Can National Legislatures Regain an Effective Voice in Budget Policy?

by

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Two contemporary developments are buffeting legislative work on the budget. One is the drive to discipline public finance by constraining the fiscal aggregates; the other is the effort to enlarge the legislature's role in revenue and spending policy. Whether these trends turn out to be complementary or contradictory will shape the budgetary role of national legislatures in the years ahead. One scenario is for the legislature to reinforce fiscal discipline by taking responsibility for the budget's totals; another is for it to undermine discipline by bombarding the budget submitted by the government with legislative amendments that trim revenues or boost expenditures.

The early signs point to the former course, but the history of budgeting and some contemporary research assume the latter. In a number of countries, the national legislature now votes the budget totals, in addition to its traditional work on revenue and spending measures. While this role still is exceptional, there is good reason to believe that it will spread to many countries during the next decade. Maastricht-type rules and other efforts to stabilise public finance may spur national governments and their legislatures to frame budgetary decisions within pre-set totals. Where this occurs, legislative work on the budget will parallel the government's, and may result either in greater co-operation or greater rivalry between the two branches. In some countries, the legislature's new responsibility for the overall budget will buy it greater independence in fiscal policy; in others, the legislature will behave more as a partner than as a adversary. The probability is that adversarial relationships will predominate in presidential systems and co-operative relationships in parliamentary regimes. But other variables, such as voting rules or the party system, may intervene to induce co-operation in governments

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where power is formally divided and to generate friction in countries where power is formally shared.

Legislative activism may lead in an entirely different direction, however – not to greater fiscal discipline but to budgets in which pressure to spend more and to tax less generate chronic deficits and a progressive rise in the share of national income spent by the government. As unlikely as this may appear to contemporary promoters of legislative activism, it was the predominant view of legislatures throughout the 20th century. In many countries, the legislature voluntarily yielded budgetary power to the executive because it accepted the view that parliamentarians cannot constrain their political inclination to tax less and spend more. Legislatures entrusted budgetary authority to the government because they could not trust themselves to make responsible financial decisions. This attitude is endorsed by prominent scholars who correlate the legislature's capacity to amend the budget with fiscal outcomes. For example, in an influential paper published by the European Commission, Jörgen von Hagen found strong empirical support for the hypothesis that limits on the amendment power of Parliament and other rules strengthen fiscal discipline and result in relatively small deficits and public debt.[1] There is good reason to challenge this finding, but its validity is less important than its widespread acceptance.

Although there are some notable exceptions, national legislatures generally are now more active on budgetary matters than they were in the post-World War II era. A 1998 OECD study reported that legislatures in more than half the countries surveyed had a larger budgetary role than they had a decade earlier.[2] The evidence of legislative activism is plentiful: new committees charged with legislative or oversight responsibilities; enlarged budget staffs; a vast increase in the flow of budget-related from government to legislators; and increased vigilance by independent or legislative auditors in reviewing the propriety and efficiency of expenditures. But adding institutional capacity does not itself ensure that legislators will stake out an independent position on the budget. To do so, they also need the political capacity to reject salient elements of the government's budget.

In dealing with budgets and other matters, legislatures face tension between the self-interest of members to promote their careers or to do good for constituents and the collective interest of the institution to produce sound, coherent legislation. As individuals, members tend to favour increased spending on particular items; as institutionalists, they have an imperative to adopt prudent revenue and spending totals. Numerous variables influence the manner in which legislators resolve these cross pressures, including party discipline, the electoral system, budget rules, and relations between the government and the legislature. As these variables differ among countries, so too does legislative treatment of the budget. Westminister-style legislatures characteristically resolve tensions between the budget's parts and totals by severely restricting the power of legislators to amend the government's budget; Congress-style legislatures typically allow members broad scope to revise the budget and make their own revenue and spending decisions. European parliaments generally fall between these extremes; they permit legislators to modify the budget, but restrict changes to the totals.

Although legislatures differ in their budget roles, we can discern three stages in their evolution: *i*) emergence of the legislature's power to tax and spend *ii*) development of government capacity and processes to formulate and implement the budget; and *iii*) introduction of a legislative budget process. The first two stages coincide in countries that embraced democracy only recently; they are separated by generations or centuries in countries that have a long history of democracy. In these countries, the first stage evolved in the course of efforts to build an independent national legislature; the second emerged in the course of developing administrative institutions. The third stage is underway in some countries, but has not yet started in many other. It may never emerge in countries which assign a passive role to the legislature on budget matters.

Each stage is described in the sections that follow. My aim is not to conduct an historical tour of budgeting, but to shed light on the contemporary fiscal role of democratic legislatures and to explain why taking a more active and independent posture may be beyond the reach of some. Parliaments are tradition-steeped institutions; getting them to change is not simply a matter of grafting new practices onto the old, but of rethinking their place. This certainly is the case with respect to legislative budgeting, for new responsibilities must be accommodated both to long-standing appropriations processes and to political relations with government.

The legislature's new role in budgeting cannot come from government's weakness. If the government is incapacitated in managing the nation's finances, the legislature also will be unable to do so. This interdependence distinguishes contemporary reform from past efforts to build legislative fiscal capacity. It means that the legislature's role must be defined more in terms of policy, accountability and performance and less in terms of control and restriction. It remains to be seen whether contemporary legislatures and their election-oriented members are willing and able to fulfil this very different role.

Section 1 surveys the first two stages and explains why national legislatures which rose to power on the principle that they should control the purse ceded budget initiative to the government, thereby giving ministers and officials much of the financial prerogative that had once been wrested from the crown. Section 2 analyses the factors that have enfeebled many contemporary legislatures in tax legislation and appropriations. Section 3 discusses recent efforts in a number of countries to establish legislative budget processes. This development has not yet run its course, and its spread to countries which presently restrict legislative budget initiative is problematic. The concluding section presents alternative scenarios of the future budget role of national legislatures.

1. Legislative appropriations and executive budgets

Some national legislatures which trace their lineage back hundreds of years had more effective financial powers centuries ago than they have today. This anomaly lies at the heart of debate over the budgetary role of contemporary legislatures. Explaining it is facilitated by distinguishing between appropriations and budgets. Before governments prepared budgets, democratic legislatures made appropriations. This historical sequence is important for two reasons: first, it indicates that legislatures had fiscal power before governments had budgets; second, it suggests that budgetary practices emerged because legislative action was deemed to be an inadequate means of fiscal control. The details may differ from one country to another, but the pattern is near-universal: legislatures appropriate, governments budget. This section outlines the story of appropriations and budgets as it unfolded in England and France, two of the earliest countries to impose legislative control of the purse. These countries faced similar struggles in reining in the Crowns appetite to tax and spend, but they resolved the issue differently. England proscribed legislative initiative, France did not. Each country has served as a role model for many others, even for countries which have never been ruled by monarchs.

England's struggle for legislative pre-eminence dates back to the Magna Carta in 1215 when King John covenanted with the barons not to levy any tax without their assent. But far from settling the issue, this great event set the stage for almost five centuries of conflict between the Crown and the people's representatives. The King had several advantages in this contest: his own income which was commingled with tax revenue, authority to decide when Parliament met, and the asserted right to spend as he wanted. But when his resources were depleted or inadequate, as in time of war, the King had to call upon Parliament to replenish his treasury. Over time, Parliament extracted concessions in exchange for supplying the needed money. One was to separate the Crown's own money from the public's, another was to insist that money be spent only on authorised purposes. To enforce its will, Commons devised the tactic of voting appropriations near the end of the session, after the Crown had already spent some of his own money. Inasmuch as he could not be certain that the appropriations would be forthcoming, he had an incentive to be prudent in managing expenditure and in complying with the dictates of Commons. However, this means of controlling public spending contributed to the decline of legislative power. With appropriations voted after the fiscal year was underway, Parliament came to merely endorse spending that had already been incurred. When government replaced the Crown as the spender, *ex post* appropriations become mechanical exercises rather than means of financial control.

