CHAPTER 5

Assessing the Power of the Purse: An Index of Legislative Budget Institutions

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> This power over the purse may, in fact, be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representatives of the people, for obtaining a redress of every grievance, and for carrying into effect every just and salutary measure.
>
> (James Madison, *Federalist No. 58*)

The requirement for legislative approval of financial measures is a democratic foundation that is enshrined in constitutions around the world.[1] Despite this widespread formal recognition, the actual budgetary role of national legislatures apparently differs sharply across countries. Members of the U.S. Congress "have long seen themselves as the bulwark against [executive] oppression," and their "major weapon" is the constitutional requirement for congressional approval of appropriations (Wildavsky and Caiden 2001, 10). Scholars and practitioners agree that the U.S. Congress is a powerful actor that can have decisive influence on budget policy (Meyers 2001; Schick with LoStracco 2000; Wildavsky 1964).[2] On the other hand, the budgetary influence of legislatures is said to be marginal in several other industrialized countries, including France and the United Kingdom (Chinaud 1993; Schick 2002). Existing comparative work on legislative budgeting contributes selected case studies (Coombes 1976; LeLoup 2004) but lacks systematic analysis on the basis of a common framework. Moreover, though the literature on the U.S. Congress is extensive, legislative budgeting in parliamentary systems, and in developing countries in particular, remains understudied (Oppenheimer 1983). As a basis for more systematic comparative work, this chapter proposes and applies an index of legislative budget institutions that can be used to assess and compare the budgetary power of national legislatures.

A number of authors refer to the cross-national distribution of legislative power over the purse (Coombes 1976; Meyers 2001; Schick 2002), but few have constructed quantitative measures. Although some previous studies present indexes of budget institutions, these pay only limited attention to legislative variables. Fiscal institutionalists are concerned with explaining fiscal performance, typically public debt and deficits, with the design of the budget process (Kirchgässner 2001). Most of this literature does not focus exclusively on the role of the legislature but on a broader selection of variables that are said to promote fiscal discipline in budgetary decision making. Von Hagen's (1992, 70) pioneering index includes one composite item on the structure of the parliamentary process that mainly considers the amendment powers of a legislature. Alesina et al. (1999) constructed an index of budgetary procedures with two out of 10 variables as indicators of the position of the government in relation to the legislature, namely, amendment powers and the nature of the reversionary budget (see also Hallerberg and Marier 2004). Other studies focus exclusively on the fiscal effect of specific legislative institutions (for example, Crain and Muris 1995; Heller 1997).

Lienert (2005) offers a broader consideration of legislative budget institutions. His index of legislative budget powers covers five variables, namely parliament's role in approving medium-term expenditure parameters, amendment powers, time available for the approval of the budget, technical support to the legislature, and restrictions on executive flexibility during budget execution. The index provides a basis for more systematic comparative analysis of legislative budgeting but also raises some methodological issues. For example, there is hardly any variation on the first variable, the legislature's role in approving medium-term spending plans. Only one out of 28 legislatures in the sample formally passes a law on the medium-term strategy (Lienert 2005, 22). The lack of variation calls into question the usefulness of this variable as a comparative indicator. In addition, the differential weighting of variables is not explicitly motivated. In short, what is missing so far is a broader measure of legislative budget institutions that is based on a thorough discussion of relevant indicators and methodological issues.

The aim of this chapter is to present a comparative framework to assess legislative budget capacity that can be applied, potentially, to any national legislature in a modern democracy. The framework consists of a series of variables that are combined into an index to measure cross-country variation in legislative budgeting. The operationalization is based on survey data from the Organisation for Economic Co-operation and Development (OECD) and the World Bank. More specifically, the chapter asks which institutional arrangements facilitate legislative control over budgets. Thus, a crucial assumption is that institutional arrangements reflect the budgetary power of a legislature; *control* is defined as the power to scrutinize and influence budget policy and to ensure its implementation. As Wildavsky and Caiden (2001, 18) observed: "Who has power over the budget does not tell us whether or not the budget is under control." The question of whether legislative power over the budget is fiscally desirable is explicitly excluded from this chapter. Although some studies argue that limiting parliamentary involvement is conducive to fiscal discipline (Poterba and von Hagen 1999; Strauch and von Hagen 1999), other studies highlight the risks of weak legislative scrutiny (Burnell 2001; Santiso

2004). The debate will not be settled in this chapter, which primarily aims at providing a fresh conceptual and empirical basis for engaging with this issue in follow-up research.

The chapter proceeds by first outlining and explaining the selection of the variables included in the index, followed by an overview of the data used. The third section discusses issues related to index construction and selects a method for use in this chapter. A number of experiments are conducted to check the robustness of the index. Next is an overview of the results, presented as a ranking of legislatures. Two approaches are used to validate the index. The first is to compare the resulting ranking with findings from case study literature, and the second is to test the association of the index with an indicator of legislative amendment activity. The conclusion summarizes the main results and highlights implications.

