



**STATECRAFT, SOCIAL POLICY, AND  
GOVERNANCE IN LATIN AMERICA**

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## **ABSTRACT**

The paper develops an analytical framework designed to examine social policy as a strategic approach to issues of state-society relations and the problem of governance in Latin America. The paper argues that in Latin America and particularly Brazil social protection policy flowed from initiating capacity concentrated originally in the state, and specifically in a technobureaucratic elite connected to a strong executive. The policy, however, produced structures wherein initiative capacity was dispersed into a multiple of intermediate points at the nexus between the state and civil society. This in turn led to an immobilized dissipation of initiative capacity in this specific policy area which was symptomatic of, and reinforcing to, a generalized immobilism or power implosion that periodically has gripped these sociopolitical formations, producing shifts from formally democratic to authoritarian regimes and vice versa.

## **RESUMEN**

El trabajo desarrolla un modelo analítico diseñado para examinar las políticas sociales como un acercamiento estratégico para los temas como la relación Estado-sociedad y el problema de la gobernabilidad en América Latina. El trabajo sostiene que la política de protección social en Latinoamérica y especialmente en Brasil, procedió de una capacidad inicial concentrada originalmente en el Estado, específicamente en una élite tecnoburocrática relacionada con un Ejecutivo fuerte. Sin embargo esta política produjo estructuras dentro de las cuales la capacidad de iniciativa fue dispersada en un múltiple de puntos intermediarios con un nexo entre el Estado y la sociedad civil. Ello a su vez llevó a una disipación inmovilizada de la capacidad de iniciativa en esta área específica de la política, que fue sintomática e impulsó un inmovilismo generalizado o una implosión de poder que periódicamente azota estas formaciones sociopolíticas produciendo cambios de democracias formales hasta regímenes autoritarios y vice versa.

Throughout the 1980s the main contours of political economy in Latin America were shaped by conscious efforts of governments to deal with two interrelated questions that created an air of crisis which pervaded the region. On one side there were concerted attempts to conduct transitions from authoritarian to more democratic modes of governance; on the other, governments in the region confronted an acute and persistent economic crisis—the worst in the modern history of some countries—symbolized by huge foreign debts which caused havoc with the crucial capital flows of most nations. Not surprisingly the economic crisis severely complicated the task of constructing democratic regimes in many countries, while some older democracies like Venezuela felt the stability of their regimes shaken. The concern in all countries is that open modes of mass-based democracy cannot produce the “political will” to impose austerity programs to curtail mass consumption which both national and international policy elites argue are necessary to treat the underlying economic problem (Nelson 1990).

Hence, an old and enduring question of political economy has been restated in Latin America: can nation states deal with chronic economic problems by means of governmentally imposed austerity (capital accumulation) while maintaining an open mass-based democratic rule and decision making (legitimation)? For many observers of Latin America and elsewhere, the question is often reduced to an issue of mobilizing the “political will” to adopt economic policies that are unpopular in the short term in the name of a long-term solution that presumably will be in the best interests of the collectivity.

However, the issue is not one of “political will” but one of governmental capacity; the ability to define, implement, and sustain policies in the face of resistance by groups that reject the cost allocations of those policies. In contemporary Latin America, this problem is aggravated by short-term costs that are quite high and are being directed at groups that often bore the brunt of similar rounds of cost allocations by previous authoritarian governments. Indeed, one of the more perverse aspects of the current situation in Latin America is that the dialectic of economic crises and the questionable governing capacity of democratically formulated governments could initiate a new cycle of coercive authoritarian rule similar to that which swept the region in the 1960s and early 1970s. Perhaps the one factor buying time for democracy is the memory held by many critical groups that in the end authoritarian regimes also lacked the capacity to solve economic problems and legitimate themselves over an extended period of time.

The fragility of Latin America’s democracies points up that throughout this century most countries in the region have suffered through recurrent cycles of movement from relatively open modes of democratic rule to closed modes of authoritarian and/or dictatorial rule. This historical reality raises some interesting questions regarding the regime forms emerging in Latin America.

Moreover, it points to the reality that behind the issue of regime form are some rather persistent questions regarding governmental capacity (Malloy and Seligson 1987).

The current context of economically based structural constraint in Latin America suggests that the fundamental issue in the region is not simply authoritarianism versus democracy, but one of any mode of effective governance in the face of chronic economic crisis. An approach to this issue involves analysis of the interaction of three distinct dimensions: state, regime, and government. The immediate question is a basic but profound question of political engineering: can specific governments channel the power capacities of the state into a form of governance (regime) capable of being sustained over time and throughout changes of governments even while specific governments produce policies that solve problems, especially economic problems?

At the political level the issue in Latin America is twofold. The first or manifest issue is political form or regime type; in recent years that has translated into the issue of authoritarian forms of regimes versus democratic forms of regimes. Behind that is the deeper question of institutionalizing an effective capability to govern at all. This second more profound question is directly related to the capacity of the state itself. The question of regime form speaks primarily to the ordered structure of access to power and the rules for forming and operating governments. Government mediates between state and regime and in a real sense gives these two abstract political dimensions concrete form and life. Thus, in order to have a regime form called democracy, there must first be a power capacity sufficient to democratize. At the same time in order to have governments that can govern (regardless of form) there must be a power capacity to deploy policies that can be implemented. In short, the issues of democratization and economic policy pivot and are driven by the key issue of statecraft—generating and maintaining a deployable source of power to govern.

Another somewhat anomalous aspect of the current scene in Latin America speaks directly to these issues. There is general agreement among many Latin American and international experts that a sine qua non of any solution to the current economic crisis is liberation of “the market” from the heavy hand of the state; a global prescription these days. Yet the political realities are such that only a strong state can generate the governmental capacity to override entrenched interests that resist the loss of their state subsidized and protected privileges. From this prescription then what is needed is a “leaner meaner state” enforcing market capitalism. The practical fact is, however, that throughout Latin America the accumulated weight of previous public policies have led to the stolid existence of very large and formally very strong, but in practice very weak, state structures.

Throughout Latin America state structures have great weight but often it is a dead weight that drains rather than generates deployable power for governments. There are many reasons for this. One is a legacy of previous strategies of “statecraft” through which state structures have

been formed and reformed. Statecraft involves essentially fashioning state-based control of structures meant in part to generate a deployable collective power resource at the center of society. Statecraft itself has many dimensions such as regime formation, constitutional engineering, and implementation of public policies that have a direct impact on state-based structures of control. A crucial control-oriented public policy in the twentieth century has been social protection and/or welfare policy. The central concern of this paper is to analyze the development of social protection policy in South America as a highly consequential expression of statecraft in the region. Before getting to that matter, however, it is useful to lay out some further historical and conceptual assumptions that inform the substance of the paper.

From the point of view of constitutional engineering, it is important to highlight two structural aspects of formal state structures in the region that undermine the capacity of governments to govern. Owing to a long tradition of presidential systems of governance, both “the government” and “the State” tend to be associated with the executive branch of government and the bureaucratic apparatus through which “executive will” is theoretically implemented. In all the states of the region executive authority is clearly and overwhelmingly preponderant. Modern executive dominance is to some extent an outcropping of the long established mode of bureaucratic patrimonial rule articulated by the Spanish and Portuguese in the region (Sarfatti 1966). So too, is a concept of rule that echoes the concept of “universitas” (Oakeshott 1975); the state as a unitary corporate entity organized to be led toward singular substantive goals. In this mode, government tends to be perceived as an executive-focused process of management and control of the state corporation.

Be that as it may, over the years these presidential systems have been characterized by a marked tendency toward deadlock between the executive and legislative expressions of the state. This institutional conflict has often led to a debilitating immobilism which, in turn, has induced executives to govern through the authoritarian device of decree regardless of regime forms. This structural reality can be traced to numerous factors, but perhaps the most important is the profoundly clientelistic nature of political parties in the region (Chalmers 1977). As a result, elections tend to be more about circulating office and bureaucratic positions than constituting a governmental capacity. Put in other terms, elections tend to solve the issue of personnel but not that of power.

Another reason for the weak power generating capacity of state structures is that the huge bureaucracies in the region often resist being used as an instrument of rule even as they consume a large share of resources extracted from society by the state. Hence, while the state apparatus weighs heavily on the productive structure of society, it delivers very little of the surplus it drains from society as a deployable resource for public policy. Moreover, as we will see below, certain policies like social protection policy have created structures through which various groups

in civil society have been able to carve out cozy relationships with components of the state apparatus undermining its coherence.

A central assumption of this paper is that both of these manifest institutional characteristics of Latin American states are tied to the peculiar way traditional and modern modes of structuring social control have been joined historically in a pattern of persistent tension if not contradiction. Specifically, beneath the surface of formal governance in Latin America, one can see the persistence of a “deep structure” of relationships based on the logic of patrimonial systems of control and power generation (Weber 1968).

Patrimonial logic in the region is embedded in a social structure organized around diffuse vertical hierarchies of patron-client networks (Chalmers 1977). This underlying control pattern and its attendant patrimonial logic clashes with and tends to undermine the manifest rational legal principles of control and rule articulated in the region’s history of constitutional engineering. The interaction of these two logics of control and power generation under some circumstances do in fact generate power but in others offset each other and debilitate states.

In this paper we will examine social policy in South America and particularly Brazil as a conscious expression of statecraft aimed at increasing the control and power generating capacity of the state, and as an important extension of the state apparatus. The particular mode of organizing policy in Brazil and elsewhere in Latin America converted it into a new organizational manifestation of the tension between patrimonial and rational legal control logics. The policy articulated a manifest rational legal logic of relationship between citizen and the state, but its peculiar control logic fed into and embraced the diffuse vertical dynamics of patron/client relationships. This policy specific contradiction in turn helped reinforce two structural problems of governance discussed above.

One way to approach the analytical problems at hand is to focus on the relationships around issues of authority, obligations, and rights as aspects of the civic association known as the state. States in the first instance are modes of organization that both seek to create power and to contain and channel power in structured reciprocal relationships. From the point of view of the state as a civic association, the key relationship linking the state to society is that between state and citizen. In more dynamic terms, the reciprocal of the phenomenon of statecraft is the phenomenon of citizenship. Viewed in this manner, the concept of the state appears first as an expression of authority defining the obligations of the members of the association; the concept of citizen in turn is articulated as a set of rights that create obligations on the part of the state toward the citizen (positive) and limit the action of the state (and other members) toward citizens (negative). A crucial point is that the state is not an entity, much less a thing or artifact; it is but one side of a relationship that has been constantly defined and elaborated over time. The relationship is dynamic.

In my view, one way to push the by now theoretically sterile discussions of “the state” forward is to shift the analytical focus from the concept of the state per se to that of citizen or citizenship. Following Marshall (1950) and Bendix (1964) this discussion approaches the concept of the state as a historically developed bundle of civil, political, and social rights that define the essential relationship between state and society. Indeed, in this view, the concept of society is conceptually transformed into the socio/political construct of citizens or citizenry. At a policy-relevant level the key relationship has been between states and more or less organized groupings of citizens (interests) rendered conceptually as civil society.

In historical terms, the elaboration of the relationship of state and citizen has been a crucial aspect of the shift from patrimonial to rational legal systems of state authority. More specifically, it is a shift from structures of relatively concrete vertical hierarchies of personalized control (patron/client) to more abstract systems of control around more horizontally defined categories such as citizens, classes, and interest groups. In principle, the historical shift has also been from control systems based on personalized domination to ones based on abstract rules. In the former, domination springs from personalized dependence and submission to a limited number of points of independence; in the rational legal system of citizenship, these points of dependence and independence are theoretically diffused into a system of abstract interdependence in which no “one” rules or dominates. Theoretically, all citizens are equal before the law. In practical terms, rational legal systems of abstract citizen interdependence have not completely overcome or totally submerged patrimonial dynamics, although some societies have clearly gone further than others. The interesting thing is the specific ways these opposing principles of rule and authority have interacted to produce particular amalgams and hybrids in particular national states. In what follows we will attempt to render the hybrid produced in Brazil and elsewhere in South America more clear.

A central concept to this study is statecraft; one that again has many facets and potential meanings. Here, statecraft is viewed first as one aspect of an essential mediating process in which “public policies” (the concept of public is core to any historical notion of the state) give form and substance to the phenomenon of citizenship. Specifically, statecraft is viewed as the initiation of public policies by “agents” (in legal terms fiduciary agents) empowered to act in the name of the state which elaborate and regularize the fundamental relationship of state and society. Statecraft is the core of the process of forming and reforming over time the civic association known as the state by developing the relationship between members of the association (citizens) and the authority center that integrates the association and provides the means by which some members can deploy the power produced by the association.

At the heart of the process is the organization of control in the state which is oriented toward the generation of deployable power for the authority center. In this sense power is not a

thing or easily measurable substance but rather an abstract capacity to act produced by organizing people. As Parsons (1963) has argued, power in the state or political system is analogous to money in the economic system; its currency or value is dependent on the maintenance of certain patterns of relations among citizens and the state. Also, like money, power can be generated or created but it can also be spent unproductively; the capacity associated with power can be maintained and enhanced or dissipated and debased. When a state or legal system loses its authority it loses its ability to generate power. Political situations such as executive/legislative standoffs, bureaucratic recalcitrance, formation of blocking coalitions, and the like can lead to policy immobilism which is a kind of power implosion, or entropy, in the state.

From a slightly different angle power is the product of the formal organization of the state; the governing apparatus through which those empowered (authority) to act in the name of the state acquire and exercise the capacity to govern, rule, or formulate public policies. However, a key component of statecraft is the ability of governors to govern the apparatus of the state itself so as to maintain or enhance its power generating capacity. This study will show how social protection policies in Latin America spurred the expansion of state apparatuses but, once in place, these came to present a serious internal problem of governance for subsequent governments acting in the name of the state.

