



The rise of authoritarian capitalism: What does it mean for businesses that seek peace?



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Abstract The global trend toward authoritarian regimes has significant implications for businesses' capacity to foster peaceful societies. This article delves into this issue by first examining the concept of authoritarian capitalism. Authoritarian capitalism is characterized by a dominant economic system that favors private property and for-profit production but restricts access to finance, contracts, and investment opportunities on the basis of political loyalty to the ruling government. Economic policies and governance prioritize the regime's desire to retain power rather than maximizing societal benefits. Furthermore, this article examines the cases of Venezuela and El Salvador, each of which have each taken distinct trajectories toward authoritarian capitalism. Despite differences in their approaches, in both cases, democratic spaces that allowed business advocacy and local initiatives have been gradually closed. Often, the closure of these democratic spaces is a condition to accessing economic opportunities. Hence, the advent of authoritarian capitalism poses deep challenges for businesses. Lastly, this article concludes by proposing ways for businesses to confront the decline of democracy and the emergence of authoritarian capitalism.

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1. Capitalism and democratic decline

Many business leaders seek to contribute to peaceful societies while maintaining effective business practices (Ledbetter, 2016). But over the

last decades, two processes have changed the context for such endeavors globally. One is the rise of authoritarian populism and an attendant increase in democratic backsliding. This has resulted in a decline of liberal democracy, considered to encompass free and fair elections, respect for civil rights, and an impartial rule of law (IDEA, 2021; McCoy et al., 2018; Mounk & Foa, 2018). Another

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process is the shift toward capitalism in formerly socialist countries, including China.

These shifts have resulted in the emergence of what has been called *authoritarian capitalism*—an economic system characterized by the predominance of private property and for-profit production, but also by the restriction of access to financial resources, contracts, and investment opportunities conditioned upon political loyalty to the government. Additionally, economic policies and governance are motivated not by the production of societal benefits but by the regime's desire to remain in power.

This article discusses what the emergence of authoritarian capitalism means for businesses that seek to contribute to peaceful development in their communities or countries. What is the space for business action to support peace when business opportunities become increasingly conditioned on political loyalties? Can we trust businesses to support democracy that will sustain a degree of business autonomy, or will economic pragmatism prevail? A main precondition for democracy, I argue, is for businesses to retain some degree of autonomy despite the encroachment of authoritarian dominance in the economy.

After a conceptual discussion, I examine two very different pathways to authoritarian capitalism: those of El Salvador and of Venezuela. These case studies show how business advocacy as well as local peace initiatives have been gradually silenced and curbed as democratic spaces have closed. They also show how the opening of spaces for capitalist accumulation in authoritarian contexts has reduced business engagement in actions that promote peace. Thus, the rise of authoritarian capitalism presents some deep dilemmas for businesses. The article ends with a discussion of how businesses may confront the process of democratic backsliding and the descent into authoritarian capitalism.

The article is based on secondary literature as well as four visits to Venezuela (2018, 2019, 2020, and 2022) and two to El Salvador (2021 and 2022), during which extensive interviewing with small and large businesses were undertaken. As the main purpose of this article is conceptual, only a few references to the interviews are made. They have rather contributed to the overall understanding of businesses' situation, challenges, and strategies.

2. Business for peace in the face of rising authoritarian capitalism

The business-for-peace agenda has deep roots, but it received a significant boost with the UN Global

Compact initiative Business for Peace (B4P), which sparked a range of initiatives and research on how to encourage companies to contribute to more peaceful societies (Miklian & Schouten, 2019). The novelty of it was the double recognition that businesses are not only "rule-takers" but are important actors in and of themselves, and that states lack sufficient capacity to pursue peace agendas without engagement from the business sector. To a certain extent, it continued the UN agenda of bringing business into a form of multi-lateral cooperation in which profit is not the sole goal and in which the achievement of broader public goods is emphasized (Bull & McNeill, 2007; Ruggie, 2014). Like those efforts, the B4P agenda draws inspiration from the liberal peace literature by attributing independent agency to business. Although the B4P literature has focused on the "business-peace nexus" across global/local, civil/military, and formal/informal scales (Oetzels & Miklian, 2017), and on how businesses can contribute to peace even in fragile states with weak and authoritarian governance (Ganson et al., 2019) it nevertheless presupposes that this occurs in a world dominated by liberal democracies, in which large multinational corporations may acquire a certain autonomy to act independently of their home governments, and where the rule of law prevents arbitrary state encroachment on private property.

