

STATE REFORM, FTAA AND BRAZIL

Humberto F. Martins

On a world perspective there is an increasing number of scholars and politicians that proclaim the end of the liberal era. The limitations and collateral effects of liberal adjustments and strategies of state reform begin to emerge with the adorning of a new development paradigm, wider in the sense of delimiting and orienting the market itself for the public domain.

In the regional scope, hemispheric leaders debate the creation of the Free Trade Agreement of the Americas (FTAA), whose letter of principals and actions contemplates a model of development that mixes a wide spectrum of social and environmental initiatives with elements that are typical of the liberal agenda. Meanwhile, programs of liberal adjustment continue to be implemented, spread by the USA-Multilateral Organisms of credit axis.

In the local scope, Brazil has implemented, during the last 10 years, a group of structural reforms, which signal the adoption of the liberal corollary. Besides the internal and external signs of exhaustion from that model, the national debate still does not visualize an alternative strategy. The purpose of this paper is to explore and analyze the recent experience of state reform in Brazil in light of the emergence of a new paradigm of institutional transformation and the impending FTAA.

The text is structured in three parts. The first part is essentially normative and intends to characterize two paradigms of institutional transformation in contemporary society. The first one is a state reform paradigm, dominant in the reference literature and in the international paradigmatic experiences. The second one is an emerging paradigm of institutional transformation placed in the perspective of society's institutional re-ordering as a whole, which accounts for wider normative issues and for the undesirable effects of the dominant paradigm. The second part seeks to characterize FTAA as a model of development with an underlying state reform agenda in the realm of the dominant paradigm.

The third part explores two issues concerning the Brazilian case. I argue that the dominant paradigm is limited to analyze and lay down strategies of institutional development, given the historical and structural peculiarities of the Brazilian state. However, the recent Brazilian state reform experience is an example of dominant paradigm implementation. I try to characterize this implementation and to highlight its limitations.

I also pull out some final remarks on the Brazilian state reform experience, its challenges and risks facing the imminent scenario of FTAA.

1. TWO PARADIGMS OF INSTITUTIONAL TRANSFORMATION

On this topic I propose an ideal¹ characterization of two paradigms of institutional transformation that I have called *dominant paradigm* and *emerging paradigm*. I am using the term *institutional transformation*² in the sense of deliberated political constructions that aim for the modification of the rules that regulate the social relations for specific means of welfare, development, equity, etc. The term *paradigm*³ has been used in a wider sense than the one attributed by Kuhn, as institutionalized “symbolic generalizations”. It means that starting from a group of rules, values and beliefs about realizations, problems and solutions shared by a community are objectified (that make sense and explain) and sedimented (stage from where the bases are not questioned anymore). (Tolbert & Zucker 1998)

The dominant paradigm is a state reform paradigm. The institutional transformation is focused on the state, since it possesses most of the problems and obstacles to reach welfare. The dominant paradigm is, in this sense, captured by the liberal view according to which the state is, relatively to the market, an inefficient instance of resource allocation, subjected to incrementing transaction costs and higher incidence of agency problems⁴. The dominant paradigm is instrumental, meaning that it leans toward the development of management and institutional transformation technology under a view of market efficiency, without questioning the intrinsic ends to be achieved. The dominant paradigm is linear, based on an ordered sequence of events under the form of a “state life cycle”. The dominant paradigm is also dual, in the sense that it holds polar attributes such as evolutionism-“regressionism”, voluntarism-renunciation, mimicry-xenophobia and reductionism-vagueness.

The emerging paradigm positions itself on society’s institutional development perspective and emerges from complex attributes and emerging facts. Among the complex attributes are holism, plurality, ambiguity, circularity and unpredictability. It provides a multi-institutional view of society in which arenas typically defined as market, state and civil society overlap, differentiate and hybridize in direction and according to multiple desirable and possible standards of welfare. Within the emerging facts are those which come from institutional transformation experiences based in the dominant paradigm which fails not only to reach the

instrumental effects to consolidate the market itself, but also provokes a series of harmful social and environmental consequences to society at large.

The dominant paradigm: state reform

The logical construction of the dominant paradigm is based on a progressive sequence of five episodes: the evolution of the modern state, the state crisis, the state reform, the new public management and the state reform crisis.

The evolution of the modern state represents the growth of states (expenditures, service rendering diversification, number of employees and number of state organizations) correlated to the progressive recognition of the right of different interests of society to be met (Marshall 1992). The modern state, based on civil rights, appears as the overcoming of the patrimonial state, taken over by the governing elite's interests. The welfare state, based on the recognition of social rights, emerges as the evolution of the state of law, made possible, to great extent by the Keynesian progressivism, whose merit was residually questioned until the 1960's.

The state crisis comes as a second phase of this cycle and represents its inflection point, starting with the exhaustion of the conditions that made possible the development of the welfare state. Instability, ungovernability and the occurrence of state dysfunctions and perverse effects characterize this scenario. Instability appears typically as a consequence of globalization, technological development, productive restructuring and social mobilization. Ungovernability is typically characterized by the fiscal scarcity in relation to the "excess in demands" for public goods. (Huntington 1968) The dysfunctions and perverse effects of the state action are related to agency problems, predatory politics, patronage and corruption, not to mention the problems of quality and quantity of public goods. The discourse about the state crises sounded strong from the neo-liberal critic, decreeing the end of the post-war progressivism and proclaiming the disadvantages of the state's intervention on the guarantee of welfare or economical stability in relation to the market's attributes. The state started to be attacked both from the right (according to which it restrained the strengthening of the Market economy) and also from the left (according to which it did not generate sufficient protection) in economical, political and social aspects. (Offe 1992)

State reform comes up as the solution for the state crisis. The critic factors have led to different waves of structural reforms; among those, three over-ruling patterns appear to be predominant. The first pattern is the welfare state reform, which recognizes its main role in the

generation of welfare, even having in mind new requirements of economic integration and the market development. This pattern is more present at the transition of the European social democracy toward a social economy market –from the socialists’ agendas of the 80’s to the nowadays British third way. A characteristic of the social pattern is the emphasis in the state and civil society as landmarks of the development process, therefore with liberalizing concessions to the market. The second pattern is the typically Asian neo-development pattern, based on the agreement between the state and national private companies towards the development of global market shares –opposing, for example, the typical Latin-American developmentism focused on the substitution of imports. The most pungent examples of neo-developmentism are the so-called Asian Tigers. A third pattern of structural reforms is the liberal one, more notorious and prevalent, present at the liberal paradigmatic experiences starting up from the Anglo-American-Westminster axes, endorsed by the multilateral credit organisms as an ideal model of adjustment in the 80’s, rendered famous by the expression *Washington Consensus*.

The adherence to the liberal model imposed minimalist reforms with emphasis on the economic efficiency and based on the idea that the main problem is the state, hence the solution is to have less state and more market and civil society. Yet, the market should also be the provider of public goods but those that are considered pure public goods⁵. On the other hand, the Market economy required less state, imposing economical liberalization, the exclusion of the state of the productive sector, the decrease of deficit and tax burden and deregulation. Moreover, civil society would be in a full revitalization phase, transcending the state and not anymore in need of it as an exclusive device to politically express itself, and turn towards controlling the state as far as becoming to the control of the state. (Cohen & Arato 1997)

The New Public Management⁶ (NPM) is a group of arguments and administrative philosophies proposed as a new paradigm of public management since the emerging of the state crisis and state reform themes (Hood & Jackson 1991). On a general perspective, it proposes that the public management should have the following characteristics: a) be results oriented; b) decentralization; c) flexibility; d) increasing performance and performance/productivity based payment; e) internal and external competitiveness; f) accountability; g) differentiated decision making autonomy; h) outsourcing; and i) innovative organizational design. (Holmes & Shand 1995; Hood & Jackson 1991) The NPM doctrines emanate from administrative values related to performance and efficiency of the task and theories in the field of the new institutional

economics⁷ (NIE) (Aucoin 1990; Boston 1991), and in the field of management approaches (Aucoin 1995; Moore 1994; Schick 1996) notably those related to organizational strategy and behavior⁸.

