RECENT WORKS ON SOCIAL SECURITY AND CONSUMER BEHAVIOR

Henry Landsberger
University of North Carolina at Chapel Hill

THE POLITICS OF SOCIAL SECURITY IN BRAZIL. By JAMES M. MALLOY. (Pittsburgh, Pa.: University of Pittsburgh Press, 1979. Pp. 200. $13.95.)
SOCIAL SECURITY IN LATIN AMERICA: PRESSURE GROUPS, STRATIFICATION, AND INEQUALITY. By CARMELO MESA-LAGO. (Pittsburgh, Pa.: University of Pittsburgh Press, 1978. Pp. 351.)
CONSUMER BEHAVIOR IN LATIN AMERICA: INCOME AND SPENDING IN TEN ANDEAN CITIES. By PHILIP MUSGROVE. (Washington, D.C.: The Brookings Institution, 1978. Pp. 365. $16.95.)

The analysis of social security systems is no longer the exclusive preserve of specialists whose entirely worthy motive is that of spotting gaps and seeing to it that the needy get more of what they need. Research for that purpose continues, of course. But beginning in the mid-sixties, statutory provisions for old age and sickness, for unemployment, and for other contingencies that interrupt incomes or necessitate special expenditures came to be analyzed as the indicators of much broader social, political, economic, and cultural forces.

The first set of studies contained findings such as that the early industrializers were the first to establish pension and sickness funds, and that the age of the social security system then in turn determined its elaborateness and size today. (One of the earliest and still justifiably much-cited articles in the field is Cutright's "Political Structure, Economic Development, and National Social Security Programs."[1]) This was congruent, of course, with the modernization paradigm popular at the time. But variables such as the onset of industrialization (hence GNP per capita today) and age of the social security system did not account for all the differences in modern social security systems between one country and another. Hence, a "second generation" of studies soon appeared. Most of these have continued to use a relatively limited, relatively crude set of aggregate cross-national indicators in order to use the large number of observations (countries) required for sophisticated statistical analysis. Is there a correlation, for example, between per capita expenditure on social security (or % GNP devoted to social security),

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and the proportion of years in the two decades 1950–70 in which the country's government was based on open competition between parties or in which social democratic governments were in office? In the hands of a few, such studies have continued to yield further insights. But that has often been—as in the case of Wilensky—more because of the historical knowledge that analysts brought to them than because of the startling nature of the figures themselves.[2]

Parallel to studies using such often rather crude statistical indicators across a large number of countries, a second methodological tradition established itself. It relied on the holistic, qualitative grasp of the institutional structure of one or at most a very few countries to interpret the evolution of and differences between social security systems. Above all, this line of studies relied on the actual historical sequence of events—a diachronic analysis—to understand not only what "is," but "what is happening," and what its significance is. The works of Rimlinger and Heclo are the models of this genre.[3]

The works of Mesa-Lago, and even more so of Malloy, are much more in this second tradition than in the first. While this reviewer would tend to comment with a neutral "so be it" or possibly even a *sotto voce* "bravo," Malloy is sufficiently in awe of the other style of thinking to make reference to his work as being only a "form of pre-theory," since it is "only a case study." Mesa-Lago is indeed somewhere between the extremes. He actually tried to factor-analyze his five countries and apply KYST, MDSCAL, and other techniques to them. But the results are relegated to a one-and-a-half page appendix, since they didn't pan out. The bulk of the book is qualitative, except at the end, where a very simple and appropriately crude attempt is made to quantify some of the historical and institutional information in order to compare the five countries he studied with each other. In any case, the institutional, historical descriptive approach of these two volumes warrant no self-depreciation, in my opinion. Mesa-Lago and Malloy are, of course, colleagues at the University of Pittsburgh, and Malloy rightly pays tribute to Mesa-Lago for being one of the first Latin Americanists to recognize the broader social and political significance of a country's social security system. Indeed, Mesa-Lago's interest in social security issues has for long extended well beyond Latin America into the socialist economies. That may possibly turn out to be a prophetic combination, if my senator, Jesse Helms, is correct in thinking that as Managua goes, so goes. . . .

Malloy states clearly (pp. 5–6) the set of four basic, interrelated political processes he wishes to illuminate through his study of Brazil's social security system: the allocation of scarce goods, i.e., the equity of the system; the process of modernization; the wielding of power—by whom, on what basis and for what purpose, i.e., the relations of interest

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groups and classes, especially the integration and participation of previously excluded ones; and the role of the state in all this.

