



STUDIECENTRUM VOOR ECONOMISCH EN SOCIAAL ONDERZOEK

THE REFORM OF BUDGETARY POLITICS IN THE U.S.A.
Some theoretical implications for comparative research.

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Abstract

Our analysis of recent American attempts at budget reform reveals why it is difficult to increase the rationality of budgeting in the U.S. and elsewhere. In this paper the focus is on the failure of the Planning, Programming and Budgeting experiment in the federal and state bureaucracies and, to a larger extent, on the effects of the Budget Act of 1974 in the U.S. Congress.

The failure to introduce more rational budget procedures, i.e. procedures in which the concern about the budget total and about the reordering of budget priorities would be more salient, originates in some unfortunate theoretical preconceptions. Budget reformers have tended to adopt utopian proposals from economists and to underrate the structural rigidities of the budgetary process. This process is characterized by the presence of advocates, of power balances and of rules of the game. Such can be the weight of these structural parameters (and of the concomitant decisionmaking costs) that budgetary inertia is likely to crowd out the reformers' budgetary rationality. This is the conclusion suggested by some literature of the incrementalist school.

The Budget Act of 1974 has tried to take the political realities into account. It has tried to strengthen the respect for the budget total and the possibilities of budgetary innovation without ignoring the advocates in the process and without upsetting the power balance. It has relied more on an increasing of information than on a reallocation of power. The results cannot be said to be nonexistent but neither can they be regarded as decisive.

This does not mean that budget totals nor budgetary innovation can play a significant role in the budgetary process. These concerns can be effective but more so in the executive than in the legislative branch of the U.S. Government. This point has been made by more recent, empirical studies critical of the incrementalist orthodoxy. Political will can overcome budgetary inertia under specific conditions. One condition is a general need of frugality. Another is a clear-cut political succession which produces new leaders with new ideas.

A third one is the logistic backing by a preexisting hierarchically structured budget procedure. Such a preexisting hierarchy is available in the Federal bureaucracy but it is not to the same degree to the U.S. Congress. And it is questionable whether a comparable hierarchy can exist within the setting of most European cabinet governments.

Introduction

The ultimate aim of this paper is to study the opportunities for budget reform in Belgium. Why, then, should we start with an attempt to compare the problems of budgetary politics on the U.S.A. and in Belgium? What is the use of comparative research? And why begin with the U.S.A.?

The answer to the first of both questions is fairly simple. Budgetary decision-making is not different to the point of making comparisons across modern democratic states impossible. On the contrary, what exists of comparative studies strongly suggests that, at least among wealthy and secure nations, budgeting is very much similar, even when organizational settings differ (1). The obstacles to and the opportunities for budgetary reform that are discovered in the U.S.A. can, with due caution, also be discovered in other developed democracies.

But why choose the U.S.A. as a starting point? The main reason, of course, is the fact that attempts at budget reform are endemic to the American political system. Periodically new reforms are launched in both the bureaucratic and the parliamentary arenas. The most famous and the most controversial of these are the Planning, Programming, and Budgeting Systems (PPBS) venture of the late sixties and the Budget and Impoundment Control Act of 1974. The second reason is that these attempts have been preceded and followed by a wealth of insightful comments. The last reason is that budgetary politics in the U.S.A. enjoys a somewhat higher degree of visibility than in most European countries. Parliament has a substantial role to play in the budgetary process. This feature of the political system facilitates scrutiny by students of the budget. A parliamentary setting is more open to the public and to the academic view than the bureaucratic setting in which most of the European budgetary processes are hidden.

1. Purposes of the budgetary process

That all or most revenues of the state flow into a general fund and that all or most of its expenditures flow out of it is in itself a remarkable and fairly recent achievement. In the U.S.A. a comprehensive budget was introduced as late as 1921. Such a budget bestows a considerable control capacity on a single central decision-maker. As a matter of fact, to create such a control capacity was the explicitly stated purpose behind the introduction of the so-called Executive Budget. That being the case a contemporary observer is entitled to the question: control of what? The answer to this question may have appeared obvious in 1921. But it no longer is now. Students of the budget have come to distinguish three main functions of budget control. (2)

The earliest and most established function of budget control is that of accounting, the monitoring of the correct use of public money. The activities to spend for have been fixed by other decision-makers. The concern here is that no money would be spent on other, illegitimate activities, that no money would be wasted on parties when it was intended for buying new type-writers. The alternative to be decided on is that between the legitimate and the non legitimate activity.

The second and more recent function of budget control is that of financial management, the monitoring of the efficient use of public money. Here the activities to spend the money on have not yet been fixed. It is left to the budgeteers to choose the one activity that has the best cost-benefit ratio in order to achieve a given policy objective. Shall we spend our funds for highways to hire firm A rather than firm B? The alternatives under scrutiny here are alternative activities.

The third, most recent, and most ambitious function of budget control is that of planning, the monitoring of the effective use of public money. Here not even the final objectives of public spending have been fixed. The budgeteers are political decision-makers at the highest echelon who have to choose

between several sets of policy priorities, taking into account the cost-benefit ratios of various available activities. Shall we spend our money on highways or on medical care, knowing what we can obtain with the means at our disposal? The alternatives to be examined and compared are alternative policy priorities with price tags attached to them.

Depending on its function budgetary processes can differ considerably. Here is not the place to discuss these differences at great length. Suffice it to say that each of these perspectives on the budget requires a different type of communication content. Accounting requires information of the line-item type (and the more detailed the better). Management is in need of cost-benefit analyses and prefers broad accounting categories in order to improve the transfer possibilities of funds. Planning necessitates policy analyses attached to the programs proposed to achieve several policy objectives. The latter type of information implies, of course, that the other types of information are available as well.

Each of these perspectives also tends to institutionalize a different type of conflict. The planning perspective is likely to be very demanding with regard to conflict. Conflict levels will tend to be higher when programs and policy priorities are at stake. And not only those but also the fate and the prestige of the actors, the agencies, and the departments supporting them. Obviously, conflict will be slower to arise and less intense when objectives and programs do not have to compete at the occasion of budgetary deliberations, i.e. when politics can be kept apart from budgeting.

The accounting budget was introduced in 1921 and has remained firmly entrenched ever since in organization and communication patterns. The reason of its staying power is clearly the relative ease to implement it but also the fact that it responds to an easily understandable and ever present problem.

It was deemed necessary to limit spending after the huge deficits caused by World War I. But parsimony in government spending and the ability to control subordinates has always found staunch supporters. The trouble with it is that it tends to crowd out the implementation of other perspectives on budget control.

In 1949 the Hoover Commission proposed to introduce the "performance" budget which was designed to favor efficiency in spending, i.e. the management function. The innovation received a warm welcome from theorists and a cold reception from the budget practitioners. But the attempt to enhance the policy planning perspective in federal and state budgeting proved even more disappointing, despite Lyndon Johnson's enthusiastic backing of the P.P.B.S. experiment. After a few years little more than the rhetoric of PPBS survived in most departments and states. However, the petite histoire of these reforms does not matter here. Why did they fail? And what theoretical lessons can we draw from these and similar failures?

The attempted reforms displayed ever increasing ambitions on both counts of information processing and conflict management.

