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Introduction

DOES DEMOCRACY lead to social equity? Do liberty and political equality allow the poor to improve their plight by extracting resources from the rich? Or is political democratization a purely formal change that does not bring about substantively democratic, equitable policy outcomes? Scholars and philosophers since the time of Plato and Aristotle have debated these questions. Divergent assumptions about this issue have contributed greatly to the major ideological cleavages of the nineteenth and twentieth centuries, especially to the longstanding intellectual and political debates among classic liberals, Marxists, and social democrats.

Classic liberals assumed that the establishment of full democracy would empower disadvantaged sectors of the population, who would press successfully for redistributive reform. Yet they feared that the poor majority would install a "class government" (Mill 1975, 279), oppress and despoil the better-off, or endanger the market economy the classic liberals advocated. They therefore rejected complete political equality.[1] Marxists, in contrast, claimed that the formal mechanisms of democracy could not at all ensure the elimination of rule by the dominant class, whose political power derived from its exclusive control over the means of production. Insisting that only profound redistribution could bring about a democracy in which equal citizen rights would be guaranteed, even Marxists who inherently

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valued democracy called for social revolution (Luxemburg 1970, 51–59). Social democrats, finally, shared liberals' assumptions about the empowering and redistributive impact of democracy, but lauded it as decisive for eliminating unjustified privileges and overcoming widespread poverty. They pressed for democratization, which, in addition to its value as such, would give disadvantaged sectors sufficient political influence to gradually institute a new, more just society (Bernstein 1991, 140–60).

Many contemporary political scientists of diverse theoretical orientations also claim that democracy brings about equity-enhancing reform.[2] In their view, freedom and political equality give the poor a chance to advance their interests through collective action and to form political parties, interest associations, or social movements that can press successfully for social reform. In order to preempt mass mobilization, state officials themselves may enact measures to reduce inequality and poverty. Empirical analyses, however, yield contradictory results (Sirowy and Inkeles 1990, 143–50). The methodologically sounder, yet still problematic, studies disconfirm the expected equity-enhancing impact of democracy.[3]

The debate about this issue is highly relevant for the Third World, where democracy is still contested, social inequality is particularly profound, and poverty affects much of the population. Has the recent wave of transitions from (usually conservative) authoritarian rule led to equity-enhancing reforms? Has democratization brought about redistribution by allowing the poor to articulate their interests and needs, which have long been suppressed? One may not expect radical challenges to the existing socioeconomic order; but have gradual reforms been made?

My study addresses these questions by examining the equity-enhancing impact of the recent restoration of democracy in Brazil, a country with one of the most skewed income distributions in the world. Specifically, I investigate the processes and outcomes of decision making in the areas of tax and social security policy, which can have considerable redistributive impact (and which have therefore been central to European social democracy). To assess the difference that democratization made in Brazil, the study compares the authoritarian government of President Ernesto Geisel (1974–1979), which initiated the country's slow process of democratic transition, with the first three civilian governments after the military regime (1964–1985), headed by José Sarney (1985–1990), Fernando Collor de Mello (1990–1992), and Itamar Franco (1992–1994).

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Many political forces in Brazil assumed that the return to democracy would bring about some redistributive reform. In the early to mid-1980s, the major opposition party called for greater social justice (PMDB 1982). Masses of peasants mobilized for agrarian reform. Workers embarked on a wave of strikes to recoup wage losses (Sandoval 1993, 171–84). Other poor and disadvantaged groups, organizing in mushrooming social movements, were eager to voice their pent-up demands. While not fearing a major threat to the socioeconomic order (Payne 1994, 94–102), business was concerned about the rise of populists, like the earlier firebrand Leonel Brizola, and the redistributive measures they might take.

Contrary to these expectations, democratization in Brazil thus far has brought about very little redistributive change. Agrarian reform has been blocked. The program to provide cheap housing for the poor, which had been diverted to subsidizing the middle class, has been stalled. Emergency measures to distribute food to the needy have been undermined by widespread corruption and political patronage. Taxation has not become more progressive. The social security system has done little to extend coverage and eliminate privileges, and the health care system is still distorted by its heavy emphasis on curative treatments. The recent extension of public medical care to all the poor simply completes a gradual policy initiated by the authoritarian regime. Only one poor sector has made a net gain in one issue area, namely the rural population, who were meagerly compensated for the blocked agrarian reform by better social security benefits.[4]

What accounts for the dearth of equity-enhancing reform in Brazil's new democracy? The frequent response that elites retained most of their enormous power throughout the transition to democracy (Alves 1988) leaves most of the question unanswered. This claim provides a more or less accurate description[5] but not an explanation for the persistence of elite dominance. It remains unclear why and how elites could hang on to their power, despite a profound revamping of the rules of the political game. Why could poorer strata, like workers and peasants, not take advantage of the new opportunities for political participation that the return to democracy opened up?

