

THOMSON
★

公共管理学经典教材原版影印丛书

Government Budgeting

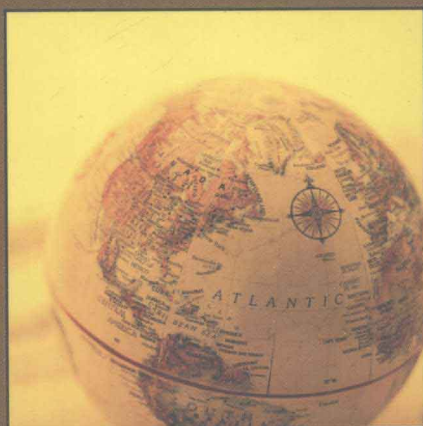
Theory, Process, and Politics

【 Third Edition 】

政府预算：理论、过程和政治

【 第三版 】

■ *Albert C. Hyde* 艾伯特·海德



北京大学出版社
PEKING UNIVERSITY PRESS

公共管理学经典教材原版影印丛书

Government Budgeting

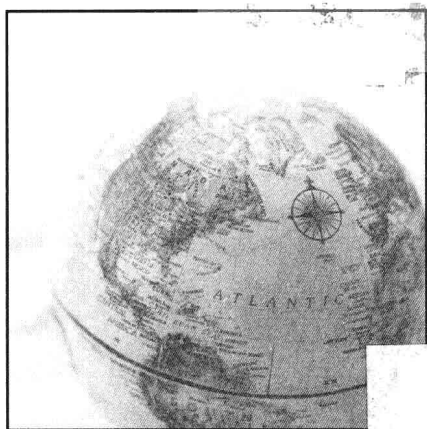
Theory, Process, and Politics

【 Third Edition 】

政府预算：理论、过程和政治

【 第三版 】

■ *Albert C. Hyde* 艾伯特·海德



北京大学出版社
PEKING UNIVERSITY PRESS

北京市版权局著作权合同登记号 图字 01-2006-2150

图书在版编目(CIP)数据

政府预算:理论、过程和政治(第三版)/(美)海德主编. —影印本. —北京:北京大学出版社,2007.4

(公共管理学经典教材原版影印丛书)

ISBN 978-7-301-11289-2

I. 政… II. 海… III. 国家预算—教材—英文 IV. F810.3

中国版本图书馆 CIP 数据核字(2006)第 136514 号

Albert C. Hyde

Government Budgeting: Theory, Process, and Politics(third edition)

ISBN 0-155-06695-1

Copyright © 2002 Thomson Learning, Inc.

Original language published by Thomson Learning (a division of Thomson Learning Asia Pte Ltd). All Rights Reserved. 本书原版由汤姆森学习出版集团出版。版权所有,盗印必究。

Peking University Press is authorized by Thomson Learning to publish and distribute exclusively this English language reprint edition. This edition is authorized for sale in the People's Republic of China only (excluding Hong Kong, Macao SARs and Taiwan). Unauthorized export of this edition is a violation of the Copyright Act. No part of this publication may be reproduced or distributed by any means, or stored in a database or retrieval system, without the prior written permission of the publisher.

本书英文影印版由汤姆森学习出版集团授权北京大学出版社独家出版发行。此版本仅限在中华人民共和国境内(不包括中国香港、澳门特别行政区及中国台湾)销售。未经授权的本书出口将被视为违反版权法的行为。未经出版者预先书面许可,不得以任何方式复制或发行本书的任何部分。

9780155066953

书 名: 政府预算:理论、过程和政治(第三版)

著作责任者:〔美〕艾伯特·海德 主编

责任编辑:倪宇洁

标准书号:ISBN 978-7-301-11289-2/D·1625

出版发行:北京大学出版社

地 址:北京市海淀区成府路 205 号 100871

网 址: <http://www.pup.cn> 电子信箱: ss@pup.pku.edu.cn

电 话: 邮购部 62752015 发行部 62750672 出版部 62754962 编辑部 62753121/62765016

印刷者:北京飞达印刷有限责任公司

经 销 者:新华书店

787 毫米×1092 毫米 16 开本 39 印张 1400 千字

2007 年 4 月第 1 版 2007 年 4 月第 1 次印刷

定 价:60.00 元

未经许可,不得以任何方式复制或抄袭本书之部分或全部内容。

版权所有,侵权必究

本书封面贴有 Thomson Learning(汤姆森学习出版集团)激光防伪标签,无标签者不得销售。

举报电话:010-62752024 电子信箱: fd@pup.pku.edu.cn

丛书总序

周志忍

自20世纪80年代恢复以来,行政管理学在我国经历了十多年的摸索和积累期,世纪之交终于呈现出飞跃式发展的态势:行政管理学博士点相继设立,公共管理获得一级学科的地位,公共管理专业硕士学位(MPA)教育开始启动且发展迅猛,开设行政管理本科专业的大专院校达到130家,公共事业管理本科专业则突破了300家,加上党校、行政学院公共管理教研机构的大量设立,说公共管理是21世纪初我国发展最迅猛的学科并不夸张。

