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OF ANALYSIS"

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The Political Economy of Budget Cuts: a  
suggested scheme of analysis<sup>1</sup>

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**Summary:**

The paper discusses the issues associated with budget cuts in social expenditures. First we examine questions related to the capacity of certain national political and institutional systems to resist budget cuts in social expenditures better than others. The second question refers to the pattern of cuts. Amongst the categories of social expenditures (education, health, social security, etc.), which are hit harder by the cuts and why? Within the educational system, which levels of education tend to suffer most the cuts? Which types of expenditures are more vulnerable?

**Resumo:**

O trabalho discute temas associados a cortes nos orçamentos em gastos sociais. Examina, em primeiro lugar, questões associadas à capacidade de alguns sistemas políticos e institucionais de resistir melhor que outros cortes em gastos sociais. A segunda questão se refere ao padrão dos cortes. Entre as categorias de gastos sociais (educação, saúde, benefícios, etc), quais são mais atingidos pelos cortes e porque? No sistema educacional, que níveis de educação sofrem mais com os cortes? Que tipos de gastos são mais vulneráveis?

## I. Introduction

In the last ten to fifteen years, many poor and developing countries have gone through painful processes of economic adjustment and restructuring in which budget cuts are prominent features. The pattern of cuts followed in each country has different effects on the standard of life of the population and its prospects for the future. The aim of this paper is to discuss the elements involved in the decision to cut public budgets, with special attention devoted to cuts in social expenditures and education.

What are the central questions? First there is the question related to the capacity of certain national political and institutional systems to resist budget cuts in social expenditures better than others. The second question refers to the pattern of cuts. Amongst the categories of social expenditures (education, health, social security, etc.), which are hit harder by the cuts? Within the educational system, which levels of education tend to suffer most the cuts? Which types of expenditures are more vulnerable?

We think that the answers to these questions may be associated with economic factors, and may follow from economic reasoning based on the action of rational economic agents, but that these factors are in most cases the least important. It seems quite clear that the historical, political and cultural background of each country as well as the effects of these national characteristics on the goals and strategies of the agents are the

crucial elements to focus upon. The questions posed are rather complex involving aspects of the history and culture of the educational system in each country, the internal dynamics and workings of bureaucracies, their role in the political arena, and the degree of organization of civil society. Also, the capacity to resist and surviving strategies of different social groups are affected by the cuts, and the institutions according to which budget decisions are taken.

The paper is organized as follows. In section II we discuss preliminary issues such as the macroeconomic aspects of adjustment and their bearing on public expenditures, the social matrix involved in budget cuts, and the patterns of cuts in social expenditures in different regions and countries. Section III is dedicated to a discussion based on contributions <sup>2</sup> to the theme of the relation between the State and the civil society in Third World countries. In section IV we provide a simple scheme for the analysis of budget cuts in education based on Hirshman's well known distinction between 'exit' and 'voice' as responses to the deterioration of the quality of goods or services provided by organizations. Factors associated with the degree of centralization of decisions are briefly reviewed in section V. Section VI focuses on the internal dynamics of bureaucracies and the part they play in political decisions. In section VII we summarize the preceding sections.

## II. Adjustment and Budget Cuts in Education

The international economic crisis of the '80's affected most Third World countries forcing governments to implement adjustment programmes. These programmes usually reduced the capacity of governments to foster growth through expenditures in infrastructure as well as their capacity to provide social services such as public education and health.

Different groups are involved in the decision to cut social expenditures, and one may try to imagine who are the representative agents and how they are affected by and react to the cuts. As noted already, the pattern of cuts varies from region to region, and from country to country, and it would be desirable to have an idea of these patterns.

### II.1 Macroeconomic Adjustment and the Public Budget

The growth of the external debt and the reduction in the demand and prices for export commodities from Third World countries are at the root of the fiscal crisis most of them are currently facing.

In highly indebted countries the mechanism through which government finances are affected is the so-called 'internal transfer problem'. The greater the proportion of the debt under the responsibility of the government, the greater the relation between the service of the external debt and the domestic government debt, or money supply. <sup>3</sup> This is so because the

proportion of exports of goods and services of public enterprises in these countries over the total volume of exports is quite small in comparison with the share of the debt under the responsibility of the government. To each dollar generated by net exports (which the Central Bank buys from exporters) there corresponds an increase of almost one dollar in government's expenditures. Hence, the growth of the services of the external debt and the reduction in the inflow of resources from international banks and agencies (such as the World Bank and the IMF) have a direct bearing on the growth of the public debt. Also, devaluations of the currency or changes in the international rate of interest have direct effect over the government expenditures through the internal transfer mechanism.

As the public debt grows, Central Banks in these countries must pay very high interest rates to the holders of treasury bills in order to keep the demand for the latter high and growing over time. This, of course, is yet another source of growth of the public debt.

In table 1 we present the share of interest payments over total central government expenditures for selected indebted countries. Clearly, it is highly improbable that a country could maintain reasonably sound finances and adequately provide social services when the share of interests over government expenditures reaches 30% such as in the cases of Brazil and Mexico after 1985.



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Table 1  
Share of Interest Payment over  
Total Central Government Expenditure

	1980	1982	1984	1985	
Argentina		8.16	20.34	11.47	9.61
Brazil		7.29	10.90	23.45	29.35
Chile		2.76	1.71	4.36	6.26
Guatemala		3.67	5.73	....	....
Mexico		9.28	14.03	32.93	36.93
Uruguay		1.61	3.31	8.25	9.23
Venezuela		6.50	6.58	8.10	10.63

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Source: IMF quoted in Cornia & Jespersen.

The relation between the services of the debt and the internal transfer between the private and public sectors imposes a serious constraint on the capacity of government to invest and foster growth and to provide social security benefits and social services. The necessity to finance the payment of the services of the external and public debts implies the crowding-out of other items in the budget, in particular expenditures in health, education, nutrition, and sanitation.

## II.2 Patterns of Budget Cuts <sup>4</sup>

There is a general pattern of cuts in social expenditures. There is a tendency towards a reduction in expenditure in health, education, nutrition and sanitation which obviously affects the well being of the poorest. There is also some diversity, as noted by Woodhall,

in many countries public expenditure on the social sectors fell more sharply than total public spending, as governments reduced the share of the public sector budget devoted to health and education, but some countries protected the social sectors, cutting expenditure more sharply in other public services. Education was more likely to be protected in Africa than in Latin America; the UNICEF study concludes that between 1979 and 1983 public expenditure per capita declined in one third of the African countries but in nearly 60 per cent of Latin American countries" (p. 19).

An ILO study (cited by Woodhall) looked at public expenditure in health, education and other social services, and reports that although in some countries there was an attempt to protect social expenditures, in others, public expenditure in health and education decreased in per capita terms. Within the regions there are also marked differences. In health expenditure, for example, the Latin American experience is diversified. The share of health expenditure in total central government expenditure remained roughly the same or increased slightly over 1980 and 1985 in Brazil, the Dominican Republic, Panama, Paraguay and Peru; and fell in Argentina, Bolivia, Chile, Costa Rica, El Salvador, Mexico, Uruguay and Venezuela (see Cornia & Jaspersen).

