importance when the competing parties represent the executive and legislative branches and involve the definition of the separation and balance between the branches of government. The politics of process may revolve around the policy issues of the level of spending and the ability of government to balance its budget.

The Expenditure Cluster

The expenditure cluster involves some technical estimates of likely expenditures, such as for grants that are dependent on formulas and benefit programs whose costs depend on the level of unemployment. But many expenditure decisions are policy relevant—which programs will be funded at what level, who will benefit from public programs and who will not, where and how cuts will be made, and whose interests will be protected. Agency heads are more involved in these decisions than in taxation or process decisions, and interest groups are also often active. This portion of the budget emphasizes the element of choice between items of expenditures in the definition of budgeting and illustrates the nature of the constraints on choices that is characteristic of public budgeting in particular.

The Balance Cluster

The balance cluster concerns the basic budgetary question whether the budget has to be balanced each year with each year's revenues, or whether borrowing is allowed to balance the budget, and if so, how much, for how long, and for what purposes. The politics of balance deals with questions whether balance should be achieved by increasing revenues, decreasing expenditures, or both, and hence reflects policies about the desirable scope of government. Sometimes the politics of balance emphasizes definitions, as the group in power seeks to make its deficits look smaller by defining them away. The balance cluster also deals with questions of how deficits should be eliminated once they occur and their amounts are pinned down. At the national level, because deficits may be incurred during recessions in an effort to help the economy recover, the ability to run a deficit is linked to policies favoring or opposing the role of the budget in controlling the economy and, in particular, the use of the budget to moderate unemployment. These issues—whether budgets should balance, the proper scope of government and level of taxation, and the role of government in moderating unemployment—are issues that the general public cares about. Citizens may participate in this decision cluster through referenda and opinion polls; broad groups of taxpayers and interest-group coalitions representing broad segments of society may be involved in lobbying on this issue. Political parties may even include their policies toward deficits in their election platforms.

Budget Implementation

Finally, there is a cluster of decisions around budget implementation. How close should actual expenditures be to the ones planned in the budget? How can one justify variation from the budget plan? Can the budget be remade after it is approved, during the budget year? The key issues here revolve around the need to implement decisions exactly as made and the need to make changes during the year because of changes in the environment. The potential conflict is usually resolved by treating implementation as technical rather than policy related. Executive branch staff play the major role in implementation, with much smaller and more occasional roles for the legislature. Interest groups play virtually no role in implementation. The allowance of technical changes does open the door to policy changes during the year, but these are normally carefully monitored and may cause open conflict when they occur.

Microbudgeting and Macrobudgeting

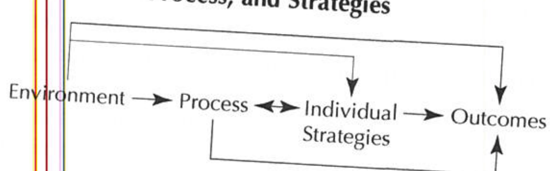
The five clusters of decision making outline the nature of the decisions actually being made, but tell little about how and why the decisions are made. On the one hand there are a number of budget actors, who all have individual motivations, who strategize to get what they want from the budget. The focus on the actors and their strategies is called *microbudgeting*. But the actors do not simply bargain with one another or with whomever they meet in the corridor. The actors are assigned budget roles by the budget process, the issues they examine are often framed by the budget process, and the timing and coordination of their decisions are often regulated by the budget process. The budget actors are not totally free to come to budget agreements in any way they choose. Individual actors are bound by environmental constraints. There are choices they are not free to make because they are against the law, or because the courts decree it, or because previous decision makers have bound their hands. The total amount of revenue available is a kind of constraint, as is popular demand for some programs and popular dislike of others. Budgetary decision making has to account not just for budgetary actors but also for budget processes and the environment. This more top-down and systemic perspective on budgeting is called *macrobudgeting*. Contemporary budgeting gives more emphasis to macrobudgeting than exclusively to microbudgeting.

One way of viewing the determinants of budgetary outcomes is as a causal model, depicted in Figure 12.1. In this schema, the environment, budget processes, and individuals' strategies all affect outcomes.

The environment influences budgetary outcomes directly and indirectly, through process and through individual strategies. The environment influences outcomes directly, without going through either budget process or individual strategies, when it imposes emergencies that reorder priorities. Thus a war or a natural disaster preempts normal budgetary decision making.

The environment influences the budget process in several ways. The level of resources available—both the actual level of wealth and the willingness of the citizens to pay their taxes—influences the degree of centralization of budgeting. When resources are especially scarce and there is apparent need to either cut back according to a given set of policies

Figure 12.1 Decision Making: Environment, Process, and Strategies



or make each dollar count toward specific economic goals, there is no room for bottom-up demands that result in compromises and a little bit of gain for everyone regardless of need. When resources are abundant, a more decentralized model of process may hold, with less emphasis on comparing policies and less competition between supporters of different policies.

The environment may influence the format of budget as well as the degree of centralization of decision making. When revenues are growing, there may be more emphasis on planning and on linking the budget to future community goals, to stimulate public demands for new spending. When there is little new money, the idea of planning may seem superfluous. Changing direction, or setting new goals, may seem impossible in the face of declining revenues that make current goals difficult to sustain.

Environment in the sense of the results of prior decisions may also influence process. If there is a huge accumulation of debt and little apparent way to control it, or if the budget has been growing very rapidly for reasons other than war, there may be attempts to change the budget process in an effort to control spending and debt. In contrast, if the environment suggests the need for additional spending, and the current budget process is delivering very slow growth, the process may be changed to make spending decisions quicker and easier.

The level of certainty of funding influences strategies as well. If whatever an agency was promised may never arrive, agency heads are likely to engage in continuous lobbying for their money, and continual rebudgeting internally every time circumstances change. Long-term or future agreements will be perceived as worthless; the possibility of toning down conflict by stretching out budget allocation times will disappear. Attention will focus on what is available now, and going after whatever it is, whether it is what you want or not, because what you really want may never show up and hence is not worth waiting for.

The intergovernmental grant structure is part of the environment that may influence strategies. Because some grant money may seem free, state and local governments may focus their energies on getting