

BUDGET MAKING IN A DEMOCRACY

CHAPTER I

THE BUDGET AND ECONOMY

NATIONAL bankruptcy, state bankruptcy and municipal bankruptcy are declared to be the inevitable end toward which we are drifting in our appropriations of public money.¹ The method by which this result will come has been aptly called "government by deficit," that is, we spend money for governmental purposes far in excess of our *willingness* to impose taxes — and bonds are the convenient cloak for doing this. More particularly it is pointed out that our methods of financing government in this country are slipshod, careless, devoid of system or plan; that they are conducive to graft, and leaks. It was said in the United States Senate that the United States government could be run at a saving of three hundred million dollars a year — not less efficiently but more efficiently — and the jaded sense of a "billion dollar country" accepted the statement without very much of a ripple of public opinion and it is often repeated quite unemotionally.

¹ The discussion throughout this book applies to the normal conditions of peace times.

And it is on the basis of such existing conditions that the budget propaganda is carried on — and very properly so.

The third session of the sixty-third Congress, for example, made appropriations for \$1,115,000,000 and various odd dollars. This did not include contracts involving additional appropriations to the sum of \$37,400,000. The authorized expenditures for the City of New York for 1916 were over \$200,000,000. Vast sums are being spent and will be spent by governmental units everywhere. The explanation, at least in part, of this increased expenditure is that the activities of government are being rapidly extended in response to public need and popular demand. But even recognizing that, everybody knows that there is considerable waste due to dishonesty and graft, and very much more is due to the inefficiency of an untrained, inexperienced public service, and to chaotic financial methods.

On the basis of these admitted facts of the increasing cost of government through graft, leaks, inefficiency, slipshod financial methods, and legislative "pork," an extensive budget propaganda has been carried on in this country. The statement of the Chairman of the Appropriations Committee, Hon. John J. Fitzgerald, at the close of the third session of the sixty-third Congress, is generally accepted to be true for all our governmental units: "Mr. Speaker, the finances of the Federal Government must be re-adjusted. No more important problem will confront the Congress when it re-assembles." He continues: "The paramount consideration should be to establish our finances upon a permanently sound basis. Make-

shift legislation will not be helpful. Temporary expedients will only add to the difficulties and complicate the problems that must be faced. With the organization of the Federal Reserve System many uncertainties of our financial system have been removed, and the Treasury has been relieved of certain recurring embarrassments. Revenues and expenditures should now be carefully calculated, a definite fiscal policy established, and ample provision made for present and future necessities." (Congressional Record, Sixty-third Congress, Third Session, March 15, 1915, p. 6359.)

JUGGLING STATISTICS TO SECURE ECONOMY —
AND THE BUDGET SYSTEM

Impressive comparisons are piled up to show the true inwardness of our condition and the consequent need for reform. We are told:

"Our population has been multiplied by twenty-four since 1790 — our appropriations for the current year are three hundred and sixty-six times as great as in 1790."

"We spend more in one day now than we did in one year then."

"In the more than half a century between the founding of our Government in 1789 and the outbreak of the Mexican War in 1846 the total expenses of our Government amounted to only a billion dollars. The appropriations for the present fiscal year alone amount to ninety-eight million dollars more than that — more for this one year than for those fifty-seven years! And yet during that period, in addition to the current expenses of the Government we purchased Louisiana and Florida; explored the vast Northwest Territory; fought the War of 1812, numerous Indian wars and the War with the Barbary States."

"During the decade from 1791 to 1800 we expended \$68,-

350,000 — an average of \$6,835,000 a year. Our pension appropriations alone for the current year are \$180,300,000, very nearly three times as much as we spent for all purposes in the ten years when the seat of government was located at Philadelphia.”— (Theodore Burton, “Our National Extravagance,” *Saturday Evening Post*, Jan. 3, 1914.)

And so on without end.