The B4P agenda has expanded to encompass a wide variety of businesses, including small and medium-sized companies (SMEs), and a range of different forms of business engagement for peace (Ganson & Hoelscher, 2021; Hoelscher & Garcia, 2022; Miklian, 2017; UN-DESA, n.d.). According to Miklian (2017), businesses facilitate peace through (1) economic engagement that facilitates peace dividends in violent contexts, (2) by encouraging local development and facilitating local capacities for peace, (3) by importing international norms or other tools for democratic accountability, (4) by attempting to constrain the drivers or root causes of conflict, and (5) by undertaking direct diplomatic efforts with conflict actors.

These actions rest on different concepts of peace. They range from a simple definition of peace as the absence of war to a "transformative peace" addressing the root causes of war (Lambourne, 2009; Richmond, 2017). Yet the idea that business can contribute as a somewhat independent actor rests on a key assumption of liberal peace approaches: that peace occurs in contexts in which people and businesses are free to make their own choices and able to settle their differences in a nonviolent manner (Jarstad et al.,

2019). This article shares this assumption and is inspired by concepts of constitutional and institutional peace. These concepts rest upon the liberal, Kantian argument that peace is based on democracy and the rule of law (Richmond, 2006). While not necessarily solving all underlying conflicts, a constitutional peace enables a degree of consensus around the rules and procedures for resolving them. Peace is thus the combination of the absence of generalized violence and threats of it with the existence of institutions allowing for peaceful deliberation and impersonal application of rules and laws.

Businesses' ability to influence peace in this understanding hinges on a degree of autonomy from state actors, while they themselves are subject to laws regulating their profit seeking. This autonomy enables them to engage in activities that move beyond the realm of day-to-day operations of the company, such as enhancing local capacity for conflict resolution or participating in diplomatic efforts.

But the degree of autonomy businesses can maintain is increasingly called into question as a growing number of companies worldwide operate under various forms of authoritarian capitalism. There are at least three different understandings of what authoritarian capitalism is. One view links it to the limitation of democratic spaces resulting from the expansion of corporate capitalism. Authoritarian capitalism emerges in formally democratic systems where corporate power is legitimized and systematically prioritized over the popular will (Bloom, 2024).

A second view considers authoritarian capitalism as a form of state capitalism, depicting a system in which an authoritarian state encroaches into the economy. This interpretation of authoritarian capitalism builds in part on the varieties-of-capitalism approach, outlining different models of capitalism and different paths toward growth. Originally, this literature distinguished between liberal market economies, found in the United States, United Kingdom, Canada, Australia, and New Zealand, and coordinated market economies, found in Germany, France, Japan, Sweden, and Austria. Later, additional models and aspects were added to account for other varieties of capitalism (Nölke & Vliegenthart, 2009). One prominent model is the Chinese form of state capitalism, in which coordination directed by the Chinese Communist Party (CCP) has enabled long-term growth, but where production for profit is still the rule and a complex legal system regulates public and private production and transactions (Gonzalez-Vicente, 2022; McNally, 2019; Peck &

Zhang, 2013). As the authoritarian CCP opens and closes spaces for capitalist profit seeking, this is often labeled authoritarian capitalism (Chen, 2022; Situ et al., 2020; Witt & Redding, 2014).

This framework enables us to theorize that many market-economy relationships are guided by nonmarket principles, such as the desire for promotion within the CCP. The framework says little, however, about the purpose of this. Thus, it may lump together very different systems in which the state plays an important role (Fuchs, 2018). Specifically, it fails to capture how and to what extent the self-serving behavior of governing elites is guided and checked by institutions.

