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The Contribution of Public Management to Economic Activity

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1. summary

This article aims to understand the contribution that Public Management can offer to economic activity based on Keynesian thinking, considering also the debate on this topic, between Simonsem and Gudin. The article is divided into the following sections, the first of which seeks to understand the State from a Hobesian perspective, the second and third sections seek to visualize the debates among those who defend greater or lesser participation by the state in economic activity. The fifth section seeks to highlight the demand component, as a dynamic matrix of eonomic activity and, in the sixth section, it considers economic development based on investment, credit and productivity, as important elements of the action ofPublic administration. In the seventh, eighth and ninth section, it seeks to analyze the instruments for stimulating and controlling investment, as well as the importance of investpublic investment in science, technology, infrastructure and production to boost development.

Finally, the conclusion highlights the important elements for boosting economic activity, in the perspective covered by the article.

2. **Key words**: State, Public Management, Investment, Economic Activity

3. The Hobesian State and State

It is based here on the assumption that the State has important capacities and instruments of action. According to the capabilities of the State, according to IPEA (2010), its non-transferable functions, such as the regulation of property rights in the national territory, tax collection, the creation and management of currency and the management of public debt, which , once regulated by political institutions within the State, they generate capacities and conditions for state action in their area of influence, especially in the economic sector.

These State capacities result in government instruments for the exercise of planned actions. These instruments are identified by the group of state-owned companies, public banks, public funds and pension funds, which can be effectively used to make decisions on expenditure, investment or allocation of part of society's wealth.

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On the other hand, it is important to remember that the State, with all its instruments, lives with political disputes that vary, in time and in circumstances, its degree of institutional fragmentation and its own heterogeneity of action, making it, simultaneously, the place of disputes over strategic resources (financial, logistical, human) and the decision-making agent through which the political projects of the winning dominant groups become viable.

Thus, according to IPEA (2010) theThe State is not an external (exogenous) entity to the movements of society and the economy, endowed with unique rationality, sufficient instruments and full capacity for operation. On the contrary, it is a constituent part of society and of the (endogenous) economy, which needs to relate to other agents to build favorable environments for its actions.

As it is known today, the State has its origin closely related to the very beginning of the capitalist mode of production. Therefore, it is not possible to separate the spheres of the State and the economy, since the defining parameters of the State also seem, in part, those of Capital, in addition to the fact that the foundations of the modern State are based on the

> monopoly on the use of violence; a monopoly on the formulation and implementation of laws; the monopoly on currency implementation and management; and the monopoly of tax collection. At the same time, all these attributes would be directly and correspondingly referred to the great foundations of the capitalist mode of production itself, that is: the guarantee and protection of private property; confidence in the validity and fulfillment of contracts; the stability of the real value of the currency; and the regulation of distributive conflict and the guarantee of predictability for profitability or private business calculation (IPEA, 2010).

As can be seen, a characteristic of the State's interface with the market economy is that these two instances are not necessarily harmonious. If, on the one hand, the market economy, as an almost universal model of production, requires that its parameters be equal and worldwide applicable, on the other, the State's prerogatives are applicable with great differences over different territories and populations, with a clear mismatch between these two spheres: the public space (State) and the private space (Capital). This gap seems to increase, in each specific case, due to the advance of capital values, worldwide. These values spread as a normal and expected pattern of nations' behavior, generating an asymmetry in relation to the specific values of each national state, in particular,

It is legitimate to ask: where do the strength and prerogatives of the State - which is always national - come from in the face of the forces of capital - which are almost universal?

Hobbes (1985)[2] it can help to understand the foundation and strength of the state.

According to Hobbsian thinking (1985), expressed in Leviathan, men are always involved in competition and that is why wars arise, making it necessary to reach an agreement between them by means of an artificial pact. But, there is no doubt that there must be something more than the pact, to make it constant and lasting, a common power that makes all men accept that this pact directs all their actions towards the collective common good.

[2]The cited publication date corresponds to the edition of the Brazilian translation consulted. The original work, with the title*Leviathan or The Matter, Forme and Power of a Common Wealth Ecclesiasticall and Civil,* was published in 1651.

The only way to establish this common, collective power, capable of defending them against each other's injuries, thus guaranteeing them sufficient security so that, through their own work and thanks to the fruits of the earth, they can feed themselves and to live contentedly, is to give all the strength and power to a man, or to an assembly of men, who can reduce the various wills, by plurality of votes, to a single will. In other words, to designate a man, or an assembly of men, as the representative of each person individually, considering and recognizing each one as the author of all the acts that the person who represents his person, to practice or lead to practice, in everything that concerns collective peace and security. In this way, everyone submits their wishes to the representative's will.

This social contract is more than consent, or agreement; it represents a true unity of all men in one and the same person, realized by a pact of each man with all men, as if each man said to each man: I am giving in and transferring all my right to govern myself even for that man, or for that assembly of men.

After this transfer, the crowd thus united in one person is now called the State. Therefore, thanks to this authority that each individual gives him, the State can make use of immense power and strength, which gives him the ability to conform the will of all towards peace in his own country and mutual help against foreign enemies. This is what the essence of the State consists of, which can be defined as, according to Hobbes (1985), asa person whose acts a great multitude, by means of reciprocal pacts with each other, was instituted by each one as an author, so that he could use the strength and resources of all, as he sees fit, to ensure peace and the defense of order. He also says that the State is an artificially built man, although of greater stature and strength than the natural man, for the protection and defense of the sovereignty of peoples and territories. Therefore, the State is charged with the mission of guaranteeing the sovereignty of a society or nation vis-à-vis others, as well as correcting the inequalities that arise when the wealth and income produced are shared.

In the last attempt to avoid war and guarantee peace, it is up to the State to ensure the preservation of people's lives and the longevity of societies. In this mission, the State will be able to use, in addition to weapons, the most varied policies, in order to avoid disorder and the war of interests within societies.

4. The classic debate about the participation of the State in economic activity

When thinking about the state's relationship with economic activity, two very different schools of thought build different paths for their interface with economic activity.