Malloy blends two perspectives to interpret what he finds—one economic, the other political. Brazil's economy is seen as undergoing the fitful discontinuous changes typical of "delayed, dependent capitalist development" (p.10) with both a modern and a traditional sector ("combined development"). As is now standard in all approaches to Latin American economic history using the dependency perspective, he divides that of Brazil into three periods (though I'm not sure anyone else would divide them any differently): (1) the period of nascent industrialization, up to the Great Depression, in which the "social question" comes to the fore very slowly in the late 1910s and 1920s because the growth of the working and lower middle classes was delayed by an economy based on the export of primary goods. This was followed by (2) the Great Depression and the reaction to it: the "import-substitution" phase of (dependent) economic growth. Vargas' *estado nôvo* (1930–45) symbolized that period, which saw the large-scale and systematic establishment of the social security system and its elaboration through the 1950s. This was the state's preemptive measure in the face of the growth of the working and middle classes during the "import substitution" phase. Then that model of development went into "internal crisis" (p. 11). This used to be known, in days before rhetorical escalation, as a "problem," possibly even a severe one. But transitory ailments of this kind are now attributed only to socialist countries, where they are merely the result of forgiveable mistakes due to inexperience. The pains of capitalist countries, by way of contrast, are invariably at the very least incipient systemic crises stemming from fundamental internal contradictions.

But be that as it may, the internal contradictions of import substitution were succeeded by (3) a phase in which import substitution was supplemented by the export of secondary products. (Today this has to be worded in such a way as to imply, without asserting it, that there is something precarious, quite inadequate, and make-shift about such a shift in policy, rather than constituting a fairly adequate solution until the next problem comes along.)

Rhetorical flourishes aside, this framework of economic stages would be accepted by all. But the more important and immediate political paradigm on which Malloy relies to interpret the history of the social security system in Brazil is more controversial. Hence, it is also more stimulating. It is a paradigm which is in some tension, too, with that of his colleague, Mesa-Lago. Its acknowledged precursor is Marx's *Eighteenth Brumaire of Louis Napoleon* with its vision of a state apparatus which has some degree of independence from the underlying class

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structure to which no one, of course, would in turn deny substantial influence on the state. The idea of the state as quasi independent, with a corps of administrators as its concrete class-actors, was formulated and applied more forcefully and systematically to Brazil by Raymundo Faoro using the term "patrimonial" state, in many ways akin to O'Donnell's "bureaucratic-authoritarian" state.[4]

Malloy thus opts for the position that the maintenance of the state itself—and presumably its power and privileges—is what motivates those in charge of it: whether it be a personal imperial retinue as it was before 1889 or a more modern technocratic-military-administrative bureaucracy, as it was between 1930–45 and once again from 1964 onward. To generate resources and maintain support, economic development (delayed and dependent, if need be) is on the agenda of such groups. But the articulation of interests by other groups with independent power bases is then strictly limited, especially if they threaten the overall control of society by the bureaucratic state and if they impair its resources and the development on which that control is based. The cooptation of possible contestants and their consequent dependency on the patrimonial state is one weapon used; but repression is resorted to outright if cooptation is not enough.

The history of Brazil's social security system is seen as illustrative of this paradigm. The turmoil of the 1920s is followed by the strong state of Vargas, during which a technocracy was developed. The state creates some social security programs to placate the most restless economically important groups: bank employees among white-collar workers, and a limited labor aristocracy, such as the railway workers, among blue-collar workers. The state coopts them by permitting them to share in the administration of their social security programs and the power of patronage (*pistolão*) this carries with it. But the relaxation after 1945 into a more open system results in such an excess of personalistic plunder, such immobilism in the face of a patent need for reform, plus—in the 1960s—some entirely novel ideological penetration of these state programs, that the military-technocratic bureaucracy moves in again.

The post-1964 period in the sphere of social security is then marked by the imposition of the reforms that the technocrats (and you and me?) had ardently sought ever since 1946 but which, as Malloy states, "self-styled populist and leftist reformist regimes were even less capable" of achieving than other kinds of regimes (p. 159). After 1964 in Brazil (and 1966 in Argentina), there took place considerable rationalization and even some degree of equalization in contributions and benefits; the extension of the system to previously excluded mass groups, particularly domestic workers and rural workers; the nationalization of

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workmen's compensation (for decades resisted by the insurance companies); and a greater degree of unified administrative control.

