Challenges Confronting Contemporary Public Budgeting: Retrospectives/Prospectives from Allen Schick

For nearly half a century, Allen Schick’s works have explored and analyzed central issues in the role of budgets in modern government. In 2009, the Organisation for Economic Co-operation and Development published Evolutions in Budgetary Practice: Allen Schick and the OECD Senior Budget Officials, a selection of his work, together with new chapters. The book traces developments in budget practices and reforms since the 1980s, relating them to changes in the role of government, and discusses challenges to contemporary budgeting and how they might be met. This collection provides an invaluable insight into Schick’s thinking about public budgeting: a perspective on the past, a practical resource for the present, and a guide to the future.

Contemporary public budgeting is an especially daunting and disorienting task. Budgeters face constant recurring battles with financial deficits and the perennial question of how to meet seemingly infinite needs with finite resources. In the rush of events and breaking developments, they are hard put to consider the long term, to adapt to changing priorities, or to maintain perspective. Yet budgeting today calls for just such a capability to comprehend and analyze a rapidly transforming and unfamiliar environment: to discern the threads of continuity, to sift the significant from the merely fashionable, and to identify salient facts in the overload of information. Where should budget officials, politicians, and citizens look for guidance?

For nearly half a century, University of Maryland professor Allen Schick has researched, written, taught, and advised practitioners and students of public budgeting. His classic article “The Road to PPB: The Stages of Budget Reform” . . . remains required reading for anyone with a serious interest in how governments organize their finances. Since then, a steady of flow of landmark books, papers, articles, and reports have made timely and enduring contributions to the field. They have been valued first and foremost for their reliability: accurate research and unparalleled knowledge of formal and informal budget practices worldwide. Schick has not only observed and described topics current at the time of writing, but also placed them in an intelligible historical context. In doing so, he has explored and analyzed the central role of budgets in modern government, the intertwining of budget policies and political processes, the potential and limitations of budgetary reforms, the relationship of budgetary procedures and outcomes, and much more. It is not surprising that he has been regularly called upon by governments, international organizations, and others to explain current past and present developments and to provide advice.

To those seeking to find their way in these confusing times, Schick’s perspectives on budgeting are more relevant than ever. But his contribution cannot be summarized briefly or simplistically, as it does not consist of quick-fix solutions, conventional wisdom, or single-minded ideology. Rather, it lies in deeper analyses of complex realities, keen insights into human behavior, practical suggestions emanating from experience, and making sense of the massive accumulation of materials that constitute the budget record. Underlying all of these activities is an enduring sense of values, essential to guidance in any age.

In 2009, the Organisation for Economic Co-operation and Development (OECD) published a collection of articles and extracts from publications by Allen Schick
Evolutions in Budgetary Practice: Allen Schick and the OECD Senior Budget Officials celebrates the thirtieth anniversary of the OECD Working Party of Senior Budget Officials (SBO), with which Professor Schick has been regularly and actively associated, and which has convened annually since 1980. For those who are new to his work, the occasion provides an excellent opportunity to gain an understanding of Allen Schick's thinking about public budgeting. For those who are familiar with his writings, the book is an invaluable compendium of his recent observations and insights. For all, it represents a perspective on the past, a commentary on the present, and an exploration into the future.

The book's chapters originally appeared as articles in the OECD Journal on Budgeting and other OECD publications. Dr. Schick has also written an introduction ("Budgeting as Dialogue") and a final chapter ("Budgeting for Fiscal Space") for this volume, and added comments to earlier works in light of recent developments. The book is primarily about OECD national governments—that is, industrialized Western nations—but insights about developing and ex-communist countries are interspersed as well.

Schick describes the work of the SBO as a “dialogue between those who make budgets and those who study them . . . practitioners learning from one another by discussing practices and developments in their countries, and scholars eavesdropping on their conversations and contributing some conversation of their own” (9). He characterizes his own role modestly, as one of a “broker between scholars and practitioners” (10), but the book reveals it is much more than that.