Hence, statecraft in another sense, is the process whereby agents acting in the name of the state fashion policies aimed at increasing the general power produced by the overall association and often simultaneously at increasing the capacity of political elites to deploy that power. As Hintze (1968) pointed out, this process of increasing the power capacity of the state can be either by an additive process of embracing more territory and people or by a process of increasing the organizational complexity of the state; in the long term the latter process can produce greater power capacity than the former, assuming that a certain optimal size has been achieved.

Using this distinction of Hintze's, we note that the patrimonial logic of control and power generation, while organizationally complex compared to some other forms of control, is based upon an essentially additive growth principle; the growth or reproduction of patron/client networks is rather amoeba-like and results in the recapitulation of the same basic pattern. Whereas in principle at least, the rational legal mode, because it is more abstract in nature, has a greater capacity to enhance power generation through morphological elaboration. Again the interesting thing is to look at systems where these two principles are in ongoing and contradictory interaction.

As already noted, I do not view the state as an entity or a thing that can be known directly. Rather, the state is a theoretical concept not unlike those in other disciplines such as subatomic particles, intelligence, economic man, or the like. Such theoretical entities, while crucial to theory, cannot be grasped directly but are known only indirectly by means of theoretically constructed



indicators such as traces in a cloud chamber, the results of intelligence tests, or the fluctuations of aggregate economic data. Likewise, the state is a concept that can be known empirically only indirectly through conceptually construed manifestations like the legal system, the state apparatus, public policies, and the like. But the state like other theoretical entities cannot be reduced to any concatenation of empirical manifestations. In the end, the concept of the state is a binding idea that is more than the sum of its parts.

Moreover, the state is not an anthropomorphic phenomenon that has a will and capacity to act. The state acts only through groups of human beings (fiduciary agents) who have the capacity to act in the name of the state. They are empowered to do so either because they are authorized by agreement, or because of *de facto* appropriation of the apparatus of the state, or some mixture of both. The more or less structured relationships that shape the manner and means by which agents are empowered to act in the name of the state constitutes the kernel of the notion of political regime.

Following from the above, we challenge the theoretical utility of centering the discussion of the state around the issues of the autonomy or worse, the relative autonomy of the state. Indeed, the notion of the relative autonomy of the state clearly was developed because no one could stipulate either empirically or theoretically the concept of an autonomous state. The problem is that the notion of relative autonomy is extremely imprecise. If something is relatively autonomous it is also relatively nonautonomous. How does one differentiate one from the other? The fact is that autonomy is one of those concepts that implies either/or; the notion of relative tends to clash with the usual definition of the concept itself.<sup>1</sup>

When considering strategies to study public policies as a manifestation of statecraft, the issue is not the autonomy, however qualified, of the state vis-à-vis “society” or “civil society” but

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<sup>1</sup> The notions of autonomy and relative autonomy are to my mind clear examples of fundamental Kuhnian type anomalies within mechanistically construed versions of the classical ideo/paradigms [= paradigms formed from a combination of analytical principles and ideological values] of liberal pluralism and Marxian class analysis (Kuhn 1962). Proponents of both paradigms have been struggling for some years now to come to terms with the fact that both paradigms project the political factor or the state as determined by fundamental socioeconomic factors. Neither has the internal theoretical capacity to conceptualize the political/state dimension as having a constitutive or causal weight of its own. Hence, as Kuhn’s theory of paradigms predicts, both schools, when confronted by empirical realities that are anomalies within the paradigm, begin to try to defend the paradigm by bending it and twisting it in increasingly untenable ways theoretically.

I suggest the greater utility of adopting a system-theoretical perspective which can in fact be theoretically loaded not only with key components of the classical liberal and/or Marxist ideo/paradigms but also with the corporatist ideo/paradigm. In this perspective the autonomy relative or not of any one aspect or dimension of a society is not an issue because such a social formation is always seen as a complex web of reciprocal interdependence. Notions such as state/civil society relations or state/citizen relations are in my view examples of such theoretically construed reciprocal relationships that are conceptually abstracted out of the manifold of societal interdependence. The state is always one face of a basic interdependent relationship that always implies some other conceptualized referent to which it is tied.

rather what one might call shifting points of initiating capacity; that is the capacity to define, launch, and sustain policies. This capacity which is a form of socially produced power reflects the particular patterns of relationship current in a sociopolitical formation at any point in time. The capacity can be concentrated at some point in the system or dispersed. All or part can be lodged in the state, components of civil society, or some mixture of both. Finally, when all or most of the capacity is lodged in what is called the state, it might be concentrated in one institution of the state, e.g. the executive, or divided among different institutions, like legislative assemblies, courts, the military, government agencies, public corporations, etc. The organization and distribution of initiative capacity at one time can be partially or completely different at another time.

One task in the analysis of statecraft is to chart how the capacity moves over time and develop explanations as to how and why it is concentrated or dispersed, where it is lodged, and the consequences of particular patterns. Policy is in the first instance a manifestation of where initiative capacity is located (conceptually) and in whom (e.g. agents). However, to be sustained over time, policies are encased in structures that themselves become part of the overall dynamic of concentration or dispersion, movement and consequences. In short, the structures that encase policies not only reflect how initiative capacity is organized at any point in time but also play a role in shaping how it is organized in the future.

Following from this logic the analysis in this paper follows three working hypotheses regarding initiative capacity:

1. In most sociopolitical formations at most times policy initiating capacity is asymmetrically distributed; indeed from a formal point of view if the capacity is symmetrically distributed the most likely result is immobilism. This study of social policy in Latin America will empirically sustain this working hypothesis.
2. Initiative capacity shifts over time and the study of politics as statecraft is about these shifts. The process is relational and dynamic.
3. Policy produced by a concentration of decision capacity produces structures that bring into play new potential points of decision capacity which in turn often undermine or shift the capacity away from the original initiating point.

The following analyses will show that in Latin America and particularly Brazil social protection policy flowed from initiating capacity concentrated originally in the state, and specifically in a technobureaucratic elite connected to a strong executive. The policy, however, produced structures wherein initiative capacity was dispersed into a multiple of intermediate points at the nexus between the state and civil society. This in turn led to an immobilized dissipation of initiative capacity in this specific policy area which was symptomatic of, and reinforcing to, a generalized immobilism or power implosion that periodically has gripped these sociopolitical formations producing shifts from formally democratic to authoritarian regimes and vice versa.

The concept of political regime is another complex issue which requires at least a brief comment. For purposes of this paper, the concept *regime* has two dimensions. One dimension sees regime as a set of more or less crystallized procedures to organize and deploy decision capacity, especially in terms of how civil society relates to decisions articulated with state authority. These procedures are often given formal expression in constitutions and other legal instruments (in Brazil recently “institutional acts”). In most of Latin America, these arrangements are usually classified in terms of the concepts of Authoritarianism and Democracy. Specific regimes, however, are in practice based on *de facto* procedures that develop and become more or less regularized in practice. This *de facto* procedural logic demands other analytical concepts to flesh out formal notions such as Authoritarian and Democratic regimes. A classic example of this kind of conceptualization is Weber’s typology of regime types based on principals of legitimacy, while an excellent current example of direct relevance to this paper is O’Donnell’s concept of a Bureaucratic-Authoritarian regime (O’Donnell 1973). O’Donnell’s conceptualization has the added value of imputing a group content that animates the procedural dimension of the regime. This points to the second dimension in the concept of regime; namely, the existence of a support coalition that undergirds the regime, benefits from it, and often but not always participates in decision making. Statecraft and public policy are not only products of regimes but are also dynamic components in elaborating and giving regimes form and structure.

There is obviously some crucial affinity between internal control structures such as those based on patrimonial and rational legal logics and formal regime designations. However, regime in the modern world is not reducible to these underlying patterns of control and power generation. Patrimonial principles can permeate both formally democratic as well as formally authoritarian regimes. Moreover, authoritarian regimes can formally articulate rational legal logics as well as democratic regimes. Indeed, one key characteristic of the recent wave of bureaucratic-authoritarian regimes in Brazil and elsewhere in Latin America was a concerted attempt to institutionalize and legitimize themselves by means of rational legal concepts of obligation, control, and rights, in short citizenship.

### **Social Protection Policy in Historical Perspective**

Modern social protection policies were developed in Western societies towards the end of the 19th century. The most significant program was that developed by Bismarck in 1883. That program was based on a concept of state enforced social insurance which became the basis of a notion of social insurance or social security that was diffused throughout the Western capitalist world. World War I and the Russian Revolution were important in pushing the diffusion of the social insurance concept which was taken up by a new cadre of technocrats operating out of the

International Labor Office (ILO). The concept of social insurance predominated throughout Western capitalist societies until World War II when it was supplanted or supplemented by new international concepts of generalized social welfare (Rimlinger 1971).

From its beginnings in Bismarkian Germany, social insurance was a rather conscious mode of statecraft fashioning and refashioning state and social structures disrupted by emerging industrial capitalism, world war, and the spectre of revolution. At both the national and international levels, political and policy elites pushed the concept of social insurance as a positive reformist way to recast state/civil society relationships in the West.

As a mode of statecraft, social insurance was aimed not only at protecting groups or eliminating hardship but also at channeling the flow of labor as a key socioeconomic resource. At an even deeper functional level the policy was a response to a generalized loss of cohesion in many Western capitalist nations. Specifically it was linked to a need to reintegrate society and to create at the center a nexus of power capable of reorganizing the linkage of society to the structure of order. The policy was a response at the level of the state to emerging class conflict (the social question) as well as to the intra-elite conflicts at the apex of society. Both were creating a hegemonic crises of rule in a number of Western societies. In retrospect it seems clear that these crises helped pull the state back into the center of the socioeconomic process in many countries as an instrument, in addition to the market, to give overall coherence to society by devising means to integrate society and to create new ruling coalitions. Social insurance policy was important at both levels.

At a deep level the spread of social protection policy was driven by a functional imperative to adapt to the disruptive effects of market-based economic development and modern war. Once in place in some countries the concept diffused throughout Western capitalist societies although the timing of adoption varied widely and did not always reflect levels of development. Moreover, while most nations adopted social insurance, the types of programs varied considerably in terms of patterns of coverage, types of benefits, and administrative organization. From the point of view of policy analysis over time, these latter questions are the most interesting and problematic.

Given that specific national experiences with social protection policy were different, we are dealing with a set of national variations on a basic functionally driven theme of modern statecraft. These differences themselves, as well as their national impacts and interactions, cannot be explained by the functional theme. This latter task must be approached by means of conceptually informed national and comparative case studies shaped by a myriad of different questions regarding programs and their implications for state/society relations.

A number of Latin American countries, particularly Argentina, Brazil, Chile, and Uruguay, were relatively early adopters of social insurance programs in the later teens and twenties of this century. In Latin America these variations on the theme of social protection occurred in a context

of delayed, dependent capitalist development which had a number of contextual defining circumstances. Most importantly there was a marked tendency for “the state” to take an earlier, more conscious role in managing development relating to the international structure of power and responding to dislocations and conflicts produced by the market. As the weight of the state increased political elites became more consciously concerned with crafting the state as a mechanism to produce power at the center of society and manage national development.

This fact was reflected in the rise of new political movements in the region, the decline of doctrines of liberal capitalism, and the rise of more state-centric ideologies. This process speeded up considerably in the wake of the Great Depression which had a severe impact on the region. By the early 1930s the central orientation of political elites had shifted from a night watchman concept of state/society relations to a more state-based managerial and technocratic model. In countries like Argentina, Brazil, Chile, and Uruguay social insurance policy became a central instrument for managing state/society relationships, especially with regard to the urban middle class and the newly emergent working class (Malloy 1989).

Before turning to the Latin American variations there are some general historical features of social insurance policy that should be pointed out. In its first instance, social insurance was not a program aimed at eliminating poverty or forcing a broad process of income redistribution among social classes. Rather, as the non-English terms (the Portuguese *Previdência Social*, and the Spanish *Previsión Social*) indicate, it was a form of social provision aimed at stabilizing market determined incomes of families by insuring the bread winner against certain risks in the work cycle, e.g. accidents, sickness, invalidity, and death. The major mechanism was and largely remains inter-generational transfer of income. Thus, it was by no means a revolutionary policy and in fact in many places like Latin America the policy reinforced or aggravated pre-existing patterns of income distribution and stratification (Mesa-Lago 1978). Moreover, although the policy has a compulsory dimension and calls for employer contributions, it was and is quite compatible with the logic of market capitalism.

One of the more interesting and complex aspects of the rise of state enforced compulsory social insurance is its relationship to the development of the notion of social rights of citizens. Social insurance has been associated with a discourse of social rights of citizenship; in some countries like Brazil it was specifically stated as a constitutional right. However, it is clear that with the development of this concept of social right a substantial shift was occurring in the discourse of rights from that associated with civil and political rights. In many countries specific social rights are not linked to a clear underlying concept such as informs civil rights (equality before the law) or political rights (participation in the governing process). Moreover basic notions like state produced equality in Sweden or the national minimum in Great Britain have been rejected in many countries; and in the case of Britain all but eviscerated by recent legislation. The United

States has no binding notion of a social right and was unable to enforce even a minimalist notion like full employment. In any event the notion of a general social right remains poorly defined in Western capitalist societies.

Social insurance as a specific right stands out in that it is not based on the status of citizen but is acquired through an obligatory contract in which the insured contributes toward the benefit; in most of Latin America the amount of benefit is tied directly to the amount of contribution. Most importantly, the right is predicated on employment in an insurable work activity. Hence, in this presumed right, the employment structure of society mediates the relationship between state and citizen.

