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Is there a key to the normative budgeting lock?

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Abstract. This article explores how to answer the normative question: 'What is a good budgetary process?' It proposes that a deliberative process involving practitioners and academics could identify and justify achievably ambitious standards for budgetary processes, and the best practices for attaining those standards. In hopes of beginning that deliberation, the article sets out a prototype model, and then applies the model to the federal budgetary process.

The failed search for a normative budgeting model

Decades of intermittent debates have not produced a consensus answer to the question: 'What is a good budgetary process?' (Straussman, 1985; Rubin, 1990). This is not because the question is unimportant; even haphazard observers recognize how budgeting has become the predominant process of government decision-making in the 1990s, for better or worse. During the Progressive era, budgeting was similarly important, and more honorable – many academics and practitioners proposed budgetary principles that were applied with some success at all levels of government (Rubin, 1994).

Key shows the door to the economists

The *modern* debate about normative budgeting is generally dated from 1940, when Key published an article – 'The Lack of a Budgetary Theory' – in the *American Political Science Review*. The article has been cited heavily, a somewhat surprising result in that Key was complaining about *not* having an answer to the question he thought was most important for budgeting: 'On what basis shall it be decided to allocate × dollars to activity A instead of activity B?'

Perhaps one reason why the article is cited is that it allows different interpretations. Key began by indicating that the economists were most suited to answer the question, but he then observed that they hadn't yet come up with very good answers. While he anticipated that better economic theory could produce valuable results, he also noted that

> The doctrine of marginal utility, developed most finely in the analysis of the market economy, has a ring of unreality when applied to public expenditures. The most advantageous utilization of public funds resolves itself into a matter of value preferences lacking a common denominator. As such the question is a problem in political philosophy (p. 1143).

Key 'showing the door' thus has two meanings: as challenging economists to perform, and as suggesting they leave the room.

Economists understandably preferred the first, agreeing that allocation was the most important question for budgeting. But this reading of Key's article, which was shared by many political scientists, failed to acknowledge that allocation is only one of a number of goals typically held for the budgetary process. In addition, Key asked how to tie process design to outcomes – developing allocation techniques must be supplemented with 'careful and comprehensive analyses of the budget process' (p. 1144).

The rationalists offer a large keyring

Shortly after Key's article was published, the nation began to mobilize for World War II. New government agencies were given broad powers to allocate resources, and their managers used a variety of rational techniques, as well as a great deal of intuition and political judgment, to guide the economy. After the war, advocates of rationalism were liberated enough to propose continuing this style of decision-making, albeit by a peacetime government whose reach was much more limited. Their confidence was founded in part on improvements in economic theory, particularly in microeconomics and public finance (exemplars were Samuelson, 1954, and Musgrave, 1959; see also Lewis, 1952; Duncombe, 1994 provides an excellent review). While the church key of marginalism provided a base, the economists designed new keys for harder locks, particularly the crucial concepts of public goods and externalities. The technique for estimating price and income elasticities was applied to the design of tax and grant policies, cost estimating allowed budgeters to specify government production functions, and benefit-cost analysis provided a framework for making allocation decisions. Combining these techniques and concepts with the regular normative assumptions of economics produced 'welfare economics' – an integrated theory providing guidance about how and when to spend and tax.

Though numerous economists succumbed to the hegemonic temptation to push welfare economics upon decision-makers, others recognized the limits of that approach. An underlying problem was the understandable difficulty of specifying the 'social welfare function,' an aggregation of personal preferences into a social ranking that could guide budgetary decision-making. The economics discipline was ambivalent about using democratic methods to build this function (Rhoads, 1985). Though many advocates of rationalist techniques implicitly assumed that elected representatives could agree on a social welfare function (for their methods require specified goals), the important 'public choice' school concluded that, first, many elected representatives had strong incentives to misrepresent their preferences, and second, that the structure of political institutions often prevented agreements on goals. Perhaps because of these difficulties, public finance lost interest in budgeting; expenditure analysis usually receives much less space in public finance textbooks than do taxation, debt, and intergovernmental finance (see, for example, Quigley and Smolensky, 1994).