Sixteen chapters trace developments in budget practices and reforms. Each article portrays the immediate concerns of the time, so the book as a whole constitutes a narrative of the shifting agendas of budgeting and their relationship to broader trends in public management theories and their environment. Schick discusses contemporary reforms as they emerge, explaining pros and cons, providing practical guidance relating to different contexts, and analyzing concepts in depth. As historical record through the eyes of a keen observer, the book well fulfills its title.

Yet the plural form—evolutions, not evolution—is a clue to a more complex analysis beyond the recording of changes in the growth and composition of public expenditures or modifications of budget practices. Schick suggests there is no single evolution of institutions and processes that stands apart from political choices and their policy consequences. The shape of contemporary budgeting derives from the interactions of past policies, the changing roles of participants, the influence of theories of public management, political and economic ideologies, and pragmatic reactions to the societal environment. Such complex dynamics cannot be summarized in a single strand of evolution, nor do they lead to a single predetermined ending point. There is no perfect conclusion in sight, no single authoritative formula for effective budgeting, no end of the story.

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Schick's starting point is the changes in the environment of public budgeting and the adaptations of governments to meet them. These adaptations are not simply happenstance or technical devices, but derive logically from a dual transformation in the dominant roles of the state to service provider and risk assumer for society. This transformation, in turn, demands a reorientation of the traditional procedures and tools of budget management, and the roles, attitudes, and functions of those involved in it: from compliance to responsibility, from detailed controls to accountability for performance. But the formal adoption of popular reforms in isolation from changes in broader management or organizational culture is unlikely to bring about changes in either outcomes or behavior. Similarly, efforts to reform budgeting by improving information do not necessarily translate into better budget decisions, and incrementalism, after all, may be the most realistic budget strategy. Schick sees the major challenges to budgeting today as how to sustain the future burden of the welfare state in the face of a growing elderly population and falling birth rates, how to reprioritize public expenditures in line with changing demands, and how to ensure a dependable level of public services when so much of contemporary budgets is taken up by existing commitments.

The Evolution of Public Budgeting

Between 1960 and 1980, public expenditures in OECD countries roughly doubled on average their share of the economy (28). During this period, an increasing proportion of national budgets came to be taken up by entitlements, such as pensions, social security payments, unemployment and disability benefits, and various kinds of subsidies (14). These have subsequently grown to take up as much as half of national expenditures (231), while defense, other costs of security interventions, and weapons research and development also began an upward creep.

These developments were aided by changes in budgetary procedures. The traditional tools for controlling budgetary spending were ex ante controls and line-item budgets that protected the totals, combined with incrementalism that protected government priorities (170). In the years of the postwar boom, “budgetary practices were contoured to serve the new political and economic realities” (348). Traditional external controls were changed to internal controls, detailed line items were consolidated into block appropriations, pre-audits became post-audits (128). More ambitious reforms, such as planning-programming-budgeting systems, were also efforts to adapt budgeting to a more expansive role. Whatever lip service had been given to the rule to balance national budgets was now abandoned to the objective to balance the economy to gain growth, stable prices, and full employment (348).

These “activist, interventionist, expansionary” government expenditure policies were fueled by strong economic performance (28). Between 1960 and 1973, economic output doubled (347). But by 1982, nearly all OECD governments were running deficits, while escalating debt burdens were increasing interest costs, crowding out other expenditure options, and limiting governmental flexibility (29).
The economic deterioration resulted in an “unsustainable balance between the momentum of the budget and the capacity of governments to maintain a prudent fiscal course” (232). Governments had committed to shoudering many of the individual risks associated with economic fluctuations, old age, and illness; now it was difficult to adjust spending to changes in the fiscal position (347). The assumption of a large public sector began to be questioned, and emphasis changed to spending restraints, a stable financial environment, and containment of public expenditures (29).

To try to regain control over spending, governments first tried a number of different measures, which may roughly be described as “cutback management.” These included top-down budgeting, financial limits, value for money audits, block budgets, multiyear planning (30), cash control, monitoring commitments (59), global budget targets, personnel controls, regaining budgetary comprehensiveness, and keeping back resources in reserves (97), besides actual staff shrinkages and limitations on employment costs.