The evaluation of these reforms presents a distressing dilemma for those of us (Malloy and this reviewer included) who dislike the post-1964 regime's violation of elementary human rights in the form of assassination, torture, and disappearances, and its suppression of trade unions and peasant organizations. That being so, it is tempting to remain consistent by criticizing everything else and certainly not praising anything that a regime of this kind has sponsored, including social security reforms. Accusing such reforms of being regressive is one way of maintaining such consistency, and Malloy does, indeed, say not only that "many inequities persist within the social insurance system itself," but that "one continues to suspect that the system has an overall regressive effect on the general distribution of income" (p. 134). The problem is that these sentences follow a paragraph in which Malloy concludes that "whatever the political impact of the post-1964 reforms, there is little question that they have helped to promote these original reformist goals." And these goals were stated to have been "to eliminate inequalities and to conform to internationally defined standards of social equity" (also p. 134). How can one have "little question" about one conclusion, but continue to "suspect" the opposite? The reforms—described and evaluated in chapter 5—are very clear in specifying elements that seem to have broadened the system and made it more equitable. The chapter is tentative in tracing elements that might make it more regressive: the ultimate distributive effects of payroll taxes; the—possibly—higher use of some services by the rich than by the poor. This is a very complicated matter, and it is not surprising that Malloy weaves back and forth. And in many ways, it is his political analysis of the demobilizing and cooptive characteristics of many of the reforms that is of chief interest, and his manner of generalizing from the experience of Brazil to that of Argentina, Peru and—more tentatively—also to Chile and Uruguay.

This is, then, a very readable and stimulating monograph. But it is short—169 small pages—and that means that facts are summarized rather than presented. Whatever abuses and excesses might have grown up in the critical 1950s and early 1960s, for example, are not directly described, examined, and weighed. They are only briefly presented via accusations from today's triumphant (but erstwhile frustrated) technocrats, doing a possibly inaccurate but possibly accurate job on their *trabalhista pelego* antagonists: Malloy does not say, though this reader's impression is that Malloy believes, that their description is accurate. Evidence is to some extent traded for brevity, leaving in doubt one other supersensitive issue: to what extent was the 1964 coup a reaction to

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growing chaos and venality in the face of unattended economic problems, and not merely the victory of the dependent capitalist and the U.S. over progressive workers and peasants and their political spokespersons? In any case, what will remain controversial in Malloy's monograph is whether or not the military-technocratic-administrative state is to be seen through the eyes of the Marx of the *Eighteenth Brumaire*, i.e., as semi-independent, sometimes almost slightly reified, or through the eyes of the Marx who said that "The state is the form in which the individuals of a ruling class assert their common interest" (*German Ideology*). It is an excellent study for raising that fundamental issue.

Trading facts for readability and brevity is not something for which Mesa-Lago can be chided. *Social Security in Latin America* is a painstaking and therefore difficult to read examination of the history, the coverage of different occupational groups, the types of benefits, the financing, and the administrative structure (horrendously complex) of the social security systems of Argentina, Chile, Mexico, Peru, and Uruguay. As a sheer and immensely laborious descriptive effort it is definitive, though it will necessarily soon be out of date. It can describe the situation and its evolution only up to a certain point in time: in this case, essentially the early 1970s.

But the strength and focus of this book lies not so much, and certainly not alone, in its descriptive material. It rests in the attempt to tackle the issue of inequality not only within each of the five countries, but on a comparative basis, between countries. And it is here that Mesa-Lago seeks to build up slowly indices of inequality: (1) for the distribution of the burden of financing the system, (2) for the benefits granted, (3) for the coverage of the system, and (4) the length of time over which it was introduced. "Inequality" refers, by and large, to the extent to which in each country the better-off occupational groups—civil servants, private white-collar employees, the military—are favored over less well-off groups, such as the blue-collar workers. Do the former receive more benefits? Does the government, or their employer, contribute a larger percent of the total contribution? Was coverage for blue-collar workers introduced long after, or relatively soon after, coverage for white collar workers? However, other concepts of inequality apart from comparisons of occupational groups are also employed. What proportion of the total population, and of the economically active population, is covered? How large are regional inequalities (in coverage and benefits, e.g., in hospital beds)?

