

The Political Economy of Administrative Reform: Building State Capacity in Developing Countries

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I. Introduction: Building State Capacity¹

Over the past decades many developing nations have recast their states both in terms of what they do and how they do it. Initial administrative responses to the challenges posed by fiscal stringency and economic internationalization tended to focus, overwhelmingly, on downsizing strategies that emphasized elimination of governmental functions, cuts in spending and investment, reductions in personnel, privatization, deregulation, and devolution of central state responsibilities to state or local levels of government. The often large costs of downsizing in terms of bureaucratic coherence, effectiveness, and efficiency produced, according to one overview, a "disintegrated state," "with demoralized and barely functioning state agencies" (Nelson 1994: 20,27). These administrative costs of the first wave of economic restructuring, along with the novel pressures and demands placed upon governmental bureaucracies by increasingly competitive economic and political markets have led government to focus on a second generation of administrative reform efforts. This later type of reforms focuses on building or rebuilding institutional and administrative capacities.

In the 1990s the need for capacity-building reform and "good government" rapidly became a focal point in analyses of development.² Administrative reform also became part of a new Washington consensus, especially among the World Bank, Interamerican Development Bank, and the International Monetary Fund.³ The World Bank devoted the *World Development Report* for 1997, *The State in a Changing World*, to demonstrating how important bureaucratic capacity is. In a section entitled "Good government is not a luxury -- it is a vital necessity for development," the Report urges reform in almost alarmist terms: "People living with ineffective

¹ We are grateful to Carlos Gil, Javier Parra, and Christa Van Wijnbergen for research assistance, and to the project participants for comments on earlier versions.

² See Bradford (1994), Bresser Pereira et al. (1993), Grindle (1997), Nelson (1994), Haggard (1997), Chaudry et al. (1994), Tendler (1997), Turner and Hulme (1997).

³ See Mahon (1997?), Edwards (1997).

states have long suffered the consequences in terms of postponed growth and social development. But an even bigger cost may now threaten states that postpone reforms: political and social unrest and, in some cases, disintegration, exacting a tremendous toll on stability, productive capacity, and human life” (1997: 15).

There is less consensus on how to enhance state capacity. Many studies note that politics have to be taken into account, but systematic work on the politics of administrative reform is rare. Our goal is to provide political explanations for why some governments are able to enact significant administrative reforms while others cannot. What is distinctive about our this volume is the study of administrative reform from a political vantage point. Our point of departure is that significant administrative change redistributes power resources. Therefore, explanations for reform success or failure have to account for who wins and who loses and why the political settlement came about in the way it did. Our optic more generally is one of political economy. Purely economic explanations tend to see the existence and particular shape of organizations as determined by efficiency considerations. In this perspective, organizations emerge because, "given transaction costs..., rational actors find them more efficient than markets or alternative organizational arrangements" (Moe 1984: 759). In our view, economic efficiency and economic factors more generally, though certainly crucial, affect public bureaucracies indirectly by influencing the opportunities and constraints faced by political power holders. The question is how do economic factors, fiscal crises in particular, alter pre-existing political incentives and practices. We thus embed our analysis of administrative reform in its broader political economic context.⁴

Rapidly integrating markets along with renewed electoral competition have fundamentally altered the context within which political leaders and state officials operate and together constitute the deepest driving forces behind the current rush to administrative reforms in a wide range of developing countries. From a bottom up, pluralist perspective, neoliberal reform and democratization empower several constituencies that in turn make different, sometimes competing claims on the executive bureaucracy. The major constituencies include: elected politicians, large domestic investors, foreign investors, generators and holders of foreign exchange, international financial institutions (World Bank, IMF, and regional development banks), social movements, as well as groups within the bureaucracy.

These groups are propelled into the politics of administrative reform by combinations of pressures and opportunities created by the newly liberalized markets and politics. So, for example, democracy offers politicians more opportunities to pressure for administrative reform at

⁴ However, we try to keep our focus narrow by excluding some elements of context such as culture or social networks which admittedly are crucial elements of consolidating reform over the longer run. See the analyses in Grindle (1997) for more attention to culture and networks in specific reform initiatives. Tandler's (1997) analysis of "good government" in Northeastern Brazil is an excellent example of a fully embedded analysis of administrative reform.

the same time it increases pressures on them to use the bureaucracy for electoral ends. For social movements, democracy provides opportunities to pressure for accountability while market reforms may sap their capacity for collective action. Fiscal and balance of payments crises enhanced the power of international financial institutions (IFIs). Lastly, for capitalists, democratization disrupts old patterns of articulation between business and government while market reforms increase their structural leverage and incentives to lobby for complementary administrative reforms. Administrative reform is not of course purely the outcome of pluralist interplay between contending interest groups. Top bureaucrats and politicians are the major protagonists, especially in initiating reform, both for and against administrative change. From the point of view of political leaders and top bureaucrats, administrative reforms offer opportunities to manage new sources of uncertainty (as in volatile, internationalized capital markets) and build support coalitions.

Within this overall context of simultaneous economic and political liberalization, the contemporary literature offers four major sets of causal factors in the current literature that are hypothesized to affect the probabilities of administrative reform. First, from a political perspective, Stephan Haggard (1997) has recently outlined a conceptual and analytical scheme that emphasizes the centrality of politico-institutional factors in shaping state reform. Haggard conceives of administrative reform as "a process of re-writing the contract between elected politicians and bureaucratic officials" (1995: 12) whose outcome is strongly shaped by two main variables: the balance of power between the executive and the legislative and the nature of the party system, particularly degree of fragmentation and level of party discipline.⁵ However, as in other politico-institutionalist approaches (e.g., Geddes 1994) an exclusive focus on politicians and bureaucrats neglects other constituencies whose interests and political activities may be intensified by economic reform.

Others concentrate more on a second set of economic pressures for or against administrative reform. Fiscal crises and constraints pressure governments directly to reform government bureaucracies, though these pressures do not necessarily translate into reform efforts designed to increase state capacity. More generally, historically, and theoretically since Weber, capitalism and modern bureaucracy have flourished together. In the current context of increased international competition and volatile capital flows, capitalists have strong incentives to push for administrative reforms that reduce transaction costs (ports, customs, courts), level the competitive playing field (monopoly and trade regulations), and enhance transparency (budgets, international reserves, monetary policy).

⁵ At a higher level of abstraction, Haggard concludes that "the 'reform of the state' can thus be seen as a political process of striking a balance between the efficiency gains to be achieved by delegation, the interests of executives and legislators in controlling bureaucratic agents for political ends, and the need for politicians and bureaucrats to remain responsive to organized interest groups" (1997: 47).

Available empirical work on state reform suggests the importance of looking at a third set of political strategic factors. The salience of strategic choices and calculations of state reformers in shaping the political costs of different types of reforms, though less formally articulated in the literature, appears to be an important ingredient in these experiments. The preferences and strategies of state reformists should figure more prominently, at least initially, in explanations of reform because the distributional implications of "technical" reforms in the public sector are often not apparent immediately to other political actors.

The fourth set of variables is international. IFIs have influence in domestic reform initiatives through both conditionality in emergency lending and ongoing program lending. The rapid circulation of ideas on administrative reform constitute another international variable. As earlier in the first wave neoliberal economic restructuring, a predominant international thinking on administrative reform -- managerialism or "new public administration" -- influenced the design of reform programs.