学科飞跃式发展的另一重要标志是新领域的开拓和知识的积累及其快速更新。国家自然科学基金委员会对与宏观管理相关的117种外文期刊进行的文献计量研究表明:“公共管理理论与方法是1994—2004年间国外关注最多的领域。其中,有关公共管理基本理论与方法的论文数占到了全部论文总量的44.6%。”对中国期刊网77种核心期刊的文献计量学分析的结果显示,“自1994年至2003年的十年间,关于公共管理基本理论与方法方面的论文增长迅速,从1994年的554篇,上升到2003年的1934篇,增幅达到3倍以上”。但在总量上仅占全部论文总量的4.59%,与国外的同类研究相比呈现出明显的差距(国家自然科学基金会管理科学部:《宏观管理与政策学科“十一五”发展战略研究报告》)。

系统了解和追踪国外的新理论和新方法,并在批判的基础上加以消化和吸收,是学科知识积累和更新的重要环节之一。进入21世纪后,我国对西方公共管理著作的翻译出版结束了零星分散的状态,呈现出系统化和细分化同时并进的势头。中国人民大学出版社的《公共行政与公共管理经典译丛》和《公共政策经典译丛》,华夏出版社的《政治学与行政管理学译丛》,上海三联书店的《制度分析与公共政策译丛》,中国青年出版社的《公共管理译丛》等,都对学科发展和政府管理现代化产生了积极的影响。北京大学出版社《公共管理学经典教材原版影印丛书》的出版值得庆贺!

原版书的系列化出版对学科发展的意义至少有以下方面:(1)有助于研究者外语能力的普遍提高。长期以来,阅读外文图书对我国学者来说近乎一种特权,纵有毅力和热情,但难以承受的价格、少得可怜的存本或繁琐的借阅程序令人望而却步。影印原版书无疑有助于克服这一障碍。(2)推动翻译出版的规范化和翻译质量的持续提高。许多学者谈到这样的经历:阅读译文时怎么也不明白的东西,翻阅原著就清楚了。这固然和不同语言之间的“通约度”有关,也不能否认翻译质量的参差不齐。在原版书“稀缺”的情况下,翻译质量的同行评价和监督机制会因为“信息不对称”而失灵,

影印原版书在这方面将大有裨益。(3)在知识发展日新月异的时代,影印原版书具有出版周期短的优势,可以把国外的最新成果及时展示给国内学界。

外文图书引进出版虽然不是一个垄断性市场,但新进入者会面临别样的风险和尴尬。这有点像一个开放的采摘果园,先入者有的图便利先摘取低枝上的果实,有的则把靓丽之果尽入囊中,也有的以口味、特色为择取标准,几轮采摘之后,选择余地就相当有限了。从目前情况看,国内外文图书的引进出版呈现出复杂状态,少量著作的中文译本和原版影印本同时发行,大量著作仅有中文译本。与此相应,北京大学出版社第一批影印丛书包括了几类:(1)仅有中文译本而没有原版影印本的图书;(2)已有中文译本但原文有新版的著作,如尼古拉斯·亨利的《公共行政与公共事务》第九版;(3)国内市场尚未引进,但同样具有影响力的著作。从涉及的领域来看,第一批影印丛书覆盖了公共行政、公共政策、公共组织管理、预算与财务管理、公共部门人力资源管理等领域。图书的选择既考虑了影响力,又给相关领域的经典文献荟萃以特别的关注。

着眼未来,期望公共管理原版书的影印出版不断开拓发展,形成品牌并最终发挥系统效应。目前国内外文图书引进出版的复杂状态,无疑为原版书的影印出版增加了困难。在避免重复的前提下形成有序的原版书系列,显然还有许多艰苦细致的工作要做。但毫无疑问,原版书影印如果没有实现系列化,所期望的对学科发展的意义就会大打折扣。更重要的是,期待北京大学出版社充分利用自己的资源优势,在原版书系列影印的基础上深度挖掘,独辟蹊径,在公共管理领域开辟出一片新天地。这不仅是一种追求,更是一份责任。

2005年10月25日

Preface

From nearly every vantage point, government budgeting in the twenty-first century looks quite different from twentieth century budgeting. For starters, the budget numbers themselves seem staggering. The federal budget for the first true year of the new millennium has crossed the \$2 trillion mark. The federal budget *surplus* for 2001 is projected to be over \$250 billion—compared to a total federal budget in 1950 of just over \$50 billion. In 1950, defense spending amounted to almost 60 percent of the federal budget. Today, even if President George W. Bush and the Congress were to commit an additional \$50 billion over five years to the Pentagon, defense spending would at best reach 17 percent of federal outlays.

State and local government budgets have also reached new heights. Total state and local government spending in 2000 was just under \$1.4 trillion. Over 125 governments at the state, county, city, and even some school districts and other public authorities now have annual budgets that exceed \$1 billion. Total state and local government debt also reached the \$1 trillion mark in 2000.

