


## INFLUENCE OF PUBLIC CHOICE THEORY ON MANAGERS' DECISIONS: AN ANALYSIS OF PUBLIC EXPENDITURE IN THE LIGHT OF DISCRETION

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### ABSTRACT

Decisions in the Public Sector are influenced by the theory of public choice, considered as a starting point to explain the tendency of managers to prioritize spending. The objective of the research is to explain the influence of the theory of public choice on managers' decisions to prioritize spending in certain areas, based on discretion. The main public expenditures that can influence managers' decisions were identified. The research is quantitative, descriptive and documentary. The sample is composed of the 417 municipalities of the state of Bahia and considered the years 2014 to 2017. The findings converge with the assumptions of the PTE. The municipalities of Bahia, through the choices of managers, would exercise discretion in their activities, leading to decisions to prioritize spending. Also, they follow the legal imposition. However, the fact of spending more cannot be correlated with the prioritized areas ( $p=0.136$ ).

**Keywords:** Public Choice Theory. Discretion. Public spending. Public Manager.

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## INTRODUCTION

Administrative discretion is one of the most controversial assumptions in the Public Administration, since, despite authorizing flexibility in the application of the rules to practical cases, it somehow allows arbitrariness on the part of the Executive Branch. In this scenario, Schapiro (2016) highlights that discretion may be crucial for the occurrence of this arbitrariness, which is why it would affect, above all, the application of legislation concerning public spending. Administrative discretion represents one of the powers of the Public Administration, that is, it is one of the instruments for the fulfillment of a duty (Hart, 2013).

Thus, with regard to public spending, discretion places the public manager as the main entity in the process that concerns what will be spent, in money or in other non-monetary resources; how to spend it, that is, the means by which monetary resources will be used or not, and on what to spend, that is, in which areas such resources will be employed. Hart (2013) compares discretion with the idea of intellectual virtue of making judgments, in order to discern what should be done in practical situations by the public manager.

Public choice or public choice theory (TEP) understands the manager as an altruistic politician of the public interest in general, whose performance demonstrates an approach more coherent with human behavior. Therefore, he understands that managers are genuine human agents who choose to satisfy their self-interest. As a result, managers tend to prioritize areas because they serve for their personal promotion (Mueller, 2003). According to Costa et al. (2013), political decision-making processes in democracies would be linked to socioeconomic interests. Therefore, according to public choice theory, the behavior of individuals is driven by the goal of maximizing their own well-being (Buchanan & Musgrave, 1999). Furthermore, as described by Silveira (1996), the theory of public choice enables the manager to understand its failures and its limits of intervention.

For Pereira (1997), the TEP is based on the assumption that less State intervention in the economy is necessary, for this reason it is particularly well defended and accepted by neoliberals. *In fact*, many managers are looking for ways to apply resources in order to meet the real needs of the population. In short, the relationship between the theory of public choice and the discretion of managers is beginning to gain notoriety, since this comes to be understood as behaviors manifested both in the market and in the political environment (Leister & Chiappin, 2005).

And, *ipso facto*, investigating the relationship between the discretion of public managers and public choice, through the analysis of the expenditures prioritized by the municipalities of Bahia is the focus of this work. Thus, this research presents the following

problem: What is the influence of public choice theory on managers' decisions to prioritize spending in certain areas, assuming discretion? In order to answer this problem, the following objective was established: To identify the influence of the theory of public choice on managers' decisions to prioritize spending in certain areas, assuming discretion, in the period from 2014 to 2017, in the municipalities of the state of Bahia. The latter was chosen in view of the availability of instruments and elements.

## **THEORETICAL FRAMEWORK**

### **PUBLIC CHOICE THEORY (TEP) AND POLITICAL DECISIONS**

In order to obtain better results in public management, especially in the municipalities, which are the object of this study, political decisions need to be made. In this area, such decisions invariably connect with the assumptions of the Public Choice Theory in which discretion is allowed, including and not infrequently arbitrariness in political decision-making. Therefore, it becomes pertinent to raise specific considerations of this theory, especially and as already mentioned, due to its connection with the behavior of political decision-making agents. After all, as Da et al. (2009) points out, actors in the public sphere, at some point, have already acted in the market and thus, methodological individualism, rationality and selfishness of individuals, assumptions of TEP, can influence their actions (Costa, 2011).