First, the Chicago School, with Milton Friedman (apud Silvestre, 2010) one of its outstanding thinkers, who stated that the State should participate in economic activity in a restricted way, because the best way to improve the wealth of nations is by through the market and its pricing mechanism.

Thus, Friedman advocates the non-participation of the State in the economy, since it is self-regulated by the supply and demand for goods and services; in fact, each individual in particular tries to increase his earnings to the levelgreat and, with this behavior, it is, also to expand the benefits to society. These benefits are extended through price mechanisms, as economic agents rigorously study the market and its needs, removing from the investment made personal and community benefits in providing an offer of real public services.

In doing so, they are in line with Adam Smith for whom

> every individual strives to use his capital so that its product is of maximum value. In general, it has no intention of promoting the public interest. You don't even know how much you're doing in that direction. He only wants his own security, his own gain. He is led by an invisible hand to promote an end that was not part of his intentions. By pursuing its own interest, it promotes the interest of society in a more effective way than when, in fact, it intends to do so (Smith, 1996).

In a market economy, according to the teachings of Samuelson (2012), issues are resolved, simultaneously, in two ways. The first has to do with the choice of goods and services to be produced, taking into account the consumers' purchase decision, since companies, motivated by the desire to maximize their profits, abandon areas where they are losing results and, for the same reason. order of reason, favor the production of goods that have a greater demand and produce more profit; the second concerns competition between the various producers, which determines how things will be produced, with a view to keeping costs down, through the adoption of efficient production methods. Regarding the question of who will consume the goods and services produced, this always depends on supply and demand in the input markets,

Thus, when making their choices regarding investment projects, companies compare their annual investment income with the annual cost of capital, which depends on the interest rate. The difference between revenue and annual cost corresponds to your annual net income. When net annual profits are positive, companies gain from the investment; when, on the contrary, they are negative, they lose.

That said, in essence, Friedman (apud Silvestre, 2010) understands that state action should be focused on the supply of money (monetary policy) to the detriment of public spending (fiscal policy) and that the level of unemployment has a natural rate, because , any attempt to reduce its level will result in an increase in the prices of goods and services traded on the market. Therefore, this orientation refers to competition and the liberalization of markets, opposing the growth and expansion of the State's functions in economic activity. The recipe is, therefore, “a balance of budgets, the reduction of taxes, the liberalization of trade, the promotion of foreign investment, deregulation and privatization.

In summary, it can be said that the Chicago School prescribes the non-participation of the State in economic activity, because its presence generates inefficiency.

On the other hand, the Cambridge School, argues that capitalism, as an economic model, will not be put aside or voted into oblivion, because there is in it the most powerful instrument to lead to the improvement of the future (Keynes, 1996): however, it will suffer changes that will make it possible to concentrate on the State powers that can overcome its own flaws, insofar as the macroeconomic balance cannot be achieved by the markets, but it can be a goal to be achieved by planning state leadership, resulting in full employment.

In saying that individualism should be 'purged of its defects and abuses', Keynes (1996) recognizes the traditional advantages of this system, which ensures support for the market economy, with the advantages of efficiency, decentralization and personal interest, as it expands , more than any other system, the field for the exercise of personal choices. In his opinion, individualism generates and safeguards

> [the] variety of life, which unfolds precisely from this extensive field of personal choices. This variety preserves the traditions that contain the most secure and auspicious that brought together past generations, gives color to the present with the different shades of its fantasy, and serving experience, as well as tradition and imagination, is the most powerful instrument for lead to the improvement of the future (Keynes, 1996).

Keynes' main contribution 1996) was the invention of a way of looking at macroeconomics and macroeconomic policy. Before him, most economists and economic authorities accepted the ups and downs of economic cycles as something as inevitable as the tides. Because of these long-established ideas, they were left defenseless in the face of the Great Depression of the 1930s. Therefore, The General Theory of Employment Interest and Money, published in 1936, represented an enormous intellectual leap in presenting a double argument: the first, of that high unemployment and underutilized capacity was possible in market economies; and, the second, that government fiscal and monetary policies could influence production and thus reduce unemployment and shorten periods of economic recession.

Thanks to the Keynesian construction, we now know how to control the worst excesses of economic cycles. It was with the careful use of fiscal and monetary policies that governments were able to influence output, employment and inflation.

Government fiscal policy involves the power to collect and enforce taxes; monetary policy involves the determination of the money supply and interest rates; both affect investment in capital goods and other interest-rate sensitive expenses.

Through these two essential macroeconomic policy tools, governments can influence the levels of total spending, the rate of growth and output, the levels of employment and unemployment, the price levels and the rate of inflation in an economy. In industrialized and advanced countries, governments have successfully applied the lessons of the Keynesian revolution over the past half century.

Stimulated by active monetary and fiscal policies, market economies experienced a period of unprecedented economic growth in the three decades after World War II. Since the development of macroeconomics in the 1930s, governments have been successful in controlling the most severe excesses of inflation and unemployment.

That is why the Nobel Prize in Economics James Tobin (apud Samuelson, 2012) stated that Keynesian politics is, first of all,

> the explicit dedication of macroeconomic policy instruments to real economic objectives, in particular to full employment and real growth in national income. Second, that demand management is active and third, that Keynesians have sought to harmonize, in a consistent

and coordinated manner, fiscal and monetary policy in the conduct of macroeconomic objectives (Samuelson, 2012).

Therefore, when one seeks to know the causes of the moderation of economic cycles since 1945, it is usually said that stability comes from a larger and more predictable public sector, as macroeconomics has enabled governments to conduct their monetary and fiscal policies in a way that prevent shocks from becoming recessions and depressions like snowballs.

Based on the experience of several countries, for decades, many development economists have built parameters on the best way for the government to promote economic development, as the State has a vital role in stabilizing and maintaining a healthy economic environment. , and must ensure respect for the laws, the fulfillment of contracts and the fight against corruption, from the perspective of competition and innovation. Governments must play a leading role in investing in capital infrastructure, in education, health, communications, energy and transport, attributing to the private sector activities that have no comparative advantage.

On the other hand, governments must resist the temptation to produce everything in the country and maintain a firm commitment to openness to foreign trade and investment, as these aspects will help to ensure that the country moves quickly towards the best global practices, in the various sectors.

