

The Political Budget

New municipal budgetary principles and the budget as a dialogue process.

Swedish text. English summary. Swedish title: Den politiska budgeten. Om nya kommunala budgetprinciper och budgeten som process för dialog.

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Abstract

Over recent decades the public sector in general and the local government level in particular have been undergoing change at an ever-increasing rate. Public budgeting is an area in which the zeal for reform has been particularly marked. The issue that is addressed in this study concerns the budget's possibilities and limitations when it comes to operating as an effective instrument of control in the hands of the politicians. The central question in the dissertation revolves around the problem of how budget techniques and methods of resource allocation should be designed in such a way as to promote trust and generate confidence between the participants in the budget process. Since it is assumed that a budget must build on grounds of fact in order to function as an effective instrument of political power, particular attention is paid to the nature of the budgetary dialogue.

The empirical material for the dissertation consists of the latest major reform in municipal budget development, i.e. the allocation of resources according to population base. Population-based models of resource allocation have been introduced in decentralised cities and municipalities where local district councils have been given responsibility for the "soft" sectors of the local services. The intention underlying this reform is that the district councils should enjoy conditions that are as equal as possible to fulfil their residents' needs for local services. In the study the experience of population-based budgeting in three cities - Eskilstuna, Göteborg and Norrköping - is examined.

The results show that the acceptance of the population-based resource allocation system can be described, albeit some variations, as good in all the three studied cities. The studies also show that the incentives for behaving in an economically rational way at the district council level have been strengthened, particularly as a result of greatly heightened budget discipline. As regards the political effects of the budget reform, the dissertation provides a somewhat more complex picture. The budget reform can be described as a success in political terms, in that it has given the municipal leadership more control over the scope of the budget. At the same time the central politicians in the three municipalities show evidence of a considerable uncertainty as to whether their intentions and objectives really manage to prevail at all levels. The results suggest that the population-based system of budgeting has not been adequately complemented by clear political control at the centre. In this connection the dissertation has revealed obvious weaknesses in the dialogue between the politicians at the central and the district council level in the studied municipalities.

Keywords

Budgetary process, budgetary dialogue, resource allocation, population-based resource allocation, municipalities, local government, decentralisation, local district councils, trust, confidence.