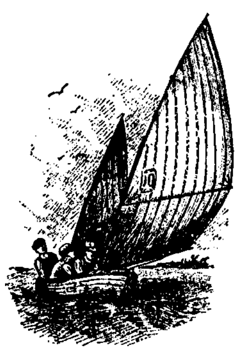
Revista de Economia Política, vol. 16, nº 3 (63), julho-setembro/96

Budgeting and democracy

PAUL SINGER*

Este ensaio começa com um histórico das relações entre orçamentação e democracia, desde a aurora do estado moderno e do liberalismo até hoje. As várias ideologias orçamentárias — desde o dogma do orçamento equilibrado até o orçamento redistributivo do Estado do Bem-Estar Social — são examinadas. Passam-se em revista, a seguir, as práticas orçamentárias atuais, no contexto da tendência geral à descentralização, com o aumento da autonomia e dos recursos dos governos locais. A discussão culmina finalmente, na participação dos setores organizados da sociedade civil na elaboração e execução orçamentária, examinando-se alternativas ao predomínio dos interesses corporativos e grupais sobre o interesse geral.

1. INTRODUCTION



There is no necessary connection between budgeting and democracy, but historically both have become narrowly associated. Budgeting came to life in countries that were liberal and on the way to become democratic. What made budgeting necessary after all was the need to control spending of an increasingly large and complex government apparatus. Premodern governments were comparatively simple and their spendings concerned mostly the sovereign, his retinue, his military commander and... his creditors. But, modernity has steadily multiplied the functions and activities of the State: government in general and particularly local government became involved in sanitation, public transport, production and distribution of gas, later of electric energy and finally in a host of social chores. The sheer complexity of the modern State apparatus demands a more or less careful foresight of expenditure and the corresponding provision of resources. Budgeting is, so to say, a *technical* requirement of administrative control, which would exist even if public expenditure were not dependent on the approval by the elected representatives of taxpayers. But this remarkable expansion of state activity

* Professor at Faculdade de Economia e Administração — (University of S. Paulo) USP.

is, of course, closely related to the collective consumption needs of a citizenry that was conquering political rights, by means of which the response to those needs could be enforced.

Budgeting became an important mean to *rationalize* public management and particularly public finance, but at the same time it became also a way of popular participation in the allocation of public funds among a large number of competing objectives. The improvement of budgeting, making it more transparent, meaningful, understandable, analysable helps both aims — it increases the possibility of rational choice of means and at the same time it enlarges the possibility that common citizen may take part in the definition of priorities and the evaluation of competing demands for public assistance.

2. THE HISTORICAL ROOTS OF GOVERNMENTAL BUDGETING

Budgeting as a technique of forecasting, ordering and controlling performance is probably applied by all sizable organizations, be they public or private. But governmental budgeting is more than a technique, it is a political process by means of which decision making on taxation and other sources of revenue and on the allocation of the resources so obtained is shared by the executive and the legislature. The division of powers itself is historically rooted in the control of public finance by the directly elected representatives of taxpayers. A rapid survey of the evolution of the political roots of budgeting may enlighten the political cultures that originated this process and lent it its present-day character. Budgeting is a very complex social and political process, the evolution of which is to a large extent governed by learning: all actors learn through victories and defeats in yearly campaigns how to operate in order to dispute and negotiate their mutually exclusive aims.

3. THE LIBERAL ROOTS OF BUDGETING

Since the middle of the 17th century, European governments tried to manage their finances by a methodology which may be called "budgeting". But it was only half budgeting, because solely revenues provided by taxes were of concern. Expenditure was a predetermined result, since most revenues were already earmarked for specific uses. Probably taxes were raised to fulfill designated needs, each need getting the amount of resources that were raised by "its" tax.

As Webber & Wildavsky (1986) point out, "for the sources of modern financial procedures we must look at governments whose existing order was changed abruptly by early political revolution. Legislatures seized part of absolutist monarchs' fiscal decision-making in the Dutch Republic and in England after their seventeenth-century revolutions" (p. 285). This was probably the starting point of the division of power between a hereditary sovereign and an elected parliament. Because the power to tax was the prerequisite to wage war, the main attribute of state power at the time. This became clear at the Stuart restoration in England. Parliament imposed as a condition to accept Charles II that he renounced claim to the crown's traditional feudal dues and in exchange agreed to grant him 1.2 million pounds, obtained from customs and excise taxes, each year for the duration of his life. This sum was not large, it was only 60% of what Cromwell had spent yearly, and Parliament intended in this way to keep Charles under its control. The king however was able to evade the control of the legislature by borrowing.