The original units of measurement are, of course, quite disparate: numbers of years, hospital beds per 1,000 population, currency, etc. Hence, they have to be converted into standard units. Moreover, each sphere of possible inequality is represented by different numbers of

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(partly overlapping) measures. Mesa-Lago is, of course, completely aware of all the potential pitfalls in all this, and duly warns the reader at each step. Each of the nineteen measures he uses (every one composed of many submeasures) is intrinsically persuasive and reasonable as an indicator of inequality, and they go far beyond the crude measures that alone are readily available from U.N. and national account data. But cumulatively, the number of assumptions does become uncomfortable. Certainly these cannot be read as absolute measures: a "minus sign" does not mean that this system, or that characteristic of the system, was absolutely progressive and not regressive. All measures are relative.

The culminating tables are to be found on pp. 294 and 295: table 7-22 on p. 295 above all. They indicate that Chile and Uruguay were the countries in which the social security systems were least inequitable, Mexico and Peru those in which they were most inequitable. In so far as the social security systems of these countries are indicative of more basic characteristics (and Mesa-Lago, like Malloy, regards them as such) that should tell us something, or at least make us reflect, about the fact that it is precisely in Chile and Uruguay (as compared with Mexico and Peru) that the most severely repressive regimes were installed by the mid-1970s. Historically, these had, indeed, been the most open societies. In other words, and as an aside: Mesa-Lago's results make good sense. Is it that the relatively large egalitarianism constituted a threat to the established hierarchy of wealth and power to which they reacted fiercely? Or is it that the openings resulted in excesses—in political chaos and economic decline such as "the state" (whoever that is) in Mexico and Peru never permitted in the first place, but to which it reacted in Chile and Uruguay as it did in Brazil? Mesa-Lago prefers not to raise such questions, impossible to answer conclusively. Indeed, he prefers not to comment on the meaning of the country-ordering that his method achieves, and one rather wished he would. We are left, not unexpectedly, with the same puzzle that confronts us in the case of Brazil. But Mesa-Lago ends with a "pressure group," class-like interpretation of history, not one which emphasizes the role of the state to any extent. Hence our earlier statement that Malloy's thesis of the state as independent actor is somewhat at variance with that of his colleague. But the difference is merely one of emphasis. Both ultimately raise the same profound questions about the case of autocratic governments: When do they arise? What are their effects?

In cross-national studies in which the units of analysis are nations, as they are when social security systems are examined as units, sophisticated statistical techniques of data analysis, at least in this reviewer's opinion, are neither helpful nor even necessary beyond one, or at most two, initial "rounds of studies," since methodological alterna-

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tives exist. This is not the case, however, when the unit of analysis is the individual, or aggregated groups of individuals. Clearly, the data from the ECIEL five-country, ten-city study of household income and expenditure needed to be analyzed in a sophisticated manner, and Musgrove does so with the competence of a well-trained economist working in a field in which such techniques have been standardized and brought to a high level of effectiveness over a long period of time.

This volume is but one product of a major study of consumer behavior in Latin America, and that study is in turn but one among several sponsored over the years by ECIEL (*Estudios Conjuntos sobre Integración Económica Latino-americana*). ECIEL is a consortium of research institutions which plan studies jointly, though their execution in any one country may be subcontracted to yet further institutions. For the U.S., Brookings is the permanent representative, and Joseph Grunwald was the initiator of this (and of various other) ECIEL studies; in Chile it is the Instituto de Economía of the University of Chile; in Brazil, the Getulio Vargas Foundation, and so on.

It is worthwhile thus to describe this organizational background just a little. Studies of this kind require interinstitutional cooperation, and yet—reading between the lines as well as reading the lines themselves—that process of cooperation must have absorbed an extraordinary amount of energy and clearly did not always produce the desired results. The drop-out rate for this study was substantial: surveys were initially conducted in ten countries between 1966 and 1969 (for the most part between early 1967 and early 1968), yet the results for only five are reported on here—Chile, Colombia, Ecuador, Peru, and Venezuela. The eleventh LAFTA country—Mexico—ran its own survey and analyzed it separately, not making its data available. This leaves six LAFTA countries unreported. A success rate of just under 50 percent is probably what has to be expected, given academic failings and instabilities, as well as broader political problems. Anyone who cannot live with that kind of attrition had probably better stay out of the kitchen of cross-national, interinstitutional cooperation.

In any case, this is, then, a summary volume, and a very well-done one at that. But its summary nature means that those who wish to pursue seriously the study of any one of the issues dealt with in this volume (such as income distribution, expenditure on global or more refined categories) will need to go back to the many more detailed and specialized publications that have already been published and are, of course noted, as well as being listed and briefly described on pp. 20–25 of this volume.

