



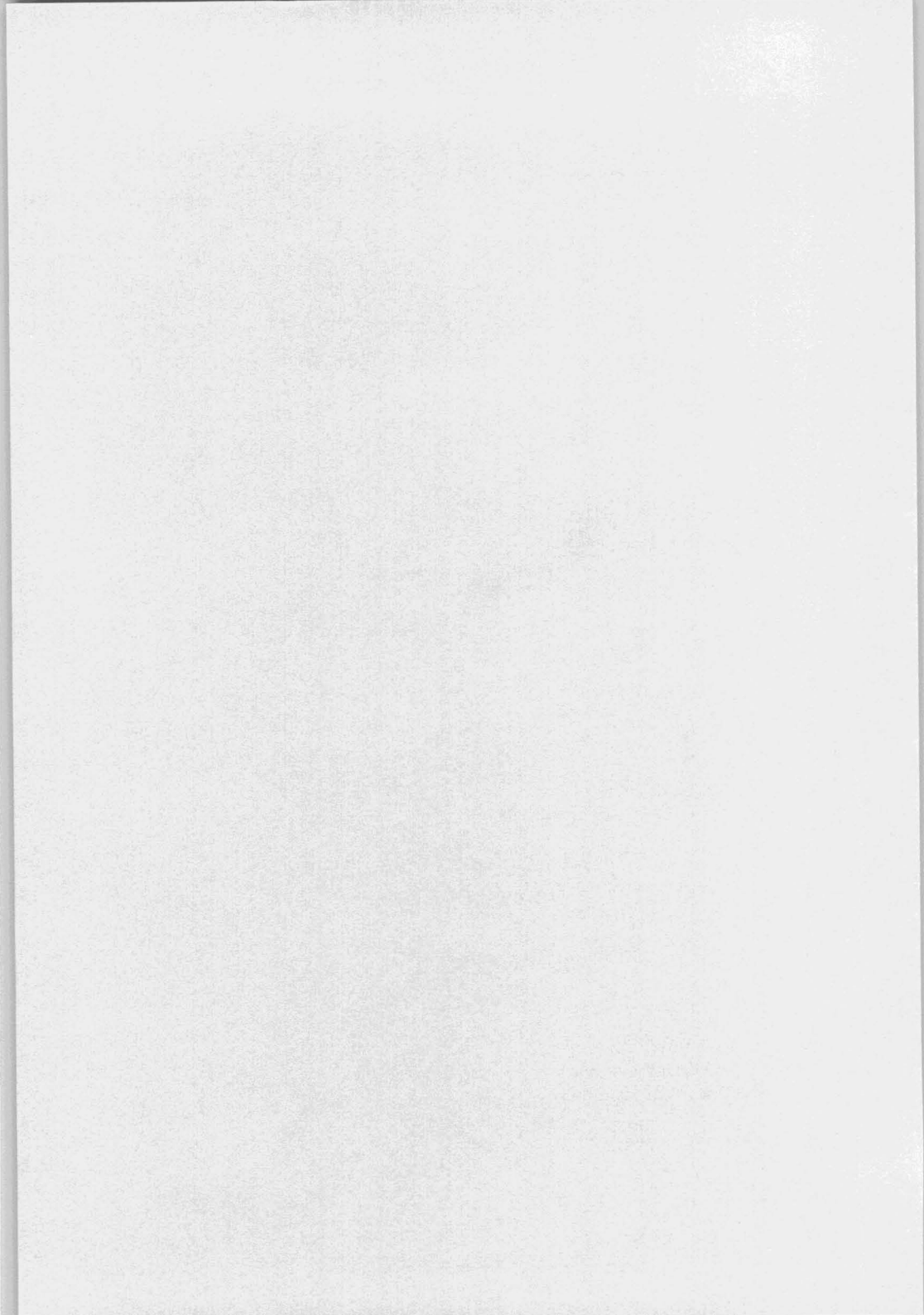
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**THE INSTITUTO NACIONAL DE PREVISION
SOCIAL AND SOCIAL INSURANCE REFORM
IN ARGENTINA, 1944 TO 1953**

Peter Lloyd-Sherlock

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Social Insurance Reform in Argentina,
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©Peter Lloyd-Sherlock,
Economic History Department,
London School of Economics.

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Peter Lloyd-Sherlock
Department of Economic History
London School of Economics
Houghton Street
London WC2A 2AE
United Kingdom

Phone: +44 (0)71 955 7084

Fax: +44 (0)71 955 7730

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INTRODUCTION

The evolution of social insurance systems¹ is of vital interest in two respects: firstly, in terms of the impact it may have on the quality of life and distribution of income in a society; secondly, as an indicator of the prevailing configuration of social, economic and political forces. Following the Second World War, attempts were made to upgrade social insurance provision across much of Latin America. Between 1944 and 1954, pension fund coverage more than tripled, as social insurance was transformed from a minority privilege to an absolute right for most economically active members of society.

During the same period there was an increased recognition of the inadequacies of existing social insurance administration in the region, and, in some cases, tentative moves to reform it. Much of the reformist debate was inspired by Britain's Beveridge Plan, published in 1945, which proposed a system of universal, unified welfare provision. The characteristically piecemeal evolution of social insurance in Latin America had engendered highly-stratified systems in which individual occupations were dealt with by separate pension funds.² These were widely criticised as being both inequalitarian and inefficient.

In Argentina, the perceived need for reform was intensified by social, economic and political conditions following the War.

1.SOCIAL: Argentina was a long way behind many of its Latin American neighbours in

¹J. Midgley in Social Security, Inequality and the Third World (London, 1984) defines social insurance as forms of social security which are: "...financed from the regular contributions of their members together with those of the employer and the state...and...provide protection to their members and their families against a number of risks or contingencies which interrupt, reduce, or terminate income or which place an additional burden on income." (pp 89-90). The definition used in this paper is slightly looser, including systems where the state does not necessarily make a contribution.