Commons curtailed its power – in yet another way by adopting a standing order in 1706 that, with some changes in language, persists to this day:

> *This House shall not accept any petition for any sum of money relating to the public service, nor shall it pass upon a motion which would bring about a vote on a subsidy or on a charge against public revenues… unless upon recommendation of the Crown.*[3]

According to Erskine May, the pre-eminent parliamentary authority, this rule codified "constitutional practice which had become established long before the passing of that order … it was the natural result of the constitutional relations between the Crown and Parliament at the time when the practice was established."[4] Inasmuch as the purpose of tax legislation and appropriations was to restrain the Crown, it made no sense for Commons to vote money that had not been requested. With the transfer of financial authority from the Crown to the government, Commons found itself barred by its standing orders from initiating expenditures and by political *realpolitik* from denying requested funds. Its vaunted power of the purse was reduced to hollow ritual.

The legislature's acquisition of financial power followed approximately the same path in France as in England, but there were some notable differences between the two countries. The French monarch insisted on unfettered power to tax and spend, while legislative bodies, initially composed of the privileged classes but broadened over centuries to represent the people, asserted authority to control the purse. During long periods in the 15th-18th centuries, the King had the upper hand because he rarely convened the *États Généraux*, which was the legislative assembly. In fact, this body did not meet at all in the 175 years from 1614 to 1789. Another complicating problem was the practice of the King to commingle public funds with his own. He felt no compunction in doing this because the King claimed an absolute right to use all money as he wanted.[5]

In contrast to England, where legislative authority emerged in a gradual, largely peaceful manner, in France it required a revolution to establish the principle that no tax could be levied without the consent of the National Assembly. In contrast to the House of Commons, which limited its fiscal power, the National Assembly did not restrict its power to initiate taxes or appropriations. Moreover, it asserted a more direct role in receiving how appropriated funds were spent. A 1791 decree proclaimed that "The Assembly shall itself definitely examine and audit the accounts of the Nation". An accounting bureau, under the direction of the Assembly, was charged with reviewing expenditures.

In the more than two centuries since its Revolution, France has experienced a number of political upheavals which have affected financial relations between the government and the legislature. A recurring issue has been the competence of the

National Assembly to take an independent position on appropriations. The country has gone through alternations in legislative-government relations, with periods of legislative dominance followed by changes which have constricted legislative independence. Thus, in response to the independent, some would say irresponsible, exercise of financial power by the National Assembly during the pre-war Third Republic, the Constitution of the Fifth Republic constrains legislative independence.

The Budget: Aiding and Constraining Legislative Action. Thus far, we have avoided using the word budget because during the formative period of legislative control of the purse, official budgets did not exist. It is generally agreed that this word was first used to describe government financial practices in England during the 18th century, more than 100 years after Parliament's authority in taxation and expenditure was finally secured. The word budget was first used in official French documents early in the 19th century; it then spread rapidly to other developed countries. One of the earliest formal definitions appeared in an 1862 French law which described the budget as "a document which forecasts and authorises the annual receipts and expenditures of the State..."[6] This definition contains the seeds of two rival conceptions of budgetary practice. One views the budget as a plan for a future period, normally the upcoming fiscal year; the other regards it as an authoritative decision on future receipts and expenditures. As a plan, the budget is a set of proposals that carry no special weight other than the influence the government has to sway legislative actions; as an authoritative decision, the government may tax and spend, subject to routine legislative approval, on the basis of the revenues and expenditures set forth in the budget. As a proposal, the budget does not expressly infringe on the legislature's primacy in financial matters; as an authoritative decision, it dictates or overrides legislative preferences.

Governments budgeted their revenues and expenditures before they had formal budget systems. That is, they compiled revenue and spending in a single document that was transmitted to the legislature at regular intervals. But as governments expanded during the 19th century, it became increasingly desirable to co-ordinate the claims on their finances by preparing comprehensive budgets. Rather than propose or decide revenues and expenditures in bits and pieces, the budget enabled the government to present the legislature a complete picture of public finance. The formalisation of budgeting coincided with other major reforms in public administration, such as professionalisation of the civil service, standardisation of accounts, and the bureaucratisation of government operations.

The formalisation of budgeting did more than rationalise public administration; it also altered the balance of financial power between governments and legislatures. With government decisions on the budget preceding legislative action, tax legislation and appropriations were either constrained or strongly influenced by the government's preferences. Even those parliaments which retained legal authority to deviate from the government's budget were politically subordinated to its dictates. It became common in developed countries to assess legislative revenue and spending decisions in the light of the executive's budget recommendations. The budget became the authoritative metric for measuring legislative action. The budget impelled a Copernican revolution in public finance. The legislative supremacy which had been hard earned in centuries of struggle was surrendered on the battlefield of executive budgets.

It was taken for granted in all countries that budgeting is an executive function carried out by the executive, not by the legislature. Only the executive had the organisation and capacity to co-ordinate the spending bids of its various departments and agencies; only it could implement actual spending by these entities. In fact, efforts by some legislatures to bolster their capacity to review the government's spending plans met with strong opposition in some countries on the ground that they were trespassing on executive responsibilities. Stourm reports that the eminent French economist Leon Say opposed efforts by the National Assembly to establish a permanent committee to review the government's budget:

> *The Committee on Budget wants to put itself in the place of the administration and to prepare the budget itself instead of being satisfied with receiving it for the purpose of control. The Chairman of the Committee on Budget has become to some extent the First Lord of the Treasury… The opponents of ministerial power see at once the benefits they could derive from this new institution.*[7]

Say's view, which expressed the sentiments of the times, was that the legislature's job is, to control public finance, that is, to vote appropriations that limit the amount to be spent. Its job is not to plan and co-ordinate public finance.

In most developed countries, legislators welcomed the new budget practices, for they brought order and coherence to tax legislation and appropriations. Legislators now had a fairly comprehensive view of how the parts fitted together and of total revenue and expenditure. Moreover, standards of good budget practice were codified in a set of principles which gained acceptance in most countries. These principles included annuality in budget decisions, comprehensiveness of budget accounts, and specification of the objects of expenditure. Only a few national legislatures resisted the rapid spread of the budget idea. The strongest objections came from the United States Congress, which sensed that entrusting the executive with budgetary power would weaken its authority on taxes and appropriations. Congress acceded to an executive budget process in 1921, later than all major European countries, and only after the costs of world war had demonstrated the need to discipline public finance. When Congress acted, some political experts predicted that the President's new budget power would spell the end of legislative supremacy.[8]

Why did budgeting, which was seen as strengthening legislative fiscal control, turn into a means of subordinating the legislature? The answers lie less in the realm of legal authority and more in politics. The budget submitted to the legislature is the end product of a lengthy process of organising, monitoring and controlling public finances. Putting together the budget and overseeing its implementation engages a vast enterprise of specialists centred in the Finance Ministry or a similar organisation at the top of government. This ministry's reach extends to all government departments and agencies, and entails sifting through vast amounts of financial and operational data. To do its job well, the Finance Ministry must also assess political demands and interests, as well as the efficiency of expenditure. When the budget is submitted, the Finance Ministry knows a great deal about public finance, and the legislature knows very little other than what the government wants of it. This information asymmetry places the legislature at an enormous disadvantage. Even with standing committees and modest staff resources of its own, the legislature is no match for the government. While they can compensate somewhat through the hard work of sifting through the estimates, legislators rarely acquire a deep understanding of how public money is spend or of the implications of appropriating more or less than was budgeted by the government.