These dizzyingly high numbers of public budgeting today can be misleading. In economic terms, budget numbers are driven by the growth of the economy. Back at mid-century, that \$50 billion-plus federal budget was approximately 21.4 percent of gross domestic product (GDP). Today's federal budget of over \$2 trillion in revenues is 20.6 percent, actually a slight decrease as a percentage of GDP. State and local governments have indeed become more important, increasing from 6.6 percent of GDP to over 14 percent in 2000. But significant percentages of local spending (over 40 percent) are provided by state governments in the form of grants and payments for education,

social services, and other programs, in essence—double counting. Actual spending by state and local governments from their own revenue sources has increased from a more modest 5 percent of GDP in 1950 to above 10 percent in 2000.

Perhaps what is most different about federal budgeting in 2001 is the current surplus and various estimates of a \$5.6 trillion surplus over the next decade. The era of the surplus is new, having only begun in 1998 (one has to go back to 1969 to find the last federal budget surplus). As the economy heads toward some form of recession in 2001 and the nation debates tax cuts, entitlement reform and new public investments, public budgeting will be center stage. State and local governments, having enjoyed budget surpluses for the most part over the last five years, will be less fortunate. Although all state and local governments are required to balance their budgets annually, about a third will face major revenue shortfalls in 2001.

California is a superb example of the dramatically different and dynamic economic environment in which government budgeting now operates. The State of California's 2001 projected surplus of \$3 billion will simply disappear if the stock market fails to recover from its fall in 2000. Over 20 percent of California's \$76.9 billion in annual revenues comes from taxes paid on stock gains and from stock options being cashed in. California, at the center of the new economy, reaped a huge windfall in stock tax gains, which went from \$2.8 billion in 1995 at the start of the tech stock boom to over \$16 billion in 2000. These stock taxes basically enabled the state to pile up seemingly endless budget surpluses with little fiscal effort or spending discipline.

The point of these examples is simply that few would disagree with the proposition that the budgeting and resource environments of governments at all levels have significantly changed. The more debatable question is how much has actual budgeting—its processes, politics, and its theory changed? As in previous editions of *Government Budgeting*, Part I, *The Development of Budgeting and Budget Theory: The Threads of Budget Reform*, begins by pointing out that theory, process, and

politics of public sector budgeting are not separate entities or dimensions. Budgeting theory has always been about the search for better decision making involving public moneys, which is intertwined with the processes of budgeting and the politics or strategies of the participants in the process. While this book begins with an opening section on the history of budgeting and its development of budget theory—budgeting theory is simply an amalgam of politics, process, and practice.

The remaining structure of the book is based on the classic work, *The Movement for Budgetary Reform in the States*, by William Willoughby in 1918, in which he notes that there are three threads of budgetary reform: the thread of legislative-executive relations, the thread of popular control and democracy, and the thread of management efficiency.

Part II, *Budgeting and Governmental Relations: An Instrument for Correlating Legislative and Executive Action* (the thread of legislative-executive relations), examines government relations in budgeting, beginning with legislative-executive interactions and perspectives and extending to the role of the courts and discussing the impacts of new procedural developments such as biennial budgeting and the line-item veto.

Part III, *Budgeting, Economics, and Popular Control: An Instrument of Democracy* (the thread of popular control and democracy), introduces budgeting's political-economic environment, focusing on the public choice debate and bureaucratic budgetary behaviors and a range of other issues that include voter referendums, balanced budget amendments, economic assessments of the impacts of state and local budgets, and of course, perspectives on federal budget deficits, now surpluses.

Part IV, *Budgeting Systems and Management: An Instrument for Securing Administrative Efficiency and Economy* (the thread of management efficiency), reviews budgeting's management dimension, working through the various past budgetary systems from performance budgeting, to PPBS and ZBB, CBM, to the current GPRA or Performance-Based Budgeting (with apologies to new students of budgeting, all of the above budgeting acronyms are an important part of

the budget systems litany, and are explained in the introduction of each section). Financial management in the broader context is also updated with an assessment of activity-based costing and a reaffirmation of the role of budget oversight in a new era of surplus.

Mostly, the articles within each part are presented chronologically—even though this book is not intended as a history of budgeting. Of the 46 selections in the book, almost half are from 1990-2000, with another third from the 1970s and 1980s; the final sixth are from the 1950s and 1960s with two truly historical pieces from 1915 and 1918. This arrangement is in keeping with the book's original objective—to serve as a source book for both the practitioner and the student—providing a collection of articles and viewpoints from a diverse array of experts, budget theorists, researchers, and public officials. The introductions for each section, as before, are brief and limited to providing context.

