

THE LATIN AMERICAN PROGRAM



Number 221

**MANAGERIAL PUBLIC ADMINISTRATION:
STRATEGY AND STRUCTURE FOR A NEW STATE**

Luiz Carlos Bresser Pereira

with comments by

WORKING PAPER SERIES



WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS
WASHINGTON, DC 20523



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Latin American Program
Woodrow Wilson International Center for Scholars

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PREFACE

This paper was originally presented at a seminar at the Wilson Center on April 15, 1996, entitled "Political Transition and Government Reform." Luis Carlos Bresser Pereira, the Brazilian Minister of Federal Administration and State Reform, and Thomas Skidmore, Cepedes Professor of History at Brown University, offered their perspectives on the Brazilian political system and reviewed the Cardoso administration's efforts for state reform. The seminar was part of a continuing series of events at the Wilson Center with a focus on Brazil.

This paper was prepared for publication by Ralph Espach, Research Assistant at the Latin American Program, and copy edited by Leah Florence.

MANAGERIAL PUBLIC ADMINISTRATION: STRATEGY AND STRUCTURE FOR A NEW STATE

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In the wake of the international debt crisis, the theme that caught the attention of politicians and policy makers around the world was structural adjustment--or, more analytically--fiscal adjustment and market-oriented reforms. Although structural adjustment remains a major objective in the 1990s, the emphasis is now on the administrative reform of the state. The central question is how to rebuild and redefine the new state in a global economy.

This change in focus has occurred in Brazil. President Cardoso decided to transform the old bureaucratic Secretary of the Presidency, which managed the civil service, into the new Ministry of Federal Administration and State Reform. As its minister, I proposed to add administrative reforms to the constitutional reforms that had already been defined as priorities by the new government--tax reform, social security reform, and the elimination of state monopolies. The first reactions from civil servants, intellectuals, and the press were highly negative; they viewed such changes as threatening. Yet, after only a few months, support began to emerge from state governors, mayors, businessmen, the press (which had changed its attitude) and, finally, even public opinion. Then it became crucial reform, not only demanded internally but also by foreign investors and multilateral funding agencies. The constitutional amendment was widely debated and sent to Congress in August 1995. The amendment was followed by the publication of a white paper on administrative reform, *Plano Diretor da Reforma do Aparelho do Estado* (Brazil's Presidency, 1995). This basic proposal, to change Brazilian

public administration from a bureaucratic to a managerial administration, became a national issue.

Why this new interest in reforming the state, particularly the state apparatus? What is the content of these reforms? Are they part of neoliberal ideology, or a necessary road to managing the contemporary capitalist state? What is the relationship between the managerial strategy and the structure of the new state emerging out of its great crisis of the 1980s, which, in many ways, extended into the 1990s? I will try to address these questions below, knowing full well that I can provide only limited and provisional answers.

Reform of the State as a Major Concern

There are many reasons for increased interest in state reform in the 1990s. The most basic is probably that people realized that structural adjustment was not enough. Starting in the mid-1980s, the highly indebted countries engaged in fiscal adjustment, trade liberalization, privatization, deregulation. Outcomes were positive, to the extent that the acute features of the crisis were overcome: balance of payments came back under relative control, inflation rates fell, countries recovered some creditworthiness. But growth did not resume. The neoliberal assumption behind the reforms--that the ideal was the minimum state, committed only to the guarantee of property rights, and leaving the full coordination of the economy to the market--proved unrealistic. First, regardless of the ideological dominance achieved by the neoconservative credo, in no country--developing or developed--is there political legitimacy for such a minimum state. There is no political support even for a state that adds to its role only provision for education, health care, and social welfare policies. People demand more from the state. Second, it soon became apparent that the assumption that state failures are necessarily worse than market failures was simply dogmatic reasoning. The limitations of state intervention are self-evident, but the state's strategic role in contemporary capitalism is so great that it cannot be ignored or eliminated, as neoliberal thinking assumes. As Przeworski (1996: 4) observes, the neoliberal view, popular in the 1980s, that "even in the

absence of 'traditional' failures, markets are efficient now appears dead, or at least moribund."