As reported by Cornia et al <sup>5</sup>, "one out of three African countries (for which data were available), ten Latin American countries, and two Asian countries experienced reductions in per capita public expenditures in education" (p. 93). According to the same study, between 1979 and 1983, per capita expenditure in education fell 59% in Latin American countries, and 33% in African countries.

There are some indications that the pattern of cuts within education is not uniform. The following is a list of untested hypotheses which could be checked in case studies:

- (i) higher education suffers less than basic education;
- (ii) real wages are more likely to suffer than the total number of teachers;
- (iii) supplies are cut more severely than personnel costs;
- (iv) maintenance is severely cut under conditions of scarce resources; and
- (v) research and development is one of the first expenditures to be sacrificed.

In this paper we are not particularly interested in the figures themselves but on the reasons for the common elements of the cuts in public services and the sources of diversified experiences. The starting point of the enquiry is the observation that public expenditures in social services (education included) tend to suffer when governments face fiscal difficulties but in some countries these expenditures are relatively protected implying that there are forces counteracting the general trend. What accounts for the general trends and the deviations around them?

### II.3 Who Are The agents?

The agents immediately involved in budget cuts are those whose incomes or prestige depend on public expenditures or those who are consumers of social services. In a sense, according to this criterion, every citizen is involved. However, the extent to which each citizen is affected by budget cuts varies enormously which implies that the degree of involvement is also variable. The channels through which the communication between the agents of the state and the agents of the civil society take place are also very diversified (political parties, lobbies, etc) which makes the nature of the involvement different too.

Those whose income or prestige depend on the amount and distribution of government expenditure are the politicians, the civil servants (amongst whom the top level bureaucrats and technocrats play a very important role), the suppliers of public goods and services to the government, and the recipients of subsidies and transfers. Politicians fight in name of their constituencies and are the central link between the State and the civil society. The civil servants, in fighting for the interests of other agents in the civil society, tend to protect their own interests, that is, to preserve their jobs and wages, and in many cases are organized in unions. Top level bureaucrats are politicians in a sense since the destiny of a part of the public funds depend on them. They usually are the intermediaries between the State and producers of public goods and services and recipients of subsidies. The technocrats, influenced by international agencies and the experience of other countries, are important for they usually develop the strategies and plans based on which politicians and bureaucrats decide.

Within each sector of the government, civil servants, bureaucrats, technocrats, suppliers of public services, etc have their interests, lobbies and organizations. In the educational system, the representative agents are the servants (of all levels) of the Ministry of Education (and their analogues at the state and municipal levels), teachers in the different levels, and the administrative and support staffs of public schools and universities. These agents will fight for their interests whenever there is a threat of losing their power, jobs or part of their

incomes. The effectiveness of the fight for their goals depends on a number of factors which we are about to discuss in the following sections.

The other group whose well being depends on the distribution of the government expenditures are of course the consumers of social goods and services. In the educational system the students of public schools and universities are the main consumers. They will suffer whenever there is a deterioration in the quality of education due to lack of (well paid) teachers, material, equipment, maintenance, etc.

It is the interplay of the capacity to protect the interest of each of these groups (of 'producers' and 'consumers') and the strategies used by each of them what defines the pattern of global budget cuts, and within the educational system. In elaborating a case study, it would be useful to identify these groups, define their characteristics in terms of their degree of organization (teachers, servants, producers and consumers in general), the distribution of the command over resources of the students at different levels of education, the degree of centralization of the budget decisions, and the ideological and intellectual background of the technical staffs at different levels of the system. These may be important indicators of the evolution in the pattern of the budget for education.

III. The State and Social Organization: who will save education

from budget cuts?

The questions raised in this section serve the purpose of distinguishing countries according to the extent to which social expenditures and education suffer from budget cuts. They are concerned with the macro decision over budget cuts, and the way education is treated -- a decision which involves the State (at the national level) and its relationship with the civil society. Hence it seems imperative that we consider in a systematic way this relationship with special emphasis given to Third World countries.

### III.1 State-society relations

A congenial starting point is a paper by Ruth Collier and David Collier in which the authors provide a very interesting and, indeed, quite thought provoking, framework for studying the relation between the state and the society in Latin American countries.<sup>6</sup> The point of departure of the paper is the notion of 'corporatism' which has gained strength in the last decade as an analytical tool for the examination of state-society relations. The literature on corporatism considers the role of interest intermediation in societies in which the leaderships of major social groups are seen as the legitimate representatives of individuals in their relation with the State, contrary to so-called 'pluralist' societies in which the individuals (not the social group or its representatives) are at center stage.

In countries with corporatist social structures, a relation develops between organized social groups and the State in which

the latter "encourages the formation of a limited number of officially recognized, non-competing, state-supervised groups" (Collier & Collier, p. ). Hence the interplay between the civil society and the State takes place through a very concrete, and clearly identifiable relation between government officials and leaderships of major social groups.

Collier & Collier recognize the importance of the notion of corporatism, but propose a refinement of it by introducing the notions of 'inducement' and 'constraints' in order to study State-society relations. Taking the relation between the State and labour organizations as an example, they note that the State provides certain advantages to unions and union leaders (such as official recognition, monopoly of representation, and compulsory membership) but, on the other hand, imposes controls or constraints on their activities (certain limits over the right to strike and collective bargaining for instance).

Collier & Collier aptly describe the history of the relation between the State and the labour movement in Latin American countries using the notions of inducement and constraints. They note that by mixing in different proportions 'carrots and sticks' the elites and the state have been able to control the labour movement and stabilize the polity in these countries. The following passages are quite representative of the authors' views:

Corporative policies towards organized labor in Latin America have been introduced from above by the elites, acting through the state, who have used these policies to help them pursue a variety of goals --involving an effort to shape the behavior of the labor movement and/or to win its political support. It therefore seems appropriate ... to view structuring and subsidy not simply as

benefits but as inducements through which the elite attempts to motivate organized labor to support the state, to cooperate with its goals, and to accept the constraints it imposes. (p. )

...[H]igh levels of inducements, as well as constraints, are often instituted by members of the elite whose goal is to produce a docile, controlled labor movement. (p. )

It would be difficult to establish a clearer identification between the actions of the State and the interests of the elites. Indeed, in the passages, the State and the elites seem to be amalgamated in one unique body. The description provided by the authors is quite convincing and supports the historical records of an oligarchical period which still prevails in most Third World countries. On the other hand, it is not quite true that the elites have been able to effectively control neither organized workers nor the masses in many Third World countries. Indeed, the political equilibrium in these countries is quite unstable. This only implies that in certain circumstances the control over the political process scapes from the hands of the elites, and in order to recover it the State has to alter the mix of inducements and constraints.

