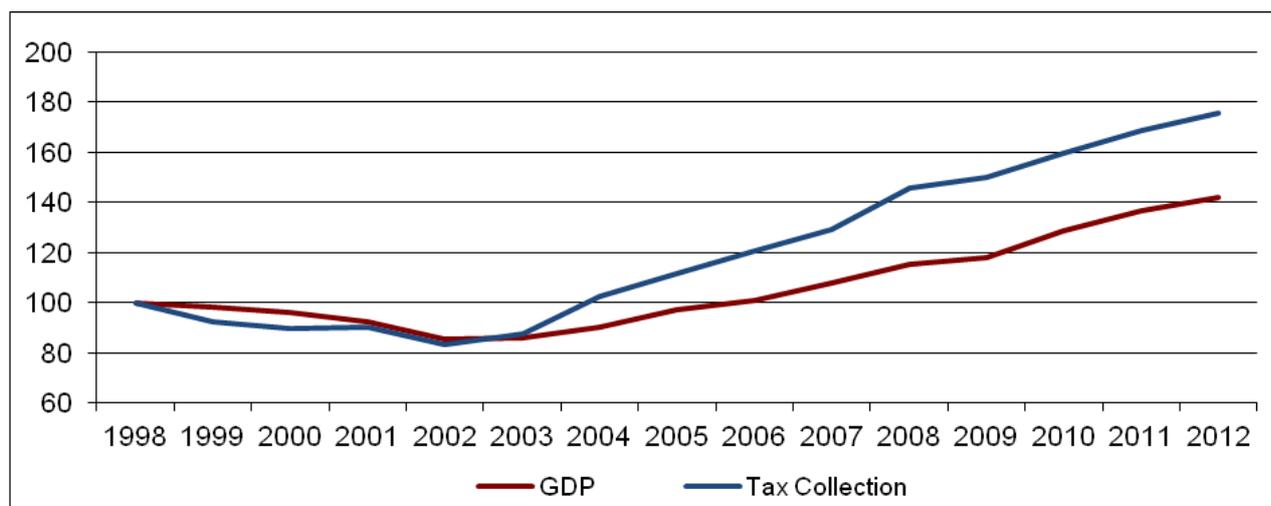
Business does not have one association, but there are a few very influential that group the most relevant economic activities in the country (farmers, industry, the banking sector, export sector, etc.). Nevertheless there are other self-organized groups, devoted to diverse goals. In addition to interest groups, there are numerous associations related to school or neighborhood, based on voluntary work, and oriented to help the community.

All of them have equal access to state officials and politicians and have the opportunity to exercise their voice in areas of their concern. Typically, organizations tend to establish a dialogue with parties from government and opposition. In this regard, association and assembly rights are fully respected by Uruguayan government with no significant restrictions, and freedom of expression is fully guaranteed for citizens, groups and the press without any kind of censorship. The media are ideologically and politically diverse, so that all relevant opinions are present on the public agenda.

Public allocation of services and goods is not discretionarily distributed. It is very difficult to observe any serious bias in the design or execution of public policies. For example, Vázquez first administration (2005-2010) made important reforms in safety networks, especially increasing money transfers for the poor and expanding health coverage. The “equity plan” (Plan de Equidad), a classic CCT program, covers all children under the poverty line with a “family allowance” (Asignaciones Familiares) of about \$50 per child. These kinds of plans open opportunities to particularistic allocation, but in this regard there is no evidence of any political bias, even though the government party obtained some electoral profit among the targeted population (Queirolo 2010).

It is hard to find data, in particular quantitative, which can be used to show the change in the governance regime that Uruguay underwent in recent years. This is due to the lack of statistical data before 1973. Before and after regime change indicators are particularly important to understand if there is actually any change in the governance regime and their dimensions. A striking figure that shows an important change from particularism to universalism in Uruguay is the systematic improvements on tax avoidance reduction. This stable pattern of progress in the development of state capacity implies significant changes oriented toward shortening the ability of economic agents to circumvent state control. Regarding informality, state capacity to collect taxes increased substantively during the last 8 years. A tax reform and an institutional improvement of the agency in charge of collecting taxes resulted in tax collection growing systematically more than the gross domestic product since 2003 (DGI, 2013). The office that is in charge of collecting taxes in Uruguay (Dirección General Impositiva, DGI) was reformed in 2000 in terms of its bureaucratic capacities. Since 2007 Uruguay has implemented a tax reform that includes an income tax. This reform also simplified all tax systems and ended with exemptions that favored different economic and social sectors. Figure 3 shows that since 2003 the evolution of the level of tax revenue collection at constant prices is systematically bigger than GDP growth.

