

# The public fund and the constraints of Brazilian universal health financing

## O fundo público e os impasses do financiamento da saúde universal brasileira

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### Abstract

The objective of this article is to review the theoretical approach about Francisco de Oliveira's (1998b) public fund, in order to contribute to a deep analysis on health and social security financing constraints. The first part discusses the concepts of public fund and its relation to social policies financing, identifying this author's view in respect to public fund as anti-value, and also deals with the present critics in recent literature about his studies, by Behring (2009). In accordance with this analysis, it argues, in the context of financing contemporary capitalism and in the present capital crisis, about the fragilities that the concept of public fund anti-value has been facing. The second part, inspired by the first, deals with the process of Social Security and SUS financing institutionalization in the years of 1990's and 2000's, with particular interest to its facing constraints.

**Keywords:** Public Fund; Financial Capitalism; Social Security Financing.

## Resumo

Este artigo objetiva rever a sistematização teórica sobre o fundo público e seu papel no âmbito do capitalismo contemporâneo com a finalidade de contribuir para uma análise aprofundada sobre os impasses do financiamento da seguridade social e da saúde. A primeira parte discute os conceitos do fundo público e sua relação com o financiamento das políticas sociais, identificando a visão a respeito do fundo público como “*antivalor*”, bem como aborda a crítica mais presente na literatura recente sobre sua abordagem. Com base nessa análise, indaga-se, no contexto do capitalismo contemporâneo financeirizado e da atual crise do capital, quais são as fragilidades que o conceito de antivalor do fundo público para as políticas de direitos sociais vem enfrentando. A segunda parte, à luz da primeira, trata da trajetória do financiamento da seguridade social e do Sistema Único de Saúde (SUS) nos anos 1990 e 2000, com destaque para as dificuldades enfrentadas.

**Palavras-chave:** Fundo Público; Capitalismo Financeirizado; Financiamento da Seguridade Social; Financiamento do SUS.

## Introduction

With the current stage of capitalism, under financial dominance, the interests of interest bearing capital have intensified in the dispute for Brazilian public funding resources, specifically forcing the increase in interest payments on public debt in the federal budget<sup>1</sup>. In these circumstances, the interest-bearing capital generally, through the forms it takes on, uses the public fund under the ownership of part of the public revenue, remunerating government bonds issued by the federal government and traded in the Brazilian financial system<sup>2</sup>.

In reality, the country has been experiencing intense conflict for financial resources for some time in order to ensure a universal public health policy. This period is marked by the problem of financing the Brazilian Health System - Sistema Único de Saúde (SUS) stretching from its creation in the 1988 Constitution until the early 2010s. This specific period is that in which interest bearing capital (also known as financial capital) remained sovereign in the movement of capital appreciation (Marx, 1987a; 1987b; Chesnais, 2005)<sup>3</sup>. In fact, the way it operates is marked, among other actions, as a destructive presence in the public fund budget, appropriating previously used resources, thus encouraging fragility in the nation-State's capacity, above all those that have built a social welfare system or even those who have introduced some type of universal social protection. Brazil is among the latter, through establishing new rights and social security (pension, health and social welfare). Especially health care, guided by universal access stated in the Constitution and constrained in the new stage of contemporary capitalism, under financial domination.

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1 In the 2012 Federal Budget, relating to a total of R\$1,712 trillion, Interest and amortization of Debt accounted for 43.98% (information available at [www.divida-auditoriacidada.org.br/](http://www.divida-auditoriacidada.org.br/)). To give an idea of the sovereign power of finance capital in Brazil, in 2012 R\$163.5 billion was spent on the paying interest on public debt, 2.0 times Ministry of Health spending on actions and public health services in the same year

2 These securities comprise a prominent source of income for institutional investors, ie rentiers, as they are goods that can be sold and thus reconverted into money capital, contributing to the process of capital appreciation.

3 In Chapter XXI of Book III of Capital Marx introduces his analysis of interest-bearing capital. Every fifth section of Book III of Capital (Marx, 1987b) deals with the study of interest-bearing capital. From this study, Marx examines some possibilities of its course and the forms it assumes, taking this capital to the performance of fictitious capital. Moreover, Marx's theoretically accurate work on the concept of capital, through the concepts of industrial capital, functional forms and autonomy and fictitious capital, see chapter 1 of Mendes (2012).

From this perspective, social rights policy resources do not escape this movement of appropriation, especially those of social security in this country, as they make up a specific public fund of federal resources, as stated in the 1988 Constitution and the Social Security Budget (SSB). The typical mechanism, known as disconnection of Union Revenues (DRU) was created, under another name, in 1994 and will be in force until 2015; it takes 20% of the resources from this budget to maintain the primary surplus, ensuring payment of interest on the public debt<sup>4</sup>.

In the development of the Welfare State in the central capitalist countries, especially after the Second World War, the public fund was the basis of macro-economic policy, becoming a key mechanism in the capitalist accumulative process, even ensuring the strengthening of a countercyclical policy through reinforcing the financial capacity of social policies. In fact, to this day, the public fund has played an important role in maintaining the expansion of capitalism and guaranteeing its social contract.