Be that as it may, the account of Collier and Collier pictures a very assymetric relation between the State/elite and organized labour which of course could be extended to the relation between the state and the masses, \<sup>7</sup> a relation according to which the State maintains control over the labour movement, and in which the use of different proportions of inducements and constraints is at the root of populist and dictatorial political regimes. The authors do not emphasize changes in political regimes associated



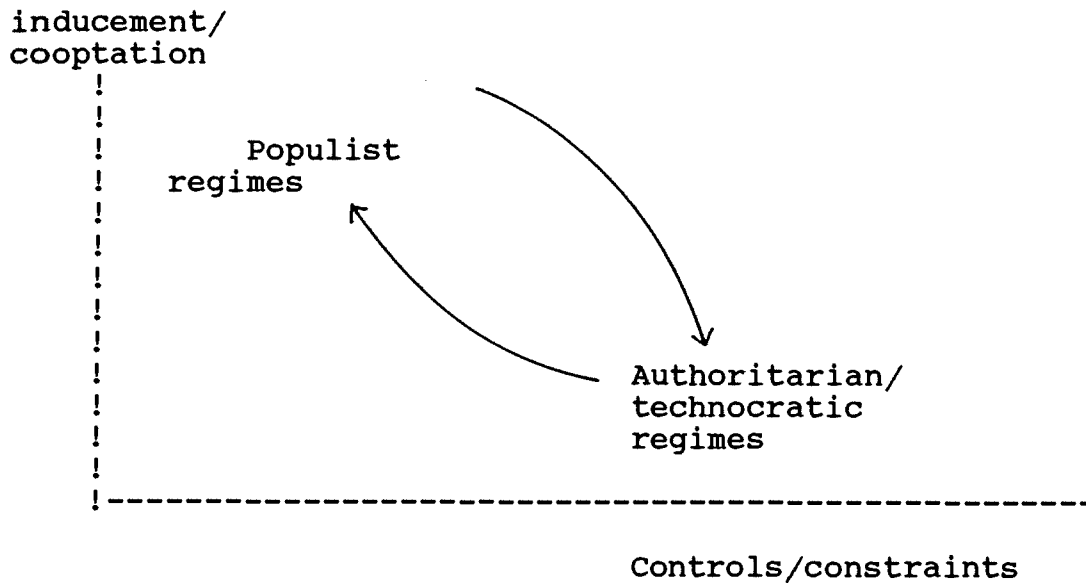
with changes in the mix of inducements and constraints, but it seems legitimate to expand the argument incorporating this association.

The distinguishing feature of most Third World societies is the low degree of organization and political participation of the civil society. In certain periods, unions and other popular movements may be very active and militant but they represent a small share of the population. On the other hand, the state uses different means to coopt leaderships which in turn makes them dependent on government agencies and party members, and not at all responsive to the workers.

Samuel Huntington and Joan Nelson <sup>8</sup> have noted that in certain societies where the degree of political participation of a majority of the population is small, and in which decisions involve the interests of a narrow elite, there seems to be a historical pendulum which swings from populist to technocratic regimes. Populist regimes bring about greater economic equality and political participation at the cost of rising demands and aspirations which in turn give rise to a 'participation implosion' of the regime. Technocratic regimes foster growth at the expense of less political and economic equality, inducing a situation of 'participation explosion' in which marginalized social groups with certain capacity to organize are mobilized to overthrow the government.

The expanded conceptual apparatus of Collier & Collier and the stylized story of Huntington & Nelson can be put together in a simple scheme represented by a plane in which we plot

inducements/cooptation in the vertical axis and controls/constraints in the horizontal axis. \<sup>9</sup>



#### ASSYMETRIC SYSTEMS

In societies for which this scheme makes sense the relation between the State/elite and the masses is quite assymetric. It is implicit in the analysis put forward by Collier & Collier and Huntington & Nelson that no matter how active and militant unions and the masses may be, the elites will be able to minimize or supress conflict, and maintain political control and high levels of economic exploitation. If a populist president decides to govern by coopting workers with more political and economic participation, and demands for further reforms mount, members of

the elite will tend to orchestrate a change in the regime. The new regime will impose controls and constraints over the behaviour of unions and other popular organizations. However, if the degree of repression gets too high forces will tend to develop in order to restore civil rights and provide a chance for the social groups to express their dissatisfaction.

We all know that the story told so far is very similar in the case of many Third World countries, and indeed represents the rule. However, there are exceptions which the apparatuses described are not able to explain. On the one hand, there are the cases of participation explosions leading to revolutions in which the elites are overthrown from the state (Cuba and Nicaragua in Latin America). On the other, there are cases in which the elites lose the control over the state through electoral means (Allende in Chile and João Goulart in Brazil).<sup>10</sup> Going beyond the Third World, in Spain and Portugal the restoration of democracy has proven that a country may evolve from an asymmetric society to one in which the balance of power between the social groups is less asymmetric and political participation is greater, in which the control of the elites over the state is only partial, and yet the system is stable.

It seems quite clear that there exists a positive correlation between the symmetry of power relations and the organization of the civil society. In these societies, the economic elites can no longer control the rest of society by mixing inducements and constraints, and the State itself becomes a forum of the disputes between different social groups.

In establishing an analog for the scheme developed for the assymmetric systems, we must replace the notions of inducements and cooption for the notions of group representation and participation in the State; and replace the notions of constraints and controls for the degree of conflict of interests between individuals or groups. 'Group representation' (or 'interest intermediation') and 'conflict of interests' are the engines of social and political dynamics in symetric societies.

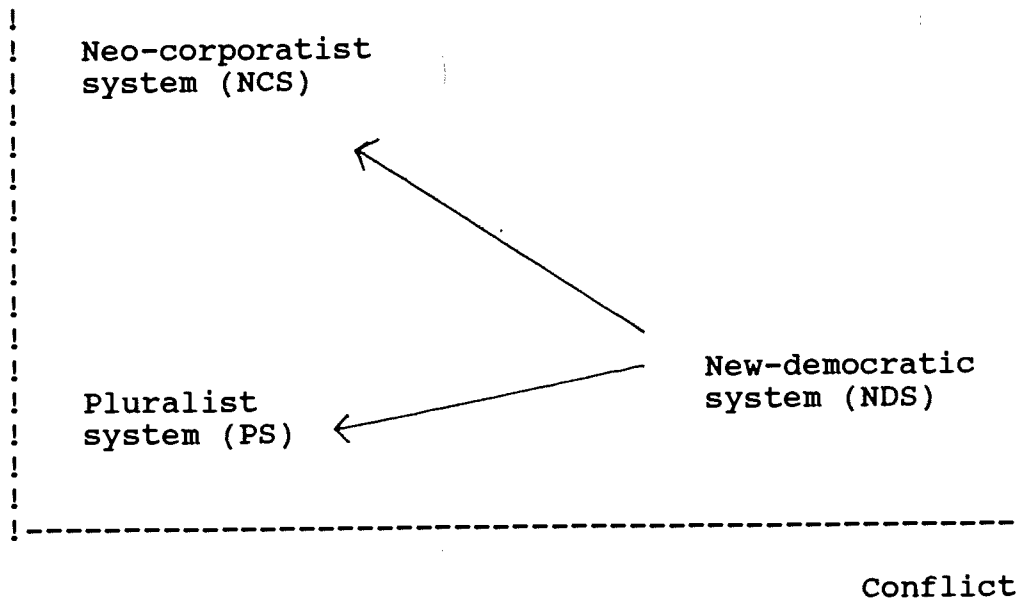
The role of the state and the relation between the State and society are quite complex in symetric systems. The main goal of the state in such systems may be associated with the notion of 'governance' <sup>\11</sup> according to which policy makers and politicians aim above all the "maintenance of economic and political stability, the management (not elimination) of social conflict, and the creation of institutions and arrangements in which various social groups can cooperate with each other in the economic life of the country" (Amadeo & Banuri, p. 2). The management of conflict and creation of institutions which enhance the prospects of cooperation between social groups, and not the defense of the interests of a minority, characterizes the activity of the State.

