

THE 2001 JOHN L. MANION LECTURE

A NEW MANAGEMENT FOR A NEW STATE: LIBERAL, SOCIAL, AND REPUBLICAN

Luiz Carlos Bresser-Pereira

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INTRODUCTION

*Jocelyne Bourgon
President
Canadian Centre for Management Development*

Ladies and Gentlemen,

On behalf of the Canadian Centre for Management Development, it give me great pleasure to welcome you to the 10th John L. Manion Lecture.

The Manion Lecture is named in honour of John L. Manion. Mr. Manion served the Government of Canada in many capacities including Secretary to the Treasury Board, Deputy Clerk of the Privy Council before being appointed as the first Principal of the Canadian Centre for Management Development in 1988.

The John L. Manion lecture has become an important occasion, one at which a distinguished scholar or practitioner speaks to a mixed audience of leading Canadian academics and practitioners in public administration. This year again, Jack has agreed to honour us with his presence this evening. I would invite you to recognize him with a round of applause.

This event held in conjunction with CCMD's Annual University Seminar brings together Canadian university teachers and scholars from across the country.

For the last fourteen years, the Seminar has offered academics from the disciplines of management, public administration and political science an opportunity to ensure that their teaching and research are up to date with issues, trends and developments in the Public Service of Canada.

This year's Manion Lecture follows a rich tradition of lectures delivered on a range of timely and enduring topics.

We have tonight the pleasure and the privilege of hearing the reflections of a distinguished academic who also has an accomplished political career in Brazil. Dr. Luiz Carlos Bresser-Pereira was, in 1987, Finance Minister under the Sarney Administration.

He was also appointed, under the Cardoso government, Minister of Federal Administration and Reform of the State from 1995 to 1998 and Minister of Science and Technology in 1999.

He has been teaching economics at the School of Business and Management of the Getulio Vargas Foundation since 1959 and also teaches political theory at the University of Sao Paulo.

He was named recently Senior Associate Member of the Nuffield College and Visiting Research Associate at the Centre for Brazilian Studies of Oxford University.

Professor Bresser-Pereira is a prolific writer. He has authored numerous books, papers and articles in the field of economics and governance.

He co-edited a book entitled *Reforming the State: Managerial Public Administration in Latin America* in 1999 and wrote *Economic Crisis and State Reform in Brazil: Toward an Interpretation of Latin America* in 1996 which was recipient of the "Choice Outstanding Book Award" during the same year.

Tonight, we will hear a brilliant and lively lecture about the imperatives of renewing public management in the Americas.

The topic is of crucial importance to all of us as we move toward greater continental economic integration.

As the economic relations between the two hemispheres continue to expand as a result of free trade, it is important to have a common understanding of each other based on a system of governance.

Our speaker has devoted considerable attention to the art of governing.

- Throughout his work, Dr. Bresser-Pereira recognizes that the State is an important actor in the age of globalization and rejects the minimalist or corporatist approach of the role of the State.
- He goes further by affirming that the State must be strengthened and the civil society reformed to allow for democracy to flourish.
- That effective and efficient public policies require not only the action of the governments, but also the active involvement of civil society and local governing bodies.
- That issues of accountability, empowerment, citizenship values, new management instruments, and new institutions all point to the importance of a closer relationship between the State and civil society to meet current and future challenges.

We are truly honoured that Dr. Bresser-Pereira accepted our invitation to deliver the 2001 Manion Lecture.

On behalf of the Public Service of Canada, it gives me great pleasure to present Dr. Luiz Carlos Bresser-Pereira. Ladies and Gentlemen, Dr. Bresser-Pereira.

A New Management for a New State: Liberal, Social, and Republican

Luiz Carlos Bresser-Pereira¹

In this lecture I will speak about the new state that is rising since the last quarter of the twentieth century and the new public management that is being required. I believe it hardly necessary to explain the reason for my interest in the ‘new’, and why my claim is that something new is emerging, even though public management and the state are old institutions. In a world in which technology changes so fast, where the pace of economic development tends to accelerate secularly, and where economic and social relations become increasingly complex, political institutions are also expected to change. The three political instances acting in modern capitalist societies – civil society, the state (organization and institutions) and government – are supposed to assume new forms, new roles, new ways of relating among themselves, thereby producing a new democratic governance.