These comparisons are varied or given a slightly different twist. For example, the Committee on State Finances, Revenue and Expenditures of the 1915 Constitutional Convention of New York State introduced its budget report with similar statistics:

“In thirty years our expenditures have increased nearly 600 per cent. while our population has increased only 82 per cent. and our property liable to taxation 274.”

It continues: “This rapidly increasing per capita cost of government is a phenomenon which is not peculiar to New York State but is occurring likewise in other state governments, and also in the Federal government, although to a less extent than in New York. The cost of the Federal government in thirty years prior to 1908 has increased nearly 400 per cent., while the increase in the population was less than 84 per cent.” (“Budget Systems,” p. 427.)

What avails these statistics? Does the fact of difference mean anything? Or does it require further explanation? The practical result of quoting such figures even when accompanied by explanations that these figures are meaningless in themselves is to produce the impression of extravagance, of calling a halt on expenditure, of “something rotten in Denmark”—

and, therefore, the need for economy and financial reform.

Explaining its figures, the Committee says:

“To sum up, we find that throughout the country the amount of money spent on government, both state and national, is increasing much more rapidly than the population and much more rapidly than the sources of supply, in the shape of property subject to taxation.

“Undoubtedly this increase of cost is largely due to the fact that government has greatly extended its activities. *There is no reason to suppose, however, that any real or permanent check can be put upon this increase. It arises out of the constantly increasing complexity of modern life and modern business and the increasing density of our population.*¹ So long as these factors continue, greater and greater demands will be made upon the activities of government. They represent an economic pressure which is constantly growing.

“Out of these facts arises the corresponding and increasing need for sound financial methods in conducting the business of government.”—(Budget Systems, pp. 428-429.)

Thus does the Committee recognize that its statistical data require explanation and need a great deal of additional information about “the increasing complexity of modern life and modern business and the increasing density of our population” before it can serve its purpose in an argument for the budget.

And so Senator Burton who used the first comparisons quoted says that one of the two general causes for the growth of national expenditures “arises from the necessary enlargement of existing public functions, due to the growth of population, to the expansion of

¹ Italics ours.

territory, and to the higher range of salaries, which are correlative with the diminishing purchasing power of money and contemporaneous with improved standards of living." (Our National Extravagance, *Saturday Evening Post*, Jan. 3, 1914.) He points out, too, that the important thing about our expenditures for navy yards is not the absolute amount expended, but that we are now "maintaining naval bases and navy yards which are practically useless under present-day conditions. They are the heritage of our Revolutionary and early national history — political considerations and public sentiment have compelled their maintenance when every practical consideration demanded their abandonment." (Ibid.) And so with the expenditures for pensions the significant thing is not the absolute amount but that "forty-eight years after the termination of the Civil War, the sum for pensions should be the largest ever appropriated." And the final explanation for this expenditure is thus stated: "After all, this evil must be traced to the ideals of the people. The greatest extravagance in our public expenditures arises from this insistent demand from localities for financial recognition of their existence." (Ibid.)

And so we find the explanations and the significance of the amounts of public expenditure in the ideals of the people and in fundamental social facts. The important thing, let it be repeated, is not how much money government is spending, but what government is spending it for, what is the social need and the social demand for the service, and what return is society getting for its coöperative expenditure.

ECONOMY THE FUNDAMENTAL PURPOSE OF THE
BUDGET

But despite these facts and these explanations, statistics similar to those quoted above are used by cheap politicians and by the press as the basis of public information. Similar statistics are given out by whom? We are advised: "See how much more the government is spending this year than last. It is altogether out of proportion to our increase of population or our assessed valuation. We must reduce. Economy is the paramount political issue." And whole batteries of political buncombe are unloosed in the name of economy.

A famous saying may be truly paraphrased: "O, Economy, what crimes are committed in thy name!"