The other rationalist approach – that of 'budgetary systems' – combined an appreciation for rationalist techniques with a fascination with process. To return to the metaphor of locks, budgetary systems use many keys on the ring and only in a prescribed order. The financial systems variant of this approach was argued primarily by private sector accountants and managers; they wanted to subsume budgeting to the techniques of modern finanical management (General Accounting Office, 1985; see also Jones, 1991). Historically, the post-Key advocates of this approach included both Hoover Commissions; the second (of 1955) convinced the Congress to require agencies to use accrual accounting. But this requirement was honored only in the breach, contributing to the financial management failures of the 1980s and leading to passage of the Chief Financial Officers Act in 1990.

The other variant of the rationalist systems approach emphasized allocation over prudence and stewardship. Drawing on the rational-comprehensive planning model and on historical experience, designers proposed many different program and performance budgeting systems (Schick, 1966). The Kennedy Administration applied the Planning-Programming-Budgeting System (PPBS) to the Defense Department, and the Johnson Administration required it be used by the entire federal government, though this was abandoned after several years of difficulties. Then the Carter Administration imposed another system – Zero-Based Budgeting – that suffered a similar fate.

The realists change the locks

Many rational budgeting approaches, and particularly the allocation systems, were an inviting target to the 'political realists.' For example, in 1961, Wildavsky declared that Key's question could not be answered:

> A theory which contains criteria for determining what ought to be in the budget is nothing less than a theory stating what the government ought to do. If we substitute the words 'what the government ought to do' for the words 'ought to be in the budget,' it becomes clear that a normative theory of budgeting would be a comprehensive and specific political theory detailing what the government's activities ought to be at a particular time. A normative theory of budgeting, therefore, is utopian in the fullest sense of that word; its accomplishment and acceptance would mean the end of conflict over the government's role in society (cited from 1992, p. 595).

Wildavsky, and others, followed this biting critique with empirical studies of PPBS (e.g., Wildavsky, 1975) that showed how poorly it was implemented. Yet with the virtue of hindsight, their damning conclusions appear overstated, for after the initial failues, many agencies now use components of these systems with some success (Rubin, 1990, p. 181; Sample, 1992; though see Thompson and Jones, 1994).

The political realists primarily sought to describe budgeting rather than prescribe for it, with Wildavsky's theory of incrementalism (1964) long the dominant approach (see Meyers, 1994, for a critical review; see also Simon, 1945).

Incrementalism suggested that participants cope with complexity by using very simple 'aids to calculation,' particularly by making only small changes from one budget to the next. This practice recognized uncertainty about the effects of spending, and avoided the risk that a large change would be politically unacceptable. Such political realism was grounded on the pluralistic assumption that the dynamics of social and institutional competition were relatively constrained; therefore, politically acceptable budget decisions were unlikely to change much from year to year. Small changes maintained each group's 'fair share' of the budget.

But incrementalism did double-duty as a normative model. Its line was profoundly anti-analytical – since analyses that suggested large reallocations probably wouldn't be politically acceptable, they weren't worth the effort. But this perspective, and the other justifications of normative incrementalism, soon suffered from withering critiques. For example, Schick observed:

> Wildavsky argues that an incremental process is to be valued because it moderates conflict, reduces search and transaction costs, stabilizes budgetary roles and expectations, reduces the amount of time that busy officials must spend on budgeting, and facilitates remedial action to correct mistakes. These 'goods' are not the only ones that might be valued in budgeting. The process that has these qualities also favors old claims over new ones, reinforces unequal distributions of private power and public money, and has the characteristic biases and shortcomings of pluralism (1988, p. 61).

Wildavsky's criticism of the rationalists was thus turned back on normative incrementalism, which apparently also favored 'the end of conflict over the government's role in society.'

So we have yet to develop a workable middle ground between rationalism and incrementalism, despite the fact that splitting the difference is an honorable practice in budgeting. In other words, the tumblers to Key's lock remain in place.