In 1688, the Glorious Revolution led William of Orange, the Dutch prince, to the English throne. Parliament granted him resources only to cover the yearly expenses of the civil establishment, in order to oblige him to ask the legislature for more money if he wished to wage war. Such requests were rarely denied by Parliament during the next century, but the principle was upheld that the king was to ask supplemental appropriations to organize an army or a fleet, which gave the legislature so to say some military power or power over the military. It made the division of powers more balanced, avoiding the danger that Parliament, an unarmed power, would be at the mercy of an armed one (the monarchy).

It is noteworthy how little the support of civil government represented of total state expenditure in the 18th century. In 1700-1709, the English government devoted 66% of its spending to military purposes, 21% to debt charges and only 12% to civil government. At the end of the century these proportions did not change much. In 1790-1799, the English government still allocated 58% of its expenditure to military purposes, 35% to debt charges and 6% to civil government. (Webber & Wildavsky, 1986, p. 289). Since debt charges were very probably the result of past wars, it is quite clear that, at that time, warring was by far the main activity of government and therefor who controled public revenue had a decisive say on this matter.

The establishment of the Liberal State, in Europe and in America, in the 18th and 19th centuries required a reform of public administration. Public finance was reformed by the abolition of hereditary privileges, particularly the tax exemption of the nobility, and by the replacement of tax farming — the sale of the tax revenue before it was collected to "farmers", who paid in advance and "harvested" afterwards — by a *professional bureaucracy* of civil servants. Surprisingly, reforms were quicker and went *farther* in countries governed by "enlightened autocrats" like Austria, Prussia and Russia than in Liberal England. The reasons are understandable. "Legislative government, with its due process, commissions of inquiry, and respect for property, tends to dampen abrupt change. Proprietary rights in office and fee-taking could not be abolished without Parliament's consent. Life tenure was phased out gradually; as sinecurists died, the Treasury abolished their offices. (...) That reform was incomplete in late-eighteenth-century England should not surprise us. By then finance had become politics; its essence is compromise." (Webber & Wildavsky, 1986, pp. 295-6).

During the 19th century, the steady spreading of the Industrial Revolution occasioned the rapid urbanization of sizables shares of the population. Cities grew quickly and through the use of the new technologies, local governments began to provide "public goods": water supply, sewage and garbage collection, street lighting, paved streets and public mass transport. Modern urban life became unthinkable without universal access to these goods. They enlarged governmental activity and expanded significantly public expenditure, particularly of regional and local authorities. Most of these expenses were capital spendings, for which cities had no internal financial sources available. The main source of local revenue was (as it still probably is) the property tax. This was not enough to generate resources needed to build the service infrastructure demanded by the industrial cities being created.

Monkkonen (1988) refers to this problem in these words: "For cities with growth rates as steep as those in nineteenth-century United States, taxes adequate to finance high quality, service-intensive capital expansion could never have been raised on existing real property. *The newer cities in mid-nineteenth century literally built themselves from nothing.* For the newest cities, the capital for the construction of buildings, streets, water systems, and sewerage could hardly have been derived from taxes, as there was only the expectation and hope of growth. For all cities, population either lagged behind or just kept up with infrastructural growth, and a high tax on the existing inhabitants would have deterred new arrivals and investors. (...) Cities therefor financed their growth by issuing debt, usually in the form of bonds marketed to investors in major eastern cities or in Europe" (underlined by me).

Urbanization occasioned the first sizable expansion of public expenditure, besides enlarging public indebtedness, which hitherto had only been due to wars. For the first time, alloçation of resources for expenditure became as important as the size and sources of revenue. Budgeting began to encompass a new type of interest conflict, between groups of citizen interested in the expansion of certain types of expenses. These citizen were not necessarily the main tax payers. Urban investments and services were needed by all dwellers and most so by poor ones, who for instance depended more on public transport than those who could afford a private car. Although it took some time to be realized, governmental budgets began to be indirectly redistributive, to the extent that taxes paid by the richer real proprietors financed public services mostly enjoyed by the working population.

Another important step in the evolution of budgeting, during the Liberal Era, was the emergence, during the 19th century, of the norms that until today rule the matter universally: unity, annuality, balance, comprehensiveness and control. These norms correspond to the new character of budgeting as a result of the growth of its size, complexity and social importance. For each government — national, regional or local — the budget has to be one and comprehensive, so that legislators and through them citizens can compare relative weights of different taxes and relative values of different appropriations. It is a requirement of equality of rights that no revenue should be earmarked before the budget is decided upon as a whole. Separate budgets would impede such comparisons and could harbour privileges in detriment of the majority.