For Silva (1996), public choice, in public finance, is the study of collective choice processes and how they occur. By grouping two of the assumptions of TEP (methodological individualism and agent rationality), Moraes (2017) points out that the Government, in the view of Da et al. (2009), is a complex of institutions formed by individuals who act on behalf of the collectivity, which would be the same as society, which in turn is a complex of individuals. It is necessary to admit that TEP, in the view of Pereira (1997), is based on the assumption that less State intervention in the economy is necessary.

That is why, in this author's conception, there is an inconsistency in saying that individuals, when they act in private markets, are selfish, but that, when they act in the political scenario, they are altruistic and pursue the public interest, because they want to satisfy their image as political agents (Costa, 2011). This fact is very true if, from the perspective of discretion, assigned by law, agents tend to carry out actions to satisfy their own interests. Along these lines, Schapiro (2016) reveals that, in the developmental State, the core of economic interventions is made up of public choices, therefore, they constitute discretionary actions.

The relationship between TEP and managers' discretion is notorious, since it is understood as behavior manifested both in the market and in the political environment (Leister & Chiappin, 2005). To get an idea of this relationship, Cheib (2016) reveals that bureaucrats (one of those who participate in the preparation of the budget) sought not to maximize the budget of their public department in general, but the discretionary budget. This is because the latter was at "their disposal", and could be used according to the personal preferences of the managers (Cheib, 2016).

## CURRENT CONTEXT OF PUBLIC EXPENDITURE

When thinking about "public spending" in the context of the Brazilian budget, one should not fail to associate it with the proper application of public resources and the planning of the manager's actions, whose objective is to leverage the government image. In this scenario, the character of public expenditure linked to transparency and managerial responsibility is commonly pointed out as an essential requirement to improve the performance of public managers and measure the performance of public policies (Baldissera & Dall'Asta, 2021; Bartoluzzio & Anjos, 2020; Fiirst et al., 2018; Meijer, 2013; Felipe & Djalma Freire Borges, 2008; OLIVER, 2004).

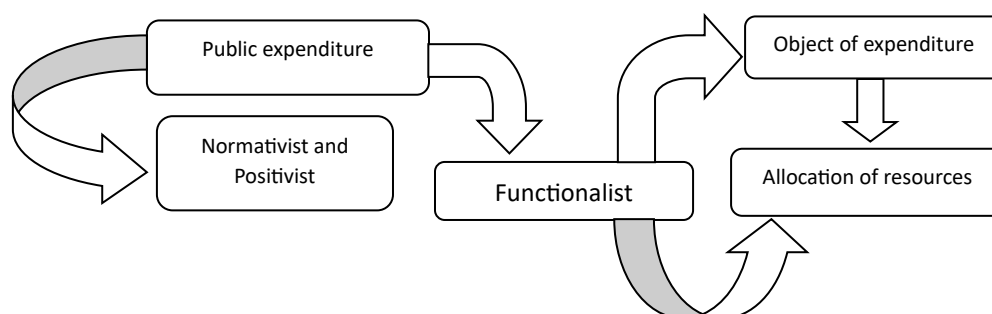
Ramos & Silva (2020) reports that the committed expenditures are commitments made in the execution of the budget, but that with the convergence of international accounting standards for the public sector, especially from 2008, when they were published, relevant changes have taken place. For example, there was an understanding that, in order to be on the balance sheet of public entities, expenses must be settled, after all, it is only from this stage that the obligation of payment by the Public Entity becomes enforceable (Ramos & Silva, 2020). The economic fact itself only occurs when the expense is settled.

Mechanisms for controlling public spending reveal a notably controversial scenario in Brazil. First, because there is a mismatch between public spending, in which "what to spend", "how to spend" and "why to spend" is undefined, it is not evident what is really a priority. Added to this is the fact of the precariousness in the inspection exercised by the control bodies, linked, above all, to the inefficient accountability by public managers. These facts influence what we call "expenditure execution" in order to meet the real demands of society (Felipe & Djalma Freire Borges, 2008).