Politicians seeking office without any particular reason for their aspiration fall back on this convenient issue of economy. They get in office sometimes and always forget their campaign mistress. It served admirably as a catchword, and in that it served its purpose. The situation is exactly reflected in a fact about the English Parliament summarized thus: "If you want to raise a certain cheer in the House of Commons, make a general panegyric on economy. If you want to invite a sure defeat, propose a particular saving." (Bagehot, English Constitution.) But if, however, the legislator remembers his economy pledges he keeps them at the expense of the districts of the other fellows — of the minority. Representative Fitzgerald thus puts the case bluntly: "It may seem somewhat strange, but I hope it is not out of place, to

remind Members on this side of the House that the Democratic platform pledged us in favor of economy and to the abolishment of useless offices; but it did not declare, Mr. Chairman, *that the party favored economy at the expense of Republicans and the abolition of useless offices in territory represented in this House by Republicans while favoring a different doctrine wherever a Democratic Representative would be affected.*" (Congressional Record, April 10, 1914, p. 7034.)

The messages of governors to the state legislatures offer many examples of the conception that economy is the main purpose of the budget. And by economy is meant not conservation, not frugal management, not value received in service for value given in public funds, but less money spent and less taxes raised.

In this connection it may be well to note that false view of economy finds expression usually in the *first* message of a governor. After the chastening experience of the responsibility of administering state affairs for even a single term, the *a priori* absurdities about economy contained in the first messages of governors are usually not repeated in the second.

In these messages, but more so in political campaigns preceding the election, the unrelated fact of increased cost is made the basis of the retrenchment program. Wherever an explanation is attempted, and it is not often, it is found most frequently among the following causes: poor business organization; too many bureaus, commissions or boards; generous legislative appropriations (which is a mere restatement of the fact of in-

crease, not an explanation) and the paternalistic tendency of modern government. The real reason is the last. Government is doing many things that the Fathers never intended it should do, and so the call for a return to constitutional government. Paternalism, not economy, constitutional government, not economy? An expansion of government, not economy? These are the issues — but issues that are hidden behind clap-trap about economy, reduced taxes and retrenchment.

On the other hand, too, let it be added, the cry for economy is at times a purely demagogic appeal, a political trick, a convenient instrument of securing an election from a public whose memory does not extend over to the next election. Both radicals and conservatives, both Democrats and Republicans have used the economy issue in this way.

A governor of Wisconsin, in a message to the legislature, had this fine passage correcting the usual and false view of economy:

“This demand for economy, as I interpret it, does not mean that we should oppose those things that make for human progress; on the contrary, successful government, like all other successful institutions, must move forward and increase its usefulness to man. The people of Wisconsin want a government that is humane in its tendencies, truly progressive and responsive to the demands of a more complex civilization. In meeting these demands, however, we should not allow our zeal to lead us into costly fads, nor should we forget that a waste of the people’s substance is not helpful to the cause of human progress.” (Communication of Governor E. L. Philipp to the Legislature of the state of Wisconsin, 1915.)

And the remedy almost invariably proposed for the policy of retrenchment of public expenditures is the budget system.

The undoubted fact of enormous governmental expenditures and the additional facts of a little dishonesty and much inefficiency of public officials, together with the other fact that we are passing under existing revenue measures from a period of surplus to a period of deficit financing — all these call for improved financial methods looking particularly to a periodic account of stewardship for public funds and to the periodic planning of public expenditures. The improved financial methods usually recommended are generally referred to as a budget procedure. Senator Burton, who used the comparisons first quoted above, directs his paper to this conclusion: "One of the reforms most strongly urged in recent years by the advocates of national economy has been the inauguration of the budget system in the United States."

CONVENTIONAL USES OF THE WORD "BUDGET" ¹

Perhaps it is well after these preliminaries to understand clearly the terms we are using and to define them specifically for the purposes of this book.

