

REVISITING BUDGETARY INCREMENTALISM

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Summary

Aaron Wildavsky was most closely associated with the notion of budgetary incrementalism. He tried to make the remarkably plausible phenomena – that the budget of any year in most cases is likely to be only slightly different from the last, or the next, year – into a theoretical construct and an empirically sound proposition. But he invested some ideological capital in it too, since he believed that incrementalism was linked with fragmented political structures, decentralization, market economy, and social interaction. Those who opposed budgetary incrementalism were invariably identified by him as the ones wanting to embrace rational-comprehensive decision-making which was, in turn, identified, in his mind, with a unified, planned, and centralized social interaction. This perspective on budgeting prevailed in the United States for almost three decades, and the credit for that goes to his steadfast defense of it

through his many publications and his harsh denunciation of its critics.

Eventually, however, Wildavsky abandoned budgetary incrementalism. He did so for a variety of reasons. I revisit its short and unhappy life, and conclude that his claims on many occasions were questionable, ideological, inconsistent or too vague to measure. For example, the consequence of conceding the death of incrementalism was not, as he had said so often in the past, its replacement by rational-comprehensive decision making.

Similarly, after arguing against those who had been suggesting that growing percentage of entitlements in the American federal budget rendered incrementalism obsolete, he suddenly embraced that view without any explanation. Yet another contradiction was his position on conflict (“dissensus”), which he argued was avoided by incrementalism since only parts, not the whole, of the budget was dealt with at one time. But then he suddenly discovered the desirability of dissensus-producing changes: the federal budget process reform in 1974 (with emphasis on the whole in which the parts had to fit), and the constitutional amendment to balance the federal budget (which would make budget a zero-sum game)! Wildavsky seemed motivated by ideological considerations. As long as incrementalism produced the politically appropriate budgetary results, he supported it, but when it did not, he pronounced its demise.

1. Introduction

The very large number of eulogies by eminent scholars at the untimely death of Aaron Wildavsky appropriately stressed his considerable contributions in a variety of fields. The superlatives used when praising his life’s prolific writings clearly revealed how large the shadow that he cast was. The breadth of his knowledge was often combined with an ease of communicative style in writing and speaking that were quite remarkable. Few scholars attain his stature; fewer still exert the influence in so many areas as he did. As sufficient time has elapsed since his death in 1993, it may be appropriate to revisit his legacy in one area that had a profound impact in public administration: his theory of incremental budgeting. (No implications or inferences are to be drawn from this article about his theoretical and empirical work in several other fields.)

The significance of incrementalism in the United States is hard to exaggerate. It lies, first, in the fact that the debate and conflict over governmental preferences must now proceed, as never before, with a heightened awareness of the fiscal framework; the fiscalization of public policy is not just another trendy phrase. And when budgetary decisions are being made, it is believed that it is incrementalism with which we have to contend. Second, incrementalism, soon after it was launched by Wildavsky, was quickly exported to many areas of theoretical interest and public policy debates, where its attractiveness and applications were ultimately based on the belief that it had concrete and empirical validation in fiscal processes and outcomes. Too often, it provided another justification for timidity or caution. The news that budgetary incrementalism is now not only defunct but was originally built on shifting sands, when fully digested, is likely to release a lot of creative energy in a variety of contexts that had previously been stifled by stern references to its undeniable factual validation. Third, its demise represents a greater loss to government budgeting because it is an area of study in public

administration that is not known for theoretical diversity. While some are not sanguine about the gap in budgetary theory being filled any time soon, and discourse theory does not look promising, Rubin is hopeful that budgetary theory will now “mushroom...over the next few years.” With the theoretical deck cleared, her expectation seems plausible. How well did the theory of incremental budgeting explain budgetary processes and outcomes before Wildavsky abandoned it, and why did it take so long for that to happen? These are the major issues explored here.

2. Basic Issues

2.1 Larger connections

Any analysis of Wildavsky’s contributions should start with an acknowledgment of his successful effort in lifting the study of government budgeting from a dull, arid, and neglected concern to a lively, and sometimes even profound, level of intellectual discussion. He accomplished this in many ways. “Perhaps the ‘study of budgeting’ is just another expression for the ‘study of politics,’” he wrote, “yet one cannot study everything at once, and the vantage point offered by concentration on budgetary decisions offers a useful and much neglected perspective from which to analyze the making of policy”. Until he made those connections, “the fact that budgeting involves politics, was best not acknowledged in writing.” The breadth of his vision enabled the rubric of budgeting to expand in ways that facilitated the discussion of fiscal policy, Congressional rules and informal norms, political ideology, rationality and its limitations, trust and conflict, and even human nature. Because of his writings, the anticipated drudgery of teaching or enrolling in a course in budgeting often receded, as a variety of stimulating ways of viewing its many dimensions opened up. That is no small feat.