On the other hand, it became increasingly clear that the basic cause of the great crisis of the 1980s, which only the East and South East Asian countries were able to avoid, was a crisis of the state: a fiscal crisis of the state, a crisis of the mode of state intervention, and a crisis of the bureaucratic form of the state.¹ If, then, the proposal of a minimal state is not realistic, and if the basic factor behind the economic crisis is a crisis of the state, then the solution is not to wither with the state, but to rebuild and reform it. Reform will probably mean shrinking the state, limiting its role as a producer of goods and services and, to a lesser extent, as a regulator; but it will probably imply increasing its role in financing activities in which externalities or basic human rights are involved and in promoting international competitiveness for local industries.

The reform of the state is a broad subject, involving political aspects related to promoting governability and economic and administrative aspects leading to improved governance. Among the major reforms whose aim is to increase governance--the effective capacity of the government to transform its policies into reality--are economic reforms, particularly fiscal adjustment, privatization, and the limitation of state intervention (trade liberalization). Yet, recent administrative reforms, directly aimed at making the civil service more consistent with contemporary capitalism, began to receive more attention. Why?

People are becoming increasingly aware that in contemporary capitalism, bureaucratic public administration is inconsistent with the demands of civil society in relation to governments. People demand from the state much more than it can deliver, and the immediate reason for that gap is neither only fiscal, as O'Connor (1973) pointed out, nor just political, as Huntington (1968) stressed.² It is also administrative. Economic and political

¹ See Bresser Pereira ([1988]1993, 1996a) and Bresser Pereira, Maravall and Przeworski (1993).

² For a recent discussion of governability and demands on the state, see Diniz (1995).

resources are by definition scarce; but when one cannot count on the market (i.e., when resource allocation through the market is not a feasible solution, given its distorted character or incompleteness), this limitation may be partially overcome by the efficient use of these resources by the state.³ In this case, the role of a proficient public administration becomes central in reducing the gap between social demands and their fulfillment.

There is, however, a broader reason for interest in reforming the state, and particularly public administration: the increasing relevance of protecting the public patrimony (*res publica*) against the threats of its "privatization"; in other words, against rent-seeking activities. The protection of the state as long as it embodies the *res publica* corresponds to a basic right that has finally begun to be defined--one that could be called the "public rights" In the eighteenth century, Enlightenment philosophers and the British Courts defined civil rights, which were introduced into the constitutions of all civilized countries in the next century by liberal (in the European sense) politicians. In the nineteenth century, socialists defined social rights, which, in the first half of this century, were introduced into the constitutions of all countries by social democratic political parties.⁴ Yet the emergence of the welfare state to enforce social rights and the increasing role the state assumed in promoting economic growth and international competitiveness in this century implied an immense increase in the state as *res publica*; that is, a substantial increase in the greed of individuals and groups in submitting the state to their special interests. The privatization of tax revenues (the main form of the *res publica*) now became the main objective of rent-seekers.

If the historical realization of the relevance of protecting the individual against an oligarchic state occurred place in the eighteenth century, and of protecting the poor and the weak against the rich and the powerful in the nineteenth century, the importance of protecting the public patrimony became dominant only in the second half of this century. It is not by accident that within only a few years of each other, a conservative American

³ See the recent contributions of Przeworski (1995) and Stiglitz (1995).

⁴ Marshall (1950) wrote the classical essay on this subject.

economist (Krueger, 1974) defined “rent-seeking” and a Brazilian social-democratic political scientist wrote about the “privatization of the state” (Martins, 1978). They were referring to the same problem, acknowledging that it was necessary to protect the *res publica* against the greed of powerful individuals and groups. It was now necessary to define the public right: the right of all citizens that what is meant to be public be public indeed. In other words, state property is to be public, that is, of and for everyone, instead of being appropriated by a few or being the object of rent-seeking, instead of being privatized.⁵

With the growing concern about the public right, it became increasingly clear that the republic had to be refounded; that the reform of the state had become a new priority; that democracy and bureaucratic public administration--the two institutions created to protect the public patrimony--should be changed: democracy should be made more participative or more direct, and bureaucratic public administration should be replaced by managerial public administration.

