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Globalization and Public Budgeting

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Introduction

Around the world, demands for greater transparency in government activities has taken root and blossomed. One hot button, in particular, has become a focal point of discussion in recent years: public budgets. Democratic systems across the globe are faced with the dilemma of making fiscal administration more transparent to the public, and one tool that many local governments, in particular, have found successful is participatory budgeting.

Participatory budgeting (PB) is gaining traction worldwide as a best practice toward the goal of greater accountability in government, as it offers the public sector an opportunity to engage constituents in the budget process. Increasing pressure on democratic governments to be more transparent in their dealings begs the question: If government is a public good, then shouldn't it involve the public? Lerner (2011, p. 35) explains that among its many strong points, “Perhaps most important, PB can help establish government as a valuable public good – an idea that is very much under attack.”

Main Text

In an age when citizens feel that government is unresponsive to their needs, PB offers an alternative to local governments by welcoming input from constituents within the community. Beginning with a discussion of the democratization of the public sphere and demands around the globe for citizens' voices to be better heard in government, this essay will offer an overview of participatory budgeting and its contribution to the overarching objective of public sector transparency.

Democratization of the public sphere

Although definitions of PB are as varied as the governments implementing the practice, in a nutshell, “[PB] allows the participation of non-elected citizens in the conception and/or allocation of public finances” (Sintomer, Herzberg, Röcke, & Allegretti, 2012, p. 2). Furthermore, “PB concerns the right to be heard in politics” (Ganuza, Nez, & Morales, 2014, p. 2275). It is not enough to simply invite public feedback, if that input is not recorded or seriously considered. PB stems from the democratic process, at its core.

Citizen participation dates back to the days of direct democracy in ancient Athens, but the modern iteration of participatory budgeting became rooted in Brazil in the late 1980s. It has primarily focused on municipal governments, based on the sheer numbers involved in gleaning public input. PB is a close cousin to direct democracy, which seems to work best in relatively small populations. The practice took off in Brazil and has since spread around the globe, with hotbeds of activity currently concentrated in Latin America, Europe, Asia, and Africa.

PB has been credited with increasing democratic principles in areas where the practice has been executed. “The globalization of [participatory budgeting] may have a lot to do with this democratization of public space and, although the experiment's procedures may vary greatly

according to context, PB almost always involves a deepening of democracy in terms of local political history” (Ganuza, Nez, & Morales, 2014, p. 2275). After all, a government that exists for the people, by the people, should experience a deepening of those principles when the people are actually engaged in the workings of the government. Furthermore, PB provides a forum to increase legitimacy and offer fresh perspectives in the public decision making process through its inclusion of everyday citizens. “Non-organized individuals would bring non-strategic knowledge, a practical knowledge that could endow politics with common sense or, at least, distance it from sectarianism” (p. 2281). Imagine a budgetary process that invites fresh ideas and novel approaches to problem-solving: that is PB.

PB also presents a new framework for public discourse. Old models delegated decision making to associations and elected officials to coordinate on behalf of citizens, but PB invites input from the citizenry directly. “The problem has been the democratization of the public sphere, because in the new institutional framework associations have to share their voice. If associations used to be the actors that structured informal public opinion, PB offers a new way of structuring public opinion where citizens are directly invited to get involved in public decisions. This relation between the associations and PB conceals a friction with important consequences for the democratic life of cities, as it presents itself as a battle for representation of the citizenry’s voice” (Ganuza, Nez, & Morales, 2014, p. 2276). In other words, when citizens have the opportunity to speak for themselves as unaffiliated individuals, the power of associations that may or may not have been working toward the citizens’ best interests is diminished. This is not to say that the voice of associations would be no longer welcomed; rather, organizations must work alongside individuals toward common goals and objectives concerning the public budget.

Although citizens used to have to delegate their wishes to incorporated powers, PB offers a platform for individual voices to make their priorities known.

This shift in power dynamics within a civil society sparks a new way of engaging the public. “The clashing positions of politicians, citizens and associations thus present us with two extremes, which we can view as an opposition between deliberative and representative democracy” (Ganuza, Nez, & Morales, 2014, p. 2288). As aforementioned, the onus for decision making falls on associations in representative models; whereas, deliberative democratic models make it feasible for new participants to engage in the political process. PB fosters an environment conducive debate in the public sphere, which bolsters societal relations. “These new political practices apparently have much to do with the sorts of relations that have historically been attributed to civil society (for example, horizontal power relations, dialogue and tolerance)” (p. 2276). Those citizens who may feel that government was on an opposing side now have an opportunity to join the debate as individuals, thereby disbursing the decision making power within the community.

Deliberative democracy lends itself naturally to improved dialogue among participants, as they become more involved in the decision making process. In turn, neighbors can develop tolerance toward new ideas and each other. For example, Chicago, Illinois, served as the first testing ground for PB in the United States, and despite some challenges along the way, “... the Chicago experiment illustrated ways to bring people together to make tough decisions. Sure, residents had conflicting ideas about how the money should be spent, But now they had space to negotiate these differences and focus on the common good” (Lerner, 2011, p. 35). Diverse voices contributed to the success of PB in Chicago, rather than detracted from the process.