2.2 Some distinctions

The development and popularity of incrementalism, in one sense, are relatively easy to understand. It confirms the “dailyness” of our lives, where change is slow and gradual. It reflects also the practical advice offered frequently about testing the water before leaping into the uncharted ocean; reducing the costs of failure when undertaking new initiatives; and keeping open the possibility of quick retreat. Wildavsky also distinguished and contrasted incrementalism from another way of viewing decision-making which is often called “rational-comprehensive.” The expectations associated with the latter (which are sometimes exaggerated) follow a process that includes knowing the goal to be achieved, identifying all the means of accomplishing it, calculating the costs and benefits of each one of them, and letting the comparisons among them determine the optimum decision or choice. Since the constraints both of time and resources are enormous, it is not so hard to show that rationality of this kind is rarely, if ever, relied on by decisions makers in the public sector. In addition to incrementalism, Simon’s notion of “satisficing” and Lindblom’s “muddling through” were offered as more realistic notions of what the decision-makers actually do. (Incidentally, while these limitations of decision-makers in the public sector often attract intense and concentrated attention, they apply in varying degrees to the private sector as well, a fact that is often ignored when perceiving differences between political

satisficing and market rationality.)

2.3 Characteristics of budgeting

But budgetary incrementalism, while it relied partly on such folksy wisdom and was eagerly distinguished from the rational-comprehensive model, had certain specific characteristics that went far beyond these considerations. They were repeatedly described by Wildavsky, perhaps most fully in *The Politics of the Budgetary Process*, which became a widely read and cited work over the years, and went through four editions. The major elements of his incrementalism, which were noted at the federal level (but began almost immediately to be applied at all levels of government), may be quickly summarized:

- Traditions: Bureaucratic agencies pad their budgetary requests, the budget office trims them, and the House Appropriations Committee acts as the “guardian of the purse”, from which appeals are sometimes taken to the somewhat more generous Senate Finance Committee;
- Fiscal outcomes: Debate and discussion over an appropriation Bill are over the requested increase or *increment* (called the “fair share”) over last year’s appropriation (called the “base”), which is often left unexamined;
- Atmosphere: Budget committees operate in an environment of trust, deference to the committee chairpersons, secrecy, and loyalty to the committees’ recommendations;
- Assumptions: The budget is expected to record all fiscal commitments (“comprehensiveness”,) which are reviewed once a year (“annuality”). while the spending level remains fairly close to the revenues generated (“balance”); and
- Process: Congress deals with one part of the budget at one time (i.e. one appropriation bill, and then another, and occasionally a revenue bill as well), and this fragmented and sequential pattern avoids the conscious linking of means with ends.

An attempt was made to reinforce the validity of some of these characteristics of incrementalism by applying mathematical rigor. Actual appropriations of federal agencies were explained through simple linear decision rules through eight equations.

3. The Demise of Incrementalism

But all that changed. In *The New Politics of the Budgetary Reform*, Wildavsky abandoned incrementalism. That dramatic development was based on his acknowledgment of some important changes. Much of the government spending now escaped annual review, he argued, with 46% of the federal budget going to entitlements and 14% to interest on the accumulated debt. Of the rest, 28% was allocated for defense, which only left 12% as discretionary spending, and much of the annual budget fights were about this relatively small proportion. Furthermore, the Appropriation Committees were not allowed to regulate the massive expansion of federal credit; only for the amounts by which the debtors defaulted did these off-budget figures surface in their deliberations. These developments violated the expectations of comprehensiveness,

annualarity, and balance. Incrementalism was dealt another blow by the 1974 Budget and Impoundment Control Act, which made it virtually impossible for the old budget committees to adhere to norms of secrecy and loyalty, and required the new budget committees to connect the means (i.e. revenues) with the ends (i.e. spending).

4. Broader Context, Limited Horizon

4.1 Gentlemanly government

A scholar should be clear, Wildavsky insisted, “as to what he is about and to make his intentions clear to others. To be above board, to put one’s cards on the table is an essential requirement of scholarship”. Since he regrettably did not fully meet that requirement, it is perhaps appropriate to put his cards down on the table for him. What they reveal is that he was an ardent supporter of neo-conservative ideology, greatly disturbed about the events of the 1960s, pained by the existing claims on government and the adding of new ones, discouraged by the federal government doing more and the states less, and convinced that governmental initiatives were often misdirected or wasteful. To a degree, budgetary incrementalism served these ideological interests very well, as one would expect its reliance on gradual accommodation to change in an atmosphere of secrecy, manageable conflict, trustworthy leaders, and informal norms to do. These are unmistakable signs of very considerable satisfaction with gentlemanly government. “The insiders had a monopoly on budgetary information, and they did not share much with the outsiders. In that world, budgets were made by government talking to itself”. But budgeting was only a part of the general perspective, that included faith in secrecy and deal-making that was beyond the reach of popular pressures.

Despite complaints about elitism and decisions favoring “special interests” made “behind closed doors in smoke-filled rooms”, so often made about budgeting by the U.S. Congress, Helco and Wildavsky in *The Private Government of Public Money* demonstrated that in terms of public participation, openness of the decision process, and ultimately, service to the public good, things could be worse. Wildavsky, and his followers, did not seem to have noticed that as these values and practices were celebrated, others—civil rights, openness, accountability, and inclusiveness—were ignored.

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Biographical Sketch

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