Such institutional control may occur in two ways. First, through the institutionalization of the state, referring to the degree to which state agencies adhere to impartial laws and possess the necessary resources and capacity to implement them. This was depicted as "embedded autonomy" in the literature on developmental states, which focuses on the capacity of states to lead and guide firms by maintaining open channels of information (Evans, 2014; Pempel, 1999). Developmental states thus overcome the tendency for state officials to act based on self-interest or loyalty to families, clans, or allies, owing to institutional norms and rules that foster esprit de corps and meritocratic hierarchies (Fukuyama, 2014). The other main mechanism that limits such self-serving behavior is democratic accountability. Well-functioning democracies are characterized not only by regular, free, and fair elections and by civil rights (e.g., freedom of participation, association, speech) but also by democratic accountability and transparency, which form the bedrock of checks and balances (Ruth, 2018). This can hinder the development of a pattern of economic interactions that mainly serve a small elite connected to the incumbents—for example, through the distribution of high-level positions and contracts to political associates, family, and friends in return for political loyalty (Berenschot & Aspinall, 2020). If neither bureaucratic norms nor democratic checks and balances exist to limit the freedom of incumbents, actual governance will differ dramatically from that stipulated in a country's laws.

It is the transgression of such limitations that characterizes authoritarian capitalism according to a third approach, one that problematizes the authoritarian elements in the de facto forms of governance of capitalism in nominally authoritarian systems. Sallai and Schnyder (2021) conceptualized this as a shift in two sets of boundaries between the public and the private spheres: one that moves the boundary between

the state and private business, and one that moves the boundary between what is considered public affairs and the private concerns of the governing elite. Under state capitalism, as found in China, the first boundary is shifted, leaving less space for private business, while in authoritarian capitalism, the boundary between public affairs and the private interests of the governing elite is blurred. The purpose of public policy and of economic engagement is to maintain the power and wealth of the governing elite. This weakens state autonomy, as state institutions operate essentially to serve the private interests of the governing elite. The means by which such a system is maintained often draw from the Frankfurt school's repertoire of authoritarian practices: (1) authoritarian leadership, (2) nationalism, (3) the imposition of a friend–enemy scheme seeking to divide the population, and (4) patriarchy and militarism (Fuchs, 2018). The opportunities for profit seeking are regulated by authoritarian leadership that uses references to nationalism and Manichean discourse (i.e., discourse that divides the population into friends and foes) to gain legitimacy, and it relies on military might to suppress opposition. The authoritarian aspects of this form of governance are not only the limitation of civil rights and elections but also the conditioning of economic opportunities on political and personal loyalties to the governing elites. In such contexts, business actors have two main options: to resist the government's politicization of economic spaces, or to adapt and collaborate. The second and most commonly taken option means refraining from any political participation or attempts at influencing decisions apart from in the spaces that the government opens (e.g., governmental dialogue forums) while responding to often arbitrary state intervention and accepting limitations to economic freedoms. Yet some companies have attempted and partly succeeded in resistance. The next section examines how these strategies are pursued in Venezuela and in El Salvador.

3. Venezuela's path from rentier socialism to authoritarian capitalism

3.1. The road to rentier socialism

Venezuela has moved from being a democratic rentier state (before the 2000s) to courting a rentier socialism in a hybrid regime (2000–2020) to authoritarian capitalism after 2023 (Bull & McNeill, 2007). Venezuela's economy and political institutions are reliant on the inflow of considerable

rent income from its oil sector, accounting for approximately 97% of export income. Historically, the government controlled the oil industry through the application of royalties and through the distribution of revenues in the context of a "pacted democracy." This was inspired in a corporatist system comprising political parties, productive sector interests, and trade unions (Coronil, 1997; Urbaneja, 2013). After the election of Hugo Chávez in 1998 and the start of the so-called Bolivarian Revolution, the control over oil resources was used to carry out social policies and wealth redistribution without traditional mechanisms of checks and balances and oversight. Parallel institutions were established, and new mechanisms of rent distribution were created. These included social missions, providing services, goods, and money to the lower classes, often according to clientelist principles, and exchange-rate manipulation through foreign currency subsidies that channeled below-market rents to specific constituencies (Purcell, 2017; Rosales, 2016). Through the 2005 Law of Illicit Exchanges, the state acquired a monopoly of foreign exchange, and through a multitiered currency exchange system and price controls, cheap dollars were channeled to the government's preferred recipients.

In 2007 Chávez announced the establishment of over 200 social production companies and started a wave of expropriations (Sánchez Miralles, 2016). In parallel, Venezuela became gradually more authoritarian: Checks and balances on the elected institutions were eliminated, civil liberties were limited, and elections were rigged (Corrales, 2020, 2022; Jiménez, 2020). Through a long series of actions and measures, the government undermined the opposition and the rule of law.