Figure 5. Gross Tax Collection and GDP Evolution 1998 – 2012 (1998 =100)



Source: Figure generated using data from Dirección General Impositiva – Aseosría Estadística

At the same time, the number of people who regularly contribute to social security increased by 62% since 2004 (BPS, 2013). The coverage of the Uruguayan social security system grew from 50% of the economically active population in 2003 (the post crisis year) to 67% in 2010. These figures are outstanding in the Latin American context and comparable only to those in Costa Rica and Chile (Rofman and Oliveri 2012). This process was driven not only by economic growth but also by specific policies oriented to formalize former highly informal activities, like domestic servants or rural workers. In that respect it is telling to observe that the coverage in the primary sector grew from less than 45% in 2000 to more than 70% in 2010, while in the secondary and tertiary sectors the increase was just a little over 10 percentage points (Rofman and Oliveri 2012). Additionally, other policy reforms encouraged labor formalization, like the health reform, which, by broadening the health coverage for the relatives of formalized workers, created incentives for workers' formalization. These figures show an important process of economic formalization and a substantive improvement in the state capacity to fight against tax evasion.

The Uruguayan Way from Particularism to Universalism

Uruguay has the longest democratic history of any Latin American country. In the twentieth century, Uruguay suffered only two institutional breakdowns. The first, in 1933, was a civil coup that sought rapid re-institutionalization through constitutional and legal reforms. However, the lack of legitimacy of the two elected governments (1934 and 1938) under these norms implied that effective democracy was only recovered in 1942, with a new constitutional reform. The second rupture, between 1973 and 1984, led to a military dictatorship similar to others (of the 'bureaucratic-authoritarian' type) that devastated the continent at that time (O'Donnell 1973). The period of military dictatorship was the only time in the twentieth century when the government was not elected and when the traditional political parties were excluded from power. This fact underlines the country's remarkable political development within the regional context. Uruguay and Colombia share the striking characteristic of having been governed by only two different political parties before 2004: the Colorado (or Red) Party (PC) and the National or Blanco (White) Party (PN). In the long run, the Uruguayan political system has demonstrated a level of stability and continuity that makes it stand out in the regional panorama.

Along with its early democratization, Uruguay developed a welfare state that implied a joint process of building political and social citizenry (Castellano 1996). During the first decades of the twentieth century, under the leadership of José Batlle y Ordóñez (PC), various political (universal and secret suffrage, free and fair elections), social (separation of church and state, eight-hour working day) and economic reforms were implemented. In the absence of strong contending actors, the state acquired a central role in the economy and in the provision of all kind of public services. By these means the country forged a wealthy, integrated and modern society with a growing middle class during the first half of the twentieth century (Filgueira and Filgueira 1994). Following the Great Depression, the prosperity based on the great performance of agricultural and cattle exports was associated with an “import substitution development model,” which was intended to promote industrial development but fell into crisis at the beginning of the 1950s, as a consequence of a significant drop in commodity prices. As a result, a long period of economic stagnation and social turmoil followed (Thorp 1986; Azar et al. 2009).

The solid bipartisan political system that Uruguay has had for more than a century began to undergo changes during the 1960s. In a context of strong social and political conflict, minor leftist parties joined with other groups and dissident leaders from traditional parties to form the FA. Following the 1971 election, the traditional parties began to systematically lose votes to the leftist opposition, which went on to win the 2004 general election with a majority of the votes.

At the beginning of that process, however, the economic, social and political crisis led to a coup in 1973 and a 12-year military authoritarian regime that ended in 1985. When the constitution was restored, a double transition process took off. On the one hand, the re-democratization was rapid and restored the rule of law – with the exception of the prosecution of human right violations during the dictatorship – and the previous political and party system with all its complexities. On the other hand, successive governments of the traditional parties gradually implemented a process of economic and state reform. But while the democratic transition was rapidly concluded, various privatization and state reform attempts were blocked by a coalition between the leftist opposition and social organizations – mainly labor unions, frequently resorting to mechanisms of direct democracy. In that context, the traditional parties were increasingly grouped together at the center right of the ideological spectrum, since they jointly advocated and conducted pro-market reforms (such as de-monopolizing the assurance market, privatizing the state-owned airline, contracting private companies for port services and creating a mixed, state–private, social security system), and the FA increasingly assumed the role of a defender of the state-owned enterprises, along with the rights of the workers and the poor. Even though during most of the 1990s, economic growth rates were around 5%, and inflation and unemployment rates were contained at about 10% each, the process ended in a deep recession and a financial crisis in 2002.