In Brazil, the public fund has taken on a limited function, either in the pattern of State financing in general or in the contribution to broadening social policy spending. The pattern of Brazilian capitalist domination, accumulation and distribution over the 20<sup>th</sup> century differs completely from that of central capitalist countries, realizing itself through the historical trajectory of income concentration. According to Oliveira (1989), State economic intervention, financing the reproduction of capital, is not present in the same way in the reproduction of the labor force, maintaining a situation of a lack of social rights<sup>5</sup>. For this author, it is not about excluding the strong overlap between public funds and private capital in the Brazilian pattern of economic development, but merely indicating that it

exists in different ways in the capitalist dynamics of advanced countries. However, it was only in 1988, with the current Federal Constitution, that there was a possibility for significant change in this pattern of financing, especially in the social area, with the creation of the public fund, materialized in the SSB. At this opportunity, Oliveira (1998b) published an article inspired by the changes instituted in the constitution to guarantee social rights, highlighting the importance of the public fund in financing the reproduction of the labor force, articulated with social policies, as a structural aspect of capitalism<sup>6</sup>. This public fund behaves as an anti-capital, that is, an anti-value, not that the capitalist system no longer produces value, but in the sense that producing social surplus takes on new forms, necessary to the logic of its expansion.

In the context of global capitalism and the structural crisis in capitalism, the intense appropriation of public fund resources by interest bearing capital, particularly of the SSB, appears to mean that this budget is losing a large part of its “anti-value” character, as covered by Oliveira (1998b). Thus, the aim of this article is to review the theoretical systemization of the public fund referred to by that author, in order to contribute to an in-depth analysis of the impasses in social security and health care financing.

The article is structured in two parts. The first discusses the concept of the public fund and its relation to financing social policy, identified in Oliveira’s (1998b) vision of the public fund as anti-value as well as the strongest criticism of his approach, that of Behring (2009), in recent literature. In addition, based on this analysis, in the context of the contemporary financial capitalism and the current capital crisis, it will investigate the weaknesses that the anti-value public fund concept for social rights policies – the SSB – is facing. The second part discusses the trajectory of SUS social security financing in the

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4 This mechanism resulted in loss of social security resources, approximately R\$ 578 billion between 1995 and 2012 (ANFIP, 2013).

5 In Oliveira’s work (1989), *A economia da dependência imperfeita*, e em *Crítica à razão dualista*, from 1975, rereleased in 2003, plus «O ornitorrinco» (Oliveira, 2003), the author gives a very original interpretation of the Brazilian economic dynamics between the beginning of the Republic until the start of the second half of the year 1970 using Marxist concepts. For a concise overview of the thought of Francisco de Oliveira on the specification of Brazilian capitalism, see Bello (2006).

6 In fact, Oliveira’s (1998b), article « Surgimento do antivalor » was first published in 1988 in *Novos Estudos* Cebrap, n. 22, and later reprinted as the first chapter in his book *Os direitos do antivalor*, 1998. Our analysis in this section always uses the Oliveira (1998b) reference.

1990s and 2000s, emphasizing the difficulties faced in setting the budget and of federal commitment to financing.

## The public fund and social policy financing

The public fund is largely responsible for the embodiment of social policies, especially with the advent of the Social Welfare State (WS) – in central capitalist countries and for the relationship with the capitalist pattern of accumulation, assumed after the Second World War and maintained until the mid-1970s. It is clear that the world during this period, the thirty glorious years of capitalism, provided a high capacity to finance States and their public social policies in general, and health in particular. Thus, we can see that during the period in which the WS was consolidated, a peculiar relationship between work and capital arose. In the company, the agreement established contained, on the one hand, a guarantee of employment and real salary increases and, on the other, high production rates that made it possible to establish scientific organization of work. On the social plane, generalization and increased social protection coverage formed part of the arrangement for the State's public fund<sup>7</sup>.

The significant presence of the WS, through countercyclical policies from the Keynesian matrix, marked the new pattern of public financing of the capitalist economy, meaning the public sphere came to make use of the public fund, as Oliveira (1998b, p. 19-20) observes, as “assumptions of financing the accumulation of capital, on the one hand and, on the other, of the financing the reproduction of the workforce, reaching the whole population through social spending”.

According to the most common interpretation of Oliveira (1998b), the appearance of capitalism would not have been possible with the unconditional support of State resources, ensuring the primitive accumulation process of capital<sup>8</sup>. In the period of competitive capitalism<sup>9</sup>, it can be seen that the public fund exercises its *ex post* function of the reproduction conditions of each particular capital. However, Oliveira (1998b) warns that it is in this period of State monopoly capitalism – post Second World War –, with the key mechanism of accumulation, the WS, driving the formation of the profit rate inside the public fund, that it takes on *ex ante* force in financing the reproduction of capital and the workforce.