It is worth admonishing, however, that the accounting of public expenditure must take into account whether its expenditure occurred under the equity or budgetary focus, or whether its realization impacted both systems, in addition to the control (or compensation) system. When there is an impact on both systems, implying a reduction in the net worth of

the public entity, we are facing an effective expense. Currently, Accounting Applied to the Public Sector (CASP) is increasingly aligned with that applied to organizations in the private sphere. Public spending, for example, through the normativist and positivist approach, adopts a functionalist approach. Figure 1 reflects this panorama.

**Figure 1** – Current context of public spending in the Brazilian model.



Source: prepared by the authors, 2021.

## THE RITE OF PUBLIC EXPENDITURE IN THE BRAZILIAN SCENARIO

The revenue does not come from the profits obtained as a result of sales of goods and/or provision of services, but from the collection of taxes added to the transfers of funds and federal entities. After all, the management of *the Res Publica* aims "in theory" at the common good. Therefore, the expense is also not the sum of direct and indirect expenses for the sake of profitability; It is the application of money collected through taxes or other sources to fund public goods and services offered and provided to society and/or to make investments. (BRAZIL, 2020).

In the allocation phase, spending planning is carried out with a view to an estimated collection. Then, the Annual Budget Law (LOA) is prepared annually. As a rule, no expense can be made without proper provision in the LOA. Once it has been provided for by law, the supplier of the material and/or service provider may be hired. This stage is called commitment and refers to the reserve, in cash, which will be paid when the good is delivered or the service completed (Fiirst et al., 2018).

After signing the contract, the supplier has the obligation to comply with the agreement. At the moment when the contractor honors what has been established, in addition to proving through documents his technical qualification, the liquidation phase is reached. In this phase, the delivery of the good or if the service is provided occurs, generating the obligation of payment fully constituted by the public entity (BRASIL, 2020). Finally, the obligation is extinguished, in the last stage of the expense, at the time the entity makes the payment to the contracted creditor.

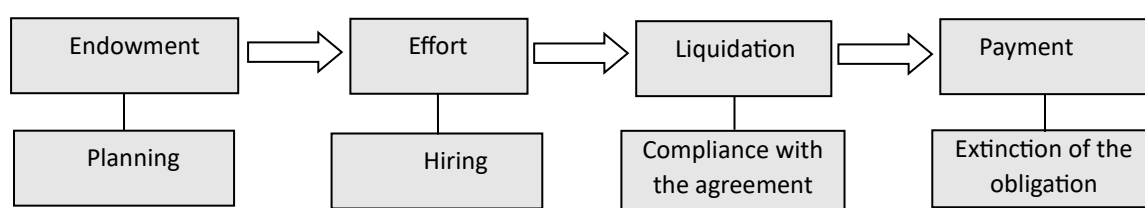
When it occurs until the end of the financial year (December 31), it followed the common process. However, it may happen that all phases of expenditure are not completed by the end of the calendar year (financial year), and payment is pending for the next year. In the absence of documentation that supports the accounting entry at the time the expense was incurred, it must be entered in "Remains to Pay" or as "Expenses from Previous Years" (if there is a taxable event, but the commitment was not made in the year) in the budget system.

If the expense has been committed (not settled and not paid), there are the "unprocessed remains to be paid", *idest*, there is a pending issue on the part of the contractor that justifies the non-payment. When the expense has been settled, but the payment has not been made, the "remains to be paid processed" are processed, which guarantees the creditor the right to receive for the work that was performed or the good that was delivered. Regarding Expenses from Previous Years (DEA), this is a specific fact where its recognition evidences the existence of obligations incurred in past years for which its competent and timely recognition of the expenditure in the budget was not carried out (De et al., 2012).