I will summarize my views in two propositions. First, the state, that in the twentieth century assumed new economic and social roles, remains committed to them, but strives for efficiency by contracting out competitively the required social and scientific services. Second, public management, in order to cope with the demand for efficiency, is turning more autonomous and politically more accountable. A new state is arising because the state’s organization is being required to change, to decentralize, and to contract out, in order to meet the demand for more efficiency. A new public management is emerging because senior civil servants are renewing themselves and taking up their own political responsibilities, instead of sticking with the semi-fiction that they constitute a neutral body just responding to elected politicians.

Demand for these changes come from within and outside the nation-state: from within, as democracies advance and citizens, in civil society, become more active and demanding; pressures from outside, as globalization presses business enterprises to compete and requires national governments to support this competition. In this process of change, globalization makes countries more interdependent, but the nation-state remains the source of political power required to organize the interests of each given society. In the past, society was organized in tribes, city-states, feuds, and empires. Since modern times, it is principally organized in nation-states or countries. Each nation-state is formed by the state and civil society – the latter meaning the collection of citizens acting in political life outside the state apparatus, weighted by the power they derive from organization, knowledge, and wealth.

In each nation-state we find a civil society and a state. The state is formed by an apparatus and by the state institutions or the legal system, and headed by a government. Institutions, beginning with the national constitution, define rights and obligations – the rules of the social game. In a simple model, politicians in the higher echelons would constitute the government, while civil servants would just take care of public administration. This model was never representative of reality, and it is still less in the new state. In this new state that is emerging, elected politicians and senior civil servants are involved in government and in public management – that is, in taking major political decisions –, and in efficiently implementing the decisions taken. Instead of speaking of public administration, that was bureaucratic and concentrated on the effectiveness of state power, we will speak today of public management, that assumes state effectiveness and searches for state efficiency.

Citizens continue to derive his or her citizenship rights from the nation-state. Their civil rights will be warranted as long as state institutions affirm these rights. Their social rights will be better protected as long as the state

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organization is able to collect taxes and assure health care, basic education and a minimum income for all. Their political rights will be asserted as long as political institutions of the nation-state make governments more representative, more participatory, and more accountable. Finally, their republican rights, – that is, the rights related to the protection of the public patrimony – will be guaranteed as long as competent state institutions are combined with the required republican virtues of officials in government. Summing up, it will be within the nation-state, and in view of the state organization and state institutions, that the interests of citizens will continue to be best protected.

The Historical Forms of State

Concepts like nation-state, civil society, state, government, and public management belong to the political realm of society, while markets, business enterprises, and consumers are in the economic realm. Both spheres are interrelated, but it is important to distinguish them when one tries to see which are the defining characteristics of the new state and of the new public management that is emerging. These characteristics will be essentially political, because they are the outcome of conflicts, arguments, and compromises in which people are daily engaged. They embody decisions taken by citizens at the realm of civil society, and eventually, by politicians and senior civil servants at the realm of the state itself, in order to create and reform institutions, to organize the state apparatus, and to give shape to its public administration. Nevertheless, among these characteristics we will find one – efficiency – that is a central to economic reasoning, but that has also a major role in the new state and in new public management.

Politics is the art of achieving legitimacy and running the state, through the use of argument, persuasion, and compromise, instead of sheer force. While, in markets, producers and consumers try to maximize their interests, in politics, besides interests, it is also necessary to consider values. In markets there is a quasi-automatic competitive mechanism that allocates resources and distributes benefits with relative efficiency, while in the political sphere nothing is automatic or given: everything happens through decisions that are not ‘necessary’ since they involve choice, respond to interests, or refer to moral principles, and in democratic regime are the manifestation of the citizens’ will formed in public debate.

The historical transition from traditional to modern societies, from pre-capitalist to capitalist economies, took place in the economic and in the political realm – or, more broadly, in the social realm. Tribes changed into empires, or into city-states; later, the city-states and the feuds changed into modern nation-states. Within each society, political regimes changed, often in a cyclical way, from more authoritarian or oligarchic to more democratic forms of government, from monarchy to republic. With the emergence of capitalism and nation-states, political change ceased to be cyclical and gained direction. The direction of progress, according to illuminists philosophers; of rationalization, according to Weber; of self-sustained economic and political development, in my view: capitalism and democracy demonstrated till now to be self-sustaining and able to generate its own continuous improvement.