Patrimonialism and Bureaucracy

Privatizing the state, or mixing the private and the public patrimony, was the defining characteristic of governments in precapitalist and predemocratic societies. Patrimonialism meant the inability or reluctance of a monarch to distinguish the public patrimony from his private possessions. Administration of the precapitalist state was patrimonial. With the rise of capitalism and democracy, a clear distinction emerged between *res publica* and private possession. Democracy and bureaucratic public administration emerged as the main institutions aimed at protecting the public patrimony against the privatization of the state. Democracy is the political device that

⁵ The concept of “privatization of the state” or of “privatization of the public patrimony” should not be confused with the privatization of state-owned enterprises--the sale of part of the public patrimony to private owners. Privatization in this sense is a regular sale of an asset that society concludes should be in private and not in public hands--not a vicious private appropriation.

guarantees civil rights against tyranny, assures social rights against exploitation, and affirms public rights against rent-seeking. Bureaucracy is the administrative institution that uses the principles of a professional civil service and an impersonal, formal, and rational administrative system to fight nepotism and corruption--two inherent characteristics of patrimonial administration.

The emergence, in the nineteenth century, of a bureaucratic public administration to replace the patrimonial forms of administering the state represented great progress. Its main analyst, Weber (1922), vigorously pointed out the superiority of rational-legal authority over patrimonial power. Yet, in the twentieth century, when the state increased its social and economic role, the basic strategy adopted by bureaucratic public administration--the hierarchical and formalistic control of procedures--proved inappropriate. This strategy might be effective in avoiding corruption and nepotism, but it was slow, expensive, and inefficient. It made sense for the eighteenth-century liberal state--the small state concerned with the protection of property rights; a state that only needed a parliament to define laws, a judicial and police system to assure their enforcement, an armed force to protect the country against foreign enemies, and a finance ministry to collect taxes. It did not make sense when the state had added to its role providing public education, public health, public culture, social security, science and technology incentives, infrastructure investments, and environmental protection. Instead of three or four ministries, fifteen or twenty were required. Instead of a tax burden representing 10 percent of GDP, it now needed 30 to 60 percent of GDP. Instead of the old bureaucratic public administration, a new form of administration was required, one that adopted the great advances made in the management of business enterprises in the twentieth century without losing its specific characteristics as a public administration: an administration not profit oriented but public-interest oriented.

The new public administration cannot just limit itself to avoiding nepotism and corruption; it has to be efficient in providing public and semipublic goods that the state is committed to directly produce or indirectly finance. If, in the developed countries, civil and social rights were reasonably

protected, public rights were not: the *res publica* was the object of all sorts of threats. Sheer nepotism and corruption were moderate, but new forms of privately appropriating a much larger share the public patrimony had emerged. Businessmen obtained unnecessary subsidies and tax abatements, the middle class secured special entitlements, the civil servants often worked inefficiently or not at all--when redundancies prevailed--while protected by strict tenure laws.

In the developing countries, in which in this century a developmentalist state emerged instead of the welfare state, the situation was much worse: civil and social rights often remained unprotected; nepotism and corruption lived with bureaucracy, which was marked by privileges and redundancies. In the nineteenth-century liberal state, bureaucratic public administration was a device to assure property rights, the appropriation of economic surplus by the emerging capitalist class; in the developmentalist state, bureaucratic administration was a form of surplus appropriation by a new middle class of bureaucrats or technobureaucrats. In the liberal state the price of entrepreneurship was the concentration of income in the hands of the bourgeoisie through market mechanisms; in the developmentalist state, economic surplus was shared by the capitalist and the bureaucratic classes, which, besides market mechanism, used political control of the state to enrich themselves. If in the developed countries the *res publica* was not well protected by bureaucratic administration, given its inefficiency in administering the welfare state, it was still less protected in the developing countries, where the bureaucratic class was not only engaged in building the state, but also in partially replacing the bourgeoisie in the capital accumulation process and in the private appropriation of the economic surplus.⁶