Overall, in this new context, Oliveira (1998b) states that the public fund “imploded” value as a general rule for broad capital reproduction, withdrawing it as a source of economic activity and of the conditions of capitalist social life. The author aims to emphasize the new character taken on by the public fund, as, even forming part of the essence of the process of capital appreciation, it takes on a contradictory characteristic, that of anti-capital. In the author's own words, the public fund is in a new situation:

[...] it is an *ad hoc* relationship between the public fund and each capital in particular. This *ad hoc* relationship leads to the public fund behaving as an anti-capital in a very important way: this contradiction between a public fund that is not value and its function of sustaining capital destroys the self-reflexive character of value, central to constituting the capitalist system as a system of appreciating value. Value, not only as a central category but as practices of the system, can no longer report solely to itself: it must, necessarily, report to other compo-

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7 For a better understandign of the articulation between the *Welfare State* and the capitalist pattern of accumulation see Marques and Mendes (2007) and Behring and Boschetti (2006).

8 It is the development occurring throughout history, expressed in the full process of violence from the 15th and 16th centuries onwards, as presented in Chapter XXIV of Marx's *Capital*, Volume I, entitled «The so-called primitive accumulation».

9 The phase of competitive capitalism relates to the period between 1830-1890 in the history of capitalism, in which the capitalist dynamic was marked by the hegemonic position of English industrial capital, establishing the regime of free competition. For a summary of the main features of this phase, see chapter 5 of the book by Carlos Alonso Barbosa de Oliveira entitled *Processo de industrialização: do capitalismo originário ao atrasado* (Oliveira, 2003).

nents; in this case, the public fund, without which it loses its ability to carry out its own valuation (Oliveira, 1998b, p. 29, my italics).

What can be seen from this point is that the configuration of the public fund during the period of WS consolidation imposes new elements on the nature of the pattern of public funding, with one distinct peculiarity that it is not only appreciation of capital reproduction but also reproducing the workforce. According to Oliveira (1998b), in this period of heavy state intervention in the capitalist economy, the concept of the public fund should be designed as much more of a mechanism that takes forward the earlier period of capitalism under auto-regulation. On this note, Oliveira (1998a, p. 53) clearly states the contradictory dimension of this concept:

[...] It is not, therefore, merely the expression of state resources destined to sustain or finance the accumulation of capital; it is a mix that is formed dialectically and representing the same unit, containing in the same unit, in the same movement, the State's reason, which is socio-political, or public, if you like, and capitals' reason, which is private. The public fund, therefore, seeks to explain the constitution, the formation of a new way of sustaining production and reproducing value, introducing and mixing the form of value and anti-value in the same unit, in other words, a value that seeks added value and profit, and another fraction, called anti-value, which as it does not seek to value itself per se, as it is not capital, on joining the capital, it sustains the process of value appreciation.

In this form of the concept, Oliveira (1998a) deals precisely with the peculiarity of this new pattern of public financing in producing value, in the process of reproducing capital. It is a contradictory performance in which the public fund is developed as an agent of anti-value, at a time in which it maintains its value form. This form of presenting the concept of the public fund in the capitalist accumulation stage in articulation with the WS does appear innovative. Better yet, we understand that the author seeks theoretical precision for the new configuration of the public fund, its specification at that time. The way in which the public fund acts as an anti-value ends up constituting "social anti-goods,

because their purpose is not to generate profits, surplus value cannot be extracted even through their action" (Oliveira, 1998b, p. 29). This dialectic function of the public fund reveals the trend of the de-commodification of the workforce, as the factors for its reproduction, represented by broadening the indirect salary, are social anti-goods, according to the author. By encouraging social benefits to be indexed to the salary, it leads to them taking on the function of a basic parameter of producing social goods and services, in a process opposing that of extracting surplus value.

It is important to note that at no point does Oliveira's (1998b) reasoning disregard the idea of, in State monopoly capitalism, with transformations operated by the WS, the public fund ceasing to exercise the function of articulating value production, necessary to capitalist accumulation, and thus, of surplus value. Producing goods is, basically, producing surplus value, remembering that the worker does not produce for himself but for the capital, serving his self-appreciation. What actually makes it different is the weight of the indirect salary, social benefits, takes on for the worker at this stage of capitalist accumulation, meaning that the public fund functions as a general assumption of each capital in particular, converting the capital formula into *anti-M - M - C - M'(-M)*, as the final figure of the expression moves to the front as *anti-M*, that is, a quantity of money that is not set down as a value. It means recognizing that the rate of surplus value decreases with the presence of "social anti-goods" that begin to function as substitutes for variable capital in the composition of the goods, transforming the equation from  $C + V + M$  To  $-C + C + V(-V) + M$ .

In the words of Oliveira (1998b, p. 35), the synthetic and contradictory character of the public fund becomes evident:

[...] it is anti-value, not so much in the sense of the system not producing value, but rather in the sense that the assumptions of reproducing value contain in and of themselves, the most fundamental elements of their negation. After all, what one sees with the emergence of anti-value is the capacity is the capacity to move on to another phase, in which value production, or substitution, the production of social surplus, taken on new forms. And these new

forms, in a reminder of the classic assertion, do not appear as deviations from the capitalist system but as a necessity of its internal logic of expansion.