I have occasionally heard earnest students who have read over a considerable part of the budget literature say in effect: "What is a budget? I have been

¹ "The budget system is a reform of a peculiar nature. It does not presume to introduce radical principles into our government; it does not in fact presume to introduce anything except system — an orderly and intelligible method of doing the same things that are now being done in a slipshod and systemless manner." — William T. Donaldson, "The Budget," January, 1916, p. 6.

reading statements on the budget procedure in New York City and its comparative perfection and then I pick up a pamphlet by a leader of the budget propaganda in which he says that New York in a strict sense does not have a budget. And so I find confusion throughout. To some the budget is the document submitted by the executive officer or board; to others it is the appropriation act as it comes from the legislative body; to still others it is both. Some include the money to be raised and others omit this. Surely there must be some way out of this tangled skein."

And there is — even from the standpoint of the conventional discussion — and it is very simple. As ordinarily used the "budget" is an executive document containing certain information for the use of the legislature. It is the *information* regarding the past activities of the governmental departments together with their costs systematically arranged, together with the estimated needs for the governmental work for the next fiscal period. Accompanying this primary *document of information* is also a similar presentation of facts and estimates regarding the revenue and borrowing program of the government for recent fiscal periods and for the one immediately ahead. *The budget*¹ is merely the administrative experience of the last or current fiscal period systematized and organized for presentation to the legislature, together with recommendations as to expenditures and revenue for the forthcoming fiscal period.² It is without effect until

¹ Hereafter, as explained in the next section, the phrase "budget proposals" will be substituted uniformly for the word "budget" as here defined.

² The comparative tables of facts for preceding fiscal periods

the legislature has acted on it, and if it sees fit, the legislature may reject the recommendations entirely.

The budget as the orderly presentation of information regarding the activities of government for certain periods together with their costs, must be carefully distinguished from the appropriation bills which executive officers usually submit. The appropriation bills contain the budget information in form for legislative action.

But the distinction between the budget proper and the appropriation act has centered interest in the executive part of budget-making to the almost total neglect of the legislative phase. *On our journey home we have permanently put up at an inn. We need the words of admonition: Not TO this, but THROUGH this.* We have in short become so absorbed in the means that we have forgotten the ends they were to accomplish. Even from the standpoint of the conventional budget discussion the executive work in preparing the budget is only to serve as a basis for the legislative action. *But back of all this is a socio-economic-political program.* That is the real end.

A DEFINITION OF TERMS

So much for the ordinary interpretations of the budget. A rather more exact definition of the various phases of the budget process will be necessary. The first obstacle in the way of such a definition is the variety of ways the word "budget" itself is used. It means every thing and every phase of the budgetary process. Each phase of budget-making ought to be are incidental only, though helpful, and are not essential to a budget.

definitely labeled, and so labeled that when we see the label we know unmistakably what is meant. In this book, therefore, the word "budget" by itself will be used only rarely, if at all, and when used will be understood to have reference to the general subject. What is ordinarily called by just the word "budget," will be called the "budget proposals." Budget proposals are therefore the social projects to be financed and the methods of financing them as submitted by the administrative authority to the legislature. The first step in the formulation of these budget proposals is the preparation of estimates in the various bureaus and other organization units of the departments or commissions. These are revised by the department chiefs and transmitted to the executive. These preliminary estimates will be called the departmental estimates, and when these are revised by the executive and transmitted to the legislature they are the *budget proposals*. The *budget bill or bills* will be understood in these pages to be the bills introduced into the legislature to carry into effect the budget proposals. Bills embodying proposals originated in the legislature for appropriations will not be designated other than by the general designation of appropriation bills. The *budget act or acts* will be understood to be any or all bills passed by the legislature making appropriations of money whether proposed by administrative authorities or in the legislature itself. The terms used in this paragraph will be used throughout the book in the sense in which they are here defined.¹

¹ The terms "executive and legislative budget" will be defined in a later chapter.