Meanwhile, during the 1980s, the centralized model of public management and budgeting came under attack as no longer meeting the needs of the public. Following a private business model, it was argued that there needed to be less rigidity in the provision of services and more responsiveness to local conditions and customer preferences (147). Spending agencies would have flexibility in using resources in return for being held responsible for results (146). The aim was to change managerial behavior from compliance to active responsibility for results, thereby gaining greater efficiency and effectiveness (156).

There were a variety of approaches along these lines. The most radical model of New Public Management (NPM) (implemented most completely in five countries: Australia, France, New Zealand, Sweden, and the United Kingdom) required the devolution of operating responsibilities from central, integrated departments to single-purpose, relatively autonomous agencies (211). Another feature of NPM was the encouragement of competition through privatization, contracting with private or nonprofit organizations, and the incorporation of market models within government, on the assumption that “consumer choice and competition will drive service providers to be more efficient and responsive” (277).

Even where NPM was not adopted as such, “managerialist” ideas were influential in the public sector. Practices such as performance management and budgeting, budgeting for results, strategic planning, mission statements, public–private partnerships, contracting out of activities, and accrual accounting became commonplace. Although they changed the face and footprint of government, they did little, if anything, to restrict the upward movement of public expenditures or persistent deficits. Many critics argued, therefore, that even good budget procedures did not necessarily ensure good budget outcomes; that budgeting in democratic countries was inherently and inflexibly biased in an upward direction; that abandonment of a balanced budget norm meant a loss of fiscal discipline; and that only rules fixed in advance could legitimately and effectively change budgetary behavior and therefore outcomes (321).

By the end of the twentieth century, there were a variety of such “fiscal rules” in place, aiming to constrain political action by placing advance limits on any one or more budget aggregates: total revenue, total spending, the deficit and public debt (330). They varied in kind, design, procedure, and enforcement mechanism. They might be externally imposed (e.g., the deficit requirement of the Maastricht Treaty governing the European Union), or self-imposed (e.g., the negotiated agreements of the Netherlands coalition governments). They might be hard, rigid limits, or more flexible constraints (e.g., the Australian medium-term expenditure framework) (328).

The effectiveness of fiscal rules in imposing fiscal discipline depended on acceptance and commitment by political leaders. But their task was made harder by the growing dominance of entitlements, which are difficult to scale back, and also by economic cycles and economic shocks (338–39), which deplete revenues at the same time they increase pressure on expenditures. While Schick believes that “fiscal rules are here to stay” (340) as a permanent fixture of budgeting, experience has shown they will be ignored in economic crises. What is required is sustainable budgeting—rules that will prevent actions in good times that will not be affordable in bad times.

The concept of sustainability has wider reference than countercyclical budgetary policy. Concern has been growing about the aging population of OECD countries, and its implications for government spending on health and pensions in the long term (364). If budgets are incremental and inflexible, how can they adapt to the changing society foreseen over the next 30 or 40 years? Several governments are already working with tools such as long-term baseline projections, balance sheet analysis, fiscal gap analysis, and intergenerational accounting (369). Such sustainability analysis and a long-term fiscal perspective, however shaky their assumptions, could be steps toward a longer-term expenditure framework, or adjustment of current policies to cope with the future.

Meanwhile, Schick observes that governments have more money than they did 50 years ago, but fewer options, that is, they have less “fiscal space”—the availability of resources to adapt to new circumstances and fund new initiatives (435). The reasons are familiar. Ongoing programs and policies eat up any increment. Entitlements have a stabilizing effect, but take up more and more of the budget, and the long-term outlook threatens sustainability of current policies. It has become more difficult to expand budgets through taxation or deficit financing. Fiscal space enlarges in good times, but shrinks in bad.