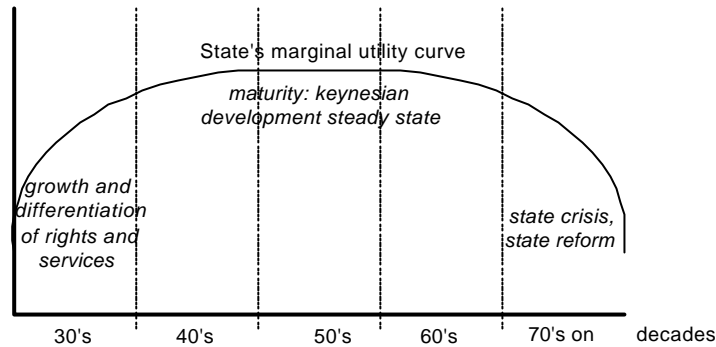
The NPM was born managerialist in the 80s, that means heavily inspired by minimalists reforms and proposing the application of corporate management technology to the state. Modern NPM has not yet acquired the perspective of thinking of the state under the development prism. Its focused, instead, on specific strategies of institutional transformation of public organizations or governments as a whole, based on the discussions of means not ends and reproducing, in a general sense, the dichotomy between politics and administration (Martins 1997a).

The state reform crisis appears from the different consequences in the standards of social, neo-developmentist and liberal reform strategies. Social reforms took forth the welfare state reform in most European countries. At the same time it allowed the development of an integrated market economy, even from a monetary stand point, much beyond the expectations in the mid-80s –although they are still far from solving in a sustainable fashion the economic, social and environmental problems they face. The neo-developmentist reforms promoted industrial growth, although one can not assure that these reforms have promoted welfare, taking into consideration the living and labor conditions in the Asian context, allied to civil society's and democracy's insipience.

The wave of minimalist liberal reforms, although minimally implemented by the proponents countries⁹, rendered three major consequences. First of all, its economic orientation did not guarantee a favorable environment for the functioning and for the sustainable and virtuous growth of the market. The low inflation and the full employment scenarios (noticeably in the USA) are better credited to the production re-structuring of the “new economy” and to global integration. Secondly, it widened the social divide and fragmentation. The increase in social capital did not necessarily lead to an increase in solidarity nor to the improvement of the public sphere. In third place, the minimalistic economic reforms did not render legitimacy to the democratic institutions, widening by contrast its loss of prestige, generating either a “civic fatigue” or political illiteracy. Democracy was considered a definite conquest and the improvement of political institutions (parties, elections, legislative process, etc...) was largely neglected by minimalist reformers.

This sequence of episodes represents the linear idea of a state “life cycle”, shown in exhibit 1.

Exhibit 1. The state life cycle.



The dominant paradigm also represents a dualism, from four polar attributes that are present in the sequence of episodes portrayed: evolutionism-“regressionism”, voluntarism-renunciation, mimicry-xenophobia and reductionism-vagueness. Dualism stands for the low tolerance to the ambiguity between each pair of polar attributes.

Voluntarism consists in the belief that the state is autonomous and possess the sufficient and necessary means to reform itself. State reform is under this perspective a responsibility in reach of the administrations. Implicit in this view is a certain linearity of the reform processes conceived as a technocratic task, an entirely defined and delimited process of which its possible to have complete control. The conditions are reduced to formulation of good strategies, availability of appropriate incentives, coalition of the necessary forces and timely implementation. Voluntarism involves aggressive policies of state reform. The example that best stands out is the Thatcher reform.

Renunciation, contrary to voluntarism, consists in the belief that the state does not gather the conditions to reform itself, that only civil society, through an augmenting process of substitution and self-management, will be able to accomplish the provision of public goods according to its specific requisites. Renunciation considers the progressive and disordered removal of the state as a process that unfolds according to the acting of external actors, who under certain conditions hold more power than the state itself. Renunciation implies in the reactive and relativistic strategies. There are many typical examples in the Latin American experience, in Eastern Europe and in Africa, in countries that developed passive state reforms or have been reformed by internal or external pressures.

Evolutionism could be found in the historical perspectives that celebrate a successive pattern of state models evolution (patrimonial state, state of law, welfare and the state crisis, e-government). This perspective applies to the current consolidated democracies. In most of the countries, there are still strong patrimonial states and incomplete and weak rule of law and welfare states, besides the state crisis manifestation in its political, economical and managerial aspects. The evolutionist way of thinking considers the sequential pattern a linear historical track according to which the reach of its contemporary condition should follow the same steps. The evolutionism is hence determinist¹⁰ because it considers peculiar experiences as the only trajectory of history. This type of thinking is present in the state reform strategies that aim, for example, to first consolidate the market or the democratic institutions in order to, later, consolidate social protection structures or even the defense of civil rights.

The term “regressionism” is here employed to denote a peculiar consequence of the evolutionistic idea: the belief that certain contexts lack the historical conditions of reaching solutions or contemporary standards of welfare. Regressionism contains a defeatist feeling of returning to the past, which denies and rejects new solutions and new problems. Regressionism is very present, for example, in solutions such as the consolidation of rigid governmental bureaucracy as an antidote to the patrimonial state or in the argument according to which the implementation of e-government can only be achieved after the consolidation of the welfare state.

Mimicry is a characteristic as deterministic as evolutionism. It consists of the irresistible appeal of adopting exogenous solutions without the due critical judgement when designing and implementing state reform strategies instead of solutions that may better fit peculiar problems and requirements. The paradigmatic experiences (such as the Anglo-American managerialism and the way it was implemented in different contexts) are primary sources of mimetic inspiration. Mimicry accepts the exogenous experience as good and certain prior to a critical consideration. One of the great appeals of the trends is the conformity to contemporary solutions as a sign of modernism and mostly the generation of a modern identity than to the quest for sustainable solutions. Globalization in its homogenizing character provides strong mimetic appeals.

Xenophobia is here mentioned not in its boastful meaning, but in the sense of representing, contrary to mimicry, the aversion to anything that is exogenous. Xenophobia does not consider

current solutions, closes down to cooperation and may lead to “reinventing the wheel” type solutions. Furthermore xenophobia does not take into consideration universal or global problems and solutions, particularizing them in a fragmented and aloof way. Xenophobia does not support itself only in fundamentalism (ideological, ethnical or religious) but also, hides itself in the protection to specific sectors of culture and economy.

Reductionism refers to the existence of a group of views, motivations and actions that prevail in the state reform efforts. It captures the implied actors perceptions about the phenomenon and restricts the field of solutions and results. Special attention should be called to economic reductionism, particularly in the perspective of the NIE –many theories within this domain have a strong negative bias to the state. Despite the critical usefulness of this approach, the entanglement in this perspective reduces the possibility of understanding the state as an embracing and comprehensive social phenomenon and restrain the search for more adequate views and actions. Another trademark of reductionism is the prevalence (exclusiveness, in some cases) of economic issues in the state reform agenda such as regulation, liberalization and fiscal policy.

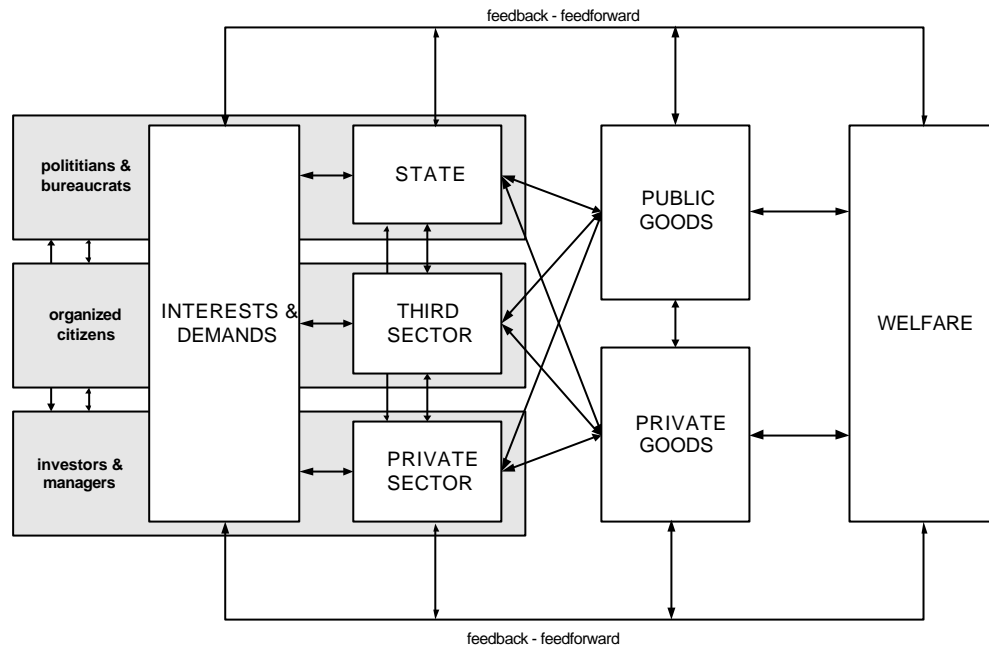
Vagueness appears as a counterpart to reductionism in the sense that it does not allow confrontation of basic and essential issues in the various scopes due to the lack of focus, generating unsustainable reform strategies, paralysis or passiveness.