Shifts in the party system strengthened since 1971, as the FA moved toward more moderate ideological positions and adopted state-oriented proposals that were being abandoned by the traditional parties. Finally, the electoral reform of 1996, which adopted the majority runoff presidential election system, provided the country with the institutional framework to consolidate a system of political competition between two blocks that were ideologically opposed, the FA on the center left and both traditional parties on the center right. A long-term process of change in Uruguayan politics has led to a radical transformation of the country’s party system and to the advent of a new, leftist political actor in the national

government. This process is rooted in the electorate's ongoing disenchantment with traditional elites, which was originally most evident among the youth, educated and urbanized sectors, and has been manifested in the political support for a party that has learned how to moderate its discourse and to gradually move towards the center of the ideological spectrum.

Along with its long democratic tradition, Uruguay also has a long history of political particularism. The way in which a substantial portion of the citizenry related to the state, both at the national and local levels, had a significant discretionary component until the 1960s, which partially survived after the dictatorship. The intermediation of political brokers was the norm in order to obtain state services, and patronage defined the logic of recruitment into work in the public sector. Although there is no way of knowing whether corruption was common, particularism in Uruguayan politics marked the regime as not adhering to universal criteria in the application of public policy. For example, to obtain a telephone line, to have access to public health services, to get a license for some economic activities, or to accelerate the paper work to get a pension, you needed to be supported by a politician that performed as a broker regarding the citizen interaction with the state administration.

The exhaustion of clientelism as a political strategy occurred because it could no longer be sustained economically, and also because the new political actor, the FA, entered and gradually altered the status quo of political competition to one based on programmatic appeals. Social modernization, economic opening, technological advances, and financial fiscal precariousness defined the context of the consolidation of this change following the end of the dictatorship, and particularly during the 1990s. Clientelism as a strategy came to be expensive and anachronistic as technological advances, for example, made transactions like obtaining a telephone line easier; rather than taking months or years and requiring political connections, this transaction would now take place in the period of a few days for the connected and unconnected alike.

The Uruguayan party system is one of the most institutionalized in Latin America. On the one hand, the comparative political science literature, since the generation of the concept of party system institutionalization (Mainwaring and Scully 1995) to more recent studies (Jones 2005, Payne et al. 2006) classify the Uruguayan party system as institutionalized. On the other hand, diverse indices of political attainment (Freedom House, Polity Project, Latinobarómetro, Latin American Public Opinion Project, etc.) locate the Uruguayan political system in a position of regional leadership, including in these evaluations the party system and related attributes.

The notion of party system institutionalization is closely associated with the notion of stability, particularly in the electoral arena. And electoral stability favors accountability since citizens know the contestants and can punish or reward them according to their performances. However, the Uruguayan party system has undergone significant transformations over the past several decades: the two-party system, strictly dominated by the traditional parties (PC and PN) until the 1960s, was gradually replaced by a new multiparty model. In Uruguay, from 1916 until the end of the 1960s, the party system functioned with low levels of programmatic competition. The PN, the PC, and their different factions constructed their political bases over a clientelistic distribution of public resources. This equilibrium was based on institutions, which assured easy access to goods to be distributed both for the party, which currently held power, and for the party that was forced into the position of opposition. Álvarez points out that, "Uruguay is a society with a strong

tradition of statism and clientelism” (2012: 40). Using Scheffer’s (1994) categorization, both parties can be considered to be “internally mobilized” parties, those constructed from within the state apparatus.

Until the sixties, political campaigns based on programmatic offerings put forth by so-called “parties of ideas” (the Socialist and Communist Parties, as well as the Unión Cívica, a catholic party), were unable to pose a successful challenge to the traditional system (the PN and PC). But, towards the end of the sixties, the traditional clientelistic strategy became decreasingly fiscally viable and increasingly electorally inefficient (Álvarez 2012). As a result, programmatic offerings began to garner success, and traditional sectors began to feel challenged by new party actors (chief among them, the FA), which aimed to undermine their popular and middle class electoral bases using programmatic offers.

The institutionalization of the Uruguayan party system is based, according to Buquet (2012), on the capacity it has demonstrated to generate, in the presence of external challenges, a body of rules that benefited, for more or less extensive periods of time, political stability in democratic contexts. The twelve year military dictatorship, from 1973 to 1985, represented the system’s incapacity to include a new actor, the FA, which imposed a new competitive strategy based on a party platform rather than on clientelistic distribution. When the dictatorship ended, the old party system had to adapt to new economic, political, and social realities in which clientelism was no longer an option. Social modernization, economic opening, advances in technology, and the financial and fiscal precariousness of the state, as well as the appearance of a programmatic opposition, required that the traditional parties (PN and PC) phase out clientelistic competition, replacing it with programmatic strategies of competition. As Bornschieer (2012) suggests, the transformation of old oligarchic systems in programmatic party systems is associated with political polarization promoted by parties of the left that challenge the old, traditional block.