The vast growth of government, beginning in the last decades of the 19th century and accelerating through most of the 20th century, further diminished the legislature's influence. With growth, the budget's line items were consolidated into broader categories. For example, rather than specifying each position in the public service, the budget estimates the amounts to be spent in each job classification or in a group of classifications. In some countries, consolidation was taken further, so that a single sum was entered for all personnel expenditures. Consolidation made the budget less unwieldy, but also reduced legislative control over individual line items. Another by-product of government expansion was that the budget came to be seen more as a statement of public programmes and objectives and less as an instrument of financial control. The budget also matured into a means of guiding and stabilising the economy, and its totals acquired a fiscal salience that transcended the individual items of expenditure. In some countries, the budget also gained status as the means by which government managed its administrative entities and operations and prodded them to improve efficiency. As laudable as these transformations were, they subordinated financial control to larger budget purposes. In a legal sense, little had changed, politically hardly anything was the same.

2. The decline of national legislatures

Contemporary scholars speak routinely of the decline of national legislatures, not only on budgetary matters but on the full range of legislative responsibilities. Decline has occurred, they agree, despite the fact the modern legislatures are better organised and resourced than before. In their view, the decline has little to do with internal legislative operations, but to three external developments that have stripped parliaments of independence and control: *i*) the rise of disciplined political parties which set the legislative agenda and compel legislators to vote the party line; *ii*) the enormous escalation in public spending, and the concomitant shift away from spending on housekeeping and security functions to spending on entitlements and income support; and *iii*) the rise in interest groups and corporatist political arrangements. In combination, these trends reduced many parliaments to debating clubs which have ample freedom to deliberate but not to decide. Although it is a sweeping generalisation which brushes aside important differences in political culture and structure, the "decline of parliaments" hypothesis appears to fit most OECD Member countries.[9]

During the past 100-150 years, party lines have stabilised in many countries and solidaristic parties, organised to enforce political discipline, have become the norm. In quite a few parliaments, the only scope members have to express independence is on private bills which the government takes little interest in. Budget deals are made outside Parliament, within government or by party functionaries, and then ratified within it. Extra-parliamentary budgetary arrangements prevail in majoritarian regimes where the budget is imposed on Parliament by government *diktat*, and in coalition regimes where the parties to the coalition hammer out agreements that frame Parliament's work for the life of the government. In some countries, the budget is negotiated through formal party channels which parallel the government's budget process. In Japan, the dominant Liberal Democratic Party has standing committees which review the Ministry of Finance's budget and make final decisions which are then transmitted to the Diet. The role of parties is especially prominent when the government takes significant policy initiates or prepares a budget package which is adopted in a single vote. One insightful observer of Nordic parliaments concludes that:

> *... the penetration of the internal machinery of assemblies by solidaristic political parties has significantly limited the efficacy of parliamentary activity.* B*riefly stated, party control has tended to mean that the legislative function of assemblies* i.e. *the successful initiation of proposals, has been subordinated...*[10]

A second driver of parliamentary decline has been the vast expansion in the scale of government. In the OECD community, the growth in public spending during the 1960-1980 period averaged more than one-half of a percentage point relative to GDP a year. At the start of this period, government spending in OECD Member countries totalled 29% of GDP. Two decades later it was 40%.[11] Most of the rise was in spending on entitlements, which must be paid regardless of the government's financial condition or other demands on the budget. Social security transfers were 6.8% of GDP in 1960 and 16.2% in 1980. As government expanded beyond its watchman responsibility to maintain domestic order and protect citizens against external threats to one whose main financial effort is to sustain the economic well-being of its people, the traditional role of legislatures in restraining the exercise of power no longer fitted well. Expansionary government needs empowerment, not restraint, and empowerment depends on a stable supply of money to government. An expanded state needs secure financing, which is not impeded by legislative whim or impasse. While expanded entitlements weaken executives, who also are beholden to commitments made by their predecessors, that do even more damage to legislative capacity, for parliaments typically finance income transfer schemes in permanent legislation which, unlike conventional budget expenditures, do not require periodic legislative approval.

Expansion of the state strains legislative capacity to oversee the executive, not only because there is so much more to review but also because effective power shifts from elected ministers to non-elected officials who work in massive bureaucracies that are shielded from public view and are difficult to penetrate. Despite innovations such as the Ombudsman and enlargement of legislative staffs, it is not an easy task for legislators to control a state that has grown so large and active. More importantly, enlargement of the state has stirred interest in performance and results rather than with legality and propriety in public expenditure. Citizens want government to do more for them, not to be held back by stingy legislators.

Growth of the state has affected legislative power in yet another way. Although it is conventionally assumed that legislators add to the budget, government executives have been the prime movers in stretching the programmatic boundaries. For decades, the budget tabled by governments regularly proposed programme initiatives and spending increases in excess of the rate of increase in prices or in economic activity. Governments also regularly proposed, and parliaments adopted, tax increases to finance incessant programme expansions. As noted earlier, the legislative contribution to spending increases was typically marginal. Thus expansion itself connoted a shift in the balance of power between Parliament and government.

The third blow to legislative capacity has been delivered by the multiplication and activism of interest groups. All democratic countries have many more politically active groups than they had a generation ago, but a vital distinction must be drawn between pluralist and corporatist versions of the relationship between groups and government. The pluralist model, which is most evident in the United States, narrows group interests; the corporatist model broadens these interests. In pluralist societies, the sheer number of groups impels them to take a narrow view of their interests; consequently, the demands they make on legislators (and other political actors) typically deal with marginal matters which can be satisfied with a little more or less taxing or spending. The budget impact of pluralism is to discourage legislators from focusing on the big picture. The marginalised legislature is busy with a large number of amendments that may attract much political notice but barely make a dent in the government's budget plans. In corporatist societies, major government policies are made in consultation with conglomerations of groups which represent a broad swath of interests. There may be one such conglomeration speaking for industry, another for workers, another for municipalities, etc. In some cases, the government maintains formal, continuing relations with these "social partners" and acts only after it has discussed policy initiatives with them. But once government and corporatist interests have reached agreement, the legislature either has no role or must go along.

Decline in the legislature's budget role. The foregoing paragraphs deal with the overall place of modern legislatures and governing institutions; it does not single out their budget powers. But a legislature cannot be influential in financial policy if it has been marginalised as a policy institution. The 1998 OECD survey referred to earlier confirms that contemporary legislatures are perceived to have a weak budget role. Table 1 summarises country responses in that survey to the following set of questions:

> *Does the legislature typically enact the budget as proposed by the government? How many amendments to the budget (in number and amount) are typically proposed by the government and opposition members of the legislature respectively?*

Most countries responded that they make no changes or only minor adjustments in the budget proposed by the government. Among the countries that have numerous legislative amendments, most reported that these do not significantly change the government's budget.