The appendices exclusively focus on the federal budget. In the Internet era of this new century, annual budget documents, public reports and in-depth budget studies of the federal and the fifty state governments, and increasingly more local governments are all available on-line. Also available on-line as a prime resource are all the considerable works of the General Accounting Office and the Congressional Budget Office. In short, students of budgeting have unparalleled access to budget information of all kinds, including glossaries and handbooks detailing budgeting processes and procedures.

The appendices include first a supplemental source that for those focusing on the federal budget might be regarded as a primer. Appendix A, "The Federal Budget as a Second Language" by Stan Collender, is a short guide for those seeking a concise and clear overview of federal budgeting before delving into the subject. A second appendix, "The Long-Term Budget Outlook," is an actual Congressional Budget Office Report—projecting 75 years in the future of the current, however fleeting, federal budget surplus—and the interesting economic and political premises behind it.

Herbert Simon, the late Nobel Laureate who profoundly influenced so many disciplines,

wrote in a public administration textbook in the 1950s that fields of study like public administration must be careful in making distinctions about change. Just because there are profound changes in the environment and institution reactions to change, does not mean that a discipline will change in terms of developing new concepts or creating new knowledge. Simon argued for a longer view and urged that we make distinctions between studying new phenomena and studying in new ways, developing new methods of inquiry, and creating new theories.

Government budgeting began the twentieth century as part of an ambitious reform effort destined to create new institutions, new policies and politics, and new roles for governments and the public service. Government budgeting was a leader in that revolution—and was always at the forefront of public administration. In the twenty-first century, I doubt many would argue that budgeting is at the forefront of the next management and political revolution. Ironically, the pace of global change, technology breakthroughs, institutional and economic interdependence is accelerating—making the role of government absolutely more critical. Both government leaders and students of government should be asking what new strategies, concepts, knowledge, and tools for budgeting are needed to prepare governments at all levels for the twenty-first century.

Acknowledgments

In the first and second editions of *Government Budgeting*, the acknowledgments covered various academic colleagues and professional associates who helped shape the idea of this reader as a source book, helped select different perspectives and viewpoints, and argued with me about who had contributed what to public budgeting and vice-versa. I remain grateful to all of them and only regret that with the passage of time there seems to be less and less time to see them and argue as we did in the old days.

This third edition, however, has its own unique set of acknowledgments. Shortly after the second edition was released, I had the opportunity to join the faculty of the public administration department at American University in Washington, D.C., as a “sort of”

visiting professor. American University had a vacancy, its public finance and budgeting position, and for the next five years, I taught the complete repertoire of its finance and budgeting curriculum. I would be remiss if I did not thank Neil Kerwin, Bernie Ross, and David Rosenbloom at American University for helping make that possible, and Kathy Naff, my closest colleague and spouse, who insisted I go back to teaching. I also want to thank Paul Flynn, now with Scudder Investments, who spent many hours discussing the state of public budgeting and finance with me and serving as my informal adviser on the real state of the public finance world.

In preparing this revision, I greatly benefited from the thoughtful recommendations from the following reviewers: Kim Fox, Ph.D., Shippensburg University; Jeffrey D. Greene, Ph.D., University of Montana; Douglas N. Jones, Ph.D., Ohio State University; Donijo Robbins, Ph.D., University of Maine; Irene Rubin, Ph.D., Northern Illinois University; Christopher A. Simon, Ph.D., University of Nevada; and Theodore J. Stumm, Ph.D., University of North Florida. I thank them for their valuable input.

Appropriately, this edition is dedicated to the many graduate students at American University whom I was privileged to teach. If I had the class lists, I would put the name of every one of them in this acknowledgment section. I only wish that every academian could have a similar experience—being in the classroom with students the caliber of these bright, young and old, men and women pondering and questioning budget and management issues in government. While I may worry whether government budgeting is ready for the twenty-first century, I have absolute confidence in our next generation of public sector leaders. It was truly an honor for me to be one of their teachers.

Albert C. Hyde

About the Author

Albert C. Hyde is a senior consultant and adjunct faculty member with the Brookings Institution's Center for Public Policy Education in Washington, D.C. His previous academic experience includes visiting professor at American University's school of public affairs, director of the public policy and management program at the graduate school of public and international affairs, University of Pittsburgh, and director of the public administration program at San Francisco State University. He also has taught at the University of Colorado at Denver, University of Houston-Clear Lake, and Indiana University-Purdue University at Indianapolis. As a practitioner, he served as foreign service officer with the U.S. Department of State and was a senior associate with the New York State Legislative Commission on Expenditure Review.

He is co-author of *Personnel Management in Government*, Fifth Edition, and co-editor of *Classics of Public Administration* (fifth edition forthcoming). He has written more than fifty articles and book chapters on public management trends and issues. Dr. Hyde received his M.P.A. in public budgeting and finance and his Ph.D. degree in political science from State University of New York at Albany.