Hence, in many countries (including most of Latin America,) coverage expanded piecemeal and tended to follow the contours of modern capitalist sectors of the society. Whole categories of citizens were excluded (rural folk, the informal sector, etc.) for years and in many less developed countries are still. Furthermore, in countries like the United States, the distinction between social insurance (social security) and means tested programs (social assistance) created a rather explicit sense of dual citizenship rooted in the structure of employment and the perception of autonomy and dependence in the public consciousness (Furniss and Tilton 1977).

Finally there is an open-ended and contingent quality to the rights in social insurance. The claim to the right can be activated under certain specified circumstances and both the circumstance and the quantity and quality of benefits (rights) are subjected to ongoing legislative action. As one observer has noted:

Insofar as social security rests on a foundation of social insurance, the scarcities it allocates are made available only in the event of particular contingencies...What each participant receives is less a fixed quantity of scarce goods and services than the right to make potentially unlimited future claims upon a limited, but usually quite large, supply of goods and services (Wilson 1981, p.126).

This elastic quality of rights (benefits) plus the intergenerational transfer of income has historically built into social insurance a quasi ponzi game expansionary logic especially in pay-as-you-go schemes that exist in many countries such as the United States. Policy elites seek to bring in more active paying beneficiaries to finance the system. In the process they often create short-term resource windfalls that can be used for political purposes. This dynamic has been very evident in Latin America as well as in other contexts. The point is that this bundle of rights has an elastic quality of expansion and contraction that is driven by political and economic factors quite independent from any logic of social rights of citizenship.

### **Social Insurance in Latin America**

Let us turn now to an analysis of the Latin American cases. The analysis will be mostly concerned with the early adopters of social insurance, located mainly in the southern portion of South America. Our main focus will be on Brazil, the largest country in the region, which presently has one of the largest, more complex and interesting social insurance systems in the world. While the Brazilian system reflects Brazil's particular historical experience, its development is similar to many others in the region.

Presently all countries of Latin America have some type of social security system although the programs vary widely in terms of percentage of the population covered and types of benefits offered. Historically, these programs came in three waves. The larger more developed countries adopted first while the smaller less developed came most recently. The earliest adopters (Argentina, Brazil, Chile, Uruguay) had some programs in place by the end of the 1920s and thus antedated the United States by several years. Countries like Cuba, Ecuador, and Peru adopted in the 1930s and the rest of the region joined them from the 1940s to the 1960s. In general, the early and middle adopters were most influenced by the classic multiple fund systems common in the West after World War I, while the later adopters followed more unified models typical after World War II (Mesa-Lago 1989).

In broad terms social insurance programs were diffused to Latin America from the core capitalist countries of Western Europe. A major mechanism for diffusion was the International Labor Office which became the base for a transnational cadre of social security technocrats who advocated the social insurance approach to social problems and provided technical expertise to interested countries. The cadre of international technocrats linked into emerging groups of technocratic elites in most countries, establishing a transnational arena of professional reference which has played an important role in social policy up to now. Throughout the more developed nations of Latin America social security technocrats emerged as central policy elites in their own countries (Rosenberg 1978).

Throughout the Western capitalist world social security policy developed as a reformist response by established elites to the "social question." Central to this approach was the view that the social question was essentially a matter of social engineering to be managed by technically trained experts. Social insurance then was integrated into a technobureaucratic approach to the management of the socioeconomic process; hence it was a political matter by being an object of public policy. Simultaneously, this approach sought to depoliticize the social question by defining it as a matter for technical solutions proposed by experts rather than policies produced by the push and shove of competing interests. From its inception in Bismarkian Germany through its diffusion by the ILO and other professionals in social policy, social insurance has been linked to a state-centered pre-emptive approach to socioeconomic management.

Recent studies have shown rather convincingly that social insurance policies in the West were not simply passive governmental responses to societal pressures in the form of specific demands by organized groups. Rather, the policies were supply-side responses to problems of cohesion and integration initiated by technobureaucratic, policy, and political elites controlling the policy-making and delivery apparatus of the state. In short, the policy was developed in contexts where this policy initiating capacity was concentrated at the state level (Heclo 1974, Derthick 1979).

This was clearly the pattern among the early Latin American adopters. Class conflict and attendant political pressure was great in these Latin American countries but demands did not focus primarily on social insurance and, in many cases, labor unions and other groups actually opposed social insurance proposals as co-optive paternalism (Isuani 1985). Indeed, my reading of the record indicates a similar pattern for social insurance programs; namely, working-class and other groups created a climate of threat and tension and as such posed "the social question" as a policy problem. The articulation of social insurance as a policy response represented an initiative launched by an alliance between bureaucratic policy elites and other political elites. These elites used the power of the state to preempt the capacity to define the social question and push social insurance as a nonrevolutionary approach to the problem of integrating society. In Latin America, social insurance clearly emerged as part of a state centered process of controlled incorporation (co-optation) of emergent groups into the political economy. The main groups incorporated were the emergent working class and a growing dependent middle class forged in the modern capitalist sectors of the economy.

In Latin America then social insurance programs were launched as preemptive acts by political and policy elites controlling the executive branch of the state who monopolized the ability to define the substance of the social question and structure the main response to it. The way these alliances were put together was complex and variable. On one side stood Brazil where the alliance between a powerful executive and technobureaucratic elites was direct and unmediated while in Chile political parties mediated the link between the executive and technobureaucratic elites (Borzutzky 1983). The other cases were more mixed. The point is, however, that in Latin America the initiation of social insurance represented a moment of substantial autonomy, not for the state but for policy and political elites acting in the name of the state. They defined a mode of statecraft that played an important role in restructuring the interactions between the state and society, especially with regard to certain key groups.

For the early and middle Latin American adopters, social insurance coverage was restricted to components of the modern capitalist sector of the economy, a decided minority of the population in these economies with large traditional rural sectors. Moreover, coverage was extended on a group by group basis over a number of years. In these contexts, once the policy



was in place, groups used whatever power they could marshal to bargain for their own specific patterns of social insurance coverage (Mesa-Lago 1978). Thus when group pressure was brought to bear on state and governmental elites it was done within a predefined framework of bargaining and rule. Moreover, "pressure groups" did not bargain for general rights of citizens, nor even for rights of classes; rather they bargained for very group-specific rights, if that is even viable terminology. The upshot in all the early and middle adopters was a complex array of multiple fund systems characterized by an increasingly bewildering collection of specific laws and ordinances dealing with specific programs and funds for particular groups. Not unexpectedly the quality of the programs varied from group to group and quickly formed a pattern of unequal stratification of funds. Like income, social insurance protection was quite unequally distributed (Mesa-Lago 1978).

The pattern of coverage in all cases formed a kind of power map of each country. The first and best coverage went to groups like civil servants and the military who controlled parts of the state apparatus itself; coverage of high quality next went to groups in strategic economic activities in export sectors such as railroads, docks, maritime, etc; these were followed by groups in critical urban services such as banks, electricity, transport, etc; the last to receive coverage, and of a lower order, were manufacturing workers. As I noted above the rural sector as well as the urban informal sector were excluded. Finally, in all these systems white collar middle-class employees (*empleados*) did significantly better than blue collar workers (*obreros*).

In all these Latin American countries social insurance became part of broader processes of restructuring political economy driven by what have come to be called populist coalitions. Similar in some respects to the New Deal in the U.S. these were multiclass coalitions put together by middle-class political elites who in most cases came to control the state while in others they posed a serious threat to incumbent elites who were forced into a reformist stance. These multiclass coalitions were the political force behind a new development surge based on import-substituting industrialization. In many countries these state engineered coalitions provided a fundamental structure of cohesion both at the base and the apex of society for a new stage of capitalist development in which the state was maneuvered into assuming the functions of socializing the costs of building legitimacy and capital accumulation.

In this new phase, social insurance policy in these countries was folded into a broad system of labor relations with a decided corporatist bent. The social insurance funds were defined as autonomous state entities financed by contributions from the insured, employers, and the state. Often these funds were administered or overseen by tripartite boards of interest group and state representatives. But even if groups did not directly dominate the boards as in Chile, in all cases the funds became a corporatist linkage between officially recognized groupings and the state apparatus. These corporatist systems of co-optation and control had numerous unforeseen

consequences that subverted the internal coherence of these control systems and short-circuited their ability to generate an increased power capacity at the center. We can see this process most clearly by a closer look at the development of the system in Brazil.

### **The Brazilian Pattern**

The first social security measures were launched in Brazil in 1919 (occupational accidents) and 1923 (pensions for private railway workers.). However, it was during the fifteen years (1930-1945) when Getúlio Vargas dominated Brazilian public life in a series of increasingly authoritarian regimes that social insurance was elaborated into a system that was an integral part of a coherent process of statecraft. Vargas came to power at the head of what is called in Brazil the Revolution of 1930. Over the next fifteen years he constructed a new complex ruling coalition, centered effective governmental power in the executive, and began a process of state-led modernization and industrialization which resulted in a new essentially state capitalist political economy. More specifically, he crafted an expanded and organizationally sophisticated state apparatus which has been the center piece of Brazil ever since (Skidmore 1967).

Central to the Vargas regime's statecraft was the creation of new structures of control aimed at incorporating the urban middle class and in particular the emerging working class into the newly fashioned state. The resulting regime took a decidedly corporatist internal shape especially with regard to labor which was organized into officially sanctioned unions, a mode of incorporation and control that was officially proclaimed in the quasi-fascist constitution of 1937 which declared the existence of a New State (Estado Novo) in Brazil. In 1943, these corporatist principles of co-optive organization were systematized in a consolidated labor code (CLT) which structured Brazilian labor relations until recently. To say that Vargas had a large and lasting impact on Brazil and particularly the shape and functioning of state/society relationships would be an understatement (Erickson 1977).

The social insurance system was a key component of labor relations along with the official union structure and a system of labor courts. The social insurance system was put together by a group of ideologically informed technocrats operating out of a newly created ministry of Labor; these ideo/technocrats also played a large role in shaping the ideological tone and substance of the government's overall statecraft. Social insurance as well as other policies were shaped by a regime in which policy initiative capacity was concentrated in the executive and a coterie of state-based ideo/technocrats supported by a multigroup ruling coalition, a key component of which was the military. As a regime the Vargas period of rule echoed systems of patrimonial bureaucratic rule installed in the region by the Spanish and Portuguese even as it anticipated what have been

called bureaucratic-authoritarian regimes which appeared in Brazil and elsewhere in the region between 1964 and 1973 (Faoro 1975).

The Vargas regime increased the power generating capacity of the state by expanding its size and functions as well as reorganizing its internal complexity; the ability to deploy this capacity was monopolized by the executive and the technobureaucracy under his control. The central image of governance built upon by the regime was the Universitas image of rule as technocratic management of society; a singular entity in which the state was both the head and vertebra (Vianna 1951). In formal terms it was an authoritarian regime but one that sought to legitimate itself in a rational legal system of organizational, legal, and constitutional principles. In practical terms the regime based itself and its statecraft upon a tense and ultimately contradictory joining of patrimonial and rational legal principles of organization, control, and legitimacy.

The Brazilian social insurance system was similar to that of the other Latin American early adopters. Coverage advanced on a group by group basis and it was organized in a highly stratified multiple fund system with a bewildering array of laws pertaining to specific occupational groups. Quite important was the fact that ideo/technocrats maintained the capacity to define the contours of the occupational structure and hence control the definition of which group was which for purposes of union organization and social insurance benefits. State-based technobureaucratic elites were able to structure both the universe of group relations with the state as well as the framework of policy bargaining. The apex of the corporatist control structure was the ministry of labor under whose direction all three components of the labor system (unions, courts, and insurance funds) operated.

As in other countries, groups used whatever leverage they had to bargain for the best insurance system they could get and then used their relative power positions to protect and/or better their schemes. The clear managerial intent was to divide the working class horizontally into a set of particularistic groupings oriented to self-focused bargaining within the system; and thereby forestall a capacity for class-based system transforming behavior. In short, the aim was to increase the power generating capacity of the state by diminishing the power capacity of social class.

Benefits of all types were unequally distributed among insured groups but in the main all the funds gave some type of pensions, death benefits, and health care; the latter was particularly unequally distributed. A crucial feature of the Brazilian system was that all of the funds were managed or overseen by tripartite boards which included representatives from official unions as well as management and the ministry of labor—an organizational principle that was to have numerous consequences. The social security system built by the Vargas regime created a new power base in the state by elaborating a new 'bureaucratic corporatist hierarchy' within the state. The policy was legitimated by modern rational legal principles of social protection and particularly

by a new language of the social rights of citizens. The idea of social rights and particularly the right to social protection was first given constitutional status in Brazil in the short-lived constitution of 1934.

The modern discourse of citizenship has been expressed in the same abstract and universalistic terms as the modern discourse of the state. As I argued above, this represented a historically based process of movement from the world of more concrete personalized authority centers of patrimonialism, in which belonging and obligation were based on personalized dependence, to one of abstract depersonalized authority in which particularized dependence was diffused into an abstract web of interdependence. The central relationship of concern in the latter is the highly abstract relationship of state/citizen and its attendant rights.

The concept of social rights was a relatively new and in some ways categorically different concept from existing ones for civil and political rights. The latter are essentially procedural definitions of relationships regarding the adjudicatory powers of the state and the ability to participate in governance; social rights by contrast are statements of substantive conditions the state is obliged to create for citizens. In some senses the notion of social rights entails an obligation on the part of the state to liberate citizens from the practical reality of economic dependence and thereby make the promise of freedom from personal domination within a system of abstract interdependence real. Indeed, that was the core idea behind social insurance which was aimed at eliminating personal dependence by reducing uncertainty in the lives of working citizens.