In some countries, the bulk of the adopted amendments come from the government itself or from legislators affiliated with it. This pattern indicates that working with the government rather than against it may be the most productive route to legislative influence. After it submits the budget, the government may accept or offer amendments, either to thwart opposition or to reward loyal members by embracing their proposals. In some countries, robust, behind-the-scenes negotiations between the government and legislative leaders give Parliament some opportunity to influence the budget at the margins.

The OECD survey indicates that constraints on legislative influence arise more out of political considerations than from formal restrictions on its power to amend the budget. Table 2 drawn from the survey compiles country self-assessments on the restrictions faced by their legislatures. In pointing to political rather than legal factors, the data suggest that even if budget rules were changed to accommodate a broader legislative role, underlying political conditions may preclude significant change in legislative behaviour. A corollary of this conclusion is that the impact of efforts to empower the legislature will vary among countries. Depending on political variables, changes that induce the legislature to take a more active role on the budget in some countries may induce continuing passivity in others.

The OECD survey invited each country to offer a brief response, without supporting analysis or explanation. Some of the details can be filled in by revisiting an insightful study published a quarter of a century ago on the budget role of six European parliaments. In *The Power of the Purse: A Symposium on the Role of European Parliaments in Budget Decisions*, David Coombes and his colleagues generally concluded that Parliament had become marginalised on budget policy. The following paragraphs, adopted from this study, assess the legislature's budget role in four of the countries.

In Germany, K.H. Friauf notes, the government and its parliamentary majority are not regarded as politically identical. There is some separation of power between the two which allows the *Bundestag* to express its own will. The *Bundestag* can amend the government's budget without raising a question of confidence. But Friauf concludes that although the government frequently accepts additions to the budget offered by the *Bundestag*, "the total amounts involved in additional expenditures voted by Parliament are usually insignificant when set against the total volume of the budget."[12] Inasmuch as Friauf's conclusions were drawn mostly from the Adenauer years, it may be appropriate to reconsider them in the light of more recent developments, especially those since unification of Germany, a period during which the *Bundestag* was called upon to vote tax increases and cuts in some social programmes. The distaste of these actions and the weakening of the government's ruling coalition may have enlarged legislative budgetary influence.

Alain Dupas begins his article on parliamentary control of the budget in France by noting that in "France, as in many other representative democracies, the decline of Parliament has become a favourite theme for political theorists... The belief that Parliament's examination of the budget must now be considered an unimportant ritual is one which many experts and politicians of all shades will support... Today, all real power has passed to the executive; the debate on the budget is no more than conversational and the parliamentary role is limited to the registration of governmental decisions."[13] Later in his analysis, Dupas softens this harsh conclusion by arguing that the National Assembly can modify the budget. He describes the Assembly's distinction between *credits votes*, which are the expenditures authorised for the *current year, services votes*, which are the costs of carrying out approved activities in the next year, *and measures nouvelles*, which are proposed initiatives for the next year This arrangement institutionalises a form of incrementalism, for it invites the legislature to concentrate on changes to the base of authorised expenditures. Incrementalism is a fact of budgetary life, whether or not it is formalised in procedural rules. The relevant question is whether in behaving incrementally, parliament rubber stamps or revises the proposed budget. One feature of the French system suggests a limited parliamentary influence: the *service votes* in the general budget are approved en bloc rather than by individual item or budget chapter. Despite this practice, Dupas concludes "it would be the opposite of the truth to maintain that the French Parliament is no more than a register for budgetary decisions. Constructively or otherwise, voting on the budget gives Parliament an opportunity to make its mark."[14]

This surprising conclusion is openly challenged by P. Lalumiere, who notes that the 1958 Constitution of the Fifth Republic "reaffirms Parliament's power of decision in budgetary matters while multiplying the legal restrictions on exercising this power… In fact, the actual working of the budgetary institutions betrays an important decline in parliamentary influence."[15] According to Lalumiere, "budgetary debates no longer provide the parliamentary assemblies with an opportunity to exercise real influence over the choices proposed and thereby over government activity. The majority of observers now admit that the institution of Parliament has been effaced in this way…[16]

Nowhere is the budgetary decline of Parliament more noticeable than in Britain. J. Molinier sums up the process by which the House of Commons, the cradle of budgetary democracy, lost all formal influence over revenues and expenditures:

> *The emergence of two large mass, coherent and disciplined parties with national support and alternating in power led in effect to a transfer to the Cabinet of what was essential in the financial and other powers exercised previously by the House of Commons. Having stripped the monarchy of its financial prerogatives, Parliament was in turn stripped of its financial competencies by the Cabinet… Today the House of Commons is hardly able to participate effectively in the determination of the budget.*[17]

The British Parliament is distinguished from other national legislatures in that both its budgetary success and decline occurred much earlier than in other countries, and its loss of budgetary role has been greater. As an outlier, it is a model that few legislatures have emulated but most have rejected. Nevertheless, there are elements of the British experience in the many countries which have sought to avoid the fate that has befallen the House of Commons.

In Italy, the frequent turnover in government and the constant bargaining and bickering among coalition partners gives the legislature abundant opportunity to shape budgetary outcomes. But in Italy the problem is not that Parliament is weak *vis-à-vis* government, but that both have been undermined by political instability and financial rigidity. Valerio Onida describes the reality of Italian budgeting in these words:

> *The budgetary system is dominated by the concept of strict parliamentary control. It is designed to place tight restrictions on government expenditure and to ensure that these are respected. In reality, however, parliamentary control is emptied of all significance. The root of this apparent contradiction is most likely to be found in the fact that the type of parliamentary control for which this system is designed… is quite different from the control which the assemblies really want.*[18]

Onida points to a significant change in legislative practice that has been underway in many OECD Member countries; "the increasing tendency for the locus of decisions regarding both the overall amount and the particular use of expenditure to move out of the annual budget altogether into the procedure for passing ordinary laws which require and provide expenditure in particular sectors for a fixed number of years, often for many years."[19] This observation is endorsed by other participants in the symposium who find that a large part of the national budget, consolidated in fixed expenditures or flowing from laws passed many years earlier, for practical purposes evades all control. While not mentioned, most of these laws are entitlements which weaken not only legislative control of the purse but the government's capacity to regulate short-term fiscal outcomes. Arguably, legislatures cannot regain financial control if the budget itself is out of control.

3. Restoring legislative budget capacity

In the distant past, legislatures leveraged their power of the purse to gain independence as governing institutions. The competence of legislatures to decide taxes and spending and to enforce their dictates on monarchs and executives opened the door to an active role in establishing government programmes and policies. Can the budget once again be the wedge that enables resurgent legislatures to reclaim the budget powers yielded in the past century? An expectation exists that parliamentary bodies are tooling up to once again take centre stage in budgeting. But recapturing legislative hegemony in public finance cannot be achieved by reverting to the control posture that served legislatures so well in the past. While citizens may welcome more control of government, they also want more programmes and benefits from government. They want the schools to be well staffed and the social security checks and other payments to arrive on time. If fiscal control gets in the way of these widely shared objectives, it will be brushed aside by legislators and executives alike bent on giving citizens what they want.

The problem for contemporary legislatures is that in the past they fought for a foothold in budgeting in order to represent the people. Today, the people do not want them to serve as controllers, for doing so would limit the flow of money and programmes. Accordingly, legislators have to define a new role, that of promoting fiscal discipline, improving allocation of public money, and stimulating administrative entities to manage their operations more efficiently. Fulfilling these new roles requires: *a*) enhancement of legislative capacity and resources to deal with budget issues; *b*) changes in both executive and legislative budgeting to promote fiscal discipline, allocative efficiency and operational efficiency; *c*) new tools for reconciling long-term commitments such as entitlements and other "sticky" expenditures with short- and medium-term budget objectives; and *d*) redefinition of relationships with the government that recognises the strong influence of political parties and interest groups on legislative behaviour.