²See C. Mesa-Lago, "Social security in Latin America"(1978), p.14.

extending social insurance to new groups. By this time, both Chile and Brazil had developed more inclusive systems, despite their lower levels of industrialisation relative to Argentina. With only 8.7 per cent of its economically active population covered by 1941³ (compared to 11.2 per cent in Brazil in 1940)⁴, the provision of pension funds appeared to be lagging behind the rate of social change. Waismann argues that by the early 1940's elite groups shared a very strong fear of an imminent social revolution, and consequently they were prepared to sponsor reforms.⁵

2.ECONOMIC:By the early 1940's several existing pension funds were running up debt as their aging membership caused the number of pensioners to grow more rapidly than the number of contributors. Urgent measures were needed to forestall financial collapse. Past governments had successfully used pension funds as sources of cheap state credit through the provision of low interest bonds. A package of reforms which would encourage forced saving must have been very appealing to the new Peronist government, given its ambitious expansionist economic policies, both as a source of funds and a restraint on inflation.

3.POLITICAL: The decision to reform social insurance partly stemmed from the Peronist administration's need to sustain broad working and middle class support following electoral victory in 1945. This called for an expansion of both coverage and the range of services offered as part of the government's broader welfare strategy. Within this, however, the government sought to impose a structure which would ensure continued control of the unions and advance attempts to develop a powerful, autonomous state. This was an element of the regime's broader corporatist strategy, which, according to James:

"preached the need to harmonise capital and labour within the framework of a benevolent

³See S. Lischinsky, "La afiliación al sistema previsional (1944-1955). Logros y dificultades en su expansión." (1989)

⁴Data taken from Anuario Estadístico do Brasil and The Brazilian census of 1940

⁵See C. Waismann, The reversal of development in Argentina. (Princeton, 1981), pp 290-302.

state..."⁶

Whilst there may have been a new consensus for the reform of social insurance in Argentina, there was by no means agreement concerning the problems to be addressed nor the shape reform should take. As will become apparent, the distinct reform agendas were in many cases conflicting. Extending pensions to new groups could obstruct the process of harmonisation of existing funds. Drawing on funds as a source of cheap state finance might compromise their stability.

These contradictory perspectives and priorities were not immediately resolved by the new regime, so that pension fund reform became all things to all comers. Employers saw reform as a means of reducing bureaucracy (and thus their own levels of contributions), to preempt labour unrest and to boost productivity. They advocated the creation of a universal system of **seguro social**, which would cover the basic needs of those proven unable to work. As such, this would postpone the retirement age which was set at only 55 years for most of the existing funds: employers did not want to reduce the supply of labour in what was already a tight market⁷. The unions came to see reform as a potential power base. Their vision of change involved the upgrading and extension of the **jubilatorio** regime, already in operation for a small group of workers. This system of social insurance granted an unalienable right to a pension after a given period of service, regardless of ability to continue working. Implicit in this vision was the maintenance of the retirement age at 55. Peron himself did not discount either group's interpretation, viewing reform as a populist tactic and a means of facilitating cheap state credit.

Past analyses have argued that the reform of pension protection was one of the Peronist regime's most significant welfare achievements. Rock places it first in a list of Peron's "striking

⁶D.James, Resistance and integration. (Cambridge,1988) See also P.Waldmann,El Peronismo(Buenos Aires,1981), chapter 2 for a more detailed analysis.

⁷See D.Rock, Argentina, 1516-1987 (London,1987)

progress...in the area of social reforms."⁸ This paper modifies these views, contending that postwar social insurance reforms were obscured by the regime's failure to clarify the vital issues being addressed and by the attempts of various interested parties to impose their blueprints on the process. These conflicts underpinned the ambivalent and sometimes contradictory nature of the reform process. This will be illustrated by examining the rise and fall of the **Instituto Nacional de Prevision Social**(INPS)⁹, created in 1944 ostensibly in order to carry through the unification and expansion of existing social insurance schemes. The INPS was a high-profile organisation which theoretically enjoyed broad powers to carry out its duties. Passanante claims that it used these to good effect.¹⁰ This paper disagrees, arguing the INPS's role in social insurance reform was not as significant as might be supposed. The Institute played no role in the decision to extend protection to commercial workers in 1944 and industrial workers in 1946¹¹. Moreover, the structure of the INPS was in some respects incompatible with its stated objectives.

In 1953 a new package of reforms effectively dismantled the INPS, taking away its executive powers and restoring financial autonomy to individual funds. Yet this move would not appear to have been prompted by a wavering commitment to social insurance reform on the part of the government. Indeed, a bill passed the following year created new funds for rural and domestic workers, the only major groups then remaining outside the system.

Thus, the INPS played no obvious part in the extension of coverage, nor was it able to make significant progress towards fund unification. This raises several questions: Why the Institute was set up in the first place? Did it have any meaningful role? What prompted its dismantling in 1953? This paper focuses mainly on the second two issues, since Lischinsky has already

⁸D. Rock (1987), op cit

⁹National Social Security Institute.

¹⁰M. Passanante "Pobreza y accion social en la historia argentina: de la beneficencia a la seguridad social" (Buenos Aires, 1987) p. 127-128.

¹¹See S.Lischinsky, "Politica y prevision social: la creacion del Instituto Nacional de Prevision Social y la Jubilacion de los Empleados de Comercio" (1988).

examined the circumstances surrounding the INPS's creation.¹² It argues that the fate of the INPS was intimately bound up with power conflicts between the interested parties and the vortex of government spending precipitated by Peronist policies.

THE ESTABLISHMENT OF THE INPS

The INPS was set up in October 1944. The corresponding decree-law (number 29,176) stated that the INPS would function as an autonomous body, with specific legal powers and the control of its own finances. The Institute was charged with the management of pension funds already in existence¹³, including authority over their finances, and with advising the national president about future alterations to social security. According to Article 65 of the decree-law:

"Within two years the INPS will study and project...a generalised, uniform system of retirement and indemnity pensions which will include existing funds...In addition, it will study and project for the extension of equal benefits to unions and activities which are currently without protection." [author's translation].¹⁴

The decree-law did not provoke a strong media response, with generally low-key but favourable coverage. The mainstream press, such as La Nacion, restricted itself to giving largely descriptive accounts of the new body's structure and responsibilities, without putting forward any opinions on the matter.¹⁵ The negative interpretation mooted by the Foreign Office would seem to have been a rare exception. According to the British ambassador in Buenos Aires:

"one wonders whether the motive is public-spiritedness or vote-catching, the latter I fancy." ¹⁶

¹²S. Lischinsky, op cit (1988).