The emerging paradigm: the institutional transformation of society

The emerging paradigm places itself in the perspective of a holistic vision of welfare governance that implies in a wider, plural, circular and ends oriented consideration of public management.

Welfare governance¹¹ is a term that is etymologically committed to the notion of society’s course, by the arrangements that lead to the grasping of the goals of social life or to the social requisites to the grasping of the goals of human life in general. Exhibit 2 seeks to illustrate the welfare governance process.

Exhibit 2. The welfare governance process.



This systemic view (Offe, 1996) considers the ingredient of ambiguity among actors and acting areas, a network of circular and reciprocal interrelations, and adds the imponderable future by the idea of feedforward (the idealized future state that is not created from the past).

The welfare governance process is seen as a circular chain. The outcome of the political and social game is a certain level of welfare, current or desired, subject to a degree of desirability and acceptability. The outcomes are, at the same time, cause and requisite of a pattern of supply or demand of goods that oscillate from the condition of pure public to private goods (as outputs). The provision of such goods is delegated to different social actors in distinguished institutional arrangements in accordance to an arena (of dispute and conflict) of multiple interests and demands (inputs and withinputs). Different positions of power and satisfaction degrees implies in different possibilities to influence according to the past state (feedback) or the idealized future state (feedforward). The circularity of the process lies in the reciprocity of the relationships so that element may be considered a starting point for means specific analyses.

This view implies in the acknowledgement that the notion of state reform expands to a notion of society's institutional reordering or development as a whole. This view cannot lose its notion towards the ends of welfare. Another characteristic of this view is that, regardless the participation of different elements in the supply of public or private goods, the welfare provision

process unfolds in a competitive, and at the same time, cooperative scenario. In this regard, the classic dichotomy between state and market gives way to a macro-segmentation between a public goods “market” and another market, in the more common meaning, of private goods, although oriented by different rationales. On the other hand, the action of state, third sector, private sector its intermediate zones interlace and regulate each other.

Amongst the countless issues that come from this view of welfare governance, there are two that stand out. The first one, refers to the balance between the providers of public and private goods. The minimization or the exacerbation of the state, the third sector or the private sector may lead to dysfunctions such as statism, absolute liberalism and fundamentalist communitarianism (Offe, 1998). The second issue concerns to the system intelligence, capable of orienting the balance between the diverse institutional levels, and specially, providing them a bearing. The notion of public domain confronts this conception when it refers to an “area of social life, with its own rules, norms and practices, cutting across the state and market and other public private agencies. Its values are those of citizenship, service and notion of public interest and it has long furnished civil society with the much needed resources to function effectively by creating sanctuaries where the price mechanism does not operate” (Drache 2001:18). In this sense, public domain allows the adequate fitting of the market, civil society and the state, to reach welfare (Drache 2000).

The public and progressive governance¹² paradigm does not suffice to capture this perspective, since it bases itself solely in the capacity of the state to regulate transactions, creating stable norms, building the necessary institutions for this in order to execute the desirable orchestration between the different social factors. The idea of public governance treads, more specifically, on the capacity of the state to generate this orchestration, not on the capacity of other agents. The concept of public governance is state-centered while it should be multi-centered¹³ -provided that welfare governance comprehends the totality of institutional arrangements that coordinate and regulate transactions in and off the limits of a social system, including rules and agents that ensure the fulfillment of such rules –widening the concept proposed by Hollingsworth, Schmitter & Streeck (1993).

The construction of a post-liberal public management paradigm on the perspective of the emerging paradigm must pursue two main objectives. The first one is to rescue the substantive orientation, by addressing very clearly the ends in terms of specific standards of welfare; and to

rescue the ideal of distributive justice, by means of revalorization of democratic politics -which will allow the debate of the ends.

A second requisite has to do with the institutional design of public organizations. A characteristic of the post-liberal public management is the institutional design not restricted to the state and its alliances, but turned to the development of innovative institutional forms capable of processing and integrating, as far as possible, different rationales that can be found either in the state, in the private sector and in the community. The design of multicentered organizations, somehow dependent on state, market and community is a promising feature in the future of institutional design.

At last, the institutional development strategies must not position themselves in the dual perspective of the dominant paradigm. Firstly, they must consider that the state is, at the same time, reformed by itself and by the interaction with other social actors in many different ways. It is also about recognizing that the reform process is complex and that one can only have partial control of it. But this must not stop an action in the sense of modeling it (and to some extent, this is possible) and defining its course. The capacity to reform requires, first of all, the acknowledgement of the states own plurality, ambiguity, diffuse powers and paradoxical methods. This point of view renders proactive strategies, which considers the state's auto-reproduction not only as an answer to social demands but its performance as a generator of patterns of demand, an incremental modeler of more desirable futures. In this sense, the state positions itself as a relevant actor, not the only nor the absolute one which will define the process, but as the one that gathers conditions to influence the process.

Overcoming the evolutionist thought, implies in accepting that the strategies of institutional transformations must be put under multiple perspectives (or "institutional windows") at the same time, in the sense that the challenge of every state is to overcome the patrimonial state, consolidate the state of law, implement the welfare state, manage the state crisis and implement and take advantage of e-gov technologies. Accepting new solutions should not mean neglecting unsolved problems, or vice-versa.

Surpassing mimicry and xenophobia does not mean the unconditional acceptance or denial of exogenous ideas or solutions. It means their critical analyses and incorporation, looking for rejection, adaptations, transformations, inverted or contrary solutions according to specific requisites and possibilities. Reaching critical discerning about problems and universal and

particular solutions becomes more than ever necessary, so that the notion of problems may model the solutions, not the opposite.

The elaborated paradigms throughout this section are normative in the sense that they are idealtypic constructs which serves as an analytical tool to evaluate reality. Many experiences and specific models possess elements from both paradigms developed here. Something to remember is that the approaches on state reform that stand out on the public management literature position themselves predominantly under the perspective of the dominant paradigm. This fact limits its analytical capacity and meager the formulation of institutional development strategies in either general or specific contexts.

2. FTAA AS A REALIZATION OF THE DOMINANT PARADIGM

The FTAA, despite its agenda that opens wide spreading possibilities for cooperation and integration, reproduces the dominant paradigm at least when referring to two aspects. It is an agenda of regional development with an underlying state reform agenda. It is an agenda fully aligned with the liberal doctrine of international organism diffusers of the dominant paradigm.

Both the Declaration of Quebec¹⁴ and the Plan of Action arising out of the last summit, make it clear that the FTAA extrapolates the specific character of free trade treaty, and openly proposes an agenda of development together with a state reform agenda. The Declaration of Quebec manifests the “commitment to hemispheric integration and national and collectively responsibility for improving economic well-being and security”. The Plan of Action is aimed at strengthening representative democracy, promote good governance and protect human rights and fundamental freedoms [...] to create greater prosperity and expand economic opportunities while fostering social justice and the realization of human potential.”

The Plan of Action covers an enfolding development agenda including: democracy; human rights and fundamental freedoms; justice, rule of law and security of the individual; hemispheric security; civil society; trade, investment and financial stability; infrastructure and regulatory environment; disaster management; environmental foundation for sustainable development; agriculture management and rural development; labor and employment; growth with equity; education; health; gender equality; indigenous people; cultural diversity; children and youth.