As we saw, while social protection in Brazil and elsewhere in Latin America was articulated in the modern language of social rights, this right was not in practical terms granted as a universal right of all citizens. Rather, it was unequally distributed in a variety of ways. First the entire rural sector as well as the urban informal sector were excluded from the right. Social policy in structural terms ratified a *de facto* bifurcation of these late developing quasi-capitalist societies into a modern capitalist urban sector and a more traditional rural sector. The more traditional sector was explicitly still based on patrimonial and patriarchal principles of domination articulated in clientelistic hierarchies rooted in personalized dependence. The urban modern sector had been theoretically transformed into a rational legal world of interdependence but as we will show in a moment that was much more apparent than real.

This reality in the practical extension of these presumed social rights also ratified the fact that, owing to various qualifications of income and literacy in Portuguese, the reality of both civil and political citizenship also was far from universal in Brazil. Even in the more modern capitalist sector, owing to poverty, illiteracy and the fact that many workers were immigrants, the reality of citizenship was quite restricted. Thus, the modern discourse of state/citizen and the structures of authority and obligation implicit in it were laid over still quite vibrant patrimonial patterns of

dependence and domination. Moreover, even among the covered sectors the right of social insurance was mediated by other dimensions than citizenship. First it was mediated by the employment structure; for a person to claim this dimension of citizenship he or she had to be employed in a covered activity and assume an obligatory contractual responsibility. More importantly in Brazil and other Latin American countries the right was mediated by the structure of organized groups standing between the citizen body and the state; a group structure that in corporatist Brazil was decisively shaped by the statecraft of Vargas and the technobureaucratic elite he ruled through (Malloy 1979).

In this emergent system, which the Brazilian social scientist Wanderley Guilherme dos Santos (1979) has aptly labeled “regulated citizenship,” for all practical purposes these presumed social rights came to inhere more in officially sanctioned intermediate groups than in individual citizens. It was the group that bargained for the right, it was the group that sat on governing and regulatory boards and, as a practical matter, it was the group that helped insured workers extract the benefits owing to them.

In this pattern of “regulated citizenship” benefits (rights) were produced by bargaining between group elites and state-based technobureaucratic elites, resulting in a highly stratified pattern of distribution among groups. In practice these presumed universal rights were converted into particularistic privileges conceded to groups in return for conformity to the system of corporatist controls. The upshot was that the discourse of rights masked a reality of an unequally distributed batch of privileges. These privileges came under the control (patrimony or patronage) of group elites who by this time had been converted into an official stratum of labor leaders linked into the corporatist control structure of the state. This official stratum of labor leaders known pejoratively in Brazil as *pelegos* (or hacks) became the key intermediaries in a co-optive control structure wherein they delivered their members’ support in exchange for grants of privilege by state-based elites.

This particular corporatist pattern of co-optation not only distorted the discourse of citizen rights in Brazil but also re-introduced the internal logic of clientelism into the formally rational legal state structures. First it is clear that when a right is transformed into a privilege a theoretical base of independence is converted into a practical base of dependence. The holder of the privilege if nothing else is dependent on who grants the privilege. When rights become privileges the whole patrimonial logic of grant, grace, and prebends returns in the form of patron/client relationships.

In the first instance the official groups became dependents of the corporatist bureaucracy while the group elites became the direct clients of regime elites based in the ministry of labor. In order for the group to maintain its privileges and for the *pelegos* to maintain their positions, the unions had to bend to some extent to the control demands of the regime. Neither the official

groups (unions) nor their leadership were able to act with any credible autonomy relative to the regime. The best they could do was bargain to acquire or preserve privileges.

At another level the intermediate strata of group elites were able to convert the resources of the insurance funds (benefits and fungible capital) into patronage under their control (Erickson 1977). They were able to do so first because the legal and record keeping formalities of the laws made it extremely difficult for the average worker to extract his legal benefits from the state without an intermediary with access to the relevant technobureaucracy; a pattern reinforced when many insurance funds later ran into financial difficulties. Also until the 1960s the insurance funds were largely capital funds designed to be invested in financial instruments and supposed capital enhancing projects like real estate. Both dimensions were used by labor leaders to recapitulate clientelistic ties within the groups among those who wanted to cash in on loans or who needed help to claim benefits. The result was that individual citizen beneficiaries of these presumed rights became locked into a multilayered pattern of patron/client networks that diminished autonomy and increased dependence at numerous points in the system.

The diffuse vertical hierarchies of clientelistic nets are control structures that echo the logic of patriarchal and patrimonial systems. As a control structure the logic can be construed as a baseless triangle; the system is one of multiple baseless triangles which ascend and descend in hierarchies. A system of multiple baseless triangles is organized around a limited number of points of resource-controlling independence dominating multiple points of resource-scarce dependence. The power generating capacity of the structure is based on the fact that the apex of the triangle maintains a number of dyadic interactions with a multiplicity of base points while each base point is locked into a singular dyadic interaction with the apex. Crucial to the logic is that horizontal communication at the base is minimal or nonexistent (baseless) with the major lines of communication running vertically from the apex to horizontally separated base points. While the apex/patron is dependent on the net as a whole, the patron is not dependent on any particular base point/client but each client is dependent on the patron. Given the pattern of communication and dyadic interaction, the convergence of all points at the apex maximizes independence at the apex at the expense of the base points.

There is little doubt that the baseless triangle structure generates power. However, its power generating capacity is limited. The growth capacity of the baseless triangle logic is essentially additive and has limited possibility for morphological elaboration. Clientelistic nets grow mainly by recapitulating themselves in amoebic fashion. In these political processes conflict produces personnel change as state positions and prebends circulate among the elite and through them to clients but there is little structural or morphological transformation in these systems. Moreover, in a state driven by this logic governmental tenure tends to be unstable while policy formulation and implementation is inhibited even as the resource needs of rival factions

(clientelistic nets) weigh heavily on the resource-producing structures of the society. Such “oligarchic” states often produce a decidedly predatory relationship between the state and society.

In a patrimonial system based on this control logic there are other points of vulnerability and diminished power potential. As Weber pointed out, intermediate elites in these systems seek to diminish uncertainty in their relationships to the patrimonial center by stereotyping the relationship and/or by personally appropriating their prebends, thereby short-circuiting the power flow to the center. As a result, patrimonial systems, as Weber also noted, have a tendency toward passing through cycles of sudden collapse and reassembly (Weber 1968 Vol 1, p.1038).

If we look at the state structure created by the Vargas regime through the prism of the social security system we can see that the essential logic of the baseless triangle control structure was operative at a number of levels. Aside from its explicit persistence in the traditional rural sector, clientelistic patterns were introduced into the social security system as a result of the pattern of regulated citizenship that came into play. Furthermore, while corporatism as a form of regime organization can be expressed in modern rational legal principles of legitimation the internal control logic of corporatism is essentially a higher order variant of the baseless triangle.

Corporatism raises the baseless triangle logic from a concrete personalized level to a more abstract institutionalized and theoretically depersonalized level. In corporatist logic, society is divided horizontally into a number of closed corporate groups recognized or created by the state. Moreover, in a corporatist system, integration takes place explicitly at the apex of society where corporate elites come together in the structure of the state which is perceived as a vertebra holding the diverse groups together.

In Brazil both the labor system as a whole and the social security system were organized in corporatist terms and therefore recapitulated within their institutions the logic of the baseless triangle. Labor and social security law was clearly aimed at reducing horizontal or “class” identifying communication among workers who were divided into “professional groups.” The labor law, while making union organization mandatory, also prohibited the formation of national confederations. These recognized groups were encouraged to compete among themselves to extract group-specific benefits from the state through the social security system. While Brazil was the most explicitly corporatist labor and social security system in Latin America, other early adopters also incorporated many of these principles of organization and *de facto* control logics into their social insurance systems (Mesa-Lago 1978). In Brazil, the officially sanctioned union system as well as the prohibition of national confederations put the labor ministry at the apex of a set of relationships where unions were induced to interact continuously with the ministry vertically but had few ongoing links horizontally with other unionized categories. To increase their bargaining position with the ministry, unionized categories, in effect, were constrained to trade off

politically conforming behavior for concrete bread-and-butter benefits. In this kind of game, the central politics for the client organizations becomes the politics of bureaucratic access (Malloy 1987).

The centrality of the orientation toward bureaucratic access created a situation where key intermediary organizations began, in effect, to trade off political rights of their citizen members for the ability to extract group-specific benefits. The co-optive pattern of state-centered authoritarian statecraft emphasized access to the central mechanisms that controlled the flow of particular benefits and privileges rather than broad-based citizen participation across a range of issues (Cohen 1989). The formalization of corporatist structures around this logic fosters a regime pattern in which individuals relate to the state less as citizens than as members of legally recognized groups with privileged access to their own pieces of the state.

From the point of view of regimes this development in social policy was crucial; the key issue shaping the orientation of labor leaders and their followers was not the democratic or authoritarian nature of the regime but rather whether they had access to state decision centers that controlled benefits. During the Vargas regime, labor leaders learned that they had more access to such benefits under an authoritarian regime than under a democratic regime. In short, organized labor during this period did not develop a primary commitment to formal procedural democracy as a principle of organizing governance, a basis of citizen participation, or as a specific way of distributing surplus. Access to patronage overrode regime form.

Not only did social security protection come down from "the state" more as a group privilege than as a citizen right but, over time, officially recognized labor leaders were able to convert benefits into patronage in their relationships with union members. Owing to funding problems and intricate legal provisions to prove eligibility, individual social security benefits became a scarce commodity, the delivery of which was mediated by official labor leaders. Thus, the pre-rational legal pattern of patron/clientele came to permeate the entire labor system from top to bottom as far as social protection was concerned (Erickson 1977).

These developments in the social insurance system were both symptomatic, and reinforcing, of wider structural weaknesses that were produced by the larger corporatist co-optive structure set in place by the regime. The co-optive pattern of incorporating labor fed into the pre-existing structural tendency of Brazilian society to be organized into diffuse vertical hierarchies of patron/client networks. These reflected patriarchal and patrimonial systems of authority more than rational legal systems. These structural realities occurred in tandem with a "populist" policy thrust of incorporating a wider array of groups into the regime. In Brazil, the particularistic and additive nature of this incorporating strategy aimed at labor and popular sector groups emphasized distribution over political form. The result was that the demand load on the distributable surplus inevitably increased, while the emphasis in the system on the politics of distribution through



bureaucratic channels organized in patron/client networks undercut the formal rationality of the system. The size of the state bureaucracy expanded even as organizational rationality declined.

The internal logic of the system placed a premium on direct access of groups to the executive apparatus of the state where they then carved out turf. Thus, while groups like labor conformed to the formal control system linked to the ruling coalition, they were able to use those same structures to penetrate and in effect colonize the formal apparatus of the state. Aside from the tendency to diminish incentives for democratic values this unanticipated development had two crucial long-term consequences.

Politics within the regime became mainly a process of penetrating into and acquiring turf. Once incorporated, groups shifted to defending their turfs such as their social insurance institute and their particular benefit package. Particular groups behaved in such a way that the collective result was formation of *de facto* blocking coalitions which diminished executive capacity to launch broadly based policy initiatives that in any way challenged established turfs.

Looking back in terms of the categories of this paper we can make the following observations. The original authoritarian corporatist statecraft of the Vargas regime did lead to an increase in, and concentration of, the capacity to initiate authoritative decisions in the federal state and particularly the executive branch. Indeed, state and executive apparatus have tended to be synonymous since. However, owing to the structural organization of the regime's policies such as social insurance that capacity shifted to intermediate decision centers created by the regime as part of its statecraft in seeking a controlled linkage between the state and key sectors of civil society.

The problem was that in shifting the capacity was diffused into a variety of group-specific points within the clientelistic networks. There was a symmetry in the distribution of initiating capacity in which the capacity lodged in a multiplicity of points operated by intermediate elites oriented toward extracting from "the state" group-specific privileges and blocking policy innovations that threatened those privileges. In this diffuse relatively symmetrical distribution of initiative capacity all points including the state executive were relatively weak vis-à-vis each other. The overall result was an entropic process in which there was a decline in the general power capacity of the system (state) as a whole. It was a kind of power implosion in which the regime's statecraft was creating a set of structures that were diminishing the power capacity available to the executive to pursue further innovative strategies. The upshot was that the centrifugal diffusion of decision capacity combined with the *de facto* blocking coalitions to create a marked tendency in the later stages of the Vargas regime, and its successors, toward structural immobilism across a variety of policy areas. This can be seen clearly in the area of social protection policy especially in a battle over reform of the social insurance system that began in the early 1940s and persisted into the 1960s (Malloy 1979, Ch 3).

## The Issue of Reform

These dynamics became rather clear in the pattern of state-labor relations and particularly the social insurance system by the early 1940s. Indeed, the recognition of these control problems internal to the state apparatus was a key factor motivating the regime to systematize the organization of the relations among the state, labor, and private sector management in the consolidated labor code (CLT). It is significant that at the same time the regime sought to carry out a total overhaul of its social insurance system which failed completely.

Weber's predictions regarding the internal dynamics of patrimonial control systems were borne out in Brazil especially in the social insurance system. By the early 1940s the official labor leadership had effectively appropriated control of the social security funds or institutes and converted them into a base of power; however, it was not a power to challenge the system or initiate "new" policy thrusts. It was mainly a veto power to protect turf and patronage bases. At the same time the additive growth logic of baseless triangle control systems surfaced. Over the years new institutes were added to the system. These did not, however, enhance the power flow to the apex, but rather created a multiplicity of points where power "leaked out" of the system. Moreover, the conversion of the institutes into patronage bases meant that other resources were also diffused at the intermediate level and failed to flow to the center to finance its policy thrusts.

