

# **BUDGETING FOR GOVERNMENT ACTIVISM AND DEMOCRACY**

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## **Summary**

In recent years, there has been substantial demand for public budget reforms that can facilitate government problem-solving and aid economic development. There has also been need for reforms that help implement democratic governance. Changes in the budget process can help accomplish these seemingly contradictory goals.

### **1. The Need for Budget Reforms**

The 1990s has been a decade of massive change in governments and budgeting. In Europe the growing importance of the common market has created new budget constraints and directives; in Eastern Europe, many of the former Soviet bloc nations are casting around for budget systems that will give them more reliable revenue and spending estimates, and allow them to create both political and economic infrastructure necessary for growth. China struggles with levels of corruption that are unacceptable to the citizens, while many governmental agencies have to raise at least part of their own funds through fees. While former Soviet Bloc nations and East Germany deal with the end of socialism, efforts are being made around the world to divest government-owned enterprises, privatize service delivery, and reform government along more businesslike lines, with the hope of reinvigorating the economy. Many countries are hungry to find budget processes that will help them solve such problems.

There, however, are some common elements in the problems that many countries confront. One is a desire to stimulate the economy and to provide necessary public services, often within low or unpredictable revenue levels, or the constraints of high debt levels; the second is a need to either earn or retain widespread public support.

Budget processes can help in achieving these dual goals, but there is no one formula for doing so.

That current demands worldwide are for budgets that can stimulate the economy and also provide democratic accountability was underscored in a recent OECD newsletter. In one section of the newsletter, the German budget director, Joachim Schwarzer, defined: "Sound budget policy is ...about achieving effective policy results through seeing resources flow to where they are most valuable, and having the technical operations of government performed in an efficient manner. Achieving pending control, allocative and technical efficiency, results in better decision making within the economy and generally more efficient allocation of resources." Sound budgetary management is essential, he argued, for a high performing economy, and helps to improve productivity, growth, and job creation. In the same newsletter, the OECD reported on an on-going project to find best practices for fiscal transparency, defined as the public disclosure of all relevant fiscal information on a systematic and timely basis.

## **2. Designing a Budget Reform**

International organizations, agencies involved in giving foreign aid, professional associations, and others have sponsored a wide variety of consultative projects, with the idea of helping different countries solve their budgeting problems. Underlying these efforts is often an assumption that reforms that grew up elsewhere can be transplanted whole, without much modification, and without much, if any, knowledge of local problems and context. However, budget reforms are seldom adopted whole, and the local context and problems change whatever has been imported. A more realistic consulting model might include a more systematic evaluation of the alternatives that now exist in a variety of countries, with attention to the context in which they evolved and are most likely to be effective. That modified consulting model should also pay more attention to how different aspects of budgeting processes and institutions favor or work against particular outcomes.

Public officials in countries seeking to reform their budget processes need to be aware of the problems they most urgently need the budget process to address, what reforms elsewhere are most like to help or hinder the achievement of those goals, and what would probably not work in their political and institutional context. Then they need to assemble the pieces they have picked, modify them as appropriate, and create a budget process for themselves that can continue to adapt to emerging needs.

Underlying this proposed model of budget reform is a belief that there is a relationship between process and outcomes. This relationship is difficult to demonstrate empirically, because there are so many intervening factors besides budget process that can affect the outcomes. But some budget processes make it easier or more difficult to achieve particular policy goals. The budget process has built into it particular tendencies or emphases. Allen Schick called attention to this feature of budgeting many years ago, when he classified budgets as emphasizing financial control, management, or planning. Were his articles being written today, he would probably add to the list: accountability and governmental activism (including stimulating the economy). Neither of these are new functions of budgeting, but they are particularly important now. In a democratic

society, budgeting underlies the polity, providing accountability of public officials, some assurance of honesty, and openness of the government to public direction. If a government is to be activist, if it is to help develop the economy and spread widely the benefits of economic growth, budgeting must facilitate activism while helping to maintain democratic control.

Governments looking for possible models for change in budgeting can look not only at other countries' present budgeting, but also at budget procedures that countries have tried at different times in the past. One can ask of a country that had a major governmental corruption problem but now does not, how did it deal with that issue, what made it go away, and what about the budget process that may have aided that shift, or conversely, in a country in which corruption was rare, what induced a change toward more corruption, and what about budgeting encouraged or allowed that change? Or one can ask what kind of budget changes accompanied the shift from inactive to active government, and that facilitated governmental activism and problem solving? Or what kinds of budgeting changes were invoked when there were crises of public confidence in government? What kinds of budgeting have bolstered or weakened democratic processes of the society?

This essay provides answers some of these questions, using primarily, but not exclusively, the history of budgeting in the United States, at the local and national levels. It is not meant as a list of reforms to be adopted, but a way of familiarizing people in other countries with some of the options that might work in their political and institutional context. They are meant as pieces that can be sorted, picked, assembled, implemented, and adjusted incrementally over time.

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### **Biographical Sketch**

**Irene Rubin** is a recently retired professor of public administration and political science at Northern Illinois University, in Dekalb, Illinois, USA. Her research has focused on the politics of budgeting in the United States, with particular emphasis on change over time. She looks at both what causes changes in budgeting, and what the impacts of changes in budgeting are on outcomes, including democratic participation and control. Her recent books include *Class, Tax, and Power*, on municipal budgeting in the United States, and *The Politics of Public Budgeting*, contrasting federal, state, and local budgeting in the US.