⁶ I developed the idea of the emergence of a bureaucratic or technobureaucratic class in two books published in Brazil. *A Sociedade Estatal e a Tecnoburocracia* (1980) is a collection of my general or theoretical essays on the subject; *Estado e Subdesenvolvimento Industrializado* (1977) concentrates on the role of this new class in association with the capitalist class in running the developing countries in which bureaucratic-capitalist regimes had emerged.

Managerial Public Administration

Managerial public administration emerged in the second half of this century as an answer to the crisis of the state--as a form of coping with the fiscal crisis, as a strategy for making the administration of the huge services the state took on less expensive and more efficient, as well as a device to protect the public patrimony against rent-seeking or sheer corruption. More specifically, since the 1960s or at least the early 1970s, a widespread dissatisfaction with bureaucratic public administration had developed.⁷

Some basic characteristics define managerial public administration: It is outcome- and citizen-oriented; it assumes that politicians and civil servants are entitled to a limited degree of trust; it uses as strategy decentralization and the incentive to creativity and innovation; it controls public managers through management contracts.

While bureaucratic public administration is process oriented--strictly defining procedures to hire personnel, to purchase goods and services, to satisfy citizens' demands--managerial public administration is result oriented. Bureaucracy concentrates itself in processes, notwithstanding the great inefficiency involved, because it believes that this is the safe way to avoid nepotism and corruption. Controls are preventive, *a priori*. Besides, it is difficult if not impossible to punish deviations; thus, it prefers to prevent them. Finally, it has no other alternative, since it lacks clear objectives for its action. It is extremely difficult to define performance indicators for state agencies. In contrast, managerial public administration assumes that nepotism and corruption are to be fought, but rigid procedures are no longer necessary (they were when patrimonial values were dominant, but are not now, when the mixing of private and public patrimony is universally rebuked). On the other hand, new forms of privately appropriating the *res publica* have emerged that are not prevented by bureaucratic methods. Rent-

⁷ As Ostrom (1989: 15) says: "the sense of crisis that has pervaded the field of public administration over the last generation has been evoked by the insufficiency of the paradigm inherent in the traditional theory of public administration."

seeking, usually a more subtle and sophisticated way of privatizing the state, demands new counterstrategies. Managerial administration, decentralization, the delegation of authority and responsibility to public managers, the strict control of the achievement of agreed-upon performance indicators, besides being a much more efficient way to manage the state, is more effective in fighting these new forms of state privatization.

While bureaucratic public administration is self-referred, managerial public administration is citizen-oriented. As Barzelay observes (1992: 8), "a bureaucratic agency is focused on its own needs and perspectives; a customer-driven agency is focused on customer needs and perspectives." Actually, the rise of the national state began in the absolute monarchies of Europe, where a patrimonial bureaucracy played a central role. Modern capitalist bureaucracy is an evolution of patrimonial bureaucracy: it distinguished itself by clearly discriminating the public from the private patrimony, but resembled its ancestor when the question was to affirm the power of the state. That is why bureaucracies tend to be self-referred. Besides promoting their own interests, they are primarily interested in securing the power of the state, asserting "extroverse power" over citizens.⁸ In contrast, managerial public administration assumes that this power is no longer being seriously challenged in the developed and semideveloped countries.⁹ Thus, civil service should not be self-referred but oriented to serve citizens. After all, civil service is a public service, a service to the public, the citizen.

In order to control outcomes in a decentralized way managerial public administration requires a certain degree of trust in politicians and public officials--a limited confidence continuously checked by the control over results, but at least one that permits delegation, the possibility of allowing

⁸ The nation-state or country encompasses the state and civil society. The state is the unique organization that holds extroverse power--the power of imposing law and taxes on civil society, that is, over a structured group of citizens who are not a direct part of the state, but are, simultaneously, the object of state power and the source of government legitimacy.