The dispensability of continuing irresolution

It isn't difficult to come up with plausible hypotheses for why no workable middle ground has appeared. Blame could be attached to familiar aspects of academic culture – the blinders created by disciplinary attachments, and the reputational rewards of strong position-taking over consensus-seeking. But the major cause is probably the inherently difficult nature of the task. After all, the budgetary process is widely expected to fulfill a number of potentially contradictory goals, including preventing insolvency, making efficient allocations of the government's limited financial resources, approaching intergenerational equity, contributing to fiscal stabilization, and being responsive to public demands. A normative model will not be widely accepted unless most participants in the process reach a rough agreement about the priority of these goals.

Also necessary will be learning about which instruments are best for meeting these goals. While it is true that certain instruments are recognized as the building blocks of the process – documents that contain information, and regular procedures for making decisions – participants routinely disagree on the best ways of designing these instruments. Consider, for example, the recurrent debates over changing documents from line-item to program or performance formats (Grizzle, 1986), or over changing the timing of the budget process from annual to biennial (Meyers, 1988).

This instrumental uncertainty may be reduced by better empirical research on supposed best practices, for which the current age of reform in the federal government presents numerous candidates. For example, in the mid-1980s, federal officials adopted numerous budget process changes in hopes of reducing deficits (Schick, 1990; Meyers, 1994). Then reform advocacy, by the General Accounting Office in particular, led to two landmark laws – the Chief Financial Officers Act of 1990 and the Government Performance and Results Act of 1993. The former required audited financial statements and established power centers for financial management authorities, and the latter required agencies to develop strategic plans, measure performance, and integrate budgeting with performance improvement efforts. In addition, the Clinton Administration adopted the 'reinventing government' approach, forcing agencies to downsize but giving them much flexibility to choose methods for doing so.

Research on the impact of practices, if conceived of as instrumental search, can also be used for deciding which goals the budgetary process should serve. That is, as one determines the results that a budgetary practice creates, one can then evaluate whether these results are desirable. Such learning, and technological improvements as well, can drive evolutions of normative budgeting models, as they have in the past. Consider, for example, the now-favored activity-based costing technique, which was enabled by the development of cheap, powerful computers and by persuasive arguments (Johnson and Kaplan, 1987).

The instrumental search method of goal clarification can be joined iteratively with a more deductive method. One would begin by identifying the primary purposes a budgetary process should fulfill. For example, I would prefer a process that emphasized making cost-effective allocations of financial resources, promoting intergenerational equity, and encouraging informed democratic participation. With this list of preferred purposes, I can then deduce standards and practices that might create such results. But here the problem of goal diversity is most apparent. Consider those who would prefer that budgeting emphasize other goals, such as limiting the scope of government or stabilizing the economy. Instrumental learning can moderate some goal conflicts – for example, research has convinced many experts that the budgetary process is a relatively ineffective means for stabilizing the economy, reducing its ranking among goals for the process. On the other hand, research has yet to produce any consensus on how to design a budgetary process to limit government. And even if such research had been more successful, the variance in preferred sizes of government would undoubtedly remain large. This is unlike learning about budgeting for fiscal stabilization – since almost all people would prefer steady economic growth, a finding that the budgetary process *could* be used to manage the economy would have made this a greater priority than it is now.

Skillful budgetary participants try to modify the structure of budget processes for strategic advantage (Meyers, 1994); it is, therefore, difficult to use deliberation to resolve conflicts over budgetary goals. Yet if deliberation doesn't produce 'good' – that is, the best – budgeting, it may lead to better budgeting than the status quo. Consider the likely development of federal budgeting if we don't try. Put simply, 1995 was a debacle in the eyes of most participants and observers. After similarly frustrating experiences during the past two decades, elected officials adopted numerous budget process reforms, often poorly designed. This may happen again, but with more worrisome consequences, since the leading reform proposal is the mega-reform of a constitutional amendment to require a balanced federal budget; kept from the ratification process by the slimmest of margins in 1995, it is likely to be reconsidered. A plausible normative model might encourage pragmatic elected officials to oppose a constitutional requirement for balance.

A prototype normative model of the budgetary process

This section sets out a prototype model of a good budgetary process. The text describes and justifies ten standards and related potential best practices. The standards are listed in Table 1; readers should note that citations in support of best practice nominees may not provide empirical proof of effectiveness. Readers may also recognize that the model is greatly abbreviated from its potential length, because of space constraints. Finally, the model is undoubt-

Table 1. Standards for a good budgetary process.