Our project was conceived as an effort to assess the empirical weight of these various types of hypotheses in eight different countries of Asia, Eastern Europe, and Latin America. Before summarizing the results of this empirical testing, this chapter first lays out several conceptual distinctions. Section II examines the major differences between first and second wave reforms, emphasizing in particular that second wave reforms, which concentrate especially on administrative reform, are more costly, take longer, and do not create natural support coalitions. Section III provides a typology of three major models of reform. *Civil service* reforms, including merit recruitment and promotion as well as tenure, are designed to reduce particularism and politicization in the bureaucracy. *Democratizing* reforms, including both direct citizen participation and legislative oversight, are designed to make the bureaucracy more accountable. *Managerial* reforms such as decentralizing authority and enhancing incentives in more flexible pay and employment schemes seek to make the bureaucracy more efficient.

Sections II and III delimit the dependent variable. A large number of discrete measures fall under the general rubric of administrative reform. Many re-engineering reforms such as revamping information systems, training programs, publicity campaigns and the like fall outside our purview because they do not redistribute power and hence do not require systematic political analysis. More generally we largely exclude *institutional* reform of both the first wave (privatization, decentralizing central government functions to local governments, and eliminating government functions) and the second wave (creating new regulatory agencies for example) to focus on changes within the remaining central government agencies. To illustrate, many countries have reformed tax collection. Our central focus in this instance is not changes in tax rates or forms of collection (value added versus income taxes for instance) but on reforms within the tax collection agencies, especially those changes that affect career incentives for tax collectors. Lastly, within central government agencies our focus is on the middle and top officials rather than the bottom operational workforce.

Section IV provides some background on our eight cases: Chile, Korea, Mexico, Brazil, Poland, Hungary, Argentina, and Thailand. Among developing countries our cases rank high in

terms of size and socio-economic development. However, variation is wide in terms of pre-reform bureaucracies, political systems, and the success of administrative reform. Section V turns to the assessment of causal variables. In brief, the cases confirm the major importance of fiscal crisis as a triggering variable that best explains the timing of reform. Institutional variables are less important in the initial decision to reform, but affect the process of implementing it. Coalitions are important in the initial enactment, but usually in the negative sense of overcoming opposition. International factors are generally not salient, though need to be incorporated into a full account of reform. Strategic factors, especially packaging administrative reform to other top political priorities, are crucial in overcoming institutional and coalitional obstacles. Section VI takes a longer term, more speculative look at factors that are likely to affect longer term institutionalization of administrative reform.

II. The Post-Developmental State and the Second Wave of Reform

First Wave reforms (i.e., privatization, trade liberalization, and deregulation) had two important consequences for the state apparatus. Market-oriented economic reforms reduced and redefined core state functions. Such reforms also produced important transformations in administrative structures. Most of the administrative changes associated with First Wave reforms, though, were byproducts of larger institutional transformations and lacked a deliberate concern for administration as such.

The initial model of administrative reform focused on shedding state functions and personnel, and tended to proceed relatively swiftly. Three factors help explain the relative ease with which downsizing was carried out. In most cases, First Wave reforms were introduced in the context of emergency situations (i.e., episodes of severe macroeconomic instability) that muted opposition and tended to generate broad support for non-routine, drastic policy action. Second, small groups of insulated reformers implemented these reforms. These groups were answerable only to the executive and, thus, insulated from both established bureaucratic procedures as well as from the particularistic pressures entrenched in the political process. The nature and logic of downsizing itself, finally, also contributed greatly to the successful and relatively rapid implementation of First Wave reforms. As a method of administrative reform, downsizing has a number of political virtues. By eliminating agencies and firing personnel, downsizing directly deprives losers from the institutional levers through which to either resist or reverse reform. Downsizing has the additional virtue of generating, almost automatically, strong support coalitions made up of clear and concentrated winners. Implementing first wave reforms was not of course easy and costless, but, relative to second wave reforms, the costs and obstacles were lower.

Once the shedding of public functions, firms, and agencies came to a close, two things became obvious. Firstly, despite major reductions in functions, states retained central responsibility for providing a significant number of vital public goods and services (see Table 1). Secondly, the administrative machinery for carrying out such tasks exhibited a plethora of problems and deficiencies. In the post-adjustment period, core state functions such as tax collection, monetary stability and law enforcement whose effective delivery had been historically

weak in many developing countries have risen to the top of governmental agendas. Tasks, such as regulation, traditionally overridden by direct state participation in the economy have also become increasingly central. To the renewed energies devoted to the fulfillment of long neglected core state functions, one must add the emergence of new tasks as well as major shifts in priorities. Economic liberalization has reduced the space for direct state intervention in the promotion of economic growth, while simultaneously generating strong pressures for new modes of state action capable of enhancing countries' and firms' international competitiveness. Continued fiscal stringency in conjunction with both the overall delegitimization of universalist strategies in the realm social policy as well as with rising poverty have ushered social policy regimes whose central priority is the targeted alleviation of extreme poverty.

Among economists there is a widespread consensus, especially for Latin America, that increasing growth and exports requires increasing savings and investment in human capital. The state, or public administration more narrowly, is crucial for both. For Edwards, "the most direct and effective way to raise aggregate domestic savings is to increase public sector savings" (1997: 97). Public sector savings have averaged only one to two percent of GDP in Latin America, compared to eight percent in East Asia. Administrative reform, beyond blunt downsizing, has a role to play. In fact, many post-developmental states are fairly lean by international standards, as well as poorly paid, so future fiscal gains are more likely to come better administration of existing resources rather than cutting the public payroll. Similarly, the state will continue to be a major investor in human capital in most developing countries, and the quality of that investment is as important as the quantity. According to Edwards, "public sector spending on education is 3.7 percent of GDP in Latin America, versus 3.4 percent in Asia. Yet the quality of Latin American education is among the poorest in the world" (1997: 100). Reform of the administration of that spending is thus paramount. In sum, the administrative machinery inherited from the developmental era and often carelessly slashed during the adjustment phase is ill equipped for carrying out the array of tasks confronted by political leaders in the post-adjustment period.

The costs and difficulties standing in the way of effective administrative reform, though variable across policy areas, tend to be overall quite daunting. Reshaping administrative structures and personnel practices is, for one, much more time consuming than eliminating agencies and firing personnel. As the experience of former communist countries in East Europe shows, even in the context of fundamental institutional transformation, old administrative habits die hard. Putting together an administrative reform scheme and introducing it against the open and, most often, veiled resistance of most of those working within the state apparatus tend to be lengthy processes. In addition to their long periods of gestation and maturation, Second Wave reforms are usually very intensive in the use of both political and administrative resources. In contrast to downsizing whose success does not rely on altering behavior, administrative modernization fundamentally depends on changing the incentives facing bureaucrats so as to make it individually rational for them to behave in ways consistent with enhanced bureaucratic performance. However, reshaping the incentive structures governing state bureaucracies is a bit like attempting to fix the engine of a car while in motion. Basically, what reform initiatives tend to do in the short run is to multiply administrative tasks and to disrupt established procedures that, even if suboptimal, allow bureaucrats to deliver expected goods and services. One first major hurdle administrative

reformers must overcome, thus, is finding ways to sustain reformist efforts in the face of resistance often couched and legitimated by the need to perform the organization's routine functions.