Wittingly or unwittingly they would have driven up the costs of budgetary decision-making way beyond what was regarded feasible at the beginning of this century. Does this betray an intellectual hubris which stems more from academic ideas than from practical necessities? Practitioners have often uttered this complaint but in this they are not entirely correct. Government planning is becoming an ever more urgent task. And the use of budgeting for planning purposes is an obvious way to cope with an ever increasing challenge.

Indeed, the scope of public policy has grown at a tremendous pace. Such were the fiscal policy repercussions of aggregate policy making that the need arose for a comprehensive budget.

Also, since a few decades the differentiation of policy making has reached such a level that the resulting information loss has become painfully visible to all (3). It is getting more and more difficult to know what the other agency, the other department is doing. It is practically impossible to effectuate trade-offs between all the government programs in order to improve the government policy mix. In short, both the volume and the composition of government spending require a comprehensive budget.

Ideally the decisions about the composition of the aggregate policy mix should focus on its expected outcomes. Ideally, these outcomes should be judged according to an ideology which is shared by all and which encompasses all policy domains. Needless to say, such an ideological consensus does not exist. Only partial ideologies, sometimes only individual preferences do exist. The utilities expected from policies are evaluated differently from group to group, from individual to individual. Shall we then replace the ideal of an ideological consensus with the ideal of a welfare function? Alas, these utilities are not even to be compared. Policies benefit some and hurt others but we cannot tell whether the benefit is larger than the hurt. (4)

Practically, then, the decisions about the policy mix could focus not on the outcomes but on the inputs, and more in particular on the financial inputs. In a budgetary setting the various components of the policy mix are reduced to and made comparable under their financial aspect. The comprehensive budget allows us to measure the share each program gets from a grand total. We can change and improve policy priorities by trading off the share of one program against the share of another. And we can, moreover, monitor the impact of aggregate spending on the economy at large.

The comprehensive budget is the last opportunity offered to policy makers to evaluate the volume and the composition of their policy mix. Of course, this kind of policy rationality (let us call it "budget rationality") is a rather cheap version of the ideal ideological rationality evoked above. (5)

And not everyone will be equally impressed when his favorite program is being curtailed for budgetary reasons, i.e. because other programs need the money more urgently. But at least the comprehensive budget offers us the opportunity for exercising some form of what Lindblom has called "synoptic" rationality. Or does it?

The empirical question is whether budget rationality as described above really exists. And whether it is not another victim of the information loss with which it is supposed to cope. A distinguished expert such as Aaron Wildavsky has recently deplored the weakening of budgetary comprehensiveness (6). Is he right? And can anything be done to restore the rationality of budgetary decision-making?

Budget rationality and its political advocates

Among those concerned with budget rationality three, more or less distinct, priorities can be noticed.

1. A first group is mainly worried about the budget total and its effects on the economy at large. Budget revenues are to be regarded as the foremost criterion for budget expenditures: both totals should be more or less equal to each other. The need for a balanced budget and the condemnation of deficit spending is argued partly out of a "common sense" fiscal policy theory, partly out of sheer moral principle.

The fiscal policy theory is no longer accepted by the community of economists. Worse: since the Keynesian revolution in economics no new agreement on objective limits to deficit spending seems to be emerging. (7) The only objective limit appears to be that, at a certain point of indebtedness, further borrowing becomes very difficult. Therefore the proposal to add a balanced budget requirement to the Constitution finds little backing with insiders, and not only with those on the left of the political spectrum.

One point, however, is shared by both other groups of budget reformers, namely that some kind of restraint on expenditures is a necessary condition for any kind of budget rationality. No rationality without a sense of resource scarcity..

2. The second group shares the worries of the first about the budget total and about restraints on spending. However, this group does not consider a balanced budget requirement as a viable option. A requirement to balance the budget or to limit the national debt would hamper the capabilities of stabilization policies. The members of this group prefer to stress two other alternatives.

The first one assumes that budget makers would be willing to impose some kind of expenditure limits on themselves and to respect it at least for a predictable period of time. The second one presumes that a constitutional amendment would impose a spending limit on ulterior budget makers, a limit which they would not have the authority to change. The former proposal has inspired the Budget Act of 1974. The latter has become salient in recent years and intends to limit federal spending to a fixed percentage of G.N.P. (8) Predictably, this constitutional limit turns out to be rather low to European and even to American standards. The constitutional limit proposal has undeniably a partisan ring to it. Its advocates ultimately worry about the threat posed to the private sector by the expansion of the public sector. Their criterion is ideological and does not pretend to be objective (9).

3. To the third group an expenditure limit on the budget total is only relevant as a necessary, but not as a sufficient, condition for the reallocation of funds within the budget total. The advocates of this approach, being more on the liberal side of the American ideological spectrum, do not mind some deficit spending nor a rate of budget growth above the rate of G.N.P. growth. They tend to think that deficit spending, more often than not, is spending for good causes. Anyway, they would say,

the ratio of public spending on G.N.P. is by no means disquieting if compared to other developed democracies. (10)

Their worry is elsewhere. They would like to shift the old priorities in the budget. They have the political will to do so and also the legal political power. But they are up not so much against political opponents as against a procedure which favors budgetary inertia. A first step towards political reform, then, is to agree on a procedure which is sensitive to political will and which, therefore, would allow a redistribution of budgetary allocations.

Because of its emphasis on a more responsive procedure this approach is less apertly partisan than the second one. It can be adopted by anyone who wants democratic procedures to be free of bureaucratic inertia and political biases. (11) The principle of political discretion is one of the pillars of democracy.

As we shall see the Congressional budget reform of 1974 has been brought about by a somewhat surprising coalition of conservatives and liberals. The former stressed the need for spending limits, the latter the principle of political discretion. The Budget Act of 1974 displays the influence of both. But what about the more universally familiar budget reforms in the bureaucratic apparatus?

Budget reform in the bureaucracy

In the preceding paragraph we have distinguished two goals of budget reform. In this and the next paragraph we have to deal with the means of budget reform. How does one bring about budget rationality? What strategies are at our disposal? Economists tend to propose other strategies than political scientists.

Economists tend to assume that a single set of optimal solutions can be discovered for "the non-market resource allocation problem by sheer intellectual effort. This solution, this ideal budget, will then be imposed on all the participants by

an appeal to objective rationality. But, as noted above, this objective rationality can only be taken for granted where a single ideology is accepted by everyone. Where this is not the case the solution would have to be imposed by the proverbial (and very elusive) benevolent dictator.

Political scientists take as a starting point not a (questionable) "correct" solution but rather a problematical situation which has to be reformed away from a bad state to a somewhat better state. They are satisfied with "satisficing" solutions (12). But since they have no solutions of their own to offer they leave it to the participants to discover them. What they have to offer are proposals to improve the deliberation and decision-making procedures. Indeed, it would be unwise to propose anything else since actual decision-making is already entrusted to a procedure of partisan mutual adjustment, i.e. to a procedure characterized by a role structure of advocates pleading their own partial views of the public interest. (13)

For this role structure to work satisfactorily, however, it is necessary that the roles should be complementary and that they have stable expectations towards each other. When this state of equilibrium is disrupted, Wildavsky adds, the budget process is in deep trouble.