PB offers six core benefits, according to Lerner (2011): democracy, transparency, education, efficiency, social justice, and community (p. 31). As mentioned above, PB can bolster democratic principles by involving the people in the decision making process. The Chicago example also shows how community members became better educated about priorities within the metroplex, as a whole, which led to better perceptions of community and a higher regard for social justice. Arguably, PB contributes to the notion of improved transparency in the public sector, and as Justice and McNutt (2013) explained, “Fiscal transparency can generally be understood as one requisite for extending the practice of democracy” (p. 5). The following section will explore some best practices of PB and its contribution to fiscal transparency in the public sphere.

Participatory budgeting

From its beginnings in Brazil, various iterations of PB have stretched across the globe, with the primary focus at the municipal level. “In the past twenty years, PB has captured the imagination of people around the world thanks to its core concept: citizens deciding public spending” (Lerner, 2011, p. 32). Ideally, PB could be implemented at the federal level, but it would require a tremendous undertaking to provide opportunities for a representative cross-section of society to be included in the process. Realistically, democratic systems have a hard enough time encouraging citizens to vote, much less invest time reviewing budget documents and becoming involved in the fiscal decision making process. PB has experienced success at the local level, perhaps due in part to the close-to-home perspective of residents within the community.

In its 2005 publication on global PB, the United Nations noted five principles of best practices concerning this novel approach to budgeting: “(1) accountability and result orientation;

(2) professionalism; (3) proportionality; (4) transparency; and (5) independent check and balance, monitoring institution” (p. 44). Simply holding a town hall meeting and inviting a few public comments on the draft budget is a paltry example of PB in practice; a truly deliberative process incorporates dialogue, as mentioned previously. An exemplary PB endeavor will go even further and treat participants professionally, incorporate accountability and feedback measures, as well as welcome input from a cross-section of the community. Although the logistics of PB vary as widely as the communities utilizing the process, the United Nations’ best practices are broad enough to incorporate different PB models.

The United Nations document goes on to explain that performance-based budgeting is a key to improving budgeting processes through accountability. After all, local citizens are the ones impacted by municipal budgets, so it stands to reason that they would be in the position to determine the effectiveness of such budget items. “The performance-based budgeting needs some criteria to evaluate performance and evaluation. It avoids duplication of work plan and budget of state ministries/institutions/unit policies. It needs an integration of performance accountability system in budgeting” (United Nations, 2005, p. 45). Involving local citizens through PB can provide a new perspective on what aspects of the budget need to be assessed for performance evaluations.

PB permits citizens to play a role in evaluating budget performance for the purpose of determining future spending by adding another layer of accountability. This local measure of accountability drives the budget process close to home by including those most intimately affected by it. “Through PB, citizens have decided how to spend part of the city budget through an annual series of neighborhood, district, and citywide assemblies” (Lerner, 2011, p. 30).

Because PB has been instituted primarily at the local level, it encourages networking between community groups that previously may have functioned at odds with one another.

Through dialogue and debate among citizens who have the opportunity to learn about needs and priorities in other areas of their communities, PB provides "... a logic of collective action different from what has been the usual fare in cities – one based on proposal rather than demand" (Ganuza, Nez, & Morales, 2014, p. 2274). This new communication dynamic is not without controversy, however. As noted above, associations that previously held the bulk of decision making power must step aside to allow new voices at the table, which requires relinquishing some control. Likewise, elected officials must be open to hearing input from new sources, which can be a difficult transition for incumbents who have ruled the roost term after term. "PB also requires that politicians, public employees, and citizens adapt to new roles. Politicians need to give up control over some decisions in order to gain community support" (Lerner, 2011, p. 34). Although incumbency reelection rates remain extraordinarily high, new practices like PB may put pressure on elected officials to be held accountable to their fiscal decisions more closely than they may have been required in the past.

Lerner (2011) also notes that PB efforts around the world share common ground in terms of establishing needs assessment, deliberation, decision making, and implementation (p. 31). As with the Chicago example above, citizens from different parts of the community will not likely be on the same page concerning the city's priority spending areas – at least initially, but through a deliberative process of assessing the needs within the greater community and engaging diverse voices in decision making, municipalities the world over have demonstrated that it is possible to come to agreement on how to parcel out the budget.

As citizens become more aware of the issues at hand and get involved in PB, the seemingly mysterious proceedings of government can become clearer and less intimidating, such that they are more at liberty to express their own ideas and concerns. Grimmelikhuijsen (2012) described it this way: “Transparency leads to demystification of government, a development that is catalyzed by the rising expectations of citizens” (p. 297).