Hypothetically, it can be foreseen, for example, a case in which, in the face of a notorious financial unavailability and a friendly relationship with a creditor who provided a service already settled, he is asked for a document that proves his withdrawal from receiving and the manager thus has support to cancel a processed payable remainder and maintain the financial balance of his accounts. It is also possible to suppose a situation in which the manager is able to classify the expense incurred in the year as being from previous years, which would allow him to classify it as Expenses from Previous Years (DEA) and not need financial availability, because *a priori*, the DEA is an unexpected expense that surprises the control at the time of knowledge of its existence.

In these cases and in many others that may occur during the course of the expenditure, the manager will make an important political decision based on discretion. Figure 2 adequately summarizes the stages of public expenditure in the Brazilian scenario.

**Figure 2** - Phases of public expenditure in Brazil.



Source: prepared by the authors, 2021.

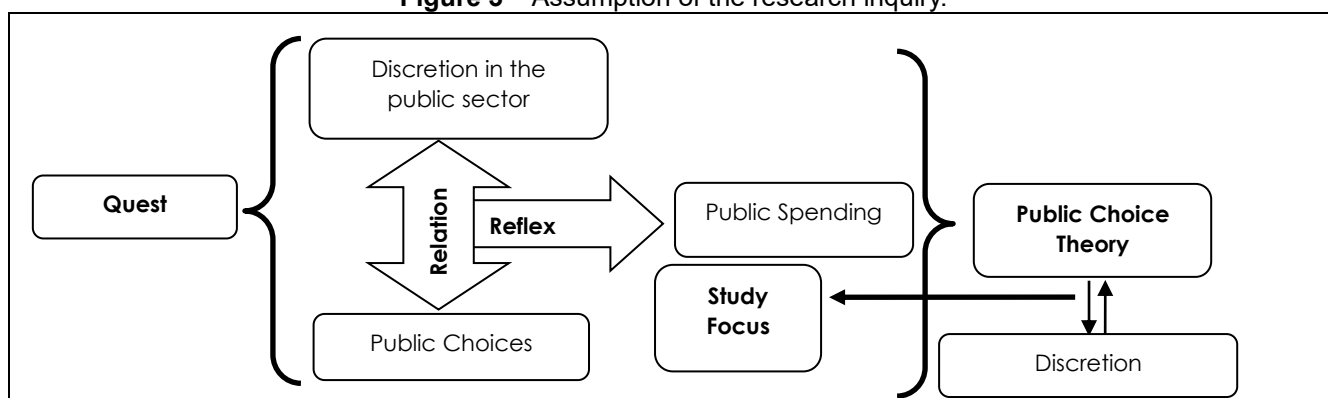
## DISCRETION IN GOVERNMENT MANAGEMENT: REFLECTIONS ON PUBLIC EXPENDITURES

For Meirelles (2001), discretion refers to the freedom of administrative action given to public managers, within the limits allowed by law. It is evidenced by the conception that the law leaves some margin of freedom of decision in the face of the concrete case, in such a way that the public manager may choose one of several possible solutions, all, however, legally valid.

The expression of discretion also reveals the manifestation of the power of the state, which even providing a certain freedom of choice of the manager, reflects a strong intervention of the manager in various economic, political and social activities. The intervention of the state is seen when, through the legality of its acts, it elaborates an apparatus of norms, in which this freedom of the manager is delimited, and its discretion is demarcated as a margin of its action. *Ergo*, jurisdictional control and its choices are conditioned to an intervening state, being a rationalization with a view to the search for mechanisms to achieve social justice in the exercise of administrative activity.

The execution of public expenditures, in this scenario, corroborates the achievement of the goals and priorities provided for in normative instruments, such as the Multi-Year Plan (PPA), the Budget Guidelines Law (LDO) and the Annual Budget Law (LOA), with discretion for the public administration. The updated Ordinance No. 42/1999, of the Federal Budget Secretariat (SOF), further highlights the discretionary power of the administration (Brasil, 1999). Figure 3 is the question of this work.

**Figure 3** – Assumption of the research inquiry.



Source: Prepared by the authors, 2021.