The author goes further, reflecting on the contradictory force of the public fund as anti-value, even going so far as to context its deployment as a mechanism for nullifying the commodity fetish. This is because the priority for the workforce's remuneration is evidently on social items, as a result of openly exposed political tension between capital and work. It is in this sense that Oliveira (1998b) expounds the general idea that unpaid work, a key piece of surplus value, decreases socially. But with all this, the author admits that it would be ironic to say that the contemporary world of the thirty glorious years was totally dis-fetishized, since the society of the masses, and we would add, in line with supporters of critical social theory - the Frankfurt School -, the society of instrumental rationality, could be conceived without its excessive fetishization.

Still on the topic of investigating the strength of the commodity fetish, Oliveira (1998b, p. 35-36), observes:

One can only suggest that, in place of the commodity fetish, we place a State fetish, which is ultimately the place where, on the one hand, the viability of continuing to exploit the workforce operates, and on the other its de-marketization, now concealing the fact that capital is completely social.

Based on the perspective of the transformative character the public fund takes on in the welfare State's development, commented on by Oliveira (1998b), it cannot be categorically stated that commodities do not even have value and even lose their fetishization. In a way, in the Marxist dialectic perspective, to which Oliveira (1998b) faithfully adheres, it becomes important to emphasize the contradictory movement of this good, in which, through the public fund, distribution and consumption conditions "revolutionize themselves" on the part of the workforce, as do the circulation conditions on the capital side. Thus, the character of goods in this period can be investigated, so as to understand

that the public fund opened up the possibility of declaring that the good, being value, is not, and that not being value, is.

Here, it is interesting to recognize generally that Oliveira (1998b) develops this analysis as a broader backdrop to understanding the peculiarities of the new institutional situation in Brazil, under the aegis of the 1988 Federal Constitution. This Constitution advanced the enshrinement of new social rights and principles of social organization, which, x in their definitions at least, modified some of the basic pillars of the former system of social protection. The Constitution sought to guarantee basic and universal citizens' rights, establishing the right to health, social care and pension in a specific chapter, that on social security. Moreover, it assured us that these universal social policies would be financed from a specific public fund, the SSB. Although Oliveira (1998b) does not refer to the Brazilian situation, restricting himself particularly to the new movement of the WS's development and to economic policy under the social-democratic domain, he contributes to understanding the new period of capitalist accumulation in this country, in which he also reinforces the public fund with the "anti-value meaning", through the establishment of the SSB.

Behring (2009) also insists on Francisco de Oliveira's fertile thinking on the public fund, especially on its importance as a mechanism for financing the reproduction of capital. Behring (2009) even highlights Oliveira's (1998b) general idea of the incompatibility between patterns of public financing and productive and financial internationalism, breaking the virtuous circle of the State period of social wellbeing, as public resources - previously directed towards national investments - came to be oriented towards other countries, at the same time as each nation-State continued to maintain public spending to reproduce the workforce and capital.

However, Behring (2009) criticizes Oliveira's (1998b) thesis concerning the idea of anti-value or, more specifically, the relationship between anti-value and not extracting surplus value<sup>10</sup>. The

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<sup>10</sup> We highlight here Behring's (2009) critical analysis of Oliveira's (1998b) work on the public fund. This is because the author, through specific text, provides a summary of Oliveira's (1998b) main arguments and shows the main criticisms with which many other authors end up agreeing. Among these authors, see, particularly, the work of Behring and Boschetti (2006) and Salvador (2010a). The latter also presents other criticisms of Oliveira's work (1998b).

author questions whether Oliveira's (1998b) thesis is controversial, especially concerning the reasoning he develops of the broad meaning of the function of the public fund. The author argues that this view becomes contradictory as, on the one hand, the public fund is a mechanism structured to generate value and, on the other, capital does not make use of it for reproduction. This means that one cannot ignore that the public fund's performance for general reproduction of capital through subsidies, dealing in government bonds, financing guarantees and reproducing the workforce ends up centralizing responsibility at the source of value creation. Even if the public fund does not directly generate surplus value, Behring (2009) still argues that this already occurs when the State participates directly as a producer. The author recognizes that this situation is no longer defended by capital, becoming an exception, as there is productive infrastructure, subsidized prices for primary materials and energy and other situations. She indicates that it is not acceptable to think of the public fund separately from its performance in producing surplus value, as it participates in the production cycle. In her words:

[...] the public fund, *in tension from the contradiction between the socialization of production and private appropriation of the social product of work*, serves to tweak the portion of socially produced surplus value to sustain, in a dialectic process, reproduction of the workforce and of capital, socializing production costs and making the process of achieving surplus value more agile, base of the profit rate. Perhaps here, rather than reviewing Marx's law of value, as Oliveira suggests, we need to analyze in detail the mechanisms of transforming surplus value into salaries, interest, profits and land income, and *the public fund's place in contemporary capitalism is to operate value transfers*, transmuting them in these forms and favoring the hegemonic forces and the private appropriation of socially produced surplus value, or participating directly in reproducing capital and labor through a wide variety of types of state intervention, even in times of supposed return to liberalism (Behring, 2009, p. 55, my italics).