A budget process should be:
1. Comprehensive – includes all uses of the government's financial resources;
2. Honest – based on unbiased projections;
3. Perceptive – considers the long-term as well as the near-term;
4. Constrained – limits the amount of money that need be acquired by the government;
5. Judgmental – seeks ways of obtaining the most effects for the least costs;
6. Cooperative – does not dominate other important decision processes;
7. Timely – completes regular tasks when expected;
8. Transparent – is understandable without intensive effort;
9. Legitimate – reserves important decisions to legally-appropriate authorities;
10. Responsive – adopts policies that match public preferences.

edly personal (that is, biased), being based on my reading, reflection, and experience from teaching and service in government. Readers will likely want to add to, subtract from, and otherwise modify this prototype. (For other current attempts to set out normative standards and practices, see Larkey, 1995; Irving, 1995; Foundation for State Legislatures, 1995; Strachota, 1994.)

Standard 1: A budget process should be *comprehensive* –defined as: 'includes all uses of the government's financial resources.' A comprehensive budget process primarily promotes allocative efficiency, for it allows comparisons of the different ways a government uses financial resources. If the budget documents fail to report on non-traditional or relatively complex methods of spending, those that are relatively inefficient will likely continue. Comprehensiveness also reduces the possibility of insolvency, for it fosters attention to all uses of financial resources. Note that the comprehensiveness standard does not require that the budgets of all programs be remade each year; it only asks that procedures allow such decisions.

Best practices: Require consolidated reporting of governmental finances, using appropriately-varied accounting principles, in both financial statements and budgets (Strachota, 1994; FASAB, 1993; President's Commission on Budget Concepts, 1967). Develop valid methods for reporting non-traditional or complex methods of acquiring and using financial resources; for example, tax expenditure lists (Surrey and McDaniel, 1985).

Standard 2: A budget process should be *honest* –defined as: 'based on unbiased projections.' Projection honesty promotes accountability and solvency. Federal officials are especially well-known for having hidden growing deficits, which delayed policy reactions; when actual deficits were larger than formally 'planned' ones, this drove citizen trust in fiscal policymakers to very low levels.

While officials at the state and local level sometimes behave in the same way, credit market and political constraints often encourage them to announce slightly pessimistic revenue projections. This tactic may dampen spending pressures and promote fiscal responsibility, but also distorts public perceptions of actual fiscal conditions.

Best practices: Create an independent authority to establish accounting standards and monitor accounting practices (Bramlett and Rexford, 1992). Require that all significant budgetary assumptions be identified and justified (CBO, 1995). Choose an open process for projecting revenues, such as (1) 'consensus revenue estimating,' where multiple governmental institutions debate and resolve their different assumptions (Rosenthal, 1990, p. 143); (2) a competition for accuracy between multiple governmental institutions – for example, between executive and legislative forecasters (Kamlet, Mowery and Su, 1987; Hutchison, 1987); or (3) reliance on projections made by institutions that have strong incentives to be unbiased – for example, take an average of private sector forecasts (Blue Chip, serial).

Standard 3: A budget process should be *perceptive* – defined as: 'considers the long-term as well as the near-term.' Perceptiveness counters the common governmental tendency to be myopic by considering only the budget year. Budgetary myopia is created primarily by electoral incentives to satisfy voter preferences for strongly-positive current conditions. A more perceptive approach looks at how current actions affect long-term finances. This may encourage decision-makers to think about intergenerational equity, reducing the chance that future generations will bear unnecessary fiscal burdens. Perceptive budgeting may also permit design of cost-effective investments.

Best practices: Use budget horizons of greater than one or two years (Task Force on the Budget Process, 1984). Recognize long-lived expenses and income through accrual accounting methods (Redburn, 1993). Allocate funds for long-lived assets using discounting and taking life-cycle operating costs into account (Mikesell, 1995; Thompson and Jones, 1994).

