

DEMANDING A SUPPLY OF GOOD GOVERNMENT: A COALITION FOR THE REFORM OF THE STATE?

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"The truth is that we have simultaneously too much state and too little state"
Joao Gilmer Merquior

I. INTRODUCTION

This quotation aptly sums up, with admirable brevity and insight, efforts of the last decade and a half to reform the state. "Too much state" refers to the extensive growth in the size and responsibilities of the state during the decades prior to 1980. Frequently, this growth resulted in stagnant and inefficient economies and political regimes that were unresponsive, authoritarian, and corrupt. "Too little state" points to the reality that large and intrusive states often showed little capacity to formulate policy, implement it, and perform routine administrative functions.

Beginning in the 1980s, efforts to reform the state in most developing countries focused on the issue of too much state and emphasized cutting down on the size, expense, and responsibilities of the public sector. Often referred to as first generation reforms, these changes were frequently undertaken at the behest of international agencies and under the guidance of economic technocrats. First generation reforms focused on stabilizing economies, liberalizing markets, privatizing state-owned enterprises, and downsizing public administration. They were undertaken primarily out of concern about the size and implications of fiscal deficits and in accord with a dramatic change in ideas about how economic development could best be achieved. During the same period, democracy advocates focused attention on the need to dismantle structures of control and corruption that had held discredited authoritarian regimes together. Both economic and political reformers were convinced that the state must shed functions in order to increase opportunities for dynamic growth and political freedom.

By the mid-1990s, however, these first generation reforms had been succeeded by a second generation of reform concerns – the concern with too little state. Governments, development professionals and international institutions have all called for the creation of capable states rather than minimal ones. This perspective has emerged out of increased recognition that only states can provide conditions that are essential to both economic and political development. Only states, it is argued, can provide factors such as law, order, legitimate and authoritative institutions, and appropriate macroeconomic policy. Moreover, in most countries, states are needed to provide investment in physical and social infrastructure, in human capital development, and in the redress of deep-seated inequities. In addition, the policies designed and promoted by capable states can have a significant impact on opportunities to grow economically and ensure that the benefits of growth are broadly shared. Reducing states, second generation reformers argue, does not automatically make markets work well nor allow democracy to flourish. Indeed, the problems of too little state can be as stifling to development as those of too much state.

Second generation reforms call for three levels of innovation in the development of more capable states. First, they require the development of new institutions – more effective rules of the game for markets and political activities. Second, they require organizations within the public sector that are able to perform their responsibilities effectively and fairly. Third, they require the development of human resources within government that are well-trained, honest, productive, and professional.

The problem, of course, is that second generation reforms are much more difficult to put in place and sustain than are most first generation reforms. Most of the latter required that states simply shed functions and responsibilities; these kinds of reforms are often difficult to agree upon politically, but they are generally very easy to implement once decisions have been made to adopt them. Second generation reforms, in contrast, require institution building, organizational change, and human resource development. They require the development of new ways of behaving and responding to problems, and they require time, effort, perseverance, innovation, and effective management.

II. A COALITION FOR REFORM

The difficulty of devising and implementing second generation reforms must be recognized. In many cases it will take a decade or more of concerted effort for such reforms to begin to produce recognizable results. During that time, change will often prove frustrating and will generate conflict and opposition. But the good news is that there is broad support

for such changes that can assist reformers facing the difficult challenges of developing new institutions, ensuring that organizations perform more effectively, and increasing the capacity of human resources within the public sector. This support comes in the form of several loosely defined groups demanding that governments become better at supplying efficiency, effectiveness, and responsiveness.

Among those most actively promoting the reform of the state are the *market reformers*. They are a transnational network composed of individuals and institutions such as the IMF and the World Bank and new technocratic public sector managers and private sector entrepreneurial elite in many Latin American and Caribbean countries, as well as academics, primarily economists.

Their argument is that markets do not work well unless there are clear rules of the game for economic interactions and effective institutions to set rules and regulate markets where market failures are likely to emerge. They also believe that the effective development of markets requires institutions that are capable of managing and resolving economic conflicts. As a result, they advocate reforms such as:

- legal institutions to set rules about property rights and contracts, and to adjudicate economic conflicts;
- central banks that have autonomy to set monetary policy;
- rules for effective financial regulation;
- systems to ensure fiscal control, such as workable budget and tax systems;
- transparency in policy making as well as greater input of technical information in policy design and decision-making;
- investment in critically important physical and social infrastructure.

