

## CONCLUSION

THE history of public finance reveals at least one certain fact: *the ever-increasing amount of public expenditure.*<sup>1</sup>

It is unfortunate, therefore, that much theoretical discussion of the budget and practically all political effort is directed to changing this adamant fact of the history of public finance. Strenuous and persistent efforts are being made to reduce, in all political units, the amount of public expenditure. Public men elected on political platforms pledged to reduce the amount of public expenditure have come and have gone, but the tendency continues unabated. The whole cry of economy so far as it means merely less public expenditure is futile. Parsimony stalks about in the habiliments of true economy.

The fact of the ever-increasing amount of public expenditure may be viewed in this light: that people are increasingly paying from their social pocketbooks for services that they formerly paid for from their individual pocketbooks. The attempt in itself to reduce the amount of public expenditure may be regarded, therefore, as an effort to have people do things

<sup>1</sup>One may increase taxes in proportion to the liberty of the subjects; and one is forced to moderate them *pari passu* with augmentation of servitude. This always has been the case and always will be. It is a law of nature which never varies.—Montesquieu.

individually rather than collectively, and to pay for these things personally rather than socially. The problem is, therefore, *a* fundamental social problem, if not *the* fundamental social problem.

This book frankly recognizes and accepts the fact of the ever-increasing amount of public expenditure. It concerns itself, however, with outlining a budget procedure that will make possible a hundred cents in service for each dollar of public funds expended, whatever the amount expended. It is clearly recognized, on the other hand, that this result is dependent upon other facts besides a good budget procedure, e. g., trained public servants. This explains the emphasis throughout the book on the administrative side of government.

Our discussion of the budget was directed, not to a reduction of the amount of public expenditure, but to the wise determination of the amount of public funds to be expended. This principle was laid down as a test:

*Social energy as expressed in public funds must secure in terms of social welfare results greater than the same expenditure privately made.*

The determination of the amount of public expenditure is not a financial problem at all but a political and social one. It finds its explanation not in terms of money but in terms of social conditions and of organized social effort to improve these conditions. Its most obvious phase on the political side is the expanding functions of government. As thus expressed, there is brought more sharply into relief the important political problem which the American democracy has

not yet solved: the budget problem. And until we change our point of view, we are not going to solve it at all.

As a nation, we must see that the budget is not merely a problem of finance, it is not merely a problem of arithmetic, it is not merely a problem of accounting, though it has important financial and accounting aspects. We must see that the budget problem is primarily a politico-social problem going to the very essence of social well-being.

A budget system is proposed in keeping with the representative character of our democracy. A practical budget procedure is outlined within the present limits of our government and within its present character. The changes required by the proposed budget procedure may be accomplished almost entirely by administrative changes, though some legislative action will be required. There is no need for constitutional amendments. *The so-called "executive budget" program proposes a shifting of the center of gravity of our government.* Its tendency is toward autocratic executive power. It would achieve this change in government as a by-product to the budget scheme. So far as the executive budget plan aims to secure or as it implies parliamentary government, the American people will want to decide that question as such, and not camouflaged under the name of "executive budget."

The budget procedure outlined in this book aims at a fuller recognition of the democratic features of our government, particularly of the legislature. It assigns to the legislature the duties in budget-making

which our public law declares belong to the legislature and not to the executive, it subordinates the administration to the legitimate control of the legislature but it frees the administration from improper control and permits it to develop the positive and constructive side of public service.

Briefly, then, the social implications of the budget must be paramount. The accounting and financial aspects of the budget must be recognized and utilized in conformity with the social purposes of the budget, but must be kept subordinate. The budget is the fundamental political problem and the procedure for budget-making must reënforce the democratic features of our government.

This conception can be carried into effect under present conditions without any serious changes in our political system by a budget procedure based on the following principle:

*That the function of the administration, including the executive, in budget-making is preliminary, preparatory, advisory, and the function of the legislature is determining and conclusive.*

The budget procedure outlined in this book is in accord with this principle and is based on the social conception of the budget. This procedure may be briefly outlined as follows:

The whole governmental administrative machinery shall, in the first instance, be utilized in the preparation of the budget-proposals. Each subdivision of each of the departments shall organize its experience in terms of budget proposals for submission to the departmental heads. This is true in all governmental agencies.

The department heads review these bureau estimates in the light both of his experience and of his judgment and passes the result along.

In the executive departments these estimates go to the executive; in the judicial, they go to the highest court or to the Chief Justice; in the legislature, they go usually to the presiding officers of the legislative bodies. It is pointed out that the estimates for what are properly called administrative commissions, are not properly reviewable by the Executive, but that the recommendation by the commissioners should go to the legislature without review. The principal reason for this is that these administrative commissions because of their judicial functions should be treated as courts are, and because their functions are quasi-legislative, their natural relationship is with the legislature rather than with the executive.

The departmental estimates are reviewed, as noted, by the highest political officer of the department. He must express the sense of proportion, correct any bureaucratic tendency of the administration, supplement the narrowness of administrative experience by the public's point of view, and the social point of view, and determine what expansion of the work or organization of the public agency shall be recommended to the legislature.

For convenience, the estimate of the courts, the legislature and administrative commission are sent to the Executive to be transmitted with the estimates for executive departments. It would do no harm for the Executive to make memorandum comments and rec-

ommendations regarding these estimates, but the estimates themselves must go before the legislature as recommended by the highest officers of these divisions of government.