What, then, does account for the dearth of redistribution in post-authoritarian Brazil? This book assesses three main lines of explanation. First, problems in joining forces for collective action (Olson 1971) may keep the poor from making redistributive demands. Second, external de-

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pendency and the ensuing distortions in the class structure may make redistribution impossible. Third, institutional obstacles may impede equity-enhancing reform.

This book emphasizes the importance of institutional structures, which set parameters for collective action and mediate the impact of socioeconomic variables. As the case studies that follow show, organizational fragmentation in society and in the state has created crucial impediments to redistributive reform in Brazil's new democracy. Associations of narrow scope and personalist links to people of higher status have kept the poor divided and separated them from potential allies. Few, if any, encompassing interest associations and social movements or broad-based political parties have emerged through which the poor could successfully advance their interest in redistribution. Personalist networks and narrow associations have also helped corrode the internal unity of the state. "Bureaucratic politics" has undermined the state's capacity to impose equity-enhancing reform on reluctant elites.[6]

These organizational factors have arisen from the pattern of Brazil's socioeconomic and political development. Rapid industrialization has rested on close cooperation between the state and private business, has integrated only part of the populace into the formal economy, and has left the numerically substantial remainder marginalized. In addition to their divergent interests, various social strata differ greatly in the form and effectiveness of their organizations. The lower classes have been incorporated into narrow organizations that keep them apart from each other and divide them internally. Unable to act as a united front, they have not been able to effectively use their only significant power capability, namely their large numbers.

In contrast, organizations of narrow scope have given socioeconomic elites close links of institutional access to the state through which they have brought their enormous resources to bear with particular effectiveness. They do not need encompassing collective action nearly as much as the poor. Organizational obstacles have thus decisively aggravated the difference in power capabilities between the poor and the elite and made it extremely difficult for the lower classes to reverse social inequality.

The close connections between state agencies and business groups have exacerbated centrifugal tendencies inside the state, which lacks internal cohesion. As a result, state officials face tremendous problems when they try to advance redistributive initiatives. They have often run into difficulties inside their own agencies, whose bureaucratic staff insist on main-

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taining established procedures and narrow organizational interests, and they have encountered fierce opposition by other agencies that jealously guard their "turf" against any encroachments. Rampant bureaucratic politics has prevented the Brazilian state from enacting redistributive reform against elite resistance. Thus, low organizational scope—that is, fragmentation in society and the state—has created tremendous obstacles both to bottom-up and top-down efforts for equity-enhancing change.

Contributions of This Study

This book addresses several important debates in political science. First of all, it focuses on the age-old, yet very acute, problem of the relationship between democracy and equity. As mentioned earlier, different assumptions and value judgments about this issue have given rise to major theories and ideologies with enormous historical consequences. By providing empirical findings and, especially, a theoretical explanation, this study may help put the future discussion about the achievements and limits of democratic reformism on a more solid basis. Depending on an ultimate value choice, the selection of political goals is, of course, beyond the scope of this study.[7] But knowledge about the chances and requirements for achieving certain goals can make decisions about political strategies more rational.

The democracy/equity issue is particularly relevant for Latin American countries like Brazil. Equity-enhancing reform has decisive implications for the inclusiveness (Dahl 1971, 4–9) and the long-term stability of democracy in the region. In countries with extreme inequalities, redistributive change is indispensable for effectively extending citizenship to the poor. As the basic principle underlying democracy (Schmitter 1983, 891–96), universal citizenship demands that all members of a political community have equal chances of being taken into consideration when public decisions are made (Dahl 1971, 2).