A second group concerned about the reform of the state are the *democratic reformers*. These are individuals and organizations who have been among the most active in forming international and national networks to promote change. This grouping often involves important sectors of civil society, international alliances of NGOs, private interest groups, human rights activists, and academics, usually with specialization in political science, law, sociology, or anthropology.

Their argument is that democracies cannot survive unless there are clear rules of the game and effective institutions for conflict resolution and the representation of interests, participation of citizens in policy discussions, and mechanisms to hold public officials accountable for their actions. Their concern is with the rights and obligations of citizens and the

democratic legitimacy of the institutions of government. As a result, they advocate reforms such as:

- The development of judicial systems that protect basic human and civil rights and that can hold public and private actors responsible for their actions;
- elections that are fair and electoral systems that operate with regularity and ensure the sanctity of the vote. As part of the concern for electoral reform, they also advocate campaign reform;
- legislatures and mechanisms for popular consultation that effectively represent interests and allow for the development of consensus about how to deal with important national and local problems;
- regional and local governments with greater authority and resources to respond to local needs.

Closely allied with the democratic reformers and some of the economic reformers are the *social reformers*. They have emerged within countries at the national, regional, and local levels and are joined at the international level by agencies such as the UNDP and other UN agencies and the Inter-American Development Bank.

Social reformers argue that governments must be responsive to the social needs of their populations if they are to survive and must deal with the question of inequity in the distribution of economic and political power, nationally and internationally. They are convinced that economies will not be able to sustain growth unless they are supported by educated and healthy human capital. They are similarly convinced that democracies cannot be sustained unless problems of poverty and inequity are dealt with. As a result, they advocate reforms such as:

- the reform of health and education ministries, infusing them with more resources, more effective management structures, and better trained and more professionally responsive personnel;
- decentralizing the responsibilities of centralized social sector ministries;
- developing innovative solutions to social service delivery issues such as various ways of contracting out to the private sector or non-governmental organizations or involving local communities in the provision of basic health and education services;
- restructuring social security and pension schemes;
- developing managerial talent for social sector service delivery;
- promoting poverty-alleviation and income-generating programs to combat widespread poverty and unemployment.

The fourth "partner" in the coalition for the reform of the state is composed of what might be called the sustainable *developmentalists*. They are active at international, national, and local levels and are committed to greater environmental consciousness and local involvement in defining and pursuing development goals. They often link problems of poverty and population to environmental degradation. At times, they are allied with the social reformers and many of them look to the UNDP and a variety of international conservation and environmental groups for leadership or sponsorship.

The sustainable developmentalists argue that the state must take an active role in regulating the use of natural resources and protecting the environment and must work actively to alleviate poverty if development gains are to be maintained into the future. As a result, they support reforms such as:

- regulatory institutions for the use of natural resources and protection of the environment;
- efforts to value natural resources so that market-like institutions can be put in place to make conservation a rational choice for economic agents;
- the introduction of natural resource balances as part of national accounting systems;
- concerted efforts to alleviate poverty through community-based development programs, alternative income-generating activities, and investment in health and education.

Joining the coalition and giving it added influence is a very large and diverse group – fed up citizens. Their argument is very simple. They are fed up with corrupt and inefficient public sectors, fed up with politicians who promise much and deliver little, fed up with scandal, ineptness, evidence of inequity, and lack of responsiveness. In addition, many are frustrated with on-going stabilization and structural adjustment programs and feel imposed upon by the international financial agencies, the pace of globalization, and new ideologies and international lifestyles that they are not part of.

They want evidence of greater equity in the distribution of income, services, and political power, improved standards of living, and greater opportunities for participation if they are to be convinced that markets and democracy are appropriate for their countries.

The discontent of these citizens is considerably more powerful at the current time than it was even a decade ago because political systems in

Latin America and the Caribbean have opened up, creating more space for advocacy and protest. Similarly, the development of the polling industry and much more active media have brought the state of public opinion more fully into the limelight and have made public sector leaders more aware of the state of discontent. In addition, civil society has experienced a resurgence in many countries and a variety of organizations, from unions and political parties to community betterment associations and green, ethnic, and religious groups, are more actively engaged in advocacy, representation of interests, and protest than was the case in the past.

These reformist groups and networks are an incipient coalition. Its members are not necessarily fully aware of each other and the reform agendas of each differs in terms of emphasis and priorities. They do not necessarily act in concert with each other. Nevertheless, they are in basic agreement that something needs to be done to make government more efficient, effective, and responsive. They agree that states are inherently important to the development process, and they also agree that the creation of more capable states – the development and implementation of second generation reforms – must be a high priority for government.