A crucial development here was that fact that patronage logic overcame technocratic logic in staffing the institutes. This patronage logic which in Brazil is called *pistolão* (having the right connection) in the social insurance institutes was symptomatic of a growing division in the state apparatus between manifest principles of technobureaucratic management pressed by technocratic elites around the executive and the clientelistic hiring practices of labor and other political leaders allied with Vargas. The entire coalition was divided between those committed to modern rational legal principles of state-centric management and those who continued the patrimonial logic of clientelism. Put another way, it was a division between principles of organization based on formal rules and regulations, and modes of getting around those rules by personal connections. This process of finding a way around bureaucratic rules and regulations through personal connections has been elevated almost to institutional status in Brazil, signified by the ubiquitous phenomena known as *jeito* (literally the way).

Technocratic organizational and control values survived in the social security system in two locations: the ministry of labor and the insurance institute of industrial workers (IAPI). IAPI was the last institute formed and the only one to maintain a strict exam-based meritocratic hiring system. The IAPI quickly became the base of a self-conscious group of social security technocrats who began to criticize the cadres of other institutes as well as the overall system. This

group in IAPI also came to play an important political role not only in the social insurance system but, after 1964, in the larger state-based technobureaucratic structure (Malloy 1979, Ch. 4) .

The technocrats in the ministry of labor and IAPI began to form a coalition to plan a comprehensive reform of social insurance. Vargas seized the plan as part of his program of reorganizing the relationship between the state and the labor movement and moved to put it into practice. Again a coalition within the state apparatus sought a top-down reorganization of the system by concentrating initiative at the apex in the executive and the technobureaucracy.

The thrust to reform was not unique to Brazil. It was rather a part of a general move toward reforming social policy throughout the West spurred by World War II and given shape in the Chapultepec Conference on Problems of War and Peace and the famous Beveridge Report. These currents were crystalized into an image of social insurance reform that was pushed throughout the West by social policy technocrats of the ILO. Such programs were seized upon by social security technocrats throughout Latin America. By the mid to late 1940s cadres of social policy specialists were pushing for reform of social insurance schemes in all the early and middle adopting states of Latin America. The issue of social security reform set off a tense political battle in all of these countries that persisted well into the 1960s and 1970s and is resurfacing again today. The battle in Brazil was, *mutatis mutandis*, a model in the region.

The international model of reform was clearly aimed at what were considered inequities and inefficiencies in extant multiple fund systems. All the various reforms schemes in specific countries including Brazil embraced three central principles of the international model: universalization of coverage, uniformization of benefits, and unification into a single administrative structure. In Brazil and elsewhere, the principle of unification became a central goal of this ongoing process of statecraft aimed at increasing control of state-level elites over these power generating structures by eliminating what had become intermediate power points. In formal terms it was an attempt to reconcentrate initiative at the center by eliminating the middle points within a larger more centralized baseless triangle relationship.

The various interests built into the systems mobilized to block the reform. Resistance was particularly strong by labor leaders, patronage employees, and political elites who had appropriated the major institutes as bases of power and patronage. Although Vargas decreed the reform the resisters effectively blocked its implementation. In doing so they demonstrated that the structures that encased a policy launched some years earlier as a manifestation of initiative capacity concentrated in the executive technobureaucracy had over those years produced a shift of practical initiative capacity into the intermediate structures of the system. These now formed a veto coalition to block any attempt to reconcentrate the capacity.

In late 1945 Vargas was ousted by the military in a shift from a formal authoritarian regime to a formal democratic regime. While a new regime façade appeared, the basic state structure of

the Vargas regime as well as the major components of its supporting coalition continued to be core features of the structure linking state and society. Moreover, the issue of social security reform did not end with Vargas' fall, but rather reappeared with new intensity in the democratic regime where it raged until a new authoritarian regime was installed in 1964. The battle over social insurance reform made explicit the deep and growing split in the original Vargas regime support coalition between technobureaucratic policy experts linked to the executive and the quasi-official labor-based elites. The former represented the political image of rule as state-centered technocratic management fostered by Vargas over the years; the latter represented the more populist concept of clientelistic access to state-generated patronage and turf also fostered by Vargas. Indeed, one could argue that the split in social insurance policy was symptomatic of a general conflict developing within the ruling coalition put together by Vargas. This general division persisted well after the downfall of Vargas himself in 1945.

The growing split in the coalitional base of the regime pivoted around two issues. First was the underlying question of capital accumulation versus consumption produced by the politically mediated system of particularistic distribution. Perhaps more profound was the issue of control that was always so critical to the regime's statecraft; the ability of executive branch technobureaucratic elites to maintain a state capacity to manage the political economy by manipulating the previously erected structures linking the state, regime, and key groups of civil society. The political conflict produced by these two questions was exacerbated during the post 1945 democratic experiment.

The 1946 to 1964 period was one in which the Vargas regime shifted from an authoritarian to a democratic form. Indeed, the ouster of Vargas by a key component of his coalition, the military, was done at least in part to try to salvage the essential regime in the postwar world. The major factor maintaining the political significance of the regime was the ability of the two parties produced by the regime, the Partido Social Democrático (PSD) and the Partido Trabalhista Brasileiro (PTB), to dominate electoral and parliamentary politics over the period.

The logic of electoral politics not surprisingly led to an increase in the breadth and depth of political mobilization in civil society pushed and to a certain extent mediated by the PSD and PTB. This led to an increase in the levels of distribution and consumption over the period. Perhaps more importantly it reinforced the previous dynamics of clientelistic distribution and solidified control over the intermediate points in the system by party and labor elites who tended to merge into a quasi-official stratum mediating the interaction of the popular sectors with the government and the state. Clientelistic party politics penetrated the social insurance system as party elites particularly from the PTB linked onto the pelego elite that had come to control much of the system. The persistence of the essential structural and coalitional aspects of the Vargas regime into this new more open and politicized context had a number of important structural

consequences in the way decisional power was organized and deployed, setting the stage for the military takeover of 1964.

The internal division within the regime coalition widened over these years, pitting technobureaucratic elites, rooted in the executive apparatus and the military, against party machine and labor elites. To somewhat oversimplify a complex reality, the former operated with the original concept of statecraft as state-centered technocratic management of civil society; the later persisted with the *de facto* approach of politics as particularistic access to distributional privilege which viewed the state apparatus as a lodestone of patronage to increase their salience within the distributional networks (Malloy 1979).

Institutionally, this split began to be manifested in a disjuncture between the executive and the legislature even though for most of the period the latter was dominated by parties ostensibly in support of executives. To a certain extent the decision-making process saw technical elites formed around executives seeking to launch policy initiatives in the face of a legislature dominated by defensively oriented group-based elites who formed voting coalitions to block initiatives deemed inimical to their group interests and/or power bases. The trend that began in the 1940s of diffusion of decisional capacity into a multiplicity of intermediate points in the system continued and worsened in the democratic phase. The result was a growing political immobilism, manifested in an inability of the legislature to produce new policy initiatives either on its own or by ratifying executive initiated policies. The blocking capacity produced by the internal structures of authoritarian statecraft were brought into the open within the formal democratic framework (dos Santos 1979).

This process was manifested most clearly in social insurance policy; in fact the general division was reinforced by developments within the structures that delivered social security benefits. Owing to a number of reasons beyond the scope of this paper, party and labor leaders increased their control of the social insurance entities converting them into bastions of patronage-based power which were used not only to affect social welfare policy but also as a power resource in the broader political struggle. In the main, however, the conflict was among competing particularized components of the original Vargas coalition and did not, until the early 1960s, see a coherent class-based threat to the system as such.

The conflict over social insurance reform pitted an identifiable policy-specific technobureaucratic elite against party/labor elites and their clients within the state bureaucracy. That is, there was a division within the state and policy apparatus itself between policy technocrats and patronage (*pistolão*) public employees. The policy technocrats long based in the ministry of labor were joined in the 1940s by new corps of technocrats recruited into the insurance institute of industrial workers (IAPI). These technocrats not only identified with ministry technocrats but saw themselves as distinct from the more politicized patronage employees of other institutes.

Furthermore, they came to resent the growing influence of labor leaders in the industrial workers institute later in the democratic period. The social insurance policy structures along with the overall labor policy brought into existence new social groupings that were to play important roles in working out the complex pattern of relations among state, regime, and civil society in Brazil (Malloy 1979).

The battle over social insurance reform reached a dénouement of sorts in 1960 with the passage of a Lei Orgânica de Previdência Social (organic social insurance law). Modeled on the original technobureaucratic principles first advanced in the 1940s the Lei Orgânica was a much watered-down version of the original proposals produced by years of bargaining and trade-offs in the legislature. The efforts of the policy technocrats resulted in only cosmetic reforms; the major achievement was a movement toward a uniform set of benefits. In short, the Lei Orgânica was a hollow victory that did little other than highlight the impracticality of launching any major reform initiatives that were perceived as threatening to any of the multiple interests embedded in the system. Again this fact was symptomatic of the broader immobilism and diffusion of decision-making capacity built into the Vargas regime now reinforced by a formal democratic system of decision and rule.

Some structural changes produced by the Lei Orgânica actually made the social insurance system a greater power resource than previously. This became most significant when during the presidency of João Goulart, a relatively radical minister of labor, Almino Afonso, opened up positions in the system to nontraditional labor leaders advocating an autonomous union structure aimed at major class-based structural change (Erickson 1977). Aside from the problem of decisional immobilism, the social insurance system became the base of what was perceived by many as a class-based revolutionary threat to society. Hence, the social security technocrats joined other components of the original Vargas coalition, as well as opposition groups, to become part of a potential coalition supporting a new military regime aimed at crushing the perceived revolutionary threat, breaking the log jam of immobilism, and reconcentrating decisional power in the central state where it could be deployed by technobureaucratic elites.

Again the struggle over social security reform occurred in all of the early and middle adopters. Although there were obvious national differences, the issues were basically the same across these countries. The major sticking point was the reluctance of groups and elites embedded in the system to give up their privileged insurance schemes and their patronage bases in the system. The battle was particularly intense in Chile where it became a major public issue in the governments of Eduardo Frei (1964-1970) and Salvador Allende (1970-1973). The issues involved highly fragmented particularistic groups and clientelistic-based party elites who used their bases in the legislature to block initiatives of executives allied with technobureaucratic policy

elites. In Chile a stand-off developed between the executive and the legislature symptomatic of a deep structural crisis building in the system.

Also in Chile the issue of social security reform was enmeshed in a political struggle that had escalated into a polarized ideological clash. As with Goulart in Brazil, radical groups took advantage of the change oriented Allende government to mount serious challenges to the existing system which as in Brazil provoked a military-based counter-revolutionary seizure of power in 1973. As in the case of Brazil, the military action in Chile resulted in a reconcentration of initiative capacity in the executive and the state technobureaucratic apparatus (Borzutzky 1983). In both countries the new military-based authoritarian regimes imposed by executive decree substantial reforms of their respective social security systems. Indeed, by the late 1970s there had been only four reforms of established social security systems in Latin America; all four, Argentina, Brazil, Chile, and Peru, were conducted by military-backed authoritarian regimes.

By far the most complete reforms were those of Brazil and Chile. The most radical reform was that of Chile which broke with all previous social solidarity concepts of Western social insurance and instituted a system of state-enforced private individual pension accounts. The Brazilian reform while massive in scope unfolded along the lines of social insurance reform pushed in the West since the 1940s.

### **Military Statecraft and Social Policy**

The military uprising of 1964 was a complicated series of events that set in motion an equally complex process of sociopolitical transformation in Brazil (Stepan 1973, Skidmore 1988). In terms of regime transformation the picture is quite murky. To some extent the most apt characterization was O'Donnell's concept of the bureaucratic-authoritarian regime. Nonetheless, it seems clear that the only stable characteristics of the new regime were its concentration of authoritarian decision-making power in the executive, and the alliance between military and civilian technocratic elites that controlled the state apparatus. At the same time the support coalition behind the regime was fluid and there was extensive experimentation with the structural form of government. For these reasons I agree with observers (Baretta and Markoff 1987) who argue that a regime form never really settled and that the most enduring quality of the 1964 to 1985 period was its transitional nature. The major point is that while this paper uses the notion of regime to talk about statecraft and social policy in this period it is important to keep in mind the fact that the fashioning and refashioning of critical aspects of the regime went on throughout the period and fed into the policy process in important ways.

One certainty is that social insurance policy, as an issue of structural reform, became a central concern of the new government. The policy strategy took shape over time and reflected:

a) the consolidation of a style of statecraft derived in part from the military's national security doctrine; and b) a shifting policy context shaped by the changing pattern of interaction between the state and civil society as well as important developments in the concepts of state and citizen. During the first phase, two governmental goals were important in creating the policy context for social insurance. First was the drive to reconcentrate decisional initiating capacity at the level of the state, specifically the executive and the technobureaucracy. This was related to the second aim of reasserting the capacity of state managers to direct the accumulation of capital by asserting control over the economy and reducing general levels of consumption.