The budget proposals are presented to the legislature, and no artificial restrictions are placed upon legislative action. The legislature may change, accept or reject the proposals. The legislature has the same freedom of action with reference to the budget proposals as the directors of a business corporation have with reference to the manager's proposals. If the "business analogy" has any application in the budget procedure, it is in a procedure outlined in this book rather than in the so-called executive budget.

While the budget proposals are presented in great detail, the legislative bill proposes action only upon certain totals. It is not proposed that the legislature shackle the administration by making law all the supporting detail of the budget. The formulation of the budget proposals is, therefore, in certain lump sums and not in the minute detail of the "segregated budget." If there is no accounting control and no supervisory control, or officials are dishonest, or public funds are dissipated, there may be excuse for detailed legislative appropriation, but if administrators are to be given an opportunity to serve the public, they must not be mere automatons registering legislative edicts in all their minute detail.

Moreover, in order that the legislature may really make the budget acts an expression of public policy, they must formulate them in terms of governmental

function and not in terms of governmental structure. *Funds must be voted upon primarily for education, not for the Bureau of Education.*

No phase of budget discussion is more generally misunderstood than the subject of "continuing appropriations." Continuing appropriations are appropriations voted to the comparatively *permanent* services of government, which continue in effect until changed by the same process by which they were originally passed. It places budget enactments for the comparatively permanent services of government under the same legal basis as other law. The continuing appropriations prevent, to a considerable degree, legislative manipulation, reduce the need for administrative "dickering" with the legislature, permit planning for over a series of years, and withal, make possible effective intelligent legislative review at the regular sessions of the legislature.

Legislative organization must be made to promote adequate pertinent legislative consideration of the budget bills. The parceling out to various committees of various aspects of the appropriations for the same field of governmental work results in ill-balanced appropriations. No committee nor member knows what is spent, say, for public health, or even for a particular department, and in many state legislatures it is difficult to determine this even after prolonged post-mortem. The remedy proposed is in some form of single appropriation committee. This committee ought also to consider the revenue aspects of the budget. But for the present, great good would be accomplished at Washington by centralizing consideration of expendi-

tures, as consideration of revenues is now centralized. In some states, unfortunately, the consideration of both revenue and expenditure needs to be organized and centralized.

That is the first step, but some states may be ready to omit the standing committee procedure entirely and adopt instead a thoroughgoing committee of the whole procedure. In any case, the committee of the whole procedure will always be utilized in any effective budget-making procedure. In the committee of the whole, the rules are not a barrier to discussion, but ordinarily they are and rules reform both of committee procedure and of floor discussion is important.

To promote public, adequate and pertinent discussion of budget proposals, it is recommended (1) that there shall be no limit placed upon the length of the legislative session, and the practice of sixty-day session or any other definite number of days session is condemned as promoting legislative manipulation by the sinister influences in a legislature and the stifling of discussion. (2) That the public shall be invited to participate in the legislative consideration of the budget in committee of the whole. This is greatly to be preferred to public hearings before the Governor or to committee hearings because here the public has its best chance, and such discussions have wide educational and civic results. (3) That the privilege of the floor be extended to proper administrative officers so that the budget proposals may be adequately presented to the legislature and adequately defended by the makers of the proposals.

Perhaps the most important thing, is to promote the



right kind of criticism of budget proposal within the legislature itself. Two proposals are aimed to do this. The first is to give the minority control of a committee of criticism by whatever name called and to make it possible to collect reliable information without relying on the routine administrative machinery. The other is to give the minority the right to summon administrative officers before the bar of the legislative house and require answer to specific questions, particularly on subjects and aspects of subjects upon which the administration did not voluntarily supply full information with the budget proposals.

The peculiar problem of the legislature which we refer to as "pork" may be solved by a combination of the following remedies: by the Executive veto, by local contributions to national projects in the locality, by substituting party for individual responsibility for public works bills, and by an administrative commission.

The general procedure outlined above is applicable to the courts, and ordinarily presents no difficulty, but in a time of conflict between courts and legislature serious problems would arise for supremacy. It would seem, in spite of our legal theory of judicial supremacy, that a determined legislature could actually exercise control, through control of the purse strings.

The tests of a budget procedure in a complex, progressive industrial society are not financial but social. Reduction of the amount of public expenditure as such, was expressly rejected, as a factor in determining the budget procedure above outlined. The determining factors in the budget procedure recommended in

this book are two: the character of the society which the government to be financed is to serve, and the character of the government itself. A society such as ours cannot be restricted in its social programs by artificial absolute limitations upon the amount of money to be spent by government, nor by a limitation on the pressing and expanding social needs which government will minister to.

A representative democracy cannot afford, in spite of what may seem to be great immediate advantages, to turn over its destinies completely or largely to an executive, even though elected by the democracy, nor can it afford to stifle the social aspirations of the members of the society and the expression of social need and social demand and the request for public funds for social improvement thus expressed. Consequently, the whole budget procedure must be peculiarly fluid and it must reflect through the representative agency the multifarious articulate, and even inarticulate social demands of the society to be served by the government.

Such are the tests of a budget procedure! How completely the procedure outlined in this book meets these tests is the privilege of the reader to determine.