Standard 4: A budget process should be *constrained* – defined as: 'limits the amount of money that need be acquired by the government.' All governments face competitive credit markets and need be sensitive to voter and business perceptions that tax burdens are too high. Constraint promotes economy in spending, and thus limits possibilities or taxpayer revolts, tax base migrations, and credit price increases or unavailability. It should do so without creating unnecessary fiscal crises or incentives to spend inefficiently (for example, through costly capital lease-purchases.)

Best practices: Create a procedure for setting spending ceilings and revenue floors, and enforcement procedures that force participants to honor those targets (at the federal level, see Schick, 1980, 1990; Task Force on the Budget Process, 1984; at the state level, see Rosenthal, 1990, chapter 6; Clynch and Lauth, 1991; Maryland General Assembly, 1994; pp. 15–19). These constraints need not be constitutional – most empirical analyses of formal tax and expenditure limitations show they have little or no effect on total expenditures (Joyce and Mullins, 1991). Empower an independent, professional controller and calculate debt affordability levels (Maryland General Assembly, 1994, pp. 85–88).

Standard 5: A budget process should be *judgmental* – defined as: 'seeks ways of obtaining the most effects for the least costs.' This standard is perhaps the most ambitious for budgeting in comparison to how budgeting has long been practiced. Because the goal of short-run fiscal economy has been so symbolically important, decision-makers have overemphasized outlay reductions and neglected the long-run effects. Moving towards judgmental budgeting thus requires first getting the costs right, using methods of comprehensive and perceptive budgeting. But more important is the need to better understand the effects of spending and to use this understanding to make better allocations. Currently, a typical budget process produces little reliable information about the outputs and outcomes of spending, and decision-makers must rely on anecdotal and often biased appraisals of the effects of spending. In contrast, a good budget process creates opportunities for comparing ratios of costs and effects: for one program from year to year, for all programs addressing one purpose, and across programs that address different purposes. Such comparisons are the sine qua non of a budgetary allocation process.

Best practices: Connect budgeting to a process that reduces agency goals and objectives to a relatively consistent set, and develop a managerial accounting system that ties costs to performance; this system should regularly measure workload and outputs (Mikesell, 1995; Anthony and Young, 1994; Swiss, 1991; Joyce, 1993). It should also measure outcomes if this can be done cost-effectively; if it can not, substitute a budgetary sunset process that uses occasional program evaluations to determine funding appropriateness (Governmental Affairs, 1980). Develop the capacity of institutions to combine budgetary analysis with program evaluations and policy analysis (Kates, 1989; Mosher, 1984). Educate legislators to be skeptical of unjustified claims of cost-effectiveness.

Standard 6: A budget process should be *cooperative* – defined as: 'does not dominate other important decision processes.' This standard recognizes that budgeting is not the be-all and end-all of government; that agencies must also determine goals, plan programs, manage personnel, relate to contractors, deal with citizens, and so on. Even in times of fiscal stress, budgeting should be harmonized with these other management and policy-making responsibilities.

Best practices: Negotiate relationships between budget-granting principals and managers through an approach called responsibility budgeting. These relationships should grant flexibility to managers to decide which activities should be funded and when funds should be expended; principals should usually control managers with performance targets instead of input constraints (Thompson and Jones, 1994, c. 6; Anthony and Young, 1994; National Performance Review, 1993; Barzelay, 1992). Should principals adopt tighter input constraints in reaction to documented abuses by managers, they should establish a tentative schedule for reducing or eliminating these controls (Rubin, 1993, pp. 234–245).

Standard 7: A budget process should be *timely* – defined as: 'completes regular tasks when expected.' All budget processes have schedules with target dates. The most important date is the beginning of the fiscal period (usually a single year). If budgets are to be efficiently executed, budget enactment should be completed prior to the beginning of the fiscal period. The antithesis of timely budgeting is the impasse that requires unfunded agencies to shut down temporarily. Not only does this unnecessarily interrupt agency activities, it also adds to the bewilderment of a public that cannot understand why it takes governments so long to complete tasks. Violations of this standard are usually caused by partisan conflicts and by the difficulties decentralized legislatures have imposing costs on constitutents.