In recent budget reforms in the U.S.A. attempts have been made to put both approaches into practice. The objective solution model was behind the P.P.B. experiments in the federal and in the state bureaucracies. The partisan mutual adjustment model has been the theoretical background of the Congressional budget reform of 1974.

The PPB reform is undoubtedly the more familiar to European audiences since attempts have been made to introduce it to European bureaucracies, including our own. (14) P.P.B. was first imposed on the budgetary process of the Pentagon by the Secretary of Defense Robert MacNamara. After its first apparent successes it was diffused to the other federal departments in Washington D.C. and to state bureaucracies at large. For an outsider to understand the essence of P.P.B. one has to view

it as an effort to achieve policy planning rationality and to contrast it to the traditional accounting, line-item budget. To quote an acknowledged expert : "P.P.B. introduces four major changes in budget practice : (1) Budget choices are to be made more explicitly in terms of public objectives rather than in terms of the resources needed to finance agency activities and operations; (2) the multiyear costs and effects of public programs, not just next year's costs, are estimated; (3) formal consideration is given to alternative means of accomplishing public objectives, not merely to the single way justified in the budget estimates; (4) efforts are made to evaluate the benefits or the effectiveness of government expenditures." (15)

It would be exaggerated to state that P.P.B. has been a complete failure. P.P.B. has certainly left a legacy of more policy analysis and of more rational argument in the advocacy process. Yet, it has not rendered the advocacy process superfluous. It has only succeeded in limiting the net of acceptable proposals. On the whole P.P.B. has been a major disappointment. In many instances only the rhetoric of P.P.B. was adopted. A few years later, when the initial excitement had died out, A. Schick wrote an obituary about P.P.B. under the title "A Death in the Bureaucracy." Why did P.P.B. fail?

The failure of P.P.B. is a striking example of the paradox of public goods analyzed by Mancur Olson in The Logic of Collective Behavior. The need for a more rational planning and budget process was real enough and experienced by many. The promise of P.P.B. was not lacking in appeal. Yet, the implementation of P.P.B. resulted in considerable direct costs to many of the budget participants. These costs would not be compensated by equally direct benefits. The direct benefits of P.P.B. were to go to the chief executive at various levels of the bureaucracy while his subordinates would lose many of the benefits of the old accounting budget. Having to make available more information they would become more vulnerable to their superiors and critics. By making explicit their objectives they would provide to others the standards by which

they could be seen as failing. By conceding that their program was only one among several possible they invited competition for funding out of the same limited budget total. (16) In short, such information would make their position in the advocacy process less secure. And it would certainly fan the flames of conflict.

Moreover, P.P.B. forced a heavy burden of information creation and processing on all the participants and not just on the subordinates. A heavy burden indeed, if compared to the relatively modest requirements of the accounting budget. Creation of this kind of information proved difficult because it required the formulation and the financial quantification of means and objectives, of costs and benefits. In some instances, e.g. in some Defense programs, this could be done quite satisfactorily. Elsewhere such an effort was doomed to remain utterly meaningless. Worse still, the processing of this information was not to relieve the perplexity of overworked chief executives. True, this information would occasionally weed out a less profitable program wherever it proved possible to compare programs with identical objectives. But it would not eliminate perplexity when it came to the (quantitative?) comparison of programs with non comparable objectives. In most cases it would be impossible to compare public benefits and to evaluate, let alone to improve a given policy mix. In sum, the information required by P.P.B. was not conducive to the reduction of complexity, on the contrary.

The lesson to be drawn from the P.P.B. failure is that these budget reformers had underestimated the structural realities of the advocacy process. This advocacy process stimulates its participants to be attentive to two endemic problems : conflict and complexity. Any reform that does not care for complexity reduction and conflict avoidance is likely to fail. Unfortunately the P.P.B. reform tended to increase complexity and to exacerbate conflict.

P.P.B. was proposed by economists who characteristically

overestimated the ability of a "one best way" type of solution to convince the actors in the budgetary advocacy process. They relied on information to change behavior, not on new incentives that would take the participants' direct interests into account. Probably they implicitly assumed that the chief executives would force everyone to cooperate. But this the chief executives were unwilling and unable to do. Chief executives have nor the wisdom nor the power to act as benevolent dictators.

Does this teach us that it is unwise and impossible to reform the budgetary advocacy process? This pessimism is as unwarranted as that of the old liberals who claimed that the free market should nor could be tampered with. Budget processes have been successfully reformed in the course of history. Let us therefore turn to another attempt at budget reform.

Budget reform in Congress

The Congressional budgetary process is easier to recognize as an advocacy process, especially since Richard Fenno wrote his seminal work on the Appropriations Committee in the House of Representatives (17). In Congress complementary roles are clearly facing each others as "guardians" (or "cutters") and "spenders". A reform could seek to change the rules of the game, to provide more or different information, to create new or to alter old power bases. But it could not ignore this basic structure.

The Congressional Impoundment and Budget Act of 1974 was not designed only to increase the rationality of the Congressional budget procedure. One of its main purposes was to curtail the ability of Richard Nixon and later presidents to veto ("to impound") the spending of funds appropriated by Congress for certain programs. In this regard the Act was another move in the powerplay between Congress and the Executive which characterizes the American political system.

But if Congress wanted to reclaim its financial powers in the face of presidential encroachments, it sorely needed a thrustworthy budget process of its own. Since 1921 the responsibility for putting together a budget had been entrusted to the President with the assistance of a special department, first called the Bureau of the Budget and later the Office of Management and Budget (O.M.B.). Consequently only the central executive was able to set a budget total in function of a specific fiscal policy and to allocate their share of this total to the various spending departments. In principle Congress, more particularly the House of Representatives, had retained the power of the purse. But in fact the intervention of the House came too late in the budgetary process to be decisive. It could only amend in a minor way the budget proposals sponsored by O.M.B.. Moreover, its constitutional sovereignty was further weakened by the fact that its financial power was split between three types of committees. The committee on Ways and Means was in charge of revenues and taxation. The expenditures were left, as far as the authorization to spend was concerned, to the various policy or authorization committees, and, as far as the actual possibility to spend was concerned, to an appropriations committee composed of numerous subcommittees. The net result of this structure was that the power of the House was marginal compared to that of the executive and operated on the average only minor changes to the O.M.B. proposals. (18)

And yet, this situation was not considered as a threat to the position of Congress until the presidential term of Richard Nixon. Under his presidency the gap between the Executive and Congress widened dramatically. The president was a not too moderate Republican while Congress still had a sizable democratic (and liberal) majority. Thus both protagonists in the budgetary process had widely divergent priorities, and Nixon wanted to shift away funds from welfare programs appropriated by the House liberals. This is why he resorted to the mechanism of impoundments to a degree never witnessed before.

This conflict was accompanied by a more theoretical argument. Nixon reproached Congress that it did not heed the budget totals, that it had big spender proclivities because it had no sound budgetary procedure of its own. For many members of Congress this was a stinging critique, especially since this reputation was gaining ground among the electorate. As a matter of fact the position of the guardians vis-a-vis the spenders had been weakened in the preceding years.