Annuality and balance are norms that impede that present rulers impose excessive burdens on citizens in the future. Budgets that cover longer periods of time would cancel the right of legislators to dispose of revenues in the light of future configurations of interests. It is true, of course, that many investment projects take much more than a year to be completed and therefor "earmark" certain amounts of resources to be spent in the following years. But annuality of budgets always allows legislators to speed up or slow down investments under way, so that some flexibility is preserved, which would not be the case if budgets covered longer periods. The same argument applies to the need that budgets balance expenditure and revenue. This does not preclude that some of the revenue take the form of loans, that will have to be serviced in the future. But, the norm that budgets should be balanced is at least a warning against the danger of excessive indebtedness.

Finally and just for the record, state support for social security also started in the Liberal Era. During the last decades of the 19th century, the German Chancellor Bismark enacted compulsory sickness insurance and accident insurance and later an old-age-and-disability-insurance fund, in order to win the loyalty of the working class, then under the influence of Social Democracy. The example was soon followed by other countries. In 1908, Lloyd George proposed an Old Age Pensions Bill, which should cover all citizens, including those never employed. This required public funding and in order to raise the resources he imposed progressive rates on incomes above £ 2,000 a year (Webber & Wildavsky, 1986, pp. 351-2). Social security became a really important expenditure only since the Great Depression of the 30s in some countries and more generally after World War II.

4. THE DEMOCRATIC ROOTS OF BUDGETING

The Democratic Era began at the dawn of the 20th century, when universal suffrage was finally adopted by Australia. In the following decades it spread to most countries in Europe and America, reaching the new countries of Asia and Africa after the World War II. Democracy resulted from the extension of full political rights to subordinate groups, like the women, the young and the poor, which naturally would use them to improve their economic and social situation. However, it took the new voters long years to learn how to make their numbers weight in the political process. Anyway, the outcome was a new type of state, responsible for the satisfaction of quite a number of basic needs of all citizens. Hunger, illness, unemployment or homelessness were not anymore, as they were regarded before, individual problems, to be solved by individual expediency or at most by charity, but problems of all society, which should contribute to insurance funds in order to prevent that any of its members should be exposed to these evils without assistance.

This remarkable change of social values resulted not only from the political consequences of universal suffrage but also from the worst depression of the history of capitalism, which signalled the need to redefine the regulation of the system at the national and international level. Until then, this regulation was done by means of monetary policies that preserved or restored the value of each national currency in terms of gold. The so called "gold standard" bound all nations together in a vast system of free trade and unimpeded flows of payments, loans and investments, that required periodically severe reduction of the amount of money and credit in countries that lost gold due to an adverse evolution of their external accounts. The capitalist economies endured 10-years-long business cycles, a result of this type of regulation, during the two centuries that preceded 1914, when the system suffered a decisive setback.

The Great Depression of the 30s may be regarded as a consequence of the change of power relations, due to the political empowerment of the working classes. The endurance, mustered before, of the hardships of periodical crises ceased when unions became strong enough to resist wage cuts, which were "necessary" to allow deflation to restore the gold value of the currency. As Desai (1981, p. 41) put it: "This was the beginning of universal adult franchise in most European countries. Thus, democratic pressures were being felt by Europe's governments which their nineteenth-century predecessors could blithely ignore. The impersonal forces of the market brought hardships to people who, having got their vote, were no longer willing to suffer patiently. The first socialist country (collectivisation, purges and all) had arisen and provided an alternative political threat".

The need to change economic regulation was responded, at the time, by a revolution in economics that immortalized the name of Keynes. The great British thinker brought forward the bold notion that (nationally) aggregate consumption, production and employment were not determined — as ortodoxy until then teached — by the working of a large number of single-product markets but by the "effective demand" of all economic agents and that this demand could be too small to bring the economy as a whole to fully use all resources (human and material) available. So that unemployment may be due not to excessive wage rates, as was widely believed, but to insufficient demand. If this was so, to reduce unemployment it became necessary to expand expenditure and if the private sector was unable or unwilling to do that, it was the duty of government to step up its expenses, in order to rise the effective demand and thereby increase consumption, production and employment. Keynes used even the multiplier analysis to show that for every dollar spent by the public sector there would arise a multiple expansion of private expenditure.