This article, in line with the ideas of Singer (1985) states that it is necessary to provide the State with effective instruments of economic policy, which allow it to regulate the interest rate in order to keep it below the marginal efficiency of capital, increase the consumption by expanding public spending and expanding investment through public loans capable of absorbing stranded resources.

Keynes (1996), referring to the State's responsibility in the management of investments, it is categorical to state that it expects to see it assume an ever greater responsibility in the direct management of investments, as it is in a position to calculate the marginal efficiency of capital goods to long term and based on the general interests of the community.

It is essential, according to Keynes (1996), not to abandon the private initiative to regulate the current volume of investments, but that the State coordinates this process.

Amaral Filho (2011), in his article System and Local Productive Arrangements, asserts that it depends fundamentally on the articulation of the agents, in line with the instances of the public authorities, so that appropriate forms of coordination capable of producing the desired virtuous circle are found. The fundamental role of public authorities in coordinating this process must not be overlooked here, since private agents, even though they have tacit and explicit rules, are not able to perform them satisfactorily.

Already Samuelson (2012) argue that an efficient and humane society requires the two halves of the mixed system - Market and State - and that organizing the functioning of a modern economy without one is the same as someone trying to clap with one hand.

Faced with a basic statement with the above, a question arises: how do governments perform their functions regarding their interface with economic activity?

If, on the one hand, governments, by virtue of their coercive power, demand that people pay taxes, obey the laws and consume certain collective goods and services, on the other hand, the State performs functions that are impossible in a voluntary exchange, because its coercive action reinforces the freedom and consumption of those it benefits, while, at the same time, it reduces the income and opportunities of those taxed or inspected.

Therefore, the state's economic role has grown considerably over the past century, increasingly influencing and controlling private economic activity through taxes, expenses and direct regulation. Thus, it is up to the State, currently, to resolve market failures, redistribute income and resources among its members, determine fiscal and monetary policy to stabilize the economic cycle, promote long-term economic growth and, finally, manage international economic affairs.

Which certainly takes Samuelson claim that

> no government, anywhere in the world, no matter how conservative, remains totally removed from the economy. Governments take on many tasks in response to failures in the market mechanism (...). Governments can regulate some activities (such as finance, drug production / sale) and subsidize others (such as education and biomedical research). Governments tax their citizens and redistribute a portion of their income to the poor and needy. (Samuelso, 2012)

Although the market mechanism is an effective way to produce and allocate goods, market failures sometimes lead to a poor economic outcome. In the face of these failures, governments begin to intervene to correct them, as their current role is to ensure efficiency, correct the unfair distribution of income, promote stability and economic growth. The market, failing to allocate resources efficiently, means that the State is responsible for regulating its activities.

Although a good part of the approach presented so far is based on the government's normative theory on economic activity and the appropriate policies to increase the well-being of the population, it does not exclude others, as optimistic about government action as in the market. . If it is true that markets fail to allocate resources, it is equally true that the State also fails to make decisions,eias. In fact, just as there are market failures, such as monopolies, or pollution, there are also government failures, especially when their interventions lead to waste or poor distribution of income.

It is up to the public choice theory to analyze government failures, which occur whenState actions fail to improve economic efficiency, or when the government unfairly redistributes income. The theory of public choice addresses issues such as the short time horizon of elected representatives, the failure of a strict budget constraint and the role of money in financing elections, as sources of government failures. A careful study of these flaws is essential to understand their limitations and to ensure that State programs are not overly interventionist or wasteful, according to Samuelson (2012).

The theory of public choice analyzes the behavior of governments, studying the circumstances in which governmental actions lead to waste, such as the wrong distribution of income. For this reason, it is important to note that the performance of the market or the State, by itself, is not effective, and that the most important and difficult thing is to find the balance between the harsh discipline of market actions and government supervision, always with the income distribution in mind.

History has shown that neither the action of deregulated markets nor the over-regulated central planning can effectively organize a modern society.

5. The Debate on the State's Participation in Economic Activity in Brazil

In the forties of the last century, Brazil, like the rest of the world, also participated in the discussion about the role of the State in the economy, in which Roberto Simonsen and Gudin Filho (Teixeira, 2010) had special relevance.

In 1932, Simonsen was an active pparticipant of Constitutionalist Movement from São Paulo, as a form of resistance to coup d'etat carried out by Getulio Vargas and others in Revolution of 1930, and member of the intellectual movement for the foundation of the first higher school that would offer sociology and politics in Brazil, the current São Paulo School of Sociology and Politics(FESPSP). Then he taughteconomic history of Brazil, and, in the course of this activity, published some academic works on the subject.

In 1933, he joined the politicshaving been electedcongressperson constituent per Sao Paulo, exercising the mandate of Congressman in the 1933-1937 legislature. When the country returned to the democratic regime, after World War II, was elected senator, a position he held at the time of his death. He was president ofNational Confederation of Industry (CNI), president of Federation of Industries of the State of São Paulo(FIESP) and member of the superior council of FESPSP. (Teixeira, 2010)

Simonsen was the most combative and the most important industrialist that Brazil has ever had. Its performance was not limited to the driving field of industrial enterprises and other types of industrial businesses. In addition to being the leader of his class and technician of industrialization, he became the great thinker of Brazilian development, as taught by Teixeira (2010).

Simonsen (Simonsen & Gudin, 2010)[3]defended that industrialization constituted a possibility to overcome poverty, but in an integrated way with the heavy base industry and with the participation of the State, since the industrialization project was only possible through a determined government support, in which protectionism and economic planning would be essential tools for promoting development. In his opinion, State participation should go beyond indirect mechanisms and include direct investments in basic sectors in which the private sector is not present.

For his part, Gudin was considered the main exponent of the monetarist school in Brazil, according to Teixeira (2010). Graduated in civil engineering in 1905 from the Escola

[3] The cited publication date corresponds to that of the consulted edition.

Politécnica in Rio de Janeiro, he became interested in economics in the 1920s, having published in this field in O Jornal (from Rio de Janeiro) between 1924 and 1926. Later, he was director of that newspaper, as well as the Western Telegraph (1929-1954) and the Great Western of Brazil Railway, for almost 30 years.