THE BUDGET — A BALANCING OF EXPENDITURE
AND REVENUE

The Chamber of Commerce of the United States has been actively interested in the budget propaganda. The first subject upon which a referendum was submitted to its nation-wide constituency was the national budget. Its membership voted almost unanimously for it. Thus was a very influential part of public opinion committed to the idea. In determining national legislation on this subject, this body of public opinion is likely to be decisive. It is important, therefore, that its specific position be analyzed. This analysis is pertinent to the general subject matter of this chapter.

The official journal of the National Chamber of Commerce says, in the November, 1915, issue: "Budgetary procedure,— a business-like comparison of the revenues that may be expected and the proposals for expenditures,— has been advocated by the National Chamber for several years. Such a reform will not only promote economy in the use of public funds but it will so simplify the statement of appropriations as to lead to real public understanding of the functions of the federal government."

More fully it stated its ideas in its issue of October, 1917, in these words:

"The word budget, to begin at the beginning, comes from the French *bougette*, a little bag. While the word budget was introduced from the French, the constitutional principle to which it applies is English. In the British Parliament the word has been applied to the great leather bag which

for many years contained the documents presented to the Commons to explain the resources and wants of the country. It is, in brief, an account of the finances of a state, or, by analogy, of some smaller body presented at a definite time by the responsible minister of the National legislature."

After quoting the statement that "budgets are not merely affairs of arithmetic but in a thousand ways go to the root of the prosperity of individuals, relation of classes and strength of kingdoms," the budget is defined in these words:

"The idea of a national budget is simplicity itself. Shorn of its technical economic terms, it means that the *monarch*, *premier*, or *president*, and his cabinet shall answer to themselves and to the country three simple questions regarding the business of the nation:

"1 — How much money will be needed for the conduct of the government during the next fiscal year?

"2 — What money is on hand? From what source is more expected?

"3 — What shall be the amount appropriated to each function of government?

"There is nothing mysterious about a budget. It can be stated just as simply as in the preceding phrases and, when thus stated, any business man, no matter how small his affairs; every farmer who plans ahead; every man in any way charged with the care of funds for others will at once perceive that a national budget must be desired and sought by all citizens who wish to have business-like methods applied to the one big business of the nation — its government. Furthermore, they will perceive that, if a little business needs system, a big business involving upwards of \$2,000,000,000 expenditures a year, needs it still more.

"In practically every country of the world except our own the national appropriations and expenditures are considered at one time by a method closely approximating, at least, that of a budget.

“All government expenditures must ultimately be met by revenue. All nations with responsible ministries provide revenue to meet expenditures of their respective governments by means of budgets. The finance minister usually prepares estimates in summary and in detail of the needed expenditure. These at the proper time he submits to the legislative body together with estimates, also in summary and detail, of revenue. A balance is then struck by the remission of old or the imposition of new taxes according as there is a surplus or a deficit in the figures of the preceding year. This balance of revenue against expenditure, the central feature of any budget, is the primary necessity in all national finances.” (Ibid.)

According to this statement the essential thing in the budgetary process is to secure a balance between expenditure and revenue — the important thing in budget-making is financial — and the important concrete thing is to provide against the excess of expenditure over revenue. Is there a narrower way of viewing the problem? Is budget-making more than financial juggling, anything else than a manipulation of figures, aiming to secure a balance of at least one cent in the public treasury at the end of the year? It is this view that serves as a basis for the economy delusion.

Let us waive this discussion for the present and let us ask a question of our author — to raise the issue sharply — and the question will be a hypothetical one. Suppose that the “monarch, premier or president” could answer satisfactorily the three questions proposed as to the amount of money needed during the next fiscal year, the amount of revenue and the amount that shall be appropriated to each function (department) of

government and thereby dissipate the mystery of the budget, how is the economy effected? Surely in a government where the taxing power is vested in the legislature, the possession of any amount of knowledge by an executive is without effect until it is translated into law by legislative and executive action. The budget is not solely nor finally an executive problem.