Between 1985 and 2004, the Uruguayan party system reached a new equilibrium (Buquet and Piñeiro 2014), but this new status quo required not only the modification of rules aimed to integrate a new actor, but also the shift of the lines of political competition from a clientelistic logic to a programmatic logic. Kitschelt et al. (2010) and Bornschieer (2012) suggest that the Uruguayan party system is programmatic, or at least one of the most programmatic party systems in Latin America. In this way, changes in political competition, which followed a similar logic to that presented by Geddes (1994), transformed Uruguay into an “open access regime.”

The old bipartisan clientelistic equilibrium

Uruguay used to have a very proud self-image by the middle of the twentieth century, which can be summarized with the sentence “como Uruguay no hay” (there is nothing like Uruguay). By that time, the country had a very wealthy socio economic situation and a renowned democratic system. Both characteristics – wealth and democracy- had significant connections. Putting aside the well-known literature in this regard (Lipset 1959, Przeworski et al 2000, Boix y Stokes 2002), that specific connection was made in Uruguay through the State. During the first half of the twentieth century, Uruguayan traditional parties found a way, not only to coexist peacefully through regularly conducted elections, but also to share the government positions and the use of state resources. The latter, known in local politics as “co-participation, has been pointed out as one of the main features of the Uruguayan party system and its origin come from the pacts made between the two parties by which they

distributed the territorial authority by the end of the XIX century (Pérez Antón 1989). And was the permanent growth of that partisan-shared state, in functions and in personnel but particularly in its increasing participation in economic activities, what made for the economic development and wealth distribution reached by the country.

The early democratization process in Uruguay has a cornerstone in the 1917 constitutional reform. That constitution established the first set of electoral rules that allowed to reach a general agreement between the traditional parties. It was an inclusive agreement that enacted not only all electoral guarantees (like universal and secret ballot) but also the instruments to obtain a fair distribution of power between PC and PN and among their internal factions. In that vein the electoral system included the multiple simultaneous vote, proportional legislative representation, and a very peculiar institution, the National Council of Administration, a collective organ of the executive power with one third of its seats reserved for the minority. Additionally, that agreement gave constitutional status to different public companies and mandate that their directive boards must be appointed by the NAC, ensuring by that means a formal share in the state apparatus for the opposition. This peculiar agreement, made in a particular critical juncture, created a very strong inertia a long time, restricting the characteristics of the subsequent reforms in a path dependent way.

The two aspects of the reform, on the one hand the electoral system, and, in the other the co-participation between parties in governmental posts, are connected by a particular “electoral connection”. The connection is made taking votes as a currency that is exchanged for positions. This exchange is direct and transparent in relation with elective positions, but it was also used increasingly over time to appoint all kind of governmental authorities. The presence of a multiple simultaneous vote system was the key to achieve that goal. The double and triple simultaneous vote (DSV and TSV) is one of the most particular or rare characteristics of the Uruguayan politics during all the XX century. This system was developed by the Traditional Parties to allow internal competition between party factions at the same time they compete against each other. So, voters were able to vote for a party and then for a list or a candidate inside the party. For example, in a national election citizens selected a party, then inside the party they could vote for any of the different presidential candidates that run for the party, any of the different lists party had for the Senate, and to any party lists for Representatives. As the electoral supply (the combination of candidates between levels: President, Senate, and House of Representatives) was not restricted, every person who wants to run was able to present a list of candidates. Therefore, the number of lists that competed inside each party started to growth. The vast majority of these lists to the House were not able to elect a representative, but they were useful anyway to collect votes. Party leaders and second level politicians used the amount of votes each list received as a measure of the effort and a way to define the particularistic benefits allocation between lists (Aguiar 1984).

Nevertheless, the distribution of governing posts between the two parties and the different factions inside parties was not problematic until the 1930 decade. But, as a consequence of the 1929 international depression, factions of the two traditional parties made an agreement to use public employment as a means to alleviate the growing unemployment rate. In that pact they agree to distribute public jobs over partisan bases. The opposite factions called that agreement as “Pacto del Chinchulín” (chitterlings pact) in order to discredit it, and they eventually took power by means of a coup in 1933. That conservative coalition made a moderate use of public employment because they promote economic growth and employment through public investments rather than public jobs (Filgueira et al

2003). But when democratic competition was restored in 1942, the previously defeated factions regain power (in particular the batllista faction led by Luis Batlle, nephew of José Batlle) and from that point the generalized use of public jobs and the discretionary allocation of pensions came to be a norm. If that practice did not become a problem while the economy was growing (during the forties and the beginning of the fifties), it increasingly began to turn into a problem inasmuch as the economy stagnated by the mid-fifties. Complementary, in 1952, the system of co-participation was carried to an extreme by a new constitutional reform. Among other things, that reform reestablished a collegiate executive power with six seats for the majority and three for the minority. Additionally, the constitution stipulates that directive boards in all public companies and services must be appointed at the rate of three for the majority and two for the minority.