I can only speak of a new state in relation to an old one. The state began authoritarian and patrimonial, in the sixteenth and seventeenth centuries: it was the absolute state in absolute monarchies. In the nineteenth century, it turned liberal and bureaucratic: the liberal-state imposed the rule of law and assured competition among business enterprises, but remained authoritarian as the poor and the women did not vote. (Observe that I am using the word ‘liberal’ in the European and Brazilian sense, not in the American one, where ‘liberal’ came to mean ‘progressive’, almost social-democratic). In the twentieth century, the state changed successively into the liberal-democratic and then into the social-democratic state (or welfare state), but remained bureaucratic. Now, the new state is aiming at becoming social-liberal, and managerial.

Table 1: Historical Types of State and of State Management

According to the Political Regime	According to the Form of Managing the State
Absolute State	Patrimonial Administration
Liberal State	Bureaucratic Public Administration
Liberal-Democratic State	Bureaucratic Public Administration
Social-Democratic (Welfare) State	Bureaucratic Public Administration
Social-Liberal (Democratic) State	Managerial Public Administration

When I say absolute state, liberal state, liberal-democratic state, social-democratic state, and social-liberal state, the adjective refers to the basic nature of state institutions or of the political regime. When I say patrimonial, bureaucratic, and managerial, I am referring to the way the state organization is managed. As state institutions change throughout history, the state organization and public management are also supposed to change. Instead of ‘state’ I could say ‘political system’, but political regime includes civil society. I could say ‘government’, but although the Anglo-American tradition often ignores the state, and takes ‘government’ as meaning the process of governing, the group of politicians and senior civil servants that at the top of the state, and also the state organization and institutions, I prefer to reserve that word only to the two first meanings.

With the rise of the absolute state, the question of the separation of the public from the private realm was posed. The liberal state ‘resolved’ the question through the constitutional and liberal revolutions (the Glorious, the American and the French revolutions), and by the civil service reform. With the former, the rule of law was established; with the latter, bureaucratic public administration replaced patrimonial administration. But the political regime remained an authoritarian. The liberal-democratic state, on its turn, overcame authoritarianism, but posed the question of social justice. The social-democratic state essayed a response to the social rights question and the problem of equality of opportunity, but proved inefficient in a world where economic efficiency becomes increasingly pressing. The social-liberal state remains committed with social justice, while it is a response to the inefficient supply of social and scientific services.

It is important to observe that these historical forms of state, or of political regime, should not be viewed as necessary and well-defined stages of political development in all democratic countries. Nor that each form of state resolves the problem posed by the former. They are just a simple way of understanding how governance evolved through time, taking as parameters Western European countries like France and England – so different among themselves, but with so many common features. Obviously, the problems posed by the previous form were not resolved by the succeeding one, but were in some way faced and tackled.

The Rise of Democracy

When I refer to a new state and to a new public management, I am thinking of the process through which these institutions evolved in each nation-state through time. I am thinking of the cross-fertilizing process through which institutions created in one country are imported and adapted by others, since the Greeks and Romans established their republics. I am thinking of wars and revolutions that advanced or hindered economic development and political development. I am thinking of technological progress and economic transformations, which, coupled with political development, allowed for the rise of capitalism and, later on, of democracy – and, thus, to sustained and self-improving economic and political development.

Another way of viewing this historical process – in this case beginning with the Greek republics –, is to see it as a process of transition from the city-state to the large modern state, from the *civitas* to the civil society. In a first instance, in the Greek republic, the city-state’s small community of citizens – the *civitas* – constituted themselves a government without the intermediation of a state apparatus; in a second instance, with capitalism, modern and large nation-states emerge, but remain authoritarian, led by political and wealthy elites; finally, in a third instance, it becomes democratic, as a large civil society replaces the *civitas*. In the Greek republic,

citizens took directly charge of government. Now, citizens, acting as private individuals, take care of their private interests, while hiring professional politicians and bureaucrats to constitute the state organization and take care of government, but this does not mean that they relegated politics to a second role. On the contrary, as the active citizens get organized and debate in civil society, they increase their number in relation to total population and become increasingly influential.

The growth in sheer number of participants in political entities involved a trade-off. As long as the number of individuals increased, the classical republican values, expressed into full participation in political life, lost terrain. Greek or Roman citizens were often also soldiers, and derived their income mostly from the control of the state. In contrast, citizens in modern capitalist societies derive their income from their private activities. By paying taxes, they hire officials to perform the political and military roles. The separation of the public from the private was beginning.

This evolution was ‘bad’ because it meant that the *civitas* – the community of citizens – had lost political significance, that politics was tending to become the monopoly of a class of aristocratic and bureaucratic officials. It was ‘good’ because it represented the end of patrimonialism – of the mixing of private and public patrimonies.