While one purpose of the study was to compare the five countries and the even greater number of cities, to each other, one of the more

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intriguing findings is that the differences among them turn out to be insufficient in either magnitude or interest to make pursuit of them very rewarding. Such differences as exist are mostly due to differences in population composition, educational level, or to price differences, the effects of which are clarified in any case by within-city analyses. Little is left for the effects of culture. It is, of course, of considerable value even to have established this, i.e., that there are no great intra-Latin American differences in consumer behavior. The author is cautious enough not to close the books on this question with any finality, however, especially for very fine and detailed categories of expenditure (where differences, even if they existed, might not, however, be of any great economic significance.)

Another major, long-range purpose of the study will also have to be accomplished outside the confines of this book, but for a very different reason. It is that of comparing consumer behavior in Latin America with consumers in other Third World countries. And that, of course, awaits the results of similar studies conducted elsewhere. What could have been done, however briefly, was to include a minimum of results from studies where they had been conducted, i.e., from the U.S. and Western Europe. This applies particularly to what will be the most interesting topic for the general reader, the data on household incomes, especially their distribution.

The similarity between cities and countries is astonishing. The mean annual income in the different cities varied only between $3,100 and just over $4,100, with the exception of Lima ($4,700) and Caracas ($6,200). Moreover, in all cities the income at the lowest tenth percentile of households was in a ratio of approximately 1:11 to that at the highest fifth percentile, i.e., the ninety-fifth percentile. I am surprised that inequality is not greater. Underreporting at the top is no doubt one explanation, though Musgrove is surely right in claiming that these data are technically as good as any other. Another explanation, proposed by Musgrove himself is that neither the tenth nor the ninety-fifth percentile are sufficiently extreme for the real disparity between the very rich and the very poor to appear. But Musgrove felt that a finer cut (top against bottom first percentile) would have impaired statistical reliability because extreme readings are often unreliable. Still, I would have preferred the statistic with a strong caution attached!

In any case these are, of course, total household incomes. Inequality becomes much more severe if per capita income is calculated, for it is precisely among the poor that total household income does not go up (let alone go up proportionately) as size of household increases (table 2-18; pp. 68, *et seq.*).

A second result of major interest, at least to this reviewer, is the

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fact that income from capital is not a major component of total income except at the very top. For the most part, inequality is due to inequality in earned income, especially from wages and salaries. Earnings from self-employment are, however, significant at the bottom of the income scale (as well as toward the top) and that means that improving wages and salaries would leave a substantial proportion of the problem at the bottom end unresolved. Wage and salary differences, in turn, are substantially determined by education. In the absence of more complex studies which include home background variables, however, this may be a deceptive finding. Education may simply be a stand-in for social class, which would be "inherited," education or no.

The biggest gap in this section seems to me to be the failure to link income (low income especially, of course) with degree of employment, i.e., unemployment, underemployment, etc. It would have been helpful had there been a footnote to indicate whether or not the data for making such studies exist. Altogether, the inclusion of the basic interview schedule would have been most useful. But perhaps reasons of organizational politics counseled against it?

One final result in the area of income distribution. The (Lorenz) curves obtained in the different cities often changed slope somewhere in the middle, with steeper inequality in the higher than in the lower reaches. This raises the possibility that different causes are at work, or that the prime cause—education—has an effect of lesser magnitude toward the bottom than toward the top: as if a year's additional education adds less at the bottom end than at the top. This has been dealt with in studies conducted elsewhere, and a brief discussion and a few references might have been helpful.

There is no need, nor space, to summarize these results further. One of many heartrending, though not unexpected findings, is that poor families do not expand the proportion of their (constant) incomes spent on food as their size increases, but switch to cheaper foods, lessening their purchases of milk, eggs, and meat in favor of starches. A finding important from the point of view of economic policy (and the purpose of these and other studies is, of course, to aid policymaking) is that price and income instabilities, actual or anticipated, in turn make spending and saving patterns difficult to predict and, hence, plan for. Reassuring is the finding that redistribution would affect the *composition* of expenditure more than its total as compared with savings.

This is a good, readable overview of an important survey: slightly more interpretation and setting into a broader context would have been useful, but are not major deficiencies.

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NOTES

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4. Raymundo Faoro, *Os donos do poder* (São Paulo: Universidade de São Paulo, 1975); Guillermo A. O'Donnell, *Modernization and Bureaucratic Authoritarianism: Studies in South American Politics* (Berkeley: University of California, Institute of International Studies, 1973).

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