⁹ Except by illegal activities or associations, such as the Mafia. In the developing countries there is also the threat represented by several types of fundamentalism.

public managers the freedom to choose the most appropriate means to achieve preset goals. This confidence does not exist in bureaucratic administration, and it is unacceptable to neoconservative or neoliberal reasoning, given its radically pessimistic view of human nature. Yet, without some degree of trust it is impossible to secure cooperation, and if administration is a form of control, it is also a form of cooperation. The radical pessimism of neoliberals tends to validate their conclusion about the minimal state, but makes no sense if the minimal state is just an unrealistic mental construction, while the modern state is a reality that must be efficient and effectively managed.

Notwithstanding, the managerial approach to public administration emerged strongly in Britain and United States after conservative governments took power in 1979 (Thatcher) and 1980 (Reagan), leading some interpreters to view this approach as an intrinsically conservative one. Actually it was only in Britain that managerialism took over civil service at that time, leading to a profound and successful administrative reform. A series of programs--the "Efficiency Units" program with scrutiny reports, the "Next Step" program with autonomous agencies, and the "Citizens Charter" program--were able to make a more flexible, decentralized, efficient, and citizen-oriented civil service in Britain.¹⁰ Similar reforms took place in New Zealand, Australia, and Sweden, when social democrats were in office most of the time. Osborne and Gaebler (1992)--who coined the expression "reinventing government"--described administrative reforms in the United States since the early 1970s that did not originate in federal government, but rather in municipal and state administrations. The goal of transforming federal public administration according to the managerial approach took place in 1992, when President Bill Clinton transformed the "reinventing government" idea into a government program: the "National Performance Review."¹¹ In France, reforms in the same direction began in 1989, under

¹⁰ For analyses of the British experience, see Fairbrother (1994) who wrote a moderately critical analysis. See also Tomkins (1987), Pyper and Robins, eds. (1995), Nunberg (1995), and Plowden (1994). For a radically critical approach, see Pollitt (1990).

¹¹ For an evaluation of this program see Ketl (1994), Ketl and Dilulio (1994, 1995). Ketl and Dilulio (1995) and Dilulio (1995) compare Clinton's and Gore's program with the Republican

social democratic Prime Minister Michel Rocard. The first attempt in the direction of a managerial administration in Brazil dates from 1967--long before neoliberal ideas emerged to contribute to the crisis of the state.¹²

Managerial public administration is seldom identified with neoliberal views for another reason. Managerial techniques were often introduced simultaneously with structural adjustment programs aimed at coping with the fiscal crisis of the state. As Nunberg (1995: 11) observes, "the first reform phase, commonly called 'cutback management,' consisted of measures to curb public spending and civil service staff in response to fiscal constraints." This was true in Britain, Canada, Australia, New Zealand, Japan, and the United States. It is presently true in Latin America, including in Brazil, where an administrative reform is formally oriented toward replacing bureaucratic by managerial public administration.¹³ This has usually provoked strong reactions from the civil service, besides leading to accusations of neoliberalism. As an indignant British civil servant once said, "more efficient really means cheaper."¹⁴ Yet, relating fiscal adjustment to conservatism or neoliberalism may seem to have an historical explanation, but it is not a logical one. Neoliberalism arose as a reaction against the fiscal crisis of the state and so became identified with expenditure cuts, with downsizing the state. But it soon became clear to social-democratic

"Contract with America," which they label an "erasing government" program, a true, neoconservative cutback management program.

¹² The reform was launched in the Castelo Branco administration, through the Decreto-Lei 200 that allowed for a radical decentralization of Brazilian public administration, including state-owned enterprises. On the subject, see Beltrão (1984) and Martins (1995). Hélio Beltrão was involved in the reform in 1967; later, he became Minister of Federal Administration, launching a deburocratization program. Yet, after the transition to democracy in 1985, the reform was abandoned. The new democratic government unsuccessfully attempted to restore a full bureaucratic system.