Institutions depend on the history of each society and the actions of social agents. There are institutions which facilitate the negotiation and management of conflicts, but they are country-specific. Thus there are countries in which the direct participation of social groups in policy-making is large, and this is seen as a powerful instrument of coordination of conflicting interests and the maintainance of stability.\<sup>12</sup> In others the

degree of group representation is low, and the relation between the State and society takes place through 'capilar' institutions such as direct relationship between politicians and their contituencies, for example, or the operation of professional lobbies. \<sup>13</sup> Stable democracies are those in which, inter alia, the negotiation over the conflict of major interests has taken place already and, therefore, the degree of 'open conflict' or 'distabilizing conflict' is low. The disputes revolve around points which do not put in question the main pillars of the system.

Countries in which new-democratic systems prevail (such as Portugal, Spain, Grece, Brazil, Argentina, Uruguay, Chile etc) are still in search of stabilizing institutions, that is, institutions which will regulate conflicts, make negotiations easier, and eventually reduce the degree of open conflict.

Group  
Representation



#### SYMETRIC SYSTEMS

The route which the new-democratic systems will follow is still uncertain. However, there are strong indications that they will follow a neo-corporatist trajectory. In all the NDS countries cited above, social groups (especially unions and central unions) have been instrumental in the transition to democracy, and play a very important role in the negotiation over conflicts and the creation of new institutions.

#### III.2 Lessons for the analysis of budget cuts

What can we learn from this discussion for the analysis of case studies concerned with the political economy of budget cuts in social services, and in education in particular? What are the factors which prevent cuts in social expenditures at the macro

level? The discussion helps one to map the enquiry by distinguishing countries with asymmetric or symmetric power relations. We are convinced that the capacity of the educational and health systems to resist cuts will depend on the asymmetric or symmetric nature of the system for those who are hurt by the cuts will have different opportunities to react depending on the type of political institutions.

Third World countries usually have asymmetric power relations or, when they are symmetric, there is a lack of solid institutions through which the interest of different social groups can be manifested. In the case of the new-democratic countries the lack of strong institutions may lead to long conflictual processes between the major social groups as their interests become threatened.

In countries with asymmetric relations, the various segments of the elite will tend to defend their interests whenever constraints are imposed over the government budget. Personal relations with politicians and bureaucrats are the main channels of communication with the State in these cases. The poor, who are by far the main beneficiaries of the public health and public educational systems, do not have access to the State, and usually will have to passively suffer the deterioration of the services.

There are factors which may reduce the impact over the poor of budget cuts. One is the existence of country-specific factors which make social expenditure (or certain items of the social budget) a national priority. In Jordan, for example, the King himself has taken very strong stand in singling out education as

an expenditure that should be protected from cuts and the Crowned Prince has been put in charge of monitoring it. The reason for such an attitude is not only a result of the King's ethics, but mainly of the fact that Jordan does not have oil or other natural resources, and that exporting qualified labour to the gulf countries has been a national priority.

International agencies and bureaucrats with an ethical perspective may also put pressure on decision makers and help to protect social expenditures from cuts. The efforts of international agencies -- UNICEF and ILO are two examples -- in this direction in the last few years is remarkable.

In countries with assymetric relations social expenditures are usually very low and generally fall in period of economic hardship. We would venture to argue that this is the case of Pakistan, Kenya, Niger, Bolívia, El Salvador, Guatemala, Guyana, and Trinidad and Tobago -- countries in which, for example, there has been a sharp decline in social security expenditures (public health, unemployment benefits, and supplementary income), as noted in table 2a.

In new-democratic countries, as a result of the intense conflict between social groups, the outcome of the process is very uncertain. But the growth of demands and aspirations and the rise of popular movements which usually goes hand in hand with transitions to democracies tend to improve the quality of services and the share of social expenditures. It is true though that in countries going through processes of democratization, the capacity of different groups to express their dissatisfaction is not



uniform. Certain groups, e.g. organized labour, are able to voice their demands more effectively than others.

In many countries such as Brazil and Argentina the debt crisis had a devastating effect over the public finances but nonetheless certain services (public health for example) have not suffered as much as in some other countries. In Brazil, Argentina, Greece, Portugal and Spain -- countries which are heading towards more symmetric systems -- there was an increase in social security expenditures as one can note in table 2b.<sup>14</sup> In fact, a careful analysis of the table reveals a certain segmentation within this group of countries. Brazil and Argentina are closer to the countries listed in table 2a; whereas Portugal, Spain and Greece are closer to the countries listed in table 2c.

Expenditure of Social Security Schemes  
(Includes public health services, unemployment  
benefits and supplementary income to persons having  
family responsibilities)

(as a percentage of GDP in purchasers' values)

Table 2a.

	1965	1970	1975	1980	1983	
Pakistan		0.95	...	...	0.04	0.54
Kenya		...	1.9	2.1	0.06\*	0.07
Niger		1.0\#	1.2	1.0	0.3	0.6
Bolivia		3.6\+	3.1	3.1	2.9	2.1
El Salvador		2.2	2.9	3.3	1.7	1.8
Guyana		4.3	3.3	1.9	1.3	1.8
Guatemala		2.0	2.1	2.0	1.2	1.0
Trin & Tobago		2.8	3.0	2.4	0.7	2.4
Jamaica		2.7	2.8	3.2	1.4	1.7

Table 2b.

Argentina	...	...	6.8	9.3	7.3
Brazil	4.3	6.0	5.7	4.8	5.6
Portugal	5.2	5.6	11.0	9.7	10.1
Spain	3.6	...	11.7	16.0	17.7
Grece	9.2	10.8	10.8	12.2	17.6

Table 2c.

Canada		9.4	11.8	14.2	13.7	16.5
USA	7.0	9.5	13.1	12.6	13.8	
Israel		5.0	10.4	14.5	13.2	15.3
Japan		5.1	5.3	7.6	11.2	12.0
Austria		17.7	18.5	20.2	22.5	24.2
Belgium		16.1	18.1	23.6	25.9	28.0
Denmark		12.2	16.4	22.5	29.9	27.9
France		15.8	15.3	24.1	26.7	29.4
Italy		13.8	15.0	21.2	21.5	25.7
Norway		11.0	15.5	18.5	20.2	21.9
Sweden		13.8	18.6	25.0	31.9	33.3

Source: ILO, The cost of social Security: twelfth international inquiry.

(\* ) 1981; (#) 1966-7; (+) 1961.

In countries with symmetric (or democratic) relations and solid institutions those groups which potentially would suffer most with the cuts in social expenditures will tend to react strongly. Unions, Central Unions, associations will pressure parties to defend their interests in congress. The result may be an increase in social expenditures as was the case with social security expenditures in Canada, USA, Israel, Japan, Austria, Belgium, Denmark, France, Italy, Norway and Sweden (report to table 3c). In these countries the increase in social expenditures (social security, education, health) after the Second World War is part of a 'social contract' whereby the State was suppose to protect the individuals from the effects of changes in the economic conditions of the economy or the sector to which he/she was associated.