Now, this outcome of the Keynesian Revolution was startling for the political common sense, prevailing then and prevailing now. It seemed obvious that governments tend to spend too much for undeserving ends or undeserving people. The highest virtue of any financial authority was to restrain public spending and to watch that every budget should be perfectly balanced. From now on, all this obvious truths were put on their heads: in times of depression and large unemployment, governments should expand their expenditure, mobilizing public savings (if there was such) or running into debt. Budget deficits should be regarded as a sort of advance, to be soon recovered by an expanded tax revenue, due to an enlargened aggregate output. The task of financial authorities became more complex: they had to find out if the existing level of unemployment was at the target position or below. If below, fiscal policy should be expansive and monetary policy generous. If close to the maximum mark, which meant danger of inflation, fiscal policy should become restrictive and monetary policy parsimonious.

Once these ideas won general agreement and were politically translated into laws and constitutional rules, they started a large change of values that amounted to a veritable Cultural Revolution. During the 50s and the 60s, a new ortodoxy surfaced, which held for truth that inequality of incomes, life standards and particularly life opportunities for the young, however produced, could not be tolerated and had to be somehow compensated by State action. And in underdeveloped countries, this ortodoxy held for truth also that inequality between nations should not be tolerated either and that the State in these countries should lead the private sector into import-substituting industrialisation. In short, all those who were handicapped in the free market game turned to the State to ask for assistance... and most of the time they got it, even if not so much and so soon as desired.

The role of the State changed greatly as a result of all this. "Massive arms spending during World War II seemed to validate Keynes' prescription (...). As government spending rose, consuming from a third to nearly half of GNP in England and the United

States, their economies revived, restoring incomes. Mass military mobilization and production for war brought about labor shortages. (...) In the United States and Britain taxes on incomes of individuals and businesses and on luxuries went up sharply, providing resources to finance the war while controlling inflation. (...) By the end of World War II, the taxing and spending process acquired a broader economic as well as a narrower financial function. No longer was it sufficient to maintain a reasonable balance between amounts raised in taxes and amounts spent. A macroeconomic fiscal policy became superimposed on the process of budget balancing, taxing, spending, and borrowing became an inseparable trinity of tools for economic management.

"(...) There is a sense in which governmental growht in Europe and in America since 1930 reflects optimism about governments capacity to favorably influence society, an optimism comparable to the collective intellectual euphoria of the eighteenth-century English and French Enlightenments. (...) pro-government activists maintained that market forces alone should not determine the circumstances people live in. (...) in the post-World War II decade governments did not contract absolutely. Rapid economic growth obscured government's growth in size as taxes brought in increasing shares of nations' expanding GNP. (...) Spending went up in aggregate, and in some nations as a proportion of GNP, but, because of rapid growth, budgets remained balanced. More accurately, imbalance was small." (Webber & Wildavsky, 1986, pp. 435-6).

I made this quotation so long because it ably sums up the enormous change that the Democratic Era brought about the role of the national State in most Western countries during the second third of this century. And the center of the new role was and has been, since then, redistribution through governmental spending, therefor budgeting. The process of deciding from where to raise resources and where to spend them, on all levels of government, became the main center of social conflict in every democratic nation. Even where this process continued to be hidden from the public, shielded from all sorts of demands and pressures from "outsiders", it somehow became affected by social struggles and political fights that take place inside and around governments.

The first big difference between budgeting in democracies compared to its liberal past is that the main concern is the expenditure. Taxing remains controversial, particularly since tax revolts of middle class taxpayers started the neo-liberal counter-revolution of the 80s, but the real pressure that counts arises from the manifold disputations of subsidies, transfer payments, public services, infrastructure works, governmental investments, state enterprises etc. Governmental agencies, through which these expenditures flow became advocates of clienteles that benefit from them. Parliamentary committees that supervise appropriations end up playing similar roles. Lobbies of special interests penetrate the Executive as well as the Legislature, they finance candidates as well as political parties, creating thereby a dense web of interlinked interests, through which the decision-making process of budgeting often becomes obscured and at the eyes of public opinion deeply suspicious.

The main weapon of the neo-liberal critics of the welfare-state has been the bad use of public funds. There are many instances of embezzlement, mismanagement and misappropriation of public moneys that frequently come up in the mass media, while the process of expenditure is never shown as a whole. In fact, the public never has the opportunity to check benefits against costs of public finance, getting only to know the instances where tax money has been squandered or stolen. As a result, most people get convinced that most of the resources that flow into State treasuries never reach their rightful recipients. May be this is the main contradiction between the democratic process of government and its social outcome. Budgeting as the political process of raising funds from one sector of society to chanel most of them to the benefit of other sectors is at the center of this contradiction.