The single most important political obstacle to administrative reform lies in the fact that in most developing and transition countries state bureaucracies are an integral part of political systems whose operation relies to a considerable, though varying extent, on highly politicized bureaucratic structures and operating procedures. The centrality of clientelism to the generation of political support, to the disorganization of opposition, and to the career advancement of both bureaucrats and politicians makes the transformation of the internal incentive structures governing behavior within the state apparatus peculiarly difficult.

Table 1. Core Functions of Post Developmental States and Challenges for Administrative Reform

Function	Tax Collection	Regulation	Competitiveness	Social Welfare
Types of Agencies	collection agencies	central bank stock market & banking Regulators	infrastructure development banks	health, education social security
Number of bureaucrats	tens of thousands thousands	tens of	hundreds of thousands	thousands
Time to full implementation	5 years	5 years	5-10 years	over 10 years
Opponents	bureaucrats		bureaucrats Ministers	unions, bureaucrats clientelist politicians
Fiscal cost	low	minimal	medium	enormous

In sum, second wave reforms are decidedly more costly and difficult to achieve than first wave reforms. As we discuss below, the politics of enacting and consolidating second wave administrative reform are also quite different and more contentious than the politics of economic restructuring in the first wave. Nonetheless, second wave reforms still have a political urgency that is likely to keep them near the top of the agendas of presidents and their inner circles.

III. Models of Administrative Reform

Bureaucracy is universally criticized. Everyone has their particular beefs but most complaints belong to three common diagnoses of bureaucracy: that it is corrupt or clientelist,

that it is inefficient, or that it is arbitrary and unaccountable. The corresponding models of reform to remedy these pathologies are civil service, managerial, and democratizing reforms. In practice each model is comprised of many discrete (and sometimes over-lapping) administrative measures. Analytically, though, overall reform strategies can usually be characterized by the predominance of one diagnosis and one model of reform to deal with it.

Civil service reforms were chronologically the first model to enhance bureaucratic performance. Defined conceptually by Weber as legal-rational authority and embodied visibly in the Progressive era civil service laws in the United States, the primary goal of this model of reform was to eliminate patrimonial, amateur, and spoils system administration. The common components of civil service reform include entrance by examination (or other professionally sanctioned qualifications), promotion by merit, job tenure, reasonable and predictable salaries, and administration based on written rules.⁶ By taking personnel decisions out of the hands of politicians, these reforms reduce patronage and clientelism. Stable employment and income diminished the temptations of corruption, while detailed rules and extensive paper trails provided means for rooting out malfeasance. However, at the same time these reforms reduced corruption and clientelism, they created new bureaucratic pathologies (e.g., overregulation, rigidity, primary concern for complying with rules as opposed to achieving results) that became the basis for other models of reform.

In a second, democratizing model of reform, the problem is excessive power in the executive administration, and the cure is greater democratic control and accountability. Civil service reforms deprive clientelist politicians of influence over appointments and consequently how agencies are run. However, politicians return, collectively, as the legitimately elected representatives, and demand greater control over the executive. One form of democratic reform is thus greater legislative control over the bureaucracy. This control can take several forms, including confirmation of top appointees to head agencies; regular hearings on agency activities; and extensive rules on the execution of laws the legislature passes.⁷ In Hungary, the dismantling of the old regime and the rise of party competition has led to the creation of both executive and parliamentary agencies whose goal is to hold the bureaucracy accountable. These pressures for legislative oversight have naturally expanded in the wake of democratization as have pressures for more on direct citizen participation in administrative decision making and implementation. The Workers' Party in Brazil has implemented participatory budgeting in several city governments. City officials hold regular meetings with neighborhood groups (n.b., bypassing the legislature) to get their input on budget priorities. In practice the democratic credentials of the Solidarity program in Mexico have been open to criticism, yet the idea of coparticipation in the

⁶ Weber in Gerth and Mills. Evans (1995) uses the shorthand "Weberian" to characterize these reforms and the resulting bureaucracies.

⁷ This has been a fairly steady process in the United States, especially in the last half of the 20th century. See Lupia and McCubbins (1994) on the choice of various types of legislative oversight.

implementation of social welfare projects is in line with efforts to promote direct citizen participation in implementing policies.

The last type of reform views inefficiency as the greatest problem in administration and proposes several managerial remedies. The rules of Weberian administration combined with the rules imposed by legislatures come to absorb more of a bureaucrat's time than actually implementing policies or providing services (Garvey and Diulio 1994). Moreover, job tenure and rigid rules for promotion (which often depend more on seniority than merit and performance) deprive managers of the ability to use promotions and firings to motivate subordinates. The cure, for proponents of managerial reform, includes many instruments borrowed from the private sector, including decentralized personnel management (and elimination of civil service tenure), management by results (including management contracts and performance based pay), and elimination of red tape and excessive regulation.

Among intellectual currents, managerial diagnoses and reforms have gained international preeminence among the three models. Osborne and Gaebler (1993) *Reinventing Government* is the touchstone of most managerialists. It has been translated into dozens of languages and sits on the book shelves of many reformers around the world. It inspired the Gore program, and was prominent in the Bresser Plan. Garvey and Diulio (1994: 26-28) provide a good indication of the predominance of managerialism in debates over reform in the United States. They note the disputes among four types of managerialist strategies without mentioning civil service or democratizing reforms. However, transferring managerialist models directly to developing countries may pose the risk of misdiagnosing the problem. Where clientelism and corruption predominate, managerialism may belittle help. As Graebler noted, "you have to invent government before you can reinvent it" (interview with Blanca Heredia, September 1997).

In practice many reform programs combine elements of each model or attempt to address all bureaucratic maladies at once (see Table 2 for a summary). The World Bank, for example, advocates three mechanisms for enhancing state capability: rules and restraints, competitive pressures, and voice and partnership (which correspond roughly to our civil service, managerial, and democratizing models), and sees relatively few problems in pursuing all three at once (1997: 7-11). This multifront attack on the bureaucracy downplays trade-offs among the models of reform, and minimizes the negative byproducts of each model. For proponents of civil service reform, inefficiency and unresponsiveness (to citizens and clients) is an unfortunate cost of securing the essential depoliticization of bureaucracy. For managerialists, the efficiency benefits of deregulation and eliminating tenure justify the new exposure to clientelist and corrupt temptations.⁸ Lastly, for democratizers, delay and inefficiency are a small price to pay in the

⁸ In fact, managerialists often attempt to devise reforms that subject agency "managers" to market type controls rather than political controls. If for example, hospitals, schools, or universities compete for government funds on the basis of quantifiable performance or consumer choices, then managers cannot afford to respond to clientelist pressures. In any event,

effort to promote participation and democratic control of the bureaucracy.