There have been numerous reforms to try to enlarge fiscal space to make room for policy initiatives, such as cutting tax expenditures, reallocating from less to more effective programs, shifting expenditures at the margins, funding below the rate of inflation, targeting efficiency gains, and sunset reviews (443–44). More radical and politically difficult measures would be shifting risks and costs from the public sector, including privatization, public–private partnerships, sales of assets, and lowering expectations such as public financing of retirement (444). The task of contemporary budgeting might therefore be seen as the protection, enlargement, and allocation of fiscal space.

This brief summary of developments does not represent a smooth or progressive evolution of budgetary practices. First, it applies only to
the central governments of OECD countries, and even then, masks considerable variation among them. Second, more recent reforms usually coexist with earlier practices—changes in budgeting tend to be cumulative, the present building on the past rather than breaking with it. Third, initially lauded reforms are often diluted, or even abandoned over time (e.g., purchase agreements in New Zealand [278], “Next Steps” in the United Kingdom [302]). Finally, issues of sustainability and fiscal space are only now emerging on the agenda, and the ongoing economic crisis at the time of writing has overtaken and overshadowed discussions of budgetary reform. Yet the changes that have taken place and the issues they raise are real, and reflect deeper, if elusive concerns about the role and nature of public budgeting, and its future direction.

Reflections on Evolution

With the emergence of each development on the budget scene, Schick has explained what happened and why, asked incisive questions, provided warnings, and traced implications. Throughout the detailed discussions, common themes have emerged. Among these are the nature of the contemporary state, the reorientation of processes and roles of budget participants, the nature of budget reform, the differences between budget information and budget rules, and the reappraisal of incremental budgeting.

The Nature of the State

Schick’s analysis of budgetary developments is grounded in his view of the role of the contemporary nation-state.

During approximately the past two decades, the size and scope of government in developed countries has been remarkably stable. National governments have neither rolled back the boundaries of the modern state, nor have they expanded it . . . it appears that many of the big governance questions have been settled or put aside, at least for the time being. (219)

While governments continue their traditional watchman functions (law and order, defense, basic health and safety), the bulk of their resources are allocated to direct provision of services or financial support. “Ours is an age when the definitive role of the state is as a service provider or financier” (219). It exists to perform—it is a “performing state” (292). It follows that many countries now practice “status quo” budgeting. “Government commitments and public expectations rule out significant shrinkage in the boundaries of the welfare state, while persistent deficits and opposition to tax increases rule out major expansions in public spending” (350).

This change in emphasis has had serious organizational and political implications, which bring into question the governing capacity of the nation-state itself. As governments have devised improved means of ensuring good service, their own organizations have come under attack, and resources and authority have been transferred to semi-autonomous agencies, local governments, global institutions, markets, and nongovernmental organizations. The nation-state still survives, but “the demand for performance is nibbling at the special status of the state” (311). This rearrangement of functions represents more than just alternative means of service delivery. Schick warns that such devolution and decentralization, characterized as “governance,” may divest national governments of services, erode their capacity to direct policy, and violate norms of political democracy (312–13). He hypothesizes that the growing abandonment of integrated governmental organizations in favor of autonomous agencies, sub-national governments, and nongovernmental organizations “may be part of a process of breaking up the state into political enclaves, each with its own interests, power base and financial resources” (210).

One result may be that “budgeting will be less capacitated to decide the finances and direction of government . . . Rather than driving decisions on money and programmes, budgeting will be swept along by powerful tides. The budget will duly register what has been decided already or elsewhere, whether by formula or by others, but it will not be the forum for making many of the decisions” (263). Schick cites major developments altering the role of budgeting: the extent to which national budgets are influenced by international rules and requirements, the allocation of resources according to fixed formulas, the dependence of revenues and expenditures on outside influences, tax revenues financing spending by others, the fragmentation of government into independent agencies, and higher demands on governments but less trust (263).