A similar pattern can be identified if we look at the figures on government social expenditures in education and health (refer to tables 3 and 4). Whereas the figures for per capita social expenditures in countries with symmetric political structures varied between US\$ 269 (Italy) and US\$ 946 (Denmark) in education, and US\$ 80 (Belgium) and US\$ 650 (France) in health; in Brazil the same figures amounted to only US\$ 21 and US\$ 36 respectively. In countries with asymmetric power relations such as Guatemala for example, the same figures were US\$ 14 and US\$ 9.

Social Expenditures in Selected Countries

	Social Expenditure Per capita, US\$, 1982			Proportion of Total Government Expenditure %, 1982		
	Total	Educa- tion	Health	Social Expend.	Educa- tion	Health
<b>Table 3a</b>						
Pakistan	5	1	1	8.3	2.2	1.1
Kenya	27	19	7	27.6	19.9	7.3
Bolivia	37	31	4	16.4	13.6	2.0
El Salvador	38	23	10	27.9	16.9	7.1
Guatemala	27	14	9	23.9	12.6	7.6
Paraguay	95	25	8	45.8	12.0	3.7
Trin & Tobago	492	199	105	27.8	11.2	5.9
Zaire	12	10	2	19.9	16.3	3.2
Zambia	60	37	21	24.7	15.2	8.4
<b>Table 3b</b>						
Argentina	225	57	22	39.8	19.1	3.8
Brazil	222	21	36	47.8	4.6	7.8
Spain	1014	99	8	70.9	6.9	0.6
Grece	781	130	161	49.9	8.3	10.3
<b>Table 3c</b>						
Canada	1335	95	152	45.3	3.2	5.2
USA	2553	687	550	52.6	14.2	11.3
Israel	1553	382	197	34.2	8.4	4.3
Austria	2860	489	538	64.0	10.9	12.0
Belgium	2804	676	80	57.8	13.9	1.7
Denmark	4416	946	648	66.4	14.2	9.7
France	3410	448	650	70.0	9.2	13.3
Italy	1606	296	322	53.2	8.9	10.6
Norway	2880	451	555	54.9	8.6	10.6
Sweden	3234	527	107	61.9	10.1	2.1

Source: Petrei, A. H. 1987. El Gasto Público Social y sus Efectos Distributivos, ECIEL.

## Percentage Growth Rates (1979-1982)

	Total			Per capita			
	Social Expend.	Educa- tion	Health	Social Expend.	Educa- tion	Health	
<b>Table 4a</b>							
Pakistan		12.8	13.9	7.5	9.5	10.6	4.4
Kenya		3.3	4.2	4.4	- 0.9	0.0	0.2
Bolivia		4.0	5.4	- 2.8	1.3	2.7	- 5.3
El Salvador		- 0.1	0.7	- 1.2	- 3.2	- 2.4	4.2
Guatemala		2.4	1.4	4.6	- 1.0	- 1.9	1.2
Paraguay		10.0	6.7	7.3	6.5	3.2	3.8
Zaire		- 6.3	- 5.9	1.1	- 8.8	- 8.5	- 2.2
Zambia		- 1.3	- 2.4	1.1	- 4.3	- 5.3	- 2.0
<b>Table 4b</b>							
Argentina		5.1	2.8	0.1	3.3	1.0	-1.7
Brazil		11.0	7.1	13.5	8.1	4.3	10.6
Spain		9.0	4.9	1.7	8.0	3.9	0.8
Grece		8.0	7.2	11.0	6.9	6.2	9.9
<b>Table 4c</b>							
Canada		4.3	3.3	- 0.5	3.1	2.1	- 1.7
USA	4.3	- 0.7	6.1	3.2	- 1.7	5.1	
Israel		15.8	9.2	12.3	8.7	5.6	5.1
Austria		6.0	4.0	7.1	6.0	3.9	7.1
Belgium		5.1	3.9	5.3	4.9	3.7	6.1
Denmark		1.2	- 1.7	-16.3	0.9	- 2.0	-16.5
Italy		3.9	1.0	5.0	3.6	0.7	4.7
Norway		4.5	3.6	3.5	4.1	3.1	3.0
Sweden		6.5	2.4	0.7	6.2	2.1	0.4

Source: Petrei, A. H. 1987. El Gasto Público Social y sus Efectos Distributivos, ECIEL.

Whereas the share of social expenditures in total government expenditures was 70% in France (1982), in Argentina it was around 40%, and in Pakistan 8.3%. The share of education in total government expenditures was 14% in the US, 4.6% in Brazil and 2.2% in Pakistan.

The percentage growth over the '70's of total and per capita government expenditures in education and health was, on average, greater in countries in which the investment in these areas was already very high thus widening the gap between countries.

Reports on social figures usually separate countries according to their levels of income per capita: low, middle and high-income countries. There is a strong positive correlation between this classification and the one adopted here: high-income countries usually have symmetric power relations <sup>15</sup>, low-income and middle-income countries have asymmetric or weakly asymmetric relations. Establishing causality links in this area is at least very dangerous. But we suggest that it is not necessarily the level of per capita income what determines the share of social expenditures. Rather, one may venture the hypothesis that the political and cultural history of each country is a central determinant of the share of government expenditures dedicated to education, health, social security, etc. This might seem to be a vague hypothesis but if we consider measures of political participation (such as free elections, freedom to organize, laws regulating the functioning of unions, etc.), and in particular the role of labour qua social actor, we may come to the conclusion that were the relatively poor in each country have a 'voice',

social expenditures as a proportion of GDP or total government expenditures is very high and do not fall in periods of economic difficulties.

History and country-specific factors do not have substitutes for explaining the extent to which economic crisis affects social budgets. However, as a guideline to case studies and to a comparative study of the experiences of different countries, we suggest an analysis of the nature of power relations, of the degree of organization of the civil society (organized labour, in particular), and of the existence of democratic institutions which make it possible for those groups which potentially suffer most with budget cuts to resist cuts and defend their interests.

#### IV. A Disaggregated Analysis of Budget Cuts: the case of the educational system

Each group affected by cuts in social expenditure has a different capacity of response or resistance depending on three aspects to which we will refer as the command over resources, the degree of organization, and the attitude of the group in face of the political process. These aspects do not work isolately. Indeed, they tend to be interrelated, sometimes reinforcing the capacity of response of a group and sometimes reducing even further the capacity of other groups to make themselves heard by the government or society at large. Command over resources and organization are two assets with which individuals or groups can count on in order to face the threat of situations which may

reduce their standard of living or offend their position in society. On the other hand the attitude of the individual or the group is a question of strategy --not at all isolated though from the other two aspects.