Cutting the proposed expenditures traditionally had been the assignment of the appropriations subcommittees. This was an ungrateful task which required a strict selection of suitable candidates. Members of the appropriations subcommittees were singled out because they came from safe districts (and were therefore less vulnerable to constituency pressure) and because they displayed somewhat more conservative ideas. But in recent years this barrier against the spending tendencies of other committees had been lowered for several reasons. The guardian subcommittees had been weakened by the afflux of a new more liberal membership. The spending committees had found ways around the appropriations subcommittees through so-called back-door spending.

The Budget Act of 1974 tried to correct these weaknesses in the budget procedure (19).

1. It created a strict calendar for all budget proposals and decisions. In this way all budget matters would appear on the agenda of Congress together and a more comprehensive decision-making process would be possible.
2. The decisions about specific authorizations and appropriations would be subsequent and subordinated to decisions about the budget total. At the beginning of the congressional budget cycle a first resolution would be adopted about the budget target. Revenues should not fall below nor expenditures rise above this target. At the conclusion of the cycle a second resolution would follow about a binding budget ceiling for expen-

ditures and about a floor for revenues. This ceiling would force the participants in the advocacy process to adjust ("to reconcile") the subtotals for various budget functions to the grand total.

3. The new procedure would be supervised by a new Budget Committee in both the House and the Senate. This new participant in the advocacy process would supplement but not replace the Appropriations and the Taxation committees.

4. The information necessary for the new, more comprehensive procedure would be provided by a new agency, the Congressional Budget Office (C.B.O.). Amongst other things the C.B.O. would try to forecast the evolution of revenues and expenditures, and the costs of proposed and operating programs over a five year period. C.B.O. would also perform policy analysis on selected programs.

Most contentious among these reforms has been the stipulation that the first budget resolution would impose only a non binding target on the subsequent budgetary decision-making process. This target is a grand total and is further specified as a set of 19 subtotals, one for every "function" of the U.S. budget. The target also contains recommendations for how to respect the assigned subtotals by suggesting specific cuts to specific programs. But nothing in it is mandatory. How to uphold the targets for the subtotals is left to the discretion of the spending (authorization) committees. In other words, the spending committees put together their own policy mix, taking into account their subtotal.

The reform, then, relied very much on the education of budgetary consciousness and on voluntary compliance. It put its hope on information and incentives rather than on constraints and sanctions. The spenders in the budget process can no longer ignore the costs of their proposals. They are warned immediately when they are about to exceed the subtotal allotted to them. There are also additional incentives to respect the new

rules of the game. The new salience of the budget total and subtotals makes it easier to spot and to blame the trespassers.

But the reform does not rely solely on voluntary compliance. Much of the burden of enforcement falls on the House and the Senate Budget Committees. Theirs is the responsibility to appeal to the general assembly whenever another committee does not respect its target. Their power, however, is very limited. Such an appeal would expose them to debates and fights which they are by no means certain to win. As a result the budget committees are rather parsimonious and careful in picking their fights. As newcomers in a parliamentary arena with a very shifting power balance they still have to build up their power base among their colleagues. Generally speaking they tend to set the initial targets at a sufficiently high level so as not to create too much trouble at the time of the second (and binding) budget resolution. And even then they tend to go along with the spending committees when the latter have exceeded their subtargets.

The advocacy process has been reformed by the addition of a new participant who was supposed to plead the cause of the budget totals. The reform has been careful, however, not to give too strong a power base to this newcomer. The tenure of the Budget Committee members would be limited. This measure ensures a fast turnover of members and enables many to get acquainted with the concerns and the problems of budget makers. But since it does provide less of an opportunity for a parliamentary career membership in this committee looked less attractive than membership in others. This was at least the case when the budget was not yet a highly salient issue on the agenda.

Has the reform been successful? It can hardly be disputed that Congress has indeed been able to reclaim some degree of budgetary autonomy from the executive. As a source of information C.B.O. is commonly regarded as being equally or even more reliable than O.M.B.. But let us narrow down this question

to the issues of budget rationality. About these issues there is much argument.

Political will and budget totals

The budget totals should correspond to a political will. This is the first aspect of budget rationality. It then depends on the political will of the citizens of a democracy whether the actual level of public spending is too high (or low). The most vocal groups in society tend to complain that the level of public spending is too high, relative to government performance or relative to the private sector. But do they represent a majority of the electorate? This is a moot question.

A case can be made for the contention that the majority really wants a large budget for public spending, notwithstanding the many noises to the contrary. This political will would transpire when citizens are enabled to judge the desirability of specific programs, including most of the fairly new (in the U.S.) welfare programs. (20) The paradox is that citizens support these specific programs even while they dislike the spending totals to which they add up. (21) Clearly there is some ambiguity between the various budgetary preferences of many citizens. Anyhow, it is hard to see whether their preferences about specific expenses are more or less genuine than those about the spending total.

But let us leave aside the political will of the electorate. What about the political will of their political representatives? There we can assume that, at least in many cases, the budget totals are not really intended as such, that they stem more from a bias in the budgeting procedure than from a political will. (22) The inflated budget totals would be the perverse effects of a disaggregated decision-making procedure in which the so-called bottom-up forces of the spending committees increase their subtotals without watching the global consequences (23). The logic of the individual legislators seems to be

that it is better to borrow than to tax (on the revenue side) and better to spend than to cut (on the spending side). As a result "the best of both worlds is to borrow and to spend, which is what Congress has been doing for years". (24) Clearly the designers of the Budget Act and the great majority of the political elite in Washington D.C. share this diagnosis. The Act has attempted to put a lid on these bottom up forces by centralizing congressional budgeting. Has this attempt been successful?

The data shows that the rate of increase of the budget totals has not really slowed down. Nor has the size of the deficit. On the contrary! (25) At the same time it is hardly plausible to maintain that the drive of the bottom up forces has not been checked to some degree. Not only can one point to several (it is true) successes of the Budget Committees but also to the preventive effect the new procedure has had on new spending proposals. Very few new entitlement programs have been adopted since the inauguration of the new budget process. If the budget has continued to grow at a brisk pace this was the effect of entitlement programs already in operation in a troubled economic situation. This resulted also from the will of the Reagan administration to increase the outlays for defence. Taking everything into account it is fair to state that the perverse effects of the budget procedure are somewhat more under control now than before the reform. Actually, the ongoing differentiation of programs and interests continually reinforces the bottom up drive for higher expenditures. Therefore a status quo of the spending level vis à vis G.N.P. is to be seen as a success.

This allows us to hold that the often aired pessimism about the possibility of budget reform is not solely based on facts but also on a theoretical a priori. According to the widely held theory of budgetary incrementalism the budget is likely to grow because central ("top down") decision-makers have to give way to the more numerous and more powerful bottom up forces. The guardians are submerged by the spenders.

Incrementalism tells us why it is supposedly extremely difficult to cope with the problem of unwanted budget growth.

A first strategy would consist in the reinforcement of the power of central, top down decision-makers. The attempt to do so in the Budget Act of 1974 was half-hearted at best. We shall see that more of this medicine can be applied in certain circumstances. But this strategy runs the risk of burdening the central decision-makers with an information overload, as the P.P.B. experiment has shown. Moreover, what additional power base can one give to the central decision-makers that they do not have already?