Venezuela also became more violent and more deeply enmeshed in a social and political conflict. Not just core state institutions were politicized; all spheres of society became divided between Chavistas and non-Chavistas (Smilde, 2017). At the same time, violent turf wars erupted in urban areas between gangs, and in rural areas influenced by various armed groups, including Colombian guerillas and domestic drug cartels, with shifting associations with the military (Ebus & Martinelli, 2022; Polga-Hecimovich, 2019). As a result, murder rates increased from 25 per 100,000 in 1999 to 90 in 2015. Murders have since declined, but extrajudicial killings have increased significantly in the same period. A UN report from 2020 identified 18,093 extrajudicial killings committed by state forces and associated, so-called *colectivos* between 2004 and 2020 (Genser, 2020).

3.2. Business reactions against “Chavismo”

The rise of authoritarian state intervention in the economy generated three forms of business responses. One was fierce opposition. The main business association, Fedecámaras, supported the 2002 coup attempt against Chávez, joining forces with rebel military leaders and with PDVSA’s managerial elite, who protested against Chávez control (Philip & Panizza, 2013). Chávez’s continuation of expropriations, his tightening of state control (not only of investments but also of prices and profits), and his constant threats toward and harassment of private business caused further mobilization among the business community (Bull & McNeill, 2007). But after the failed coup attempt, businesses participated through political parties, including as candidates for political positions (Jiménez, 2020).

A second reaction was collaboration. Several large businesses supported Chávez’s candidacy in 1999 (Gates, 2014), and although domestic producers of food and manufacturers suffered owing to an overvalued exchanged rate, which resulted in an inflow of cheap imports, many large domestic companies benefited financially from generous quantities, albeit unequally distributed, of subsidized dollars (Sutherland, 2016). Thus, many businesses sought to maintain sufficiently cordial relations with the government to access cheap currency. While some industries, such as automotive, were hit hard, others thrived, leading to the concentration of income and ownership in the hands of the few, many of whom had transnational connections and were able to diversify their investment strategies and business relations (Bull & McNeill, 2007).

A third approach was to pursue efforts aimed at fostering more peaceful communities to reduce governmental harassment toward businesses. One notable example was the strategy employed by Ron Santamaria, the largest sugarcane and rum producer in the country. When the company’s sugarcane fields were invaded by 400 families, led by an officer who supported Chávez’s coup, the company opted for a nonviolent approach to manage the situation. With the assistance of negotiators from the Ilesia business school, the company initiated negotiations with the invaders and the government. This resulted in the establishment of the Santa Teresa Foundation, which aimed to create job opportunities and to improve living conditions for the poor families living in the area. Additionally, this led to the creation of Proyecto Alcatraz, a program involving 2,000 gang-affiliated youths being trained in playing

rugby, which helped reduce violence and enabled the company to continue producing sugarcane despite facing expropriations. But the conditions under which relative peace was attained were predicated on the company’s staying out of politics.¹

At the same time, a new business elite emerged under the increasingly authoritarian rule. While the term *boliburguesie* is widely used in the media to describe the new elite that emerged during the so-called Bolivarian Revolution, it is debated whether we can actually talk about a new class or a new bourgeoisie (Ellner, 2019). What is quite clear is that a set of companies that were seen as “Chavist” emerged. Many of them were import–export companies established to take advantage of the availability of cheap dollars. They were particularly linked to state-owned companies and banks (Fernández, 2014). Chávez also systematically favored small businesses with national capital over large companies, and he strengthened business associations parallel to the ones controlled by the old elite.

3.2.1. The crisis and the mechanisms of authoritarian capitalism

This was the situation when Venezuela experienced one of the most dramatic economic collapses in recorded global history outside of war zones (Puente & Rodríguez, 2020). The economy began showing signs of stagnation, and social indicators started displaying a gradual decline as early as 2013. This was a result of mismanagement and the politicization of public administration. Additionally, exchange-rate manipulation and excessive money printing further exacerbated the situation, making it increasingly challenging to balance debt repayment, dollar subsidies, and social programs aimed at securing public support.

Despite these evident crisis indicators dating back to 2013, the full-blown collapse materialized following the sharp drop in oil prices in 2014. Inflation began spiraling out of control, underscoring the urgency for Nicolás Maduro’s administration to implement necessary currency policy reforms and to make sensible adjustments. But reluctance to undertake crucial reforms prolonged the crisis, causing severe hardships for the Venezuelan population.