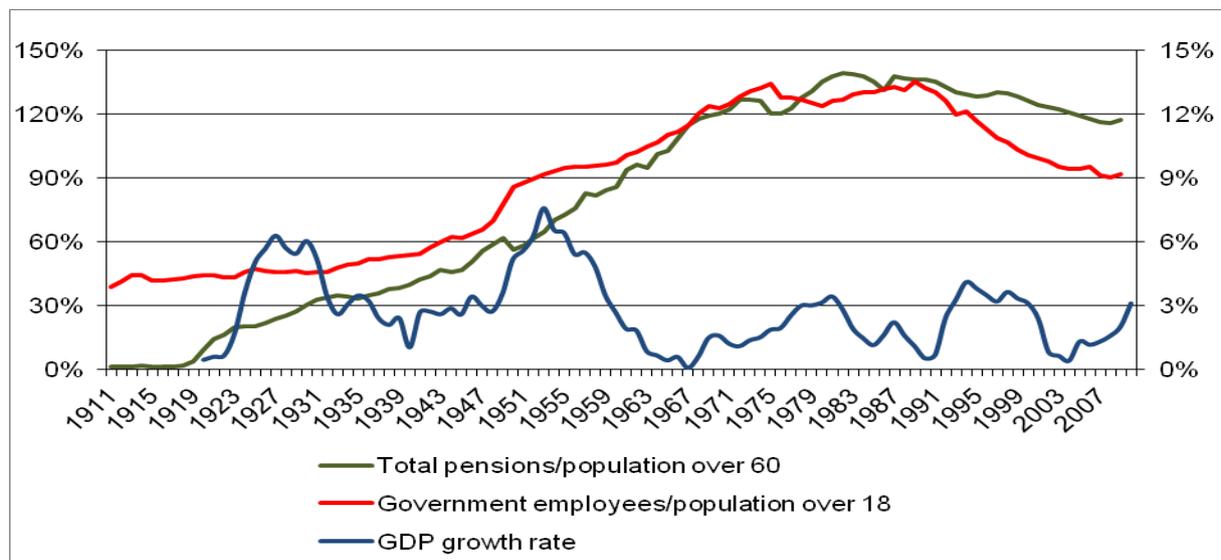
By that time the clientelistic use of the state became apparent and was put in the center of all kinds of diagnosis of the problems of the country. The scarce literature about the links between the state and politics refers to this problem without exceptions. Filgueira and Filgueira (1994), Solari (1988) and Rama (1971) say that public employees were recruited in exchange for party support. In particular, Filgueira and Filgueira (1994:14) argue that in Uruguay there were not state policies implemented by a bureaucratic organization under a government orientation. For them, it was a state full of political party hidden professionals, which intermediated between the state and society. They also say that political parties were able to capture the state's apparatus due to the fact that social state consolidation was produced at the same time that the authority of the state, of the political parties and of the whole political system was built. This fostered clientelistic politics. The particularistic application of universal norms was part of the political contest between parties, fractions and politicians. Speeding up a pension implied being part of a political network. The same happened with subsidies, as the case of access to milk at lower prices or the political distribution of cards to get public health care show. In the same vein Real de Azúa (2009) highlights that the power of political parties was based on the electoral laws, on the distribution of public employment and on the brokerage to public services access. In particular, Real de Azúa argues that the key of the system was the control in access to pensions. Political parties were able to speed up or to delay the access to a pension. Thanks to this power, traditional political parties built their electoral support.

Not only academic literature agrees with the pervasiveness of clientelism. That feature was also mentioned in technical reports as the one made by the CIDE, the Plan Nacional de Desarrollo (PND) and even in an early report made by a foreigner consultant in 1952. The PND, an official report, states that the "the relation between bureaucrats and professional politicians, in addition to lead to the proliferation of public posts based on particularistic loyalties, allows personnel with low levels of instruction, scarce vocation for public service, and mainly interested in a regular source of income, access to the bureaucracy". As it couldn't be other way, all our interviewees also agreed with that characterization, particularly the elderly, including ex-presidents. As a piece of color, one interviewee, who was appointed as director of the public oil company in 1985, told us that he was surprised, when he went for the first time to his office, by the size of the entrance hall which is connected to the five directors' offices. One day, he asked the doorman, an old man that has worked in that company for a long time, for what reason that hall was so large. And the doorman answered: "you can't imagine how many people came to this hall in other times, bringing a card of a broker and asking for a job". This anecdote can picture that the pervasiveness of clientelism was so high that it was even translated into public architecture.

Economic stagnation, disequilibrium and the long process of reforms.