¹³These included the civil servants' fund set up in 1904, the railwaymen's fund (1919), the bank employees' fund (1923) and journalists (1939).

¹⁴Decree Number 29,176, 27 October 1944, article 65.

¹⁵La Nacion, 31 October 1944.

¹⁶ British Ambassador, Buenos Aires, 2 November, 1944 (FO 371 AS 75/75/2)

Several aspects of the legislation may have inspired this broad level of consensus. Firstly, the INPS's general objectives echoed progressive thinking overseas. To be in the vanguard of such movement was a matter of national prestige. Furthermore, as will be detailed later, the INPS offered a degree of representation to both unions and employers. More significantly, the decree-law did not specify the precise nature of the reforms the INPS would introduce. Consequently, each group still felt it would be able to exert some influence on the process.

This contrasted with the reactions to the creation of a commercial employees' fund, just weeks later. The new fund provoked pro-Peron demonstrations by the newly-included workers¹⁷, whilst employers published a furious protest statement. The latter group was concerned by the fact that the commercial fund represented a commitment to the union-sponsored **jubilatorio** system.

The creation of the INPS, by contrast, did not presuppose an exclusive commitment to either the **jubilatorio** or the **seguro social** schemes of social insurance. Several factors surrounding its establishment contributed to this ambivalence. The phrasing of the decree-law referred to extending, improving and harmonising coverage, but dodged specific issues such as the retirement age. In addition, the INPS's structure provided representation for all the interested parties. Its Directorate, in which all the INPS's powers of decision were vested, consisted of a president and six directors, all of whom were nominated by the National President, along with three union and three employer representatives. The Syndical Chamber, which functioned as an advisory committee, was evenly split between the unions and employers. Thus, whilst the National President controlled a majority in the Directorate, equal voice was given to labour and capital concerns.

The appointment of Dr R. Carcano as president of the INPS no doubt allayed employers fears that the unions would exert a greater influence on Peron's decisions. Dr Carcano was a respected figure of the traditional, conservative classes. More significantly, Dr Carcano clearly favoured the system of **seguro social**. In a speech made to the Congress to mark the inauguration of the INPS,

¹⁷La Nacion, 21 October 1944

he argued:

"When it is possible to continue ordinary tasks healthily and cheerfully one should not lean on the state like a dead weight." [author's translation].¹⁸ (As an octogenarian, the good doctor was particularly well-qualified to make this point).

Conversely, it could be construed that the appointment of a non-Peronist in the twilight of his years to head the INPS and the failure to consult either him or employers about the commercial fund showed that Peron's commitment to the new body's stated objectives was questionable from its inception. The structure of the Institute reinforces these suspicions. The INPS was to be split into clearly separate departments, some dealing with occupation groups already covered by specific funds. Lischinsky notes that the representation of these funds in the Syndical Chamber and Directorate was weighted in favour of established pension schemes, which, he claims, were more likely to resist incorporation into a united body.¹⁹ The inclusion of both employers and unions in the decision-making organs was just as likely to encourage stalemate as a concerted, well-directed policy.

If the organisational structure the Institute took indicates Peron's true motives, what then were his underlying intentions? One obvious consideration, as noted by the Foreign Office, was to make political capital in the run-up to the January 1945 presidential elections. However, this was less important than the pressing need for a mechanism to transfer finances between individual pension funds. This would offer a short-term solution to the bankruptcy threatening several established funds. This also explains Peron's haste in creating the commercial workers' fund which would provide a fresh influx of capital to be redistributed through the system. The two year deadline for financial union reflected the urgency of the problem of illiquidity.

No specific deadlines were given to achieve universal pension coverage. Indeed the creation of the INPS did nothing to prove that Peron pursued the goal of unification in any respect other than

¹⁸From R. Saenz-Hayes, Ramon J. Carcano (1960)

¹⁹S. Lischinsky, op cit, pp 16-18.

financial transferability. No immediate steps were taken to standardise the level of contributions or of pension payments. The privileged police and military pension schemes were not incorporated within the INPS: these groups were too important to Peron to be merged with the rest. From the first, Peron's ambivalent stance began to undermine the Institute's authority. Without the National President's full backing (since he controlled a majority in the Directorate) it would be impossible to set in motion many of the projects alluded to in decree-law 29,176.

It was soon apparent, then, that the Institute's main original *raison d'être* was as a quick fix to the long-standing problem of pensions out-stripping contributions. For Peron, it was the "soft" political option. The only alternative would have been to extend the retirement age. This would have had serious implications for his electoral performance. The creation of the Institute served other political purposes in as much as it gave the impression that far reaching reform was afoot. At the same time, Peron was careful to prevent these reforms developing a momentum of their own, since any specific measures would almost certainly alienate either unions or employers. Not least, the Institute became an important source of privileged white-collar employment²⁰, which Peron used to bolster his backing amongst the middle classes.

Thus, the establishment of the INPS soon turned out to be a profound disappointment for those who had hoped it would herald a more progressive attitude towards social insurance a la Beveridge Plan. The body's initial function was simply to shuffle wealth from one pension fund to another. In September 1945 Dr Carcano resigned as president of the INPS. His speech to Congress contained a series of thinly-veiled criticisms of the government's handling of the reforms.²¹ Despite the grand statements of decree-law 29,176, the role the Institute was to play, beyond acting as a financial broker, remained very unclear.

²⁰This was part of a rapid expansion of the public sector employment, which grew from 243,400 to 574,700, 1943 to 1951. (data cited in The Review of the River Plate, 11 May 1956.).

²¹R. Saenz-Hayes, *op cit*, refers to a series of "incisive allusions" in Dr. Carcano's resignation speech. Shortly before his death in April 1946, Dr. Carcano went on to say: "Recently [Peron] has begun an Argentine social revolution which has escalated in a very dangerous and alarming way." [author's translation].

FINANCIAL CONSIDERATIONS

The INPS's financial role entailed administering contributions, investing revenue and making payments. Given the complexity of the task, the INPS did not formally take on these responsibilities until July 1946. This section examines the INPS's financial activities and their broader economic consequences.