The typical case of command over resources refers to capital or material wealth. The richer the individual or the group the greater will be its possibility of effectively reacting to the losses imposed by a change in the 'state of nature'. The effectiveness of the reaction can be measured not only by the capacity to protect its benefits but also by the possibility of 'buying' (second best) alternatives. But there are other types of resources an agent could command. One is the access to information due to privileged relations, educational background, or social extraction. The other is social prestige which depends on a series of cultural factors. In many cases material wealth, access to information and prestige come together as a result of inertial elements such as family and professional ties. These elements, it should be clear, when associated with individuals or very restrictive groups, are much more important in assymmetric societies in which power is extremely concentrated in the hands of a few. A few stylized facts of relevance here are that the distribution of wealth and income is considerably less unequal in countries where power relations are symmetric; also the privileged access to information is not as great as in traditional societies such as in most Third World countries. Hence, the difference in terms of the capacity of groups or individuals to fight against the deleterious effects of budget cuts due to the unequal distribution of command



over resources lato sensu will be much greater in societies characterized by assymmetric power relations.

Agents with similar interests may be organized in groups, and depending on the coherence of their goals and the costs of the means to come together with a solid strategy, fight effectively against decisions which might deteriorate the quality of their lives. The coherence of interests and the costs of organizing and mobilizing members in critical moments are the internal factors which determine the degree of effectiveness of the organization. There are other important factors such as the extent to which the group is socially representative, that is, the extent to which it represents the interests of a sizeable group of agents. A group may be well organized but if it represents the interest of a very restrictive group it will have very small visibility and hence a small chance of being heard.

The strategy followed by each individual group varies in accordance with its command over resources, and in the case of groups specifically, with the degree of organization. Not all the types of strategies are available to all individuals or groups which is obviously an important factor in analysing the diversity of responses. In order to be economical in using 'codes' and concepts, we may use Hirshman's notions of 'exit' and 'voice' as a way to differentiate the strategies. In face of a deterioration in the quality of a good or service, Hirshman <sup>16</sup> argues that individuals may either choose an alternative (substitute) source of the good or service in case --this is the exit strategy-- or may try to induce a reversal of the trend by voicing its dissatisfaction. The following passage clarifies the two notions:

To resort to voice, rather than exit, is for the customer or member to make an attempt at changing the practices, policies, and outputs of the firm from which one buys or of the organization to which one belongs. Voice is here defined as any attempt at all to change, rather than to scape from, an objectionable state of affairs, whether through individual or collective petition to the management directly in charge, through appeal to a higher authority with the intention of forcing a change in management, or through various types of actions and protests, including those that are meant to mobilize public opinion. (p. 30)

We may now combine the three aspects of the capacity to respond of individuals or groups to adverse situations (command over resources, organization and strategy) as in the following table.

Capacity to Respond to Adverse Situations			
=====			
Degree of Organization			
-----			
	High	Low	
! ! !	Large	Exit/voice	Exit
Command over Resources	Small	Voice	(Passivity)
! !			

The alternative responses vary with the combination of command over resources and organization. In many cases, exit is a 'market response' (Hirshman, p. 15), that is, the individual or group, prefers to go to another producer of the good or service even if this decision involves a greater financial cost which thus implies

the necessity of some command over material resources. Voice, on the other hand, is a 'political response' par excellence and therefore requires some organization.

In general we may say that organization is an important asset for a group to exercise voice. The property of resources (material or otherwise) may be of great help in engaging in a voice strategy. In some cases the command over resources may even make voice a viable strategy without organization. <sup>17</sup> However, depending on the situation or costs involved in voicing, an organized group with large command over resources may choose to exit. An example here is the case of middle class families who opt for private schools when public education deteriorates. Hence, an organized group with resources may either exit or voice. But this is the only group for whom both strategies are viable.

An organized group without resources only has the voice alternative; it cannot exit because it lacks the means to do it. This is probably the reason why those agents who are not proprietors of resources organize more frequently than those who do have resources. Workers have more incentives to organize than employers; blue collar workers have more incentives to organize than white collar workers, etc. Hence, for the poor who are the ones who suffer most intensely from the effects of budget cuts in social expenditures, organization is an essential weapon. Those who are dispossessed of resources and are not organized do not have another alternative but to passively accept the effects of the change in the state of nature. The latter is indeed the case of a significant proportion of the population (rural workers and urban

masses) even in countries with relatively symmetric power relations such as Brazil, Mexico and Colombia.

Individuals who have command over resources but are not organized, in general, will have to opt for an exit strategy. They may decide to voice their dissatisfaction but this will demand disposing of and spending resources which represents a hindrance to the voice strategy.

This scheme serves the purpose of providing a systematic and unifying tool of analysis for the study of budget cuts in education in various countries. It may also help to explain certain stylized facts associated with the distribution of budget cuts in education.

Probably the most perverse effect of budget cuts in education is the deterioration of basic public education. The reason for such outcome is associated with the fact that, in general, the degree of organization of the consumers (families) is very low due to their low command over resources. In face of a deterioration in the quality of the service, those who command financial resources (rich families) tend to exit the public system <sup>18</sup>; and the poor families do not have another recourse but to accept passively the effects. Indeed, they are unable to exit the system or to voice their dissatisfaction.

Whereas primary school students and, in particular rural students, have no means to expressing their demands, university students are relatively organized and voice their demands quite strongly.

As for the suppliers (teachers and administrative staff), in many cases their action is ineffective or they have a passive

attitude for their degree of organization tends to be low and their command over resources is small. In the city of Rio de Janeiro, primary and secondary school teachers can go on strike for months without any practical consequences: the relatively richer families do not send their children to public schools thus reducing significantly the loudness of the teachers' voice.

University teachers and researchers have comparatively more resources than school teachers. The resources in this case are not financial resources but other means which may substantially upgrade their capacity to oppose cuts. Higher education bureaucracies are systematically of better quality than those of lower levels of education. They are better informed, they engage in pre-emptive action sooner and they are more aggressive in getting other funds to compensate whatever they may lose in some battles. Furthermore, both the universities and the higher education bureaucracies have much more to offer to higher (government) officials. In addition, very often ministers and higher authorities come from universities and have their loyalties there. It is difficult for them to betray their colleagues and friends.

Looking from the side of the consumers, differently from the case of basic education, in many Third World countries public universities are the only option of higher education --that is, there are not good private colleges or universities. Hence, exit is not an alternative (except if families are able to send their children abroad), and the sons of rich families are forcibly students in public universities. This provides an incentive for

organization and voice, and may be the reason why university students are relatively more organized.

One may look at other stylized facts and use the scheme proposed to understand them. For example, a reduction in the payroll of teachers will certainly imply a reduction in real wages but not as much in the level of employment. This is so because teachers are relatively specialized professionals and will face difficulties in finding another job. Thus, they may prefer to have their wages cut than to be fired, and will fight in this direction. A reduction in the payroll may also result from the acceleration of inflation.

Teachers may voice quite effectively if there is a threat of losing their jobs but it is rather more difficult to be heard in economies with chronic inflation if their real wages are being eroded by rising prices. In African countries where the domestic currency is pegged to the French franc, it has been noticed that, despite serious economic problems, expenditures with teachers remained relatively protected from cuts. In these countries the political price of firing teachers or reducing their nominal wages would be too high. On the other hand, in economies with unstable currencies, all the government has to do is to retard the adjustment of wages in relation to price inflation, a politically feasible strategy.

Not only in the case of payrolls but in general, rising prices provide a subtle means for governments to redistribute its expenditures in ways which would be much more difficult if the information noises associated with inflationary processes were absent.