Social inequality endangers this principle in Latin America. Abject poverty forces many people to enter into clientelist bonds with elites who offer minimal benefits and protection in exchange for obedience and political support—that is, for an abdication of citizen rights (Hagopian 1986; Gay 1988; Schmidt et al. 1977). Many poor people hardly act autonomously in politics. Only benefits guaranteed by the state through redistributive measures can break the hold of clientelist patrons and set the poor free

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to effectively exercise their citizen rights. Thus, the success of equity-enhancing reform conditions how restricted and elitist democracy in the region will be.

The absence of such redistributive measures might even endanger the very survival of democracy in the long run. Social elites may use their captive support among the rural poor for anti-democratic ends, as happened in Germany and Japan in the first half of the twentieth century (Moore 1967, 426). Alternately, the disadvantaged may be available for mobilization by populists, and the resulting sudden and widespread "unrest" may scare elite groups into appealing to the military for protection.[8] If transitional risks are avoided,[9] for instance through a pact guaranteeing the basic interests of all groups involved (Jaguaribe et al. 1986, 1989), redistribution could prevent those looming dangers and bolster the long-term stability of a democratic regime (Karl 1990, 13). Thus, the impact of democratization on equity-enhancing reform may affect the survival and quality of democracy itself.

By analyzing the effect of democratization on redistribution, this study takes the recent discussion on regime transitions one step further. Up to now, researchers have mainly investigated the causes and conditions of regime change (O'Donnell, Schmitter, and Whitehead 1986; Diamond, Linz, and Lipset 1989; Huntington 1991; Przeworski 1991; Stepan 1989) but not its substantive impact. The few analyses of the impact have focused almost exclusively on specific economic issues, especially structural adjustment to the debt crisis (Stallings and Kaufman 1989; Nelson 1990; Haggard and Kaufman 1992). Whereas most prior analyses took democratization as the dependent variable, this book uses it as the independent variable. In this way, the study contributes to the longstanding debate on whether politics, and more specifically regime change, makes a difference for the substance of decision making (see esp. Dahl 1971, chaps. 2, 6).

The book helps to fill another gap in the literature on democratic transitions in Latin America, which has so far been clearly society-centered. Whereas numerous analyses have been made of the role of political parties, interest associations, and social movements in processes of democratization,[10] little attention has been devoted to the state.[11] This book is "bringing the state back in" (Evans, Rueschemeyer, and Skocpol 1985). By examining how public policy making is affected by democratization, this analysis pays special attention to the state in its interaction with society. The state has played a crucial role as an authority structure and actor; it has also been

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influenced by social groups, especially business. Therefore, an interactive approach to state-society relations is most appropriate for the analysis of regime change and its effects (Skocpol 1985, 19–20; see recently Migdal, Kohli, and Shue 1994).

Finally, this book addresses the current debate in political science among different paradigms, namely rational choice, socioeconomic approaches, and institutionalism. It tries to show the usefulness of a neo-statist/institutionalist approach,[12] which provides the necessary context for rational choice and socioeconomic arguments. The latter make important contributions but are inadequate in their explanations unless they are embedded in an institutionalist framework.

Rational choice tends to take actors, their interests, and the parameters of their actions simply as given. It can account for the impact of institutions but not for their emergence. The claim that institutions are the purposive creation of rational individuals (Alt and Shepsle 1990, 2) or efficient solutions to problems of contracting (Williamson 1985, 23–32) vastly overestimates the flexibility and functionality of institutions and neglects the institutional constraints on institutional change. Rational-choice arguments need to be grounded in an institutionalist explanation.

Socioeconomic approaches, such as dependency theory, call attention to crucial socioeconomic structures. But they tend to overlook the fact that institutional factors mediate the impact of these structures and condition their very constitution. In many developing countries, the state helped create social classes and shaped their interests and power capabilities. Institutional patterns thus set crucial parameters for rational choice and the operation of socioeconomic variables. Institutionalism/neo-statism provides the basic framework for the other approaches.

Clarifying the Terms of This Study

Democracy

The concept of democracy has been understood in a wide variety of ways. This book uses a minimalist, formal-procedural notion because it seeks to discover what impact these procedures have on substantive reform. Adding input or output features like broad citizen participation or equitable public policies would rule out the current investigation or con-

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demn it to "discovering" tautologies. *Democracy* is therefore defined as a set of institutions that, in the context of guarantees for political freedom, permits the entire adult population to choose their leading decision makers in competitive, honest, regularly scheduled elections and to advance their interests and ideas through peaceful individual or collective action.[13] These procedures for political choice are designed to make the citizenry the ultimate authority for public decision making.