The Plan of Action contains an embracing state reform agenda which main issues and objectives may be summarized as follows:

- Political institutions: electoral processes and procedures, transparency and good governance, fight against corruption, empowering local governments, independence of the judiciary;
- Civil Society: building the capacity of civil society organizations to promote accountability; fostering representativeness and facilitating the participation of all sectors of society; provide democracy and human rights education; increase the institutional capacity of governments to receive, absorb and act on civil society input and advocacy, particularly through the use of information and communications technologies;
- Trade and Investment: conformity with the principles and objectives of WTO rules and disciplines;
- Economic and Financial Stability: promote financial and economic stability as well as strong and sustainable growth, as fundamental preconditions for accelerated development and poverty reduction, and to ensure that the benefits of globalization are broadly and equitably distributed to all our people;
- Infrastructure and Regulatory Environment: adoption of regulatory and administrative regimes that facilitate advances in the area of infrastructure; regulatory reform and trade liberalization will be addressed;
- Environmental Foundation for Sustainable Development: Promote the adoption, implementation and enforcement of national legislation, regulations, standards and policies that provide for high levels of environmental protection,
- Social Policy: Increase of Coverage and Improvement of the quality of prevention services and attention to health and education, mainly.

It is true that these elements could compose any reform agenda. Furthermore, these elements are not exclusive, there are other elements in the Plan of Action not typically placed under the dominant paradigm domain. Nevertheless, the matter at hand is to what extent these or other issues pertaining to institutional reform may be guided, through cooperation and integration by the international organism's standards, in order to generate development results incompatible with their prescriptions.

On the other hand, given its international treaty and economic block nature, with programmatic commitments, the FTAA implies alignment to multilateral institutions whose policies are at the service of hegemonic interests, specially the USA. The Declaration of Quebec

itself reads, “The Agreement should be balanced, comprehensive and consistent with World Trade Organization (WTO) rules and disciplines and should constitute a single undertaking.” In this sense, adherence to the FTAA is an action consistent with the premises of the dominant paradigm.

3. STATE REFORM IN BRAZIL¹⁵

In addition to the improprieties which concern the normative perspective, the dominant paradigm is inadequate to explain and inspire solutions to the Brazilian case as well as to the Latin American one. However, it is specifically the dominant paradigm which has enlightened the recent strategies of state reform in Brazil. This section will seek to develop these two points, by identifying peculiarities in the process of the Brazilian national construction and characterizing the recent efforts of state Reform in Brazil.

The two Sides of the state Crisis in Brazil

The state crisis in Brazil has two sides: the incompleteness of the state building process and the short sights of its damaged implementation in the current context.

The evolution of the Brazilian state cannot be presented in a linear way of thinking. The underlining reason is that the state in Brazil and, generally, in the rest of Latin America, is an unfinished construction. Consequently, the dominant idea of the reform is limited, once the real task concerning the institutional development of the state should turn to its consolidation (in many different basis) not its deconstruction. The multiple stages which the nowadays matured democracies have undergone may be considered open windows to the process of Brazilian national construction.

Primarily, the patrimonial state is not residual in Brazil. There is a patrimonial state, which was inherited from Portugal, mingled with the agrarian elite. Consequently, politics and bureaucracy, under an estate-type domination shape, have been playing, for better or worse, an active role in the development of the country. To what concerns the model of public management, residually has Brazil presented a model of public bureaucracy as the ones from the sound democracies, but a hybrid pattern of patrimonial bureaucracy (Faoro 1984). There is a track of bureaucratic construction and another one of democratic construction; however, both seem reciprocally dysfunctional, generating mutual obstacles¹⁶. The Patrimonial state is viscerally embedded in the Brazilian political culture, which is manifested by patronage, rent seeking and corruption.

Secondly, the rule of law, over which our republican, federal and democratic institutions have been built, is an incomplete work in several aspects. There are gaps and blanks in the state power concerning the power subtracted by the crime (primarily drugs), which dominates slums and ghettos in many urban areas. There is the phenomenon of formalism, in the sense of the discrepancy between practice and rule (Riggs 1995), manifested in the existence of formal acts that are simply ignored or do not apply to all, within the legalist tradition of solving problems by enacting abundant and comprehensive regulations. The incompleteness of the rule of law also reveals itself by the precarious judicial system, the most archaic institution in Brazil. The judicial system is slow and its institutions are locus of nepotistic practices and corruption. To sum up, justice does not promote the necessary enforcement.

In the grounds of political institutions, the state of Law has never been established in a satisfactory way. There are problems with the proportion of representativeness, which causes the increase of the relative influence of small and less expressive states in the legislative process. There are problems within the legislative process itself, mainly based in agreements among political leaders and by the enactment of *provisional measures*¹⁷, a condition that reduces the roles of the congress commissions. There are problems of party fidelity, as many parties turned out to be opportunistic labels seeking the interest of leaders to bargain with the Executive a bite of the bureaucracy. There is residual incidence of electoral fraud, but there are problems related to the transparency of electoral campaigns fundraising.

To what concerns the regime of the government the gaps also become clear. Brazil is a federative republic of twenty-seven states and one federal district. The country is of continental dimensions in which the federation was formed by the division of the whole into several parts, not by the federation of the parts into a whole. This fragmented characteristic generated two types of federal unevenness: a relative greater influence of the municipals over the state power and the tutelary dependency of the states in relation to the federal power. Only recently, after the Constitution of 1988, did the model of concentrated federation begin to give place to a decentralized federalism; nevertheless, not fragmented, and still open to several problems of fiscal sustainability.

The regime of government in Brazil is presidentialism. As in every democratic regime based in the balance and interdependency of the powers, the deliberative power is, as a last resort, of the Congress. The Brazilian presidentialism has followed two main traditions: the *plebiscitary*

presidentialism, wherein the president, usually under populist appeal, establishes a legitimacy bond directly with the population, weakening the parliamentary representation; and the *coalition presidentialism* under a pattern of political bargain. In any case, a premise for governance is the Executive's capacity in bringing about and implementing a government agenda. Differently from the typically European parliamentarism, wherein the integration between Executive and Parliament is visceral, and differently from the North-American presidentialism, in which the Legislative body competes with the Executive in the formulation and supervision of the implementation of public policies, the inaction of the Brazilian Executive body leads into a vacuum or into predatory politics.

In third place, another peculiarity of the Brazilian state in relation to the sound democracies lies in the depletion of the welfare state. The welfare state is an unfinished work if compared with other contexts with more acceptable welfare levels. Even with the rather recent path trodden by the universalizing social policies in Brazil, the state remains weak, unfair and dividing.

Brazil is a country marked by needs and disparities. Of the roughly 170 million inhabitants, around 50 million find themselves below the poverty line –even with the unemployment level rating 8%. Around 70% of the Brazilian population live in urban areas and the family income varies a great amount oscillating between US\$ 300.00, for the cities located in the South region, and US\$ 17.00, for the cities located in the Northeast region of the country. The income of the richest 20% is around 19 times of the poorest 20%. Roughly, 17% of the children between 10 and 14 work and around 6% of the children under 5 have nutrition deficiencies. If we take health, education, social security, and security as areas of major concern, the first presents problems of coverage and reach; the second and the third, quality problems; and the latter, problems of coverage, quality and reach.

Brazil has 44 million students enrolled in public schools in the basic level, when the population in the age of 7 to 17 old is 37 million. The excess of students is the result of flunking, ranking high, especially at the beginners level, and of the late entrances. Elementary education in Brazil attends at around 36 million of students between the ages of 7 and 14. It is mandatory and offered by a shared networks of municipal and state public education and by private schools. Elementary education is one of three steps of basic education in Brazil, along with nursing and pre-school which attends at around five million children, mainly at the municipal level; and high-school which attends fifteen to seventeen years old youngsters, in state schools, mainly. In

addition to the imperative of offering vacancies and universalizing the education, the greater challenge for the Brazilian education is to promote the quality of education¹⁸.