In order to establish a stable financial footing, the INPS had to be able to successfully predict a number of variables: levels of affiliation, the proportion of pensioners, the values of benefits, returns on investment and so forth. However, such information was seldom easily available. A problem which beset many of the newly-established state planning organs was the lack of reliable statistics, particularly concerning social conditions.²² Measures were taken to resolve this, such as the creation of the Consejo de Estadístico y Censo in 1944, but were unable to provide the detailed information required without several years of research. The water was further muddied by unrealistic claims made by the government. In mid 1950, Peron announced that, with the inclusion of the commercial and industrial funds, almost three and a half million workers were now affiliated to the INPS.²³ This is contradicted by Lischinsky's finding that the total was actually in the region of two million. His findings reflected the presence of a sizable "informal" sector which fell through the net of state provision.²⁴ Clearly the low proportion of affiliation had a direct influence on the INPS's projected revenues and may have contributed to a lack of realism and future fiscal difficulties.

Whatever the statistical problems of projecting budgets, there can be no doubt that, in the short term, the extension of social insurance to new groups generated more than enough additional revenue to shore up the finances of the older funds. As Table 1 (overleaf) illustrates, the

²²See P. Waldmann, *op cit*, pp 81-82.

²³See Review of the River Plate, 5 May 1950.

²⁴S. Lischinsky, *op cit* (1989).

Table 1 The proportion of pensioners as a percentage of the total membership of the most important funds within the INPS.

Fund Date of foundation	Civil	R.way	Public	Banks	Industry	Commerce
	1904	1919	1921	1923	1946	1944
1945	8.3	9.4	4.0	6.2	-	-
1946	7.1	9.2	4.0	6.1	-	-
1947	6.8	9.2	3.7	5.8	-	0.5
1948	6.5	10.0	3.2	6.1	0.1	0.8
1949	7.0	12.1*	3.3	6.8	0.2	1.3
1950	6.7	14.7*	3.9	8.8	0.2	2.0
1951	7.0	16.3	4.8	9.3	0.1	2.9

*This sharp rise was partly due to a reduction of the retirement age from 55 to 50 between 1948 and 1949.

Source: The Review of the River Plate 30.12.52.

proportion of pensioners in the new funds was lower than in established ones, and thus revenue was more likely to exceed pay-outs. It would be expected that the level of pensioners in the new funds would eventually reach a figure comparable to the others. Both the Bunge Institute and The Review of the River Plate grimly predicted that the overall proportion of pensioners could eventually be as high as 17 per cent, given the young retirement age.²⁵ If such forecasts were well-founded, the extension of coverage to new groups would simply add to the financial instability of pension funds in the long run. Nevertheless, this was a very gradual process and did not progress very far during the period covered by this paper.

All past pension funds had been organised on the basis of a **capitalization** process and this was maintained when they were brought within the INPS. Unlike **pay as you go** schemes, which balance annual revenue with pay-outs, capitalization ones rely on investing affiliates' contributions during the course of their working years and then financing their pensions from the

²⁵Review of the River Plate, 30th December 1952 and Revista de Economia Argentina, January 1947.

accumulated interest.²⁶ The low proportion of pensioners in the two new funds generated enormous surpluses and it soon became apparent that the Peronist government's intentions went beyond simply averting the collapse of individual funds. Increased revenue appeared to offer the prospect of an almost limitless supply of cheap credit for the state. Decree-law 29,176 made no specific reference to this eventuality, simply stating that the INPS was free to invest surpluses in providing affiliates with cheap mortgages and in "other projects of social value and public utility."²⁷ Despite this, the government granted itself the right to borrow from the funds up to 3,000 million pesos, known as "Títulos de prevision social", at an interest rate of only 4 per cent (compared to an average annual inflation rate of 27.4%, 1948-1952). As shown in Table 2 these bonds absorbed the lion's share of INPS revenue.

Once administrative costs and loans to affiliates are deducted from the revenue, less than 10 per cent remains to be accounted for by the pension payments themselves. Within a fully-capitalised programme contributions are initially greater than current pension needs in order to provide for the rising proportion of pensioners in the future. However, the interests of future pensioners Table

Table 2 Capital accumulated and bonds issued by INPS, 1948-1952.

	Revenue (million pesos)	Bonds Subscribed (million pesos)	(%)	Accumulated Capital (M pesos)	% Rise On Previous Yr
1948	2,256	1,780	79	5,039	-
1949	3,149	2,322	74	7,839	55.5
1950	4,143	3,132	76	10,861	38.6
1951	4,895	3,622	74	15,176	39.7
1952	6,308	4,915	78	20,818	37.2

Adapted from The Review of the River Plate 30.12.52 and 9.10.53.

²⁶See F. Thullen, "The financing of social security pensions" in C. Mesa-lago (ed), The crisis of social security and healthcare. Latin American experiences and lessons. (1985)

²⁷Decree No 29,176, article 3 (author's translation).

would have been better served if some of their contributions had been invested in higher interest yielding loans. Moreover, subsequent sections will show that the acquisition of these bonds reduced the finances available to meet current pension needs, causing a sharp devaluation of benefits.

Not surprisingly, the large quantities of bonds purchased by the INPS were sharply criticised by employers, who regarded it as an indirect means of transferring resources from the private to the public sector. Employers hoped that a package of reforms planned for September 1951 might modify the capitalization method of fund management and lower the burden of contributions. Instead, state fiscal needs prevailed (as the economic recession caused tax revenues from other sources to contract) and the level of employer payments was actually increased by between 4 and 5 percentage points.²⁸

It is not easy to assess the full economic consequences of imposing such high levels of contributions on employers and workers. They certainly help to explain why the contraction of the fiscal deficit occurred at a faster rate than the reduction of state spending (Table 3) and, as such, eased the process of clawing back the public deficit.

Table 3 Macro-economic indicators related to social security savings, 1948-1952.

	Public Expenditure/GDP (%)	Fiscal deficit/GDP (%)	Annual Inflation (%)
1948	35.4	13.4	15.3
1949	28.7	9.8	23.2
1950	26.5	5.5	20.4
1951	26.1	4.5	49.0
1952	26.5	5.6	31.2

Source: P. Gerchunoff, "Peronist economic policies, 1946-1955", in "The political economy of Argentina, 1946-1983", G. Di Tella and R. Dornbusch (1989), pp. 69-70.