Table 2. Three Models of Administrative Reform

Model	Civil Service	Managerial	Democratizing
Diagnosis	Personalism; clientelism, patrimonialism, particularism	Inefficiency; redtape; inflexibility	abuse of power; arbitrariness; lack of accountability, unresponsiveness (to citizens)
Goals	universalism; professionalism; meritocracy; honesty	efficiency, responsiveness (to clients), flexibility	democratic control, (directly by citizens, or indirectly by legislatures)
Administrative measures	entrance exams, tenure, promotion by merit, oversight, salary increases, rules	management contracts, competition among agencies, decentralization, end tenure	legislative oversight, nominee confirmation, citizen participation
Potential Negative Byproducts	rigidity, loss of accountability, inefficiency	clientelism, loss of accountability	politicization, excessive delays, cumbersome procedures

In this book, we focus on reforms that redistribute power and resources in significant ways and exclude a range of reforms that may increase efficiency or customer satisfaction (as in "debureaucratization") but that have little impact on power. Redistributive reforms create winners and losers, and make political analysis indispensable to any explanation of the adoption or defeat of reform proposals. Each model of reform seeks to shift power in significant ways. All of them shift power away from presidents and their inner circles. Civil service reform take appointments out of the president's hands. Democratizing reforms shift power away from the executive toward the legislature or other citizens' bodies. And managerial reforms increase the discretion of lower level managers, at the expense of their erstwhile bosses. The emphasis in much the technical literature on public administration on "best practice" and "optimal" administration neglects the fact that reformed state structures are not the product of "optimizing" strategies on the part of state reformers, but rather the result of protracted and intense political struggles.

managerialists are often willing to sacrifice safeguards against corruption if eliminating civil service regulations enhances efficiency.

IV. Country Cases and Dimensions of Variation

To assess these arguments this book analyzes the experiences of eight countries. Most of these countries are in the upper range of size and income for developing countries (see Table 3).⁹ At some point in the second half of this century most of these countries have turned in above average in economic performance. Over the past several decades they have also reformed their development strategy by making significant adjustments to state promotion of growth. These are states with at least modest capacity to grow and adjust. Lastly, all these countries became democratic in the last two decades of the 20th century. Along these broad dimensions the case selection allows us to control for some extremes of poverty, size, social development, and political system. The result though is a sample biased towards the countries with the most likelihood of reforming their public administrations. The conclusions may not therefore travel smoothly or completely to smaller, poorer, and less democratic countries in the developing world.

⁹ Grindle (1997) covers more cases of reform in poorer and smaller countries.

Table 3. Social and Economic Indicators

	Population (Millions)	GNP per capita (1995 dollars)	Adult Illiteracy (%)	Democracy
Korea	45	11,450	>5	1987
Thailand	58	7,540	6	semidemocratic
Chile	14	9,520	5	1990
Argentina	35	8,310	4	1983
Mexico	92	6,400	10	semidemocratic
Brazil	160	5,400	17	1990
Hungary	10	6,410	..	1989
Poland	39	5,400	..	1989

Source: World Bank, 1997, p. 215, except for date of transition to democracy. GNP per capita is calculated in terms of purchasing power parity.

There are also vast differences among these countries, both in terms of the dependent variable (type and extent of administrative reform) and independent variables (economic, political, strategic, and international factors), as well as the type of bureaucracy existing before reform efforts began. Table 4 provides a sample of some of the major variables. Korea (until 1997), Chile, and Mexico have done relatively little in the past two decades in terms of master plans and overall reforms. Argentina, Brazil, Poland, Thailand, and Hungary have all enacted more far reaching reform efforts. Moreover, the models of reforms enacted vary from the more managerial strategies in Mexico and Brazil, to civil service strategies in East Europe and Argentina, to democratizing efforts in Chile, Thailand, and Korea.

Table 4. Some Political, Economic, and Administrative Variations

	Party Fragmen- tation	Master Plans	Recent Economic Crises	Weberian administration
Korea	high	No	1980, 1997?	13.0
Thailand	high	1997?	1997	8.5
Chile	medium	No	1982-83	5.0
Argentina	medium	1991? 1995	1981-82, 1985 1988-90, 1995	3.8
Mexico	medium	1995?	1982-3, 1986 1995	8.0
Brazil	high	1988 1991 1994	1981, 1983 1988, 1990-92	7.6
Hungary	high		None	..
Poland	high		1990-91	..

Party fragmentation (number of parties, or lasting coalitions (as in Chile), accounting for 80% or more of the vote): low=2 parties; medium=3 parties; high= 4 or more parties. Sources: www.geocities.com, for Eastern Europe, Beyme (1993: 420). Economic crisis: years since 1980 with negative growth; source IMF (1997: 144-147). Weberian administration: webscale from Evans and Rauch, ranges from 0 to 14 (see appendix).

At first glance major political variables do not evince any clear pattern of covariation with the type and extent of reform. Party fragmentation, to take one key variable, was relatively high across all cases, and if anything significant reform seems to be associated with high fragmentation. Economic crises are also common across the cases, though they have been less frequent in Chile, Korea, and Thailand. In the context of fairly effective civil services, economic growth, and political transition, the pressures favor democratizing reforms, though often piecemeal.¹⁰ In the other contexts of simultaneous economic crisis, political transition, and non-Weberian bureaucracy, reform tended to blend managerial and civil service reforms with greater emphasis

¹⁰ Chile's low ranking on Weberian administration in the Evans and Rauch study does not reflect the strong civil service existing when Pinochet left power in 1990.

on the former in Brazil and Mexico and greater emphasis on the latter in Argentina, Hungary, and Poland.

By way of introducing more of the case specifics we provide thumbnail sketches of what has happened in each case. Brazil stands out as the case with the most reform initiatives and the most sweeping plans for reform. In fact we can distinguish three reform moments in Brazil: the 1988 Constitution which enacted a series of rigid civil service reforms, the radical and damaging downsizing Collor adopted, and the sweeping managerial Bresser Plan adopted in 1997-98. Throughout these reforms, the bureaucracy continued to be a significant haven for clientelism, at the same time the economy was rocked by frequent crises, and a fragmented and often hostile legislature complicated reform efforts of all sorts. Intervention by IFIs was slight, though internationally popular managerial ideas inform much of the Bresser plan. Strategy was important in the last Bresser Plan, as reformers linked administrative reform to fiscal balance and consequently to the successful and popular macro-economic stabilization program.

In Argentina administrative reform, initially concentrated on downsizing, was also packaged with macro-economic stabilization in the context of acute economic crises. The reforms package also included measures to enhance Weberian features (meritocratic entrance and promotion) yet at the same time, in a more managerial vein, make tenure conditional on performance and provide incentive pay for outstanding performance (Fontdevila 1994). Representatives of IFIs were very visible actors in the first years of reform. Parties and legislatures were not obstacles and reform decisions were taken by a small group of technocrats. One of the interesting features of the Argentine case is that some capacity building reforms, mostly civil service measures, were built, or snuck, into the initial emphasis on downsizing.

In Mexico, civil service and managerial reforms have both had adherents, though neither side won a decisive victory. Civil service reforms were supported by an unlikely alliance of modernizers who wanted to reduce corruption and by bureaucratic incumbents who wanted to ensure their place in government against the possibility of the victory of an opposition party in presidential elections. Advocates of managerial reform wanted to capitalize on the historical effectiveness of the non-Weberian bureaucracy. Overall, Arrellano and Guerrero argue, managerialism of a superficial sort is least disruptive to political leaders where the bureaucracy is the center of politics.

