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===== *New Series* =====

Edited by RICHARD T. ELY, Ph.D., LL.D.

Professor of Political Economy in the University of Wisconsin.

BUDGET MAKING IN A
DEMOCRACY

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POLITICS AND SOCIOLOGY

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BUDGET MAKING IN A DEMOCRACY

A NEW VIEW OF THE BUDGET

BY

EDWARD A. FITZPATRICK, PH.D.

Draft Administrator of Wisconsin.

Director of the Society for the Promotion of
Training for Public Service

New York

THE MACMILLAN COMPANY

1918

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Set up and electrotyped. Published, October, 1918.

TO
CHARLES McCARTHY

PREFACE

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

That admirably expresses the point of view of this book — a point of view that must be controlling in any discussion of budget-making in a democracy.

The budget in practically all current discussions is treated as an incidental or minor thing. It is regarded primarily as a matter of finance or of accounting procedure. It is viewed too often merely as a question of the manipulation of figures. While as a matter of fact instead of being a secondary thing it is of the first importance; instead of being a subordinate thing it is a fundamental thing; instead of being merely the manipulation of figures it is decisive in its relation to the health, education and welfare of all the citizens and residents of the state or nation concerned. That it is of the very essence of government seems to have escaped those responsible for the contemporary budget discussions. Even when they formally in so many words acknowledge the tremendous social significance of the budget, their whole discussion of it belies their formal statement of its importance. They seem not

to be able to realize fully the truth of Congressman Sherley's remark that "in the final analysis nearly every proposition that comes before a deliberative body is one either of taxation or expenditure."

When you have decided upon your budget procedure you have decided on the form of government you will have as a *matter of fact*. Make the executive the dominating and controlling factor in budget-making and you have, irrespective of what label you put on it, an autocratic actual government. If, recognizing the large part the executive or the administration may play in budget-making, you give the dominating and controlling influence to the representatives of the people elected to the legislature, you have, irrespective of what label you put on it, a democratic or a representative actual government.

It is maintained, and properly, that giving the legislature the controlling influence in budget-making is not conducive to smooth sailing, to harmony, to efficiency, to perfection. Those who make these objections should ponder well Wendell Phillips's words used in another connection: "At the same time you secure not perfect institutions, not necessarily good ones, but the best institutions possible while human nature is the basis and the only material to build with." In any conflict between liberty and what seems to be efficiency, efficiency must be sacrificed. In the long run, however, there can be no such conflict because liberty is the only sure basis of public welfare, or, if one chooses, efficiency.

Germany is financed by means of "executive budgets." There the executive budget is an integral part

of the governmental scheme. There it is the innermost center of that "divine" idea of the state which has resulted in the present world calamity. Without the executive budget the dominant Prussian military caste could never have permeated the German people with its immoral ideas and made Germany synonymous with organized terror and frightfulness. Without control of the funds it could never have utilized the educational system of Germany for implanting and propagating a philosophy in support of its ends. With a Reichstag that was more than a national debating society, more than a feeble protestant, with a Reichstag with real control over the purse strings, Germany could never have attained her present position as an outlaw among civilized nations.

A democracy can never permit at its very vitals a budget plan such as the German budget susceptible of such manipulation by a single individual or by a single group of individuals even if it were immediately a most efficient and beneficent agency. In the long run it could only spell exploitation, ruin and disaster. It would result in political atrophy of the citizenship. It could never be a government "of the people, by the people and for the people." It would be a vicarious government.

The striking situation which the world war presents made the foregoing comments advisable by way of preface. Perhaps an additional word on another phase of the subject may also be permitted by way of preface.

While the question of taxation is one of tremendous importance in this country at this time, the immediate

phase of the budget problem which requires consideration is the expenditure side. While this book keeps in mind always the revenue side of the budget and points out its importance at various points throughout the book, it devotes its main attention to the expenditure side of the budget. This is the immediate political need of the nation — a need that this book aims to satisfy in accordance with fundamental democracy. And this is in accord with the vague discussion throughout the country and the vague longing of the citizenship for an improved procedure without fully understanding what it wants.

It is easily possible to have slipped off or missed the road in the uncharted field of the state and national budget. The gentle reader and the not too gentle reviewer will confer a very great favor upon the author by letting him know of anything that would help in making a second edition of this book better — if there is to be a second edition.

For help, for inspiration, for intellectual companionship in this field of study, the author can acknowledge his indebtedness to Charles McCarthy of the Wisconsin Legislative Reference Library, but can never express adequately his appreciation of the many things he has done for him.

EDWARD A. FITZPATRICK.

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