Is this scenario inevitable? Schick sets against it a vision of “a performing state” that “continuously reads its environment and adjusts how and what it does in response to new information” (294). The idea of performance includes not only persistent pursuit of tangible gains, but also “the belief that a performing state has more buoyant economic prospects, sturdier democratic institutions, a more just society and greater political stability” (295). Schick concludes that “the performing state is a different species than the nation-states that reigned in the 20th century” (298). Its implementation would require “major changes in managerial culture, in the interface between politics and administration, in the expectations of civil servants, in the allocation of financial resources, and much more” (297). Nowhere has this vision been fully implemented, but as these changes are acknowledged, they have brought about new perceptions of processes and reorientations of traditional roles.

Reorientations

In his budget discussions with the SBO over the last 20 years, Schick notes three perennial themes: lengthening of the time frame from an annual perspective, improved performance, and expanded dialogue, involving both greater transparency and more conflict (10–11). Each of these involves tensions: efforts to make better-informed decisions with regard to results and future consequences vie with the pressure of the immediate need to complete budgets on schedule; the costs of inputs may take precedence over outputs or results; conflict is damped down to fulfill budgetary deadlines. Budget makers thus work “at the crossroads of reason and expedience” (10). Yet the changes are evident, as in many countries, budgeting has evolved from a means of “ensuring legality and propriety in public expenditure into an instrument for promoting managerial improvement and programme effectiveness in the public sector” (128).
Schick argues that to regain capacity and act effectively in the budget process, participants (including both legislatures and civil servants) need to reorient their roles and relationships. A particular case in point is the central budget office (CBO).

Traditionally, the CBO acted as a “central command and control post, specifying the items of expenditure, monitoring compliance with regulations, ensuring that the inputs are those agreed in the budget, and intervening as deemed appropriate” (168). Such detailed controls are incompatible with reforms in which managers in line agencies are expected to exercise discretion and take responsible decisions. CBOs have to balance “the critical need of government for financial discipline against the need of managers for freedom to act” (169). If they still try to control the budget through detailed controls, they risk weakening their control of totals and overall fiscal discipline, while hampering efforts to reprioritize budgets. Even where reforms have been limited, CBOs cannot ignore the powerful tensions stressing contemporary government: pressure to curtail or eliminate chronic deficits, but not by raising taxes or taking away benefits that citizens have come to expect; consensus that the era of expanding government is over, but demographic trends that harbor major spending increases in the decades ahead; demands for devolution and decentralization, coupled with the spreading internationalization of economic policy; a loss of confidence in the capacity of democratic governments to perform what is expected of them, but pressure to entrench government with even more responsibility for the public welfare; and a rising portion of the budget allocated by statutory formula amid efforts by governments to achieve greater flexibility in allocating resources. (169)

Yet the CBO’s core role must still “revolve around the allocation of resources and the routines of preparing and reviewing budgets” (172). It must still contribute to the three basic tasks of budget systems: “to maintain aggregate fiscal discipline, to allocate resources in accord with government priorities, and to promote efficient delivery of services” (172). But the way it fulfills this role may be very different.

To maintain fiscal discipline, the CBO will need to work with totals or subaggregates rather than detailed expenditures (175). As budget totals come to depend more on the realization of assumptions about economic and social trends, it will need to look outward more than inward, monitoring changes that may have budget effects, estimating the impact of proposed policy changes in future budgets, and guarding the budget against claimants for public funds in violation of fiscal norms (176–77).

To gain reallocation of resources in an era when steady increments are not available, confronting departments is likely to be counterproductive. Rather, it should take a lead role in encouraging trade-offs, establish guidelines and procedures for proposing and reviewing policy changes, maintain baselines and databases to measure the impact of changes, advise, and evaluate (180).

Finally, to achieve efficiency in operating expenditures, the CBO should focus on maintaining a system of accountability for government, “prescribing information systems and reports, sharpening the capacity of spending departments to measure productivity and output, comparing results against expectations and . . . managing the process of change” (182). Not an easy agenda. The direction of these developments, and the strength allowed to the CBO itself, will depend on the changing political context in different countries.