5. DECENTRALIZATION

Decentralization seems to be the fashion. Large enterprises decentralize, governments decentralize, almost every sizable centralized organization is engaged in getting decentralized. The greater devolution to subnational authorities by central governments goes hand in hand with other forms of governmental decentralization: more delegation to field officials, cooperation with voluntary and communal bodies, more involvement of the private sector through privatization, joint ventures or outside contracting (Davey, 1989, p. 2). This trend is rooted in the remarkable advances in long-distance communication and transport, due to scientific conquests achieved during the last decades. The microelectronic revolution is a convenient concept to sumarize these changes. As a result, it is becoming easier and more unexpensive to coordinate a large number of heterogeneous bodies that compound a system. More important still, it is becoming possible to allow more autonomy and diversity to the component bodies, conferring more flexibility to the system as a whole.

Before the microelectronic revolution, coordination of large systems were usually quite expensive and, in order to reduce costs, procedures had to be standardized as much as possible. As a result, economies of scale were achieved, but only average needs or demands could be satisfied. The unavoidable standardization of deliveries restricted the amount of tastes, preferences or needs that could be served. It is the ease with which informations can be processed, stored, retrieved and transmitted that makes decentralization feasible. Desirable, decentralization always was. Centralization was the price that had to be paid in order to make possible mass production of goods and services. Now this price is diminishing, to the extent that systems gradually incorporate diversity without loss of efficiency.

But technical possibilities are not translated mecanically into political realities as soon as they arise. In the case of government, devolution implies transference of power to decide from the national government to states and municipalities. One may suspect that giving up power is not done always with very good will. Dillinger (1993, p. 8) reports that "out of the 75 developing and transitional countries with populations greater than 5 million (World Bank, 1992), all but 12 claim to be embarked on some form of transfer of political power to local units of government". Dillinger attributes these moves to political expediency, to "the need of national political leaders to accomodate or deflect increasingly strident demands for power sharing by groups that have traditionally been excluded from it". In Africa (according to Dillinger) decentralization has been an attempt by bankrupt central governments to create a new target for political dissatisfaction, without relinquishing real power. He concludes his analysis saying that "whatever the underlying cause (of rising stridency), it is clear that the decentralization now occurring is not a carefully designed sequence of reforms aimed at improving public sector performance" (p. 9).

In order to be able to make meaningful generalizations, let us restrict the discussion to democratic countries, where occupants of power positions in all levels of government are freely elected. In these countries, decentralization is probably the joint product of more freedom and stronger demands for local and regional autonomy, on one side; and the concrete experience that regional and local governments can be more efficient and certainly are more responsive to grassroots demands, on the other. Inside the democratic wave that is nowadays engulfing many peripheral countries, a strong aspiration for direct participation of citizens in public decision making can be felt. This aspiration is easier to meet at the local level, where contacts and information exchange between authorities and common people are much more intense than at higher levels of government. The hypothesis I offer is that decentralization is an unavoidable by-product of democratization, powerfully enhanced by the new possibilities provided by technical progress.

So, if some of the claims that decentralization is being undertaken are genuine, what does it really entail? Davey (1989) says that there are a few things that most municipalities do, like refuse collection, market administration, cleaning, drainage and lighting, regulation of land use and development etc. But local governments are also involved in widely disparate areas like the supply of electricity and water, sewerage, primary schools and clinics, sometimes secondary education and hospitals, police and fire services, trunk roads, rental or purchase housing or servicing sites (p. 15). Davey forgot to mention public transport, transit services, telephon communication and social assistance. It seems therefor that almost all public services can be provided by local authorities. Decentralization can only mean then the transference to regional and local governments of tasks that were before the responsability of central government and of resources to better implement old and new functions.

Given the antagonistic nature of decentralization — compelled by pressure from below, grudgingly acquieced from above — it may frequently occasion new bottlenecks, when the transference of tasks is not accompanied by that of resources and vice versa. In Brazil, the Federal Constitution of 1988 enlarged the participation of municipalities in federal and tax receipts and declared as their duties to provide, with technical and financial cooperation of the Union and the State, basic education and health assistance. Succeeding federal governments held that the municipalities had already the financial means to provide these services, which is certainly not the case of the majority of them. Since the Union and the states have devoted less funds to schooling and medical care, many municipalities are willingly or not expanding their spending in these vital areas. Decentralization is somehow taking place, but in a highly uncoordinated and contradictory form.