Behring's (2009) words are important, firstly in

relation to reinforcing the role of the public fund in a capitalist economy, strengthening its contradictory character as a mechanism consisting of tensions. At no time, however, does it appear that Oliveira (1998b), as the author presents it, disregards the element of the public fund's "contradictoriness" on the capitalist system's path to development, even with the transformations produced by the WS. He even recognizes that character of this type of State when he comments: "the welfare state does not cease to be a classist State, that is, a powerful instrument of class domination" (Oliveira, 1998b, p. 38), and, therefore, it is a State at the service of big capital. Oliveira does highlight the conflictive character of the public fund in this context, to the extent that it is a mixture, in the same unit, of the form of value that seeks surplus value and profit and of the other anti-value fraction, which does not seek to value itself, because it is not capital. However, it is clear that, by "joining with capital" (Oliveira, 1998b, p. 53), it supports the appreciation process.

What becomes truly interesting in Behring's (2009) analysis is the second part of her criticism, in the quote above, that is, when she refers to the "public fund's place in contemporary capitalism" (p.55). The aspects raised by Behring (2009) in this current phase of capitalism, the dominion of the power of finance, indicate more detailed analysis of maintaining the public fund as anti-value. This is because the dominion of financial capital implies pressure on social policy, especially in social security institutions, as is the case in Brazil.

It should be acknowledged that, even after the 1988 Constitution, that is, throughout the time the new period of world finance was in force, attacks on the resources of the public fund intensifies, to maintain the private appropriation of interest bearing capital on the state budget. Thus, as Salvador (2010b) indicates, the public fund is present in contemporary capitalism, on a general plane, in the form of subsidies, tax exemptions, fiscal incentives, diminishing the tax base of capital income to support financing the means of production, ensuring the reproduction of capital. It is true that a large part of State resources have been directed to maintaining the logic of appreciating interest bearing capital.

Since the financial crisis manifested itself so strongly, in 2008, and continued uninterrupted in the following years, this behavior on the part of the public fund has gained greater proportions of appropriation on the part of private capital rentiers. In the European Union, for example, there was a continual flow of public resources aimed at bailing out banks facing dramatic crisis situations. In some countries, this was coupled with drastic State austerity measures, meaning cuts to state budgets, especially for reducing social rights.

Analyzing the situation of European public debt, Chesnais (2011) identified that one cog in an accumulative mechanism of reducing salaries, falling demand and, consequently, lowered production and jobs, is in accentuated process in those countries. And, from this perspective, the weight of the debt in relation to gross domestic product (GDP) and to State budget is aggravated. To get an idea of the scale of the new role of European public funds, Chesnais (2011) directs our attention to some data in the cases of Greece and Spain. In 2011m the Greek government “negotiated” certain measures with the European Union (EU), the European Central Bank (ECB) and the International Monetary Fund (IMF), including: freezing state salaries and pensions for 5 years and eliminating the equivalent of 2 months’ salary for civil servants; raising the legal retirement age; contributions necessary to be eligible for a pension were increased from 37 years to 40 years from 2015 and the amount will be calculated based on the mean salary of total years worked; cuts of 1.5 billion euros were made to State spending, especially in health and education.

In Spain, in 2010, civil servants’ salaries were reduced by 5%, there was a decrease in the pension and in taxes, by law, and a labor law reform was adopted which, as in Greece, increased work flexibility and a large reduction in redundancy payments (Chesnais, 2011).

As Chesnais (2011) emphasizes, this structural

crisis, understood as a crisis of overaccumulation, provoking situations in which significant volumes of capital cannot find ways to appreciate, even when trying in uncontrolled ways and thus are diverted to other spaces. Such spaces, previously not so commercialized, refer to public funds in social policy areas, such as education and health<sup>11</sup>.

In Brazil, the repercussions of the crisis on the public fund are also perceptible. In the worst year of the crisis, 2009, the public fund, through monetary policy, released resources for financial institutions, without compensating maintenance or increases in employment or social rights policies. In the area of fiscal policy, there were tax relief measures, even affecting the financing of social security. Data from the Federal Revenue Secretariat (apud Salvador, 2010a) show that, in 2009, tax revenues fell by 3.05%, with the taxes contributing to this decrease being the Contribution to Social Security Financing (Cofins) and the contribution to the Social Integration Program and the Civil Servant Asset Formation (PIS/Pasep) – the former being a significant source of social security financing and the latter of unemployment benefits. At the same time, other factors negatively affected tax revenue performance, namely: the poor performance of industrial production, corporate profits and the decrease in the overall volume of retail sales (Salvador, 2010a).

Moreover, various provisionary tax exemption measures, reducing the revenue of sources of social security financing, especially the Cofins, were adopted by the federal government, although they have been converted into law. Such measures range from granting a subsidy to the National Bank for Economic and Social Development (BNDES) to stimulate credit lines in the sector producing capital goods, through special tax treatment for construction companies associated with the federal housing program *Minha Casa, Minha Vida*, to relaxing tax compliance in loans from financial institutions (Salvador, 2010a)<sup>12</sup>.