In Thailand extremely rapid economic growth highlighted the deficiencies of a formally Weberian bureaucracy whose effective operation came to be increasingly burdened by the coexistence of rigidity and pervasive particularism. Especially important in this sense was the area of infrastructure where extensive clientelism severely limited governmental capacity to adequately meet the huge demand for expanded infrastructural facilities. The real push for administrative reform, though, came from a surprisingly strong middle class movement that was more interested in reducing patronage and enhancing citizen participation and oversight over the bureaucracy, than in enhancing the state apparatus' capacity to deal with the bottle necks standing in the way of continued economic growth.

The Korean bureaucracy came into the 1980s with a strong reputation as one of the best and brightest (Woo 1991; Amsden 1989; Evans 1995). When opposition parties came to power in the 1990s, they embarked on modest democratizing reforms designed to make the bureaucracy more attentive to citizen needs and more accountable. The government embarked on more radical reforms in the wake of the balance of payments crisis of 1997.

Poland and Hungary provide useful reminders of the stickiness of administrative structures and practices. In spite of fundamental shifts in the overall institutional arrangements governing both economic and political life, bureaucratic change in these two transition countries has proceeded slowly, haltingly and unevenly. In Hungary debt-driven fiscal problems have been paramount in setting administrative reform efforts in motion. In Poland, the pressures associated with the accession to the European Union have played a similar role. In both Poland and Hungary, one of the most contentious issues and one that has strongly shaped attempts at professionalization in particular concerns the treatment of former communist cadres. Powerful reasons exist to seek to limit their influence. Given the shortage of technical expertise and former communist's continued political centrality, however, reducing their presence and influence has not been easy. High levels of institutional fluidity, finally, have greatly complicated bureaucratic reform in the two countries, while making it difficult to assess the impact of specific politico-institutional variables in accounting for their peculiar reform paths.

In sum, the variation among dependent variables and some potential independent variables is wide (and more are considered below). While the number of countries is not large or exhaustive, these variations on the dependent and independent variables allow for preliminary consideration of a diverse range of causal arguments.

V. Causal Explanations

Before considering the causal weight of various kinds of hypotheses, it is important to note that different variables explain different facets of administrative reform. What we seek to explain is not just whether reform happened or not, but also when it happened when it did, what model it followed, how comprehensive it was in scope, and how it fared in the process of implementation. The following discussion disaggregates these broad conclusions by sets of hypotheses covering economic, institutional, coalitional, and strategic factors (international factors crop up in the context of economic crises and the strategic packaging of reform proposals). To preview our overall conclusions: fiscal crises best explain the timing of reform while institutional and coalitional factors illuminate the process of modifying and implementing reform proposals. Strategic factors, or reform mongering, as well as international influences are sometimes important in overcoming political barriers to reform implementation.

Economic crises always prompt state actors to rethink how states go about their business, especially how they go about developing their economies. Economic crisis is prominent in the latest round of neoliberal reforms, as it was in previous changes in development strategies. Economic crisis was also crucial in triggering major administrative reforms in Brazil, Argentina,

Korea, Poland, and Hungary, yet it operated primarily through the fiscal account.¹¹ Cutting costs, especially payroll costs, becomes the primary focus of reforms undertaken under fiscal duress. Cutting costs does not translate directly into any of the three models of administrative reform, especially in the short run. Reducing corruption through civil service reforms or increasing administrative efficiency through managerial reform both reduce costs, but not in time to resolve the fiscal and balance of payments crises. Worse, in the short run, managerial, civil service, and democratizing reforms all increase costs at the same time they disrupt day to day operations. Therefore, initial responses to crises focus largely on firing people and reducing salaries. They are only the trigger for longer term administrative reform to the extent that state officials can link long term reform strategies to short term fiscal adjustment.

Fiscal crisis was the most important variable in explaining when reform proposals took hold, in part because fiscal crises overwhelmed other variables (see Haggard 1997: 47). Top leaders focus on the immediate crisis to the exclusion of other political variables, like coalition building, that might otherwise feed into decision making. Fragmented legislatures or legislatures that normally block the executive often pass major fiscal reforms under the gun of an unraveling economic crisis. Similarly divisions within the executive are put on hold during crisis moments. Ministers who oppose one another are unlikely to let these animosities stall an emergency fiscal package. Economic crises, as seem to in reforms of development strategy, in effect greatly centralize decision making to presidents and their inner circles.¹²

Other economic factors have more indirect and segmented effects on administrative reform. Concern over balance of payments as well as more open economies strengthen liquid asset holders and exporters who then develop specific demands for reforming those parts of the government that oversee or affect domestic and international markets. Demands to make regulatory bodies more efficient and transparent, or to streamline customs, taxation, and port administration are common. Reforms in these parts of the bureaucracy resemble first wave

¹¹ In the first wave reforms, balance of payments difficulties lead state officials to question the wisdom of ISI at the same time the crisis strengthens those who hold or generate foreign exchange, who also favor more liberal trading and financial systems. In the second wave reforms, in contrast, balance of payments crises by themselves do not necessarily shift attention to the bureaucracy. However, solutions in the short run to balance of payments problems usually do run through fiscal adjustment (in combination with higher interest rates and domestic recession). It is then that state officials begin looking more closely at what can be done with the bureaucracy.

¹² Administrative reforms born in fiscal crisis carry legacies not usually found in economic reform packages. For example, privatizations undertaken in crisis quickly become irreversible. Not so with long term programs for administrative reform. Forces opposed to civil service reform, for example, may have ample opportunity to attempt to block implementation if the fiscal pressure subsides. We return to these problems of longer term institutionalization later. Suffice it to note here that fiscal crises may trigger administrative reform but at the same time leave it vulnerable to opposition later.

reforms in that they involve small numbers of bureaucrats and can often be resolved through the simpler institutional task of creating new agencies. Moreover, these reforms rarely generate widespread opposition from parties, unions, and other political actors who may oppose universal reforms. Lastly, pressures for these partial reforms are fairly constant and have built in supporters once enacted.

Balance of payments crises and associated fiscal adjustments draw governments into closer contact with multilateral lending agencies responsible for emergency lending. In the 1990s, these IFIs invested a lot in thinking through issues of administrative reform (Mahon 1997; Nunberg 1997). So, a priori there are good reasons to expect the influence of IFIs to be great. However, the influence is variable and smaller than the influence in first wave reforms (see Nelson 1995). The IFIs were central actors in designing downsizing reforms in Argentina, but, importantly, as part of the overall first wave of reform in the early 1990s. There is little evidence of influence in the other cases, until the currency crises in Asia in 1997. The lack of influence in Mexico is noteworthy, both because of their heavy involvement in first wave reforms of the 1980s (Heredia 1996) and in the 1995 bailout. Outside of balance of payments crises, IFIs had a more limited impact through ongoing program lending to finance particular projects of reform. We return to these later because they are linked more to reformers' strategies than to economic crisis.