Contents

Preface

v

Part I

The Development of Budgeting and Budget Theory: The Threads of Budget Reform

1

- 1 Evolution of the Budget Idea in the United States

Frederick A. Cleveland

7

- 2 The Movement for Budgetary Reform in the States

William F. Willoughby

20

- 3 The Lack of a Budgetary Theory

V. O. Key, Jr.

24

- 4 Toward a Theory of Budgeting

Verne B. Lewis

29

- 5 Political Implications of Budgetary Reform

Aaron Wildavsky

44

- 6 The Road to PPB: The Stages of Budget Reform

Allen Schick

52

- 7 The Continuing Need for Budget Reform

Elmer B. Staats

69

- 8 Budget Theory and Budget Practice: How Good the Fit?

Irene S. Rubin

77

- 9 Processes, Policies, and Power: Budget Reform

Naomi Caiden

93

- 10 Strategic Budgeting

Roy T. Meyers

100

- 11 Political Implications of Budget Reform: A Retrospective

Aaron Wildavsky

112

- 12 The Evolution of Federal Budgeting: From Surplus to Deficit to Surplus

Allen Schick with Felix LoStracco

120

Part II

Budgeting and Intragovernmental Relations: An Instrument for Correlating Legislative and Executive Action

147

- 13 The Power of the Purse: Congressional Participation

Dennis S. Ippolito

153

- 14 The First Decade of the Congressional Budget Act: Legislative Imitation and Adaptation in Budgeting

Mark S. Kamlet and David C. Mowery

174

- 15 Deficit Politics and Constitutional Government: The Impact of Gramm-Rudman-Hollings

Lance T. LeLoup, Barbara Luck Graham, and Stacey Barwick

192

- 16 Courts and Public Purse Strings: Have Portraits of Budgeting Missed Something?

Jeffrey D. Straussman

210

- 17 The Executive Budget: An Idea Whose
Time Has Passed
Bernard T. Pitsvada
220
- 18 Mission-Driven, Results-Oriented Budgeting:
Fiscal Administration and the
New Public Management
Fred Thompson
228
- 19 Biennial Budgeting in the
Federal Government
Louis Fisher
241
- 20 The Federal Line-Item Veto:
What Is It and What Will It Do?
Philip G. Joyce and Robert D. Reischauer
250
- 21 State Item-Veto Legal Issues in the 1990s
Robert D. Lee, Jr.
265
- Part III**
**Budgeting, Economics, and Popular
Control: An Instrument of Democracy**
284
- 22 Why the Government Budget Is Too Small
in a Democracy
Anthony Downs
289
- 23 Why Does Government Grow?
James M. Buchanan
305
- 24 A Reflection on Bureaucracy and
Representative Government
William A. Niskanen
316
- 25 Participatory Democracy and Budgeting:
The Effects of Proposition 13
Jerry McCaffery and John H. Bowman
327
- 26 Common Issues for Voucher Programs
C. Eugene Steuerle
339
- 27 The Growing Fiscal and Economic
Importance of State and Local Governments
Roy Bahl
363
- 28 Lessons for the Future
Steven D. Gold
380
- 29 The Fiscal Agenda of the
States to the Year 2000
Steven D. Gold
389
- 30 A Theoretical Analysis of the Case for a
Balanced Budget Amendment
William R. Keech
395
- 31 The Federal Budget and the Nation's
Economic Health
Charles L. Schultze
405
- 32 Debunking the Conventional Wisdom
in Economic Policy
Robert Eisner
436
- 33 How Big Is the Prospective Budget Surplus?
Alan J. Auerbach and William G. Gale
447
- Part IV**
**Budgeting Systems and Management: An
Instrument for Securing Administrative
Efficiency and Economy**
453
- 34 Performance Budgeting in Government
Catheryn Seckler-Hudson
462
- 35 What Program Budgeting Is and Is Not
David Novick
475
- 36 Planning and Budgeting: Who's on First?
S. Kenneth Howard
483

- 37 Introduction to Zero-Base Budgeting
Graeme M. Taylor
494
- 38 Organizational Decline and Cutback
Management
Charles H. Levine
507
- 39 Governmental Financial Management at
the Crossroads: The Choice Is Between Reactive
and Proactive Financial Management
Charles A. Bowsher
521
- 40 Using Performance Measures for Federal
Budgeting: Proposals and Prospects
Philip G. Joyce
532
- 41 Implementing PBB: Conflicting
Views of Success
Katherine G. Willoughby and Julia E. Melkers
544
- 42 Activity-Based Costing in Government:
Possibilities and Pitfalls
*Richard E. Brown, Mark J. Myring,
and Cadillac G. Gard*
557
- 43 Budget Issues: Effective Oversight and
Budget Discipline Are Essential—Even
in a Time of Surplus
*David M. Walker, Comptroller General, U.S.
General Accounting Office, Testimony Before the
Committee on the Budget, U.S. Senate*
572
- Appendix A The Federal Budget
as a Second Language
Stanley Collender
580
- Appendix B The Long-Term Budget Outlook
Report of the U.S. Congressional Budget Office
592



The Development of Budgeting and Budget Theory: The Threads of Budget Reform

Budgets are not merely affairs of arithmetic, but in a thousand ways go to the root of prosperity for individuals, the relation of classes, and the strength of kingdoms.