¹³ After the failure of the attempt to restore a bureaucratic system in Brazil, in 1995, the reform-oriented Cardoso administration proposed and is implementing an administrative reform according to the managerial approach (Brazil's Presidency, 1995; Bresser Pereira, 1995, 1996b).

¹⁴ Plowden (1994: 14).

administrations that fiscal adjustment was not an ideological proposal, but a necessary condition for any strong and effective government. This fact, plus the obvious superiority of managerial over bureaucratic public administration, led governments of all ideological tendencies to get involved in administrative reforms that usually have a twofold orientation: expenditure reduction in the short term, increased efficiency through managerial orientation in the medium term.

The more serious risk this kind of reform faces is to be seen as hostile to civil service, as not wanting to involve civil servants. In Britain, where reform went farther, this was and still is the most difficult problem the government faces. The reform was made possible in the late 1970s because senior civil servants were quite aware that it was badly needed, and because Margaret Thatcher was sanguinely determined to reduce public administration costs. This allowed for a kind of coalition between government and top civil servants. Yet, this coalition was fragile, given the obvious negative attitude Thatcher and her associates had in relation to the civil service.¹⁵

Political reactions against managerial public administration have an obvious ideological origin. Pollitt's (1990) *Managerialism and the Public Service* is a good example. Managerialism is seen as a set of ideas and beliefs that have as major values management itself, the objective of continuously increasing productivity, and orientation to the consumer. Abrucio (1996), in a survey of managerial public administration, contrasts this "pure managerialism," which he calls the "new public administration," with the "public-service oriented" approach sponsored by Pollitt, that intends to be a managerial alternative to the British model. Actually this view is just an attempt to update the old bureaucratic model; it is not a managerial alternative. The idea of opposing consumer orientation (pure managerialism) against citizen orientation (reformed managerialism) makes

¹⁵ As Plowden (1994: 10) notes, "the Prime Minister herself repeatedly made clear her view that anyone with talent and enterprise would not be in the civil service, but would be in the private sector making money."

no sense. A crucial reform program being undertaken by the British government is the Citizen Chart. The citizen is also a consumer. Any managerial public administration has to see the individual, in economic terms, as a consumer (or a user) and in political terms, as a citizen.¹⁶

Reforming State Structure

Managerial public administration involves a change of management strategy, as we have seen; but this strategy must be put to work in a reformed administrative structure. The general idea is decentralization, delegation of authority; but it is necessary to be more specific, clearly defining the sectors the state operates, the types of ownership, and the kind of administrations that are best suited to each sector.

Any modern state includes four sectors: the strategic core, the exclusive activities, the nonexclusive services, and the production of goods and services for the market. The strategic core, formed by the parliament, the courts, the presidency or the prime minister, its ministers and the top civil servants, is where law and policies are defined and their enforcement is assured.

Exclusive activities are those that involve state power and directly guarantee that laws and public policies are followed and financed: the armed forces, the police, the tax collection agency--the traditional functions of the state; the regulatory agencies, the agencies that finance, foment, and control social services and social security, are part of this sector. Thus, exclusive activities should not be identified with the classical liberal state, in which the police and the armed forces are enough.

Nonexclusive services are the services that the state provides, but, since they do not involve the use of the extroverse power of the state, private and

¹⁶ The idea of opposing a consumer orientation, that would be conservative, against a user orientation, that would be social democratic, makes a little more sense, if we define the consumer as an individual who pays for the services s/he gets from the state, while the user is financed by the state.

public non-state (“non-governmental”) sectors may also provide these services. This sector comprises education, health, culture, and scientific research services.

The production of goods and services sector is formed by state-owned enterprises.