The scarcities and dramatic drop in living standards following the 2014 oil price drop led to four rounds of massive protests in 2014, 2016, 2017, and

¹ Source: Personal interviews with business representatives in October 2018 and July 2019.

2018. They were met by a gradual tightening of civil liberties and rule of law. After the blatantly rigged presidential elections in 2018, the president of the opposition-led National Assembly, Juan Guaidó, claimed to be the righteous president and was recognized as such by more than 60 countries. This was followed by a new round of sanctions, hitting particularly the oil and financial sectors, isolating not only the government but also the private sector (Álvarez, 2023). This maximum-pressure strategy was initially supported by most of the internal opposition, including major businesses and business associations. Their argument for choosing this kind of resistance strategy was the view that the only way Venezuela's democracy and economy could be improved was through a change of regime. Those who preferred dialogue were considered apologetic of the government and were heavily criticized among businesses for seeking individual benefits, while hindering the change of regime needed for business in general to thrive.² International businesses mostly withdrew from the country, except for allies of the government from countries that were themselves also under sanctions, including Syria, Iran, Turkey, and Russia.

Stripped of cash and isolated, the government started a process of haphazard economic liberalization along with political repression that first hit companies hard. The steep and unilateral state imposition of wage increases to make up for inflation forced many companies into bankruptcy. Moreover, the dwindling of wages led to productivity decreases as workers were forced to prioritize various informal activities to survive (Rosales et al., 2023).

Subsequently Maduro began to create spaces for the liberalization of the Venezuelan economy. In 2016, his government established the Arco Minero del Orinoco special development zone with the aim of formalizing preexisting alliances and dynamics in the Bolívar state around gold mining. Faced with hyperinflation, the government liberalized trade, lifted price controls, cut back state expenses, and incentivized foreign investment. As the confidence in the Bolívar disappeared, informally the U.S. dollar became the most used currency. In 2022 the government began to allow formal bank accounts and transactions to be carried out in greenbacks.

Cut off from direct income from oil and unable to sustain public companies, the Maduro government explored various avenues for accessing new

funds. A means to do so has been through an antiblockade law adopted by the government-controlled Constituent National Assembly in October 2020. This law allows the transfer, concession, or sale of assets to private investors, with very little transparency (De La Cruz & Correa, 2020). At the same time, the government started to introduce a series of temporal exemptions to the payment of value-added taxes and tariffs in order to make up for the scarcity of goods, which had taken a toll on the government's popularity. One immediate effect of that was the start of massive direct imports of goods, and the expansion of *bodegones*, stores in which to sell these products (Bull & McNeill, 2007). In July 2022, the Law of Special Economic Zones was adopted to attract foreign and national investment. Meanwhile, state expenditures have been slashed and salaries in the public sector cut, to the extent that salaries in Venezuela were the fourth lowest in the world (Sutherland, 2023).

The form of capitalism that has evolved in Venezuela has clear capitalist features, as most prices are set through market coordination under the coexistence of multiple currencies, and most people rely on private-sector salaries or on surplus from an enterprise for survival. But there are many limits to the operation of private businesses, and nonmarket actors are firmly controlled by the government.

First, independent labor and business organization are discouraged. Labor organizations are weak and fragmented, and wage formation is characterized by lack of institutionalization. The weakness of labor organizations is partly a result of inflationary levels that sustain low salaries. It is also a result of co-optation and repression, including persecution of union leaders (especially in the oil and basic mineral industries), the formation of alternative, progovernment unions, and the infiltration of unions by gangs and by government operatives (Lucena, 2020).

Second, contracts for public work, permissions to exploit natural resources, and permits to operate are assigned on the basis of loyalty to the governing party or to individuals in the governing coalition. This corrupt practice is aided by a lack of transparency in government businesses and by the absence of oversight from autonomous institutions. This allows the government not only to manage economic policies and relations in its own interest but also to prevent anyone from challenging its position. Moreover, it allows the government to use potential embezzlement and corruption charges as mechanisms to purge dissidents or potential internal threats. Through this

² Source: Personal interviews with business representatives in Caracas in July 2019.

dynamic, the government ensures that those who amass wealth and resources are loyal to the regime.