Turning to political and institutional variables, the first set of obvious hypotheses is that governments backed by disciplined parties with a majority in the legislature (in which party fragmentation is low) will be better able to enact significant reforms (Haggard 1997). On the surface, a comparison of Chile and Argentina, where presidents enjoyed coherent legislative support, on the one hand, with Brazil and Poland, with some of the world's most fragmented party systems, on the other, bears out these hypotheses. In Argentina Menem's Peronist majority essentially gave the executive a free hand in decreeing rapid administrative change. In Brazil, it took the Cardoso government several years of protracted negotiation to get its fragmented support in Congress to enact a significantly altered reform program. However, that the Cardoso government got any significant program approved seems to contradict these hypotheses. The reasons that the government was able to overcome very unfavorable party and legislative constraints is due in part to the continuing fiscal crisis, as well as the packaging of administrative reform with the popular Real Plan. The Mexican case is even more problematic for these institutional hypotheses. The PRI was a highly disciplined, majority (at least through 1997) party that has for decades approved almost anything the executive sent its way. The lack of significant reform there has more to do with the central role of discretion in the bureaucracy, both for technocratic reformers (who do not want to be constrained by bureaucratic reforms) and by the clientelist wing of the PRI that depends so heavily on patronage resources.

In this sense, Mexico provides a stronger confirmation of Geddes (1994) hypotheses. Her argument is that when clientelist resources are pivotal in electoral politics, politicians will not approve civil service reforms, except under conditions when such reforms hurt patronage-dependent parties equally. This condition occurs when two major parties have about equal power and hence equal access to patronage. Majority parties like the PRI have few incentives to give away one of their greatest advantages in electoral competition. However, the party-parity

hypotheses run into bigger problems in Argentina and Brazil. In Argentina, the majority Peronists relinquished patronage resources, despite the lack of parity, as did the fragmented Brazilian parties in the civil service reforms of 1988 as well as some aspects of the managerial reforms of the 1990s. Politicians' interest in maintaining clientelist resources continues to be a significant factor in the success of civil service reforms -- and may become more significant as governments enter the protracted process of institutionalizing reforms. However, the specific hypothesis that reform is likely only when two evenly matched parties face each other in congress does not find strong confirmation in our cases. None of the countries examined here met the conditions of party parity, yet the likelihood of reform varied substantially (see Table 3 above).

Another institutional variable with more consistent explanatory power is coherence within the executive. Infighting within the executive stalled reforms in Mexico, Thailand, Poland, Hungary, and to a lesser extent Brazil. In these countries, fragmentation of political support found expression within the executive, often manifested in the appointment of representatives from different factions or parties to key ministries, and to some degree shifted contention among political factions from the legislature to the executive. In contrast hyper centralization in Argentina smoothed the path to reforms of all sorts.

One of the probable reasons for the weaknesses of institutional hypotheses on party systems and legislatures is that they lack content. We can get a better idea of why some governments enact reforms by looking beyond the fragmentation of parties to examine the coalitional bases of reforming governments and presidential strategies for managing their diverse support coalitions. Governments with support, usually captive, from labor and from rural constituencies face fewer obstacles to reform of central government administration. These conditions are clearest in the Argentine case where Peronist unions acquiesced to damaging reforms in the public sector. To revisit the Geddes hypothesis, what is striking in the Argentine case is that Menem was able to split support within an overall clientelist party between the over represented rural (or peripheral, non-Buenos Aires) faction, which continued to receive significant patronage resources, and the metropolitan faction, including labor unions, which did not (Gibson 1996?). This strategy of course was closely related to Menem's strategy for resolving the fiscal crisis, and, counterfactually, the impetus for reforms that hurt the metropolitan clientelists would probably have been much weaker in the absence of fiscal crisis. However, strong rural and union support is only a facilitating factor as demonstrated by Mexico, where the PRI enjoyed strong support, but chose to avoid significant administrative reform.

A more positive, pro-reform component of coalitional analysis is the amorphous and diffuse middle class. Governments competing for middle class support often have more incentives to enact administrative reform, often in the direction of civil service reforms designed to reduce corruption and particularism in the delivery of basic services. Shefter (1994) argues that the middle class was the moving force in the Progressive era civil service reforms in the United States. There is evidence of middle class support for administrative reform of all types in Brazil, Thailand, Korea, Chile, and Mexico. However, this support does not seem to drive reform in our cases, largely due to the lack of direct intermediation between the middle class and parties. That is, many parties court the middle class vote as one of several constituencies and in most countries it

is impossible to identify any single party as *the* party of the middle class.¹³ Moreover, few parties take up the cause of civil service reform as an electoral platform that might channel intense middle class preferences. The Thai experience is especially revealing in that the middle class effectively bypassed intermediaries like parties to participate directly in decision making on administrative reform.

Given the high costs of second wave reforms usually daunting and political obstacles, the strategies and leadership of reformers sometimes loom large in explaining reform outcomes. Though tightly constrained by economic factors and politico-institutional arrangements, central state reformers can often significantly shape the course of reform experiments. Skillful packaging increases chances reforms will be enacted. Linking contentious administrative reform to more consensual policies, such as electorally popular stabilization programs as in Latin America or as accession to the European Union in Poland and Hungary, reduces potential opposition to administrative reform. Good packaging can: mobilize favorable public opinion; delegitimize opposition by losing social groups; reduce the power of opponents within the bureaucracy; and allow external resources, or pressures, to strengthen reformist groups and agencies. Packaging of course depends on what issues are at the top of the political agenda in each country. Reformers in Brazil and Argentina cast their administrative proposals in terms of essential measures to ensure the viability of very popular stabilization programs. In Eastern Europe, supporters of administrative reform defended reform programs in terms of the simultaneous political and economic transitions, as well as necessary conditions for entry into the European Union. In Chile and Korea, policy makers linked administrative reforms to other democratizing reforms that were central to the overall agendas of the first post dictatorship governments. In Mexico, corruption in government is near the top of the political agenda, especially for those in the PRI who want to improve the party's image among voters, and reform proposals are often marketed as efforts to reduce corruption. The lack of progress in administrative reform in Mexico shows, though, that packaging is not always successful. Overall, of course, successful packaging is not costless. It may help overcome short term resistance yet cause problems later on. As analyzed further in the next section, when administrative reform succeeds initially because it is part of a larger agenda, then longer term consolidation depends on the fortunes of that larger agenda.

Reform mongers can also anticipate the obstacles created by fragmented party support or potential intra-executive infighting. Bresser Pereira convinced President Cardoso to establish an interministerial council for state reform, that included all major ministries. Bresser then submitted his proposal first to this council. Once the council had approved it, it was harder for individual ministers to oppose the proposal openly. In Mexico, in contrast, president Zedillo

¹³ The PAN in northern Mexico may be an exception. Urban middle classes acting as the center-right PAN's core constituency in Mexico's Northern states appear to have played a role in making it politically profitable for aspiring elites to push through anti-clientelistic administrative reform in a number of municipal and provincial governments in Mexico (Mizrahi 1996).

charged SHCP with the task of elaborating a proposal for reform but granted Secodam veto power and never created a mechanism for resolving conflicts between the two. In terms of party obstacles, as noted before, Menem adopted a strategy of splitting support within the Peronist majority and using rural support against constituents in Buenos Aires who bore the costs of reform.