According to this procedural definition, Brazil's gradual return to democracy started in 1974. After 1985, except for the indirect election of President Sarney,[14] all electoral posts have been filled through direct competitive elections, and the rules of democracy have been observed with considerable (though not perfect) honesty. As a result, all office holders with political ambitions for the future have faced the need to prepare their (re-)election. This anticipation of voter sanctions constitutes the central mechanism for guaranteeing democratic accountability. The electoral imperative has been obvious to politicians since Brazil held elections for various offices in 1985, 1986, 1988, 1989, 1990, 1992, and 1994; many national office holders ran as candidates for regional or even municipal posts. As regards citizens, legal chances for individual and collective political participation have after 1985 been equal and open to all categories of society, and a wide variety of groups have advanced demands. For all these reasons, the period from March 1985 on can be classified as democratic.

Certainly, however, Brazilian democracy in the late 1980s was imperfect. Most important, only the 1988 constitution gave Congress influence over the budget,[15] and the first popular election of a president took place in late 1989. The preceding deviations from democratic principles limit the strength of the conclusions about the redistributive capacity of democracy that my analysis of the Sarney government can yield. The case studies show, however, that organizational obstacles that operated in the late 1980s have continued to impede equity-enhancing reform in the early 1990s. As this comparison suggests, the imperfect state of Brazilian democracy in the late 1980s did not have a decisive impact on the chances for redistributive change; it therefore does not undermine the main argument of my study.

The fact that Brazil returned to democracy fairly recently, however, limits the generalizability of my conclusions. Strictly speaking, the findings of this book can claim validity only for the first ten years of a new democracy. Whereas they can plausibly be applied to established democ-

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racies, this issue merits further research. The comparative analysis of the concluding chapter can only begin to address this question.

In this book, which analyzes the impact of a *transition to* democracy, references to "authoritarian rule" mean the conservative military regimes that prevailed in Latin America in the 1970s. O'Donnell's (1979) "bureaucratic-authoritarianism" is their prototype. Mobilizational regimes, like those of Cuba and Nicaragua (1979–1990) as well as Peru's reformist military regime (1968–1975), are excluded from the analysis presented in this book.

Redistribution

Following Lowi (1964, 691), *redistribution* is defined as any change in the shares that broad categories of people have in a society's material wealth.[16] By covering only measures that affect broad categories of people,[17] this notion excludes "doling out" particularistic benefits to specific individuals and small groups, which is classified as a distributive measure. This distinction has important implications for decision making. Since redistributive policies benefit broad categories of people, the drain of resources they create on the finite sum of national wealth or public revenue usually becomes an issue. By altering relative shares in national wealth, redistributive policies have a zero-sum character (at least in the short run). Some categories win; others necessarily lose. In contrast, distributive policies dispense particularistic benefits without sensitivity to the finite sum of national wealth or public revenue through which they are financed. They give to some without visibly taking away from others.

This study deals only with social redistribution, that is, with measures involving broad categories of people defined by socioeconomic characteristics. Other types of redistribution—for example, redistribution among different generations, races, or regions—will not be considered (except as proxy for social redistribution). Generalizing a concept of tax theory, the book calls redistribution progressive if it favors the poorer over the richer socioeconomic strata; the opposite is termed regressive.

This book analyzes redistributive policy making and policy outputs, such as the allocation of public spending to the rich or the poor. It does not focus on policy outcomes, such as the distribution of income in society, which is affected not only by policy outputs, but also by many important "confounding" factors, such as economic growth and inflation.

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Institutions and Organizations

Institutions are clearly defined, fairly stable systems of formal or informal rules that are designed to govern individual action and social interaction and that are enforced by sanctioning mechanisms based ultimately on coercion or expulsion. Institutions of domination, whose rules claim universal validity in a given domain, especially the state, can draw on coercion; institutions whose rules claim validity only for their members, such as democratic political parties, rely on (the threat of) expulsion. Political institutions include constitutional regimes, the state and its bureaucratic apparatus, political parties, and clientelist networks. In contrast to institutions, social and cultural norms, such as the norm not to have children out of wedlock, demand compliance but are not necessarily backed up by coercive sanctioning mechanisms. Sociocultural norms that lack institutional support have to rely on the power of persuasion and social pressure; institutions rely—as a last resort—on physical force or on expulsion.