**Conditions for Successful Reform**

The book chronicles a myriad of existing reforms and suggestions, together with useful and sensible analysis. Schick contends that formal alterations of processes, the creation of new institutions, and the issuance of new rules are likely to bring about few results in the absence of underlying understandings and cultural changes.

Budget reforms are often ushered in with great fanfare, with little attention to their implementation. Schick conceives of reform as an evolving, continuous process, not simply an initial episode that often peters out (267). Successful budget reform cannot take place in isolation, as budgeting is “part of a grid of interconnected practices and processes . . . [that] cannot be reshaped without also restructuring the management framework within which financial resources are spent and activities carried out” (269).

An example is the widespread and popular drive to measure government performance. Schick contrasts conventional performance measurement—setting out a list of outputs and outcomes—with applying the concept of performance to government. Output and outcome measures are surface results, only useful to explain the deeper factors that produce them, “why government performs as it does” (294).

In contrast to the self-serving assumptions of principal–agent analysis that underlie NPM, performance rests on a public service ethic (298–89). Instead of a sterile obsession with mission statements and strategic planning, performance requires an ongoing focus (300). There is now a vast performance measurement industry, but the results are rarely used in managing programs or budgeting (301). The availability of information will not transform organizations, which takes sustained political and managerial will. “To perform effectively, organizations must question inherited purposes and objectives, redefine what they are and how they operate, discard embedded habits and routines, and redistribute authority and responsibility among managers and between them and political leaders” (303). In short, managing in accordance with results, enforcing accountability, linking budgets to expected or achieved results, and providing systematic feedback to policy makers require changes in organizational culture, well beyond superficial formal reforms.

**Distinguishing Budgetary Decision Rules from Analytical Tools**

There is little argument that information in budgeting is a good thing, and the more accurate the information, the more likely it seems that good decisions will be made. But information that is
useful in analysis is different from a decision rule that determines budget allocations. An example is the distinction between accrual accounting and accrual budgeting.

Briefly, accrual accounting is the recording of transactions when their costs are incurred, as opposed to cash accounting, which records transactions only when they are paid for. Accountants consistently advocate the former, while governments persistently stick to the latter. The effect, it is frequently alleged, is to distort government budgets and accounts, as various obligations and costs do not show up until cash is actually paid.

Accurate information and allocation of costs are crucial to efficiency in the allocation of public resources (134), and particularly in encouraging managers to take responsibility for their actions. Recent applications of accounting standards to government have mandated the use of accrual principles in balance sheets and financial statements. But few governments systematically accrue revenues and expenditures in their budgets (396). Their reluctance to do so suggests that whatever the technical advantages of accrual, there are solid reasons for budgets to remain on a cash basis. Considerations of easy understanding by citizens, reliability as an indicator of current financial condition, and less potential for manipulation may outweigh possible overstatement of claims for accuracy or utility of accrual accounts (398–400). While accruals may be useful in financial reporting (an analytical tool), their potential to improve budgeting or change managerial behavior (a budget decision rule) appears limited (401).

Similar considerations apply to performance budgeting, “an old idea with a disappointing future” (316). Despite more than half a century of advocacy, the budgets of most countries continue to be based on line items. While many governments include information about workload or activities in their budgets, these are rarely linked to resource levels or changes, much less decisions about allocations. To do so would require the capability to link increments in resources to increments in results. Most governments have no incentives to budget in this way, while line items still represent concrete and visible costs that must be covered (316). Schick warns that performance will always be only one consideration among the many involved in budgetary decisions—the necessity to pay for past commitments as well as current activities and operating costs, funding of political promises and interest group demands, and the overwhelming pressures to complete the budget (390–91). He concludes that “most governments would do well to deploy performance budgeting as an analytic tool because few have the capacity to ground budget decisions on it” (391).

In contrast, Schick argues that budgeting is inherently incremental, and particularly attuned to the contemporary predicament of twenty-first-century governments. With the boundaries of the state comparatively fixed, budgeting in many OECD countries “has settled into a process of snipping existing programmes at the margins to make room for targeted enhancements” (350). If it is not possible to enlarge revenues, governments will look to enlarge fiscal space by making incremental policy adjustments to finance marginal reallocations from lower to higher priorities (356).