Internationally popular ideas, or “consensuses,” also play a role in packaging. That administrative reform became part of the Washington consensus in the 1990s helps legitimate it, or make it more urgent, in the eyes of some domestic constituencies. International legitimacy is especially strong in the case of managerial reform. Managerialism or the “new public administration” is thus modern and embodies the latest administrative technology. Minister Bresser thus worked to sell his reforms as the most modern, and in fact as a strategy to leap frog the stage of basic civil service reforms, and land directly in the 21st century with the same reform strategies as those most popular in industrialized countries. This marketing strategy was less pronounced in other countries, though references to managerialism and “reinventing” government were common.

Electoral calendars affect the agenda and success of state reforms. As with any major policy initiative, the closer to inauguration and initial honey-moon, the more likely that governments will invest in significant reforms (and the more likely it will be that they have time to work on consolidating these reforms).¹⁴ And, lame duck governments are less likely to embark on costly new initiatives. So, it is little surprise that the Zedillo and Menem governments were not pushing hard for reforms as their terms wound down. What is more surprising according to conventional calendar considerations is that the Cardoso government would push through a sweeping reform proposal in the very year that Cardoso was running for reelection (though apparently a number of the major provisions, such as rescinding civil service tenure, will not take effect until after the elections).

Lastly, reformers can draw on international funding, through program loans rather than conditionality in emergency bailouts, to overcome resistance and implement reforms.¹⁵ Funding from IFIs for specific programs of administrative reform do not have anything like the impact of IMF conditionality or the structural adjustment loans of the first wave. Nonetheless, even

¹⁴ Haggard (1997: 57). Sequencing may also enhance the political viability of administrative reforms, by dividing potential opponents as when postponing public employee cutbacks in electorally important regions (Gibson, 1996).

¹⁵ The World Bank notes four ways that international agencies “can encourage and help sustain reform:” technical advice, cross-country experience, financial assistance, and “mechanisms for countries to make external commitments” (1997: 14-15). In our cases technical assistance, expert foreign advice, and external commitments were not important, with the partial exception of Argentina. The Harvard Institute for International Development sponsored research on the success of their technical assistance programs and published the results in Grindle (1997).

marginal international funding can help reformers leverage change. As noted above, administrative reform is costly in the short run and most governments operate under tight fiscal restraints. International funds in this context can help reformers leverage more support from the government. In other cases, international funding allows reformers to undertake narrower pilot projects that, if successful, help reformers get domestic funds in subsequent efforts.¹⁶

In sum, a variety of factors affect various aspects of administrative reform. In terms of timing, fiscal crises are the most important triggers. Reform proposals may get enacted under the duress of fiscal crises, however their longer term implementation depends more heavily on political factors, both institutional in the sense of the structure of the party system, as well as coalitional, in terms of which groups support reform and how strongly. Economic and political factors explain most of the variation among our cases. Strategic and international factors have a more limited impact, either in a particular country or a particular aspect of reform (for example, the great popularity of managerial reform).

VI. Problems of Institutionalization and Consolidation

With the possible exception of Chile, administrative reform initiatives in all of the cases examined in this project have not yet reached the phase of institutionalization proper. In most of the countries studied, in fact, an important part of the capacity-building agenda is either still in the drawing board or very much in the making. In recent years, a number of common contextual factors have made it politically expedient for political elites across a wide range of developing countries to push administrative reform. The big remaining question is whether they, or their successors, will find it politically profitable to sustain such experiments over time. This question is obviously critical to the success of any reform initiative. In the case of Second Wave reform, however, it is particularly central given the long periods of time necessary to change large bureaucracies and the fact that many of the obstacles and opponents do not automatically fade away. Though not yet pressing for many current reformers, institutionalization is likely to be both the most complex aspect of Second Wave reforms, as well as the most crucial element to their political sustainability and practical success.

The initiation and institutionalization phases of reform programs exhibit, whatever the specific reform in question, distinct logics and dynamics. Based on the analysis of market-oriented economic reform, a number of studies have argued that the key distinction between the two phases is that successful initiation hinges on strategies that insulate reformers from losers, while consolidation depends on reformers' ability to generate winners. (Haggard, 1997) Though useful perhaps as a broad point of departure, this view is insufficient in accounting for the specific

¹⁶ In small countries, targeted reforms can be largely financed by external sources. One such example is a program to improve primary education in the 10% worst schools in Chile. From 1991 to 1995, US\$ 3.2m of 4.8m total came from abroad. The program was very successful (Angell 1996: 9).

problems associated with the institutionalization of capacity-building administrative reform. Basically because it tends to underplay the crucial differences between First and Second Wave reform. As noted above, second wave reforms like reforming public administration involve many more people and require much more time to be institutionalized. For one, while insulated “change teams” may devise proposals for administrative reform, implementing these proposals is going to require the active collaboration of thousands of often resistant bureaucrats. Reducing tariffs is simple, in contrast, to implement (though resistance to the policy maybe fierce). In addition, unlike exporters, for example, administrative reform does not immediately create a set of winners with a stake in maintaining reforms.

The problems raised by the institutionalization of reforms aimed at enhancing state capacity differ, in important respects, from those associated with the routinization of market-oriented economic change. Transforming incentive structures so as to generate new situations in which no participant has the individual incentive to change the status quo is never an easy feat. In the case of market-oriented economic reform, though, the expansion of decentralized market coordination at the expense of authority-centered coordination provides a relatively fast way to alter constraints and to do so in ways that tend to be self-enforcing. Though often difficult to push through, thus, once market mechanisms begin to operate they produce and, more or less automatically sustain, new patterns of behavior.

The logic of administrative reform is different. In contrast to market-oriented economic reform, most of the strategies employed to alter the incentives facing bureaucrats tend not to be self-enforcing. This means that reformers must spend considerable time and energy directly monitoring bureaucrats’ behavior so as to ensure that reform sticks. The often huge monitoring and enforcement costs of bureaucratic reform help explain why these processes tend to be so difficult to sustain over time. Since institutionalization, particularly in the case of capacity-enhancing administrative change, critically hinges on maintaining the reform impulse over relatively long periods of time, one can understand why so many bureaucratic reform initiatives languish and die off after brief and intense spasms of reformist fury.

In order for bureaucratic modernization to gel, reformers must be able to credibly commit to a permanent change in the incentive structures facing bureaucrats. This operation involves a two tiered process. The first one concerns altering incentives themselves and is usually performed by changing rules in ways that generate rewards for desired behavior and sanctions for undesirable one. The second, and most difficult, aspect of the institutionalization process has to do with the ability to make the new incentive structures credible. For changes in rules to be credible new patterns of sanctions and rewards must be enforceable and the expectation of actual and consistent enforcement must be high.

Most Second Wave reforms will take decades and generations to become institutionalized and many things could derail them. For example, Geddes found that legislatures enacted civil service reforms only when the two or three largest parties achieved political parity. She also found that reforms were stalled or forgotten when, even in the space of a few years, parity collapsed (1994). Institutionalized civil service reform in fact required a generation of party parity

in the case of late 19th century United States. In her view, institutionalization required the long term maintenance of the initial reform conditions. While correct in identifying the need for ongoing external support and enforcement of reforms, there are other ways to build support and enforcement capabilities.