## METHODOLOGICAL PROCEDURES

### POPULATION, SAMPLE COMPOSITION, CLASSIFICATION AND SURVEY METHOD

The research universe is represented by the 417 municipalities of the state of Bahia, also constituting the study sample. Regarding the objectives, the work is characterized as exploratory, through the analysis of pre-existing databases without any interference from the authors. Regarding the approach to the problem, the study is quantitative, since it is limited to investigating the phenomenon, but does not investigate factors that influence the behavior of the phenomenon. But it also has a qualitative bias, since it classifies expenditures as discretionary and non-discretionary, based on their link to the current normative apparatus. To implement the methodology, the following steps were adopted: classification of government expenditures into discretionary and non-discretionary, their linkage to current legislation and finally correlation with the theory of public choice.

### PROCEDURES FOR DATA COLLECTION AND RESEARCH SUPPORT INSTRUMENTS

For this study, expenditures were classified as discretionary or not based on their mandatory nature by some normative apparatus. And for this, each expense was analyzed and its link or not to the current legislation. Then, those non-discretionary were correlated with the basic theory of the study: public choice. The public expenditures used in this study are those linked to the currently existing areas of government, and refer to the expenditures actually executed, that is, those that went through the phases of commitment, settlement and payment, here called scalar variables. These, in turn, are listed in Ordinance No. 42/1999 of the Federal Budget Secretariat. In all, there are 28 government functions that, in this study, constitute the nominal variables and express what the State should do in terms of public policies (Brasil, 1999).

The amounts of each of these expenses were collected through the database made available in Excel format on the platform of SEI – Superintendence of Economic and Social Studies of Bahia, and consulted through the link:

<[https://www.sei.ba.gov.br/index.php?option=com\\_content&view=article&id=1167&Itemid=388](https://www.sei.ba.gov.br/index.php?option=com_content&view=article&id=1167&Itemid=388)>.

### DATA ANALYSIS, SOFTWARE, AND STATISTICAL TESTING

The test of equality of variances was also used to identify differences between the variables that can be interfered with by the expenditures of each municipality, in addition to using *Pearson's correlation coefficient* to deepen the understanding of the relationship between the variables studied (public expenditure and areas of government).



The measure of the relationship between the nominal variables, which express each governmental function, will be understood as the degree of discretion presented by the managers and which configures their decision to assume one function in favor of another. On the other hand, the relationship between the scalar variables indicates the prevalence of concern with the manager's image, including his choice to reaffirm his performance in a strategic area.

For the purpose of this research, public choice represents the choices that managers make to meet their interests and is related to the underlying theory of this work. Then, the following research hypotheses were formulated:

H1: Public choices, indicated by public spending, impact managers' decisions, measured by the degree of discretion.

H1: Public choices, indicated by public spending, do not impact managers' decisions, measured by the degree of discretion.

The statistical software Statistical Package for *Social Sciences*, version 22 (SPSS),<sup>®</sup> was used as a computational resource.

## ANALYSIS OF THE RESULTS

### CHARACTERIZATION OF THE SAMPLE AND MAIN FINDINGS

To analyze the results, it was decided to evaluate the municipalities with the highest expenditures in general, and then to draw an overview of the priorities of their expenditures. Soon after, a comparison was made between the municipalities. Table 1 shows the municipalities with the highest expenditures.

**Table 1** – Municipalities with the highest expenditures, in the period from 2014 to 2017.

Financial year 2014			10 Areas with the most spending
Municipality	Expense (R\$) 2014	%	
1. Salvador	3.224.706.177,13	14	
2. Camaçari	723.944.710,80	3	
3. Feira De Santana	696.631.495,25	3	
4. São Francisco do Conde	402.572.968,11	2	
5. Vitoria da Conquista	389.281.239,48	2	
<b>Total of the 5 municipalities</b>	5.437.136.590,77	22,80	
<b>Total of all municipalities</b>	23.796.083.442,14	100	
Financial year 2015			Administration, Agriculture, Social Assistance, Culture, Sports and Leisure, Education, <b>Sanitation</b> , Health, <b>Transport</b> and Urbanism
Municipality	Expense (R\$) 2015	%	
1. Salvador	3.529.188.795,47	14	
2. Camaçari	834.149.876,89	3	
3. Feira De Santana	765.677.046,52	3	
4. Vitoria da Conquista	550.798.451,85	2	
5. São Francisco do Conde	421.047.319,45	2	