Practically all of the discussion of the budget assumes that the real budget problem is the one of financial administration. The economy-is-the-fundamental-issue group of reformers, taxpayers and politicians have concentrated their attention on financial administration. "Property is overburdened!" is the eternal refrain of their song. Unfortunately this agitation is largely selfish, or insincere, or both. Some of its practical proposals will be analyzed in the course of the next few pages.

THE ECONOMY PLEA AS A CLOAK

The conservative wing of the Republican party had elected a governor in one of our states on the plea of economy and of the necessity for dismissing the tax-eating officeholders. Many of the conservatives felt that the legislative reference library was somehow the agency through which the germs of forward-looking legislation crept into the legislature. It would be surprising if the experience of the whole world collected, classified and digested would not be fruitful of suggestion to honest and intelligent men. The governor heard the siren call and wrote in his message:

"The legislature of 1903 created a legislative reference

library. Its purpose was to furnish information to members of the legislature upon such subjects as related to legislation. It has since been converted into a bill drafting institution where proposed laws are furnished upon application without any further effort upon the part of the legislator. This system has had the effect of greatly increasing the number of bills introduced and has resulted in the passage of a great many useless laws. The legislature of 1913 passed 778 bills.

"The purpose of the original act creating the library was good. However, we must now judge its value by the record it has made, which I believe to justify the statement that it has exercised an undue influence upon legislation. It has resulted in outside preparation of bills for legislative action, superseding individual legislative study, and greatly impairing legislative efficiency, to act as the result of that individual judgment which members of such a body should devote to the work they were elected to perform. Originally projected as a library, it has in every sense become a bureau. I therefore recommend that the law creating the bureau, as it is now known, be repealed. This will have the effect of saving about \$21,000 per year.

"The books and documents that have been accumulated in the reference library should be turned over to the State Law Library and made available to members of the legislature who may wish to use the same." (Communication of Governor Emanuel L. Philipp to the Legislature of Wisconsin, 1915, pp. 7-8.)

Save \$21,000! Here again the economy issue hides the real issue. The head of the institution during the legislative hearings bluntly told the legislature that he knew the real aim of the proposed legislation was to "get him," and he suggested that he would not "burn the barn to kill the rat." He would kill the rat, and he told them how. At any rate, a legislature that was strongly pro-administration after having had contact

with and service from the reference library rejected in no uncertain terms the only specific economy measure of the administration. They expressed themselves unmistakably: *they wanted a service — not an economy*. To the credit of the governor it must be said that he subsequently changed his mind on this subject. In this instance the ordinary course of the economy plea did not result, because the legislature had daily experience with the service of the department. Where no such basis exists, the economy plea wins the day, and a necessary service is curtailed or abolished. Do not misunderstand this comment. The reference here is to the plea of economy as such, and not to the straight statement of increased or reduced demand for service by a department as a basis for either increased or decreased appropriations, nor to the increased efficiency through improved methods which lessens cost.

STANDING IN AWE OF TOTALS

The economy statesmen stand in awe of large sums of expenditures. They stand aghast at a billion dollar national appropriation, a ten million dollar state appropriation, a two hundred million dollar city appropriation, or a thousand dollar appropriation in a town of a few hundred. This astonishment seizes these statesmen in the presence of these sums whenever they are "on the outside looking in." The story goes: "Whatever may be a proper and reasonable outlay for the government in Republican times might be extravagance in pinching Democratic times." Interchange the words as you choose. The author of the foregoing remark, Congressman Gillett, quotes Presi-

dent Wilson's message to the last session of the Sixty-Third Congress:

"I assert with the greatest confidence that the people of the United States are not jealous of the amount their Government costs if they are sure that they get what they need and desire for the outlay," and then continues, "This new doctrine of Democratic economy seems to have been impressed well upon the advisers and subordinates of the President, for in the annual report of the Secretary of Commerce I find the precept reiterated:

"'No sane business man would ever judge of economy or extravagance in expenditure merely by the total. He would ask, 'Was the expenditure needed?' 'Was the money well spent?' And he would not regard with tolerance or consider economical the mere absence of expenditure,¹ especially when it involved him either in larger future outlay or in greater cost of production.'"