Resourcing the legislature for a renewed budget role is the easiest of the required changes, though it may stir up conflict both within Parliament and between it and the government. One move has been to expand the role of standing committees to deal with the budget. These committees are authorised to review the estimates, take evidence, demand information on the budget, and recommend legislative action. In countries where the legislature may amend the budget, its committees also recommend changes in the fiscal plans submitted by the government. There are, however, significant differences in the way committees are structured to deal with the budget. One pattern is to assign full responsibility to a finance or budget committee; another is to disperse jurisdiction among sectoral committees. The first eases the task of co-ordination and promotes consistency in legislative budget action; the second allows wider scope for sectoral interests to influence the budget. The first encourages examining the budget in fiscal terms, the second encourages a programme orientation. The centralised model facilitates fiscal discipline, the dispersed model may complicate the task of maintaining discipline.

A well-balanced legislature needs both a programme and fiscal outlook; both considerations must be welded together in producing a legislative position on the budget. Accordingly, a third version has gained popularity in recent years: it empowers sectoral committees to review relevant portions of the budget and recommend legislature action within an overall fiscal framework maintained by the finance committee. As will be discussed below, some countries have formalised this arrangement in a two-step process, in which the legislature first votes budget totals, and sectoral committees then make recommendations consistent with the agreed totals.

Responsible and effective legislative action on the budget depends on adequate information concerning the activities financed with public funds and the results ensuing from government programmes. It also requires information on how changes to the budget submitted by the government may affect activities and programme results. Getting these types of information has not always been easy because budgeting in many countries is still wedded to inputs, with detailed estimates of the amounts allocated for personnel, equipment, supplies, travel, and other items. In the past, efforts to shift budgeting to a more programmatic orientation have not been successful. The well-known failures include planning-programming budgeting systems (United States), public expenditure management (Canada), programme budgeting (Sweden) *rationalisation des choix budgétaires* (France), and programme analysis and review (Britain). It is highly unlikely that the legislature will take a programmatic orientation if the government does not.

The failed reforms all involved efforts to rationalise budget practices within government. The legislature was not directly affected, though advocates of the reforms typically argued that it too would benefit from an enriched supply of budget information. Contemporary reforms concentrate explicitly on the information given to legislatures, and even more importantly on the form and content of estimates and appropriations. Led by New Zealand, which has shifted both estimates and appropriations from inputs to outputs, a number of countries have drawn the conclusion that successful implementation of budget reform within government is contingent on changing the way the legislature makes fiscal decisions. While this thesis appears sound, it opens up a critical question: will the legislature be better able to influence the budget and maintain accountability for expenditures and results if it is supplied programme and output information, along with a flow of analytic and evaluative reports? On the surface, the answer appears obvious: the legislature is always better off with this type of information than with line item data. But the verdict is not in yet, for legislators inured by generations of practice to review input detail may be disadvantaged by the complexities of programme-oriented budget and overwhelmed by the volume of information given them. In this regard, it bears mentioning that most developed countries have not joined the performance budgeting bandwagon. Most have settled for injecting more data on performance into their budgets, but have stopped short of removing the input data and fundamentally restructuring the estimates and appropriations.

One of the frontiers of changes in budgetary information and structure entails a shift from cash-based accounting and budgeting to an accrual basis. More than half a dozen countries are in the vanguard of this movement including Australia, the United Kingdom, the Netherlands, New Zealand, Iceland and Sweden. The shift to an accrual basis has been given momentum by the Maastricht accords whose enforcement depends on application of internationally accepted accounting standards, and IMF's conversion of its government financial statistics to an accrual basis. In terms of prospective impact on legislative behaviour, a distinction must be drawn between accrual accounting and accrual budgeting. If only the accounting basis were changed, the effect on legislative action would be modest. The legislature would have cost-based information to supplement the conventional cash-based estimates. But if government were to budget on an accrual basis, the impact might be truly significant, for the form and content of the estimates and appropriations would also be changed.

The supply of information has also been enriched in some countries by building the capacity of audit offices to assist the legislature. While the relationship of the audit office to the legislature varies among countries, in some the audit office is directly responsible to the legislature, in others it is an entirely independent entity, and in a few it is responsible to government – these organisations have become more active over the past decade in reviewing the financial and programme performance of government departments and agencies. The list of countries requiring audited financial statements is growing from year to year, and though lagging behind, so too, is the list of countries expanding the audit function to cover substantive results.

To make effective use of the avalanche of information, modern legislatures have added staff, invested in information technology (IT), and professionalised their operations. There is a marked trend to expand the staffs of standing committees, so that they can sift through the voluminous information and assist legislators in reviewing executive proposals, devise alternatives and amendments, and review performance. The up-staffing of legislatures is not limited to budget work, but it is in this area that some of the most dramatic changes are likely to occur. While still few in number, a growing number of legislatures are inching to the view that they cannot truly exercise independent judgement on the budget if they do not have expert staff to help them do the job. The question for these legislatures is not whether to add a position here or there, but to establish a separate legislative budget organisation. Although it rarely is a model for other legislatures, the US Congress may be so in this area. The Congressional Budget Office established 25 years ago has garnered considerable acclaim for its objective analysis and forthright budget projections. Staffed by more than 200 professionals selected on a non-partisan basis, this office has exerted considerable influence on US budget policy. Other national legislatures may follow its lead, but their budget organisations are likely to be more modestly sized.

Resourcing the legislature does not itself ensure that it will assume a larger or more effective role. The legislature must also define how it fits into overall governance. The three trends identified in the previous section that account for the decline of legislatures are not going to be reversed. Public spending is not likely to decline as a proportion of GDP, nor will the fraction of the budget allocated to entitlements shrink. Political parties will not disappear, though their ability to enforce discipline may be weakened, and the number of interest groups is likely to climb in the years ahead, though corporatist arrangements may give way to more pluralistic patterns. How, then, can a legislature stake out a truly independent position when it is, beholden to entitlements, whipped into line by party leaders, and pressured by groups bent on protecting their interests? The answer is, not easily. But perhaps the best way to address this question is by considering the specific budget tasks that legislatures may participate in. Three of these tasks – fiscal discipline, allocative improvement, and operational efficiency – were briefly mentioned earlier. Discussing each in turn sheds light on the niche contemporary legislatures may carve for themselves.

Before doing so, it would be appropriate to discuss the traditional role of the legislature as a restraint on the exercise of government power. Clearly, this role survives in most countries, though not as robustly as before. In a legal sense, the doctrine of control has not been impaired. Stripped to its essentials, it means that government may not spend more than authorised in law or for other than authorised purposes. D*e facto* however, control does not mean the same today as it once did. Nowadays, appropriations tend to be lump sum, and are intended as much to authorise as to limit spending. Moreover, entitlements generally are established in permanent legislation which does not specify or limit the amount to be spent.

Currently, legislative budget work has as much to do with making policy as with controlling executive action. This entails a more integrated examination of the budget than many legislatures are prepared to undertake, as well as capacity to specify in law or by other means the performance required of those who spend public funds. Some legislatures have sought to hold on to a control orientation by shifting from *ex ante* control of expenditure to *ex post* accountability for expenditures and results. But in view of the fact that reporting and auditing of performance are still underdeveloped in most countries, one cannot be certain that legislatures are prepared for this new assignment.

