

Pyrrhic potatoes. Comments on the *Institutional rules, macroeconomic constraints and innovation of the Brazilian social protection system in the 1990s and 2000s*

As batatas de Pirro. Comentários sobre *As regras institucionais, constrangimentos macroeconômicos e inovação do sistema de proteção social brasileiro nas décadas de 1990 e 2000*

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Commenting on a signed text is always more stimulating than elaborating a report encased in anonymity (of both, author and writer of report). More stimulating and easier. That is why the annoyance provoked by the title of Nilson do Rosário Costa's article was dissipated by the certainty that I would find the commentator's fine irony in what was to follow.

The annoyance, it must be clarified, comes from the discomfort that the neo-institutionalist approach causes in me – in political science represented by an abusive use of concepts such as veto-players, strategic behavior, agenda power, etc – not from its emphasis on authors, rules and institutions, naturally, but rather by the negligence that it generally expresses in relation to explanatory factors of a structural nature. However, in this case, this dissipated annoyance no longer matters. The important thing is the substantive, useful argumentation that does not allow itself to be engulfed by the analytical model. This argumentation merits considerations that are equally substantive and independent from any divergences regarding focus.

Based on the observation that, in the early 1990s, there began a normative dispute between two opposing perspectives to regulate the constitutional precepts of 1988 relative to the Brazilian social protection system, Costa formulates two interesting hypotheses. With the first, he suggests that the institutionalist protection perspective, committed to the advances prescribed by the constitution, prevailed over its rival, which presents an agenda strictly centered on the restrictions necessary for macroeconomic adjustment. The second hypothesis better qualifies the first, by stating that, in spite of maintaining constitutional institutionality, these restrictions produced relevant innovations in the system, exemplified by the income transference programs.

Indeed, there is no denying that the Brazilian social protection system resisted the pressures to be dismantled in the 1990s. Compared to the reforms carried out by many other countries in Latin America, those performed in Brazil were mild. So-

cial security continued to be written in the law, it remained public, health care retained its universal character and the constitutional assistance benefits remained. In this sense, the institutionalist agenda won the battle against the macroeconomic adjustment agenda. However, could it have been a Pyrrhic victory?

Costa notes, insightfully, that from the start of the process of implementation of constitutional provisions, there appears a very diverse discourse which feeds, in academic circles, the movement in favor of universal expansion of the system. What in the mid-1980s was brandished as an advancement to be conquered begins to be seen as an "anachronism" to be overcome. The world had changed, a new climate (an ideological one, of course) was refreshing hearts and minds. Most of all, the imperative of entering the modernity offered by global capital circuits was recognized; making it indispensable to contain public expenses, decentralize responsibilities, open up the economy and privatize. There was no longer a place for social policies oriented by "strictly universalist criteria"¹.

The Real Plan, in 1994, paved the way for the "end of the Vargas Era" – the copyright for this expression belongs to president Fernando Henrique Cardoso – that is, for the closing of the national developmentalist cycle. State reform, subtly instilled through alterations that dispensed with an explicit constitutional amendment, laid down the institutionality adequate for the macroeconomic adjustments. In FHC's first term, the contentivist agenda was fully installed.

Once the setting had been established, the innovations in social policy took center stage. It is important to remember that, since 1995, with the creation of the Solidary Community, not only did focused federal initiative programs spread, but also sub-national governments were encouraged to take on similar actions. The most striking example was the program Public Management and Citizenship. Promoted by the FGV São Paulo Business Administration School along with the Ford Foundation and with the support of BNDES, it selected, each year, from 1996 to 2005, the twenty best public policy projects among hundreds presented by towns and states and which had, in their majority, the purpose of confronting the social question².

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The “arrangement made viable by the connection between the governmental sphere and the private sphere, by the strengthening of municipal and state governments in the social area and by the innovations brought by the income transference programs”³ really did alter the face of the social protection system, dismissing the institutional structure proposed by the constitution.