Prospects for successful consolidation are likely to vary significantly depending upon the magnitude of their enforcement costs associated with different kinds of reforms. The higher the actual and/or perceived costs to reformers and superiors of enforcing new rules, in short, the lower the probability that administrative reform will become institutionalized. Among the numerous factors that shape the costs of enforcing administrative reform and, thus, the prospects for their successful institutionalization, two seem to be particularly important: the conditions under which reforms are initiated and the particular model of administrative reform enacted.

Conditions of initiation are important for consolidating reform efforts because variations in the specific causal factors driving administrative change tend to strongly influence the willingness and ability of reformers to sustain reform over time. For consolidation, the durability of the shifts triggering the introduction of administrative reform along with the number and relative political weight of initial winners seems especially important. Fiscal crises tend, for instance, to generate powerful incentives to embark upon bureaucratic modernization. The problem with financial stringency is that it tends to be short lived and it tends to produce, in the short run, many more losers than winners. As fiscal constraints relax, incentives to continue paying the costs of enforcing new rules diminish, and governments tend to return to pre-crisis administrative practices. The hike in public sector hiring in Argentina after the worse part of the fiscal crisis had passed is a good example of this pattern. Several factors, however, can, by prolonging the effects of fiscal constraints as levers of reform and/or by expanding the number of winners, make the automatic return to traditional practices once fiscal crises subside less likely. For one, fiscal constraints have been fairly severe in developing countries for periods stretching up to a decade. As in the United States, heavy indebtedness can force governments to devote over a quarter of government revenues merely to debt service. If governments maintain high interest rates to reduce the money supply or attract foreign investment, then the government creates its own ongoing fiscal constraint. Moreover, once macrostabilization becomes a trampoline to power (Menem and Cardoso) then politicians can emphasize fiscal austerity as a virtue and make it political (more than an economic) variable.

Administrative reform initiatives driven by more durable power shifts, such as those generated by expanded capital mobility, tend to facilitate institutionalization. Heightened financial openness has drastically altered the relative bargaining positions of governments and private holders of financial assets. The latter's greatly enhanced structural power has generated strong incentives in favor of introducing, sustaining and, deepening reforms aimed at insulating financial policy making institutions from the political process. This, in conjunction with the fact that the insulation of monetary and financial policy, tends to produce compact groups of powerful short term winners (i.e., top political elites, officials in charge of reformed institutions, large private investors) helps explain why in cases, such as Latin American ones, in which capital mobility is high, reforms focusing on the professionalization and autonomization of the agencies in charge of

monetary policy have tended to be the object of unusually forceful and sustained reform efforts.¹⁷

The specific model of reform pursued also shapes the nature, length, and complexity of the institutionalization process. None of the models of administrative reform is easy to institutionalize. The difficulties, though, are greater in some cases than others. In terms of institutionalization, managerialist reform provides in principle a number of advantages. The central one is that its reliance on market or quasi-market competition tends to reduce enforcement costs. What managerialist reform does, in fact, is to delegate enforcement to the competitive pressures unleashed by markets thereby reducing the time and effort reformers must spend in directly insuring compliance. An additional advantage of managerialist models, especially when contrasted with say civil service reform, is that they can generate concentrated groups of winners in a relatively short period of time. Winners of managerialist reform strategies may include, among others, small group of middle managers that gain autonomy.

Institutionalizing administrative changes aimed at increasing citizen participation in public management tends, in general, to be more lengthy and difficult than consolidating managerialist reforms. Several problems beset the institutionalization of this type of reform. Participatory reforms tend to greatly increase administrative costs by enlarging the number of participants and by lengthening the process of policy formulation. These reforms also tend to be, at least in the short run, strongly resisted and resented by most bureaucrats because citizen participation provides superiors with alternative sources of information concerning their behavior. As an enforcement and monitoring device, however, citizen participation is not quite as effective as market competition. This is so for two main reasons. Firstly because citizen participation tends in many cases to be too spasmodic to act as a reliable self-enforcing mechanism. Secondly because, in the absence of conditions limiting the political profitability of the discretionary and particularistic exercise of political and bureaucratic power, expanded citizen participation tends to degenerate quite rapidly into booming clientelism. In contrast, democratizing reforms that grant the legislature more control over personnel and procedures in the executive branch may be easier to institutionalize since legislators in principle constitute a powerful constituency with an enduring interest in maintaining its prerogatives.

Of the three models of administrative reform upon which this project focuses, civil service reform appears to be the one most difficult to both perform and institutionalize. This does not apply to the professionalization of discrete and insulated bureaucratic agencies. It does, however, to reform initiatives centered on the professionalization of the civil service as a whole. The basic difficulty facing those seeking to professionalize a country's civil service is that moving from

¹⁷ In other national and historical contexts, such as Imperial Japan or post-war South Korea, national security threats drove the institutionalization of merit bureaucracies. In these cases, the intensity and severity of the threat faced by political power holders along with the centrality of the military establishment as one of the key immediate beneficiaries and, thus, pivotal supporters sustained institutionalization. See Johnson 1982, Woo 1991; Evans 1995.

discretionary to merit-based recruitment and promotion deprives superiors' of one of their most crucial levers of power and influence. This in conjunction with the technical and administrative complexities implicit in setting up and operating a merit-based personnel system makes the enforcement costs of civil reform particularly high. As a result, gaining credibility for the new rules tends, also, to be especially difficult.

The institutionalization of civil service reform hinges, in the first instance, on political powerholders relinquishing discretionary control over the bureaucracy. Even under the exceptional economic and political circumstances under which this type of reform is usually performed, surrendering the power to hire, promote and fire personnel is politically quite costly. This generates strong incentives for inconsistent enforcement. Lapses in enforcement are always detrimental to consolidation efforts. In the case of civil service reform, though, the costs of precarious enforcement tend to be particularly high, given that in order to effectively alter bureaucrats' behavior long stretches of time are required. Iteration is of the essence to success. Only after many repeated plays, will bureaucrats' vision of their own careers change. Only through the consistent enforcement of rules, will incentives for acting in different ways will effectively take hold.

Institutionalizing civil reform is peculiarly difficult. Certain conditions, though, may facilitate the process. Three stand out in particular: financial stress, emergence of anti-patronage electoral constituencies, and/or situations in which merit-based recruitment and promotion may allow a given group of state officials the means to retain positions of power. Under conditions of financial stress, merit may provide a useful criterion through which to rationalize and legitimize large scale reductions in government salaries and personnel. Particularly when linked with the need to recuperate lenders' confidence, financial stress may also provide superiors with immediate positive incentives to carry out civil service reform.

Expectations of electoral gain, especially when associated with opportunities for mobilizing constituencies that stand to benefit from the reduction of clientelism and discretionary decision-making, can also propel this model of reform forward. Such constituencies can act as powerful agents in favor of civil service reform by providing aspiring political elites with the political and electoral base through which to challenge incumbent ones. Support coalitions, including officials in the reformed administration, are crucial to long term consolidation (Haggard 1997: 47). For Haggard, "the design of new administration structures must be seen as a coalition-building process" (1997: 57). Unfortunately, beyond noting the central role of bureaucrats themselves, Haggard does not identify probable candidates for support coalitions.

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