Third, the government also delegates collection of taxes and fees to organizations exercising territorial or local control but that depend on governmental linkages for survival. They operate with a degree of autonomy that allows them to obtain their own resources—through, for example, extortion and overcollection of taxes—while servicing the government and instilling fear in the population. With the increasingly arbitrary use of tax collection, the government has also imposed a tax on financial transactions that seeks to collect revenue from the use of U.S. dollars in the retail sector, as well as between businesses.

Faced with this form of authoritarian capitalism, some businesses have sought to collaborate and to find institutionalized solutions to the conflict by supporting international dialogue initiatives involving the government and the opposition, and they increasingly reject sanctions as a means of pressure (Álvarez, 2023). There have been several attempts at dialogue over the years (Alfaro, 2018). The main business associations, including Fedecámaras, have expressed strong support for the dialogue while seeking to influence it to include further economic issues. But the most prevalent business strategy has been to adapt by exploiting the spaces that the new liberalization has opened. In this way, business has contributed to the modest economic upswing of 2022 that has helped keep the authoritarian government of Nicolás Maduro in power.

4. The shrinking of autonomy under El Salvador's millennial autocrat

4.1. The path to authoritarian capitalism

The El Salvadoran path to authoritarian capitalism has been quite different. El Salvador has long struggled with low economic growth and with high levels of violence in a democratic, market-oriented regime. Recently, under the presidency of Nayib Bukele, violence has diminished while democracy has deteriorated. This has presented deep dilemmas for the business sector.

El Salvador is often presented as a quintessential Latin American oligarchic state dominated by elite families (Martínez-Peñate, 2017). Between 1931 and 1979, El Salvador was run by military governments, followed by the 1982–1990 civil war between the government and the Marxist guerilla group Farabundo Martí National Liberation Front

(FMLN). The modernizing fraction of the old business elite played an important role in the negotiations that led to the 1992 peace accord (Rettberg, 2007), and the party that sprang from this fraction of the business elite—the National Republican Alliance (ARENA)—controlled the government from 1989 to 2009. Meanwhile FMLN was transformed into a political party with significant local support. While the governments installed after the war were widely held to be democratic, they were also dominated by a rather narrow elite that hindered any social transformation to accompany the introduction of civil and political rights (Wade, 2016). The economic model went from being based on agricultural exports to being essentially a service economy heavily dependent on the inflow of remittances from migrants in the U.S. This model failed to provide meaningful employment or to sustain economic growth in the postwar period (Segovia, 2021). But domestic business groups adapted by investing in services and by forming alliances with transnational companies, in what resembled a hierarchical market economy as described by Schneider (2009).

The unsolved social conflicts and the influx of returned migrants from the U.S., many of whom bore records of participation in criminal gangs, led to a resurgence of violence driven by the rivalry between the two gangs Mara Salvatrucha (MS-13) and the 18th Street Gang. Homicides rose to annual averages of between 50 and 70 per 100,000 inhabitants in the years between the end of the war and 2012. The main governmental strategies to handle violence were dubbed *mano dura* (hard fist) and later *super mano dura* (super hard fist), and they led to campaigns of mass incarceration of gang members. It is well documented that this prompted gang reorganization and professionalization, achieving the opposite effect of what the government had intended (Cruz, 2011).

In 2009, for the first time, a government with support from the FMLN won the presidential elections and broke a 20-year line of consecutive ARENA presidents. While the government initially sought dialogue with the main business organizations, it did not take long for this dialogue to break down (Bull & McNeill, 2007).

This occurred in parallel with the first attempt to negotiate with the gangs, brokered by the government, the Catholic Church, and emerging business sectors brought in to discuss job opportunities for gang members. The gangs also received a cash payment from the state to be invested in legal businesses that could provide livelihoods outside the gangs (Wheeler, 2020). The result was a temporary steep decline in homicides.

But the relationship between the government and the main business sectors did not improve, and by 2014, when former guerilla commander Salvador Sánchez Cerén was elected president, the gang truce had broken down. This caused a new outburst of violence, peaking in 2016 with 105 homicides per 100,000 inhabitants.