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11 For details of the ownership of European public funds and reforms that have promoted its use for capital reproduction purposes, in this recent period of economic crisis, see Chesnais (2011) and Lesfrene and Sauviat (2011).

12 More recently, at the initiative of President Dilma, from December 14, 2011, according to Law n. 12,546, the process of unburdening of payroll sectors of the Brazilian economy began. This exemption, harming the Social Security Budget, involves eliminating current social security contributions of employers - 20% on salaries - and replacing it by new contribution on their gross revenue discounted export revenues. For this detailed discussion, see Marques and Mendes (2013).



In a particular dimension, the public fund was responsible for a transfer of funds in the form of interest charges and amortization of debt for renters. It is worth mentioning that the federal budget commitment to paying interest on the debt increased between 2009 and 2012, reaching around  $\frac{1}{4}$  of its total, reinforcing the expansion movement of interest bearing capital. Thus, the effects of the need to pay interest on the debt have led to the ongoing maintenance of primary surplus, the main source DRU, obtained by means of SSB resources, as mentioned in the introduction.

It is also important to mention that, especially since 1995, the country has experienced tension in executing social policies dealing with maintaining high levels of primary surpluses. In the context of state pensions, security and health, responsible for major expenses, government orientation has been to reduce rights in order to decrease the weight of the state in managing retirement and health care and to ensure that pension funds and health plans flourish<sup>13</sup>. The movement that developed during this period has become more acute since the 2008 crisis.

We return to Behring's (2009) reflection on the public fund's place in the current phase of contemporary capitalism. In a recent article, on the crisis of capital and the public fund, the author once again stated that the public fund is formed with a compulsory function of socially produced surplus value, through taxes and charges. It is, therefore, the part of surplus labor that is turned into profit, interest or land income and appropriated by the State in order to develop reproduction of capital and of the workforce (Behring, 2010). It therefore indicates that the main instrument is the tax system, in which a large part of the public fund, depending as it does on the balance of power between classes, is supported by salaries<sup>14</sup>. Following this line of argument, then, Behring (2010) emphasizes that the public fund does not simply result from surplus labor converted into surplus value, but also from necessary labor.

In these circumstances, Behring (2010) contributes to a synthesized understanding of the effects of the crisis on the public fund. On the one hand, its use through regressive tax adjustments, with tax break instruments, as the public fund came to perform as a countercyclical policy mechanism to deal with the crisis. On the other, it indicates the marks the aspect of its destination. The public fund came to acquire shares of companies that had suffered in the crisis in order to protect jobs, appropriating resources of labor reproduction. Thus, the public fund directly interfered in the processes of capital movement, propitiating appreciation. With these movements, without a doubt we agree with Behring (2010) when she emphasizes that the public fund plays a structural role in producing value, avoiding dealing with the trend of falling profit rates in the movement of capital in crisis.

Indeed, this interpretation integrates the concerns of Oliveira (1998a; 1998b). Recall that, for the author, the public fund seeks to support the formation of new support for production and reproduction of value, ensuring value form supported on surplus value and profit (Oliveira, 1998a). On the other hand, the idea concerning the role of public funds in the State's period of social welfare also admits the adversarial process. This is because the public fund also aims to introduce the anti-value form to the same extent to which the production of the social surplus acquires specific forms without diverting them from the capitalist system, integrated with its internal logic of expansion (Oliveira, 1998b, p. 35). As a caveat, let us assume that public social fund, through the SSB, even with part of its resources committed to maintaining primary surpluses to pay interest on the debt, did not completely abandon the aims of financing pension, health and social care policies. Certainly, social security financing has been reduced, but not eliminated, in its 25 years of implementation. Capital itself was not categorical in its disappearance, although this feat was attempted

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<sup>13</sup> For further knowledge of these counter reforms, see: Marques et al. (2010).

<sup>14</sup> In Brazil, taxation weighs more significantly on labor, more than 50%. This is because the workers and the poor are those who pay most taxes, compared with 1% or 5% of the richest. According to 2008 data, the tax burden reached 34% of GDP, being distributed with greater intensity in regressive indirect taxes, namely income tax (7.1%); payroll tax (at source) (8.3%); property tax (1.0%); tax on goods and services (16.8%); financial transactions tax (0.7%); other charges (0.4%). For a discussion of the regressive nature of Brazilian taxation, see Oliveira (2010), especially chapter 4.

in the 2008 tax reform by Lula's government, which stalled in Congress<sup>15</sup>.

It is interesting here to summarize our argument. There is no doubt that we agree with Behring (2010) and with Oliveira (1998b) himself, that the public fund indirectly participates in general reproduction of capital, making its presence felt in subsidies, securities and contributions in the form of investment financing of capital, and also as an important tool in reproducing the workforce. We understand the issue. At no point does Oliveira's (1998b) approach deny Marx's theory of value, as the author emphasizes that the public fund takes on a more active role in providing social rights, in the above mentioned notion of "social anti-goods", guaranteeing the form of capital appreciation at a specific point in the history of capitalism, the stage of State monopoly - post Second World War. In a way, the public fund generates value and at the same time collaborates with social measures, constituting a key mechanism, extremely important for capitalist accumulation in this phase. There is no room for doubt. The public fund becomes anti-value, although it also is not, being value. Hence the conflictive nature.