To maintain fiscal discipline a responsible legislature must give precedence in its decisions to budget totals before it takes up the various parts. Sweden, the Czech Republic, and a few other countries have introduced a two-stage budget process involving both governmental and legislative decisions. In the first stage, decisions are taken on the aggregates as well as on the amounts allocated to major sectors. The aggregates are prepared by the government and transmitted to the legislature for review and, in a few countries, approval. Some months after the first stage has been completed, the government tables estimates and these are voted under the rule that the sum of all the voted amounts may not exceed the aggregates agreed in the first stage. Enforcing the totals is dependent on adequate information concerning the cost of programmes and the prospective impact of policy changes. It also requires controllers in both the executive and legislature to maintain discipline in the face of spending pressures. In legislatures which parcel the budget among sectoral committees, this watchman role falls to the budget committee which monitors what each of the other committees is doing. The price of enforcing discipline in this matter is to generate friction among legislative committees as they fight for budget shares.

Contributing to improved allocation of public money requires that the legislature take a programme perspective, and that it be prepared to shift money from lower priority and less effective activities to higher priorities and more productive uses. Realistically, however, this is a momentous task, especially for legislators schooled in the politics of distribution. Redistribution does not come easily to legislatures, if at all. But in light of the determination of many countries to reduce or stabilise public expenditure, the only way to find resources for new priorities will be to take them from older ones. Redistribution may be most difficult in the case of entitlements, where citizens have been programmed to expect benefits from government as a legal right. Nevertheless, quite a few OECD Member countries have been compelled by budgetary *force majeure* to trim these payments, though typically only at the margins. As ageing populations add to budget pressures one may see even more vigorous efforts to curtail entitlements in the future.

Efforts to reduce the budgetary burdens imposed by permanent law may be difficult for yet another reason. Quite a few countries draw a distinction between legislation and the budget or appropriations. The former establish law and policy, the latter provide money. Changing the amounts spent on entitlements means that in addition to budgeting fewer resources for these programmes, underlying laws must be modified. There is a need to link legislative action on the budget with actions affecting such laws. Some governments have taken to produce budget packages which combine revenues, spending, and changes in standing law. The United States has had a reconciliation process since 1980 which enables Congress to use its budget to initiate changes in revenue and entitlement legislation. Reconciliation is not used every year, only in those where major changes in budget policy are undertaken.

Finally, legislatures may participate in the contemporary movement to improve the quality and efficiency of public services by appropriating funds on the basis of expected or actual performance. A legislature which rewards or ignores poor results will get poor results. Legislatures should be in the vanguard of demanding better information on performance, relying on performance measures in appropriating money, and specifying in advance the performance expected of government agencies.

4. Legislative budget futures: alternative scenarios

Future legislatures will have more resources to carry out budget responsibilities. They will have staff, committees, and information. But will they have an effective role? The answer will differ in each country which tools up for budget work. But for ease of analysis, let us draw four different scenarios and the implications of each. The four scenarios are arrayed from the least to the most effective budget role.

The first scenario leaves the legislature better informed but with no real power to alter the budget, either because they are barred by law or their own rules or because political realities foreclose significant alteration to the budget. Such legislatures may persist with the habits of the past and tinker with minor adjustments, while taking credit for helping constituents and promoting their political careers. This role is similar to that played by many legislatures in the recent past. Perhaps having staff and budget responsibility will broaden legislative perspective and ambition and thereby generate bigger changes to the budget. But the more likely outcome all dressed up with additional capacity, but little opportunity to shape budget policy.

The second scenario has the legislature transforming itself to challenge the government's policies and priorities by preparing a full-fledged budget. Rather than adjusting revenue and spending plans at the margins, the newly-empowered legislature deploys added resources to act independently of the government. This scenario leaves one with several important questions: Will an independent legislature have the requisite political support to sustain its ambitions? Will the political system be able to bear the elevated conflict and tension that would certainly arise when the legislature charts its own course on the budget? Which will give way first, party discipline or the legislature's drive to forge ahead?

The third scenario has elements of the first two. The legislature has more resources and is more active, but rather than using its resources to act independently, it holds the government to account for its financial and substantive results. In playing this role, the legislature may target performance *ex ante* and review results *ex post*. To succeed in this role, the legislature's attentiveness to performance cannot be sporadic: it must be sustained and it must be informed. The best model for this role is the Public Accounts Committee in the House of Commons. But there is one important difference: rather than focusing only on how public money was spent, a modern legislature would have to expand accountability to what was accomplished with the money.

The final scenario has the legislature participating with the government in developing budget policy. It would still vote estimates, but its larger role would be to work with government in setting out a medium-term framework, along with sectoral policies, and statements of policy. Partnering with government can proceed through the party system, through coalition agreements, and other instruments of budget policy. It is hard to quite define this emerging role because no contemporary legislature fulfils it, though a few, such as Sweden, come close. The task in budgetary partnership, as in other co-operative relationships, is for each party to have its own say, but for both to work together toward a resolution of differences. This may be a difficult undertaking, both in governmental systems where separation of powers pulls the executive and the legislature apart and in parliamentary regimes where party discipline welds them together.

Throughout this paper we have considered how modern legislatures can change budgeting. It may be appropriate to conclude by reversing the question and considering how modern budgeting may change parliaments. One undertone of the paper has been that budgeting would empower parliaments. But perhaps the opposite is closer to reality: under the pretext of empowering legislatures, might it be that budget responsibility would weaken them? This possibility arises out of three characteristics of legislative budgeting: *i*) budgets limit what the legislature may do with public money; *ii*) budgets intrude on other legislative functions, such as law-making; and *iii*) budgets have the potential to turn legislative work into a technocratic exercise. Each of these possibilities warrants reflection.

Budgeting introduces limits into legislative work: some of these may be externally-imposed, others are market-driven, and still others are self-imposed. External constraints come from many sources: convergence criteria, such as those introduced via Maastricht, accounting standards, and transparency codes. The market also constrains by exacting penalties (such as lower growth or higher interest rates) from countries which manage their finances imprudently. But the constraints which provoke the most concern are those imposed on itself by a legislature when it shift from just making appropriations to also adopting budgets. Some of these limitations are procedural: they govern when and how the budget is to be considered or amended, how the budgetary effects of policy changes are to be measured, whether or how multi-year decisions taken one year may be reconsidered in a future year, and so on. There also are formidable substantive rules, the most important of which is that legislative actions must be consistent with the budget framework.

In promoting an enlarged role for legislatures in budget policy, it must be recognised that budgeting is inherently a confining process. To budget is to routinise financial choice in accord with – set of rules and procedures, to bar action outside the boundaries of the budget, to rule out certain actions and to rule in others. Budgets bring discipline to legislatures, just as they do to governments. In the absence of budget rules and procedures, decisions can be taken whenever there is the will to do so; with budgets, decisions must be orderly and consistent, and framed in both time and amount within pre-set boundaries. A legislature behaves in a more disciplined manner when it budgets than when it doesn't.

The second concern about enlarging the scope of budgeting is that decisions on revenues and spending may sprawl to other legislative work as well. Rather than legislation being walled off from the budget, it is defined in budgetary terms and the fate of substantive law often depends on budgetary decisions. In countries where the legislature has been most active on the budget front, much of the session is devoted to financial matters. This has happened both in the US Congress and in Italian Chamber of Deputies. In some congressional sessions, two-thirds or more of the recorded votes have been budget related. In Italy, efforts to have separate budget and legislative sessions have broken down under pressure to consider substantive laws under the expedited rules provided for budget actions.