Congressman Gillett comments, "No matter what we spend, so long as we get what we need and desire! An entirely new doctrine in public expenditures and one seized upon by the party in control of the taxing and spending power of our Government to bring it to the verge of, if not actually thrust it into, bankruptcy by the appropriations made at this session." (Rep. Frederick H. Gillett in Cong. Record, March 15, 1915, p. 6366.)

Yet this member of Congress says in the same discussion: "I recognize that the mere size of the appropriations does not prove extravagance. True econ-

¹ Cf. Secretary Redfield's annual report for 1915, p. 12.

omy does not consist simply in making small appropriations, but in a wise and careful adjustment of expenditures to income."

President Wilson is more nearly right than Representative Gillett. What the people need and desire is more properly the basis of what the nation shall spend during its next fiscal period than what on the present basis of taxation is its probable income. A social and fiscal program must take into account both what the people need and desire and what is the probable income, but, if there is conflict between these, it is not at all clear that the needs, or even desires, of the people shall be denied because on the present basis the income is not sufficient. If the need and the desire are imperative enough, new sources of revenue will be found or increased returns from present sources will be secured. It is of course possible that we shall not want to spend all our income. But again that is determined in the last analysis by the "needs and desires" of the American people.

THE HORIZONTAL CUT — THE WAY TO REDUCE
IS TO REDUCE

After impressing, by skillful repetition, on the public the true "awfulness" of these large appropriations, just as the advertising man repeats the name of his nostrum, the economy-politician says we must reduce these immense appropriations. If he is honest, his first thought is to study departments and propose changes in appropriations and in organization as the changing needs of the community show necessary. But that is too difficult a course, too prolonged, un-

necessary. He takes the easier course. He adopts a slogan — probably, the “*way to reduce is to reduce.*” “Let us cut last year’s appropriations twenty per cent. Last year’s appropriation was \$2,000,000; we thus save \$400,000.” Economy has won the day. If our economy-politician is really clever or cunning he will make last year’s appropriations the basis, and thus under a twenty per cent. reduction he can actually provide for an increased expenditure of money. This could happen in any case where a department spent only 80 per cent. or less of its last year’s appropriation. By making appropriations rather than expenditures the basis of his cuts, much effective fooling of the public can be done. Of course where appropriations do not lapse, that is are not turned into the general fund of the treasury, at the end of the fiscal period, a very favorable situation is produced for the economy-politician for his cunning. All funds that are not used are credited to the department for the next year, but the politician knowing this, disregards it and confines his public discussion to new appropriations.

The horizontal cut is characteristic of the mechanical point of view of the economy-politician. Despite many new social demands made upon some departments and fewer upon others, despite extraordinary local conditions or emergencies of any kind, despite even new duties definitely assigned to departments by the legislature, the economy philosophy says, “The way to reduce is to reduce,” and reduction follows. This, it may be urged, is not the inevitable result of the economy plan. Perhaps not, but it is a normal result. The basis of budget-making is not last year’s

appropriations or expenditures, but this year's community conditions — poverty, illness, unemployment, the need for recreation and education and the like. It is not how much money must be saved, but the human life that is to be saved, conserved and improved.¹

We return again to the point of view that budget-making is not merely a matter of dollars and cents — of juggling financial facts and even statistical facts in the legislative halls “far from the madding crowd.” Budget-making is in its final analysis dependent on a socio-economic-political program. To what extent this is so and how fundamental its relation to government is the subject of the next chapter: “The Budget: The Essence of Government.”

¹ And this indicates a sense in which the budget is intimately related to economy. But it is not the economy of dollars and cents. It is economy in the sense we speak about our national economy — our social economy. It is bound up with the whole question of government-management, just as economy in its original meaning is related to the whole question of household-management.