²⁸The Review of the River Plate, 5th October 1951.

Although employer organisations argued that the effects of high contributions would be very inflationary, this could conceivably be counterbalanced by the contraction of worker spending power caused by their own share of the burden. However, the high level of pay rises awarded to pension fund affiliates more than compensated for this, effectively passing on their share of payments to the employers. In some cases employers formally recognised their double obligation.²⁹

The high level of contributions to the INPS added to the costs imposed on employers by steep pay rises, the introduction of profit-sharing for workers and other obligatory requirements such as an annual **aguinaldo** bonus equivalent to a month's salary. Following the economic downturn of 1951 there were signs that employers were increasingly unable or unwilling to meet these requirements. The INPS had powerful legal backing to enforce payment. If arrears stretched beyond a grace period of one to three months, Congress had been granted the authority to immediately sequester the outstanding sums.³⁰ However, this draconian measure was never put into practice, suggesting that the Institute recognised that some firms would not be able to withstand the seizure of arrears. Figures concerning employer debts were never published by the INPS. This may have been because of fear of provoking a crisis of confidence in the pension system. It may also have reflected the fact that the problem included state as well as private employers. In a Congressional debate in September 1953 Sr Belnicoff (Radical) claimed that state public utility concerns owed the INPS 350 million pesos.³¹

In a 1953 survey, The Review of the River Plate noted that the INPS's revenues were the same as for 1952, despite a 15 per cent rise in wages. This could only have resulted from rising

²⁹The Foreign Office Labour Attache Special Memorandum, 14th October 1946 cites the example of Alpargatas SA, which agreed with unions to pay both employer's and employees' contributions.

³⁰Decreto 29,176, Article 53.

³¹La Nacion, 18th September, 1953.

unemployment (unlikely as the economy began to recover from the 1952 recession), a failure to impose the wage increase (equally unlikely given the strength of the unions) or an increased level of employer arrears.³²

During 1953 there were no further extensions of the government's annual 3,000 million peso facility. In April of that year a new source of low interest bonds was established: *Creditos Argentinos Internos*. The Review of the River Plate speculated that this may have resulted from the existence of sizable employers' deficits to the INPS.³³ The move suggested that the seemingly limitless supply of credit offered by the INPS had begun to dry up.

The financial achievements of the INPS would, then, appear to have been very limited, with the Institute simply acting as a conduit through which most of the short-term glut of revenue in the new funds was channelled into the state's coffers. Moreover, as will be shown, this creaming of revenue was achieved partly at the expense of the Institute's stated goals. Despite the high levels of capital being accumulated by the Institute, the stability of individual funds was by no means assured, as testified by the experiences of the railwaymen's and Buenos Aires urban transport workers' pension scheme, whose deficit rose throughout this period.³⁴

The INPS's financial functions were at times vague and obscure. However, some general observations may be made. The urgency with which the INPS was established reflected the pressing need to bolster the resources of funds such as the railwaymen's and civil servants'. Whilst no pension fund was allowed to go bankrupt, the Institute never guaranteed their solvency. It appeared to do no more than the minimum required to keep them afloat. The Institute quickly became a key source for much-needed state credit and this function soon over-shadowed any other. With mounting employer arrears and growing proportions of pensioners, this source of

³²Review of the River Plate, 9th October, 1953.

³³Review of the River Plate, 30th April, 1953.

³⁴The Review of the River Plate, 9th October, 1953.

pseudo-tax revenue soon began to contract. As such, even the INPS's fiscal role was reduced. This may have encouraged the decision to dismantle it in 1953.

THE POLITICAL SIGNIFICANCE OF THE INPS

Given the vagueness of the INPS's responsibilities and the limited nature of the franchise bestowed upon it, it would seem unlikely that the institute would play an important role in the political life of the country. The Institute's structure, as set out in decree-law 29,176, provided the National President with a clear majority in the Directorate. In keeping with Peronist strategies, both employers and unions would be kept subordinate to an over-arching state authority, which, in turn, was to be closely bound to the National President himself.³⁵

Despite this, as it was not initially apparent that the Institute would have such a restricted role, there remained incentives for both unions and employers to gain the upper hand in the INPS. Its structure and supposed objectives did not disqualify either the **jubilatorio** or **seguro social** systems of protection, suggesting to employer representatives that there might still be time to swing the debate in their favour.

However, it soon became clear that key decisions concerning social insurance were not being made in the INPS's head offices but in the presidential palace. As Lischinsky shows in the case of commercial workers, the decision to extend pension coverage reflected the President's need for political support and, to a lesser extent, the credit requirements of his development strategies.³⁶ Other issues, such as the retirement age and the type of services offered by the funds, were of less immediate concern. Peron was not prepared to give the INPS any autonomy in dealing with the issues which concerned him most, nor did he want to disturb the status quo

³⁵See P. Waldmann, op cit, chapter 2 for a full account of the role of the state in Peronist strategy.

³⁶S. Lischinsky, op cit (1988).

in other areas.

The Institute had evolved into a microcosm of the corporatist structure of political control which Peron had imposed on Argentina, providing formal representation for both unions and employers but concentrating real authority in the hands of the National President. Similarly, changes in the structure of power within the INPS mirrored broader political shifts during Peron's rule.

In Eva Peron, the unions had a privileged channel of access to the President's ear, which enabled them to side-step the INPS. Pressure from Eva led to the sudden decision to extend **aguinaldo** bonuses in September 1951.³⁷ Following Eva's death, the structure of power in the regime gradually shifted. This partly resulted from a change in the thrust of Peron's economic strategies, which began to prioritise growth before welfare and distribution.³⁸ Without Eva, it became necessary for the unions to act on their own behalf and to assert a greater degree of authority and independence from the government and the state³⁹. During 1952 the unions started to become more out-spoken about pension issues. The Confederacion General de Trabajo (CGT)⁴⁰ took the lead in petitioning for the extension of coverage to new groups. Whilst this objective had been set out in decree-law 29,176 and reiterated in the Second Five Year Plan, no action had been taken since the creation of the industrial fund.