To some parliamentarians, the greatest risk of expanded responsibility for the budget is that their work will become more technocratic and therefore will be based less on political judgement and more on technical expertise. Where legislative budgeting flourishes, legislative budgets staffs grow, as does the business of measuring fiscal impacts, use of accrual rather than cash methods, and reliance on assumptions rather than actual numbers. In some countries, one can detect the emergence of "yes, legislator" behaviour, in which elected parliamentarians do the bidding of permanent staff.

How should one respond to these legitimate concerns? Not by denying them but by suggesting that the spreading influence of budgeting occurs even if legislatures are beholden to their old ways and unprepared for enlarged responsibilities. A capacity to budget does not transform politicians into managers; it enables them to exercise political power in a disciplined manner. In this writer's view, only legislative luddites will oppose this new role.

Table 1. **Legislature's authority to amend the government's budget**

	Response
Australia	• The House of Representatives may modify the budget, but it rarely does so because the government holds a majority in the House. • The Senate may not initiate taxation or appropriations bills, nor may it amend such measures. It can, however, refuse to pass revenue or appropriations bills until they are amended to its liking by the House.
Austria	• The National Council may amend the draft budget submitted by the government, but it usually only makes slight corrections.
Belgium	• The ability of the Chamber of Deputies to modify the budget is not limited by law, but the legislature faces at least two constraints in practice. First, Belgium has committed to some unrestricted and recurring expenses that are not subject to debate. Second, a major modification to a budget proposal by the Chamber of Deputies would be the equivalent of calling for a "vote of confidence" regarding the government.
Brazil	• The National Congress may amend the budget, but it cannot increase total spending or modify payroll expenditure, debt service, or constitutional transfers. Amendments must be within the parameters of the annual Budget Guidelines Law and quadrennial Multi-Year Plan.
Canada	• Although there are no formal restrictions, it is difficult to adopt changes once the budget has been introduced in Parliament. Legislators often consult with the government before the budget is formally submitted. • Defeat of the budget in the House of Commons implies a defeat of the government and leads to new elections.
Chile	• The Constitution severely curtails the budget role of the National Congress; Congress discusses the budget, but it may not revise revenue estimates or increase expenditures. It may cut variable expenditure. • Adopted amendments have only a marginal impact and usually are presented by the government pursuant to negotiations with Congress.
Czech Republic	• Parliament may modify the budget, but must not contravene the various laws that circumscribe its ability to do so.
Denmark	• In principle, legislators may present budget proposals; in practice, they lack the administrative capacity to prepare such proposals. • Parliament may make changes to any part of the government's budget proposal before adopting it.
Finland	• Parliament's right to make changes to the budget is not restricted, but it is constrained by certain procedural rules.
France	• Current law dictates that Parliament may not raise spending above a pre-established ceiling, or lower revenues below a pre-established floor. If some legislators wish to change either or both of these numbers, Parliament must first vote to approve their proposal.
Germany	• In theory, various budget regulations provide the only constraint on Parliament's ability to change the budget. In practice, however, legislators face additional constraints, since about 80 to 85% of budget expenditures are required by various laws and treaties.
Hungary	• The Constitution does not restrict the National Assembly's ability to modify the budget. The Public Finance Act dictates that the legislature must decide the amount of the budget deficit, as well as budget expenditures and revenues for each chapter. After those amounts have been voted, legislators may only reallocate amounts within the chapters.

Table 1. **Legislature's authority to amend the government's budget** (*cont.*)

	Response
Iceland	• Parliament is not formally constrained in its ability to change the budget. • The government almost always has a majority in the legislature, and that majority usually consults with the government prior to modifying the budget.
Ireland	• The *Dáil* may only vote appropriations requested by the government. • The legislature may not amend expenditures, but it may, and does, make changes to revenues.
Italy	• Parliament may modify the budget. It is restricted by the financial covering principle that applies to proposed increases in spending or decreases in revenue.
Japan	• The administration develops and proposes the budget; the Diet may modify the budget as long as the modifications are consistent with the Constitution.
Korea	• The National Assembly may reduce the budget as it sees fit, but the government must approve proposed budget increases.
New Zealand	• The Standing Orders of the House of Representatives dictate that it will not pass a measure that will have a significant impact on the government's fiscal aggregates. • The government may veto a spending proposal if it will affect the Crown's overall financial position. This veto cannot be overturned by the House. • Members of the House may propose changes that would affect votes, and the government may veto such proposed changes.
Norway	• Parliamentary parties may introduce any budget measures they wish, but the legislature is constrained by financial obligations to the beneficiaries of the National Insurance Scheme and state employees, and by the statutory rights of Norwegians to health care, education, and law and order.
Portugal	• The Assembly of the Republic has no restrictions on its ability to make changes.
Spain	• The Constitution specifies that the government must approve proposed increases in expenditure or decreases in revenue before these may be discussed in Parliament.
Sweden	• Parliament has no restrictions on its ability to make changes.
Switzerland	• Around 80% of expenditures cannot be reduced, because they are the product of legal prescriptions or contractual commitments. • The Constitution specifies the maximum tax rates that may be imposed.
Turkey	• The budget is reviewed first by the Plan and Budget Committee and then by Parliament. During the first step, members of the Plan and Budget Committee may propose whatever changes they wish; during the second step, legislators may not propose changes that would increase expenditures or decrease revenues.
United Kingdom	• The House of Commons may amend tax proposals. • The Commons cannot increase the government's spending proposals, and in practice its ability to do other than accept them is very limited. • The House of Lords is not significantly involved in the budget process.
United States	• Congress faces no specific restrictions on its power to change the President's budget. However, revenue and spending legislation are controlled by budget enforcement rulesthat have been in effect since 1990.

Source: OECD.

Table 2. **Legislative modification of the government's budget**

	Response
Australia	• The legislature typically enacts the government's budget. • The House of Representatives does not usually offer amendments, as the government always holds a majority. Most amendments are proposed by opposition Senators, and most of these amendments fail.
Austria	• Although the National Council can in principle amend the budget during the time allotted for that purpose, it usually only makes slight changes.
Belgium	• The Chamber of Deputies typically adopts the proposed budget, with the majority coalition voting in favour of the budget and the opposition voting against it. • During the first trimester of the budget year, departments have the opportunity to propose changes in their budgets. In general, the legislature rarely makes significant mid-year adjustments.
Brazil	• The National Congress made a large number of amendments to the budgets proposed during a recent three-year period.
Canada	• Parliament typically enacts the government's budget; the legislature offered few, if any, significant budget amendments during a recent three-year period. • The opposition may make minor amendments to the budget if the government assents.
Chile	• Most of the budget is not significantly modified by the National Congress. When changes occur, they are usually the result of negotiations between the legislature and the government.
Czech Republic	• Parliament enacts the government's budgets with minor changes only.
Denmark	• Parliament typically enacts the government's budget, including the numerous amendments the government proposes. • Amendments proposed by the opposition usually fail.
Finland	• Parliament usually approves the government's budget bill. • The most important approved amendments come from the government. • Few amendments proposed by individual legislators pass.
France	• The government's budget is always adopted by Parliament, but the legislature might make changes prior to approving it. These do not significantly affect the balance of the budget, and do not modify the bulk of the budget's revenues and expenditures.
Germany	• Parliament reviews the budget before passing it. The review process includes consultations between legislators and ministry officials.
Hungary	• The National Assembly has made numerous amendments to each of the government's budget proposals. • A large portion of proposed amendments aim to secure funds for minor development projects or other purposes; these do not significantly influence the financial commitments or internal structure of the budget.
Iceland	• Parliament usually passes the government's budget. • During a recent two-year period, the legislature made numerous amendments to the budget. All of the amendments were offered by the government or by its supporters.