The system described above entered into crisis by the end of fifties. As it can be seen in the figure below, the total number of public employees as well as the total number of pensions grew systematically from the first decades of the 20th century up to the beginning of the decade of 1970. The period during which the total pensions grew from 60% of people over 60 to double that figure, and the total number of state employees grew from 6% of people over 18 again to double, coincided with the worst period of economic performance. This evolution partly explains why during the 1960 decade the political and social conflict reached extraordinary levels of violence, and why political parties realized the need to change their strategies to regain political support.

Figure 6. Government employment, pensions and GDP growth



Source: Figure generated using data from <http://www.iecon.ccee.edu.uy/base-de-datos-area-de-historia-economica/contenido/32/es/>

The first expressions of the crisis over the political system, were manifest by a systematic electoral turnover. After four consecutive electoral victories of the Batllista faction of the PC, there were three consecutive changes in government. The National Party came into office, for the first time in the XX century, in the 1958 election. In the following election, the PN retained office, but in the hands of its former minority faction. And in 1966 PC came back to office, but led by the anti-Batllista faction. This is to say that, as a consequence of a worsening situation, the citizenry went through the whole political spectrum. Uruguayan voters put subsequently in office the two opposite factions of the two traditional parties. In a complementary way, during the same period, the process of unification of minor parties took place. After two frustrated attempts for the 1962 and 1966 elections, the launching of the third relevant party, the FA, occurred in 1971 with a significant electoral success. That fact implied the beginning of the new ideological configuration of the Uruguayan party system.

In that context, the traditional elites begun to make subsequent attempts of reform, oriented to rationalize government and the functioning of the state. In the words of an ex-president "the system become unviable because the excess of generosity of demagoguery". The first big project was the creation of the Commission of Investment and Economic Development, an inter-ministerial organ, coordinated by Enrique Iglesias and devoted to the elaboration of plans and projects of development. The CIDE worked between 1960 and 1967, and made a very complete diagnosis of the country situation and presented a lot of

projects in a great diversity of areas. While most of the initiatives presented by the CIDE were not put in practice, some recommendations were included in the constitutional reform of 1967. That reform could be considered the first step towards a more efficient government and more rational functioning of the State. The system came back to the one-person executive power, a President with more power than ever vis-à-vis the legislative power. One of the most striking changes was the exclusive initiative given to the executive in budgetary matters, and the ban on the legislative to increase public spending. That crucial reform totally altered the incentives for political careers, which had in the House of Representatives the focus for pork barreling politics. The ex-president said that “the expending initiative of the legislative, oriented by the voluntarism of legislators, lead the system to an ungovernable nature”. Additionally, the constitutional reform gave the executive more control over the autonomous and decentralized entities, like public companies. Nevertheless, this change proved to be insufficient to limit the clientelistic practices that continued to be channeled preferentially through those institutions. But during the 1960's decade the first rules limiting the access to public jobs were enacted; in 1964 a system of open competition for state employment was established for the first time in country's history, and in 1970 a ban on the incorporation of new civil servants until certain date was approved. Nevertheless, all attempts made by the political system during the 1960 decade and the beginning of the next one, couldn't stop the deterioration process that eventually led to a coup and a terrible dictatorship between 1973 and 1985.

The democratic restoration in 1985 reestablished in the agenda basically the same challenges that appeared in the sixties, but with the 1967 constitution as an instrument and the traditional political elite more committed with the necessity of reforms because of the trauma suffered. Nevertheless, the first democratic government, leaded by President Sanguinetti (1985-1990), couldn't do much in that respect, because that government was more concerned with the political transition tasks (like the restoration of the rights of those public employees dismissed by the military and the human right violations under the dictatorship). However, a first attempt was made in order to orient public companies more technically. In President Sanguinetti words “the first major attempt was to transform the culture of state enterprises, try to make politicians understand that the political directors had to run a business”. Differently from past traditions, some renowned technicians were appointed as directors instead of active politicians. As an example of that orientation, the appointment of Eng Serrato as president of the electricity company or the Acct Slinger as president of the main public bank, made for a more technical management of those public bodies. The former begun an important reform process in the management system of the electricity company through a contract with a Spanish company which was continued over time.

The reformist process gained momentum during the 1990 decade. In the Luis A. Lacalle (PN) administration (1990-1995), the transition toward democracy was not the main issue, as it was in the previous administration. Luis A. Lacalle, the leader of the liberal faction of the PN, tried to carry out different structural reforms inspired in a neoliberal vein, as privatization and economic openness. At the same time, he looked to reform the management of different public companies (i.e. the electricity company) and the Central Bank. As in the Sanguinetti government, not all appointments to the public companies'

boards had the same high technical proficiency and commitment. Some of them were, as usual, politicians that did not have an especial managerial capacity.¹

Reducing the inflation rate was one of the main objectives Lacalle's government had. Therefore, public spending reduction was a major concern. In this regard the government passed a law that forbid hiring new public employees. This policy tied the hands of government to use public employment as an electoral resource. Nevertheless, this law did not cover all public administration, since public companies, and local governments were not under this restriction.