Much more significant was the INPS resolution of March 1953, which effectively gave the CGT a monopoly of negotiating pensions with the Institute. Until then, affiliates had been able to employ private legal agents to represent them in disputes regarding pension payments. According to a subsequent editorial in La Nacion, the new ruling aimed to simplify procedures for pension

³⁷See La Nacion, 27th September, 1951.

³⁸See R.Mallon and J.Sourrouille, Economic policymaking in a conflict society: the Argentine case (Harvard,1975), pp 11-12.

³⁹See S.Baily Labour, nationalism and politics in Argentina. (New York,1967)

⁴⁰The Trade Union Congress.

disputes and speed up payment.⁴¹ However, the Foreign Office noted that:

"...the change will have the effect of placing still more power in the hands of the unions and it is feared that those applicants who are not members will stand little chance of securing the benefits to which they are entitled."⁴²

By July 1953 the CGT claimed that its monopoly had reduced delays in dealing with initial pension claims by between 3 to 7 months. Two thousand offices had been opened to negotiate pensions on union premises. They provided the unions with an important new power base from which they could influence welfare issues. The Foreign Office had been told by the CGT that the directing bodies of the various pension funds would shortly be entirely manned by workers representatives.⁴³ This would enable the CGT to dominate decisions both concerning the administration and financing of funds, thus denying employers the token role which they had hitherto been granted by the INPS. In order to achieve this, the unions sought to reduce the authority of the Institute over individual funds: it had now become an obstacle in the path of the CGT's ambitions.

Between the creation of the INPS and its downgrading in 1953, there was a gradual shift in the balance of power in the field of social insurance. In the early years authority remained firmly with the National President who, whilst sympathising with the unions' aspirations, provided employers with a fig-leaf of representation. At times the unions were able to reach Peron through their special relationship with Eva. The INPS's supposed mediative role was over-ridden by the President's unilateral decision-making. By 1952 the unions were trying to monopolise control over pension funds. Employer representatives, unable to challenge the powerful union machine, lost their remaining vestige of influence.

⁴¹La Nacion, 14 September 1953.

⁴²Trade union report, 20 February 1952. FO 371 103214.

⁴³Labour report, 28 July 1953. FO 371 103213.

This section has examined attempts by various parties with an interest in the reform of pension policy to influence the process. However, as yet no mention has been made of the group which had most to lose or gain: the pensioners themselves. This group had its own representative organisation, the Sindicato de Jubilados y Pensionistas Civiles Nacionales⁴⁴. The pensioners were given no formal representation in the INPS and their only means to influence change was through pleas to the National President. Like the Institute, the pensioners' say was eclipsed by the power-play between more influential groups.

THE INPS AS AN AGENT OF WELFARE

As shown earlier, the precise numbers included within pension schemes during the Peron years were significantly exaggerated at the time. Nevertheless, the expansion of provision took place on a massive scale and is seen to have comprised a vital component of the government's welfarist strategies.⁴⁵ The INPS's stated objectives of universal, upgraded social insurance added credibility to these reforms. However, many of the INPS's functions were concerned foremostly with generating cheap government credit and decisions to include new groups were strongly conditioned by political considerations.

A superficial examination yields the impression that both workers and pensioners stood to gain from the reforms to social insurance. The government's unofficial backing of the **jubilatorio** system held several clear attractions, not least the low retirement age. Whilst worker contributions, initially at 8 per cent, were high in comparison with pension schemes abroad, their effect was more than compensated for by wage rises.⁴⁶

⁴⁴The National Civil Union for Pensioners and Retired.

⁴⁵D. Rock, *op cit* pp. 262-263, cites the right to retirement as one of the central plinths of the Peronist doctrine of "justicialismo".

⁴⁶For example, *La Nacion* 30 October 1951, reports that a new pension scheme for the "liberal professions" would entail a 24 per cent obligatory worker's contribution, but would be preceded by a 30 per cent salary increase.

President Peron frequently called for improvements in protection for those already covered and the creation of pensions for new eventualities. With the support of Peron, the INPS was able to make considerable progress in these areas. By 1951, new provision had been made for sickness insurance and maternity. Taken together with the activities of the Eva Peron Foundation, such as the provision of public hospitals and childrens' holidays⁴⁷, these reforms (at least on paper) amounted to an unprecedented improvement in the quality and scope of welfare.

Whilst the range of services offered by the INPS to affiliates was expanded, it must be stressed that the actual number of recipients of these benefits remained very low. Table 4 shows that in 1951 the proportions of membership receiving payments in the industrial and commercial funds were only 0.1 and 2.9 per cent respectively. Details from INPS accounts are only available for 1950 and 1951 and were published in part in The Review of the River Plate (Table 4, overleaf). The small number of payments or loans made to affiliates cannot entirely be explained by the relatively youthful composition of its membership. This is particularly true for mortgage and personal loans, for which all affiliates were theoretically eligible and, given the low rates of interest charged, would have been in considerable demand. The rapid extension of social insurance did not, then, lead to a mushrooming of the number of pensioners. Foreign Office reports in 1951 paint a rosy picture, describing pensions as "generous", accounting for up to 80 per cent of the previous salary for labourers and 75 per cent for skilled operatives.⁴⁸ However, this analysis fails to take into account one all-important factor: inflation. This continually dogged the regime's economic strategies, rising from 4 to 49 per cent from 1947 to 1950. Inflation was partly the result of the heavy burden of pension contributions and other charges on employers. The main reason, however, were public sector deficits. When the INPS was set up there was no mechanism for adjusting pension levels according to the rising cost of living. Under the capitalization system, the size of the payment was calculated from the average wage received during the last fifteen years of employment. By August 1947 pensioner organisations claimed that

⁴⁷See N.Fraser and M. Navarro, Eva Peron (New York, 1948), chapter 8 for a detailed account of the Eva Peron Foundation's operations.

⁴⁸Labour attache, 21 September 1951. FO 371 90490.

Table 4 Partial accounts of the INPS, 1950 and 1951.

Year	1950	1951
Total affiliates(*)	2,045,000	1,957,000
No. retired (% of total members)	130,000 (6.4%)	164,000 (8.4%)
No. other pensions (% of total members)	62,000 (3.0%)	60,000(@) (3.1%)
Mortgage loans (% total revenue)	3.1%	No data
Personal loans (% total revenue)	2.7%	No data

* Taken from Lischinsky's calculations⁴⁹

@ Unlike the 1950 figure, this does not include maternity pensions.