Bearing in mind everything presented here, we think it right to speak of the public fund as anti-value in the WS period, and especially in its role as institutionally outlined in the 1988 Constitution and through the recognition of social rights, especially social security and its specific budget. The public fund's situation, provoked by the new phase of capitalism, with the domination of interest-bearing capital, is of course, distinct, and has deteriorated with the latest crisis. It is, rather, to point out that the behavior of the public fund as anti-value has been losing a lot of strength and perhaps deserves an enhancement of its role in the contemporary world under the domination of finance capital.

It could be suggested that the anti-value character be further investigated in a long-term structural analyses, which examines whether the universal social rights, introduced the Federal Constitution, are presenting great risk. We are particularly inter-

ested in the dimension of universal health care and its funding. We know it has not been easy, in the 25 years of the SUS, to maintain sufficient, defined resources for all social security and, specifically, for financing the universal health policy. The clashes have proliferated. This analysis is the theme highlighted in the next section.

## The difficult path of SUS funding

The problems of financing the SUS cover a long process of conflicts and clashes. To begin to understand the various tensions in the SUS's institutional path, it is essential to identify the broader outline of the discussion, from the existence of double movement on this path. On the one hand, the "principle of universality", which expresses the right of citizens to health actions and services, allowing access for all, by means of permanently protecting secure financial resources. On the other hand, the "principle of spending restraint," a defensive reaction that revolves around defending economic rationality, in which the reduction of public expenditure is a key instrument in tackling the deficit, brought about by a contractionary fiscal policy and maintaining high primary surplus in all spheres of state action. There is an understanding that this "principle" is directly linked to economic policy developed by the federal government during the 1990s and 2000s. Thus, due to lack of priority to SUS, reducing its spending, and consequently, asking what should be the extent of SUS service coverage.

The conflict between these two principles meant that the policy of universal right to health was not ensured. It is notable that, between 1989 and 1993, clashes were already intense. Besides the federal government's lack of consideration of the 30% of social security - employer and employee contributions, and COFINS contribution of net income (CSL) - that should be allocated to health, according to the Temporary Constitutional Provisions Act (ADCT), there was a certain specialty of these sources. The federal budget allocated most of the COFINS resources to health, those of social contribution to social assis-

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15 The perverse effects of Lula's government's 2008 Tax Reform will be mentioned more specifically in item 2 of the article, especially the threat to resources for social security and the health service.

tance and those of contributions of employees and employers to social security, which actually relied exclusively on the latter sources from 1993 onwards. This manner of using the sources broke with the concept of a single budget for the three areas of which it was composed, disregarding the idea that inspired its creation in the 1988 Constitution: the vision of dealing with social risks in an integrated manner.

Between 1994 and 2000, the year in which Constitutional Amendment (CA) n. 29 was created, the stresses in financing the SUS gained even greater proportions. Several constraints over these years require some comment.

Firstly, the noteworthy creation of the Emergency Social Fund (ESF), later named the Fiscal Stabilization Fund (ETF) and, from 2000, entitled the DRU (the title it still holds today) - as already addressed in item 1 of this article - defining, among other things, that 20% of social contributions collected would be unrelated to its purpose and would be available for use by the federal government, far from its binding object: social security. As mentioned in Section 1, "financialization" became part of the State, its public fund, and this is an instrument for its dissemination and appreciation of interest-bearing capital, drastically reducing expenditures on health.

Although the country was experiencing a period of economic disruption, this situation did not have a negative effect on social security accounts over the 2000s. Soon after the arduous financial framework of the 1990s, if the concept of social security defined in the 1988 Constitution had been respected by the federal government, and the DRU mechanism had not been used, the budget for security would have had significant surpluses, reaching R\$ 78.1 billion in 2012 (Anfip, 2013). For its part, the excess funds were directly allocated to paying fiscal or accounting spending, in calculating primary surplus. The DRU, which was to be temporary, became permanent and has been in effect for 19 years, almost the same age as the SUS. If approval for its continuance is obtained until 2015, it will reach 24 years old. It should be emphasized that the defense of the constitutional model of financing social security also involves discussing and confronting the incidence of the DRU.

A second restriction on SUS financing, the approval of the Provisional Contribution on the Move-

ment or Transmission of Values and Credits and Rights of a Financial Nature (CPMF) in 1997 stands out as the sole source for health. But its creation has meant the removal of part of the other sources in this sector, thus failing to contribute to the expected increase of resources. This source remained for ten years, until 2007, when it was rejected by Congress.

Third, the tension caused by the approval of EC n. 29 in 2000 stands out. Although this amendment is linked to health resources, uncertainties remain about which expenses should be considered health actions and services and what could not fall into this context. Furthermore, EC No. 29 makes use of a conflicting calculation method for applying federal funds, i.e. the value determined in the previous year, adjusted for nominal GDP growth and, furthermore, did not clarify the origin of funds in relation to social security, ignoring the intense struggle surrounding them.