Another strategy to cut down public spending was the Public Enterprises Law. This law allowed the privatization of the main public companies and the demonopolization of the alcohol and car insurance markets². After a referendum, supported by the unions, the FA, and the main faction of the PC led by Sanguinetti (the former PC president), the Public Enterprises Law was repealed. However, the process of demonopolization remained, and was extended to the port services. Additionally, Lacalle's government launched the National Program of Debureaucratization (PRONADE), a program with the objective of cutting off red tape. This initiative reduced paper work and unified different procedures in public administration.

Economic and administrative reforms were more important during Lacalle's administration than in Sanguinetti's government. However most of the legislative initiatives during that period didn't pass because his government lost parliamentary support very soon (Chasqueti 1997). The interviewees who were involved in Lacalle's government stressed that they needed to improve state efficiency as a way to have electoral success. Nevertheless, they recognized that the effort was not the same in the different state areas.

The 1994 election result, an almost triple tie among PC, PN and the FA, made the traditional parties realize, on the one hand, that no significant reform will pass without the cooperation of the both of them, and, on the other, that the systematic growth of the FA's electoral support, will throw them out of office in the near future. The natural vote seeking strategy of both parties, makes it rational for the one that loss the presidency to oppose the initiatives of the other that are unpopular, like most of the needed reforms. But at this point, that rationale become false, inasmuch the credit for opposing unpopular measures were increasingly turning to the advantage of the FA. Without cooperation between them, neither the incumbent traditional party can claim credit for any achievement, nor can the opposition one be electorally rewarded for opposing. This diagnosis made for a radical change in the strategies of traditional parties, which from that moment began to lead the government within the framework of a formal and explicit coalition among them.

The basic agreement to form a coalition between the whole traditional parties' factions was leaded by the PC President Sanguinetti and Alberto Volonté, the then leader of the PN. That agreement had two cornerstones, the reform of the pension system and an electoral reform. The former was done in order to solve the main fiscal problem of the country on the long run, the social security hug and increasing deficit. The latter was done in order to create an institutional environment that facilitates electoral coordination among traditional parties. Different sectorial reforms were continued to be carried out in different

¹ Conrado Hugues interview.

² The insurance market was a public monopoly since 1911, and so was alcohol since 1931.

areas³, but the both abovementioned reforms are keys to understand the new ideological equilibrium of the Uruguayan party system.

On the one hand, the reform of the pension system can solve the fiscal problem of the social security for the future, but it immediately cut the use of pensions as the main clientelistic resource in the hands of politicians. The reform introduced private pension funds, creating a mixed public-private system that preserved the pay-as-you-go pillar for low wages, and introduced a personal account savings pillar for higher wages. It was a moderate change, that preserved the state presence in the system and the interests of the current pensioners, in order to be the least unpopular, but it introduced a rigorous system of register (the labor record) and paperwork that prevent for the discretionary allocation of pensions.

On the other hand, the electoral reform, introducing the majority runoff for the presidential election, worked as a double safeguard for the electoral future of traditional parties. It not only made the electoral victory of one of them more likely, as traditional voters could gather their votes in the second round, but also prevent for the strategic desertion from one of them in the first round causing disproportionate damages. Putting both things together, they finally caught up with the needed reforms and, if that reforms don't give them an electoral reward in the short term, they will likely have another five-year term to make the results apparent for the public. By that means, both traditional parties were placed together in the center-right of the ideological spectrum, as a consequence of their explicit moderated pro market programmatic orientation, and the electoral system promoted such an ideological alignment, since the electorate will face, in the second round, with one candidate of that block, against the representative of the center-left, the pro state candidate of the FA.

But things did not work exactly in that way. Even though the coalition between PC and PN retained power in the election of 1999, the victory of the PC over the PN with a significant margin, put into question the benefits of cooperation for the coalition partner. But the worst came later, with a financial crisis, when the system almost collapsed following a run on the banks, and a deep recession. As a consequence, with a drastic devaluation of more than 100% and the inflation rising up to 26%, Uruguay reached its highest levels of fiscal deficit and external debts in more than a decade. But the reform process didn't stop and, during that period, two important reforms begun –the customs and tax offices- at least in part due to the extreme need for revenues that the state had for that time.

In 2004 the FA won the presidential election and obtained an absolute majority in congress. Tabaré Vázquez (FA) first administration (2005-2010) achieved power with a strong mandate for change. The FA is an exterior party, their electoral bases has not been built around the particularistic distribution of state resources, because it had not been in office before. Therefore, reforms that reduced government discretionality did not generate the same tensions between national leaders and sub-leaders than in the traditional parties. Nevertheless, tensions emerged among the FA factions due to different ideological positions inside the party.