An organization is an institution that integrates a group of people and orients them toward common goals so that they operate to some extent as a collective actor.[18] An organization thus is an institution to which supra-individual interests can be imputed. As March and Olsen (1989, 18) affirm, "Whether it makes pragmatic theoretical sense to impute interests . . . to an institution is neither more nor less problematic, a priori, than whether it makes sense to impute them to an individual."[19] A state or a political party, for instance, usually has sufficient unity of purpose to be considered an actor in its own right. Similarly, a clientelist network that seeks to gain access to patronage counts as an informal organization. By contrast, a political regime such as democracy is not an actor pursuing interests, but a normative framework for actors.

This book focuses on political organizations, particularly the degree of their internal coherence and their extension or encompassingness. Despite considerable overlap, this focus diverges somewhat from that of scholars who stress the impact of constitutional structure and other formal regime rules (Immergut 1990; Huber, Ragin, and Stephens 1993, 719–22; Tsebelis 1994; see also Linz and Valenzuela 1994). The reasons are twofold. In Latin America, political practice often deviates from formal rules. I therefore pay considerable attention to informal institutions, such as clientelist networks. Also, in "politicized" regimes (Chalmers 1977; Power 1991), legal rules are usually less enduring than basic characteristics of organiza-

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tions, which have a powerful tendency to perpetuate themselves and often remain unaffected by formal rule changes. For instance, Chile's parties retained their strong organization and program orientation despite the adoption of an open list system of proportional representation (Mainwaring 1991, 29), which is often invoked as a crucial reason for party weakness in Brazil. Since organizations have relative autonomy from and greater weight than formal rules, I place them at the core of my explanation.

The State

This book uses a political-institutional concept of the state. The state is defined as the territorially based institution that "successfully claims the monopoly of legitimate physical coercion for the execution of its orders."[20] For the purpose of this study, such a political-institutional concept is vastly preferable to notions that incorporate socioeconomic elements. Defining the state as a "pact of domination" among social classes (Cardoso 1979, 38–40; see also Poulantzas 1980) would a priori restrict the autonomy of the state from the class structure and predetermine the result of this study. A class-neutral definition of the state is essential for examining empirically the influence of different social categories on public policy making.[21]

Research Design

Why Brazil?

For analyzing the impact of democratization on redistribution, it is necessary to study a country whose citizens have a need for and an interest in equity-enhancing change. The need is strong where inequality is high, poverty is extensive, and economic stagnation leaves the poor little hope of improving their standard of living without redistribution. If in such a society redistributive needs are expressed as demands and reform proposals, the interest in equity-enhancing reform can be assumed to be considerable.

Accordingly, an excellent case for analyzing the impact of democratization on redistribution is Brazil. The country has one of the most skewed distributions of income in the world. Toward the end of military rule, in 1983, the richest 10 percent of the population held 46.2 percent of the

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nation's wealth (World Bank, *WDR* 1992, 277). This proportion is very high in international comparison, even in the Latin American context. The corresponding figure for the United States is 25 percent (1985), 23.4 percent for West Germany (1984), 33.2 percent for Venezuela (1989), and 39.5 percent for Mexico (1984) (World Bank, *WDR* 1993, 297). At the other end of the social pyramid, the poorest 20 percent of Brazil's population had 2.4 percent of national wealth, compared to 4.7 percent in the United States, 6.8 percent in West Germany, 4.8 percent in Venezuela, and 4.1 percent in Mexico.

This unequal distribution of income entails for the majority of Brazilians a life of poverty and for many a subhuman existence in abject misery. In 1988, 29.1 percent of the working population earned up to one minimum wage (IBGE 1990, 81), which at the time was worth about forty dollars per month. People forced to live on such little income cannot even fulfill their basic needs. Malnutrition, abysmal housing, deficient sanitary conditions, and neglect of major health problems are widespread in a country that also offers all the amenities of a comfortable life to the privileged few.

Since 1980, economic growth has been slow in this extremely unequal society. In contrast to the period from 1965 to 1980, when the average annual growth rate of GDP reached 9 percent, in the first half of the 1980s the aggregate growth rate dropped to 1.3 percent. If the increase in population (2.3 percent per year) is taken into account, the country's wealth *declined* in per capita terms (World Bank, *WDR* 1987, 205, 255). This stagnation did not give the poor good reason to hope for "automatic" gains from economic development. Redistribution was one of the few available avenues for improving their condition.