In 1941, the then Minister of Education, Gustavo Capanema, appointed Gudin to write the bill that institutionalized the Economics course in Brazil and which began to be implemented in 1944. He was, still, one of the founders of the Brazilian Society of Political Economy (1937) and the Faculties of Economic and Administrative Sciences in 1938, having a strong presence and influence at Fundação Getúlio Vargas, of which he was one of the directors. According to Teixeira (2010), he was a convinced liberal and opposed the governments of Juscelino Kubitschek and João Goulart, having supported the military coup of 1964. As an economist, he criticized industrialization and defended the country's agricultural vocation, as well as being a defender of foreign capital. . He opposed the creation of Petrobras and condemned the state's participation in the economy (Teixeira, 2010).

There were three fundamentals of his thinking: the reduction of State intervention in the Brazilian economy, the search for monetary and financial balance without considering its effects on the level of income and employment and, finally, the aversion and opposition to support measures. industrialization projects, according to. He never accepted the idea of economic development as presented by underdevelopment theorists, because for him it was only about economic growth, which he identified with the increase in the productivity of factors (Teixeira, 2010).

Even so, it was limited to a micro and static view of the issue, completely disregarding external economies and the dynamic effects resulting from the simultaneous implementation of an entire industrial park. In Teixeira's opinion (2010), Gudin saw no reason for protectionist policies, even though he recognized the validity of the argument to foster nascent industries.

The classic debate about the participation of the State in economic activity between Simonsen and Gudin took place through two documents, one entitled The Planning of the Brazilian Economy, by Simonsen, the other Rumos de Economia Politica, by Gudin. The latter, produced in March 1945, was intended for the Economic Planning Commission, which was subordinate to the National Security Council and whose purpose was to carry out economic planning, in addition to addressing problems related to agriculture, industry, credit, taxation, seeking to stimulate and support the initiative and effort of the economy. In addition to the ideas expressed in it, the document gained relevance due to the fact that its author rebut, point by point, the positions of Simonsen, Teixeira (2010).

This debate, which took place in the 1940s, represented the confrontation between liberal conservative thought and the social forces interested in industrial-based capitalist development in Brazil. It was these two ideological strands, founded by these two authors, that guided economic debates in Brazil in the 20th century.

The theoretical model adopted by Gudin (Teixeira, 2010) presupposed full permanent employment and full market efficiency, not being able to provide instruments to transform a backward capitalist society. The author was concerned with showing the virtues and efficiency of the order generated by the free market, averse to planning, assuming adapting the Brazilian economy, which at the time was agrarian-exporting, to the postulates of the market economy. However, the moment for Brazilian society was to organize itself to produce and distribute wealth, which made Gudin's theory (Teixeira, 2010) limited to overcome national underdevelopment.

Simonsen (Teixeira, 2010) conceived his theory in three axes, as previously mentioned, but it was the importance of the State and planning in economic development that brought him closer to the needs of Brazilian society at that time.

Teixeira (2010) also notes that Brazilian industrialization, starting in 1930, took place with the strong intervention of the State in the role of planner, advisor, financier, regulator of economic activities, direct producer and agent of the maintenance of social order. State action continued to be decisive even after the end of World War II, when there was a massive investment in infrastructure - through road construction, electricity generation - as well as in the basic industry - mining, oil, steel, energy electricity - and in communication services, working in directly productive activities, on several fronts. These tasks, undertaken by the Brazilian State, provided the necessary conditions for the country's entry into an advanced stage of the industrialization process, with the occupation,

The cycle of industrial development in Brazil was accompanied by strong state intervention, but the dynamics and logic of this development were dictated not by the State, but by the growth strategy, the pattern of capital production and accumulation and by the investment decisions of large companies. international companies, located in the dynamic sectors of the consumer durable goods industry, particularly the automobile and electronics industries. The role of the State in this process was relevant, mainly because it presented sufficient plasticity to accept the internationalization process, generating credit facilities, low cost input production and not raising legal obstacles to its development. Still according to Teixeira (2010), it was the State that generated the favorable financing conditions - abundant credit, tariff protection, protection exercised by currency devaluation and reduction of wages - and, it was public investments that stimulated the private investment of national and multinational capital. In addition, taking full advantage of monetary expansion and fiscal deficits, the State increased public spending and generated a minimum level of demand.

From the liberal perspective he defended, Gudin (Teixeira, 2010) would disapprove the course of expansionist economic policy and its success in generating industrial development under strong state intervention. The national GDP grew on average 6.5% per year, between 1930 and 1980, a period that Bielschowsky, in El Pensamiento desarrollista en Brasil: 1930-1964 and annotations about 1964-2005. Brazil and Chile. A look at Latin America, he called it “the era of development” (apud Teixeira, 2010).

6. The Keynesian School and the autonomous component of demand

As stated earlier, the investigation carried out in this article is based on the Keynesian assumption that State participation in economic activity is very important, since the central controls necessary to ensure full employment will, of course, require a considerable extension of functions traditional government policies.

Even recognizing the creative strength of the market economy, and emphasizing, at the same time, the importance of the State and its central controls necessary to ensure full employment, Keynes (1996) maintains, as a central idea of his work, that thedemandit is a determining factor, as it will guide production, which, in turn, will influence the level of employment. As demand for products increases, production must increase to meet that demand. However, the growth in production will imply an increase in employment, and purchasing power will increase, with repercussions on the increase in demand. Thus, the State must proceed, carrying out two actions.

The first action is public investment as an element that stimulates demand, avoiding market imperfections, such as unemployment, which is the most striking manifestation of an economic crisis; the second important action of the State is to increase the income of classes with a tendency to consume,mainly those with lower incomes, in particular detriment of the upper class, which tends to save money, thus helping to avoid an economic depression and, consequently, unemployment.

The Keynesian model was applied in many economies, having several effects, at various levels, which were felt in the state intervention in the conduct of economic activity, in the process of nationalization of important sectors of the economy - electricity and gas - and in the implantation of the State of Social Welfare, in which the social protection of workers was ensured through unemployment benefits, holidays and support for the disabled citizen.