What type of administration, what kind of ownership, and what kind of institution should prevail in each sector in the new state of the 1990s? The answer to the first question seems straightforward: managerial public administration is to be adopted. But, a caveat is necessary: it depends on the sector in question. In the strategic core, where effectiveness is often more relevant than efficiency, updated bureaucratic characteristics still have a place. An essential strategy in reforming the state apparatus is to strengthen the strategic core, bestow it with highly competent, well-trained, and well-paid civil servants who share the civil service ethos of serving the citizen. In this area, career and tenure provisions still hold, although they should be seen in a more flexible way, when compared with the corresponding terms in traditional bureaucratic administration. However, in the exclusive activities sector, management is supposed to be decentralized; in the nonexclusive services sector, management will be more than decentralized--it will be autonomous: civil society will share control with government.

The question of ownership is essential. In the strategic core and in the exclusive state activities, ownership, by definition will be state ownership. In contrast, in the production of goods and services sector there is increasing consensus that ownership should be private, particularly when the market can control business enterprises. When there is a natural monopoly the question is not so clear, but even in this case, an effective and independent regulatory agency could make private property more suitable.

In the realm of nonexclusive services, the definition of ownership is more complex. If we assume that these services are supposed to be financed or fomented by the state, either because they involve basic human rights

(education, health), or because they imply sizable externalities (education, health, culture, scientific research), there is no reason for them to be private. On the other hand, since they do not involve the use of state power, there is no reason for them to be state controlled. If they are not supposed to be under either state or private ownership, the alternative is to adopt public non-state ownership, or, in Anglo-Saxon terminology, non-governmental ownership: public in the sense that they are devoted to the public interest, that they are not profit oriented; non-state because they are not part of the state apparatus.

In the United States all universities are public non-state organizations. They may be called "private" or "state controlled," but, as a matter of fact, they are not profit oriented and they do not have federal civil servants. They are partially financed or subsidized by the state--the "private" less than the "state controlled"--but they are independent bodies controlled by boards that represent civil society and--in minority form--the state. In the United Kingdom, universities and hospitals used to be state controlled: they are no longer; they are "quasi-non governmental organizations." They were not privatized: they were changed from state control to public control.

There are three possibilities in relation to nonexclusive services: they may remain state controlled, they can be privatized, or they may be financed or subsidized by the state but controlled by society, that is, be transformed into public non-state organizations. Bureaucratism and statism sponsor the first alternative; radical neoliberalism opts for the second course; social democracy (or liberal democracy in the American sense) chooses the third way. Managerial public administration is inconsistent with the first alternative, and uncomfortable with the second; it is perfectly congruent with the third. Here the state is not viewed as a producer, as held by bureaucratism, nor simply as a regulator that guarantees contracts and property rights, as the neoliberal credo says, but as a "financier" (or "subsidizer") of nonexclusive services. The subsidy may be given directly to the public non-state organization, through the budget (in Brazil we call these institutions "social organizations") or, in a more radical change, it may be given directly to the citizen in the form of vouchers. Yet, they will continue to be state financed,

as society holds that these activities should not be submitted to market coordination.

Two types of institutions will be used to implement this reform: in the realm of exclusive activities, the idea is to create “autonomous agencies,” while nonexclusive activities are supposed to be transformed into “social organizations.” The autonomous agencies will be part of the state; the social organizations will be part of the public non-state sector. They will be non-governmental organizations authorized by the parliament to share the state budget. The tool that the strategic core will use to control exclusive activities and nonexclusive services is the management contract. The autonomous agencies, in the exclusive activities, and the social organizations, in the nonexclusive services, will be decentralized. In the agencies, the minister will choose the chief executive officer and will sign a management contract with him or her and be responsible for controlling outcomes; in the social organizations, the chief executive officer will be chosen by the board. The management contracts will provide the personnel, material, and financial means for the agency or social organization and will define, in a very clear, qualitative, and quantitative way, the performance indicators: the agreed-upon outcomes.

Conclusion

After the great crisis in the 1980s, a new state is being built in the 1990s. This new state will be the outcome of deep reforms that will enable the state to perform the roles the market is not able to perform. The objective is to build a state that responds to the needs of its citizens, a democratic state in which bureaucrats respond to politicians and politicians to voters in an accountable way. The essential moves for that are political reform that increases the legitimacy of governments; fiscal adjustment, privatization, and deregulation, that reduce the size of the state; and an administrative reform that provides the means for good governance. I have described the features of this last reform--the reform of the state apparatus--that will work to establish a managerial public administration in the public sector.