An alternative strategy would try to institutionalize a system of mutual control among the spenders themselves. Spenders could then increase their share of the budget only at the expense of the share of their colleagues, not at the expense of an increasing budget total. But this is very bitter medicine indeed. Empirical studies point out that spenders are loath to engage in a system of mutual control with its tradeoffs and conflicts. Spenders tend to avoid conflict among themselves. (26)

The incrementalists tend to see budgeting through the glasses of an independent processes model. (27) They explicitly assume that decisions about different agencies are statistically independent of each other and of any central fiscal policy decision. And they make plausible why this has to be so by pointing to the necessity of complexity reduction and conflict avoidance. (28) But more and more critics are discovering that their theory is not empirically valid in all circumstances. Their research has been based mainly on congressional budgeting where top down, central control used to be notoriously weak.

A more balanced view on the budgetary process has been developed by John Patrick Crecize and his students at the universities of Michigan and Carnegie -Mellon. These scholars have worked mainly on the budgetary process in its earlier stages,

i.e. in the Office of the President, in O.M.B. and in the various departments. They have been able to show that in these stages a bargaining takes place between top down and bottom up influences. Decisions made ~~at~~ higher echelons are potent parameters for ~~ulterior~~ decisions at lower echelons. Thus the presidential decision on the level and the repartition (between defense and domestic accounts) of the budget total is a powerful factor in the bargaining process between O.M.B. and the spending departments. Fisher and Crecine derive from these studies the so-called Great Identity Process Models.

The most penetrating critique of classical incrementalism has been proposed by John Padgett, one of Crecine's students. He concedes to Wildovsky that there exists a "bounded rationality" mode of operation at various levels of budgeting in the U.S. bureaucracy. The fundamental decision rule of this bounded rationality is that it sets apart a budgetary "base", which is taken for granted, from an "increment". The base is noncontroversial (30) and derived from the budget allocation of the previous year. At stake during the bargaining process is the size of the increment. Thus the scope and the costs of decision-making are being limited. However, Wildovsky and his associates assume that an equally low cost decision-making process will be devoted to the increments (or to the decrements). As a rule the increment for a specific account would be a "fair share" of, or proportional to, the global increment across all accounts. Such a calculation rule not only reduces the costs of information but also the costs of conflict since in this case zero-sum games are unlikely to occur between agencies and programs.

Padgett's critique of the incrementalist model is first of all methodological. It is true that the incrementalist hypothesis has been supported by several monographs of budgeting at the local or state level (31), and by some impressive regression analyses of federal budgeting by Wildovsky and his associates. When regressing this year's appropriations on last

year's one tends to get incredible high correlation coefficients. But since the base is always large compared to the increments regression techniques tend not to be sensitive to changes. Moreover, do the increments really come about in the way assumed by Wildavsky? Another type of bounded rationality could operate than the fair share variety.

Focusing on the changes in the budget proposals from one decision stage to the next, Padgett analyses the stochastic distribution of the cuts and the increased made to a set of programs. (32) He argues convincingly that this distribution is a type which cannot come about by Wildavsky's type of bounded rationality but rather by another which he dubs "serial judgment". (33)

Serial judgment takes much more information into account than classical fair share incrementalism, i.e. more than just the base left by an earlier decision and the global increment made available by the general financial situation. At the O.M.B. preview and review level it takes into account presidential fiscal policy and the repartition of the total budget between domestic and defense programs. At the lower level of the O.M.B.-department interface it is sensitive to administrative priorities (ideologies) and to earlier relevant legislative decisions concerning the degree of controllability of the program funding. At the department-agency interface it takes into account constituency pressure. In short, serial judgment assumes that various budget decisions are organized into a hierarchy. Higher level decisions are the premises for lower level decisions.

This model is able to explain why budget making outcomes can be sensitive to various exogenous factors, e.g. to the facts of international relations and domestic economics and to the ideologies of agencies and politicians. This is the more remarkable since models of bounded rationality start out by stressing the factors endogenous to the (bureaucratic or political) process of budget making. Allowing for those exogenous factors does not force us to predict large scale changes in the bud-

get totals. Changes in the subtotals can cancel each other, leaving the total intact. (34) And changes can be small when power relations between the advocates in the process remain stable.

Political will and budget mix

The discussion in the preceding paragraph has already prepared us to deal with the second issue of budget rationality: how to optimize the composition of the budget mix. Here too the approach of political scientists differs considerably from that, more familiar, of economists. The public finance criterion for an optimal budget mix is simple enough. According to Pigou resources should be so distributed among different uses that the marginal return of satisfaction is the same for all of them. But again, such a one best way criterion is extremely demanding for governments in general and budget makers in particular. They are presumed to know the utility curves of the consumers and to do everything necessary to maximize this utility. As we have seen these assumptions overrate not only the capacities of the budget-makers but also the explicitness and the consistency of public opinion.

The political approach has a more modest criterion to propose. It would propose, not a solution to the problem, but a better procedure for the debate, e.g. a procedure that would be more responsive to the political will of a majority, to the vote of the electorate or its representatives, for instance. However, in real world budget making a vote usually only intervenes to sanction the outcome of a bargaining process. How does one reform the bargaining procedure so as to make it more responsive to political will? Or, to make the question more manageable, to clear changes in political objectives and ideologies. (35)

Here we come across a grave preliminary problem. Empirical research seemingly suggests that budget mixes are quite

irresponsive to political factors. In the 1960's Thomas Dye and Ira Sharkansky scandalized many by asserting that public spending, both with regard to volume and policy mix, varied much more under the impact of economic (e.g. revenue levels) than under the impact of political and ideological factors. This is at least what research at the American state and city level appeared to show. (36) One could object that at this level the revenue constraint is exceptionnally strong because of the balanced budget requirement. And that, at least in the sixties, administrative budget expertise was too weak to translate political priorities into budget mix innovations. But later research by Fisher and Crecine at the presidential level of budgeting also found little shifting in budget mixes at the occasion of presidential succession, at least as far as the shares of aggregate domestic versus aggregate defense programs were concerned. (37)

Though this statement shall have to be qualified later, there is an unmistakable inertia of existing budget priorities to political innovation. Why? One of the main reasons appears to be that the political will to innovate is often overruled by a fascination with budget totals. Room on the political agenda is a very scarce good, and if much room is claimed by fiscal policy, little is left for rearranging the budget mix. This can be observed when lack of time forces budget-makers to engage in across the board meat - axe cuts. Of course, cuts are not always operated in such an indiscriminating manner. But the band system of cutting, described by Crecine, in which outlays for such line-items as expenses accounts are cut first and salaries last, is only a little more sophisticated. (38)

Another cause of this inertia can be found in a structural (and psychological) bias in favor of conflict avoidance. Budget procedures tend to avoid conflict about budget priorities, if not intentionnally, then at least effectively, by dispersing the responsibilities for various budget functions

over numerous committees. These budget actors are largely independent of each other. Trade-offs between them are unlikely if not impossible. And so is conflict. (39)

That political will cannot easily overcome budgetary inertia could be seen at the occasion of the Congressional budget reform of 1974. The reform was expressly intended at least by the liberals, to overcome this inertia. A more autonomous Congressional budget would enable the Democratic majority to rearrange the budget prepared by a Republican administration. (40)

In the new procedure a single budget committee was to allocate a subtotal to each of the 19 budgetary functions of the Federal Budget, and, through a system of 'crosswalks' to the authorizing committees. Such a committee, if powerful enough, could have committed itself to reordering the allocation priorities. But nothing of the sort happened, for reasons that have been discussed in the preceding paragraph. The Budget Committees performed their markups of the 19 subtotals largely at the suggestion of the authorizing committees. If some reordering of priorities was to occur, it would occur at a lower level of aggregation, i.e. within functions and not between functions. The new procedure was to frustrate the expectations of many liberals.