The need for redistribution has been subjectively perceived, defined as a political problem, and articulated in many ways.[22] In the early 1980s, discontent with the military government's meager record on social equity was already widespread (Rochon and Mitchell 1989, 309). The reinstallation of civilian rule unleashed a wave of pent-up demands. Urban workers pressed for wage hikes in numerous strikes (Sandoval 1993, 171–84), and part of the rural population mobilized in favor of agrarian reform (Santos 1985, 283–86, 299–301). The National Confederation of Workers in Agriculture has for many years demanded progressive redistribution (CONTAG 1984, 1988, 1989). Government experts have elaborated and promoted numerous proposals for equity-enhancing reform (SEPLAN 1985; MPAS 1986b;

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MPAS. SEE 1988a; Resende 1986; Rosa 1986; L. Silva 1986). Masses of people expressed their diffuse desire for redistribution by voting for a leftist candidate, Luís Inácio Lula da Silva, who almost won the 1989 presidential election.

Thus, there seems to be considerable interest in equity-enhancing change in Brazil.[23] Redistributive demands and reform attempts and the resulting negotiations and conflicts provide ample material for this study. As one of the best cases for analyzing the impact of democracy on redistribution, the Brazilian experience should have implications for other countries as well. The factors that have caused the dearth of equity-enhancing change in Brazil should also affect the chances for social reform in other nations.

Why Focus on Tax and Social Security Policy?

To analyze the impact of democratization on the *politics* of redistribution, it is useful to focus on issue areas that affect a wide range of classes and sectors. A sectoral measure, such as agrarian reform, would not be an appropriate object for this study. Issue areas that are much better suited are direct taxation and social security.[24] Social security policy can effect a compensatory redistribution that corrects perceived distortions in the primary distribution of wealth resulting from the socioeconomic system. By extracting financial contributions from certain socioeconomic strata and conceding benefits to others, the social security system can alter their shares in national wealth. As direct and indirect contributors or as beneficiaries, most social categories are affected by social security, which has a crucial impact on social stratification (Esping-Andersen 1990, chap. 3) and on citizenship (Marshall 1963).

Tax policy has a redistributive potential that was evident to political theorists from Marx (1971, 547) to Tocqueville (1955, 98–104). By placing the burden of extracting resources from society on certain socioeconomic strata, the state can alter the primary distribution of income. Direct taxation is a more interesting case for this study than indirect taxation. It is visible and therefore arouses more demands and conflicts. Decision making involves a broader range of actors, whose interests, power capabilities, and patterns of interaction can be analyzed. Democratization can be expected to affect the politics and policy of direct taxation much more than indirect taxation.

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All of society is affected by direct taxation. The majority of the population benefits from the public provision of collective goods without contributing revenues through direct tax payments. Because of Brazil's extremely skewed income distribution, only a minority of all citizens has to pay direct taxes. This well-to-do minority is spread across the different sectors of economy and society and includes the classes with most socioeconomic weight and political influence. Business and the middle class are the main direct taxpayers, but even better-off workers have to deduct income taxes from their wages. For these reasons, direct taxation is an appropriate case for analyzing the politics of redistribution.

Besides their crucial impact on the economic well-being of a wide range of classes and sectors, social security and taxation deeply affect the political power of these social actors and the state. The neo-statist/institutionalist approach of this study sees redistribution not only as politics of allocation, but also as politics of domination (Krasner 1984, 224–25). Wealth is at stake but also, and often more important, so is political power.

Thus, taxation allows the state to monitor and direct its citizens and to extract political support through incentives and sanctions. Since public bureaucrats have considerable discretion in the application of tax rules, businesspeople who oppose state goals have to fear retaliation.[25] Limiting the state's political control is therefore a preeminent motive for business resistance to extensions of taxation. Social security affects the power of a particularly wide range of actors. By providing benefits to large numbers of people, reform initiators can build political support and eclipse rivals.[26] They can also strengthen the state's direct control over its citizens. Established patrons see their political command over their clientelist followers threatened, whereas the latter can gain more latitude for independent demand making. Thus, redistribution shifts political power among social classes and sectors and strengthens state control over society. The following analysis therefore sheds light on changes in power relations among crucial political actors.