However, the frailty of the institutionalist agenda’s victory had become evident well before. President Sarney’s pronouncement – or his treasury minister’s (there are doubts as to authorship) – warning about the country’s ingovernability resulting from the volume of rights contained in the constitution, almost immediately follows that victory. The regulation of constitutional precepts, although it was late, finally occurred in the democratic setting that came into being after the free elections of 1989. But it occurred in the opposite direction of what had been established. In 1990, 1991 and 1993 congress approved, respectively, the Health, Social Security and Social Assistance Organic Laws.

Well, the design of social security (still) printed in the constitution presupposes two fundamental principles: universality and integration. It is precisely this principle, integration, capable of ensuring the sharing of revenue for the simultaneous payment of contributive benefits (social security ones, by definition) and non-contributive benefits (assistential ones and, by constitutional demand, those deriving from the universal right to health), that was amended. By the legislation complementary to the constitution, the component areas of social security were sliced up and, obviously, there was an attempt to encase each one in its own ministry (Social Assistance gained its own ministry in 2003, with the creation of the Social Development Ministry. Before, it had a similarly transitory statute, during the Collor administration, and it had reached semi-autonomy with the creation of the Social Assistance State Office in 1999). A gradual process of disconnection (of social security) and reconnection (to sector areas) of the diversified sources created to finance the set of actions completed the legal interpretation of institutionality that had been constitutionally planned for the protection system.

The Social Security Organic Law, law 8212 of 1991, which received the title of Security Organic Law, in spite of dealing only with social security, determined that the INSS (National Social Security Institute) would collect only the resources coming from contributions on salaries and payroll; others would be the responsibility of the Federal Revenue Office (The Social Contribution for the Financing of Social Security (COFINS), normatized by Com-

plementary Law 70, for 30/01/91 and calculated on the monthly earnings of legal entities is, in the terms of the law, “collected and administrated by the Federal Revenue Office, with the Treasury being responsible to transfer it to Social Security organs according to financial planning”. The CSLL, Social Contribution on the Profit of Legal Entities, had the same fate by the terms of law 8212, which regulated it and, later, so did CPMF, in 1996). The reform of 1988, ratified and improved by that of 2003, reinforced the specialization of revenues, consolidated the contributive character of the social security arrangement and introduced the conceptual aberration of dividing social security into regimes – the general regime and the own regimes (the general regime, of private initiative is, according to the constitution, the regime of all, a universal regime, which all can access. The own regimes are the regimes of public service to which only those who assume positions in government service through public contests are entitled to. The constitution was clear in separating these two entirely distinct statutes). The missing detail arose in 1994: the Social Emergency Fund, later renamed the Tax Stabilization Fund, and nowadays, Disconnection of the National Revenues (DRU), a mechanism through which 20% of social contributions (always linked to and collected by the federal revenue office), except for those coming from salaries and payroll, are for the exclusive use of the federal government.

Pyrrhus, the Greek general, went down in history as an emblematic precursor of Schumpeterian disenchantment. The battles he won consumed his army and made him a loser, a victim of his own success. In this work, of 1942, Schumpeter considers the demise of capitalism – then threatened by the successes of socialism – was paradoxically due not to wear and tear or to entropy, but to the “exaggeration of its yields⁴. Similarly, in Brazil, the conservation of Social Security, to the letter of the law, allowed the enemies of the institutionalist agenda to use its victory in their own favor. Without a general coordination, with no integration body – the National Social Security Council became extinct in 1999 – and, above all, without its own budget, social security stopped existing concretely. It is worth remembering that there were three budgets in the Federal Constitution of 1988: the fiscal one, the state company investments one and the social security one. Only the first two, however, became a reality. Still, the resources that the constitution attributed to it continued to flow to the public coffers. In 2005, the total revenue summed 278 billion reals (plus a few millions). That year, all social security expenses – social security, health care and assistance – tota-

led around 221,222 billion reais. The positive balance, therefore, was around 57 billion reais and retention, via the DRU, was 32,129 billion reais (Only from COFINS, R\$ 17,371 million were retained)⁵.