Best practices: Simplify and centralize the legislature by reducing committees and giving party leaders more power (Mann and Ornstein, 1993). Create procedures for interbranch budgetary cooperation, such as budget summits or requiring the President to participate in writing a joint budget resolution (Thurber, 1991; Schick, 1990; Meyers, 1990; for the state level, see Clynch and Lauth, 1991). Establish a politically-realistic schedule for when decisions should be made (Task Force, 1984). Set a trigger date prior to the beginning of the fiscal period, beyond which a legislature could do nothing but work on budget legislation (Maryland General Assembly, 1994, p. 1). Withhold pay of elected officials until the budget is adopted.

Standard 8: A budget process should be *transparent* – defined as: 'is understandable without intensive effort.' Arcane procedures and complicated accounting practices discourage democratic participation in budgeting, allowing elites to dominate. Since these elites tend to represent groups that benefit disproportionately from government spending or tax preferences, unaccessible budgeting increases fiscal stress.

Best practices: Distribute a popular budget (Hennessy and Daroca, 1993). Schedule opportunities for popular comment and deliberation on budget plans (Meyers, 1995).

Standard 9: A budget process should be *legitimate* – defined as 'reserves important decisions to legally-appropriate authorities.' Legitimacy has long been the dominant value in American budgeting, and is responsible for many of the controls that have burdened agency managers. Though the cooperative standard requires that the impact of these controls be reduced, a minimum level of legitimacy needs to be retained. The political executive and the legislature should both adopt means for assuring that their policy directives are carried out by agency managers, contractors, and grantees. These controls may reduce the potential that managers will waste funds, and will allow voters to evaluate the performance of elected officials.

Best practices: Require agencies to report on how they used funds. Penalize agency managers that spend more funds than allocated or who waste funds (except when waste is mandated by elected officials…).

Standard 10: A budget process should be *responsive* – defined as: 'adopts policies that match public preferences.' Budgets temporarily resolve conflicting demands from citizens about important values, and the American political system relies on two means for revealing demands – elections, and using the constitutional language of the first amendment, petitions for the redress of grievances. Both of these means are characteristically biased, allowing those with high levels of income and education and who belong to organized groups to have more influence on public policy. The budgetary process should acknowledge the legitimacy of elections and lobbying, but also counter the biases of these processes, giving more voice to the typically-underrepresented.

Best practices: To allow electoral mandates to affect budgeting, after each major election, debate alternative budgets that include detailed justifications of priorities. Policy decisions in the adopted budget should cover a maximum of two years, though to satisfy the perceptiveness standard, the budget should also include projections for outyears. The adopted budget may be modified to reflect shifts in public opinion or to raise budgetary issues for the next election. During the enactment process, encourage all interest groups to participate, and expand participation of the underrepresented through citizen budget forums. Create cultures within central budget agencies and committees that leads staff to serve as advocates of the politically weak.

Resolving the inevitable conflicts between standards

Few readers would comfortably advocate that budgets be incomplete, dishonest, blind, gluttonous, random, coercive, late, inaccessible, unaccountable, and unresponsive. On the other hand, many readers likely object to at least one standard, and recognize the inevitability of conflicts between standards. For example, being responsive to public preferences may reduce the chances that a budget be completed on time, given that members of the public often disagree about budgetary policies and elected officials often postpone making such uncomfortable choices. Or making a budget more perceptive through discounting methods may reduce its transparency to the less educated.

Stokey and Zeckhauser say situations such as this present 'multiattribute problems.'

> Except by extraordinary good luck no one outcome will be best with respect to all attributes. Which of the combinations of attributes is preferable is rarely self-evident, and at times it is hard to make an intelligent comparison between even two alternative actions that have complex arrays of attributes (1978, p. 117).

Yet this difficulty need not suggest that a search for the keys to the normative budgetary kingdom will necessarily fail. The deliberative processes advocated above can be expected to reduce some of this goal uncertainty. So might the simple practice of articulating norms for government budgeting. Consider the parallel to raising children. Experts agree that many irresponsible behaviors by adolescents and adults can be prevented if trusted authorities (parents, neighbors, religious leaders) provide early moral educations. Might not having a list

Table 2. Qualities of current federal budgetary practices.