With the rise of capitalism and the liberal state, civil rights were protected, the rule of law was established, but we were distant from democracy, and farther away from social justice. The seeds of democratization, however, were there, as capitalism got affirmed as the dominant mode of production, and as political power ceased to have divine origins. The *civitas* did not exist anymore, but, as a kind of trade-off, a large civil society gradually emerged to replace it.

Two related historical facts opened the door for democracy. On one hand, the rise of capitalism changed the basic way economic surplus was appropriated. It stopped to depend on the control of the state, to increasingly depend on the realization of profits in the market: authoritarian regimes ceased to be a survival condition for the ruling class. On the other hand, in the seventeenth century, when Hobbes formulated the revolutionary idea of the social contract, the divine legitimization of political rulers suffered a major setback. After Hobbes, Locke, Voltaire, Rousseau, the ideology that derived monarchs’ power from divine will lost credibility. The social contract, first understood as an alienation of the power of the monarch, was later viewed just as a delegation of power to political rulers. Who delegated political power was a new political entity: the people – an initially amorphous entity, which slowly gained form, as subjects turned gradually into citizens, and organized themselves as a civil society.

Both historical facts opened the door, in the late nineteenth and early twentieth centuries, to the consolidation of the first modern democracies. A second generation of democratic consolidations took place after World War II, in the defeated powers – Germany, Japan, and Italy. The transition to democracy in these countries was clearly delayed in relation to the level of economic development achieved. The war was a consequence of this backwardness, and eventually resolved it. A third generation of democratic consolidations is taking place now in the more advanced Latin American countries, like Brazil and Mexico. Note that I speak of democratic consolidations, not of democratic transitions, because often democratic transitions are artificial, granted formally by authoritarian local elites, or imposed by foreign countries, while consolidations – if they are to take place – are embodied in the economic and social tissue.

The first liberal democracies affirming political rights, were still in the consolidation process, in the early twentieth century, but were already changing, particularly in Europe and in Canada, into social-democracies – into democracies in which the state is supposed to protect social rights and promote economic development. The social-democratic state becomes dominant among developed countries after World War II. It was fully developed in Western Europe, Canada, and Australia; it remains incomplete in the United States, in spite of the wealth existing in that country; it is being attempted for long in Latin America, but without much success, given the prevailing low levels of economic development. Good governance - political development - is not directly correlated with economic development, as example, a country that was so successful in economic terms as the United States has proven to be backward in social and political terms. The attempt to have better governance than the level of income per capita suggests, however, remains the great challenge that seldom developing countries succeed in overcoming.

The Persistence of Bureaucratic Public Administration

It is this (incomplete) social-democratic state that I am calling the ‘old state’ in opposition to the ‘new state’ that is emerging. My argument in this lecture is that this social-democratic state is beginning to be replaced – not by the neo-liberal or ultra-liberal state, as a recent conservative wave led many to suppose – but by the social-liberal state. In the twenty-first century, democracy will be neither neoliberal nor social-democratic, but social-liberal.

In saying that, my claim is that while democracy advances, the state will be more – not less – committed to social justice or fairness, and that, for the first time in history, the state will be concerned with delivering services in an efficient way. This is already taking place in more advanced countries and in Brazil: a bureaucratic public administration changes gradually into public management; public managers - to be more efficient - become more autonomous; this increased autonomy has as trade-off increased political accountability; senior civil servants are no longer viewed just as technicians accountable to elected politicians but being considered as political men and women accountable directly to society.

What factual evidences and arguments may I put forward to substantiate these claims? Before answering this question, I wish to point out one fact: the persistence of bureaucratic public administration. Political development is supposed to be accompanied by changes in public administration. Governance is a dynamic process through which political development takes place, through which civil society, the state, and government organize and manage public life. It entails the correspondence in ‘quality levels’ of the political instances that form it. The way that people organize themselves and manifest their will in the public space, in other words, the strength of civil society, the quality of state institutions, the effectiveness of institutions responsible for enforcing the law, and the efficiency of the state apparatus, are – or should be – highly correlated variables.

Yet, it is necessary to acknowledge that bureaucratic public administration, although inefficient, unable to cope with the sheer dimension and increasing complexity of public services, revealed itself to be more persistent than this hypothesis (of the correlation of political instances) would predict. When the political regime changed from authoritarian to liberal, the state organization duly changed from patrimonial to bureaucratic. But, when, afterwards, the political regime turned successively liberal-democratic, and social-democratic, bureaucratic public administration kept practically unchanged.