As noted, the suggested scheme may serve as a unifying element in the analysis of case studies. What is important is to identify producers and consumers of social goods, estimate their degree of organization and volume of disposable resources, and then try to find out to what extent their strategies and the effectiveness of the strategies are compatible with their means.

#### V. Voice and the Sphere of Decision Making

The level of decision concerning the budget for education varies from country to country. In some, decisions are taken at the national level (both for basic and higher education), in others the allocation of resources for higher education is taken at the national level whereas the budget for basic education is decided in states and/or counties. The locus of decision may be an important element in explaining the diversity of experiences.

The capacity to voice of groups depends on their organization and resources; the effectiveness of the voice strategy, however, is conditioned by the relation between the means to express dissatisfaction and the sphere in which decisions are taken. In the case of basic/secondary education, consumers and producers are physically dispersed and in great numbers which tends to create difficulties for the establishment of centralized organizations. In the case of universities, there are fewer institutions, and the capacity to organize at higher levels is greater. It seems clear that if budget decisions concerning the division of resources for higher and basic/secondary education are taken at the national

level, university bureaucrats will be better prepared to voice their dissatisfaction than those who represent school teachers. If, on the other hand, the decision concerning the budget for lower levels of education are taken at the state (or even county) levels the capacity to voice of consumers and producers becomes enhanced. In Brazil, for example, primary and secondary school teachers are well organized at the state and municipal levels. Hence the sphere of decision may have an effect on the pattern of cuts.

The quality of the services in the case of basic education depends not only on the total amount of resources allocated to it, but on the distribution of resources amongst the various items of the budget. It may be more efficient in order to preserve quality to reduce the number of teachers than to have a large number of them with miserable salaries. If this were the case, efficiency could be enhanced if decisions were taken closer to the consumers, that is, in a disaggregated fashion. Hirshman (p. 17) notes that "one major ... effort presently underway toward better public schools in the large cities is to make them more responsive to their members: decentralization has been advocated and undertaken as a means of making the channels of communication between members and management in the public school systems less 'cumbersome' than heretofore".

In sum, we should not focus only on the capacity to organize and the command over resources of consumers and producers, but also the relation between these means to respond to changes in the state of nature and the degree of centralization of the relevant



decisions. An atomistic system of organization may be very effective for the members of the groups as a means to resist losses if the sphere of decision is not too centralized.

#### VI. Voice and shouting inside bureaucracies

It is useful to start the discussions with the extreme case of the so-called Weberian bureaucracies in which dedicated and neutral civil servants discharge their duties. The opinions of the bureaucrats as well as their preferences do not matter. They are there to discharge the duty of performing what is asked from them. They neither fight for an ideal and personal interests nor distort the intentions of the tasks asked from them by the State.

This is a good way of describing how bureaucracies do not behave, particularly in countries with traditional and assymetric power relations. From all we know, bureaucrats are chieftains in their small or large empires that lie inside kingdoms that look more like those of medieval times than the more modern nation-states.

They have their own ideas of the kind of services their constituents need and they may disagree with those of their bosses or even with those of the ultimate customers of their services. Here we may have different situations. High level bureaucrats expected to deliver services to remote and passive clienteles may indeed have agendas that significantly differ from what the recipients would want. There may be a matter of sheer ignorance (e.g. the textbooks are too difficult) but often it may be a

deliberate policy (e.g. teaching in quechua when the parents want Spanish lectures or vice-versa, depending on the moment). With more present and participative clientele, closer relationship tends to develop between the bureaucrats and their constituencies. In fact, the relationship may be symbiotic and bureaucrats operate in close collaboration with its constituents in order to protect their budgets. Bureaucrats may warn its "customers" that they should protest and finetune the timing and the mode of the manifestation.

But perhaps the most characteristic feature of these non-Weberian bureaucracies is their essential territoriality and tendency towards expansionism. Most bureaucrats, whether they succeed or not, would like to expand their empire, have a larger budget and more people working under their supervision. Power and status are key motors of such behaviour. Salaries and fringe benefits may also motivate bureaucrats but often these are less powerful incentives.

We do know that inside larger bureaucracies some groups expand while others shrink or remain constant. What makes for such reshuffling of money, power and human resources?

Putting the issue in terms that are closer to the concerns of the present paper, if bureaucrats do a lot more than merely respond to policial decisions that come from higher levels, what role do they play in protecting budgets of failing to do so for different constituencies? We have previously discussed how the strength of the users of public services may influence cuts in their provision. Obviously, strong users help prevent an erosion

in the resources available. By the same token, services provided by strong branches of a bureaucracy tend to be better protected in periods of hardships.

The next question, therefore, is to ask what makes for strong organisations inside public bureaucracies and how they act differently from others.

The first mechanism that comes to mind is the existence of a high degree of endogeny between constituencies and the groups that represent them. Primary schools very often are represented in national governments by primary school teachers. University departments in ministries have very often nothing but university professors in their staff. Research coordinations are full of scientists. Unavoidably, scientists are better fundraisers than primary school teachers. Higher education institutions are also more keenly aware of the need to send their best and more aggressive staff to work at the central ministries. The end result is that better organized, better staffed groups end up better represented inside the ministries. In fact, these institutions very deliberately think that sending good people to central bureaucracies is an effective way to protect their interests. And for all we know, they may be dead right.

And of course, we know that strong groups with a high degree of cohesion and sense of purpose tend to have no difficulties in attracting well qualified staff, reinforcing the 'virtuous circle' of high performance groups inside public bureaucracies. By contrast, bureaucracies that are weaker and have less 'esprit de corps' tend to remain in this situation and have great

difficulties in attracting those who could make a difference or be unable to keep for long some people who landed there, out of idealism or by chance.

There is another side to this question of strong groups and weak groups: leadership. The issue of leadership and entrepreneurship inside bureaucracies is, of course, very close to the heart of the matter of why some are more successful than others. There is considerable evidence suggesting that strong leaders can change the trajectories of bureaucracies and, hence, it seems reasonable to think that they can prevent their institutions from losing political or economical space.

In a research some years ago Moura Castro took the changes in budgets of federal universities in the 70s and ranked them according to their relative positions. Thus, in the first place was the university that had increased more its budgets at the end of a ten year period. In the last place was the one that had lost more resources. This was the dependent variable and it was meant to measure relative gains in resources. The independent variables were characteristics of the universities and of the rectors of these universities in the same period. These data were obtained by consulting a few key people in the Education Ministry in Brazil who knew well the rectors but had no idea of what the research was about. Among the characteristics ranked was the presence in high positions in the ministry of faculty originating from each university, the presence in critical positions of important politicians of the state where the university is located, an indication of how 'pushy' or how much of a 'hustler' was the

rector and how rich the state was. A few other variables were also collected. Correlating those variables with gains in budget, the results were very clear. The only variable with strong predicting power was the indication of activism on the part of the rector. Those who really fought for money, who always had a project ready for presentation, and who spent money fast were the ones who got more resources.