Keynes' own contribution (1996) is based on the assumption that investment in the segment of workers and in the middle class will promote economic activity, allowing the promotion of the distribution of social justice through the access of those who are most needy to programs under the responsibility of the government. State.

In Inflation and Deflation, Keynes (1985), states that what is necessary, in times of economic depression, is not to tighten your seat belts, but to adopt a posture of expanding activities, seeking to do things and buy things, in short, produce. For if the option is a contraction stance, in which one tries not to spend the income to save everything; if, for a long time, you don't have a penny to spend, no one will be richer and will languish to death, because what good will it do to refuse to buy things from each other, if, with that, the condition of living is rejected? , what is mutual dependence?

The same is true of local authority, as this is the time when municipalities, local governments must be proactive in all types of important improvements, as the patient does not need rest, but activity. It is not possible to give people employment due to stoppage, refusal of orders, inactivity. On the contrary, activity is the only possible way to set the wheels of progress and the production of wealth in motion.

It is important to note, here, the insistence of Keynes (1985) in defending the creation of demand by the State, since its only objective is to prevent people from living on some type of aid.

> I would like to see schemes of magnitudes and magnitudes designed and carried forward. I read a few days ago, about a proposal to build a great new avenue, a wide boulevard, parallel to Strand, on the south side of the Thames, which would be a new route from Westminster to the City. This is the right kind of idea, but I would like to see something even bigger. For example: why not demolish the whole of South London, from Westminster to Greenwich and do a good job there, which would allow a much larger population than that of today to live in that convenient area, in much more modern buildings and with all the comforts of modern life, providing, at the same time, hundreds of acres of squares, avenues, parks and public spaces, which would give us, in the end, a magnificent monument for the eyes, although useful and convenient to human life, as a monument to our time? Would that employ men? Of course yes! Would it be better for men to remain idle and miserable, living on aid? Of course not. (Keynes, 1985)

Thus, fostering demand is a function not only of the State as a Union, but also of the State, understood as a local authority, of the municipalities, as we live in a time when municipalities must be proactive in all the improvements that are important, because the patient does not need rest, but activity (Keynes, 1985).

7. Economic development: investment, credit and productivity

Keynes (1996) states that the real level of production and employment depends on the decision to make investments based on demand expectations, even when evaluating capital costs (interest). It also says that it is based on this reasoning that decisions arise and that this point is the most important, not only for public finances, but also for government policies, because the real amount of production and the real level of employment depend not on the capacity to produce or on the level of pre-existing income, but on the current decisions to produce, which in turn depend on the current decisions to invest and the current expectations of current consumption and predicted consumption (Keynes, 1996).

The ratio between the capacity to produce and the current decisions to produce will depend on the decisions to invest and the expectations of present and future consumption and not on the capacity to produce and the pre-existing income.

And a question arises: if the capacity and the decision to produce depend on the decision to invest, then what should be understood by investment?

It starts with the notion that investments represent increases in stocks of durable capital goods (real estate, equipment, infrastructure) that increase the possibilities of production in the future. There is investment only when real capital is produced, that is, companies only acquire capital goods when they realize that this action allows them to make a profit, achieving higher revenues than the investment costs. Thus, investment decisions basically depend on the expected levels of production, interest rates and taxes that influence investment costs, as well as expectations about the general state of the economy.

How can investment be understood?

First, it is necessary to keep in mind that the investment flow is very small, compared to the existing capital stock. As Marshall states(1996), The sum of wealth invested in a year is only a small part of the existing stock (capital).

In the economic literature, investment flows and capital stock are usually exemplified by the image of the bathtub, where the water level corresponds to the capital stock and the flow of water that flows from the tap is the investment. This image clearly reflects the attitude of companies and individuals when deciding the amount of the desired capital stock and then investing, working to increase that stock to the level desired for the future.

In Capital, Marx (1996a, p. 271)[4] builds the following reason for the movement of capital:

$$D - M - D'$$

where D 'is equal to D + ΔD, that is, D' is equal to the sum of money originally advanced plus an increment. This increment, or the surplus over the original value, is called the plus-value[5](Marx, 1996[a]).

In the same work, in the chapter dealing with the process of capital accumulation, Marx (1996a) explains this reason in more detail, saying that the transformation of a sum of money into means of production and labor force is the first movement by which passes a quantum of value that must function as capital. It takes place on the market in the sphere of circulation. The second phase of the movement, the production process, is finished as soon as the means of production are transformed into goods whose value exceeds the value of its components, therefore, which contains capital originally advanced plus a plus-value. These goods then have to be launched back into the circulation sphere. It is a matter of selling them, realizing their value in cash, turning that money back into capital, and so, again and again. This cycle,

But where do reason, strength, continuity, need and universality of investing come from? Marshall (1996), in chapter VII of the Principles of Economics, addressing the issue of wealth growth refers that,

> As civilization has progressed, man has always developed new needs and new and more expensive ways of meeting them. (…) From all sides new perspectives are offered, all of them tending to transform the character of our social and industrial life, to enable us to employ large reserves of capital, in order to provide new satisfactions and new means of saving efforts for the early application of these, in view of remote needs (Marshall, 1996).

In stating that man will never find himself in a stationary situation, Marshall (1996) adds that societies will always find themselves in a circumstance in which new needs will arise, whose satisfaction is important, since the history of societies is dynamic, due not only to the expansion of your needs, but also due to a necessary and constant effort to invest.

In summary, it can be said that, if on the one hand capital is the value of buildings, machines and stocks, at a given moment in time, on the other, it can also be said that investment refers to the flow of expenses, that is, the amount of resources applied by

[4]The date of the cited publication corresponds to that of the edition of the Brazilian translation consulted. The original work, entitled Das Kapital, Kritik der politischen Ökonomie was published in 1867.
[5] Added value.

companies and individuals to increase their capital stock in a given period. When acquiring capital goods, companies hope that this action will allow them to obtain results that translate into higher revenues than the investment costs. Thus, investment plays a dual role in economic activity, because, in addition to affecting the short-term product, through its impact on aggregate demand, it also influences the growth of the product, through the impact on capital formation on the potential product and the aggregate offer.