It should be mentioned at least that local governments are very unequal in size, responsibilities and resources. In large underdeveloped countries, regional differences are usually very large. Decentralization, in such conditions, can have completely different results. Median and large cities in the more industrialized regions may improve the quality of life of their citizens by being able to deliver more and better services than higher-level authorities previously had. But small municipalities, mainly rural, in the more backward areas are deprived of human and material resources to take care of social services, which as an unintended consequence of decentralization may even deteriorate more. Davey (1989, p. 3) rightly points out that decentralization "can perpetuate regional disparities and inequality in the standards of public services, if the latter are solely dependent on the local tax base". That does not mean that decentralization should not be implemented but that it requires the strengthening of local governments through amalgamation of small municipalities or through the creation of joint bodies or metropolitan authorities to take care of services that local authorities are individually unable to provide. Decentralization of functions and resources, in order to succeed, has sometimes to be supplemented by some type of recentralization of local authorities. It is noteworthy that recentralization, if imposed from above, tends to be even more litigious than decentralization.

6. LOCAL BUDGETING AND POPULAR PARTICIPATION

A budget is always a program for future action, based on some forecast of future needs or demands and availability of resources to meet those needs and demands. Its essence is (i) the decision of how many resources should be available and (ii) the decision of how to distribute the resources among the different needs and demands. If the budget we are considering is of a government, the resources are public and their distribution implies the determination of priorities, which define to what extent each need or demand will be satisfied.

To some degree, the two types of decisions depend on legal and material conditions that have to be accepted as given. For instance, the freedom to raise local taxes is legally restricted in most of the cases and the amount that each tax can produce depends on the value of property or of income streams which are independent of the political will of the budget makers. And an usually large fraction of the resources must be spent on items that originate from priorities decided in the past. That is the case of the pay roll, which can be reduced only to a very limited degree, if this is so desired; and the service of the public debt, the rental of buildings, vehicles and other equipment, services contracted to private companies and so on. Normally, services already being provided are not ended to be substituted by other expenditure items, even if the last are accorded higher priority by the budget makers.

This may seem obvious, since an already existing city, State or nation cannot be started anew every time a new budget is under discussion. But innovators dislike this imposition of the past. As an alternative, Zero-Base Budgeting (ZBB) was invented recently (1969). "The system gets its name from its aspiration to overcome the almost invariable tendency of traditional budgeting to focus attention only on those activities that are connected with changes, usually increases, in the proposed budget over that of the current year. The current year's expenditures (i.e., the "base") are commonly accepted as the starting point for negotiating the next year's budget and the activities they represent are generally considered to be immune from review. ZBB, on the other hand, grants no such immunity. Its basic premise is that the entire range of an agency's activities should be scrutinized annually in order that only the most efficient and effective may be permitted to survive" (Downs & Larkey, 1986, p. 171).

The ZBB was introduced by President Carter in the US Federal Government in 1977 and many critics saw it as utterly unrealistic. They argued that "a substantial portion of the budget (75%) is committed by virtue of major legislative entitlement programs (like Social Security, veteran pensions, payment of interest on the national debt and governamental contracts)". As an answer, it was decided that the starting point of ZBB would be "the minimum level of activity necessary to sustain the integrity of the agency". That was considered to be a "tacit recognition that certain expenditures and activities could not be realistically considered as candidates for elimination". (Downs & Larkey, 1986, p. 175.) Once made the tacit recognition, ZBB became totally ineffective. "In short, there do not seem to be *any* significant changes in spending that have ocurred as the result of ZBB." (Ibidem, p. 177.)

The failure of ZBB is counterfactual evidence that budgeting has severe limits as to the amount of change that it can bring about. The fact is that all existing expenditures have some reason and most of them respond to some demand that is politically supported. The amount of resources and expenditures can be changed, but gradually. Something like 20% to 30% of the current budget, in most cases, can be decided upon, considering a change in government or in the composition of the budgetmaking forces. This is not little although it tends to be very frustrating to radicals who to impose a complete reversal of priorities during a term of four years. I am refering here to my own experience as Secretary for Planning of the city of S.Paulo under Mayor Luiza Erundina de Sousa (1989-1992). I was one of those radicals and hoped we could rapidly and thoroughly the municipal expenditure, in size and composition. Being the main responsible for budgetmaking and implementing, I learned that this was an impossible dream, not only because legal constraints but above all because politically too damaging to eliminate any existing activity.

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