Adapted from The Review of the River Plate⁵⁰

the real value of their payments had been reduced by an average of 25 per cent.

Partly spurred by the pensioners' protests, some steps were taken to restore the value of pension payments. A law passed in December 1948 theoretically enabled the adjustment of payments in line with inflation, but there is no evidence that it was ever enforced. In April 1951 a new minimum pension was established and a flat 50 peso rise was granted. This was met with a muted response from pensioners.⁵¹ The October 1951 reform package took more determined steps to end pensioners' grievances. Firstly, it extended the **aguinaldo** bonus to social insurance. Pensions were to be calculated from workers' average salaries over a five year period instead of

⁴⁹Lischinsky, op cit (1989), p.9.

⁵⁰Review of the River Plate, 18 December, 1951 and 19 August 1952

⁵¹Review of the River Plate, 17 April 1951.

fifteen. Despite these measures, the following year the railwaymen's pensioners association claimed that their payments still lagged behind the cost of living.⁵²

The Review of the River Plate compared average monthly pension payments in 1947 and 1953. By 1953, no group, save bank employees, received an average pension of 900 pesos; the minimum wage for industrial workers at that time (Table 5, overleaf). Not only were payments made to the small numbers of pensioners devalued by inflation; there is also evidence to suggest that provision was frequently delayed by bureaucratic inefficiency. This was the justification used by the unions to monopolise pension negotiations in 1952.

There would appear to have been very few net "winners" in Argentina's social insurance system. Whilst worker contributions were initially off-set by pay rises, they received few immediate benefits in the form of loans or non-retirement pensions. Moreover, the October 1951 reform raised the level of worker contributions in the civil service, commercial and industrial funds from 8 to 10 per cent, at a time of falling real wages. Clearly employers had little to gain from the pension system, both in terms of the disproportionate share of its costs and the effects of early retirement on a tightening labour market. Excluded low-income groups, such as rural labour, helped to subsidise the social insurance system by enduring the additional inflation it generated. Even the pensioners themselves made few gains from the expansion and reorganisation of coverage. Their payments lagged behind the cost of living and were delayed by inefficient administration.

Clearly the only real "winner" was the state itself. The provision of low interest bonds by the INPS was indispensable for the government. Whatever trappings of welfare were given to it, the Institute's primary function remained the collection of an unofficial income tax. Some of the revenue creamed off was almost certainly used to finance projects in other fields of welfare. Nevertheless, it could have been invested in this way equally effectively if it had been left in the hands of the INPS.

⁵²Review of the River Plate, 29 July, 1952.

Table 5 Average monthly pensions in 1947 and 1953.

Fund	Nominal amount (pesos)			Adjusted value (1943 pesos)		
	Dec '47 (a)	Aug' 53 (b)	Diff (b/a,%)	Dec '47 (c)	Aug '53 (d)	Diff (d/c,%)
1) Superannuation pensions.						
Commerce	245	624	+148	144	117	-19
Journalists	315	767	+143	185	132	-29
Civil	302	613	+103	178	105	-41
Shipping	359	588	+64	211	101	-52
Railways	222	719	+223	131	124	-5
Industry	162	487	+200	95	84	-12
Banks	349	1,117	+220	205	193	-6
2) Dependents' pensions.						
Commerce	175	422	+141	103	73	-29
Journalists	144	478	+232	85	82	-4
Civil	147	389	+165	87	67	-23
Shipping	188	412	+120	110	71	-35
Railways	107	428	+300	63	74	+17
Industry	111	376	+239	65	65	0
Banks	184	531	+188	108	91	-16

Sources: Diario de sesiones of the Chamber of Deputies, 1953 pp 1671 to 1675, cited in The Review of the River Plate, 20.4.54.

The INPS's real contribution to social welfare in Argentina was almost negligible in comparison with its pseudo-fiscal operations. Its supposed *raison d'être* would, then, seem to have been little more than a trojan horse. Lacking any political autonomy, it simply reflected the financial priorities of the government and, to a lesser extent, the more influential unions.

THE DOWNGRADING OF THE INPS

A new series of pension fund reforms were announced in the autumn of 1953. On 18 September Congress voted in a reform bill, which was ratified by the Senate the following week. The reform gave individual funds more financial autonomy, thus relieving the INPS of its main duties. Congressman de Prisco (Peronist) outlined the Institute's new, reduced role:

"...the INPS will be the coordinating body for the national system and the various funds...[for the] assessment of the public authorities, the consideration of projects, the solution of problems arising between funds, handling issues relating to the application of the reciprocal system of services and to its understanding of the means to appeal against the resolutions of funds." [author's translation].⁵³

In other words, the INPS was to lose any financial authority it had previously possessed and was to be downgraded to purely an advisory body.

Meanwhile, the Institute's political autonomy within the Secretariat of Labour and Welfare (SLW) was reduced. Whilst the INPS had always been theoretically under the aegis of the SLW and all its contacts with Peron were supposed to be conducted through it, the SLW had no official representation in the Directorate. The reform bill changed this, proposing that, in due course, the Minister of Labour and Welfare would himself assume the responsibilities of the INPS's presidency.

Peronists argued that the reforms in no way entailed a weakening of the government's commitment to extending pension coverage. In fact, they claimed the changes had been introduced with expansion in mind: but even if the government remained in favour of expansion, the once-vaunted goal of standardisation had fallen by the wayside. This may have reflected the government's fears that it would not be able to extend a comparable standard of social insurance to rural and domestic workers, who would be unable to meet high contribution levels. A system of minimum contributions implied a poorer quality of protection. Similarly, the fiscal defrocking

⁵³La Nacion, 18 September 1953.

of the INPS removed the danger of other funds subsidising the contributions of lower income groups and thus draining the government's credit supply.