Table 2. **Legislative modification of the government's budget** (*cont.*)

	Response
Ireland	• The *Dáil* usually offers a significant number of amendments to the budget. Typically, only government amendments are approved. • Legislators cannot propose amendments to the expenditure side of the budget.
Italy	• Many minor amendments are proposed each year, and Parliament typically passes a number of them.
Japan	• When the ruling party dominates the legislative majority (as usually has been the case), the government's proposed budget is normally approved without alteration.
Korea	• The National Assembly typically modifies the government's budget. Government and opposition parties conduct talks to determine the changes to be made. They usually only make small modifications.
New Zealand	• The House of Representatives usually enacts the budget proposed by the government. Few, if any, amendments are proposed, and usually no amendments are enacted.
Norway	• Typically, Parliament enacts the government's budget after making a number of small changes, but its behaviour depends on the political situation. During the 1990s, minority governments negotiated with opposition parties.
Portugal	• The Assembly of the Republic typically makes relatively minor changes to the government's budget. • The government does not propose amendments; the number of amendments proposed by parliamentary groups varies.
Spain	• All political groups represented in Parliament submit amendments to the budget.
Sweden	• Parliament typically enacts the budget proposed by the government. • Opposition parties can propose changes to the budget during a two-week period.
Switzerland	• The Federal Assembly adopts the budget after making changes to the government's draft. • Most changes proposed by members of the governing coalition are approved, while most proposed by opposition members are rejected.
Turkey	• Parliament does offer amendments to the government's budget. During a recent three-year period, these amendments only had a small impact on the budget as a whole.
United Kingdom	• The House of Commons enacts the government's proposals. A number of amendments are usually made to the budget bill, but the government is almost always the proposer of these changes.
United States	• Congress does not vote on the President's budget, but in acting on revenue and spending measures it often deviates from the president's proposals.

Source: OECD.

Table 3. **Changes in the legislature's budget role during the 1988-98 period**

	Response
Australia	• The role of the legislature has not changed substantively in recent years, although Senate committees now have access to more information when considering the estimates.
Austria	• The role of the National Council has not changed over the past 10 years.
Brazil	• There have been no substantial changes in the role of the National Congress over the past 10 years.
Canada	• Parliament's role in the budget preparation process has expanded. The government now produces an economic and fiscal statement each fall; his statement has enhanced the legislature's pre-budget consultations. • The budget has emerged as a major policy statement.
Chile	• In recent years, the National Congress has debated budget ceilings and limits on budgetary flexibility within those ceilings.
Czech Republic	• The legislature's role has changed dramatically since the transition from socialism.
Finland	• The role of Parliament has become smaller because the budget bill has become less itemised, and there has been an increase in extra-budgetary funds and organisations.
Germany	• The role of Parliament has not changed much over the past 10 years, although legislators must now offset any proposed spending increase with a cut in spending elsewhere in the budget.
Hungary	• Since the transition from socialism, the legislature has been much more involved in the creation of budget laws and in the process of making budget decisions.
Italy	• In 1997, Parliament changed the budget process in ways that have allowed it to evaluate available resources and their utilisation more easily.
Ireland	• The number and scope of *Dáil* committees has increased significantly in recent years. This development has meant that the annual estimates receive greater scrutiny by the *Dáil*.
Japan	• The institutional framework for the role of the Diet has not changed since World War II. Lately, though, some individuals have argued that the legislature should deliberate the contents of the budget more fully.
Korea	• There have been no significant changes in the role played by the National Assembly in the budget process.
New Zealand	• The Fiscal Responsibility Act of 1992 has increased the amount of information put before Parliament during the budgeting process. The government must now provide Parliament with a statement indicating its broad strategic priorities for the upcoming budget, its fiscal intentions for the next three years, and its long-term fiscal policy objectives.
Norway	• The role of Parliament varies with the political situation. The proportion of seats held by the government in the legislature has an impact. In 1998, the government held only 42 of the 165 seats in the legislature; this situation probably increased the role of the legislature.

Table 3. **Changes in the legislature's budget role during the 1988-98 period** (*cont.*)

	Response
Portugal	• The Assembly of the Republic has become more active over the past 10 years. Possible reasons for this change include the recent expansion of its budgetary responsibilities, and the fact that the present government is not represented by a majority in the legislature.
Spain	• Parliament currently has the same pre-eminent role in the budgetary process that it had 10 years ago.
Sweden	• Sweden recently instituted a new budget process. It has yet to be determined if Parliament's role has changed as a result.
Switzerland	• In response to the sharp deterioration of the Swiss Government's finances in recent years, the Federal Assembly has come to play a more active role in budget discussions.
United Kingdom	• In recent years, legislators have added a greater number of pages to the Finance Bill between its publication and Royal Assent. This change suggests that either the number or length of amendments, or both, has increased.

Source: OECD.

Notes

1. Jörgen von Hagen, *Budgeting Institutions and Fiscal Performance*, Brussels: European Committee, 1992.
2. OECD, *Role of the Legislature*, PUMA/SBO(98)4, Paris, 1998.
3. This was initially passed as a resultion in 1706 and made a standing order in 1713. For the current text of this order, see Erskine May's, *Treatise on The Law, Privilages, Proceedings, and Usage of Parliament*, Nineteenth Edition (edited by Sir David Lidderdale, London: Buttersworths, 1976, p. 707.
4. *Ibid.* p. 706.
5. The historical evolution of the legislature's financial power is chronicled in Rene Stourm, *The Budget* (New York: D. Appleton and Company, 1917). See pp. 24-29.
6. *Ibid*, p. 2.
7. Quoted in Strourm, p. 289.
8. See Edward Fitzpatrick, *Budget Making in a Democracy* (1918) which characterised the executive budget concept as a fatal step toward autocracy.
9. The decline of parliaments is discussed in David Arter, *The Nordic Parliaments: A Comparative Analysis* (New York: St. Martin's Press, 1984), especially pp. 31-41.
10. *Ibid*, p. 32.
11. OECD, *Historical Statistics*: 1960-1983 (Paris, 1985), Table 6.5.
12. Karl Heinrich Friauf, "Parliamentary Control of the Budget in the Federal Republic of Germany", in David Coombes, ed. *The Power of the Purse: A Symposium on the Role of European Parliaments in Budgetary Decisions* (New York: Praeger Publishers, 1975). p. 81.
13. Alain Dupas, "Parliamentary Control of the Budget in France: A View From Inside the National Assemby", In Coombes, *op. cit.*, p. 104.
14. *Ibid.*, p. 129.
15. Pierre Lalumiere, "Parliamentary Control of the Budget in France", In Coombes, *op. cit.*, p. 125.
16. *Ibid.*, p. 129.
17. Joel Molinier, "Parliament's Financial Powers: A Comparison of France and Britain", in Coombes, *op. cit.*, p. 168.
18. Valerio Onida, "The Historical and Constitutional Foundations of the Budgetary Systems in Italy", in Coombes, *op. cit.*, p. 220.
19. *Ibid.*, p. 228.

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