On the investment issue, it is important to take into account the observation of Marshall (1996), in the preface to the first edition of his work Principles of Economics, as well as in chapter XII, dedicated to the direction of companies in industrial organization. Referring to the actions of London bankers and businessmen, in general, the author states that:

> the actions of city men (investment and business men) are based on deliberate and far-reaching calculations and executed with vigor and skill. . ., because they are dedicated to the study of business trends and assume the main risks (Marshall, 1996).

This is an important aspect, because, when it comes to investment, one must not forget that the calculation to be made must be deliberate, far-reaching and executed with skill. “When someone ventures their own money, that is the only risk that is relevant, Keynes (1996) will say, because there will always be an investor risk in view of the probabilities of achieving the expected return on the invested capital.

When Keynes (1996) draws attention to the fact that all production is ultimately destined to satisfy demand, he is saying that there will always be a waiting period between the moment when the producer assumes the costs and the moment purchase of production by the final consumer. In the meantime,

> the entrepreneur (applying this name to both the producer and the investor) must make the best possible predictions about what consumers will be willing to pay when, after a considerable period of time, they are in a position to to satisfy them (directly or indirectly); and he has no alternative but to be guided by these predictions, if his production must be carried out, in any case, by processes that require time (Keynes, 1996).

Also Adam Smith (1996)[6], in the first volume of Wealth of Nations, when dealing with the nature, accumulation and use of capital, states that “when a person has enough capital to sustain himself for months or years, he will naturally seek to earn an income from most of it, reserving for the its immediate consumption just enough to maintain itself until the income starts to come in. ”

In the author's opinion, the general capital of a country or society

> it is the same as the sum of the capital of all its inhabitants or members, and for that reason it is naturally divided into the same parts as the capital of an individual, one destined to not generate profit, but the other, whose characteristic consists in providing income or profit (Smith, 1996).

[6]The cited publication date corresponds to the Brazilian translation consulted. The original work, entitled The Wealth of Nations, was published in 1776.

Thus, it is possible to affirm that all capital has a part that will provide the maintenance of what has been invested and that it derives from another part of the capital, which generates income, and should be continuously maintained by it. Therefore, all useful machines and work tools are originally derived from circulating capital that supplies the materials from which they are made, as well as the maintenance of the workers who manufacture them, while also guaranteeing capital of the same kind to keep them constantly in good state.

Ama asks if it imposes itself: what instruments does the State have at its disposal to regulate the interest rate in order to keep it below the marginal efficiency of capital, increase consumption through the expansion of public spending and expand the investment through public loans? able to absorb idle resources?

8. Public management, stimulus instruments and investment control

Commonly, looking at investment takes into account the capital stock increases made by the private sector, ignoring public investment and forgetting that it contributes to economic efficiency and productivity. Thus, when considering investment as an expense that increases future productivity, one cannot fail to verify the investment variable beyond the private sector, thus including public investment, as it is necessary to evaluate the expenses with education, health , infrastructure, as well as how these expenses impact economic productivity.

Part of the national production is purchased by the governments, at the Federal, State and Municipal levels, and these purchases are part of the Gross Domestic Product - GDP. Some government purchases are consumer goods, such as food; others are investments, such as road construction. When measuring the contribution of government purchases to GDP, all these government purchases are added to the flow of private consumption and investment. Thus, all government expenditure on employee salaries, plus the cost of goods it buys in the private sector - for example, equipment - are included in government consumption and gross investment expenditure, with these expenditure and acquisition being the Government's contribution. Federal, State and Municipal for the formation of the GDP.

When discussing investment, private investment should not be taken as a reference, as many of the investments necessary for the efficient functioning of the private sector are made exclusively by governments. These - known as social infrastructures and consisting of large-scale projects that precede commercial and industrial activity - consist of roads, irrigation and water supply projects and public health measures; important projects, all of them involving large investments that tend to be indivisible, because they are used by everyone and, sometimes, with increasing returns to scale.

These projects generally involve foreign investments that private companies are unable to raise. Therefore, only governments can plan and work to ensure that these investments in social infrastructure are effectively made.

Therefore, one of the objectives of this article is to verify the participation of public investment in economic development, specifically the variable investment on per capita income.

When should the State participate in economic activity?

First, the State participates in economic activity because, through universal and free suffrage, it is entrusted with and legitimated to satisfy the needs of the citizens who voted for it. It is, therefore, the function of the State to meet the unfulfilled desires of individuals because that is the only way its existence makes sense. The State is not an individual, but a collectivity of individuals and, as such, has no psychic content, does not think, does not feel, has no desires. Desires only individuals can have, hence these needs, although met by the State, must be for individuals, according to Silvestre (2010).

Second, the State participates in economic activity because GDP, which is the sum of the monetary values of consumption, investment, government purchases and a country's net exports, over a year, contemplates the formal participation of the State in the economy , through tax collection and government spending. Translated into symbols, we have to:

$$GDP = C + I + G + X,$$

where C is consumption, I is investment, G is government purchases and X is the difference between export and import (net exports).The State participates in economic activity, as it is one of its formal agents, as are families, companies and other countriesSamuelson (2010). In order to understand the role of the State in economic activity, it is necessary to analyze government expenditure and taxation, together with their effects.

Samuelson (2010) argues that this role of government in economic activity can describe the macroeconomic balance when it enters the picture with its function of spending and taxes, since public spending on goods and services (G) is an important force in determining production and employment, similar to investment. In this way, government expenditure has the potential to increase or decrease production over the economic cycle, because government expenditure is very similar to investment. For this reason, public expenditure on goods and services (G) is an important force in determining production and employment, since the multiplier of public expenditure is exactly the same as the multiplier of investment.

Fiscal policy, then, has an impact on production, as does investment, since public expenditure, through the purchase of goods and services, increases GDP growth, to the extent that the State, when buying goods or a service, will set in motion a chain of income and expenses - the construction of a road, for example, will make its builders dispose of their income in consumer goods which, in turn, will generate additional income.

Inequality can also be mitigated by State action. According to Silvestre (2010), fiscal policy is a mechanism and one of the instruments at the service of the State, because markets may not provide a sharing of earnings in a socially equitable way for all individuals. Thus, the State may intervene to correct situations of inequality, depending on the conception of equity adopted.