—Gladstone

Budgeting is, and always has been, the single most important decision-making process in any governmental organization. The budget itself is a government's most important reference document. In their increasingly voluminous and complex formats, budgets simultaneously record policy decision outcomes; cite policy priorities as well as program goals and objectives; delineate government's total service effort; and measure its performance, impact, and overall effectiveness.

The Dimensions of Budgeting

A public budget has four basic dimensions. First, it is a political instrument that allocates scarce public resources among the social and economic needs of a jurisdiction. Second, a budget is a managerial or administrative instrument, or both. It specifies the ways and means of providing public programs and services; it establishes the costs or criteria or both by which activities are evaluated for their efficiency and effectiveness. It is the budgeting process that ensures that all the programs and activities of a jurisdiction will be reviewed or evaluated at least once during each year (or cycle). Third, a budget is an economic instrument that directs a nation's, a state's, and even a municipality's economic growth, its investments, and its development. At the national, state, and regional levels, government budgets are primary instruments for evaluating redistribution of income, stimulating economic growth and development, promoting full employment, combating inflation, and maintaining economic stability. Fourth, a budget is an accounting (now called simply financial management) instrument that holds government officials responsible for both the expenditures and revenues of the programs with which they have been entrusted and that informs the public of a government's fiscal integrity and discipline.

Over the past decade, it has become more and more apparent that the interconnections of these dimensions are vital. For example, the premise of the financial management dimension is to hold governments accountable in the aggregate. After all, the basic concept of a budget implies that a ceiling or a spending limitation exists, which literally requires governments to live within their means. Yet, the pervasive and decades-old federal budget deficit might lead one to ask how the very instrument designed to ensure balanced spending and funding decisions came to be viewed as the major force in wrecking that balance.

It was not for lack of effort. Since the late 1970s, Congress and six presidents from Nixon to Clinton have waged veritable budget warfare over controlling spending and changing taxes

through the federal budget process. Through it all, the country remained mired in deficit. Now, at the start of a new century, the United States confronts surpluses as far as the eye can see. In 2001 a new president and a deeply divided but closely split Congress addressed major budget issues involving tax cuts, social security solvency, and defense investments, among other national priorities. And despite the largest surplus in the American experience, there would not be enough money to fund everything.

By design, budgeting involves meeting obligations, keeping promises. It involves choices about values, about which purposes are of highest priority. It involves questions of power: How are we governed, and by whom? Most of all, tax and spending decisions involve real people with real needs. What happens to any of us—farmers, the homeless and poor, children in school, the elderly in nursing homes, corporations in bankruptcy—has meaning. In the rhetoric of deficit reduction, these matters are either disparaged as “special interests” or, worse, ignored. Persistent deficits were blamed on the lack of political courage or goodwill. Wrong. Deficits persisted because all choices were bad.

From its beginnings, the theory of budgeting has recognized the central importance of the budget in shaping such choices. This, to a great extent, was what budget reform in government was all about. Part 1 of this book opens with two classic articles about the origins and the objectives of modern budgeting. Frederick A. Cleveland reviewed the guiding forces behind the executive budget concept and examined its objectives in his 1915 study, “Evolution of the Budget Idea in the United States.” In 1918, William F. Willoughby looked more directly at the state and local experience in *The Movement for Budgetary Reform in the States*. In the excerpt from Willoughby’s work, one will find a prophetic recognition of the essence of budget reform. Willoughby saw three main threads to budget reform: (1) providing for and advancing popular control, (2) developing and enhancing legislative and executive cooperation, and (3) ensuring and improving administrative and managerial efficiency. Just as a rope is woven out of strands, these threads must be intertwined if budgeting is to be an effective exercise in the process of governance.

A Brief History of Budget Reform

The development of the executive budget itself was considered the first step of budget reform. It is important to keep in mind that government budgets as we know them today are relatively new phenomena. Before the twentieth century, budgets were little more than compilations of piecemeal appropriations reports passed by a legislature. At the federal level, they weren’t even called budgets, but, rather, “books of estimates.” The Budget and Accounting Act that began the establishment of today’s federal budgeting mechanisms was not passed until 1921. Budgeting efforts at the state and local levels can be traced to experiments and developments in New York City and other localities in the early 1900s. Prior to this time there was little perceived need for sophisticated budgeting mechanisms because government expenditures were relatively insignificant. Federal “budgeting”—if it can even be called that—was primarily an exercise in getting rid of “surplus funds” accumulated by tariff revenues or in finding ways to fund major land purchases.