Businesses reacted by opposing the government, but also by continuing discussions in the main business association, Asociación Nacional de la Empresa Privada (ANEP), about how to ensure a more peaceful development. In these discussions, discourse centered increasingly on what one could call *institutional peace*—the strengthening of the rule of law and of state institutionalization (Bull & McNeill, 2007). Some businesses also started to invest directly in peace through, for example, programs to hire former gang members after their incarceration, thus contributing to their reintegration. A few key businessmen in the *maquiladora* (duty- and tariff-free factory) sector as well as among sugar growers led the efforts. The efforts met with some success despite widespread social opposition to efforts to include former gang members in programs of reincorporation.

4.2. The mechanisms of authoritarian capitalism and business reactions

In parallel to this, major scandals revealed corruption in both main parties—FMLN and ARENA—and trust in government was eroded severely. In this context of violence and distrust of government, Nayib Bukele ascended rapidly from being a mayor in the capital, San Salvador, to winning the presidential elections in 2019. He issued populist promises to remove the entire corrupt political class, including the old, entrenched business elite. He also used strong rhetoric against traditional business groups but was supported by SMEs, which appreciated his hands-on approach to municipal governance when he was a mayor. He was also supported by parts of the emerging business class, particularly parts of the Arab community.³

Once in power, Bukele soon revealed authoritarian tendencies. He originally controlled only 10 of 84 congressional seats, and as a result, he soon encountered significant opposition to proposed legislation. Initially, he made attempts to bypass this through extensive use of presidential decrees. But when trying to pass a large, extraordinary security budget in February 2020, he brought

representatives of the El Salvadorian armed forces and the National Civilian Police into congress to intimidate representatives. Owing to signs of improved security and an efficient handling of the COVID-19 crisis, Bukele's party achieved a landslide victory in the May 1st, 2021, elections to the legislative assembly, securing control of 64 of 84 seats in congress and allowing Bukele to exert full control over all political institutions in El Salvador. Soon after, Bukele and his legislative allies fired the independent attorney general and the judges of the Constitutional Chamber, El Salvador's highest court (Tobar, 2020).

The control over central institutions paralleled attempts to control civil society and business organizations. Bukele regularly called nongovernmental organizations agents of foreign intervention, and ANEP was marginalized while its leaders were smeared and harassed.⁴ ANEP also lost its right to have representation on the boards of public institutions in 2021 (Romero, 2021). This left businesses with the choice of either adapting to Bukele's demands or resisting and risking harassment. Bukele announced at an early stage that he would seek reelection in 2024, even though it is prohibited by the constitution. When ANEP publicly opposed this, harassment increased. Instead of collaborating with business organizations, Bukele brought individual business tycoons into meetings, a method frequently used in Latin America to divide and conquer (Durand & Silva, 1998). While Bukele ignored budgets, international conventions, and human rights, the possibility for meaningful participation by business declined. Yet the most powerful measure of centralization of control was the constant monitoring of El Salvadoreans' opinions on social networks. This has awarded Bukele enormous popularity. He has maintained popularity levels of above 80% for much of his rule.

The centralization of power occurred in parallel to a process of mass incarceration without precedents. In March 2022, the gangs killed 87 people on a single weekend, most likely as a response to the breakdown of a secret gang truce. In response, Bukele introduced a state of emergency, and 60,000 people were arrested over three months, increasing El Salvador's prison population to 100,000, or almost 2% of the population. Murder rates dropped dramatically—from 51 in 2018, to 2.8 in 2023—and so did cases of extortion. But close to 4,000 innocent people were arrested. In

³ Source: Personal interviews with business representatives in San Salvador in January 2022.

⁴ Source: Personal interviews with business representatives in San Salvador in February 2023.

early 2023, a new, giant prison was opened on the outskirts of San Salvador, capable of hosting 40,000 prisoners under 24-hour surveillance. Most efforts to reintegrate gang members who had completed their prison sentences into society were criminalized.

Bukele's new authoritarianism also had economic implications. The main features of the market-oriented model established in the postwar period were kept. The drop in homicide rates also facilitated new businesses in sectors such as tourism, and most SMEs appreciated the reduction in extortion that resulted from Bukele's gang crackdown (Bergmann et al., 2024). Bukele's adoption of Bitcoin as legal tender in 2021 also attracted new business in the technology sector. While the combination of the adoption of Bitcoin and improved security created new interest among SME owners to invest in property and tourism, at the same time, contracts and opportunities were increasingly distributed to benefit Bukele, his brothers, and a narrow circle of allies. Various businesses I interviewed expressed that it had become much more difficult to compete for contracts since Bukele consolidated power, as contracts have increasingly been given to Bukele's political allies.