To arrive at broadly applicable conclusions, this study investigates policy areas that diverge on a number of dimensions yet share the feature of organizational fragmentation. The lack of redistributive reform in these issue areas can therefore be attributed to this common characteristic.

Tax and social security policy differ considerably in the kinds of issues and the types of actors involved in decision making. Whereas direct taxation imposes costs on specific categories, its benefits are widely diffused. In

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contrast, social security directly benefits many people, but its costs are much harder to pinpoint.[27] As regards actors, the technically competent Finance Ministry (Ministério da Fazenda–MF)[28] and its Secretariat of Federal Revenue (Secretaria da Receita Federal—SRF) face opposition from powerful business groups in tax policy; other social categories rarely get involved. In social security policy, the Ministry of Social Insurance and Welfare (Ministério da Previdência e Assistência Social–MPAS)[29] deals with a broad range of social and political forces, especially business sectors, trade unions, pensioners, and party politicians.

Regardless of these differences in issue type and actors, organizational fragmentation prevails in both areas. As regards bureaucratic politics, the MF faces strong rivalry from the Ministry of Planning (Secretaria de Planejamento–SEPLAN), and the MPAS from the Ministry of Health (Ministério da Saúde–MS) and the semiautonomous social security agencies. As for fragmentation in society, none of the social and political forces that are affected by or participate in decision making are comprehensively organized. In both areas, this low organizational scope has posed great obstacles to equity-enhancing reform, as the case studies demonstrate. Given this underlying similarity, my findings should be valid regardless of the specificity of the issue area. At least for Brazil, they should have general applicability.

The Argument

Chapter 2 presents the main theoretical argument of this book. First it outlines the ways in which democratization could, theoretically, bring about redistribution. Then it critically discusses competing explanations for the actual dearth of equity-enhancing reform in Brazil's new democracy. Rational-choice and socioeconomic arguments are found deficient; they need to be integrated into an institutionalist framework. I emphasize the importance of organizational scope. Redistributive reform, which needs broad-based support to overcome likely elite opposition, is extremely hard to effect where narrow, fragmented patterns of organization prevail in society and inside the state. Organizational fragmentation makes effective interest representation difficult for the poor, who would benefit from equity-enhancing reforms, and strengthens their elite opponents by giving them privileged access to decision makers.

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Chapter 3 turns to the examination of the Brazilian case, showing that low organizational scope has prevailed in society and inside the state. This institutional fragmentation has persisted throughout both authoritarian and democratic rule. The discussion of the historical development of organizational patterns also lays the basis for the subsequent investigation of tax and social security policy by introducing the main actors that are involved in decision making.

Chapters 4 through 7 use the theoretical framework of chapter 2 for a comparative analysis of decision making in direct taxation and social security. To shed light on the special characteristics of policy making under democracy, chapter 4 examines—as a contrast case—the decision-making process at the beginning of the regime change, namely under the government of President Geisel (1974–1979).

Chapters 5 through 7 investigate decision making in the new democracy in direct taxation, social insurance, and health care. The analysis follows numerous reform initiatives through different stages of the policy-making process and shows how the advocates and beneficiaries of redistributive change were weakened and its opponents strengthened by the organizational obstacles discussed in chapter 2. Analyses of decision outputs confirm the dearth of redistributive change under democracy.

Chapter 8 draws conclusions from the empirical analysis and reassesses the theoretical ideas of chapter 2. It also discusses how much room my institutional constraint approach leaves for political leadership. Then I broaden my view beyond the case of Brazil and discuss how the findings of this book apply to other countries. This comparative analysis focuses on Latin America, but also extends to India, the United States, and Europe.

The case studies are based on ample written documentation collected during two years of field research in Brazil (July and August 1987; September 1988 through March 1990; May through July 1992; October 1994). A wealth of reform proposals, executive projects, legislative bills, congressional committee records, laws and decrees, as well as petitions, suggestions, and criticisms from interest associations made it possible to reconstruct policy making in detail. Two hundred seventy-five interviews with interest group representatives, politicians, and state officials yielded insights into the crucially important informal aspects of Brazilian politics. Finally, two months of field research in Chile (June to August 1993) provided a comparative perspective.

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