Thus, as has been shown by many authors in the collection published by Fagnani, Henrique and Lúcio⁶, the recurring mention of a social security deficit, made into an alarmist refrain by all elected governments since 1989, is not sustainable. What it does is serve the purposes of the macroeconomic agenda.

These deviations involve, annually (from data relative to the 2006 budget), subtraction of revenues that surpass the R\$ 34.5 billion mark and a deviation in strange programs, which are being classified as Social Security, of R\$ 49 billion. It is no wonder that with this construction, this budget appears as suffering from a deficit, which needs to be complemented with fiscal resources. This construction allows these expenses to be attributed to the state's incapacity to perform the infra-structure investments that the country demands or permit a greater spending in education, an investment in the future, essential to increasing Brazilian society's production capacity⁷.

Rather than overcharging public finances, as is claimed, social security, with its voluminous revenues, rescues the fiscal budget through the “powerful and perverse alchemy” that “transforms the resources directed to financing social security into fiscal resources for the composition of the primary surplus”⁸. Besides, it offers governments a justification for non-decisions, especially those concerning certain priorities taken as unquestionable. Solid reasons, as can be seen, for preserving social security, even as a hollow concept, in the letter of the law.

In this context can be seen both the pertinence of Costa's question (***what is the real institutionality of the new rules defined by the Federal Constitution of 1988 for social protection in the face of the strong arguments favorable to the paralyzing effect of macroeconomic adjustment presented by political economics***) and the subtlety of its answer. The “mosaic of institutional arrangements, sources of financing and clientele” that characterizes the Brazilian protection system has great functionality in the war of positions fought by the macroeconomic agenda, at an advantage, against the institutionalist agenda. In short, social security – a kind of Queen of England – remains in its place (the letter of the law) but, in the absence of a ***real institutionality*** that puts it into action, only its pieces exist. As a result, social security is only social security (with a deficit) and not part of a security system (with a surplus), assistance cannot surpass its assistential condition and health care, as usual, lacks resources for becoming universal.

The formal abandonment of the integration principle compromises the universality principle. Another act of magic, as it did not need to be legally eliminated. In practice, social security finds obstacles to growing expansion, assistance does not achieve a significant increase of LOAS benefits and health care, twenty years on, is still going down the path of “excluding universalization”. Delgado⁹ shows that the expansion of social security coverage in Brazil, in the last fifteen years, was largely due to the inclusion of rural workers who joined the system as special contributors. He calls attention, however, to the proposals underway in official debates, which aim to transform rural pensions into assistential benefits. Measures to include informal urban workers have not moved forward either. It is not surprising, therefore, that as Costa reveals, federal costs with health care, education and sanitation – traditional and universal social policies – have been reduced since 1995 and more quickly in the Lula administration.

Costa attributes the constraints in basic social expenses during the Lula administration to basically three factors: “the growth of irreducible expenses with social security, the large-scale income transference process through the Bolsa Família program and the fiscal austerity policy by elevating the fiscal surplus”. The formula of “successful restructuring of Brazilian social policy” resides exactly in this connection between a Judas to beat (social security), an icon to worship (Bolsa Família program), and a mechanism for, at the cost of constitutional rights, complying with IMF agreements. Neither alchemy nor magic. “Innovation” consists of substituting, in the popular imagination and the treasury pockets, the universalist conception of social security for the idea that social policy consists solely of focused income transference programs. All according to the World Bank's desires, but also without excessive pain or radical changes.

Any similarity to the humanism of Quincas Borba is merely coincidental. ***There is no death. The meeting of two expansions, or the expansion of two forms, can determine the suppression of one of them; but strictly speaking there is no death, there is life, because the suppression of one is the other's condition for survival, and destruction does not affect the universal and common principle. [...] To the winner, the potatoes***¹⁰.

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