As in Venezuela, businesses have reacted in different ways. A few have openly opposed Bukele's authoritarianism. The most prominent example is the former president of ANEP, Javier Siman, who was an open critic of Bukele and was repeatedly harassed until he had to flee the country.⁵

The most common strategy was to adapt and to keep a low profile to avoid becoming a victim of Bukele's frequent open critiques in the media. As business associations were targeted, most companies chose not to participate actively in policy-making or advocacy. Businesses rapidly understood that while the Bukele government prepared to stay in power for the long term, it considered any one business to be replaceable. This turned the situation that had characterized El Salvador for decades upside down: Previously, governments were changed every 5th year, while the large business groups remained the same. Now, Bukele and his clan sought to perpetuate themselves while attempting to fragment and dilute business power.

One of the most direct and immediate impacts of Bukele's authoritarianism was the end to

business programs to rehabilitate gang members and to support peace. Businesses had engaged in several such programs. Some sought to reduce extortion by working with gang members, their families, and communities (Clavel, 2019). Others provided employment to former gang members, often after they had served long prison sentences (Thys, 2015). But with Bukele's state of emergency, any former or current gang member was at risk of being imprisoned, and anyone related to gang members was also at risk (Vaquerano, 2021). This put an effective end to most such projects.

4.3. Can business confront authoritarian capitalism and still contribute to peace?

The developments in Venezuela and El Salvador represent widely different paths to authoritarian capitalism: one that has emerged owing to a crisis of authoritarian socialism in a rentier state, and one that is the result of the rise of authoritarianism in a capitalist economy with high levels of violence and insecurity. Yet they have some features in common, including centralization of power, the politically motivated assignment of contracts, and the closing of political spaces to business participation. In both cases, the emergence of authoritarian capitalism has also limited business initiatives for creating more peaceful societies. In El Salvador, the main reason is fear of government harassment should any such initiatives be seen to contradict the government's gang policies. In Venezuela, the main reason is fear of being visible, as well as the lack of resources to invest.

What the cases of Venezuela and El Salvador show us is that under authoritarian rule the maintenance of sufficient autonomy that is needed for really contributing to more peaceful societies is severely constrained. Particularly when the distribution of economic opportunities is linked to requirements of loyalty to the regime, it is very difficult to pursue independent initiatives. At best we can hope for a kind of initiative that is designed to increase support from autocratic governments and to reduce harassment.

If the tendency toward authoritarian capitalism continues, this will increase the need to study the possibility of generalizing conclusions from the business-for-peace literature across regimes and spaces. Studies from China have suggested that the main motive for Chinese businesses to engage in initiatives is to gain favor among superior state officials (Banik & Lin, 2019). Similar motives may be found in other authoritarian countries. This might result in continued willingness to engage in

⁵ This is well documented in press reports. See for example, <https://www.laprensagrafica.com/elsalvador/Bukele-desconoce-a-Javier-Siman-como-presidente-de-ANEP-20200512-0231.html>

peacebuilding measures, albeit in different contexts and with widely different results.

It is anything but easy for businesses to maneuver in such contexts. But we can draw some lessons from the two cases involved. First, it should be an important goal for businesses to resist authoritarianism. Short term gains from authoritarianism, like those that arose in Venezuela before the collapse or those that may occur in El Salvador following Bukele's gang crackdown, may soon be followed by a conditioning of economic opportunities on political loyalties. To resist autocracy is a short-term risk, but to adapt to it and thus to support it represents an even greater long-term risk.

Second, even in authoritarian capitalist contexts, it is possible to retain some degree of autonomy for action. To do so, it is important to stay organized and to seek public legitimacy through engaging in activities that will support more peaceful communities and societies. That requires not only that businesses organize to protect their individual economic interests but also that they seek to support the strengthening of democratic institutions and the rule of law. Although it is tempting for businesses to deal directly with authoritarian rulers if that can provide some opportunities, in the long run, this might undermine autonomy for all, driving countries further into a destructive pattern of authoritarian capitalism.

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