The first instrumental variable to regulate the investment is the corporate income tax, which is essentially a proportional tax on profits, in which the company pays a fraction of its profits in the form of taxes. Therefore, the higher the cost of corporate income tax, the higher the cost of capital.

The second variable of investment tax policy is the investment tax credit, as it allows companies to deduct part of their investment expenses from their taxes each year. Then, the investment tax credit reduces the price of a capital asset for the company, since the country's Treasury returns a fraction of the cost of each capital asset acquired. In this way, the investment tax credit reduces the cost of capital.

As we have seen, in addition to taxes and credit, under state control, there is fiscal and monetary policy. Fiscal policy also affects the demand for capital, as a policy of high taxes with low public expenditure keeps the real interest rate low and encourages the demand for capital; a policy of low taxes with high public expenditure, on the other hand, produces large deficits, raising the real interest rate and discouraging the demand for capital.

Monetary policy affects the demand for capital by influencing the market's interest rate. A decrease in the nominal interest rate induces companies to desire more capital, expanding demand, which, in turn, will affect investment spending.

Within the scope of this investigation, one of the main ideas is that the application of fiscal and monetary policy will decisively affect the stock of capital desired by individuals, families, companies and governments.

Dornbusch (2009) shows that monetary policy will affect the demand for capital by influencing the market's interest rate, through the function:

$$K^* = g(rc, Y)$$

where K * is the desired capital stock, Y the aggregate product level (GDP) and rc the cost of renting the capital; this function being such that an increase in the rental cost decreases K * (desired capital) and an increase in GDP increases K * (increases the desired capital) (Dornbusch, 2009).

This equation shows that the desired capital stock depends on the expected product level for a certain future period. For some investments, the future moment in which the product will be obtained corresponds to months, such as the production of bread, for example; for other investments, however, this future moment will take years, such as the construction of a hydroelectric plant.

In function, the desired capital stock increases when the product level increases and the rental cost falls. The cost of renting capital, in turn, drops when the real interest rate and depreciation rate fall and the investment tax credit increases. Therefore, "investment spending tends to be higher when the cost of renting capital is lower", as Dornbusch (2009) says. Due to the distinction between real and nominal interest rates, however, this is not to say that the investment tends to be higher when the nominal interest rate is lower, since the real interest rate is the nominal (declared) interest rate. minus the expected inflation rate for the period.

Some questions still deserve to be analyzed: why does Keynes (1996) maintain that the State should be so concerned with investment, not leaving it under the responsibility of the private sector? Why can increased investment be among the most important tools for creating long-term prosperity? Why is investment an important component, if it increases capital, increasing the productive capacity of the economy in the long run? What is the State's capacity to manage and coordinate investment, contributing to greater efficiency and economic productivity?

When talking about the responsibilities of the State in the Wealth of Nations, Adam Smith (1996) argues that, in addition to “protecting society against violence and the invasion of other independent countries” and “protecting each member of society from the injustice of all countries. other members through the establishment of a rigorous judicial administration ”, it is the duty of the State, also,“ to create and maintain public institutions and works that, although they can provide the maximum advantage for a great society, are of such nature, that the profit never it would be able to compensate some individual or a small number of individuals, not being able, because it is expected that some individual or small number of individuals create and maintain them ”.

In the same work, in the chapter, entitled The Works and Public Institutions Aimed at Facilitating Society Trade, the author maintains that the objective of these institutions is to facilitate trade in general (1996), adding that to streamline certain specific sectors of it, specific institutions are needed.

Even though Adam Smith (1996) referred to the construction of roads and canals with the objective of increasing the volume and value of trade to the maximum, it is nevertheless necessary to bet on a broad market, creating free, easy communication and cheap between the different regions of the country. And to think about how the State can contribute not only to the flow of production, but also to the strengthening of production, especially in depressed regions.

Lopez & Cardim (2009) show that aggregate profits are the variable of greatest strategic importance for investment and the most determining in terms of production, especially in depressed economies. Profits are important because it is the expectation of future profits that drives investments in their decision to produce; second, the existence of present profits facilitates the financing of productive activities without overly appealing to indebtedness; and, finally, the profits accumulated in the past protect the productive activity against unfulfilled expectations, allowing the fulfillment of commitments without putting production at risk.

A growth strategy must, primarily, aim at reaching and sustaining a mass of profits sufficient to induce companies to produce / invest, while providing them with the financing capacity without exposure to excessive risks. On the other hand, in the short term, the expansion of the mass of profits necessarily involves taking advantage of the idle capacity existing in the economy, which, except in periods of cyclical boom, tends to be more significant than is normally appreciated, requiring that policies macroeconomic policies (aggregate demand management policies) are calibrated to keep the economy as close as possible to full employment.

Keynes (1996) suggested that it is a question of maintaining the economy in a near-peak situation, managing a growing level of aggregate demand in order to justify, in the eyes of producers, not only the maintenance of high degrees of capacity and hand utilization. workforce, but also the expansion of this capacity through investments.

9. Public investment in science, technology, infrastructure and production

Technological development has been an important ingredient for the growth of living standards, alongside human resources, natural resources and capital. An incessant current of inventions and technological progress has led to a vast development of production possibilities, insofar as it corresponds to changes in production processes or the introduction of new goods and / or services. This technology development process is continuous and happens through small and large improvements.

In the investment analysis, it is necessary to take into account the role of technology, which, understood as the expansion of a country's capacity to convert natural and human resources into well-being through increased production, improves the efficiency of the labor factor, improving, also, productivity. Thus, the increase in the rate of investment in technology causes economic activity to jump to higher levels of product per capita. However, how to encourage technological progress, given its importance in improving living standards?

The technological development process is not something that appears mysteriously through the work of scientists and inventors; it emerges from the forces of markets, public decisions and alternative institutions, being, at the same time, a product of the economic system and a public good, since it can be used by many people at the same time without destroying itself and without reducing productivity.