Transparency

Kopits and Craig (1998) define fiscal transparency as “... openness toward the public at large about government structure and functions, fiscal policy intentions, public sector accounts, and projections” (p. 1). The key to this openness lies in the level of public access concerning government activities, which the authors describe as needing to be “reliable, comprehensive, timely, understandable, and internationally comparable information” (p. 1). Providing an executive summary or snapshot of the budget is not enough to be consider PB; the information provided to the public must be comprehensive and easily accessed and understood by lay persons. Too often, municipalities may make budgetary information available to the public through a municipal website, but deciphering the poorly labeled spreadsheets is too laborious for many individuals to bother attempting to understand.

Transparency is not simply a blanket, one-dimensional concept, suggest Kopits and Craig (1998). In fact, they have identified three dimensions of transparency: aggregate, government operations, and behavioral aspects. The aggregate level covers the disbursement of reliable information to the public about public policy matters. This feature is important to let the public know what priorities or obligations are coming down the pike. Government operations include more specific details about budget documents, including the detailed spreadsheets that some lay persons may not readily understand but still should have access to view. Lastly, behavioral

aspects relate to the government's responsiveness to issues such as information requests, codes of conduct, performance assessments, and similar accountability measures (p. 1). When a government entity replies promptly to Freedom of Information requests and similar inquiries, it can reflect positively on the organization because there seems to be nothing to hide.

Nurturing an environment of transparency in the public sphere requires effort on the part of elected officials as well as the public. "Transparency does not just happen," explained Berliner (2014); "such efforts usually require existing principals to commit to institutional reforms that are costly to themselves" (p. 490). When an incumbent implements transparency protocols, they expose their own administrations to the same critiques that they expect other elected officials to undergo. In other words, opening government operations to public scrutiny may build rapport with the public, but it also makes public officials more vulnerable to criticism. Berliner (2004) also suggested that the incentive for incumbents to jump on the transparency bandwagon and pass policies such as Freedom of Information laws is to gain the support of constituents who hold such promises in high regard (p. 484). The tradeoff between vulnerability and good governance is a worthwhile and necessary step toward deliberative democracy.

While transparency is a popular buzz word among government watchdog groups, it has also gained support on both sides of the partisan aisle as an important practice to implement, regardless of political leanings. "Transparency in government is an issue that has the bipartisan support of progressives and the right" (Justice & McNutt, 2013, p. 18). Put another way, transparency helps to keep political friends close and enemies closer. "Transparency increases the likelihood that principals will detect malfeasance on the part of agents and will exact punishment, thereby deterring the abuse of public power" (Bauhr & Grimes, 2014, p. 292).

Transparency allows political opponents to hold each other in check, not to mention empowering the public with means to keep elected officials on their toes.

“The new era of transparency will increasingly expose gaps between governments’ rhetoric and reality, empowering domestic and international audiences to hold leaders more accountable for their decisions” (Larkin, 2016, p. 6). Transparency opens closed doors (quite literally, through policies such as Open Meetings Acts) and helps to ensure that public servants are doing just that: serving the public good. In a transparent political environment, campaign promises give way to reality checks, particularly in terms of fiscal responsibility.

When processes like PB are implemented according to best practices and increased transparency in the public sphere, robust public policy is an expected outcome. “Fiscal transparency, in each of its three dimensions, is a necessary condition for sound economic policy,” explained Kopits & Craig (1998). “Nontransparent fiscal practices tend to be destabilizing, to create allocative distortions, and to exacerbate inequalities” (p. 2).

Grimmelikhuijsen (2012) equates transparency in government with the Wizard of Oz, in that he seemed almighty until the curtain was opened. “Instead of being seen as powerful and special, government organizations are demystified by transparency” (p. 293). This can be a positive side effect, because everyday citizens become empowered to participate in a process that previously seemed intimidating and elite. However, as Grimmelikhuijsen proposed, individuals may feel disillusioned by the realities of government in practice. “If people can see all mistakes behind the scenes of government, they may become disenchanted with it thus decreasing both the trust in and legitimacy of governments” (p. 295).

One way that citizens can have their idealistic hopes dashed, according to Grimmelikhuijsen (2012), is through the slow and laborious decision making process itself.

“Despite the irrational and incremental nature of public decision making, it is presented to the public as if it is rational and the model of ‘rational choice’ is being used,” noted Grimmelikhuijsen. “Decision-makers lack the ability and resources to find the optimal solution so they apply their ‘rationality’ only after having greatly simplified the choices available” (p. 298). PB participants who expected to jump into the process with both feet and make sweeping changes may be disappointed to realize that policy making can be a lengthy process.

Conclusion

In conclusion, participatory budgeting and transparency go hand-in-hand. As local governments strive to meet the increasing demands of a technologically capable public, they would do well to consider incorporating PB into their budgetary processes. Citizens who invest time into the PB process may gain a greater appreciation for the inner workings of the bureaucracy and become better informed, more engaged residents of their communities.

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