Civil service reforms, which changed state’s administration from patrimonial to bureaucratic public administration in the nineteenth century, were major political (and technical) developments, which originated the substitution of the liberal (and constitutional) state for absolute monarchies. As the rule of law was firmly established, and the separation between public and private patrimonies was taking place, a professional body of bureaucrats was required. It was this bureaucracy that Max Weber, in the early twentieth century, so acutely defined and analyzed, having as pattern the pre-democratic, quasi-liberal German state.

Since the 1930s the liberal-democratic state started to change into social-democratic state, but change in the political regime again did not involve change in public administration. It remained bureaucratic. In fact, the transition from democratic to social-democratic state led to a reaffirmation and enlargement of the bureaucratic system. Instead of limiting itself to exclusive activities of state, new types of bureaucrats were hired, and bureaucratic public administration was extended to social and scientific services. It was extended also to public utilities, and, in certain cases, even to business enterprises, as the employees of state-owned enterprises came often to be viewed as civil servants.

The definition of civil service was radically broadened. In the liberal and in the liberal-democratic states, only magistrates, prosecutors, military, police personnel, tax collectors, auditors, and policymakers were viewed as civil servants. They performed exclusive state activities. In the social-democratic or welfare state, teachers in basic education, professors in universities, doctors and nurses in hospitals, musicians in symphonic orchestras, curator in museums, social workers in social assistance organizations, engineers and managers in public transportation and

utilities, and janitors, office employees, and managers in all these organizations, and in the state organizations proper, all of them were considered civil servants. This change was particularly pronounced in countries such as France and Germany – where the social-democratic institutions advanced more.

The social-democratic state was a major political advance in relation to the liberal-democratic state. While the liberal-democratic state just assured civil rights, the social-democratic state warranted, in addition, social rights, that is, universal basic education, universal health care, a universal minimum income, a universal basic pension system. That is why, when we compare countries like France, Germany, and Canada, where the transition to the social-democratic state was complete, with the United States, that was unable to do so, we observed that income distribution is fairer and social rights are better assured in the former three countries than in the latter. In spite of the immense wealth existing in the United States, almost 40 million Americans cannot count on health care; approximately 13 percent of the American population is under the poverty line, against around five percent in the social-democratic countries. If the quality of a political regime – or of democratic governance – is to be measured by the extent to which it provides the four basic political goods valued by modern societies – social order, freedom, social justice, and well-being – there is little doubt that the social-democratic societies have a superior political regime when compared to the American one.

But it is often argued that, compensating for injustice, the American economic system is more efficient than the social-democratic system: that it produces more wealth. I have deep doubts about this. It should be noted that since World War II, and only in the last decade, did the American economy grow at a faster rate than, for instance, France and Germany. Yet, from this poor evidence, some ultra-liberal ideologues derived the confirmation of what their ideological preconceptions told them: the economic superiority of the liberal-democratic in relation to the social-democratic state. It is true that excessive regulation of business and labour, in the social-democratic state, may reduce competition and represent a negative incentive to hard work. That is why the welfare state needs reform. But, as a trade-off, there is little doubt that in more equal societies, like the social-democratic ones, cooperation stimulates efficient work, greater social-security makes worker readier to accept innovation, and – what is more important – assures legitimacy to governments, that, consequently, are not constrained to adopt explicit or disguised populist policies to assure popular support.

The New Social-Liberal State

In this lecture, I am interested in the institutional changes that affect good governance. In bureaucratic public administration the major governance concerns were with social order, and administrative effectiveness. In the new state that is emerging, political stability and state effectiveness in enforcing the law are assumed as having been reasonably achieved: the major political concerns are now with democratic accountability, and administrative efficiency – that is to extend to public services the economic efficiency which markets assure to the production of goods and services, while maintaining their public character.

We saw that the social-democratic state enlarged extraordinarily the concept and the scope of civil service. Yet, this greater scope given to civil service proved inefficient, as it did not allow the use of more adequate means to achieve the desired outcomes. To guarantee adequate public utilities and to assure that social rights are legitimate roles of the state, but this does not mean that the state must provide both directly. We know how difficult it is to achieve efficiency within the state apparatus, which is intrinsically more concerned with the effectiveness of state power.

In the case of public utilities, the problem is being solved through privatization being recommended providing that the activity is not a natural monopoly nor involved in large Ricardian rents. In such a case, they should remain state-owned and be run as private enterprises. In the case of social and scientific services, which should in principle be fully financed by society, the problem is more complex. How should they be executed? The tendency is for the state to contract out the services with non-profit organizations, and to control them by a mixture of management contracts, managed competition, and a social control mechanism.