Adam Smith (1996), in Wealth of Nations, when referring to the importance of technological development, does not only point out the value of machinery development, he emphasizes the importance of having a set of dedicated professionals and the use of various improvements introduced into the machinery, which ends up giving way to a specific category of professionals. Several of these improvements are the work of researchers, whose job was not to do things, but to observe them and who, for this reason, are often able to combine the forces and powers of the most distant and disparate objects among themselves.

Thus, Adam Smith (1996) finds that, for the progress of society, it is necessary to exclusively occupy a category of professionals to take care of technological development. According to the author,

> like any trade, this too is subdivided into a large number of different sectors or areas, each of which offers work to a specific category of philosophers, and this subdivision of philosophical work, in the same way as in any other occupation, improves and perfects dexterity and provides time savings. Each individual becomes more skilled in his or her specific sector, as the volume of work produced is greater, considerably increasing the scientific capital (Smith, 1996).

Schumpeter (1997), who gave particular relevance to the theme of innovation by calling attention to the fact that “producing means combining materials and forces that are within our reach. To produce other things, or the same things with a different method, means to combine these materials and forces differently. These new combinations can, with time, build on existing ones, through continuous adjustments, over small steps, leading to changes and, possibly, growth; however, there is neither a new phenomenon nor development in the sense that he understands.

Development, as Schumpeter (1997) understands it, occurs as new combinations appear discontinuously and not as continuous adjustments. For this reason, in the author's opinion, form, when we refer to new combinations of productive means, these appear discontinuously.

For Schumpeter (1977), the development matrix encompasses five aspects: the introduction of a new good that consumers are not yet familiar with; the introduction of a new production method that has not yet been tested by experience; the opening of a new market, in which the new activity of the country in question has not yet entered; the conquest of a new source of supply of raw materials or semi-manufactured goods and, finally, the establishment of a new business organization, such as the creation of a monopoly position or the fragmentation of an existing monopoly position.

For this innovation process to occur, it is not necessary that it be carried out by the same actors who control the productive or commercial process; on the contrary, these new combinations are developed by other actors. Therefore, conceptually, development, for Schumpeter (1997), consists primarily of using different resources in a different way, of doing new things with them, regardless of whether those resources grow or not.

Finally, Schumpeter affirms that the resources for the development of these new combinations, of this new pattern of development, belong to the typical investors of a competitive and capitalist economy, because this model

> it is characteristic of the capitalist type of society, important enough to serve as its differenti specifica, to force the economic system to follow new channels, to place its means at the service of new ends, in contrast to the method of an economy that is not of exchanges, the type that consists simply in exercising the commanding power of the governing body (Schumpeter. 1997).

If only market forces are capable of generating new technological processes, more than that, if it is something exclusive to this system, do public measures have an important role to play in this context?

It is assumed that governments should support science through concessions and incentives to research, because without the support of the government and non-profit development entities, research in mathematics, or in the natural and social sciences, for example, it would disappear.

In addition, governments must take care to ensure that inventors have adequate incentives to engage in research and development. Thus, governments are increasingly seeking to pay attention to intellectual property rights, such as patents and copyrights, in order to provide the right premium for creative activities.

In this context, reference to Keynes's position is unavoidable.

> Since the State is in a position to calculate the marginal efficiency of capital goods in the long run and, based on the general interests of the community, I hope to see it (State) assume an ever greater responsibility in the direct organization of investments, all the more so considering that the fluctuations in the market's estimate of the marginal efficiency of the various types of capital are likely to be too large to compensate for them through viable changes in the interest rate (Keynes, 1996).

Therefore, by insisting on the role of the State in economic activity, Keynes (1996) assures that the central controls necessary to ensure full employment will require a considerable extension of the traditional functions of the State. Understanding that technological development is an important variable, the participation of the State in its development is a relevant factor, and is not only in charge of private economic activity.

Finally, in a context in which modern growth theory alters the way of thinking about growth processes and the role of public policies in technological development, by showing that technological differences are the main reason for disparities in living standards among countries, and that technology is a produced factor, it is essential that the economic growth policy conducted by the State focuses essentially on how countries can improve their technological performance.

Romer, apudSamuelson (2010), is of the opinion that one will be in a position to follow the ongoing debates on the policies of tax incentives for private research, exemptions in defense of competition for joint research undertakings, activities of multinational companies, the effects of outsourcing by governments, the interaction between commercial policy and innovation, the scope of protection of property rights intellectual property, the links between private companies and the university, the mechanisms for selecting the research area that receive the support of an explicit policy of the State.

Technological development, which increases production, is a fundamental ingredient in economic growth, alongside human resources, natural resources and capital, which is, at the same time, a product of the economic system and a public good; on the other hand, it is said that governments have increasingly sought to provide incentives for research and guarantee intellectual property rights for those who develop new technologies.

Investment in infrastructure and production, on the other hand, must be considered based on the assumption that these are two distinct components that, like technology, must deserve the attention of the State, since, after all, they are important capital goods to guarantee full employment.

As has already been said, it is the role of the State, in addition to protecting society from violence and the invasion of other independent countries, to protect each member of society from the injustice of all other members through the establishment of strict judicial administration. It is up to the State to create and maintain institutions and public works that, although they may provide the maximum advantage for a large society, are of such a nature that the profit would never be able to compensate any individual or a small number of individuals, therefore, it cannot be expected that some individual or small number of individuals create and maintain them, as Adam Smth taught us so well.

10. Conclusion

The participation of Public Management in economic activity, whether through investment in technology, in infrastructure through monetary and fiscal policies, is important, as these are the vectors that will facilitate society's trade, understanding trade as the whole set of economic activity that ensures and adds the development of a nation, as Smith would say. He,Adam Smith argued that that, in order to achieve full employment, it is necessary to streamline certain specific sectors of commerce in general, through specific institutions referring to the construction of roads and canals with the objective of increasing, as much as possible, the volume and value of this production in order to provide the formation of a broad market, creating free, easy and cheap communication between the different regions of the country.

As can be seen throughout this article, the literature dealing with this topic is extensive and consistent, as as Keynes tells us, especially with regard to investment, it is not healthy to leave it to the private sector to take over the future of economic activity. , with the State, through its management, playing an important role, since it is really the future of society.

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