The practical consequences of such conclusions seem evident. Strong bureaucracies with powerful leaders tend to get more resources, as much as they protect them during periods of crisis. They move fast to benefit from opportunities that arise, such as the failure of another agency to spend money within deadlines. They present good projects in time. They persuade decision-makers that they have good ideas and that they are able to execute them to satisfaction. Financial and accounting clerks trust them to present acceptable bookkeeping (what really happens to the money is not what worries accountants). Their less orthodox operations are rarely caught by auditors. In periods of financial crisis they have better intelligence services inside the ministries and know of impending cuts before the others. They know when to bypass some officer who wants to cut their budgets and get support from higher standing politicians or Ministers. Their contacts in and out of the ministry are usually very good.

As mentioned before, they also orchestrate the 'voice' of their constituents. They instruct them to approach politicians or high incumbents at the right moment and with the right messages. How many telexes and cables of protest have been concocted inside the interested agencies?

The practical implications of such reasonings are clear. If, for whatever reason, it is deemed important to protect the budgets of some agency that caters to a given group, it is imperative to strengthen the relative weight of this agency vis a vis the others that compete with it. Reinforcing the competitive power of an agency within the bureaucracy may be an indispensable ingredient in protecting its budgets.

It seems a good hypothesis to state that between the decision of the Planning of Finance Minister to cut the budget of this or that agency and what really happens there is a large gap. As the decision moves down the bureaucracy it progressively has to face patterns of implementation that are not necessarily congruent with the original policies. There is boycott and mild sabotage. The initial decisions are reinterpreted at each level and the operational rules progressively bent in favour of the stronger and the more activist groups. It may turn out that the end result will be a pale image of the original intention.

## VII. Summary and a suggested scheme of analysis

In this paper we have discussed issues associated with the patterns followed by budget cuts. We went from the general to the more specific by analysing first the factors affecting cuts in social expenditures, then discussing the distribution of cuts

within the educational system, then the role of centralization in decision making, and finally the internal dynamics of bureaucracies.

The decisions surrounding budget cuts are essentially political, and they involve elements of macro, meso and micro politics simultaneously. At the macro level, given the pressures to reduce expenditures, the share of social expenditures will depend on the capacity of those affected by the cuts (teachers, students, physicians, etc.) to effectively manifest their discontent. This implies a struggle with those agents whose interests are also threatened by the reduction in government expenditure, that is, suppliers of defense equipment, building contractors, state enterprises, recipients of subsidies and fiscal incentives, etc. Depending on the political institutions of each country, and in particular the degree of political participation, the outcomes of the decision to cut the budget can be radically different. In democratic systems, the decisions will have to go through Congress and all sorts of pressures will converge towards the congressmen. In the more traditional and politically closed societies, certain groups have privileged access to politicians and bureaucrats, and therefore will have better chances than other groups to influence the outcome of the decisions.

The distribution of the cuts within each system (education, health, social security, etc.) in turn will depend on the capacity of sub-groups to defend their interests. Many will 'exit', that is, look for alternative services in the private sphere, or live without any service at all. Others will 'voice' their

dissatisfaction. The effectiveness of their action will be enhanced by their command over resources and degree of organization.

We noticed that there are other factors affecting the degree of success of different groups. Urban agents who are close together and very visible are able to destabilize the system and thus tend to be powerful; hence they are likely to do better than rural agents who are dispersed. If decisions are decentralized, agents who have difficulties in organizing at high levels of aggregation will be able to defend their interests better than if the decisions were taken at the national level. If inflation is high and accelerating it becomes much harder for agents to defend their incomes, and the government can use this as a means to reduce real expenditures. The voice of the middle class is certainly louder than that of the low-income groups which implies that the extent to which the middle-income groups are affected is also an important factor. In Brazil, over the last decade, middle class families have been substituting private for public services in education, health and transport thus creating a vicious cycle of deterioration of the public services.

We also referred to micro factors associated with the workings of bureaucracies. Not only the relation between the bureaucrats and their clientele is important but also their personal motivations and preferences influence their attitude towards decisions over redistribution of expenditures.

Based on the approach developed in the paper we suggest the following outline (for an outline) for the studies concerned with comparative performances of countries and country studies:



## SUGGESTED OUTLINE

## 1. The Economics of Adjustment

1.1 Macroeconomic aspects of the adjustment process: the growth of external indebtedness, inflation, fiscal adjustment with emphasis on the expenditure side.

1.2 The Effects on Social Expenditures: detailed examination of the evolution in social expenditures.

1.3 The Effects on Education: detailed examination in the pattern of cuts in employment, wages, equipment and maintenance in different levels of education (primary, secondary and higher education levels).

## 2. The Capacity to Resist Budget Cuts in Social Expenditures

2.1 The Political Structure: the formal political structure, brief historical description of political institutions.

2.2 Political Participation: the relation between social groups and the state, the political role of organized labour and other important social groups, degree of segmentation of the society (social, ethnical, religious, etc.), the importance of the Congress, etc

2.3 Capacity to Resist: discuss how does the political structure and the degree of political participation explain whatever happened to social expenditures and the quality of social services.

## 3. The Meso- and micro-politics of cuts in the Education Budget

3.1 Institutional Aspects of the Educational System: description of aspects such as degree of centralization of budget decisions, the organization of the Ministry of Education and its relation with other instances of the educational system, the importance of public education in different levels, priorities in educational planning, etc

3.2 The Social Matrix of the Educational System: descriptive and analytical examination of the agents (students, teachers, staffs) in different levels of the system, degree of organization, command over resources, examples of 'voice' and 'exit' strategies, relation with bureaucracies.

4. Country-specific Aspects of Budget Cuts: factors which do not fit the general scheme proposed

## 5. Policy Implications

## Footnotes:

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1 Prepared for the Training Policies Branch, International Labour Organization, Geneva.

2 Collier, R.B. and Collier, D. 1979 "Inducements versus Constraints: disaggregating 'corporatism'", The American Political Science Review, vol. 73; and Amadeo, E.J. and Banuri, T. 1989. "Policy, Governance and the Management of Conflict", Mimeo, WIDER/UNU. Published in Spanish under the title "Politica Economica y Manejo del Conflicto, El Trimestre Economico, vol. LVII (1), 1990.

3 In most highly indebted countries, the government is responsible for an enormous share of the external debt. It has been estimated (see Cornia G. and Jespersen E. 1989. "Crisis, Adjustment and Human Conditions: the Case of Latin America in the 1980's, Mimeo, UNRISD, Geneva) that the share of public debt in the total debt increased in Argentina from 53% in 1985 to 83% in 1985, in Brazil 74% (1983) to 86% (1986), and in Mexico from 65% (1981) to 72% (1986). The increase in the share of the public debt was due to the government decision in these countries to take over the responsibility of the debt originally contracted by the private sector.

4 The sources of data on budget cuts in social expenditures are somehow scattered over various documents produced by international agencies (World Bank, ILO, UNICEF) and (compiled by) researchers such as Cornia et al (1987) Ajuste con Rosto Humano, Siglo Veinteuno, Cornia & Jespersen (1989) and Woodhall, (1989)

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Education and Training under Economic Restructuring" Mimeo,  
ILO/UNESCO.

5 Cornia, G. et al 1987. Ajuste con Rosto Humano, Siglo Veinteuno.

6 Strictu sensu the paper proposes a framework for studying the relation between the state and labour organizatios, but in fact it is applicable to the analysis of state-society relations in general. Indeed, at the theoretical level, its objective is to

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