Elementary education (up to fourteen years old) is practically universalized (around 4% of the children from 7 to 14 are out of school and of the population over 15, around 13% is illiterate). The situation of high-school and universities is even worse: nowadays, 33.4% of the Brazilians from 15 to 17 years old were lucky to complete the eight grades of the elementary course; therefore, being granted the right to enroll in high-school and it is estimated that one third of the enrolled in high-schools do not find a satisfactory environment for themselves in what concerns the quantity of vacancies for technical courses and the selectivity to the enrollment in undergraduate university courses.

The Brazilian healthcare situation is an extreme complex universe. Primarily, for the diversity and social disparity and for the existence of perverse conditions of inhabiting: the proportion of households which do not have access to adequate water services is at the rate of 19%; 41% without sewage services; 7% without electricity and 26% without garbage services. Some of the consequences are: child death rate close to 37.3 for a thousand newborns; a life expectancy of 67 years old; diseases like tuberculosis, malaria, dengue, aids, leper and cholera representing a greater relative incidence.

Secondly, the complexity of the healthcare system comes from the model of attention, according to which there are constitutional guarantees of full coverage to all citizens. As there is not any criteria to the focus and selectivity neither resources for the supply of everything to everyone, the model leads to *excluding universalization*, a situation that includes the extremely poor and excludes the middle and upper classes, which are restricted to the private market. The middle classes pay relatively more.

In third place, the national healthcare system (SUS) is a very complex network of public and private providers of healthcare services under the control of different levels of government and financed in a procedural basis. The SUS grabs at around 3.17% of the GNP, represents 4.6% of the federal expenses and attends annually around 350 million appointments and 13,000 admissions to hospitals. The private healthcare insurance plans attend around 40 million Brazilians. The service delivered by SUS has a immense diversity, mingling units of reference in urban areas with high technology and accessible to any citizen, public units left at random with

very low quality and private units of diverse quality standards, many of them subjected to reimbursements fraud.

The Brazilian state faces the challenge of the embodiment of its institutions and, at the same time, has to live with aspects attributed to the state crisis. Taking aside the social and political dimensions that are more tuned with the incompleteness of the state, the economic and managerial dimensions of the state crisis arise in their importance.

The economic crisis is both a fiscal one and a crisis of the state intervention pattern. The fiscal or finance crisis is characterized by the restriction to public credit and negative public savings. The lack of fiscal effort to face the many demands, is worsened by a regressive tributary model, which, indeed, brings about high tax evasion. The crisis of the intervention model, fastened by the globalization process, molded itself by the depletion of the protectionism model of imports substitution, which was very well succeeded in promoting industrialization from the 30`s to the late 50`s (Bresser-Pereira, 1999). The opening of the market to international capital and the need of controlling the public deficit so as to attract investments in order to finance the development has submitted the country to the instability typical of the international finance system. From the debt crisis of 1982 to the Russian crisis of 1998, Brazil has become much vulnerable to the nuances of the global scenario.

At last, the Brazilian public bureaucracy crisis underlies its many dimensions. There are many problems of focus and coverage of programs and actions; slow decision making; highly standardized and bureaucratic rules; plentiful distortions concerning allocation, qualification, payment and culture of public servants; and inadequate resources, from the logistics and facilities to information technology –although there are few excellency exceptions.

For these reasons, any conception of state reform in Brazil will have to take into account the absolute necessity of the state and its reconstruction in new bases. The state reform paradigm is dual and linear in its predominantly liberal segment is definitely not recommended. That does not mean, however, that any specific development paradigm cannot and should not benefit from aspects of the liberal critic or even from some elements of its agenda, never in an integral and unconditional way. The agenda of state deconstruction is not suitable despite the increasingly remarkable actuation of organized segments of the civil society so as to enhance and spread the access to social services and promotion of rights.

The Recent Experience

The recent experience of institutional transformation of the Brazilian state embraces two different orientations: the fiscal adjustment and the managerial reform. The fiscal adjustment is essentially a strategy of economic adjustment, which inflicts in the minimization of the state and in the redefinition of the state's role given the imperatives of global integration (attraction of investments of short and long term that impose a fiscal discipline, liberalization, regulation and privatization). The managerial reform is a systematic effort in order to offer better operational conditions of the state bureaucracy seeking to reach focus on the citizens' demands, greater flexibility, orientation to results and social control. Both orientations are complementary and contradictory at the same time. Despite being a premise of the fiscal adjustment, as it is demonstrated by the economic motivations of the international experience, the managerial reform was obstructed by the dominant orientation of the fiscal adjustment. Both orientations lie in the perspective of the dominant paradigm and this inflicts in gaps which jeopardize the sustainability of the Brazilian state institutional transformation process.

The fiscal adjustment ascends to the Collor administration (1990-1992), which following the trend of spread minimalist reforms in the heat of the Washington Consensus, promoted an acute downsizing of the state apparatus and the beginning of the process of economic liberalization. The economic measures of liberalization, privatization and regulation over emergent markets were sediment on the scope of the Real Plan, beginning already in the first Cardoso term (1995-1998) promoting the end of hyperinflation and the stabilization of the exchange rate. The administrative measures, which have led into a drastic qualitative and quantitative reduction of the state's staff, extinction and fusion of public organs and a cut down on the coverage of public services, were partially reversed during the Franco administration (1992-1994), but in a disastrous way –having as an ideal the rescuing of the already dysfunctional and collapsed old bureaucratic order. The effects are related with the decreasing coverage and quality of the public services, and by the damage in the memory and implementation capacity even in some excellence areas of the governmental bureaucracy (diplomats, tax controllers, economic advisors etc.).

The fiscal adjustment embraces a series of actions in the realm of the Fiscal Stability Program, which seek to generate primary budget surplus and improve the relation between the liquid debt of the public sector and the GNP. The program concentrates in two components: one for emergency measures, the other for structural measures. The emergency component is based

in the quick generation of favorable fiscal results through cut downs on governmental spending and on the social security deficit and the elevation of the revenues. Among the emergency measures are the fiscal repression (cut downs and limits to public spending) and the increase on the tax burden through the rising of taxes and creation of provisory contributions. The structural component is based on the promotion of transformations in the public management so as to even it up from the fiscal point of view. Among the actions carried out by the structural component are:

- **Privatization:** bringing about revenues of USD 82,3 billion (mainly for the amortization of the public deficit) and USD 18,1 billion of transferred debts, reduction of potential deficits (capitalization, subsidies).

- **Civil service reform:** elimination of the unconditional job tenure; creation of a more flexible career to civil servants and authorization of salary raises on the Legislative and Judiciary branches only by Law.

- **Social security reform:** contribution time substitutes “service time”, consistent with minimum age and elimination of the partial benefit in proportional retirements; and new regulatory apparatus for pension funds, including the ones which are public sponsored.

- **Agreements on the refinance with states and municipals:** involving twenty-five out of twenty-six states and the Federal District, and 180 municipals in the value of US\$ 200 billion; and programs of privatization and incentives to the creation state pension funds.

- **Measures concerning tax reform:** institutional strengthening of public collecting, changes in the multiyear budget plan, development of debt control mechanisms of states, municipals and state enterprises; and enactment of regulations on fiscal responsibility.

Considering those measures supra cited, one of them deserves a closer attention which is the Fiscal Responsibility Law that establishes limits for expenses with staff, for the public debt and other variants of public finance. It obligates the public manager to assume commitments with fiscal goals and to present the balance sheet periodically. It imposes strict rules to stop the generation of immoderate deficits. No governor, for instance, will be able to create a new expense that lasts for more than two years without indicating the income source or without reducing other pre-existent expenses.

From a macroeconomic point of view, the fiscal adjustment represents a necessary and relatively well-succeeded strategy. After more than a decade of modest growth, high inflation

and declining investment rate, the Brazilian economy started, in 1993, a new cycle of growth, associated to a gradual recover of the investment rate. That tendency was reinforced, since 1994, by the success of the Real Plan in reducing the inflation. The inflation fell from a level of over forty per cent in June 1994 to practically zero in the last months of 1998. In 2000, the inflation rate was around five per cent. Between 1994 and 1997, the economy grew at a rate of 3.8%. The rhythm of the economic growth drew back in consequence of international crises occurred in 1997 and 1998. Anyhow, the average growth observed between 1994 and 1999, of 2.8% of the GNP, is significantly superior to the one verified in the six immediately previous years (1988 to 1993), when the GNP outspread, on average, only 0.7% a year. In the year 2000, the economy grew 3.8%.