Incrementalism also follows from the “stickiness” of government expenditures: “A decision to spend money one year usually is a decision to spend in future years as well, even when there is no legal requirement to do so” (435). This stickiness acknowledges and reinforces, not denies, the incremental nature of budgeting. “At its core, budgeting is a process for allocating resources among competing demands for public money. Anyone who has worked in budgeting knows that this is not a fair competition and that old claims on the budget have an advantage over new ones” (356). Incrementalism recognizes the priority of old claims, stabilizing government, giving citizens clear expectations of continuity in services and entitlements, and diminishing conflict (435). It is the means of continuing the past into the future.

Schick sees the political craft of budgeting as continuing to involve adjustments at the margins (436). Incrementalism reduces conflict over resources, allows budgets to be completed on time, makes the number of decisions manageable, deals with budgetary pressures one year at a time, and, in brief, “pacifies” the budget. After years of attempting reforms that unsuccessfully tried to uproot budgeting’s incremental tendencies, some governments have begun to incorporate incremental norms, such as baseline projections, into budget processes (434). Schick concludes, “It is time to call a halt to the reformist war against incrementalism” (356).

The Nature of Public Budgeting
From his reflections on the trends and developments of the last 20 years emerges Schick’s view of the nature of the remarkable human institution that we call budgeting—the way governments organize the mobilizing and spending of public resources. What is budgeting about? What might we ask or expect of it? What is good budgeting?

Budgeting is first and foremost about people, policies, and politics. Schick’s characterization is worth quoting in full:

The word “budget” conjures up images in many people’s minds of thick documents crammed with obscure jargon and thousands of numbers, and of debates over accounting conventions and performance indicators. These are manifestations of budgets, of course. But this is not what budgeting is all about; it is about the interplay of people and their ideas and goals.

Budgets are statements of the limits and allocation of financial resources which governments will use in providing assistance and services to improve the social and economic well-being of people. Budgets are the result of a compromise amongst alternative views of the desirable size and composition of government activities. Budgeting is a reconciliation process whereby
people—ministers, members of the legislature, public servants and others—engage in a debate on the relative merits of these various views and arrive at the allocation of resources. Budgeting is also a process which governs the behaviour of public servants in actually managing and delivering assistance and services to the public, and in the subsequent accounting for public monies used and results achieved. (28)

Budgets, therefore, are what people and their governments choose to make of them. They are instruments of economic and social policy, so budgetary values may need to be sacrificed to more important societal values, social stability, compassion for those who are unable to care for themselves, justice, and equity.

But the processes of budgeting are also important because they influence outcomes. Budgeting is about rules and routines (353) that may promote management improvement and program effectiveness, bring focus to decision making, and protect and operationalize rights. Yet it is also constrained by the need to meet deadlines, by the built-in costs of previous expenditures, by inadequate information, and by the very routines of the budget cycle (230). It may also be an inward-looking process in which insiders communicate only with each other within the confines of government. Can inherited budget processes respond adequately to the strains and expectations of contemporary democratic government? (358).

Schick contends that a sound budgeting system serves multiple, coexisting purposes. Its bedrock requirements are the principles of legality and propriety in public finances. An effective budget should also

- Establish a stable, sustainable fiscal position for the medium term and beyond;
- Facilitate the shift of resources to more effective, higher priority uses;
- Encourage spending units to operate efficiently;
- Be accessible to citizens and responsive to their interests.
- Assure accountability in the expenditure of public money. (354)

Achieving these aims is not an easy or straightforward task (355). Yet Schick believes that the next 20 years will probably bring about more fundamental changes in budgeting than the previous two decades (231).