In social insurance policy, the first move was a general purge of labor leaders from the existing institutes and their replacement by social insurance technocrats. This move was part of the larger strategy of political "exclusion" aimed mainly at organized labor which was linked to government's imposing the costs of capital accumulation onto labor (Stepan 1973). The purge paved the way for a 1966 unification of existing institutes covering workers in the private sector into a single National Institute of Social Insurance (INPS). The new institute was organized to assert technobureaucratic control over administration of the policy by, among other things, eliminating worker representation in key administrative councils. It is however quite significant that longstanding plans of social insurance technocrats for other reforms were put on hold. This minor policy setback signaled an interesting development within state level policymaking circles. Essentially, the plans for expansion were subjected to the scrutiny of technobureaucrats charged with macroeconomic management who held these and other reforms too costly (Malloy 1979).

By asserting a practical monopoly of state-based elites over this and other policy arenas the government shifted the axis of policy dispute from a debate between state-based elites and elites rooted in civil society into a technobureaucratic debate within the state apparatus itself. Within the emerging military technocratic alliance in control of the state there began a process of conflict over social insurance and other policy matters. Within the arena of social insurance policy the division was primarily between policy-specific technocrats generated by the old system and macroeconomic managers lodged mainly in the ministry of planning.

This development in social insurance policy was somewhat ironic because a cadre of senior technocrats drawn from the old social insurance system, especially the institute of industrial workers, became a core component of the new military technocratic alliance; indeed they helped set the new managerial tone of the regime and individuals from the cadre went on to head important offices including the ministry of planning. Nonetheless, the division occurred and in my view reflected that the new regime had a sense of strategic economic management to which specific policy areas were subordinated. Hence, in these early debates and discussions, policy-specific technocrats tended to be bested by more macroeconomic-oriented technocrats.



In the late 1960s and early 1970s, the policy context began to change. One factor was the shift from a macroeconomic strategy of economic stabilization to one of rapid and sustained growth, and the attendant “economic miracle.” The other factor was the crystalization of the military regime’s statecraft around the goal of making Brazil a major world power by early in the 21st century; a goal expressed in the much repeated concept of national *grandeza* (grandeur). At the same time the emergent military regime projected the state as the pivotal point in the pursuit of national *grandeza*. The pivotal role of the state was based on the conceptualization of the state as *universitas*; that is as a unitary association perceived as a corporate entity to be effectively organized to pursue the central goal of *grandeza* (Oakeshott 1975).

In this conceptualization of the state, government was viewed as essentially a process of managing the state/nation to maximize its potential power. In this scheme all policy flows were instrumental to the larger goal of the unitary corporate association. Such policy was encased in structures based on a notion of rule as a depoliticized top-down process of technobureaucratic management. In so doing, the regime was resurrecting in even starker form the essential conceptualization of statecraft informing the Vargas regime; ratifying to some extent the fact that the process begun in 1964 was in large part a struggle between two wings of the original Vargas regime coalition.

Although somewhat vague, these concepts that we are reading into the situation are important because they relate to key issues of constitutional or institutional engineering central to the process of regime transformation in Brazil over this century; particularly in the alternation between overtly authoritarian and democratic regime types. Behind these shifts has been a deep conceptual and structural division between two fundamentally opposed perceptions of state/civil society relationships as well as concepts of the meaning of governance and rule. Basically the split has been between a *concept* of rule expressed through an executive-centered government managing a singular national entity versus a legislative-centered *concept* of government as articulating multiple interests emerging from civil society. The continuing salience of these central notions and their relations to concrete political forces in Brazil was more than evident in the 1987 constituent assembly debates on the new constitution where a major issue was a parliamentary system of governance versus a presidential system. While the new constitution continues with a presidential system the issue is far from dead in Brazil, or elsewhere in Latin America.

Deep in the military regime’s conceptualization of the state and governance was a significant new mediation by the concept of nations in the central relationship of state/citizen. As a result, another component of the changing policy context was the perception of statecraft as a process of national integration in which the pre-existent dualism was to be overcome and a single national entity achieved. In this dimension of statecraft the expansion or universalization of citizenship becomes a strategic means toward the end of national integration. Social welfare

policy as a mode of establishing and expanding “social rights” of citizenship becomes thereby crucial to these issues of statecraft. In short, social welfare policy became a very conscious instrument of the regime’s statecraft in the 1970s and 1980s (Demo 1981).

In the 1970s the regime began to move social insurance along three major policy trajectories that were to have profound effects on the system: a movement toward universalization of coverage; a significant structural reorganization of the system aimed at increased centralization and consolidation; and finally a significant process of reconceptualizing the entire system.

In terms of expanding coverage a most significant move was the implementation of a scheme of rural social insurance that was originally articulated in 1963. The rural system known as FUNRURAL (Assistance Program for Rural Workers) offered a much reduced package of benefits, the keystone of which is a retirement pension set at one half the national minimum wage. In addition, the plan calls for the extension of medical services as funds become available.

The two most significant aspects of FUNRURAL, however, were the financing of the program and the way benefits and services were delivered. This system saw the first rupture in the concept of a contractual benefit based on contributions by the insured to one based on a status category. Under the scheme all rural workers receive the same benefit and make no contribution. The scheme is funded in principal by a tax on wholesalers of rural products and a tax on the wage bill of urban enterprises. FUNRURAL does not maintain a large staff but delivers services through recognized associations of rural workers and/or employers and other recognized groups. We have little in the way of empirical investigation of the delivery of rural benefits but it seems clear that the scheme was plugged into the patronage base of political parties and other groups supportive of the government.

Expansion of coverage also took place in the urban sector. In 1972, all self-employed workers were legally incorporated into the main INPS system. Later in 1972 coverage was expanded to all domestic workers. These moves not only expanded the population covered by the system but also, in theory at least, expanded the system into the traditional informal sector of the economy. Finally, a measure was adopted that granted a minimal pension to the aged and handicapped not covered by the main programs. Thus, most previously excluded groups were, in principle at least, brought into the system although enforcement was obviously another matter.

Aside from expanding the insured population the regime also promoted an expansion in the benefits of the system, most particularly non-cash services. The most significant aspect of this was a dramatic expansion of curative health care under the aegis of the social insurance system. In terms of spending, the most significant percentage increases came in the area of health care.

There were a number of factors driving an expansion of the system. Some were endogenous to this type of social insurance system while others were more reflective of the

regime's statecraft. First it is important to note that social insurance systems of this type have in fact tended to expand along an inertial track throughout the global capitalist system in this century. Thus, there is a transnational dimension of functional imperative in this policy area. Political analyses of these systems show that expansion has been driven by technobureaucratic elites pushing the original supply-side logic of these systems, reinforced by the behavior of political elites and representatives of beneficiaries; the so-called iron triangles of distributive policy expansion (Malloy 1985).

Another factor linked to a deeper logic of these systems. When organized on a "pay as you go basis" which had become the case in Brazil these systems distribute costs over time from one generation to another. In a kind of ponzi game logic the system needs to be pulling in more active contributing insured to finance the benefits of the passive beneficiaries. Financially, a crucial calculation is the ratio between active and passive insured. In brief, the system has a built-in tendency to expand in search of new contributors or those in whose name revenue is generated; this reality is expressed in the formula that the more mature the system the more it needs to expand its contribution base to offset the increase in the passive group.

The complex financing logic of the system also relates to the exogenous political factors linked to the expansion of the system. In a maturing system the active/passive ratio is linked directly to demographic and employment factors. In Brazil the conjunction of demographics, the expansion of employment produced by the so-called economic miracle of the late '60s and '70s, and the injection of new active insured owing to horizontal expansion of sectors covered all converged in the mid-1970s to produce a substantial surplus in the system. A general rule of thumb confirmed in the Brazilian case is that when political and technobureaucratic elites confront such a budget surplus they cannot resist tapping those resources and using them to pursue their broader political goals.

Our argument is, then, that logic internal to the system converged with the strategic goals of statecraft of the regime to produce the expansion of the system both horizontally (covered population) and vertically (types and values of benefits). Put another way, the existence of the system as well as its own logic in the context of the 1970s in Brazil provided the regime with a policy structure and set of resources that could temporarily at least be exploited to serve the statecraft of the regime.

When looking at the process from the perspective of the regime's statecraft, three contextually defined factors stand out as pushing social insurance policy forward. First, as we noted above, was the overall goal of national grandeur which informed the broad statecraft of the regime and gave it coherence. Most specific here was the creation of a state/nation identity with a particular notion of citizenship. The horizontal expansion of social insurance happened in the context of an authoritarian regime with a decided bent to emphasizing a top-down flow not of

“social rights” but of economic privileges to offset or contain effective articulation of civil and political rights of citizenship.

Another reason emerged from the regime’s statecraft in the 1970s of seeking a broader base of popularity among the populace particularly to legitimize the process of a controlled or managed decompression of decision-making power initiated by then President General Ernesto Geisel. Specifically, the regime began to explore ways of ameliorating the “social costs” of its previous capital accumulation strategy especially the regressive effects of its wage and price policies. In this regard, social insurance was attractive because it was relatively low cost, was under central managerial control, and was linked to structures aimed at controlling labor and other groups.

One more crucial factor in structuring the climate of expansion was the process of political opening or transition itself which was formally initiated by the regime after 1974. The strategies of *distensão* (decompression) and the *abertura* (opening) reinjected “politics” into the managerial model behind the reform of 1966 in at least two crucial ways, both mediated by the party system set up by the regime. The first was the re-emergence of an electoral market in which party leaders spurred by interest group representatives pressed the technobureaucratic executive for policies that would generate votes for the official Arena Party. The issue of electoral strategies became particularly salient after the regime’s loss to the official opposition Partido de Movimento Democrático Brasileiro (PMDB) in the 1974 elections. Another political factor was the reintroduction into the social insurance system of party and interest group-based clientelistic politics. Intermediate elites in alliance with but not necessarily controlled by technobureaucrats in the executive began again to convert the system into a deployable resource to build clientele through the same two means as before: legal technicalities allowed intermediate elites to treat benefits as a scarce resource delivered through clientelistic channels while the consolidated and enlarged bureaucratic apparatus was a lodestone of patronage jobs under the control of party machines, particularly at the local and regional level. Again the social insurance system began to be split between a principle of unified top-down technomanagerial control and a principle of pluralized intermediate decision points linked into party and interest group elites. Initiative capacity was beginning to diffuse from the center into intermediate points in the structure. (Political pressures became more operative in the late 1970s and early 1980s.)

At the formal level, however, the regime did complete an important process of centralization and unification of the administrative structure of *previdência social*. In 1974, a new Ministry of Social Security and Social Assistance (Ministerio de Previdência y Assistência Social, MPAS) was created to oversee all programs in these areas. Then in 1977, the functional and financial unification of the system was completed when the National System of Social Security and Social Assistance (SINPAS) was formed as the chief administrative entity in the field under the

tutelage of the Ministry of Social Security and Social Assistance. SINPAS oversees traditional social insurance and the newer programs of social assistance (also introduced in the 1970s) which are presently functionally differentiated into a series of separate but subordinate administrative entities. As presently set up, INPS is charged with disbursing all traditional social security cash benefits in both the urban and rural sectors. Most significantly, INPS also generates, by far, the bulk of the whole system's financial resources. The second most important entity is the Institute for Medical Assistance (INAMPS), which oversees the delivery of all curative medical services provided by the system. (The administration of the system is overseen by a specific administrative institute, IAPAS, while all data gathering and analysis activities are under the charge of a separate entity called DATAPREV.)

Thus, in 1977, the goals of universalization, uniformization, and unification first articulated in the 1940s by social security technocrats were, for all practical purposes, realized. In the present scheme, the basic programs of the military and civil servants remain separate; however, the definition of civil servant has been tightened considerably so that now the majority of the employees of the government and state enterprises are covered by INPS.

By the late 1970s according to government data, some 87% of the economically active population received at least some nominal mode of social security coverage which, in absolute terms, translated into some 37 million insured. There were more than 3.5 million receiving retirement benefits, some 1.7 million receiving survivor pensions, and some 1.2 million receiving old age and disability pensions. When health care is added, some 7.5 million Brazilians collected from SINPAS in 1980.

In spite of these achievements, there is yet, for all practical purposes, a three tier system in Brazil. The best system is that available to the military and civil servants. The next best (in some cases superior) is that of workers employed by public, mixed, and private corporate entities in the oligopolistic sectors; in addition to their superior INPS benefits, they receive supplemental programs administered by their firms. Last, and by all means least, are those in the competitive sector, the self-employed, domestics, and rural workers. The significance of the differentiation is heightened by the fact that the bulk of the financing of the system is still through payroll taxes which, in one way or another, fall regressively on the entire population causing those with inferior programs to support the schemes of those above them in the hierarchy.

The final development in the area of social insurance policy was the beginning of an important reconceptualization of the system. Here two aspects were crucial: first, the break in the link between contribution and benefit with FUNRURAL; second the growth in noninsurance assistance activities. Aside from two minor assistance programs aimed at adults, Legion of Brazilian Assistance (LBA), and at children, the Fund for the Welfare of Minors (FUNABEM), the most significant development was a dramatic growth in expenditures for curative medical care

which was made available to noncontributors. At the time and since the discussion in Brazil has been couched in terms of shifting from a model of social insurance to one of social security more in concert with the “welfare state” approach of the core capitalist societies. Recently both academic observers of the system and policy elites have begun to use the language of citizenship rights to discuss these conceptual changes. In these discussions some see a shift from contractually generated rights to rights linked to citizen status that reflects a universalization of the social rights of citizenship. (dos Santos 1979; Feijo Coimbra 1980; Fleury Teixeira 1984).

### **Politics and Fiscal Crisis**

The changes introduced into the social insurance system by the military-backed regime were generally viewed as quite successful. Indeed, by the latter part of the 1970s, *previdência social* was one of the most popular features of the regime; so popular that the minister of social insurance and social assistance instantly became a sought after public post through which political leaders could project a positive image.