<b>Total of the 5 municipalities</b>	6.100.861.490,18	23,75	
<b>Total of all municipalities</b>	25.686.522.914,73	100	
<b>Financial year 2016</b>			
<b>Municipality</b>	<b>Expense (R\$) 2016</b>	<b>%</b>	
1. Salvador	4.126.679.644,10	15	Administration, Agriculture, Social Assistance, Culture, Sports and Laser, Education, <b><u>Environmental Management, Sanitation,</u></b> Health, Urbanism
2. Camaçari	803.169.287,06	3	
3. Feira De Santana	763.482.105,38	3	
4. Vitoria da Conquista	575.323.715,82	2	
5. São Francisco do Conde	418.442.751,99	2	
<b>Total of the 5 municipalities</b>	6.687.097.504,35	24,65	
<b>Total of all municipalities</b>	27.125.895.731,14	100	
<b>Financial year 2017</b>			
<b>Municipality</b>	<b>Expense (R\$) 2017</b>	<b>%</b>	
1. Salvador	4.391.688,918, 70	16	Administration, Agriculture, Social Assistance, Culture, Sports and Laser, Education, <b><u>Transport, Public Security,</u></b> Health, Urbanism
2. Feira De Santana	863.451.375,54	3	
3. Camaçari	765.541.466,34	3	
4. Vitoria da Conquista	564.629.689,14	2	
5. Lauro de Freitas	435.419.983,49	2	
<b>Total of the 5 municipalities</b>	7.020.731.433,21	24,95	
<b>Total of all municipalities</b>	28.133.063.734,37	100	

Source: Survey Data, 2021, based on SPSS software data.

The five municipalities with the highest public spending were discriminated. When considering the descriptive analysis, it was noticed that the trend follows the pattern, in which large municipalities and metropolises have a greater tendency to spend. It is very likely that these municipalities have spent in all areas of government, especially those relevant to the maintenance of the manager's image. It is relevant to highlight the expenses with the agriculture function, since for very urban municipalities, as is the case of Salvador, this function did not present any value. This is to be expected, because a manager would never spend in an area in which there was no relationship with the profile of the municipality and that would compromise his image as a manager.

Urban development is more associated with municipalities in which the urban zone is predominant or the only existing one. Salvador has a small rural area and, therefore, investing in this area could negatively affect the manager's image. Large municipalities, both in terms of population and socioeconomic aspects, follow the forecast: they execute more of the budget and, consequently, increase their expenses to meet the demands much greater than those of smaller municipalities.

It was a consensus among the municipalities to spend more resources in areas that they consider important in the decision-making process. It can be seen that the areas that were most repeated in the study period were: Administration, Agriculture, Social Assistance, Culture, Sports and Leisure, Education, Sanitation, Health, Transport and Urbanism. It is

noteworthy that managers tend to act in these areas due to legal determination, precisely to meet constitutional requirements (RAMOS, 2017). However, the findings suggest that, for those areas in which there is no normative imposition, what sustains and justifies spending is discretion, notably linked to the manager's image.

Spending on Social Assistance and Health is high due to the constitutional text, which obliges the manager to increase resources to keep the population healthy; Education, on the other hand, derives from the obligation of the Fund for the Maintenance and Development of Basic Education, as determined by the Federal Constitution (Brasil, 1988). Here it is already observed how the TEP justifies and explains, so to speak, the discretion expressed by municipal managers when choosing to spend more in strategic areas.

In relation to the areas that appeared in some periods and in others did not, as was the case of Sanitation, Transportation, Environmental Management and Public Safety, they were notably prioritized because they better represent the managers of the municipalities. They are essential to improve the acceptance of managers, including their figure as promoters of public policies.

