

The Budgetary Balance of Power between the Executive and the Legislature

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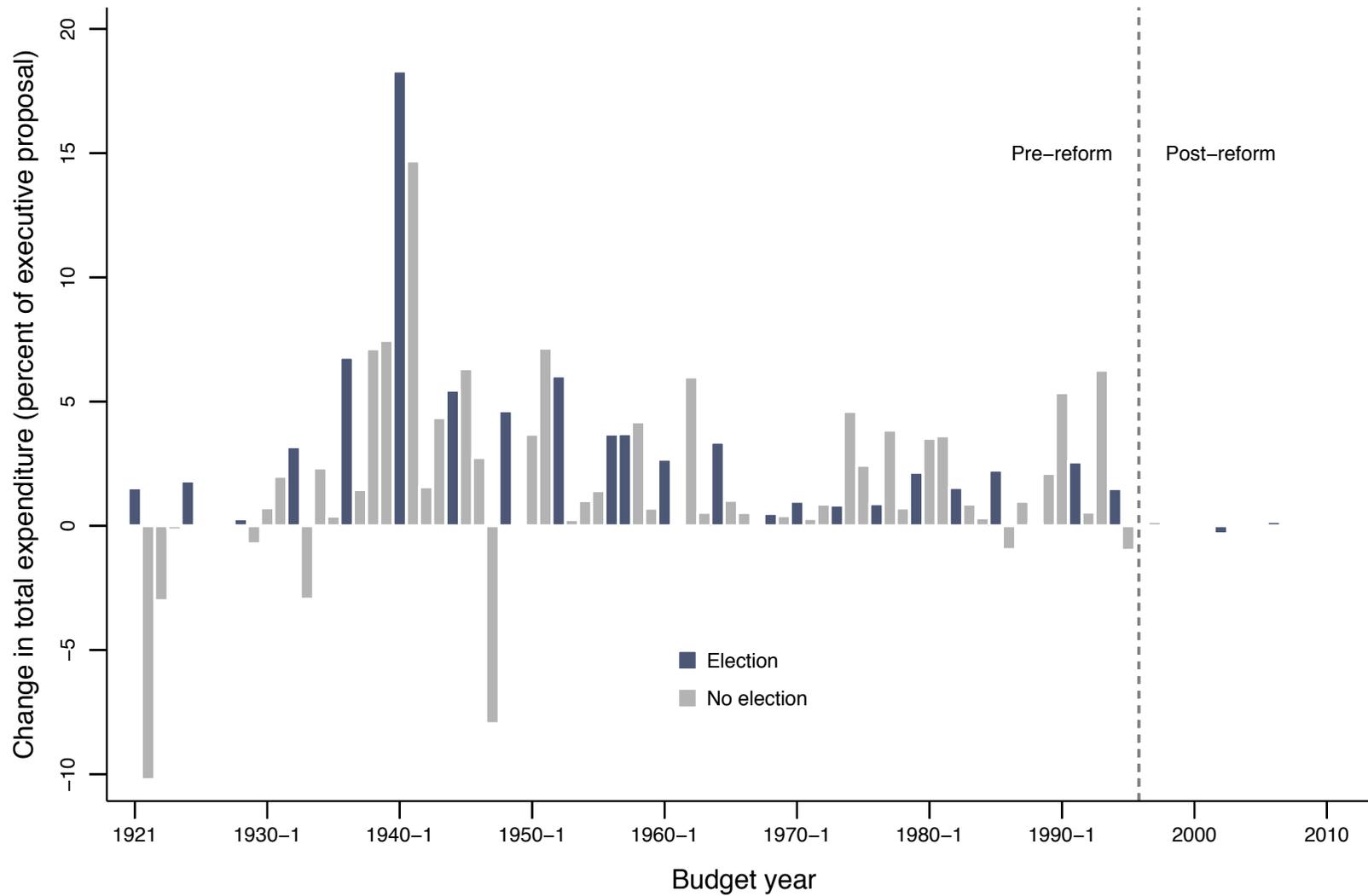
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The balance of power is not static

- In England, the battle for parliamentary control dates back to the Magna Carta, but parliamentary influence over the budget started to fade in the 19th Century
- US Congress dominated the budget process until the creation of an executive budget process in 1921, followed by a period of executive dominance until the 1970s, since then more contestation and gridlock
- Swedish Parliament traditionally influential, but a new parliamentary process in the mid-1990s has greatly reduced the number of amendments made to the budget