The change in exchange rate policies, in January 1999, represented a challenge in the maintenance of the process of stabilization. By the end of that year, the inflation did not go over ten per cent, a very satisfactory result, considering the magnitude of the forty-five per cent devaluation and the simultaneous increase of more than 120% in the prices of imported petroleum. At the same time, instead of recession, GNP grew modestly 0.8%. The increase of budget primary surplus from 0% of the GNP in 1998, to 3.1% in 1999 is a consequence of the reduction of the public expenditure in a rate of the 0.9% of the GNP between 1999 and 1998.

In spite of controversies about the paths of the economic policy in the grounds of the fiscal adjustment, the main question is related to the fact that the fiscal adjustment cannot be seen as the end in itself. Although necessary, it is not a sufficient condition to the generation of development and, to great extent, breeds problems of development associated with the low equity of the market and to the loss in the capacity of action of the state –however, in some cases, having recovered the capacity of investment. The managerial reform would come to increase the capacity of state action and improve public services –although it would not add to the value of the discussion about the model of development and its wishful or not impact, in terms of welfare.

The Brazilian managerial reform was deeply inspired by the British managerialism –even though it represents a more widespread appropriation of the NPM tenets in the managerialist mood. The implementation of the NPM in Brazil is referenced in the State Reform Masterplan (PD), a document of the Ministry of Federal Administration and State Reform (MARE). The PD outlines the new patterns of public management to be implemented (the so called “managerial

public administration”) based in the tenets of flexibility, management by results, focusing in citizen’s needs and social control in opposition to the bureaucratic order, which is procedural, rigid, self-oriented and insulated. The PD contains a policy of governmental bureaucracy reform based on differentiated strategies to distinct segments of state activities as follows:

- ***Strategic core.*** The nucleus of the government, to which concerns formulate and supervise the implementation of policies (Executive), make laws (Legislative) and enforce the law (Judiciary), in all cases according to a pattern of public management predominantly bureaucratic. The strategy for this segment is the institutional strengthening of careers, reorganization and processes improvement.
- ***Exclusive activities.*** Involves typical state activities which demand the exercise of state exclusive power: police, diplomacy, enforcement, regulation, foment and social benefits. Roughly, this segment should operate under the tenets of managerial administration by autonomous and executive agencies ruled by management contracts.
- ***Non-exclusive activities.*** Includes the public provision of social services that do not demand typical state power such as health, education, research, environmental protection and so forth. These activities should be transferred to a peculiar type of non-state public organization named “social organization”, a kind of third sector entity dependant on the finance and supervision of the state through management contract.
- ***Production of goods to the market.*** Privatization of state companies in the infrastructure and other productive sectors.

The PD was a policy of management reform based on flexibilization strategy and tuned with the contemporary discussion, potentially innovative and fully patchable to the fiscal adjustment spirit. However, the proposal brought about much more indirect than direct effects. Among the direct effects, it can be highlighted the constitutional alterations relative to the civil service regime, tuned with the precepts of fiscal adjustment. Conversely, the state activities reordering proposed by the PD have been poorly implemented at the federal level: there is one executive agency, five social organizations, and scarce and incomplete systematic efforts of ministerial restructuring. Besides, the privatization program and the creation of regulatory agencies in infrastructure (telecommunication, electricity, petroleum, water, transports, mail services) and social areas (food, drug and health care administration) followed parallel strategies, strongly oriented by the acceptance of the fiscal adjustment or by other core political actions. From an indirect

point of view, the PD generated the awakening of a new public management debate, which reflected, above all, in the propagation of strategies of transformation among states and municipalities.

Though complementary to some extent, the managerial reform did not integrate to the fiscal adjustment orientation except when it comes to staff and expenditures cut down measures. The fiscal adjustment policy based in cuts and restrictions is a central government orientation. In this regard, the improvement of the public management would demand investments and result in state activism in such a way that it could generate budget pressure. Furthermore, the prevailing culture of the economic bureaucratic elite was an obstacle for a comprehensive and integrative view between fiscal adjustment and managerial reform. At last, the advertising and implementation strategies of the management reform were rather combative in and out of the government, suffering from bad negotiations and many obstacles –even from ministers very close to the President. The conflict between fiscal adjustment and the managerial reform promoted the extinction of MARE in the second Cardoso term. (Rezende, 2000).

At the present time, the government's public management policy is based in four main components:

- ***Regulation apparatus.*** The government agencies in charge of regulation, created to act in recently privatized or emerging markets (telecommunications, electric energy, oil, water, transportation, mail, healthcare insurance, food and drug), have been given greater autonomy and managerial flexibility than those of the regular government organizations. Nevertheless, the autonomy devices still present many flaws, mainly due to mistaken corporate governance arrangements, which facilitates regulatory capture. On the other hand, the mechanisms of managerial flexibility are besides being tenuous, not very explored by the prevalent bureaucratic culture, which came from the old regulating structures from which the new agencies originate. Besides that, the vulnerability to the regulating capture increases also because most of the present staff (at least in the infra-structure area) belonged in the past to the same regulated staff (before privatization). At last, there is still little importance and the absence of performance goals setting and control mechanisms towards accountability. These reasons make the Brazilian regulatory structure fragile before the challenge of consolidating the emerging markets: the quality of the services are still low and the increase of prices and rates have surpassed inflation by large.

- **Development plan.** The Forward Brazil Program (PPA) is a group of about 350 government programs that should form a development plan. The design of the program takes into consideration the definition of development axis, elaborated according to the available infrastructure, the market characteristics and the territorial logistics. It includes also a specific methodology of identifying demands and public policy issues regarding many areas. Nevertheless, the Forward Brazil Program has a reduced strategic relevance. First of all, its methodological sophistication doesn't get much adherence of national economic agents to consider the development axes when making investment decisions. Secondly, there are severe methodological limitations regarding the design and implementation of programs – very little attention is paid to the need of promoting systematic and comprehensive organizational change to reach the proposed results. Finally, PPA consists of a planning experience that is typical of the 70s, with goals ruled by laws and submitted to a strict control from a central-planning organism. In short, PPA could be a great opportunity of course searching, of strategic learning, but it tends to become a bureaucratic plan with low legitimacy and adhesion in and out of the government.

- **Managerial reform.** The Public Entrepreneurship Program consists of a group of programs that aim at promoting managerial transformation in public organizations, revitalizing the civil service, improving public services quality and simplifying bureaucratic regulations. The Public Entrepreneurship Program contains the remains of the managerial reform; its tenets have not been altered, but the means and conditions of promotion and implementation have changed dramatically. Since the extinction of MARE, the implementation of these programs became a responsibility of a specific secretariat at the Planning, Budget and Management Ministry (MP). This arrangement leads to a reduced space in the ministry's agenda, mostly turned to fiscal adjustment. As a consequence one notices a substantial change in the extinct MARE's actuation plan, which besides the resistance inside the government, was inductive, while the MP's managerial policy is passive and feeble. This posture has postponed the offering of management solutions to many organizations, that search for disorientated opportunistic alternatives to cope with their institutional development requisites.

- **E-gov.** There has been significant investing in typical tools of the electronic government, such as call centers, webpage information and transparency, internet integration

and delivery of services and information in many modalities of services rendered to the public. However, the prevailing efforts still aim at applying information technology to the back offices and massively to the public finance management –domain in which Brazil is a benchmark. Above all, the goals of the Brazilian e-gov are ambitious and there is no apparent concern regarding the digital divide.

- ***Strengthening and articulation of the civil society.*** There is a central federal action, the Active Community Program, towards capacity building in communities of selected municipalities (mostly due to the low level of human development). This program is very well tuned up with the tenets of local integrated sustainable development. Such program has developed, in a wide sense, as forming and nurturing social networks and partnerships with public and private organizations. It has shown good results although its main results are not reachable in the short term.

Although the efforts in the realm of the present Brazilian public management policy, there still persists significant problems and lack of incentives related to institutional change towards the improvement of performance, the design and integration of programs, the institutional strengthening, and the revitalization of the civil service. The choice for management technology and improving approaches is still captured by management fads and fashions. The integration of the many widespread efforts lacks support and a clear and strengthened area of responsibility. Above all, the transformation efforts collide with the dominant fiscal adjustment orientation.