Perhaps one could find some comfort in the expectation that the imposition of firm subtotals would at least entail some budget innovation within the functions. The authorizing committees would have to think about their priorities and to engage in trade-offs. But as the subtotals proved surprisingly flexible to upward pressure, budget innovation and trade-offs become almost superfluous. Budget supplementals, second and third resolutions would relax the targets the first budget resolution had intended to be firm.

According to some experts the new procedure has hampered budget innovation more than the old one. (41) Under the old procedure innovation remained possible when it could proceed quietly, avoiding open or conscious conflict with competing aspirations. Innovation was possible when the increments for

a favorite program proved proportionally larger than those for other programs over a longer period of time. Aggressive departments could therefore secure a significant advantage in the long run. (42) Innovation was possible when the bill for a program could be linked to an initially modest but rapidly growing index. This 'foot in the door' tactic was used mainly for entitlement programs. Innovation was possible when programs were funded by extra-budget or 'backdoor' sources or through so-called 'tax expenditures'! (43)

Under the old procedure these tactics were shrewdly used by liberal spending advocates. This was possible as long as information about the financial implications of their proposals was only partially or belatedly available to potential opponents. Under the new procedure information was readily available to all. The old tactics were recognized as detrimental to the necessities of fiscal policy making. A budgetary stalemate was the consequence.

Under both the old and the new procedures the budget mix appears to be surprisingly irresponsive to political will for innovation. Overall this irresponsiveness seems to be the price to pay for conflict avoidance and complexity reduction. Budget incrementalism is hard to reconcile with budget innovation in a short time period. (44)

Fortunately, the pessimism of the incrementalist school is not shared by every student of the budget process in the U.S.. Empirically it seems justified to look for higher degrees of budget innovation at lower levels of aggregation (45), at longer time intervals (46), and when the power balance in the advocacy process breaks down. (47)

Most interesting in this respect is the discovery of policy cycles, in which longer periods of budgetary routine are interrupted by short periods of budgetary innovation. According to Valerie Bunce these periods of innovation would be caused by a political factor, i.e. by the arrival of new leaders

with new ideas on the national scene. Leadership succession produces an innovation which goes beyond the already widely recognized phenomenon of electoral cycles, as described by Eduard Tufte. "Public policy... follows a cycle of development that features small change with periodic shifts in priorities brought on by leadership succession." (48) Budgetary innovation is facilitated by several structural conditions. "In the Western case, leftism of the party in power, both extremes of party competition, the installation of new parties and new chief executives, and a low turnover rate-all enhance the impact of succession." (49)

But the budget procedure is not mentioned among the facilitating factors. That the ideology and the party structure of the political elites may be relevant to the public policy cycle is plausible enough. But these factors can hardly be manipulated in the short term. The budget procedure can. Can the budget procedure be reformed so as to contribute to the cause of budget innovation? Or should one concede to the incrementalists that shift points exist but that they are caused by exogenous factors, be it political system variables?

And yet, the budget procedure does matter. Actually, in the most recent years American budget reform provides a good case to argue this contention.

The Budget Act of 1974 created a procedure with the somewhat misleading name of 'reconciliation'. With this procedure the subtotals advanced by the authorizing and appropriations committees should be 'reconciled' with the grand total sanctioned by the second budget resolution. For all practical purposes, the *m*, reconciliation is an euphemism for 'cutting'. Until the last years of the seventies this procedure was hardly used. If the subtotals added up to a sum above the ceiling of the second budget resolution, more often than not the ceiling was changed and not the subtotals.

At the end of the Carter administration, and even more at the beginning of the Reagan administration, the concern

with spending limits was mounting, not only in the ranks of the victorious conservatives but also in those of the moderates. These were the days when the tax revolt in California loomed large in the minds of the political elites. Many legislators tried to push through a Constitutional Amendment in favor of spending limits. And the others took this threat very seriously.

Reagan's victory was a political succession, as described by Valerie Bunce, with new ideas about fiscal and budget policy and with leaders whose time had come after many, many years of frustration. It cannot be denied that the first Reagan budgets resulted in unprecedented priority shifts. (50) Domestic, especially social welfare programs were cut drastically, the defense budget was increased equally drastically. This would have been almost unthinkable under the usual budget procedure. The reconciliation procedure was therefore resorted to by the new leaders (51). No longer was reconciliation postponed until after the second budget resolution. In both 1980 and 1981 reconciliation was used by the first budget resolution, meaning that a mandatory ceiling on both totals and subtotals was imposed at the outset of the budgetary process. The spending committees were ordered to cut their subtotals in consequence.

The driving force behind this use (or abuse) of the reconciliation procedure no longer was the Budget Committee but the leadership of the House and the Senate. For once the General Assembly of both houses of Congress prevailed over the committee structure. Undeniably, this coup by the new Congressional leadership, backed by the assembly, would have been impossible if no such things as budget resolutions and reconciliation procedures had existed. This example shows us that the reordering of budget mixes can be facilitated by budget reform. This encourages us to put the question in more general terms. How can the budget procedure be reformed anywhere, so as to make budget mixes more sensitive to a sizable shift in

political priorities. How can it be done in Belgium?

A European postscript

The preceding analysis of American efforts at budget reform has shown that reformers are facing a uphill battle against complexity and conflict avoidance. To win the battle they need more information and more power. This is the case in a nominally presidential regime such as the U.S.. Is it different in the cabinet regimes of Europe?

When one hears reformers call for more information and more power one should not assume that everything remains to be done. Most governments can rely on policy making structures which allow a more than minimal type of bounded rationality. Padgett's 'serial judgment' would not be possible within the rudimentary political structures with their very limited line-item information and their weak top down forces encountered by Anton in Illinois and by Crecine in Pittsburgh, Cleveland and Detroit. More complex, more sophisticated structures for the creation of information and for the use of centralized power exist at the federal level in the U.S. and at the national level in Europe. A sizable organizational infrastructure is a necessary condition for more sophisticated budgetary processes.

Padgett pictured a presidency which is able to divide the grand budget total between defense and domestic outlays, to promote a few pet projects, to influence the band system of cutting priorities of O.M.B., even without giving explicit directives to this effect. If the top down, (in casu) the presidential forces in the advocacy process are to be further reinforced one could restore some impoundment powers to the presidency (53). Others take a hint from the relative success of the reconciliation procedure to suggest that a further hierarchisation of Congress is needed. This would imply that the committee structure of Congress be replaced by a responsible party structure and by stronger party discipline. Indeed, reconciliation in the present congressional setting has definite limits. After the initial surprise attack in 1980 and 1981

bickering between and within committees has left the budget job often unfinished. In the absence of a leadership able to overcome conflicts, the congressional budget got stuck in the mud.