The values of the Special Charges are high due to their characteristic of being values to which a good or service cannot be associated, such as debts, reimbursements, indemnities and other similar aspects, it refers, therefore, to a neutral aggregation and not associated with the areas provided for by SOF Ordinance No. 42/1999 (Brasil, 1999). Therefore, even with high values, they were not considered within the scope of the government areas with the highest expenditures. In view of this, it is not reasonable to consider the Special Charges as an area of government per se, but it is worth noting that they had a significant participation in the expenses of the municipalities of Bahia. This can be seen in table 2.

**Table 2** – Expenditure on Special Charges, in the period from 2014 to 2017.

Financial year	Expense (R\$)	Total Spend (R\$)	% of total spending	Highest value	Lowest value
2014	677.960.698,46	23.796.083.442,1 4	23.796.083.442,1 4	Salvador and Camaçari	Charrocho and Cícero Dantas
2015	619.565.256,95	25.686.522.914,7 3	25.686.522.914,7 3	Salvador and Camaçari	Una and Vereda
2016	749.197.282,15	27.125.895.731,1 4	27.125.895.731,1 4	Salvador and Camaçari	Abaré and Tapiramuta
2017	986.098.398,87	28.133.063.734,3 7	28.133.063.734,3 7	Salvador and Camaçari	Antônio Una River

<b>Total in 4 years</b>	3.032.821.636,43	104.741.565.822,38	2,90%	Salvador and Camaçari	Charrocho, Cícero Dantas, Una, Vereda, Abaré, Tapiramuta and Rio do Antônio
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Source: Survey Data, 2021, based on SPSS software data.

Spending on Special Charges represents almost 3% of the total expenses of the municipalities. This finding indicates the concern of municipal managers with debts arising from commitments made by the previous administration and which are often related to the budget execution of expenses already registered, and which were originally classified in their specific areas. In theory, they have already been recognized in the functions of government by Ordinance 42/1999 (Brasil, 1999).

When mentioning TEP, it is necessary to verify that, many times, the legal imposition corroborates the discretion that the manager appropriates to spend more in order to improve his performance. It would be "the useful to the pleasant" here, that is, the areas where there is an obligation to spend more are precisely those in which the figure of the manager is praised. In this aspect, according to table 3, Education and Health are relevant, followed by Administration, Urbanism and Social Assistance. It can be seen that these five areas together accounted for more than 90% of the expenditures made by the municipalities in the period studied.

Discretion is present with regard to the areas of Administration, Urbanism and Social Assistance. The first can be explained by the tendency that municipalities must increase personnel expenses, related to payroll and excess of civil servants. The second is justified by the urban growth and development of the municipalities. Finally, the third area, Social Assistance, probably discretion acted in the sense of maintaining government assistance programs, which also elevate the image of the manager. Therefore, all three of these are discretionary. Table 3 expressly shows the amounts disbursed in them.

**Table 3** – Areas with the highest expenditures, in the period from 2014 to 2017.

<b>Financial year 2014</b>		
<b>Municipality</b>	<b>Expense (R\$) 2014</b>	<b>%</b>
Education	9.117.442.672,56	38,31
Health	5.673.831.654,60	23,84
Administration	3.683.185.010,30	15,48
Urbanism	2.589.100.986,13	10,88
Social assistance	720.096.061,66	3,03
<b>Total of 5 areas</b>	<b>21.783.656.385,25</b>	<b>91,54</b>
<b>Total of all areas</b>	<b>2.379.6083.442,14</b>	<b>100</b>

