Got government?

GOVERNMENT POLICIES to resuscitate the economy have again raised the long-standing debate about how deeply the government should be involved in the economy. Not only government officials but even some businesspeople argue for big-government-led growth. It's true that today we do indeed have a big government. But since it still can't deliver basic services, it doesn't seem likely that an even bigger government would do a better job.

Not that long ago—in 1984–94—the economy was almost destroyed by unmanageably big government and public spending that fuelled hyperinflation. Now think about the fact that since the first Lula administration started, the federal government has hired 200,000 employees, and the present administration plans to add another 63,000 this year alone. Public employees' wages and pensions take up so much of the government budget that there's not enough money left to build roads and bridges. Moreover, all these workers don't seem to be getting much done. An international publication said recently that Brazil has become famous for "first world taxes and third world services." Not the ideal global image for an emerging country.

Even when President Rousseff and her colleagues want to work with the private sector, they're reluctant to say the word "privatization"— the charge against his rival that got Lula his first term. The new package of concessions to get the private sector involved in building roads and railways sounds ambitious, but as Rogerio Werneck points out in the interview in this issue, the program is not really about private *investment*, it's about private *management*. The bulk of the financing is from government's development bank BNDES—and the Treasury will have to borrow the money to lend on to BNDES—and by setting the schedule, an unrealistic one, the government is really still doing a lot of the managing as well.

Although stimulus packages may have some immediate impact on the economy, they have unintended negative consequences in the long run. Championing certain industry segments worked for, say, Korea, but in order to sustain growth, it's necessary to take the whole package of lessons available, not just the easy ones. The industries Korea championed were break-through areas for that country, areas where they could learn and innovate. Brazil's stimulus went to sources of past economic growth, not new sources. It looks like another chapter in Brazil's sad history of fostering a culture where corporations scramble for benefits from the government but do little if anything to create wealth and innovate.

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What Brazil needs is an efficient and transparent government that is accountable to the people, not the party fiefdoms that dominate the ministries. It's very noticeable that the most internationally successful Brazilian companies are those that are genuinely private, including some privatized state-owned companies, that do not seek subsidies or privileges. The best way for the government to accelerate economic growth would be to get serious about doing its real job—providing basic public services like justice and education at reasonable rather than bloated cost and improving the business environment. That would set the private sector free to do what *it* does best—producing products and services that will bring in the cash and customers Brazil needs.