Even as the revamped social insurance system was viewed as a success for the regime’s technobureaucratic style of statecraft, developments within and around the system began to repoliticize it. First and foremost, in the context of a renewed salience of electoral politics introduced by the policies of decompression and opening, regime spokespeople, such as minister of social insurance Nascimento e Silva, openly referred to *previdência* as one of the most potent political weapons available to the government and particularly the official party.

As a result of these developments, the more technical administrative type of rationality began to be replaced again by party-based political considerations and their attendant electoral logic. Finally, as the social insurance system and new party structure began to link up, party machine-mediated clientelism intensified. In short, the social insurance system again became a pivot around which moved an intense and complex political game operating on many levels.

The situation of social insurance, like most else in Brazil, took a sharp turn for the worse in the early 1980s. In the context of the severe economic crisis that hit Brazil, the social insurance system developed a severe fiscal crisis manifested in a 55 billion cruzeiro deficit in 1981. As a result, in the national debate over the economic crisis, the fiscal crisis in SINPAS quickly emerged as a highly visible public issue. The fiscal crisis of social insurance in Brazil while country-specific was also reflective of a generalized fiscal crisis of social insurance programs throughout the capitalist world. This generalized crisis revealed the sensitivity of social insurance systems to employment levels and other macroeconomic factors. As we saw in the United States, such fiscal crises tested the capacity for statecraft of a number of governments and regimes throughout the world.

Efforts to come to terms with the fiscal crisis in SINPAS were shaped significantly by the new political context of the 1980s. Owing to the regime's strategy of controlled redemocratization, the legislature had again become a player in the process of launching public policy initiatives. The whole matter was complicated and intensified further by the increasingly open political system gearing up for elections scheduled for the fall of 1982. Aside from choosing a new legislature these elections would mark the first direct election of state governors since 1964; a fact that was given an interesting twist when in May 1981 Jair Soares, the incumbent minister of Previdência, announced his intention to run for governor of the state of Rio Grande do Sul.

The debate over social insurance policy soon revealed that in the eyes of most experts the deficit was not transitory but an outcropping of a deeper structural crisis besetting the system. Some pointed to the rapid increase in the cost of medical assistance along with waste, mismanagement and fraud in medical payments as the chief culprit. While the problems of medical assistance were and are real, their full significance emerges only in relation to even deeper structural questions related to the internal logic of social insurance and to the previous policy strategy followed by the regime in the 1970s.

In spite of the expansion into areas of assistance like curative medical care, SINPAS was still financed according to classic social insurance principles; the bulk of funds come from contributions by the insured and employers, supplemented by a modest government contribution for administrative costs. In the early 1970s the government policy and an expanding economy increased the contributing base of the system both in numbers and the overall value of the taxable wage bill. Indeed, by the time SINPAS was established, the system had run out of new groups to incorporate into the system unless the government was willing and able to redesign FUNRURAL into a contributory scheme. Henceforth, the contributory base would be driven by the age structure of the population and the dynamics of the economy.

However, as we saw, strategic and contextual political factors were pushing the policy into a mode of increasing expenditure, particularly in assistance, even as the structural limit of the contributing base was becoming fixed. It was against this reality that the issue of financing medical assistance takes on real significance; for medical assistance is not independently financed. Furthermore, medical assistance is a sub-policy that has its own economic and political factors driving it in such a way that is difficult if not impossible to effectively limit expenditures. However, health expenditures were not driven by the needs of the population, or by the workers' demand. Health expenditures were supply-driven. Both in quantity and price, as well as in the quality and type of service offered, health policy was determined by decisions made by owners of clinics and hospitals.<sup>2</sup>

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<sup>2</sup> Indeed, medical assistance is such a complex issue that it deserves a separate policy analysis which is beyond the scope of this paper. Suffice it to note that a central political aspect of medical

The debate over the fiscal crisis in social insurance policy was intensely political and revealed a number of conflicts and contradictions both between the regime and its opposition and within the regime itself. At the most basic level was a contradiction between the policy imperatives generated by the severe economic crisis and the implications of the gathering momentum around what was by then being called redemocratization. The latter process, which had been initiated in better economic times, had clearly produced an internal logic pushed mainly by the exigencies of electoral politics; the former in turn was driven not only by domestic economic issues but also by pressure from international actors focused on debt.

At its core there was a fundamental contradiction between a situationally defined political logic and a situationally constrained economic logic. Since the late 1970s the process of political opening was increasingly driven by competitive electoral politics in which more popular distributional policies led to some increase in general levels of consumption. The immediate economic crisis and its attendant international pressures provoked the perception among technocratic decisionmakers of the need to “manage” the economic crisis by means of consumption-reducing austerity programs. In many respects this basic division has persisted into the present undermining both the process of legitimating a democratic regime as well as the government’s ability to mount and maintain a coherent approach to the economic crisis. The result has been a severe malaise which has gripped the nation and threatens to provoke another deep crisis at the level of state and regime.

Be that as it may, the social welfare system (SINPAS) became an important focal point around which the fundamental conflict between political and economic logics was carried out. Put another way, social insurance policy became a key arena in which central issues regarding distribution and redistribution were posed; the policy was at the heart of the recurring tension between the economic imperative of capital accumulation and the political imperative of legitimation. Looming overall was the complex game of statecraft within which an authoritarian regime sought to manage its own transformation into a more democratic regime form.

At the outset, the two main governmental actors were the minister of planning, A. Delfim Netto, and the minister of social insurance, Jair Soares. The issues between the two ministers involved both questions of finance and control. Basically, Delfim sought to assert the primacy of the macroeconomic technocrats over questions like *previdência* which they perceived as essentially sub-policies of broad macroeconomic policy. Specifically, at that point, Delfim was

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assistance in Brazil is the fact that the bulk of medical assistance is contracted out to the private sector. As a result medical assistance has been a significant boon to private medicine as well as to both national and multinational pharmaceutical firms. Indeed in Brazil, as elsewhere, a politically potent medico-pharmaceutical complex has developed. Not surprisingly this complex has become a key actor in the policy process and like other interests accumulated in the system is loath to accept reforms that threaten the flow of capital into the complex.



pushing a broad-based policy of austerity designed to stabilize the economy and reassure foreign actors like the IMF. Central to this approach was the position that SINPAS had to solve its financial problems through a policy of austerity in which balance was achieved exclusively by raising contributions and reducing benefits.

Intimately connected to these questions was the fact that historically contributory social insurance in Brazil has amounted to a program of enforced savings that was often tapped by other state actors to finance short-term political goals like building subsidized housing or more strategic goals such as financing the national steel industry. It is noteworthy that even in the context of the fiscal crisis the main cash benefit part of the system, INPS, was in surplus. The problem arose from the diversion of INPS revenues to finance assistance programs, especially health care. Thus, there is reason to believe that by cutting back on health care and increasing contributions Delfim and the planning technocrats were seeking to tap into the capital accumulating capacity of INPS to finance other macroeconomic goals especially in relation to the debt (*O Estado de São Paulo* 9/6/81, p. 14 and 5/11/82, p. 16).

Not unexpectedly the planning ministry came up with a plan to solve deficits in SINPAS by “rationalizing” medical expenses deemed by Delfim to be the chief culprit in the deficit and to raise the contribution of employers and insured from 8 percent to 10 percent of the wage. This approach provoked tension with the more politically attuned Jair Soares and SINPAS over questions of control and specific plans to deal with the crisis. Soares and his technocrats questioned the primacy of health assistance in generating the deficit and pointed instead to broader structural factors like demography and employment levels; factors that they perceived as aggravated by previous labor policies and the immediate program of austerity which was causing an economic recession and thereby increased unemployment. The political implication of this argument was that the planning minister’s proposal for SINPAS amounted to forcing SINPAS to raise its tax contribution rate to offset negative effects of broader macroeconomic policies. Thus, Soares and SINPAS suggested that while assistance services should indeed be scaled back, the revenue problem should be resolved through new broader taxes outside of the INPS contributory base.

Following through on its commitment to foster a democratic opening, the government presented the planning ministry’s plan to cut benefits and raise contributions to Congress. The plan or *pacote* (social insurance package) immediately ran into resistance not only from the opposition PMDB party but also from within the government’s own support party, the PDS, which split sharply on the issue. Whatever the programmatic basis for congressional resistance it was stiffened by a wave of protest from a variety of sources which included organized labor and employer associations; popular pressure that gained significance with the 1982 elections in the offing. Thus, the battle over plans to deal with the deficit of SINPAS generalized quickly into a

complex clash involving intrabureaucratic struggle, tensions between the executive and legislature, and the activation of interest groups in civil society.

In the ensuing struggle an “affinity of predisposition” if not an alliance developed between the congressional opposition within the PDS and the “political” minister of *previdência* Jair Soares. Then President Figueiredo attempted to assume an olympian position above the fray and the task of pushing the government position fell to Delfim and his technocrats in planning. The final personality in the struggle was Senator Jarbas Passarinho, leader of the pro-government PDS party, who increasingly moved to the fore of the congressional opposition.

This policy battle over and above any clash of the regime with opposition forces also revealed again a division within the regime’s basic support coalition between a party-based wing politically sensitive to signals from civil society and a technobureaucratic wing committed to top-down resolution of policy issues within a broader managerial perspective of statecraft. The issue also reflected, however dimly, the recurring tension within the regime over capital accumulation versus generating some degree of popularity if not legitimacy through distributive policies. The Delfim line was clearly toward capital accumulating austerity and to a large extent marked a substantial shift away from progressive distributional policies adopted by the regime in the late 1970s.

During August and September of 1981 the battle was joined in Congress. The government presented its package and then tried to ram it through using a complicated parliamentary maneuver (called the *decurso a prazo*). Congress reacted negatively to the maneuver. Jarbas Passarinho came to the fore, leading the opposition to the maneuver and also putting together a policy coalition between a faction of the PDS and the PMDB. This grouping came up with its own package which quickly sailed through Congress. The congressional package eliminated most cuts and proposed a 2 percent tax on luxury goods to provide new revenues. The congressional action was lauded in many quarters not only as a tamer approach to the policy issue but also as an assertion of congressional authority in the face of technocrats. Delfim Netto and his technocrats assailed the plan as incapable of solving the problem. However, he shrewdly pointed out that at the least Congress ratified the concept that some type of tax increase was indeed crucial. Jair Soares pirouetted around the issue and finally opined that the deficits were probably not as bad as the planners projected and therefore the congressional approach could well work.

There the matter seemed to stand as Congress turned its attention to another electoral law and the impending Christmas recess. Then, in a surprise move, the government used the Christmas recess to revert to its old ways and simply decreed a new *pacote* on social security. In so doing, the government demonstrated that the regime still had enough decisional capacity in the executive to work its will. However, given the prior struggle and the manner in which the

government made its move, it was clear that initiative capacity was rapidly diffusing into other power points in the system.

The *pacote* of December 30, 1981 (decree law 1910) not only returned to but considerably stiffened the original stringent proposals produced by the technocrats of planning. Payroll taxes were increased according to a sliding scale for insured and a flat 2% for employers. The wage base was raised from 15 to 20 minimum salaries and pensions for the first time were subject to taxation. The taxes on luxury goods remained in force. Finally, the government granted a special loan of Cr. 168 billion to SINPAS to cover its immediate deficit. Like a good soldier, Soares backed the program once it was decreed and announced that the loan would solve the system's immediate problem while the new taxes would resolve the long-term problem. He even opined that the controversy of the last months would not really hurt his electoral campaign.

While many congressional figures were unhappy with both the content of the *pacote* and the way it was decreed, debate shifted to the issue of choosing a successor to Soares. Both Soares and Delfim publicly backed different figures for the post. Other candidates were also discussed but, in the end, President Figueiredo came up with a surprise choice, Helio Beltrão, who at the time was special cabinet-level official charged with debureaucratizing the state. In addition to that post, Beltrão had been a highly successful businessman; somewhat less well known was the fact that he began his career as one of the original social security technocrats in the original institute of industrial workers back in the 1940s. By all accounts, Beltrão, who held onto his other position, was a most popular choice both within the government and among the public at large.

With the *pacote* in force and a new popular minister in place, the issue of social security faded from the open public agenda. Increasingly, attention shifted to the problem in the economy, the ballooning debt crisis, and to upcoming elections of the fall of 1982. However, the attention and concern of technocrats in social security did not fade. Very quickly, private reports began to circulate among policy elites arguing that the *pacote* of 1981 was only a short-term palliative and that quite soon a new and even more severe fiscal crisis would develop within SINPAS.

Beltrão's period as minister was an interesting interlude that revealed much about SINPAS; above all the degree to which party-based clientelism had again penetrated the administrative apparatus of social insurance and was converting it into patronage. Beltrão made this political penetration of SINPAS an issue when he immediately rescinded 2,500 new hires that Soares, in time-honored fashion, had made on the eve of his leaving to run for governor. As the hires were patronage funnelled through PDS it is not surprising that party leaders assailed Beltrão's move. Undaunted, Beltrão, already a popular figure, made it clear that he intended to

recentralize decision making in SINPAS and reimpose an essentially technocratic managerial style.

Even as Beltrão moved to reassert technocratic authority, he set out to implement the provisions to rationalize the health system called for in the December 30 *pacote*. For a variety of complex reasons this action brought the minister into conflict with the various private sector interests embedded in the health system as well as federal employees in the system and other popular sector interest groups. This opposition converged with that of the PDS politicians around Beltrão's resolution to remove "political" regional superintendents of social insurance and replace them with technocrats controlled by the ministry.