The new, social-liberal state, that is emerging, is a response to the problem. It is not the ultra-liberal state that the

new conservative or the new right dreamed of. It is not the minimum state that would just guarantee property rights and contracts. It is not even smaller than the old social-democratic state, if we measure the size of the state by the tax burden: that is, by state revenues in relation to GDP. Taken on this measure, the state's size does not tend to diminish: on the contrary, it tends to moderately augment, as education and health care costs tend to increase in relation to average costs, and have to be financed by increased taxation.

This new state is democratic. Why not call it social-liberal? It is social because it is committed with social rights. It is liberal, because it believes in markets and competition more than the social-democratic state did.

Let me explore more fully these two avenues. The social-liberal state is social because it fully maintains the social commitments that the social-democratic state made. Why? Not for normative reasons on my part, but by observing the electoral behaviour in developed countries. What I have noticed is that their citizens continue to expect and require that the state deliver these social public services. Citizens may be individualistic, and certainly do not like to pay taxes, but they rely on the state to guarantee their social rights.

Why is it so? Is it rational to do so? Would it not be preferable to pay fewer taxes and leave these matters to each individual, as the ultra-liberal and conservative preach? This is not the time for a full discussion on this matter. I simply observed that the attempts to eliminate social rights did not get political support and eventually failed in democratic countries. The failure of the ultra-liberal "Contract with America" in the United States, in the 1990s, is just an example of what I am saying. People may be individualistic, but they probably are not so individualistic as to accept that essential goods and services such as basic education, health care, a minimum income, and a basic pension system, depend just on their own income, on their own savings, or on their own private insurance. The ideological debate between left and right, between progressive and ultra-liberals, will certainly continue, but the ultra-liberal wave that started in the late 1970s is over. The alternance of power between left and right political coalitions will continue to define democracies, but the return to the nineteenth or early twentieth century liberal-democracy is out of the question.

If society's commitment to social rights is maintained in the social-liberal state, how will this form of state differ from the social-democratic state? Because, in comparison with the social-democratic state, the new one relies more on markets, or on managed competition. Furthermore, because the social-liberal state 'believes' in competition – which is not viewed as contrary to cooperation – while the social-democratic state counts more on cooperation and planning than on competition.

This faith in markets and in competition expresses itself in two ways. First, in rejecting the idea of the state being a producer of goods and services for the market and supporting the privatization of competitive state-owned enterprises. Second, in affirming that non-exclusive activities of the state, like social and scientific services – which are not essentially monopolistic – are not supposed to be directly performed by the state. These should, indeed, be financed by the state, but performed competitively by non-profit or public non-state organizations.

I will discuss shortly the two points. State-owned enterprises are a typical characteristic of the social-democratic state. In the social-liberal state, only natural monopolies may remain state-owned. Whenever competition is possible, the state does not intervene. When competition is possible but imperfect, regulation will act as a partial substitute for competition. Thus, the privatization process that we see in the world since the 1980s is a clear manifestation of the rise of the social-liberal state.

But the faith in markets and the adoption of privatization do not mean that, in the social liberal state, the state relinquishes its economic roles, in the short run, of assuring macroeconomic stability and toning down the economic cycle, and, in the long run, of promoting economic development.

For instance, contrarily to what ultra-liberals expected, privatization will not come together with deregulation. The social-democratic state was criticized for over-regulating the economy thereby opening the door to rent-seeking. Time had now come to contemplate overall deregulation. However, this view is simplistic and erroneous. There is no indication to the effect that regulation will be reduced. It is true that, in some instances, regulation turned

excessive and had to be contained. But in the new state that is rising, the general tendency will continue to be in the direction of more, not less, regulation because the concentration of firms tends to make markets less competitive principally because – as science and technology advance and social and economic problems become more and more complex – markets alone are unable to offer adequate answers to the new challenges. Citizens require regulations to protect their health, the environment, the public patrimony, and competition itself. Good governance comes with better and more encompassing institutions, involving more rather than less regulation.

A second reason why the new state is not only social, but also liberal relates to the way it performs public services: the new state increasingly tends to contract out social and scientific services. This is happening for three reasons. First, because the pressure for efficiency, or for cost reduction, becomes stronger and stronger as the size of such services get larger and larger. Second, because the demand for political accountability increases proportionally. Third, because, while efficiency is extremely difficult to be achieved when the state directly performs the service, it becomes relatively easier when the service is contracted out to non-profit organizations that compete among themselves.