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COMMENTARY ON MINISTER BRESSER'S PRESENTATION

AT THE WILSON CENTER, APRIL 15, 1996

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The ambition of the Cardoso administration must be commended. The implementation in Brazil of a government reform program such as the one described by Minister Bresser is a truly Herculean task. No nation in the world has a more labyrinthine and complex bureaucratic system than Brazil, where patrimonialism, government corruption, and "looking out for one's own" are social traits deeply rooted in the history and culture of the people.

The administration's political reforms face a wide range of obstacles. First and foremost, efforts to cut out self-interest and patrimonialism collide with long-honored traditions of Brazilian culture and society. Brazil is a grandchild of a Portuguese empire which, having largely escaped the Reformation, functioned according to medieval, feudalistic mores and systems. Iberian colonizers left a legacy of patrimonial cultures across Latin America. In Brazil, however, unique circumstances, such as the strategy of the Portuguese to control the territory's vast lands through a royally appointed hierarchy of governors and local officials, and a fourteen-year period in which the Portuguese crown--noted for the depth and intensity of its bureaucracy and favors--was physically removed to Rio de Janeiro, led to a distinct culture built around patrimony and the bestowing of royal favors. In effect, Minister Bresser's reforms seek to overturn four hundred years of bureaucracy and patrimonialism.

The reforms are sure to face fierce opposition from Brazil's class of professional politicians. As direct beneficiaries of the corporatist state, politicians see little to gain--and immense personal fortunes to lose--in reforms that threaten their generous pensions, perks, and handouts. One possibility would be to make all reforms non-retrogressive, so that the benefits of past largesse and corruption would not be taken away. Even so,

the reform program is sure to face a steep uphill battle in the Brazilian congress.

Once the reforms make it through the congress, the administration will face enormous challenges in implementing them in Brazil's famously inefficient and corrupt state agencies. Government payrolls at the federal, state, and municipal levels reportedly include tens of thousands of employees who never actually report for work, and public service bureaucracies are woefully inefficient. Corruption, misspending, patrimony, and political wangling are day-to-day operational realities, resulting in official and unofficial habits that reform-minded administrators will find extremely difficult to overcome.

The application of these reforms at the state and municipal level also raises a number of issues. Again, the situation relates directly to Brazil's history as a federation of largely independent and locally-minded states. Accountability for failed fiscal policies and management at the local level poses a grave problem for the republic, as seen most recently in President Cardoso's agreement for the federal government to assume São Paulo state's mammoth debt in exchange for a favorable vote on pension reform. For decades the federal government has been shouldering the debts incurred by local mismanagement and fiscal irresponsibility. Can local governments become accountable in the short or even medium term? Can this culture of favors and political exchange between the federal and state systems be cut back in a time when democratic cooperation and consensus-building are essential?

Finally, one must question the theoretical model for Brazil's proposed "managerial" political system. Is such a system possible within the context of a growing democracy? In Brazil's case, it can be argued that democracy is particularly prone to the creation or enlargement of inefficient bureaucratic structures. Such patrimonial institutions blossomed in the mid-1940s and mid-1980s, when democratic rule replaced authoritarian regimes, due to the government's emphasis on job creation as a tool for building public popularity and social stability. This sort of a jobs-oriented approach to economic growth and public governance is very typical of developing democratic nations, where poor societies look to the new democratic

government for easy solutions to their problems. Brazil's swollen public payrolls and generous pension system are part of a broad social welfare net sprung from the expediency, in a patrimonial system, to make as many influential people and key groups--including constituencies, families, and friends--as happy as possible.

Such is the social and political culture that faces Minister Bresser's reform program. His plans are ambitious and comprehensive, as they should be. The question is if the administration's will is strong enough not just to push these reforms through hostile waters in this year's congress, but if it will be able to provide the momentum necessary for their effective implementation over the next twenty years.