This *de facto* coalition revealed that in a relatively open political system parties and interest groups again converged to form blocking coalitions to resist structural innovations that threatened their control of pieces of this administrative manifestation of the state. Again, an initial (late 1960s and early 1970s) concentration of decision initiative in one bureaucratic component of the state led to a structural reality in which, as the system opened up initiative capacity, began to diffuse into a multiplicity of points. Moreover, what began as a more or less coherent regime began to divide internally around rival images of governance. A more society-focused political wing came into tension with a more state-centered technobureaucratic wing. At that point, the executive-based technocrats could still ram their views through but that capacity to "act autonomously" was clearly slipping away.

At that time, Beltrão and Delfim Netto appeared to be partners pushing the same technocratic line of governance and policy management. This presumed harmony soon proved to be an illusion. In mid-1983 the two powerful figures found themselves in an intense intra-administrative rivalry centered on the president. While this clash of titans surely reflected the personal ambitions of the two men it also revealed a deeper conflict over rival views regarding the relative emphasis of state managers on national and international factors when the two were perceived to be in conflict.

As we observed, Delfim represented a technocratic policy line of resolving the general economic crisis through an austerity program meant in no small part to be acceptable to international interests as represented by the IMF. Behind this was the clear view that Brazil's economic future was tied to a relatively open interaction with the international economic system. This view had deep roots in the regime and was fused in the notion that, to project itself as a world class power, Brazil had to play a self-confident international economic game.

The approach pushed by Delfim clashed with that of Beltrão on at least two levels. First was the implicit tension at the outset of the regime between policy-specific administrators and macroeconomic planners. By 1983 SINPAS was again in deficit and again Delfim suggested a way out through managing benefits and taxes in the system. Beltrão, now a very popular figure who

was openly talked of as a possible presidential candidate, counterattacked. Backed by his technocrats, Beltrão argued that the problem was structural and that the austerity policies pushed by Delfim were undercutting social insurance because in a variety of ways they were reducing the overall wage bill upon which social insurance relied for its finances. Furthermore, he advanced the not unpolitical stance for one considering an electoral run that the austerity program was counter to national economic interests.

This conflict of nationally versus internationally focused policies was joined again around Beltrão's approach to rationalizing the pharmaceutical aspects of medical assistance. He was pushing a plan whereby the government would promote a substantial increase in the role of national firms in supplying the system. Delfim in turn argued against any hint of a protectionist policy that would close an important area of Brazil to external investment; the battle between the two was projected in the highly charged tones of nationalism.

By November, the clash between the two wings of the government came to a head again around the question of the SINPAS deficit. President Figueiredo on his return from a medical leave lined up behind Delfim and informed Beltrão that the government would cover only part of the SINPAS deficit and that a further solution should be sought from internal economies. Beltrão resigned in protest publicly denouncing Delfim's policies as a sellout to international interests symbolized by the IMF, which would in the end have dire consequences for Brazil.

With the withdrawal of Beltrão the government turned to one of its wildest political leaders, Senate president Jarbas Passarinho, to assume the ministry. This was an obvious bow to the political groups that had recently opposed government proposals for SINPAS. Beyond that, the appointment confirmed the repoliticization of social welfare policy as well as the fact that technobureaucratic managers had lost their monopoly over policy in this area. In effect, the government recognized that in this policy arena at least initiative capacity was diffusing from the executive-centered bureaucratic apparatus of "the state" to intermediate points where electorally focused party organizations interfaced with organizations produced by civil society.

Since 1983 SINPAS has survived through stop-gap borrowing from the government, revenue increases produced by the *pacote* of 1981, and economic reactivation. As a result, the dramatic policy debate generated by questions of the system's immediate solvency faded somewhat; a development helped along by concentration on the debate over the form and pace of redemocratization. The fact is, however, that the structural realities that produced the fiscal crisis of *previdência* remain in place and, therefore, the spectre of a future crisis looms over the new democratic regime defined in the constitution of 1987.

As the immediate crisis in *previdência* faded the policy discussion became less public and less intense. Moreover, while the discussion has remained among specialists and experts, the range of participants has expanded beyond regime technobureaucratic elites and politicians to

include nonregime academic specialists housed in universities and nongovernmental think tanks. To some extent nongovernmental social scientists have begun to shape the central issues of the debate. Questions of financing are still central but lately those issues have been converted into a broader discussion over the question of citizenship, particularly the social rights of citizens and the linkage of these issues to the problem of grounding a democratic regime. It has been a rich and fascinating discussion which we will only briefly highlight here (dos Santos 1979; Fleury Teixeira 1984; Araujo Oliverira & Fleury Teixeira 1986; *Rumos da Nova Previdência* 1986).

### **Conclusion**

There is no question that during the military regime social insurance was expanded into being, for all practical purposes, a universal right in Brazil. Serious questions remain, however, regarding the content of the right, unequal distribution of the right, how a claim is made on the right, and who pays for the right and how?

First it must be recognized that, while substantial steps were made to unify the system, at least four substantial differentiations persist: separate systems exist for the military and civil servants, for urban employees (INPS), for rural workers (FUNRURAL), and finally, numerous citizens can claim assistance benefits but not the cash benefits of either INPS or FUNRURAL. The quality of benefits among the programs varies substantially descending from the programs for the military and civil servants to those of INPS to the rural program. Moreover, within INPS there is stratification of benefits based on the amount of contribution while medical facilities are very unevenly distributed throughout the country. Finally, the cash and assistance benefits provided through SINPAS are financed largely through employer contributions based on wage bills that are a *de facto* indirect tax on the general populace.

In the current debate, however, the issues have been framed around the opposition between a claim to benefit based on contribution (contract) versus one activated simply by the status of citizen and the financing implications of one or the other principle. At present the system is divided between the two. FUNRURAL and medical assistance are noncontributory; INPS is contributory and, in effect, its dual contributory base (employer and employee) finances itself and part of the other two programs. Three questions have emerged: should medical assistance (INAMPS) be put on a self-financing basis; should all benefit claims be based on prior contribution; or should all the systems switch to some mode of social security based on financing from general state funds eliminating a contributory base altogether?

These issues are obviously weighty and even more so political in a profound sense. Moreover, given the history of this policy area and some recent trends in the diffusion of initiating capacity, one must raise the question of the probability of any such profound structural overhaul

of the system being launched and sustained within an open competitive political framework. There is little question that in the present political circumstances such an initiative could emerge only if it was rooted in a consensus not only among policy elites but more importantly among the diverse and contradictory interests built into the system (a clear example of these problems can be seen in the document *Rumos da Nova Previdência* 1986).

In contemplating this question a hard look must be taken at some of the structural dynamics that exist in the system behind its formalized rational legal façade. The recent processes of decompression, opening, and redemocratization have set off a complex chain of interactions that has impacted on the social welfare system; these reactions have in turn fed into the process of regime transition and redemocratization in Brazil. The opening of the political system in the mid-1970s set off irresistible pressure to democratize the system, which increased the salience of electoral politics and the significance of political parties. However, as most observers would agree, the authoritarian regime was never able to do much more than suppress the traditional parties and arrange a somewhat superficial formal reorganization of nomenclature. The regime did not really transform the previous parties, the previous political dynamics, or the *modus operandi* of the repressed system.

Not surprisingly as the previous party system came back in a new guise, the party elites began to deploy many of their previous tactics and strategies to capture power points in the system and compete both in the bureaucratic and electoral arenas. Most relevant is the time-honored strategy of capturing intermediate points in bureaucratically articulated policy structures like SINPAS and converting them into power generating patronage bases deployed in a complex set of patron/client networks controlled by party and interest group elites.

The problem with this dynamic is at least two-fold. First, such clientelism is associated historically with more patriarchal and patrimonial regime forms, the personalistic logics of which clash with both formal bureaucratic rationality and with the logic of modern democracy articulated as a set of formalized and predictable “rules of the game.” Holdovers from traditional authority patterns, which might well be containable in some “democratic” regime types, are encouraged—perniciously from the perspective of modern rational legal norms—by clientelism that reinforces the old tendency toward the politics of access and turf. Politics feeds into the tendency for party and interest group elites to form blocking coalitions that create ruptures between executives and legislatures. This in turn sets off inertial movement toward immobilized standoffs between the two and a general disruption of initiative capacity in the system. This set of processes has not yet come to full fruition in the newly democratic system but there are unmistakable signs that the tendency is there, particularly in economic policy.

As far as SINPAS is concerned, it is important to note that party-based clientelism was reintroduced by the technobureaucratic elements of the regime itself in response to the regime’s

statecraft of national integration and political decompression. Indeed, it was the relatively technocratic minister of *previdência*, Nascimento e Silva, who explicitly and publicly described the policy of *previdência social* as a major electoral weapon available to the official party. Moreover, the decision to deliver rural *previdência* through approved regional organizations such as employer and employee associations all but demanded that the structure be plugged into regional and local clientelistic control nets.

Clientelism in the current *previdência* system has developed along at least two intersecting lines. First is a kind of intra-elite competition in which party factions vie for control of intermediate administrative positions, most particularly regional and local superintendent posts. The reality of the dimension was brought to the fore by Beltrão when he sought to undo the appointments made by Jair Soares before he departed the ministry. Beltrão openly attacked the appointments as political and clientelistic while Soares had previously opined that such a political distribution of posts was “quite natural.” A point of contention no doubt was that Soares, like others before and since, doled out positions not so much to help his party as such but to build his personal strength in the party to underpin his presidential ambitions which of course clashed with those of Beltrão.

The other line of development has been the utilization of intermediate posts by party elites to build clientele among would-be beneficiaries. The fact remains that the formal bureaucratic rules to make a claim are so complex, particularly regarding documentation of a work record, that the mass of rural and urban poor find it hard to comprehend the rules let alone maintain the lifestyle, especially record keeping, demanded by the rules. Hence, as in so much else in Brazil where complex formal rules stymie ordinary citizens, one needs a go-between (*despachante*) with the bureaucracy to claim one’s legally mandated benefits. In short, one needs the proverbial *jeito* (a way) and the average beneficiary finds it in party and interest group elites. The rule may say that benefits are rights of citizenship but decision structures demand that many if not most low-income people enroll as a client of some intermediate patron. The precarious existence of the rural and urban poor, especially in the recent years of economic crisis, reinforces the need to find security, not in the abstract interdependence of citizenship, but around a politically based protector (Miranda Ontaneda 1977; Hanes de Acevedo 1984).

These clientelistic nets probably developed first in the rural hinterlands of the poorest states and regions but in recent years have tended to spread throughout the country. Moreover, as we saw, this reincarnation of the old party- and group-based pattern was stimulated and pushed by the authoritarian regime itself; but there are numerous indications that it is a central dynamic both within and among parties in the new more democratic regime. Once again the structures of *previdência* are a focal point of intense competition among political and interest group elites. Once again this results in a system where practical *de facto* political logics clash with and



undermine the formalized and legalistic concepts of citizenship that in theory define the reciprocal relationships among state, citizen, and regime in Brazil.

In more general terms this paper has viewed social insurance policy in Brazil and most of the rest of South America as a conscious instrument of statecraft produced by policy elites aimed at asserting control over key social groups such as labor within a revitalized and expanded state apparatus with an enhanced capacity to direct national economic adaptation and growth within a changing global capitalist order. Such policy elites authorized to act in the name of the state were able to assert a substantial degree of autonomy from group pressures in the conception and design of the initial programs. However, to the extent that autonomy existed it was a characteristic not of the "state" but of clusters of policymakers in the service of specific governments and their strategies of governances; moreover such autonomy in policy-making was a temporary manifestation of the concentration of policy-making capacity within governments. This study shows that in historical terms at least the so-called autonomy of the state is policy-specific, related to identifiable clusters of actors, and bound to diminish as policy structures lead to shifts in the capacity to define, initiate, and implement policy.

In Brazil and South America the administrative structures that encased social insurance policy were based on the fusion of an outward rational legal organizational logic with a long-standing patrimonial organizational logic. This latter logic was rooted not only in prior administrative practice, but also in a broader social structure based largely on diffuse vertical hierarchies linked into the political system by means of clientelistically driven local and national party machines. While the fusion of such contradictory principles is common to all modern political systems its impact varies with the relative dominance of one or another logic and the particular ways that they are linked and interact over time.

In this case the patrimonial dynamics clearly became preponderant. Thus while the formal system appeared to provide governments and "the state" with substantial capacity to control groups and generate power, historical practices saw diffusion of policy-relevant power into intermediate points in the system; points controlled by party and labor elites who reinforced their positions by asserting the primacy of patrimonial clientelistic dynamics. The result was a social insurance policy that did not deliver on its substantive goals; and an administrative system that led to a diminishment of power in the system at all levels and therefore policy immobilism.

Paralysis in social security policy was symptomatic of a broader incapacity of governmental elites to control crucial policy dimensions which in turn produced periodic crises of governance within these states. In Brazil and elsewhere we see a deep cycle of the concentration and dispersion of policy-making and implementing capacity which was often but not always given outward form in cyclical shifts from authoritarian to democratic rule and back.

In Latin America the fusion of patrimonial control logics with populist social policies drove these cycles in important ways. It led to an emphasis on group penetration of the executive structures to extract substantive rewards rather than on concern with formal rules of democratic procedure. By introducing the discourse of rights into social policy ostensibly broad rights of citizenship were converted into *de facto* group privileges leading to a trend among groups to trade off political rights for substantive social privileges as well as a propensity toward corporatist modes of administrative organization. The upshot was to build into the system a dense array of groups with a vested interest in blocking structural reform and in possessing enough power capacity to do so. This reality has led to periodic moves to reconcentrate power in the executive which historically issued in authoritarian regimes or, as in the present scene, a tendency toward strong quasi-authoritarian executives functioning within formally democratic regimes.

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