For this last reason, in the new state that is rising, only the activities that are by their own nature exclusive to the state, and so monopolistic, will remain within the state apparatus. Even in these activities, new public management attempts to achieve efficiency, but it knows the restrictions involved. The managerial strategy is to develop some form of management contract whereby a strategic plan and performance indicators are defined. But it is not easy to define clearly and precisely these indicators.

If the activity does not involve state power, managed competition – through the creation of quasi-markets – is a much more efficient way of achieving efficiency and political accountability. It makes no sense to consider this activity as a state monopoly and to use civil servants to perform it. What makes sense – and is being increasingly adopted by advanced democracies – is the state contracting out non-profit competitive organizations to provide social and scientific services. Services will be more efficient and citizens will have more choice. In recent past, the state realized that it was more efficient to contract out certain services to business enterprises; it therefore opted to do the same with construction, transportation, catering, data processing, and communications. Since the 1990s, the state increasingly contracted out social and scientific services to non-profit organizations, instead of performing these services directly.

Competition does not necessarily mean markets, and, for sure, does not require profits. Schools, universities, hospitals, museums, symphonic orchestras may compete not for profit but for recognition and for the positive evaluation of experts, pairs, and citizens-clients. In the United States, and more recently in Britain, universities, for instance, are essentially controlled in this way.

When citizens get organized in the realm of civil society through NGOs, or citizens' committees, in order to control state agencies and contracted out services, we are speaking of social control. When management contracts are established and performance indicators defined, we have managerial control *stricto sensu*. When evaluation and comparison is possible, we have managed competition. When evaluators are the customers themselves, we can speak of a quasi-market.

Whenever some form of competition is possible, it results into higher quality and more efficient services. Managed competition will usually involve contracting out. Contracts may take many forms. They may be explicit or implicit. They always require transparency and evaluation by customers, pairs, or experts. The politicians and senior civil that are charged with the decision of allocating public money for these services have to be as much accountable as the institutions that receive the money.

But what is important to note is that contracting out and managed competition make it possible for organizations providing the services to become more autonomous – that is, less controlled by classical bureaucratic procedures – and, therefore, more efficient. Additionally, they become more accountable to the society that finances them. More accountable because managed competition is a powerful control system: performance indicators and an incentive system emerge out of competition, from comparing the performance of competing organizations, instead of being

decided arbitrarily. More accountable because, when services are provided by autonomous agencies, organizations and committees involved in social control get empowered.

Why would the social-liberal state contract out to non-profit organizations to provide social and scientific services instead of regular business enterprises? Essentially because, in the case of health care and education, non-profit organizations are better fitted to deal with such crucial and delicate matters, involving essential human rights. Business enterprises are made to compete for profits, while non-profit organizations – or, as I prefer to call them, public non-state organizations – are fitted to compete for excellence and recognition. This type of competition is best-suited in social and scientific areas. Although regulated by private and not by public law, non-profit organizations are ‘public’ because they are directly oriented to the public interest. Also, because they do not depend on the classical liberal principle that legitimates business enterprises: “if each one defends his own interests, competition in the market will automatically guarantee the public interest”. This principle is crucial to the understanding of the role of economic competition in capitalism, but inadequate when applied to markets that are imperfect and, still more inadequate, when competitive criteria are not primarily economic. The legitimacy of organizations working in the social and scientific sectors comes out of their commitment to values: human values, public values.

The New Management

I hope that the main features of the new social-liberal state that is emerging in the twenty-first century are now clear. Compared with the social-democratic state, the social-liberal state will be built more on markets and managed competition, while remaining committed to the protection of social-rights. In international economic relations, it will be less protectionist, but, since its power and legitimacy originated within the nation-state, it will continue to be engaged actively in commercial and technological policies in order to protect national capital and national labour.

Globalization is making nation-states more interdependent, it is strengthening markets of goods and services, of capitals and technologies. Every day, markets take in new sectors of the economy, and deepen their control over old ones. But this does not mean that the political realm is diminishing or that political decisions are losing relevance. On the contrary, as society and markets become more and more complex, and civil society more demanding and able to exert social control, the strategic character of political decisions, and the need that they be taken by government officials with more autonomy, increases.

We saw that a managerial response to this increasing complexity and interdependence always requires greater autonomy and accountability on the part of public managers. We can also imagine a response to this problem in a strictly political sense. In the new state, public officials will be required to be political and republican.