Standard	Approximate level
Comprehensive	High
Honest	Medium
Perceptive	Medium
Constrained	Medium
Judgmental	Low
Cooperative	Medium
Timely	Low
Accessible	Low
Legitimate	High
Responsive	Medium

of budgetary standards on hand – even if potentially inconsistent, like some parental directives – set minimum expectations for the process and help squash the silliest reform proposals before they are seriously considered?

A normative model would also provide a framework for evaluating existing budgetary practices – one could select those standards on which the current process earns the highest deficiency rating, and then search for potential better practices. For example, a budget process that was timely and constrained due to having only elite participation might be changed to allow more participation at the cost of a bit of delay and slightly higher spending and taxing levels.

How does the federal budget process stack up?

How does the federal budgetary process stack up to the model? (see Schick, 1995, for the best summary of current federal budgetary practices). Table 2 provides an impressionistic evaluation of how federal budgetary practices currently measure up to the model's best practices.

To begin with the high levels of performance, federal budgeting has been relatively *comprehensive* since adoption of the unified budget format in 1969. A few advocates of spending succeeded in driving programs off-budget during the 1970s and 1980s, but the Gramm–Rudman–Hollings Act of 1985 placed them back on. The main comprehensive failure is that tax expenditures remain relatively advantaged. Though the budget includes a list of tax expenditures, the list is incomplete and the estimates are viewed by experts as technically flawed. Nor are tax expenditures routinely compared to regular spending. Presidential commitment is politically necessary for tax reform (Birnbaum and Murray, 1987; Conlan et al., 1990), but the Clinton Administration has made little progress on its promise to develop a comparison procedure.

Legitimacy is judged as high, and common explanations include the legacy of the Progressive political culture, the electoral advantages created by earmarking, and Congressional majority distrust of agencies administered by appointees from the opposing party. But legitimacy-oriented practices, particularly limitations and earmarking, when coupled with pressures to reduce deficits, have reduced the *cooperativeness* of the budget process. Managers are often forced to think only about fiscal considerations. Yet recent reforms provide opportunities to balance legitimacy with cooperativeness. The Chief Financial Officers Act establishes a better framework for fiscal accountability, and the efforts of the National Performance Review and OMB have loosened some budget execution strings.

The Chief Financial Officers Act is also likely to improve *perceptiveness*, building on 1980s adoptions of multiyear budget horizons and credit reform. Its requirement for audited financial statements, while vain in the sense that a true balance sheet for the federal government is ultimately unpreparable, appears to be forcing agencies to look more at the long-term. The Federal Accounting Standards Advisory Board is developing standards for physical capital expenditures, but most agencies are confronted by tight limits on discretionary outlays that preclude cost-effective investments. These limits, included in budget plans that stretch to fiscal year 2002 or beyond, mock the perceptiveness standard: since the plans' limits are so tight in the far outyears that they will become politically unacceptable, what appear to be far-sighted savings are false claims.

The most daunting challenges for perceptive budgeting are the upcoming retirements of baby boomers and the likely cost-increasing improvements in medical services. FASAB is developing standards for the recognition of such transfer liabilities and commitments, but these standards will not force the budgetary process to fully recognize the intergenerational challenge, though the Bipartisan Commission on Entitlement and Tax Reform advocated this be done (1995). Repeating the 1983 experience when modifications were made to Social Security (Light, 1985) has prove quite difficult (National Economic Commission, 1989; Bipartisan Commission, 1995); partisan conflict of the highest order seems destined to greatly complicate Social Security, Medicare, and Medicaid reforms.

The Reagan years were a period of gross budgetary dishonesty. In contrast, and using private sector forecasts as a benchmark, the Bush administration was generally *honest*, and the Clinton administration has nearly equalled this record. The remaining problems are optimistic forecasts of long-run economic growth rates, and refusals to consider the possibility of recessions. Since the debt is now so large, credit markets may continue to force this level of honesty, as may memories of the lies of the 1980s. Yet neither CBO nor especially OMB are insulated from political pressures to become optimistic.