A fourth major conflict in SUS financing are the permanent attacks by the federal government economic team in allocating resources to health when trying to enter expense items not considered health expenditure into the Ministry of Health budget, such as interest payments and the retirement of former officials from that ministry, and others throughout the 2000s.

Fifth, a significant clash, we emphasize the pendency of EC regulation n. 29 in Congress for eight years (between 2003 and 2011), causing loss of resources for the SUS and weakening consensus upon its approval. According to the Public Health Budget Information System (Siops), the difference between the minimum expected value and the amount actually applied by the Union between 2000 and 2009, reaches about R\$ 6 billion (Servant et al., 2011).

In Sixth place, deserving a mention is the threat of the proposed tax reform by the 2008 Lula government, undermining social security financing. This is because it extinguishes established social contributions, making all sources aggregated by only three taxes: income tax (IR), Tax on Industrialized Products (IPI) and Federal Value Added Tax (VAT), preventing the resources being linked to social security.

Seventh, in the history of existing SUS financing conflicts, it is worth remembering the uncertainties

that remain with the establishment of EC regulation n. 29, through Supplementary Law (LC) n. 141 of 2012. This law did not solve the problem of federal government health resources shortage, keeping the conflicting method calculation for applying its resources - the value calculated for the previous year, adjusted for nominal GDP growth. The regulations proposed by Senate Bill no. 127, 2007, defining a Union application of at least 10%, from gross current revenue (GCR) were rejected.

In this scenario of constraints, there were not a few tensions in funding the SUS, they actually remained constant and increased in intensity within the federal government. It was found that disputes for resources were present before and after the establishment of EC n. 29, i.e., during the resistances of Fernando Henrique Cardoso's (FHC) government in the 1990s, by ensuring resources compatible with universality and the lack of Lula governors, between 2003 to 2010, to elevate the priority of public health policy. It is noteworthy that, in 1995, the proportion of GDP spent by the federal government on health actions and services was about 1.75%. Fifteen years later (2011), this ratio remained practically unchanged, i.e. the Lula administrations did little to change it. In fact, the growth of public health spending in relation to GDP, after the EC n. 29, reached 3.8% of GDP in 2011, but was still not sufficient to be universal and to ensure comprehensiveness of care, this was only made possible by the efforts of state and local governments. However, Brazilian public spending is low compared to other countries with a universal public system, because, to achieve the scale of these countries, Brazil would need to double SUS share of GDP in order to reach the average of European countries with universal systems, i.e. 8.3% (Mendes, 2012). Accordingly, the federal government should change its historic pattern of investment.

This scenario of lack of priority placed on health in the budget remains with the Dilma government. In 2013, even with the proposed Popular Initiative Project, known as Health +10, passing through Congress this year and signed by more than 2 million Brazilians, the MPs allied to the government were not found to be aware of it. This project incorporates the historical health care argument for expanding Union public funds, indicating that this level of

government apply at least 10% of GCR, corresponding to R\$ 40 billion in 2013. However, the federal government clarifies its position against this calculation basis, arguing for change to the net revenue stream (NRS) and the percentage corresponding to a lower volume of resources presented by Health +10. The justification is based on the idea that the government does not have a specific source for this. Although it is public knowledge that the social security budget has, for years, showed surpluses, as already mentioned in this item of the article.

## Final remarks

In the context of contemporary financial capitalism and the current capital crisis, item 1 of this article investigated the weaknesses from which the social public fund, or rather, social welfare and health, have been suffering. To what extent has the treatment attributed by Oliveira (1998b) to the concept of "anti-value" of the public fund been losing strength as it the appropriation of resources, of the SSB public fund has been recurrent, with the permanence of the DRU for more than 19 years?

After extensive analysis of Oliveira's (1998b) interpretation, as well as that of an author who is included among his most direct critics concerning the idea of anti-value of public funds, i.e. Behring (2009), we highlight the following aspect: can the public fund as "anti-value" be understood in the State's period of social welfare in countries of advanced capitalism as universal social policies are guaranteed to workers and, also, principally, by the design of the 1988 Constitution by instituting social rights, especially concerning social security and its specific budget. The situation configured by the new phase of capitalism, under the power of interest-bearing capital, is very different, and expresses the current crisis. In this scenario, the social public fund, more specifically the SSB, has been facing intense pressure to cede resources for capital appreciation via the DRU. Hence the question: Is it possible to highlight the timeliness of the "anti-value" character of public funds? We suggest that the idea of anti-value, this recent context, be better analyzed, as we realize that social rights have been compromised in this country, especially that of universal health care.

From this perspective of losses to health, we went on to analyze the various economic and political clashes in the tense paths taken by the institutional process of SUS financing after the 1988 Constitution to date. In fact, at the time the representatives were writing the Constitution, the country had already been feeling the effects of the constraints caused by interest-bearing capital, especially in the appropriation of the State public fund resources for some time, intensifying in the 1990s and 2000s, until the EC regulation n. 29 was approved in December 2011, and remaining in years of government under President Dilma. While they are developing universal health, sustained in the movement we call the “principle of universality” state finances worsen, creating boundaries for allocating resources to the public health fund.

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