In retrospect, the nation’s first great public financial administrator, Alexander Hamilton, perhaps may have succeeded too well in putting the new republic on a solid financial footing. However, there were instances throughout the nineteenth century, such as the financial panic of 1837 and Abraham Lincoln’s efforts to finance the Civil War, that generated some concern about the need for a budgeting system. Later political and social forces, such as the progressive reform movement, the scientific management movement, and the emergence of more diverse and specialized government programs, provided the impetus for more effective avocation of a

budgeting system. The pioneering work done in some states and municipalities provided the federal government with further examples of the direction to go in budgeting. Indeed, the federal nature of the U.S. system of government has proven to be an essential factor in budgetary reform. Such reforms often emerge from “experiments” in state and local “laboratories,” whether they be in New York City (performance budgeting) in the early 1900s, Georgia (zero-based budgeting) in the 1970s, or Sunnyvale, California (performance results budgeting), in the 1990s.

The thrust for reform came to a head in the report of the Taft Commission of 1912, which argued strenuously for a national budgeting system to serve the executive branch. Even in its infancy, a recurring theme of governmental budgeting was already apparent—the conflict between the legislative and executive branches over who would control the budgeting process—and Congress quickly rejected the Taft Commission recommendations. After World War I, President Wilson rekindled the idea of an executive budget mechanism, but Congress proposed its own legislation, which Wilson promptly vetoed because of lack of control by the executive. Finally, in 1921, the Budget and Accounting Act was signed into law. It established a Bureau of the Budget (to be lodged in the Treasury Department), a formal budgeting mechanism to be controlled by the executive branch, and a General Accounting Office accountable to Congress. The political battle over the act itself was so bitter that the Congress would not agree to approve it until Wilson had left office.

It would be another eighteen years, however, before the Bureau of the Budget would become a direct staff branch of the Chief Executive. During this period, budgeting processes focused primarily on accountability and control, and the initial technology of budgeting was the line-item budget—a systematic, accounting-oriented method of recording public expenditures against various classification categories, such as salaries, travel, supplies, and equipment.

Against this backdrop, in 1940, V. O. Key, Jr.—later to be one of the most influential U.S. political scientists—wrote a searching inquiry about the state of the art of budgeting: “The Lack of a Budgetary Theory.” Greatly concerned about the overemphasis on mechanics, Key posed what is still widely acknowledged as the central question of budgeting: “On what basis shall it be decided to allocate x dollars to activity A instead of activity B?” He then went on to elaborate what he felt were the major areas of inquiry that should be researched to develop a budgeting theory.

In the 1940s and 1950s, following the recommendations of the Brownlow Commission and later codified by the Hoover Commissions, performance budgeting emerged as the new and dominant budgeting system. Performance budgeting was above all a management-oriented system heavily focused on efficiency by relating costs to measured outputs. Its appearance during these two decades was well timed to match immense increases in both the size and scope of governmental undertakings. The Second World War marked the advent of Big Government and an underlying confidence among public administrators that the new techniques and mechanics behind large-scale public budgets were appropriate for the massive, efficiency-oriented administrative operations that they were equally sure would be the way of the future. Vision in the 1940s was blurred by the unprecedented scale of operations of the Second World War and the preceding economic war waged against the Great Depression.

Improved efficiency, however, was not an adequate response to Key’s question of choice. Larger budgets, fueled by economic growth, made choices more important and increased concerns about how budgets should facilitate the idea of direct consideration of alternatives. First articulated by Verne B. Lewis in his 1952 article “Toward a Theory of Budgeting,” the idea of budget “alternatives” centered on the preparation of incremental budget submissions that would permit evaluation of various funding amounts in terms of levels or quantity of service. The administrative or managerial context of alternative budgeting provides a dual advantage. Budget submissions can be prepared in a manner that will facilitate comparison and

demonstrate a range of choices for service and funding levels. At the same time, the final choice will provide a realistic contract—that is, specific, realistic expectations for the program manager. The implied rationale for this process was almost a restatement of V. O. Key's classic budgeting question: for x level of funding, y level of service can be provided; for $x + (1/x)$ funding = $y + (1/y)$ services.

Incrementalism and Systems Thinking in Budgeting

The 1960s brought even more definitive responses. Aaron Wildavsky, then a professor at Oberlin College, answered that Key's question, as raised, was unanswerable. His 1961 article, "Political Implications of Budgetary Reform," was parallel to the contentions of Charles E. Lindblom in his famous 1959 *Public Administration Review* article, "The Science of Muddling Through." Budgeting, Wildavsky argued, was in reality a mode of incremental conflict resolution aimed principally at ordering whose preferences would prevail. The question of which criteria should determine what goes in the budget is synonymous with, and as unanswerable as, the question of what government ought to do in the first place. If an answer were possible, it would mean nothing less than a total resolution of conflict over government's role in society. Wildavsky's arguments in this early article were an important prelude to what would be four editions of the classic *The Politics of the Budgetary Process* and a completely revised edition in 1988 entitled *The New Politics of the Budgetary Process*. On the thirtieth anniversary of his exposition of incremental budgeting, Wildavsky readdressed his original article in *Public Administration Review*, reflecting on what he felt he had learned about the politics of budgeting reform.