If a lack of hierarchy among decision-makers is a major source of trouble in the U.S., things may look better in Europe. A more hierarchical and partisan American Congress would first only apply a rubber-stamp to the Executive budget, then leave it to O.M.B. and to the Presidency altogether. This, of course, is what is happening already all over Western Europe. There the Cabinet is in charge of the budget and nobody else. This is certainly a loss for the parliaments in Europe. But is it also a loss for budget rationality? (54)

Empirically Cabinet budgeting need not necessarily be more rational than the American system. Is not Belgium's cabinet notorious for its across the board 'meat axe' cuts, i.e. for a crude form of incrementalism in reverse? Cabinet leadership has to cope with the same challenges in a different form. It seems to be hampered mainly by a strong tendency to conflict avoidance whenever the power to overcome conflicts is lacking. This occurs where cabinets do not have a strong premier or where they are composed of a multiparty coalition. In that case little can be done to induce cabinet ministers to risk conflicts in order to effectuate trade-offs. The task of guarding the spending limits and of improving the budget mix is left to a very lonely Finance Minister, with or without the backing of the premier. (55) It is hard to reorder priorities without changing the ruling coalition (and even then...). In normal times cabinets do not appear to score significantly higher on budgetary rationality than the more decentralized American system.

However, recent evolutions might suggest that a general climate of austerity is conducive to a higher performance of cabinets in this respect. Cabinets seem to have an ability to

reorganize themselves so as to increase their responsiveness to political will. Some form of hierarchy and compartmentalization is introduced in the cabinet budgetary procedure. The task of setting first the spending total, then the subtotals, is entrusted to a top committee of the cabinet, headed by the Premier and the Finance Minister. At a lower level several committees of cabinet ministers have the assignment to further divide their respective subtotals over the departments and the programs under their authority. This 'envelope' system appears to work rather well in Canada and Great Britain (56).

However, these budget reforms within cabinets are possible only under rather strict conditions. As mentioned before, a generally accepted austerity climate is such a condition. As spending advocates ministers in cabinets differ little from committees in the U.S. Congress. They are willing to accept strict spending limits if all their colleagues are forced to do the same. They are willing to have a higher authority reorder priorities if they can prove to their constituents that they were forced to accept an ukase. For an advocate to lose face is the one thing worse than defeat.

There is another condition which seems to be sorely lacking in Belgium, namely a strong prime minister. In Belgium a premier has the asset of comparatively strong party structures to back him up. Parties can, for instance, strengthen the top down control over agencies and insulate them from too much constituency pressure. However, in other respects a Belgian premier is in a weak position (57). The cabinet as a group is not very strong when it comes to control individual ministers. One reason is a very peculiar constitutional tradition in Belgium which favors ministers against the premier and against the cabinet. Another reason is the fact that cabinets are based on an always rather unstable coalition of several parties. A third reason is the fact that new elections are always to be

feared which makes ministers more sensitive to bottom up forces and less to top down rationality. A last reason is that ministers are the natural advocates of specific departments in budget matters as well as in other policy matters. In crucial respects the Belgian budget procedure resembles the American procedure at its worst. The desintegration of budgeting can occur in a decentralized cabinet system as well as in a decentralized presidential system. But at least the American system has shown some ability to reform itself, albeit only in exceptional circumstances.

Students of budget reform in cabinet systems have pointed to several attempted reforms in Great Britain and Canada amongst others. Whitehall's attempt to strengthen the information input in budgeting through the P.E.S.C. procedure was widely heralded in the seventies. Reformers are now anxiously watching the envelope experiment in Canada. It is true that not everything that was once acclaimed has eventually proved successful. But at least these experiments reveal the resilience of political systems coping with complexity and conflict. Can nothing of the sort occur in Belgium? And yet some renewal is sorely needed. Recent research has been unable to discover any clear impact of political factors on budget allocations in the short term. (58) If more advanced research would confirm this hypothesis it would reveal a major weakness in our democracy. Budgetary matters would be almost irretrievably lost for scrutiny and debate by the public and, indeed, for the political responsibility of their representatives as well.

Guido Dierickx
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- (1) WILDAVSKY, A., Budgeting. A Comparative Theory of Budgetary Processes. Little, Brown, and Co, Boston-Toronto, 1975, pp.9 ff.
- (2) SCHULTZE, Ch., The Politics and Economics of Public Spending. The Brookings Institution, Washington D.C., 1968, pp. 5-6.
- (3) SCHICK, A., Budget Innovation in the States, The Brookings, Washington DC.
 (3) HECLLO, H., A Government of Strangers. Executive Politics in Washington. The Brookings Institution, Washington D.C., 1977, p. 64 and passim.
- (4) Here, of course, we are referring to Arrow's impossibility theorem.
- (5) This trouble with budget rationality has been frequently noted by those involved in cost-benefit analysis. Typically costs (inputs) are more readily expressed in monetary units than benefits (outcomes).
- (6) WILDAVSKY, A., The transformation of budgetary norms. Unpublished Paper. The University of California at Berkeley, 1982, pp. 3 ff.
- (7) SAVAGE, J., The Economics of deficit spending. Unpublished paper, The University of California at Berkeley, 1982.
- (8) BUCHANAN, J.H. and R.E. WAGNER, Fiscal Responsibility in Constitutional Democracy. Nijhoff, Leiden-Boston, 1978
- WILDAVSKY, I., How to Limit Government Spending. University of California Press, Berkeley, 1980.
- (9) For an elaboration of the inspiration of these proposals see D.S. IPPOLITO, Congressional Spending. Cornell University Press, Ithaca (N.Y.), 1981, pp. 171 ff.

- (10) MOWERY, D.C., M.S. KAMLET, and J.P. CRECINE note that the more conservative Eisenhower was anxious to impose a budget total early in the budgetary process while the more liberal Kennedy and Johnson were not. See : Presidential management of Budgetary and Fiscal Policymaking Political Science Quarterly, Fall 1980, 395-425.
- (11) The second approach can also be reformulated in terms of procedures instead of outcomes. As a result it can also be used as a base for a non-partisan reform movement.
- (12) This term was composed by A. WILDAVSKY from "satis-fying" and "suf-ficing".
- (13) A. WILDAVSKY states : "The partial-view-of-the-public-interest approach is preferable to the total-view-of-the-public-interest approach". See The Politics of the Budgetary Process. Little, Brown, Boston, 1979, 3, p. 166. The concept of partisan mutual adjustment plays a major role in Charles LINDBLOM'S, The Intelligence of Democracy. Decision-Making through Mutual Adjustment. The Free Press, New York, 1965.
- (14) STIENLET, G.H., Het beleid volgens objectieven en het begrotingsproces. Documentatieblad, Ministerie van Financiën, april 1981, 43-127.
- (15) SCHICK, A., (1971), p.9.
- (16) *Ib.*, pp. 177 ff.
- (17) FENNO, R.F., The Power of the Purse. Appropriations Politics in Congress. Little, Brown, Boston, 1966.
- (18) CRECINE, J.P., M.S. KAMLET, D.C. MOWERY, and M. WINER, The role of the U.S. Office of Management and Budget in Executive Branch budgetary decision-making. Research in Public Policy Analysis and Management, vol. 2, 1981, pp. 327-357.