III. POLITICS AND IDEAS

Efforts to reform the state will, of course, invoke conflict and resistance. No doubt bureaucrats and the unions representing state sector workers will find many of the reforms objectionable and will try to stymie them. Political leaders may resist giving up control over patronage resources such as jobs and contracts. Elite beneficiaries of government largesse will not be pleased when their subsidies or protections of various kinds are curtailed.

The material interests of winners and losers are important in strategizing about how to pursue reformist initiatives. At the same time, however, the reform of the state in Latin America, the Caribbean, and elsewhere demonstrates the importance of ideas in promoting change. In the politics of promoting the reform of the state, ideas are important in at least five ways:

- First, ideas help identify and strengthen transnational alliances of reformers. For example, commitment to unifying ideas is the central element in international networks of NGOs concerned about poverty alleviation and human rights, just as they are important in cementing international alliances of those committed to market-oriented reforms or environmental conservation. These transnational alliances are important for the exchange of information, experience, and innovation,

for the development of international standards and protocols, and for the financial support and political protection of reformers acting in hostile environments.

- Second, ideas are important in defining priorities for action. Thus, for example, market reformers agree on the need for macroeconomic stability prior to the pursuit of reforms focused on liberalizing trade; social reformers generally agree on the importance of education as a factor that promotes changes related to health, fertility, and income generation.
- Third, ideas held in common are important in the development of political pacts and agreements over legislation. They are the common thread that can bring diverse interests together to discuss contentious issues such as how to define the appropriate limits to the power of the state or what are acceptable tradeoffs between economic growth and environmental sustainability.
- Fourth, ideas are important for communicating to wider publics about the contents and rationale for reform. Thus, communication of ideas about human rights, poverty alleviation, or the benefits of markets can be important in generating electoral support for reformers.
- Fifth, ideas play an important role in the design of reform policies. For example, natural resource economists have developed policies for environmental sustainability based in microeconomic concepts of competition and incentives.

Clearly, in many cases, ideas are not fully independent of material interests. At times, in fact, ideas are little more than the "public face" of material interests. Nevertheless, it is also true that in current debates about the reform of the state, the effect of common ideas is to enhance advocacy networks, set priorities for action, cement alliances, attract support, and guide policy development.

IV. PRIORITIES AND DEBATES

In general, current discussions about the reform of the state are laudable and important in pulling together a broad coalition of groups and networks around second generation reforms. But all will not be smooth sailing for the reform of the state, not only because of the real possibility of conflict and resistance, but also because of issues relating to the nature of reforms that are being advocated.

First, there is a problem of the priorities for reform. Discussions about the reform of the state generally invoke a long list of things that need

to be done in order to make government more efficient, effective, and responsive. Each of the groups of reformers previously mentioned differ in terms of the concerns it has and the priority that it attaches to particular reforms. Sometimes, of course, the reformers will agree on activities that need to be undertaken, as when market and democratic reformers agree on the need to reform judicial systems or democratic and social reformers agree with sustainable developmentalists on the importance of alleviating poverty.

Nevertheless, given the very long list of things advocated to bring capable states into being, and given that not all reforms can be undertaken at the same time because of limitations of time, energy, skill, and solutions, priorities and sequences among reforms need to be debated, identified, and agreed upon. Currently, it is not at all clear that such debates and discussions are being held.

Equally important is the process of reform. At times, the reform of the state runs the risk of being seen purely as a technical problem with technical solutions. In this context, it is important to recognize that states are not technical artifices that can be created and recreated at will. They are the result of historical experiences, political conflicts and compromises, philosophical and cultural traditions, international economic and political imperatives, and often, skilled statecraft.

If this is the case, then in addition to the discussion of what kinds of reforms are needed to create more capable states, societies need to be engaged in a broader kind of discussion about questions such as "what kind of state do we want?" "What kind of state do we need?" Not many such discussions have been undertaken.

This is part of the current challenge for those concerned about the problem of too little state: how to encourage a broad and deep public discussion about the role of the state in economic, social, and political development so that when specific reformist initiatives are undertaken, they are done within the context of a widely shared vision and understanding of the role, functions, and activities of the state and its relationship to the economy and to civil society.

Notes

* 'A Panoramic View of the Rebirth of Liberalisms'. *World Development*, 21, No. 8:1265.