The FA governments (2005-2010 and 2010-2015) have shown a strong commitment in fighting against tax evasion and informality. As Ignacio Otegui, president of the Uruguayan Chamber of Construction said in the interview: "I think there is an increasingly strong

³ During that period the most outstanding sectoral reform was the achievement of a 100% digitalization of fixed telephone lines. This allowed to connect new telephone lines immediately and without restrictions, in such a way that a former generalized clientelistic resource was eliminated for political brokers. The then president of the telephone company said that he received a lot of calls from second line political leaders complaining for such a decision.

conviction in society and in government (to fight against informality), and that is a merit. I see it steadily increasing since the crisis and especially during the leftist governments. There is a militant attitude in seeking the formalization of the economy..." In particular, FA governments have made important advances in formalizing highly informal sectors as domestic and rural work.

But the FA governments promoted the reform of the state with a broader vision than the previous traditional parties' governments. Those reforms were led by the economic team, which pertains to the moderate wing of the party, and has an institutional economics approach. That view could be found in the book that Mario Bergara (2003) published as an economic programmatic platform before the victory of the FA. In an interview, Bergara claimed credit to FA for almost all reforms, but he recognized that some reforms were made before. The question is that just when the FA came into office, all reforms could be carried out with an integral approach. This was in part due to the condition of external party of the FA. So the FA could continue the process of reforms that were initiated before (like public companies), implement reforms previously approved (tax administration reform), and carry out their own reforms, like tax reform, customs reform, financial inclusion law, new bankruptcy law, and competition promotion law. Even though, FA's reforms as much as traditional parties' reforms, were all made in an incremental fashion.

Summary and Conclusions

Uruguay is a "contemporary achiever," a country that has only recently come to be considered an open access regime, which has registered modest economic achievements over the last 30 years. Uruguay shows how a change in the competitive equilibrium of the party system (from a system based in clientelistic competition to one grounded in programmatic competition) transformed the country into an open access regime. In this context, the political, administrative, and economic reforms mentioned in this text only can be explained because of a previous transformation in the structure of party competition.

Although corruption was never pervasive in the past, the former governance regime in Uruguay was built around particularistic distribution of benefits and public services. Rama (1993) shows how organized interest and individual citizens were prized or penalized in a discretionary manner. The Uruguayan transition from particularism to universalism since 1985 is a transformation which can be best understood in the context in which clientelistic competition became unsustainable, a change that was driven in large part by the transformation of the party system from one in competitive equilibrium between two traditional parties, to another that had to incorporate a third party challenger. This highly institutionalized party system, which demonstrated once again its ability to adapt, is the key to this political transformation, which is a cause and not an effect of the reform process in Uruguay.

The Uruguayan case shows a way in which particularistic practices could be overtaken due to an institutionalized party system which can adapt its electoral strategies when an external challenge appeared. In this chapter we tried to argue how the joint effect of a fiscal crisis and a new political challenger can create incentives for the elite to stop clientelistic practices. As on the one hand, a crisis leave old parties with less resources and persuade voters to look for an alternative, and, on the other hand, a new party poses a successful programmatic offer, the old parties must adapt to programmatic competition trying to show their capacity to govern in an efficient way. These were the political drivers of the Uruguayan transformation in an open access regime.

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Interviews

Julio M. Sanguinetti (former Uruguayan President 1985-1990, 1995-2000, PC) 04/30/2015

Enrique Canon (Director of Uruguayan Customs Services, FA) 04/08/2015

Alberto Volonté (former President of the Public Electricity Company, PN) 3/23/2015

Ignacio Otegui (President of the Uruguayan Construction Chamber) 3/23/2015

Conrado Hugues (former Director of the Planning and Budgeting Office, PN) 3/11/2015

Víctor Lissidini (former Director of Uruguayan Customs Services, PC) 3/17/2015

Mario Bergara (President of the Central Bank, former Minister of Finance, FA)

Ricardo Lombardo (former President of the Public Telephone Company, PC) 09/15/2014

Fabricio Scrollini (Member of DATA NGO) 05/02/2014

Claudio Paolillo (Journalist) 4/28/2014

Gonzalo Pérez del Castillo (Member of Uruguay Transparente, Uruguayan Chapter of Transparency International) 4/29/2014

Marcelo Pereira (Journalist) 4/29/2014



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Project profile

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The fundamental purpose of ANTICORRP is to investigate and explain the factors that promote or hinder the development of effective anti-corruption policies and impartial government institutions. A central issue is how policy responses can be tailored to deal effectively with various forms of corruption. Through this approach ANTICORRP seeks to advance the knowledge on how corruption can be curbed in Europe and elsewhere. Special emphasis is laid on the agency of different state and non-state actors to contribute to building good governance.

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