One of the principal reasons cited for the reform was the Institute's inefficiency and over-bureaucratization. There was general agreement on this issue. Waldmann writes that Peron actively encouraged over-staffing and corruption in the state apparatus, considering it a vital means of consolidating his support among the bureaucracy.⁵⁴ In 1944 the Foreign Office described the INPS staff as:

"...untrained personnel being engaged in circumstances not entirely free from nepotism."⁵⁵

By 1953 the attitude of the regime towards state bureaucracy had shifted as part of the drive towards greater efficiency in the economy as a whole. Both politicians and union spokesmen had complained about delays in providing pensions. According to congressman Belnicoff (Radical): "...the Institute is not bad, but its bureaucracy is crushing."⁵⁶

However, numerous other motives existed for watering down the INPS's powers. Clearly, the reforms served to further the union's political ambitions. Indeed congressman de Prisco took pains to stress:

"...the firm disposition of the national president regarding the unions, supporting all the importance that they have." [author's translation].⁵⁷

No similar reassurances were made to employers' representatives.

At a time of mounting unemployment and depressed real wages, Peron needed something to offer the unions. The unions had evolved into powerful, organised quasi-state bodies, capable of taking

⁵⁴P. Waldmann, *op cit* pp.110-114.

⁵⁵Labour attache, special memorandum no11, 14 October 1946.FO371 AS 6628 (51799).

⁵⁶La Nacion, 18 September 1953.

⁵⁷La Nacion, 18 September 1953.

on the bulk of the responsibility for pension provision. The reforms increased their influence both by extending the powers of individual funds (which the unions largely operated) and by tightening the SLW's control over the Institute. By this stage the unions' influence within the SLW was such that it was even able to nominate its minister.⁵⁸

The decision to downgrade the Institute did not simply reflect its reduced fiscal potential. Even if the supply of state credit from the Institute fell in real terms over this period, this alone could not explain the decision to revert to autonomous funds. Strangely, no reference is made either in the media or during parliamentary debates to the INPS's failure to enforce payment on employers. The Review of the River Plate implies that this was because many employers would have been bankrupted by the required contributions.⁵⁹

Whilst the inefficiency of the Institute and its failure to collect as much revenue as had been projected were of concern to the government, the evidence suggests that the principal motive for reform was political. The unions could do no worse than the existing cumbersome bureaucracy. The readiness of the government to dismantle the Institute and the ease with which the reforms were implemented signalled both the precarious and the limited nature of the organisation's achievements. So long as the credit continued to flow and the working classes remained quiescent, Peron attached little importance to social insurance as an instrument of welfare. Despite the rhetoric, the promise of a standardised pension scheme remained unfulfilled and few of the funds generated went to the affiliates (either as pensions, cheap loans or mortgages). The swiftness of the change (funds were given autonomy just a month after the bill was passed) could only have been achieved if separate funds already exercised considerable de facto financial authority. This suggests that the Institute operated more like a loose federation of individual, self-

⁵⁸On 8 April 1953, La Nacion reported that the CGT had put forward Sr A. Giavirini, described as an old campaigner from the railway union, as candidate for the position as minister. The following day La Nacion announced Peron's decision to appoint Giavirini. This episode illustrates how closely the CGT and the administration were working together at this stage and suggests that the unions were even taking the initiative in some matters.

⁵⁹See Review of the River Plate, 29 July 1952.

sufficient pension funds than a united, centralised organisation. In other words, the Institute had never really existed in the form many had envisaged it would do.

AFTERMATH AND CONCLUSIONS

The Review of the River Plate commented that the new arrangement represented:

"...something of a disappointment for those who looked for more fundamental reforms."⁵⁵

Both employers and workers still bore the burden of high levels of contributions and pension payments continued to lag behind rises in the cost of living. In December 1954, Congress passed a bill providing social insurance for employers, independent workers and rural labourers. Small pension increases were granted in October 1954 and once again were greeted with disdain by the pensioners.⁵⁶ The break-up of the Institute, then, led to no significant changes in the direction of the development of social insurance. This again indicates that the Institute's role was more symbolic than real.

The history of the INPS is both deceptive and contradictory. Past studies have framed the evolution of social insurance as a progressive measure, which benefitted much of society. According to C. Diaz-Alejandro:

"Besides higher wages, the urban masses also **benefitted** from government actions granting...a comprehensive social security system."(my emphasis)⁵⁷

P. Waldmann adds:

"This **extremely expensive** pension system which until this time had only served a few very strong unions in the services sector, spread little by little during Peron's rule, until it included every profession." [author's translation] (again, my emphasis)⁵⁸

⁵⁵Review of the River Plate, 29 September 1953.

⁵⁶Review of the River Plate, 8 October 1954.

⁵⁷C. Diaz-Alejandro, Essays on the economic history of the Argentine Republic. (Yale, 1970)

⁵⁸P. Waldmann, op cit p.155

This paper revises and develops these arguments. It shows that, whilst social insurance was indubitably costly, the burden did not fall on the government: quite the reverse occurred, with pension funds functioning as a mechanism to help transfer resources from employers, and sometimes the workers, to the public sector. The principal function of the INPS became the collection of an informal tax. At the same time, it served as something of a smokescreen, creating the impression that meaningful reform was underway and that its overriding aim would be to benefit the lot of workers and pensioners. The government tried to compensate pensioners for the rising cost of living by tampering with the capitalization system, but refused to put its sacred cash-cow to pasture. This bogus welfarism does not appear to have extended to other elements of the social reforms introduced by the regime, such as the activities of the Eva Peron Foundation, which may have been genuinely philanthropic in their inspiration. The critical point is that social insurance should not be viewed simply as an instrument of welfare but as a multi-dimensional strategy which can have a wide range of repercussions.

The INPS was one of many state planning bodies set up in the early years of the regime, representing the government's commitment to an enlarged, corporatist bureaucratic structure. Over time, as the unions gained strength, they were able to dominate parts of the state apparatus and assert their autonomy from the government itself. In the case of social insurance the government was ultimately prepared to recognise the unions' preeminence over a supposedly over-arching state actor. As such, the expansion of pensions did little to promote structural social change, but served to emphasise the lines of privilege and distributional conflict which beset the country in ensuing decades. Passanante claims the INPS enabled the evolution of a Beveridgian welfare state in Argentina.⁵⁹ This paper disagrees, arguing that the basic structure of social security remained unchanged. As for the Institute; it fell victim to its own doctrine and was granted a mercifully early retirement.

⁵⁹Passanante, op cit (1987) p128.

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