The Next Chapter

Evolution in Budgetary Practice is not a manual, much less a bible that prescribes or prophesizes. Its nuances of style and substance oppose dogma with uncertainty, and rigid certitude with possibility. Its focus is primarily restricted to one set of experiences, those of OECD countries, so those who wish to understand those of other contexts (such as developing or transitional countries) will need to seek out Schick’s other writings. Rather, the book is a discourse, or, as Schick explains at the beginning, a dialogue or conversation, in which others may participate to learn, contribute, debate and dispute. It is a guide whose utility lies not in direction, but rather in the questions it raises, the ideas it puts forward, the concepts that frame discussion, the experiences it analyzes, and its understanding of the broader issues at stake. As global crisis overpowers governments and throws their budgets into disarray, such guidance is welcome for those called on to resolve today’s dilemmas and shape a different future.

Evolution in Budgetary Practice was completed before the onset of the global economic recession in 2008, and of course, most of the articles were written much earlier, so there are only brief reactions to its impact on government budgets in short comments and afterwards to two of the chapters. Schick’s general impression was that the crisis had largely destroyed previous efforts to ensure fiscal discipline and sustainable budgets. The economic shocks generated sizeable deficits through built-in stabilizers (173). Huge stimulus packages cutting taxes, bailing out financial institutions, stimulating consumer spending, and providing some relief for distressed households further unbalanced budgets and added to debt (377). Fiscal rules were uprooted entirely (340), and short-term pressures crowded out long-term fiscal implications and sustainability analysis (377). But it was (and is) too early to assess the impact of these events on long-term sustainability: government responses may have possibly averted an even worse downturn, and may yet result in a more favorable future than would have been the case. The experience may push governments into preventive measures, including sustainability projections and strengthened enforcement of fiscal rules in good times (377). It remains to be seen whether the vital role of governments in stimulating economic activity and providing a financial and social safety net will restore trust and confidence in political leaders and institutions (310).

Does the crisis challenge Schick’s view that the role of government is now stable and that new priorities will need to be met through reallocation within the boundaries of existing resources? The crisis has shown up the failure of unrestrained private markets to promote the common good, and governments have had to make unprecedented interventions in the global economy and commit vast resources. It seems highly likely that they will have to intervene further to prevent recurrent crises, and to tackle underlying causes of economic and social dysfunctions in the absence of other institution capable of doing so. In the face of global developments, it also appears that governments will be called on to expand their investments in infrastructure, education, research, energy, and technological innovation, and to meet urgent challenges, such as nuclear waste disposal, climate change, terrorism and natural disasters. Many “big questions” may not have been settled at all.
that have not caught up with future concerns (350–51). But when incremental policies (whether because of crisis or political demands) are not enough, he emphasizes that governments need more than ever robust budget processes that can provide the capacity for making and implementing viable policies. (350)

If the world is entering an era in which the larger stability is lost, in which global changes press governments into wide-ranging interventions, what are likely to be the “fundamental changes” in budgeting processes of which Schick writes? Their exact nature is hard to predict, but in a world transformed, his perceptions appear very relevant. To achieve a “performing state,” governments need a “performing budget,” as it is impossible to govern well without commensurate budget capacity. To implement wide-ranging policies and increase their options, they have to find “fiscal space” by reassessing priorities and by significantly expanding revenue sources. To maintain budgetary stability in a volatile environment, and to ensure that future budgets can cover commitments already made, they will have to devise and implement sustainable policies. To adapt to rapid changes, government organizations will need to continually question their purposes, reconsider their modes of operation, take responsibility for their performance, and reorient their roles. Budgetary reforms will need to be more than pretense on paper, and relate budgeting to management and to changes in organizational culture. But merely to pick out ideas or concepts is to miss the point: to write a “next chapter,” one has to know and understand the chapters that have come before.

Schick suggests that “there are no permanent solutions in budgeting” (351). Likewise, there is no end to studying budgeting—in the midst of the seemingly mundane, there is always some new development to ponder, some new challenge to meet. Allen Schick’s work helps comprehend how today is related to yesterday and tomorrow—in the split second before the present becomes the past, and disappears into an imminent and uncertain future. For those navigating the depths and shoals of public budgeting in the twenty-first century, his observations and insights are, and will continue to be, an invaluable resource.

References

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