

Reflections on Economic Guidelines and Modeling of State Governance - Part I

Identifying key challenges and solutions for Brazil

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Brazil has been an economic-financial laboratory for decades and the outcomes of "experiments" encompass both what has worked (a few cases) and what has gotten in the way (many instances). In this way, our track record allows us to evaluate and learn from our past and identify mistakes in other countries that insisted on more heterodox programs. Advocacy of liberalism with social responsibility, respect for democratic foundations and respect for the rule of law are inalienable principles for the freedom of the individual and the promotion of justice and well-being in a sustainable and feasible Economic Plan for the long run.

Apart from the genuinely bad Economic Plans which, in essence, lacked minimal or weak foundations of structuring and empirical or theoretical support (as several did: most recently with the New Macroeconomic Matrix), others that were more adequately elaborated encountered political difficulties throughout their execution. **The institutional framework in which we operate is, instead of an obstacle, a guarantee of "filters" and fences that the democratic process requires.** However, the unwarranted confrontational stance, the strategic disorganization of the Executive towards the other branches and the lack of leadership, not only eliminate any possibility of success in any Economic (or Government) Plan, but also induce all sorts of collusion, inconsequential alliances, etc., which result in the mischaracterization of goals and, also, a likely deviation from the original Plan. One solution is to use technical mechanisms, with a politically qualified team that is deeply knowledgeable about the key issues to be faced by all branches of government. Something like the Joint Chief of Staff existing in the USA with a more **expanded scope and fully dedicated** to assisting the President and his Ministers in addressing the main points of a Government Plan, which should be a few and structure-focused.

Knowing how to identify the fundamental and basic goals to achieve both define the sustainability and feasibility of the Plan. **Establishing the priorities and sequencing high-impact actions will define the success of the Plan in the long run**, although important parallel problems can be remedied, but they should not take away focus and attention so that the necessary and sufficient conditions are set in order to pave the way for further

action. **The timing of approvals and the speed of advancement in the National Congress (1st year of government) are also crucial.** Thus, the six most important and top priority economic topics are:

- State Administrative Reform (Meritocracy);
- Tax Reform (Consumption vs. Income);
- Federative Pact (Promoting greater state autonomy);
- Privatizations and outsourcing (Hybrid model);
- Rationalization/Optimization of expenditures and revenues;
- Economic opening (Competitiveness).

These six topics are truly game changers in the economic-financial realm, which must appear in the administration's program and throughout the campaign. The power of economic policy will be much greater with the implementation and consolidation of these measures, while they will also encourage the development of other public policies. The general lines will be presented in the following articles and they transcend a pure and simple conservative Economic Plan; they are linked to secondary goals based on correct incentives and closely tied to social development.

If the implementation, tackling and execution of the main topics differ from the way we have seen in Brazil, restructuring the control and management axis of the Executive branch will also require improvements. The control and advisory agencies and institutions (TCU, AGU, CGU, MPU, etc.) are fundamental parts of the process; and we may need to advance and adjust the coordination of initiatives, whilst preserving their independence and autonomy, in order to promote synergy of efforts in improving the quality of expenditures and the efficiency of public management. This new format presupposes a realignment of processes, making them efficient in controlling the administration of the State without "smothering" management, thereby ensuring organization, timely responsiveness and actually contributing to the improvement of policy-making decisions.

An Economic Plan or even a Government Plan will only succeed with full alignment of incentives, focus and control of all government's branches and agencies. Without wishful thinking and with solid determination, within the democratic process, this is the only game in town!

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