- (19) For the most complete account of Congressional budget reform and its aftermath, see A. SCHICK, Congress and Money. The Urban Institute, Washington D.C., 1980,
- (20) COUGHLIN, R.M., Ideology. Public Opinion and Welfare Policy. Institute of International Studies, University of California at Berkeley, 1980.
- (21) IPPOLITO D.S., o.c., p. 225.
- (22) WILDAVSKY A., *From chaos comes opportunity : the movement toward spending limits in American and Canadian budgeting*. Paper prepared for a conference on "The Leading Public Policy Issues of the 1980's". School of Public Administration. Carleton University, Ottawa, Canada, Octobre 4-6, 1982, pp. 10 ff.
- (23) GILMOUR J.B., "The most bizarre way to legislate", *Reconciliation in the Budget Process*. Unpublished Paper, The University of California at Berkeley, 1982, p. 41, notes here an instance of Olson's paradox of public goods.
- (24) IPPOLITO D.S., o.c., p. 224.
- (25) IPPOLITO, *ib.* pp.217 ff. gives some figures for uncontrollable and off-budget spending.
- (26) HECLLO H. and A. WILDAVSKY, The Private Government of Public Money, MacMillan, London, 1981².
- (27) FISCHER G.W. and J.P. CRECINE, *Defense spending, nondefense spending, and the need for fiscal restraint : two models of the presidential budgetary process*. Arms Control, vol. 2, nr. 1, (May 1981), 66-106.
- (28) The seminal article of the incrementalist school is, of course, O.A. DAVIS, M.A.H. DEMPSTER, and A. WILDAVSKY, *A theory of the budgetary process*. American Political Science Review, September 1966, 529-547.

- (29) PADGETT J.F., *Bounded rationality in budgetary research.*
A.P.S.R., June 1980, 354-372.
 PADGETT J.F., *Hierarchy and ecological control in federal budgetary decision-making.* American Journal of Sociology, vol. 87 (1981), nr. 1, 75-129.
- (30) *Noncontroversial to a degree only. It is unlikely but not impossible that this base may suffer cuts in times of financial emergencies. Various methods for cutting the base are discussed in M.S. KAMLET and D.C. MOWERY, The budgetary base in federal resources allocation.* A.J.P.S., Nov. 1980, 801-821.
- (31) ANTON Th.J., The Politics of State Expenditure in Illinois. University of Illinois Press, Urbana and London, 1966, is a fine example.
- (32) *Mainly in the Housing and Urban Development (H.U.D.) department.*
- (33) *The term refers to the fact that budget-makers consider cutting or raising the proposals for program funding serially until they have (more or less) complied with a global target set by a superior budget-maker. The series of decisions follows a rank order of higher and lower priority programs. Lower priority programs will be cut first, more often and more radically than high priority programs such as the president's pet projects.*
- (34) NATCHEZ P.B. and I.C. BUPP, *Policy and Priority in the Budgetary Process.* A.P.S.R., September 1973, 951-963.
- (35) H. WILENSKY, *in an oral communication, proposed another test of budget mix responsiveness : how does it react to major crises such as the oil embargo of 1973. This test, however, is harder to use in a comparative perspective. The same event does not have the same significance for all states.*

- (36) DYE Th.R., Politics, Economics, and the Public.
1966, pp. 238 ff.
SHARKANSKY I., The Politics of Taxing and Spending. Bobbs-Merrill, Indianapolis-New York, 1969, pp. 83 ff.
CRECIN J.P., Governmental Problem-solving : a Computer Simulation of Municipal Budgeting. Rand McNally, Chicago, 1969, p. 167.
- (37) FISCHER G.W. and J.P. CRECINE (1981), a.c., p. 90.
- (38) CRECINE J.P. (1969) o.c., p. 184.
- (39) SCHICK A., Reconciliation and the Congressional Budget Process. American Enterprise Institute, Washington D.C., 1981, pp. 33-34. Decentralization of budgeting used to be even worse at the level. See SHARKANSKY (1969), o.c., pp. 83 ff.
- (40) IPPOLITO D.S., (1981), o.c., p. 171.
- (41) Ib., p. 199.
- (42) Departments which demand larger increments than their rivals are likely to be cut more in later stages of the process. But even in that case they will retain a larger increment.
- (43) Tapping new revenue sources was found to be essential in Crecine's "opportunity model of budgetary change". See J.P. CRECINE (1969), o.c., p. 168.
- (44) Wildavsky recognizes the empirical reality of 'shift points' But his surmises of how they come about cannot be accounted for by his empirical model. See A. WILDAVSKY (1975), o.c., pp. 39-41.
- (45) See P.B. NATCHEZ and I.C. BUPP (1973), o.c..
- (46) This point is stressed by H. WILENSKY in his study of the growth of the welfare state. See The Welfare State and Equality. University of California Press, Berkeley, 1975
Why do some equally wealthy and equally democratic countries have higher social welfare transfers than others?
Surely this must have something to do with political factors.

- (47) ANTON Th., J.P. CAWLEY and K.L. KRAMER, Moving Money. An Empirical Analysis of Federal Expenditure Patterns. Oelgeschlager, Gunn and Hain, Cambridge (Mass.), 1980, pp. 105 ff.

Note that power equilibriums are less stable at the lower level of individual programs since interests here are salient to fewer constituencies and pressure groups.

- (48) BUNCE V., Do New Leaders Make a Difference? Executive Succession and Public Policy under Capitalism and Socialism. Princeton University Press, Princeton, (N.Y.), 1981, p. 250.

- (49) Ib., pp. 227-28.

- (50) See the annual series "Setting National Priorities", published by the Brookings Institution, Washington D.C. Joseph A. PECHMAN has been the editor in recent years.

- (51) SCHICK A. (1981), o.c., p.31.

- (52) GILMOUR J.B. (1982), a.c., p.41.

- (53) This has been proposed by Rudolph G. PENNER. Fiscal Management. Unpublished Paper, American Enterprise Institute, Washington D.C., Summer 1982, p. 21.

The reason is that the president can appeal to a nationwide constituency so as to overcome the specific constituencies backing specific interests. In this way the lukewarm majority can for once defeat the hotly committed minorities. Note, however, that the President runs the risk of being submerged by complexity. See CAMPBELL C., The President's advisory system under Carter: from spokes in a wheel to wagons in a circle. A paper prepared for the 1980 annual meeting of the A.P.S.A., Washington D.C., August 28-31, 1980.

- (54) Some literature on the comparison between the American presidential budgeting and European cabinet budgeting exists. See Wildavsky (1975), Hecló and Wildavsky (1981²), and Wildavsky (1982).
- (55) VANDEPUTTE R., Een Machteloos Minister. Standaard, Antwerpen, 1982.
His complaints echo the conclusions of H. HECLÓ and A. WILDAVSKY (1981²).
- (56) For Canada, see A. WILDAVSKY (1982). For Canada and Great Britain, see C. CAMPBELL, Review and Approval of Expenditure Budgets. Unpublished Paper, York University, Downsview, Ontario, 1982.
- (57) VAN ORSHOVEN J., Centrale Politieke Structuren en Werkwijzen in België. Belgisch Instituut voor Bestuurswetenschappen, 1980, pp. 53-56.
- (58) It is true that such research is beset by methodological problems. Political innovations make themselves felt more on lower levels of aggregation and with varying time-lags. As a result a vast body of data is needed before the hypothesis can be tested adequately.