Parliamentary amendments in Sweden

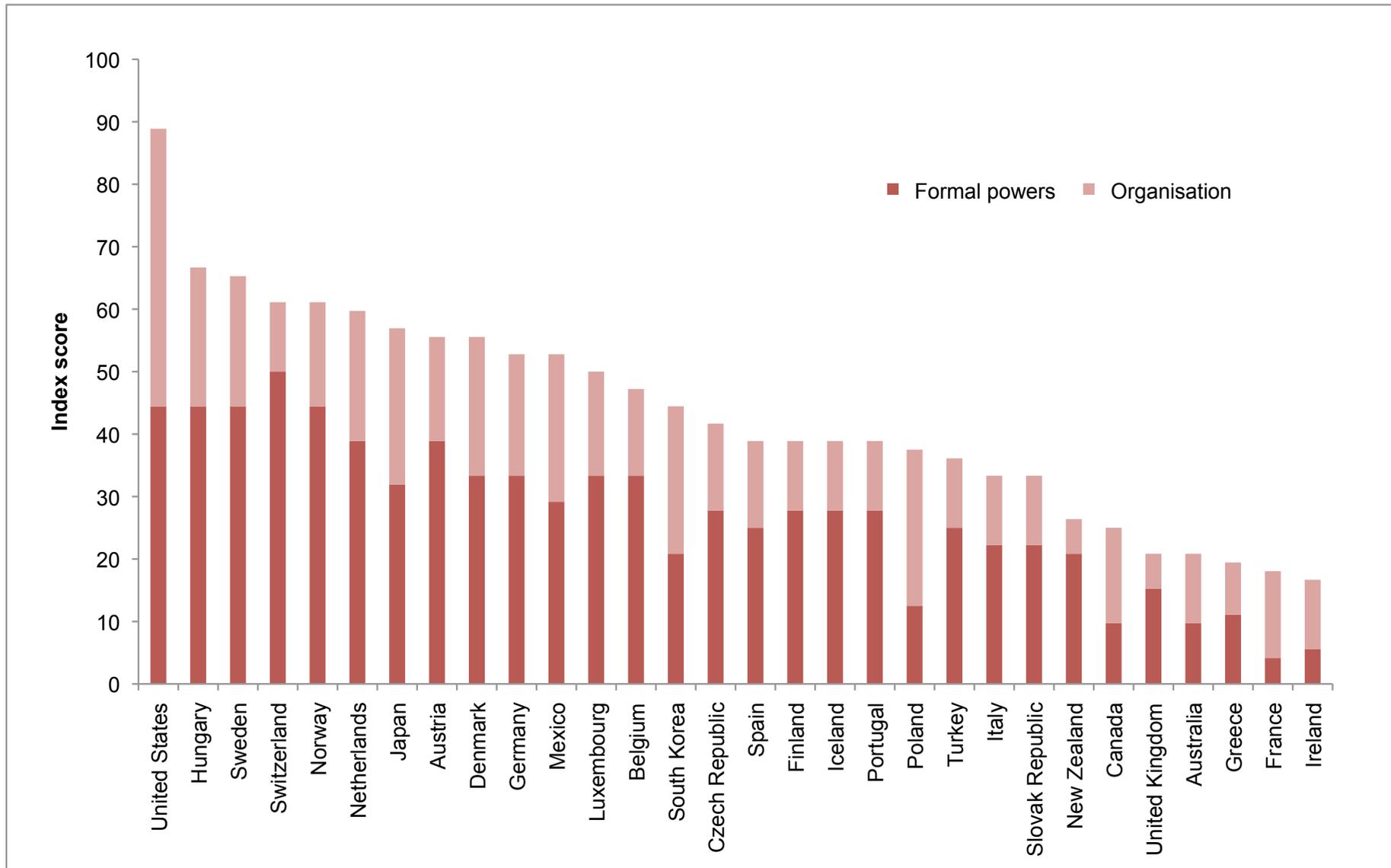


Source: Wehner (2013).

The UK and the US are poor “models”

- Both are extreme cases, but on opposing sides of the distribution of parliamentary control of the budget
- The US is not representative of presidential systems, while the UK is not representative of parliamentary systems
- The US system has many features that enable strong congressional influence, but the budget process is often disorderly
- The UK process makes for weak parliamentary input and ex ante control, especially of public spending, instead emphasising ex post oversight in the Public Accounts Committee

The Index of Legislative Budget Institutions (2003)



Source: Wehner (2010). 100 = full institutional capacity, 0 = no institutional capacity.

Most systems fall in-between the extremes

- Legislators have some influence, but at the margin, and fundamental changes to the executive proposal are rare
- One challenge is to reconcile legislative influence with sound public finances - legislators are often fiscally undisciplined
- Another challenge is to integrate findings from audits into annual decisions on budgets - this link is weak in many parliaments

Strengths of financial scrutiny in Germany

- Bundestag has unfettered powers and makes about 1000 changes per year, but with little aggregate impact and often involving reallocations
- The budget is transmitted to Parliament in August, more than four months prior to the start of the fiscal year
- Scrutiny in a strong Budget Committee with an opposition chair, based on a cross-party rapporteur system, ensures fiscal discipline
- The Audit Committee is a subcommittee of the Budget Committee, thus allowing audit findings to reach budgetary decision-makers

Weaknesses of financial scrutiny in Germany

- No dedicated budget analysis capacity to support the work of the Budget Committee
- Centralised parliamentary process allows for only limited input from sector committees
- Strong powers to interfere with budget execution (“qualified freeze”) considered problematic by some
- Classic line item budget with 6000+ items means that scrutiny remains heavily input-focused

Conclusions

- Many systems struggle to reconcile accountability and fiscal prudence in the parliamentary budget process
- The executive-legislative balance of power can shift over time, to reflect political dynamics and changing preferences
- It is worth looking beyond the extremes of Westminster and Congress for reform ideas, e.g. at the German system
- Parliamentary budget institutions play a role in ensuring prudent outcomes, so design them wisely when given the chance