Most observers of federal budgeting have evaluated its ability to be *judgmental* as very low. This view sees spending decisions based not on empirical evidence about the effects of spending, but rather on thin-air rationales or overarching ideologies. The currently-popular ideology is summarized by House Majority Leader Richard Armey, who claims: 'The market is rational. The government is dumb.' Such a philosophy leaves little room for judgmental budgeting, nor did the philosophy of Armey's majority predecessors, which often simply reversed the adjectives. In recognition of this flaw, the Government Performance and Results Act (GPRA) required agencies to develop strategic plans and performance measurements and to integrate these products with budgeting. The large number of volunteered pilot projects shows widespread support within the bureaucracy, as does the GPRA's legal status; the reorganization of OMB that attempts integration of policy-making, management, and budgeting functions also reflects an increased commitment towards judgmental budgeting. On the other hand, attempts at judgmental budgeting have failed before, and the GPRA did not reduce the strong incentives faced by political decision-makers to ignore or misconstrue confirmed evidence of the effects of spending.

Though calendar 1995 and beyond set a record for delayed enactment of the budget, federal budgeting has long failed to be *timely*; passing regular appropriation bills by the beginning of the fiscal year is the exception rather than the rule. Most delays are the result of interbranch conflicts over major budgetary decisions. Federal budgeting also falls prey to the natural tendency to delay decisions until they need be made.

Conflict between the branches is, of course, one of the design elements of the American political system. Madison's theory was that requiring cooperation between separated institutions which represented different sectors of society would produce a government that was generally *responsive* to the preferences of citizens. Addressing how the design actually works is too large a task for this article, but an important observation is that citizens are often confused about their fiscal demands – surveys regularly show about 80 percent support for deficit reduction in the abstract but majority opposition to all specific options that would significantly reduce deficits. The responsiveness of the system is rated low for this reason – it's difficult to match policies to preferences when preferences are uncertain. A higher rating might be awarded for the system's demonstrated ability to cycle rapidly between policies of deficit stimulus and contraction, in order to match shifts in public opinion and electoral results. On the other hand, such 'mandates' (like the contractionary one of 1994) are typically created by media spinners who misinterpret slim victory margins (in elections in which participation is far below potential levels) as support for grand policy designs.

Most citizens' confusion is due to widespread ignorance about how the federal government acquires and spends funds. This ignorance is not due solely to competition from the attention demands of daily life; at least as important is the reality that the federal government does not supply a quality education about budgetary realities to ordinary citizens. For example, the 'town meetings' held by many Members of Congress are used primarily to sell constituents on a Member's votes and capacity to perform constituent service, rather than to talk about deficit reduction options. Add the complications of budgetary documents and procedures, and the process is *transparent* only to denizens of K street. Yet some citizens seem to want to know more – Ross Perot was on to something with his flip charts, and some deficit control groups like the Concord Coalition have effectively mobilized. In response, the Clinton Administration released a 'citizens budget' in 1995, in an easy-to-read format but without much content (resembling its parent budget).

Finally, the growth of deficits and debt leads some to rate the federal budget process as relatively *unconstrained*. On the other hand, a bipartisan coalition adopted significant deficit reductions in 1990, and this was followed by a period of alternating partisan responsibility for constraining the budget. The Democrats went first in 1993, placing major tax increases on the rich, limiting domestic discretionary spending, and continuing defense downsizing. Now the Republicans are decreasing domestic discretionary spending by eliminating many programs and agencies, planning to reduce the growth of federal government health care spending to about half of its current rate, and proposing to cap most means-tested entitlements and devolve their administration to the states (as well as to increase the deficit with a tax cut). The partisan battles of 1995 showed, however, that even if these changes are enacted, they will be very difficult to sustain over the long-run. The level of constraint in the current process as medium, it is therefore in the middle of a wide range, and is illustrative of the importance of values to using the model.

Conclusions

Given previous difficulties, the goal of developing normative budgeting theory may appear quixotic. On the other hand, the extraordinary importance of the budgetary process and recurrent discontent with budgetary results are strong reasons for accepting the quest. Concise models of normative budgeting would provide a basis for evaluating proposed budgetary reforms. These models can be built from careful research about claimed best practices and through deliberations between practitioners and academics about the goals of budgeting. And to return to the opening metaphor, the budgetary guild has many capable locksmiths, and seems willing to accept journeyman applicants who offer new keys.

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