First, he or she will be more political. We are used to thinking that the senior public servant is a bureaucrat or a technician. He will continue as such, if we mean that he is a professional that possesses technical or organizational knowledge. But the idea of the neutral bureaucrat, who just executes the law, or follows the policies defined by elected politicians – an idea that was central to bureaucratic public administration – does not make sense anymore. Among officials, we can still distinguish elected politicians from senior civil servants, but all are politicians, all are policy makers who directly participate in defining and operating the political institutions. When I say that senior officials are supposed to be more autonomous, I mean that they are supposed to take decisions, to have some discretionary power – the discretionary power that classical liberalism and bureaucratic (administrative) theory abhors. As their role changes, they will have to substitute the ethics of responsibility for the classical bureaucratic ethics of discipline. They will also be accountable to society, as their role ceases to be formally technical to become ‘political’.

In contemporary democracies, elected politicians will continue to have the central authority and the major responsibility. They will continue to respond to citizens, who have the choice of not re-electing them, for the political process. But they cannot be the only ones held responsible for the enormous political power involved in the modern state. While elected politicians are engaged in partisan politics, and, although committed to the public

interest, they are also supposed to represent groups or regional interests. Senior officials share political power with elected politicians, and are normatively committed to the public interest as elected politicians are.

Second, the public manager – like politicians in advanced democracies – will be expected to be endowed with republican virtues. It is not enough to be capable. He or she must be democratic – committed to civil and political rights. He or she must also be social-democratic – committed to social justice or social rights. And, he must be republican – committed to the general interest and to the protection of republican rights.

Republican rights are the rights, that every citizen possesses, that the public patrimony is not captured by private interests. If we think of citizens' rights in abstract terms, this kind of right is as old as citizenship. But if we think of these in historical terms, as in this lecture, republican rights were the last ones to emerge, to receive special attention from society. As Marshall showed, the first rights to emerge were civil rights; then, in the nineteenth century, political rights were conquered; and, in the first part of the twentieth century, social rights got affirmed. The emergence of republican rights in modern democracies became a historical fact only in the last quarter of the twentieth century, when the protection of the public patrimony – of environment and of the large budget revenues – turned into a major political question. Concern with corruption and nepotism were now old issues, and attention was now given to more sophisticated forms of privately capturing public resources. 'Rent-seeking' or the 'privatization of the state' was now being denounced, as it became clear that it was not enough to protect citizens against the abusive power of the state: it was also crucial to protect the state against powerful and greedy individuals.

Civil rights and liberalism spoke high for the protection of the individual against the state, republican rights and the new republicanism claim for the protection of public patrimony against mischievous individuals. Republicanism is as old as Greece and Rome, but in modern social-liberal democracies a new republicanism, a new call for republican virtues in governing the state, became an essential requirement.

Republicanism is not here to replace the rule of law, checks and balances, judicial review, parliamentary review, public auditing, and all the institutions establishing systems of incentives and punishments, nor to replace managerial strategies of making the state organization more efficient and more accountable. Republicanism is here to add, not to subtract.

There is a new institutionalism that believes – like classical liberalism and bureaucratic administrative law believed – that what is required to govern is just a capable institutional system of incentives. The belief in the miraculous potentialities of the law and of the several forms of auditing – or of 'horizontal accountability' – is similar in the new institutionalism and in classical liberalism. Both share their belief in an independent and neutral civil service enforcing the law, although with different arguments. Classical liberal thinkers believed in the law because the main challenge that they faced was to establish the rule of law. The new institutionalists believe in institutions because they think that through them it is possible to establish the required incentive and punishment system.

Modern republicanism assumes the rule of law, and knows how important institutions and incentive systems are, but also knows their limits. And for that reason, it relies on officials endowed with civic values and committed to the public interest. In doing so, republicanism is not being utopian, but just acknowledging that in modern democracies voters require politicians and senior civil servants to be endowed with republican virtues.

For sure, not all politicians and civil servants will conform to the political republican demand. But I believe that there is a major tendency in this direction because democracy possesses the capacity of self-improvement. Citizens may sometimes seem disinterested in politics, but as they become more educated, more informed, and realize how much their lives depend on good governance, they tend to learn or are learning more about their citizens' rights and obligations.

In this lecture I may have taken, at times, a normative approach, but I was not dealing with utopian dreams. The social-democratic state, which, in the span of our lives turned old, was already democratic; the new social-liberal state that is emerging will be even more democratic. And citizens in civil society – as well as government officials – will be required to be actively liberal, social, and republican.