4. CLOSING REMARKS

The management of the state crisis in Brazil has presented a predominant economical orientation, mostly fiscal. Although it has provided opening and liberalization, issues such as the political (parties, elections, legislative process) and judiciary reforms remain stagnated and the social reform (social security, health and education reforms, for example) has followed economic motivations and restrictions under the spell of the fiscal adjustment logic. There is a low priority attributed to the managerial issue that has to do with the functionality of the public sector, even regarding the vitalization of state functions essential to the privatization strategy, such as regulation. In this sense, the Cardoso administration reveals a renouncing view, in the sense that the movements are defined outside the state, according to the expectations of the global market in a rather evolutionistic, mimetistic and dependant way.

The basic critique is that the state has performed an active role in order to dismantle itself, not to guide the development toward desirable and possible ends. The Real Plan is a plan of fiscal and monetary adjustment, not a development plan that tries to show a desirable and possible future and induce political discussion and the commitment of social actors. It is essential and necessary to strengthen the third sector and the market, but one should raise questions about the incipience of the emerging third sector, its cohesion (and not its fragmentation around particularistic interests) and the operation of the market when subjected to a precarious regulation. The low capacity of formulation and articulation of the state represents, today, an extremely critical factor to the Brazilian development.

In this scenario, the question is not only if Brazil does or does not join the FTAA, the question is how Brazil joins it, what type and profile of state will be able to front this hemispheric integration scenario. Among the great risks, is the entrapment of the development agenda by the integration requisites and the submission to the global orientation emanated from the international multilateral organisms, implying in the continuance of the tradeoff between economic stability and social precariousness.

Inevitability is a word that should not fit into the concept of sovereignty and self-determination. If the FTAA is, per say, convenient, it would be highly recommendable that the Brazilian state strengthens itself so as to try to conciliate or attenuate the adherence to its precepts to those of a desirable future. This certainly involves the implementation of institutional transformation efforts in perspective of the emerging paradigm.

REFERENCES

- Aucoin, P. (1995) *The New Public Management: Canada in Comparative Perspective*, Montreal: IRPP.
- Barzelay, M. (2000) *The New Public Management: Improving Research and Policy Dialogue*, Berkeley: University of California Press.
- Boston, J. et al. (1991) *Reshaping the State: New Zealand Bureaucratic Revolution*, Auckland: Oxford University Press.
- Bresser-Pereira, L. C. (1999) *Reforming the State. Managerial Public Administration in Latin America*, Boulder: Lynne Rienner.
- Brinton, M. & Nee, V. (1998) *New Institutionalism in Sociology*, Russell Sage Foundation.

Drache (ed.) *The Market vs. The Public Domain: After the Triumph (Governance and Change in the Global Era)*, Routledge.

Eggertsson, T. (1990) *Economic Behavior and Institutions*, Cambridge: Cambridge University Press.

Faoro, R. (1984) *Os Donos do Poder. A Formação do Patronato Político Brasileiro*. Porto Alegre/Rio de Janeiro: Globo.

Gibbons, R. (1999) "Taking Coase Seriously", *Administrative Science Quarterly* 44: 145-157.

Guerreiro-Ramos, A. (1981) *The New Science of Organizations. A Reconceptualization of the Wealth of Nations*, Toronto: University of Toronto Press.

-- (1970) "Modernization: Towards a Possibility Model", in: W. Beiling & G. Totten *Developing Nations: Quest for a Model*, New York: Von Nostrand Reinhold.

Hollingsworth, J.R., Schmitter, P. & Streeck, W. (eds.) (1993) *Comparing Capitalist Economies: Variations in the Governance of Sectors*, Oxford: Oxford University Press.

Holmes, M. & Shand, D. (1995) "Management Reform: Some Practitioner Perspectives on the Governance", v.18, 4.

Hood, C. (1991) "A Public Management for All Seasons", *Public Administration*, 69:3-19.

-- & Jackson, M. (1991) *Administrative Argument*, Aldershot: Dartmouth.

Huntington, S. P. (1968) *Political Order in Changing Societies*, New Haven: Yale University Press.

Kuhn, T. S. (1996) *The Structure of Scientific Revolutions*. Chicago: University of Chicago Press.

- Marshall, T.H. (1992) "Citizenship and Social Class", in T.H. Marshall and T. Bottomore *Citizenship and Social Class*, London: Pluto Press.
- Martins, H. F. (1997a) "Administración Pública Gerencial y Burocracia. La Persistencia de la Dicotomía entre Política y Administración", *Reforma y Democracia*, 9:131-158.
- (1997b) "A Ética do Patrimonialismo e a Modernização da Administração Pública Brasileira", in P. Motta e M. Caldas (orgs.) *Cultura Organizacional e Cultura Brasileira*, São Paulo: Atlas.
- Moore, M. (1995) *Creating Public Value: Strategic Management in Government*, Cambridge: Harvard University Press.
- Morgan, G. (1997) *Images of Organization*. London: Sage.
- Musgrave, R & Peacock, A. (1959) *Classics in the Theory of Public Finance*. London: MacMillan.
- Offe, C. (1996) *Modernity and the State. East, West*. Cambridge: The MIT Press.
- (1988) "The Present Historical Transition and Some Basic Design Options for Societal unpublished, Brasília: MARE.
- Offe, C. & Heinze, R. (1992) *Beyond Employment: Time, Work, and the Informal Economy (Labor and Social Change)*, Temple University Press.
- Przeworsky, A. (1999) "On The Design of the State: a Principal-Agent Perspective", in L. C. Bresser-Pereira & P. Spink *Reforming the State – Managerial Public Administration in Latin America*, Boulder: Lynne Rienner.
- Rezende, F. C. (2000) "Administrative Reform, Permanent Failure, and the Problem of the External Support: MARE and the Reform of the State Apparatus in Brazil", unpublished PhD thesis, Cornell University.
- Riggs, F. W. (Ed.) (1985) "Concepts and Terms Used in Ethnicity Research" in *International Conceptual Encyclopedia for the Social Sciences*, 1.
- Samuelson, P. (1954) "The Pure Theory of Public Expenditure", *Review of Economic and Statistics*, 11:387-9.
- Schick, A. (1996) *The spirit of reform: managing the New Zealand state sector in a time of change*, Wellington: State Services Commission and the Treasury.
- Shmanske, S. (1991) *Public Goods, Mixed Goods and Monopolistic Competition*, Texas A & M University Press.

Tolbert P. & Zucker, L. (1997) “The Institutionalization of Institutional Theory”, in: S. Clegg, C. Hardy & W. Nordy *The handbook of organizational studies*, London: Sage.

Woodward, J. (1965) *Industrial organization: theory and practice*. Oxford: Oxford University Press.

¹ In the sense attributed by Weber, as a mere analytical resource, without prescriptive connotation.

² This perspective is present in Offe (1998), Arato & Cohen (1997) and Eggertsson (1990). This notion competes, and at the same time, complements others from which institutions appear as: a) consensual solutions to solve coordination problems, analogue in meaning to the rational organizations; b) internal and external levels of power composed of choices that effect the rationality of the decisions, among those the organizational arrangements; c) customary and habitual behavior that exceeds and underlies to the rational orderings that affect/reinforce the organizational rationality. Institutional transformation is seen here as a *purposive action* in the sense that actors manage rationally to produce institutions in both formal and informal aspects based on their own choices and interests. (Coleman 1990; Brinton & Nee 1998).

³ Kuhn (1996) refers to “the scientific accomplishments universally recognized that, for some extend of time, molds problems and solutions for a community of a science practitioners” (p. 13), restricting the usage of the term to the scientific scope, practically to the natural sciences. Even so, the author himself recognizes that this definition inspires many interpretations. The idea of paradigms as “symbolic generalizations” remotes to the issue of breaking paradigms as processes of knowledge institutionalization and deinstitutionalization practices, in which the elements “realizations”, “modular problems and solutions” and “community” are always present in a dependent form.