Financial year 2015		
Municipality	Expense (R\$) 2015	%
Education	9.930.258.035,43	38,66
Health	6.875.615.116,11	26,77
Administration	3.377.735.187,96	13,15
Urbanism	2.682.792.149,37	10,44
Social assistance	781.209.091,43	3,04
<b>Total of 5 areas</b>	<b>23.647.609.580,30</b>	<b>92,06</b>
<b>Total of all municipalities</b>	<b>25.686.522.914,73</b>	<b>100</b>
Financial year 2016		
Municipality	Expense (R\$) 2016	%
Education	10.522.429.352,22	38,79
Health	6.942.732.767,96	25,59
Administration	3.468.513.188,73	12,79
Urbanism	3.083.188.286,60	11,37
Social assistance	879.943.236,58	3,24
<b>Total of 5 areas</b>	<b>24.896.806.832,09</b>	<b>91,78</b>
<b>Total of all municipalities</b>	<b>27.125.895.731,14</b>	<b>100</b>
Financial year 2017		
Municipality	Expense (R\$) 2017	%
Education	10.876.150.412,37	38,66
Health	7.362.101.5761,52	25,62
Administration	3.621.015.761,52	12,87
Urbanism	3.010.496.698,56	10,70
Social assistance	817.705.051,47	2,91
<b>Total all 5 areas</b>	<b>25.532.842.426,59</b>	<b>90,76</b>
<b>Total of all municipalities</b>	<b>28.133.063.734,37</b>	<b>100</b>

Source: Survey Data, 2021, based on SPSS software data.

Table 3 lists the areas of government most prioritized by managers. It is noted that the order of these has not changed in the four years. It is interesting to highlight the expenses in these five areas, which together correspond to more than 90% in relation to total expenses. For the above, both legal imposition and discretion contribute to the increase in expenses. Both discretion and legal requirements converged to the good image of the manager.

### CORRELATION TEST BETWEEN VARIABLES

Regarding the correlation test between the variables: public expenditures (scalar variables) and government areas determined by SOF Ordinance No. 42/1999 (nominal variables) of the municipalities of the state of Bahia, it was possible to elaborate table 4. Through Pearson's *correlation coefficient*, it was possible to numerically determine the degree of relationship between these variables. The correlation coefficients calculated for the two-by-two crossings of these variables are shown in Table 4.

**Table 4** - Correlation tests between the variables of the model: public expenditures and areas of government.

Variables		Government Areas	Public Spending
Government Areas	Pearson Correlation	1	,300**
	Sig. (2-tailed)		,136
Public Spending	Pearson Correlation	,300**	1
	Sig. (2-tailed)	,136	

\*\* The correlation is significant at the level of 0.01 (2 tails). \* The correlation is significant at the level of 0.05 (2 tails).

Legend: green color suggests slightly positive correlation. Pink color suggests negative correlation.

Source: Survey Data, 2021, based on SPSS software data.

The results of the correlation tests indicate, in general terms, the existence of a positive correlation in the crossing of the study variables. Also that all the coefficients were significantly different from zero. Thus, public choices, indicated by public spending, impact managers' decisions, measured by the choices to spend more in certain areas. Therefore, it is appropriate to say that spending more is related to the expression of discretion.

In terms of statistical significance, from the correlation tests, it can already be seen that the decisions to prioritize certain areas indicated by public spending tend to be related to the choices of managers, but in a very discreet and weak way. This is shown in green in table 4. In this way, it is already possible to trace a path that indicates a certain influence of the theory of public choice on managers' decisions to prioritize their spending.

Analyzing the Pearson *coefficient* of correlation between public expenditures (scalar variables) and areas of government (nominal variables), a positive and slightly positive value can be perceived. However, it cannot be said that these variables are correlated ( $p=0.136$ ).

## CONCLUSION

In view of the findings of the research, it can already be stated that discretionary expenditures, represented by expenditures, had values that were related to public choice, since managers spent to meet their "governmental image". The others, despite being discretionary, did not have significant amounts because they had no interest in carrying them out.

The findings of this study converge with the assumptions of PTE. To some extent, the State, represented by the municipalities of Bahia, expressing its power through the choices of managers, would exercise discretion in its activities, leading to managers' decisions to prioritize spending in certain areas. Allied to this, there is the fact that municipalities follow, most of the time, the legal imposition of spending in certain areas.

It is perceived that the influence of the theory of public choice on the decisions of managers to prioritize expenses, based on the assumption of discretion, in the study period,



reflects a situation of decision-making to ensure the image of the public manager. However, the fact of spending more in certain areas cannot be correlated with the prioritized areas. Further studies are needed to confront the findings.



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