Significantly, the 1960s marked a new era of increased government activity. Policies and programs were recast in bolder, more innovative terms with "social intervention" as the major premise. A new budgeting system, emphasizing multiyear planning, policy analysis, and program objectives focused on effectiveness, emerged. Called PPBS (Planning-Programming-Budgeting-System), the system was widely heralded as a major breakthrough for public administration and indeed was nicknamed by critics as the "pristine path to budget salvation." PPBS dominated public sector budgeting like no other system had ever done before.

The case for depicting budgeting systems as an evolutionary process within management has been best made by Allen Schick in his 1966 article, "The Road to PPB: The Stages of Budget Reform" (later updated in his 1978 *Public Administration Review* article, "Road from ZBB"). Schick's work is considered classic for its examination of the different orientations and purposes of budgeting and its presentation of budgetary change as an evolutionary process. The budgeting literature particularly adopted his typology of budgetary reform that illustrated consecutive shifts in budgetary emphasis from accounting—strict expenditure control (the line-item budget), to management—work efficiency (the performance budget), to planning—program effectiveness (PPBS). Schick traced the events leading to each of the three budgeting systems, defined each system, and described its implementation process, strengths, and weaknesses.

By the 1970s, PPBS had failed. (If the minimum criterion for success is continuity, PPBS was discontinued in the federal government during the Nixon administration.) Budget reform in the 1970s was beset by two more compelling developments—a new period of legislative-executive competition over who would control budgets and spending levels, and a new "era of resource scarcity" in which economic growth was no longer a constant and unquestioning popular support for increased budgets and increased taxes no longer valid. The other two threads of budget reform were now fully as important as the long-dominant managerial thread.

Like most developments in budgeting, the vulnerability of public budgets to expenditure and revenue limitation initiatives (following the advent of Proposition 13 in California) was

first felt at state and local levels. The resulting pressure on budgets was inescapable. Partly because of these new economic realities, budget reforms in the 1970s were marked by intense executive rivalry that, at the federal level, produced a new budgeting law: the Congressional Budget and Impoundment Act of 1974. *Rivalry* may even be too mild a term. Allen Schick in his influential *Congress and Money* calls the period leading up to the new act the “Seven Years’ Budget War.”

One more major development in budget reform occurred in the 1970s—the implementation of zero-based budgeting (ZBB) during the Carter administration. Launched with much fanfare in 1977, ZBB promised to counter the traditional incrementalism bias of budgets (i.e., that resource allocation decisions are made about the annual margins of budget change without altering the historical budget base) by using an elaborate system of decision units, packages of alternatives, and rank order of choices based on political relevance. Critics called it “decremental budgeting” in disguise, and it was eventually overwhelmed by changing economic events. Ironically, a budget system purposefully designed to make ordered cuts in budgets in the event of necessary cutbacks was ignored when those circumstances prevailed. ZBB was rescinded in early 1981 by the Reagan administration, and a new political-economic era began.

Whither Budgeting without Budget Reform?

By 1980, budget reform stood at a crossroads. Clearly, the future would be one of increasing complexity and difficulty. Outgoing GAO Comptroller General Elmer B. Staats, in a widely distributed speech titled “The Continuing Need for Budget Reform,” reaffirmed the importance of positive movement for public sector budgeting to keep pace and provide leadership. But he provided several warnings about future problems. First among all his concerns was federal credit activities and loan guarantees, their control difficulties, and potential impacts on the budget. (Staats accurately predicted such financial disasters as the massive \$500 billion Savings and Loan bailout, which, ten years later, would lead to new federal credit reform legislation.)

For budget reform, it was apparent that the 1980s would be quite different, that many of the budgeting rules would be changed. Naomi Caiden was one of the first to see the new direction, and she began a series of articles outlining the impacts and implications for budget theory and reform. In a series of influential articles, including “The Myth of the Annual Budget” and “Guidelines to Federal Budget Reform,” Caiden examined the new political dimensions for budgeting change. In a 1993 article for *The Public Manager* entitled “Processes, Policies, and Power: Budget Reform,” she reviewed her assessment that reforms of the budget process could not solve present problems of budget policy and politics.

The 1980s may be remembered best as the decade when government budgeting was turned upside down. At the federal level, this was the era in which a president called the whole budget process “Mickey Mouse,” a budget director (David Stockman) was nicknamed “The Terminator,” major changes were made to the congressional budget process and automatic deficit reduction provisions were incorporated into law (Gramm-Rudman-Hollings, referred to as “Grammbo”), the media labeled submitted budgets as “D.O.A.” (dead on arrival because of their faulty and unrealistic economic assumptions), “Budget Summits” were held, and, finally, academic arguments first arose over whether the executive budget process itself had outlived its usefulness.

For state and local governments there were new strains of tax revolts and tax limitation propositions and increasingly unpredictable cycles of good times and bad. California gave taxpayers a refund one year and sank into fiscal crises two years later. Massachusetts went from