⁴ The agency problems are relative to contracts break in the relationship among economic actors. According to the principal-agent theory the social transactions among actors in the traditional spheres of the State and market may be focused beginning with a kind of contracted (agent) and contracting (principal) relationship (Przeworski 1996). According to this line of thought, the transaction costs get higher in the State because it increases the possibility of processes occurrence of adverse selection and moral hazard. It recommends the use of economical incentives to increase the State agents’ efficiency (by nature, idleness opportunists, free riders, which have to be fit in a structure of inducement and contributions such as systems of remuneration according to the performance). An expressive limitation of this approach resides in the pre-supposing that the main one detains the rational choice and tries to impose or negotiate it over the agent, which do not consider the hypothesis of the establishment of spurious relations between them.

⁵ I am not accepting the conventional definition of public goods present at the mainstream of the economical literature (Musgrave & Peacock 1959, Samuelson 1954, Buchanan 1968). I will use from now on the term “public good” in a generic way to denote pure and impure public goods and, according to the economical literature, some private goods traditionally provided by the public sector. Otherwise, the risk of abandoning The first problem of the

conventional definition is that there is “such a vast and variable literature that the mentioning of public good, brings to mind a dozen of different issues, each with its own model and idiosyncratic assumptions” (Shmanske 1991:4). The core of the problem is that the definition of public is based and dependent on the usual notion of market (private goods). The attribution of public character to something should not be limited to economic criteria, but, mostly to value judgments on the political sphere

⁶ The term was originally set as a structuring resource of the scholar discussion about the transformations gone by in the management and the executive organization of governments since the 80s (Hood 1991). The *New Public Management* could be defined as a professional and public policy discussion field about the matters that concern public management and is focused on the performance of the executive function in government (Barzelay 2000b).

⁷ The *new institutional economics* is a perspective of thought mostly referred to the public choice, the principal agent and the theory of the firm approaches. It is based on the idea that the economic organization or the relation between different economic agents are regulated by disagreement of interests (hence the necessity of contractual arrangements to regulate them). According to the public choice theory, the institutions (in a analogue way to the organizations) interfere on the rational decisions of public actors, limiting their rationale (in relation to the market). The public choice theory implies in a critical view of State bureaucracy, as if equipped with a self-oriented tendency and prescribes an extensive political control over bureaucracy to control costs, question and criticize results, break monopolies and introduce competition.

The theory of the firm comes from a comparison between organizational forms and market efficiency (which, in abstract, would not need organizational forms) to denounce bureaucracy’s structurally inefficient character. Private bureaucracies would be, on the best possible situation, second best rational choices, State bureaucracies, the least best, keeping in mind the high transaction costs inside the State (Gibbons 1999).

⁸ It is easily identifiable the contingential argument according to which the public bureaucracy is considered an organization suffering pressures for change due to the increase of complexity in its external environment. Most of the contemporary approaches on management and organizational transformation find themselves in the contingent perspective of the *structural co-variation*. The notion of structural co-variation emphasizes the relation between the organizational structure (in a wide sense) and the dynamic of the ambience out of the organization, its technology, market and people (Burns & Stalker 1961; Woodward 1965). The greatest contribution of these schools was the proposition that there is an organizational dynamic relative the external ambience: when there are variations in the technology, innovation, markets, expansion, diversification and people, culture; the structure varies in such a way that the organization may keep capable of responding and provoking demands in the ambience and in this way sustain its surviving.

The usefulness of the structural co-variation concept occur according to the contemporary society complexity itself labeled by uncertainties, turmoil, and perplexity that impose threatening to the contemporary organizations, and also opportunities coming from economical, cultural or technologic variables and also variables of marketing even more unstable. (Tolbert & Zucker 1997). The structural co-variation concept may also be expanded to hold the

relationship between organizational structure and contextual variables from more suitable domains such as psyche, culture, etc., in a reciprocal way in the sense that an internal structure creates the external one and vice-versa in a non-linear autopoietic way. Morgan (1997) refers to the widening of this perception as a new contingencyism.

⁹ Based on the public expenditures by functions made by the International Monetary Fund. Rezende (1996) empirically demonstrated that developing countries (Brazil, Mexico, India and Korea) were those that moved towards the minimal State in higher intensity than the developed countries (U.S.A., U.K., France). The main conclusion from that study was that the developing countries governments were fast “minimizing” in the 1980-1992 period, while the developed countries show a contrary stand, conserving standards that little have to do with the minimal State standards. Although with a small sample of 7 countries, the study clearly demonstrated the differences in the role of government. Nonetheless, the study does not offer explaining models for such variation/conservation in the roles of government on the two types of countries.

¹⁰ The term is used in sense attributed by Guerreiro-Ramos (1970), according to which modernity takes its parameters from the “developed” societies, while the characteristic of delay are taken from “underdeveloped” societies. Guerreiro-Ramos uphold that, due to this, the theories of modernization can be classified under two antagonistic poles, which is called *theory N* and *theory P*. “The main assumption of Theory ‘N’, in what concerns to modernization, is that there is a law of historical necessity that leads every society to try to reach the stage where the namely advanced or modern societies are. These societies represent to those called “developing” the image of their future. As a consequence of this way to looking, the authors affiliated to the N theory point the dichotomy as ‘developed nations versus developing nation’, and ‘paradigmatic’ societies versus ‘follower’ societies. Frequently, those who talk about ‘obstacles to development’ or modernization pre-requisites’ are conditioned on the deterministic assumptions of Theory N, on a rigid modernization archetype, more or less identified with the current stage of Western Europe and the United States [...] Theory P, on the other hand, presents two main characteristics, in relation to modernization: 1) assumes that modernity is not located in any specific place in the world, that the modernization processes should not be oriented according to any platonic archetype; and 2) holds that every nation, whichever its present configuration may be, will always have their own possibilities for modernization, whose effectiveness may be disturbed by the superposition of a rigid normative model, foreign to those possibilities.” (p. 6) As the author concludes, the criteria of theory N “are epistemological trap and disguised ideologies, which feed an erroneous comprehension of these societies and divert them from critical imperative of self-reconstruction.” (p. 41)

¹¹ The expression governance comes from government, which goes back to the Greek *kubernáo*, or drive, conduct. Being so, the expression welfare governance means “where, society is leading itself, what instances are determined

¹² The governance notion here employed was elaborated by Hollingsworth, Schmitter & Streeck (1993) as the: “totality of institutional arrangements – including rules and agents that assure the following of those rules – which coordinate e regulate transactions in and out of the limits of a economic system”. There are two problems in this approach: firstly, the relationships between the State and the diverse fields of rationale is looked upon as bilateral

contracts, not multilateral, whose scope includes a limited multiplicity relationships of actors involved in the macro social game. Secondly, the process of well-being provision is seen from the State and its capabilities. The bilateral contractual view is well represented in the principal agent approach.

¹³ The multi-centrality attribute was originally elaborated by Guerreiro-Ramos (1981) as a characteristic of what they called the *paraeconomic padigm*, an integral part of a multidimensional model of analysis and social system formulation that does not focus on the market, but simultaneously in other spheres of associated human lives.

¹⁴ I am quoting in this section many parts of the Declaration of Quebec and of the Plan of Action. Available online at <http://www.ftaa-alca.org> (15 June 2001).

¹⁵ I am using in this section many descriptive statistical data from the Brazilian Ministries of Health, Education and Finance available online at <http://www.saude.gov.br>; <http://www.mec.gov.br>; and <http://www.fazenda.gov.br> respectively (12 June 2001).

¹⁶ The systematic and widespread initiatives of construction of a bureaucratic administration in Brazil have until very recently been established not in democratic regimes. On the other hand, democratic regimes subsequent to bureaucratic consolidation strategies forced its destruction in a predatory politics way. (Martins 1997b)

¹⁷ A constitutional device which allows the president to enact regulations equivalent to a law subjected to congress further ratification.

¹⁸ The Basic Education Assessment System (SAEB), in the assessments per sample that was held in 1990, 1993 and 1995, revealed to be very low the efficiency of the students in Portuguese and Mathematics. A reflection of this data is the reduced average schooling of the Brazilian (only around fifty per cent of the students finish the eighth grade of the junior high course) and it is the majority of the body of students and adults that were barely submitted to education that find obstacles to social and economic incorporation.