Variables

The construction of an index for the purpose of cross-national comparison requires the identification of essential differences. Invariably, some of the richness of qualitative analysis has to be forfeited to gain a tractable tool for comparative research, which is necessary to venture beyond particular cases in order to discover broader patterns. No single variable can be considered sufficient on its own, nor is every potentially relevant variable covered. Rather, the chapter adopts an approach that is based on assessing the *institutional capacity* for legislative control (Meyers 2001, 7). To that end, this analysis assumes that the presence of a minimum number of institutional prerequisites, including formal authority and organizational characteristics, is necessary to facilitate budgetary control. The six prerequisites used for the index relate to amendment powers, reversionary budgets, executive flexibility during implementation, time for scrutiny, committee capacity, and access to budgetary information.

First, *amendment powers*—the formal powers granted to amend the budget—determine the potential for legislative changes to the budget policy proposed by the executive (Inter-Parliamentary Union 1986, table 38A).[3] Most constraining are arrangements that disallow any amendments to the executive's proposal and merely give a legislature the choice between approval and rejection of the budget in its entirety. Also severely restrictive are "cuts only" arrangements that allow only amendments that reduce existing items but not those that shift funds around, increase items, or introduce new ones. This arrangement precludes a creative budgetary role for the legislature. More permissive are powers that allow some amendments to the budget as long as the aggregate totals or the deficit in the draft budget are maintained. This enables engagement with budget priorities while protecting executive fiscal policy. Finally, most permissive are unfettered powers of amendment. Here, a legislature has full authority to cut, increase, and reallocate.

The second variable, *reversionary budgets*, defines the cost of nonapproval by spelling out what happens should legislative authorization be delayed beyond the commencement of the fiscal year. Alesina et al. (1999, 258) used the reversionary budget variable in conjunction with legislative amendment powers to assess the position of the government in relation to the legislature. If the reversionary outcome is far from the executive's preferred budget, then there is potential for the legislature to extract concessions in return for approval. In the extreme case of reversion to zero spending, the executive is likely to prefer a compromise to the possibility of no supply and hence government shutdown. Conversely, when the executive budget proposal takes effect, the executive has no incentive to avert nonapproval. Reversion to last year's budget typically constitutes an intermediate case.

Third, provisions that allow *executive flexibility during implementation* enable the executive to alter spending choices following the approval of the budget by the legislature. One mechanism is impoundment, which allows the withholding of particular funds that have been appropriated by the legislature. Another is *virement*, that is, the ability of the executive to reallocate or transfer funds between budget items during the execution of the budget. Finally, some executives can introduce new spending without legislative approval (Carey and Shugart 1998). If the executive can withhold funds, transfer between items, and initiate fresh funding without the consent of the legislature, it has significant leeway to unilaterally alter the approved budget, which diminishes legislative control over implementation. In effect, such powers constitute amendment authority in reverse, and in extreme cases allow the executive to undo legislative choices during implementation (Santiso 2004).

The fourth variable is *time for scrutiny*. Time is a precious resource, given a typically tight and crowded legislative calendar (Döring 1995). Budgets take many months to put together, and a couple of weeks are insufficient to make sense of such complex sets of information. International experience suggests that the budget should be tabled at least three months in advance of the fiscal year to enable meaningful legislative scrutiny (OECD 2002a). The timing of scrutiny partly depends on how effectively a legislature can control its own timetable and the legislative agenda, but it may also reflect constitutional prescriptions.

Committee capacity, or a well-developed committee system, appears to be "at least a necessary condition for effective parliamentary influence in the policy-making process" (Mattson and Strøm 1995, 250). This fifth variable is selected because the importance of legislative committees is widely recognized, although their primary function is disputed between proponents of distributive, informational, and partisan explanations (Cox and McCubbins 1993; Krehbiel 1991; Shepsle 1979). The use of committees can present several benefits. First, committees establish a division of labor that facilitates specialization and the development of "legislative expertise" (Mezey 1979, 64). Second, committees allow parliaments to deal with various matters simultaneously and, hence, to increase productivity. These benefits are crucial for the budget process, which requires the processing of substantial volumes of information. Moreover, committees can play an important role in monitoring implementation (McCubbins and Schwartz 1984). Legislative approval matters only when budgets are meaningful. Otherwise, budgetary drift allows the government to get what it wants irrespective of what the legislature approved. Committees with a specialized monitoring function, in particular audit committees, help to detect implementation failures and improve compliance (McGee 2002). In short, a well-designed committee system enables budget scrutiny and oversight of implementation.

The sixth and final variable used for the index is *access to budgetary information*. Budgetary decision making requires access to comprehensive, accurate, and timely information. Crucial for this is the breadth and depth of supporting documentation that accompanies the budget figures submitted to the legislature. In addition, in-year revenue and expenditure updates as well as high-quality audit reports, including performance audits (Pollitt 2003), are crucial types of information for legislative oversight of budget implementation. Key standards for budget reporting are set out in the "OECD Best Practices for Budget Transparency" (OECD 2002a). Still, an executive monopoly on budgetary information can put the legislature at a severe disadvantage, as it is easy to manipulate budget figures and limit disclosure (Wildavsky and Caiden 2001, 78). The benefits of an independent legislative budget office include that it can help to simplify complexity and make the budget accessible for legislators, enhance accountability through its scrutiny of executive information, and promote transparency by discouraging "budgetary legerdemain" (Anderson 2005, 2).

Other variables could also be included. For instance, von Hagen (1992) considered the confidence convention. Notwithstanding a legislature's formal constitutional powers to amend the budget, in some parliamentary systems any change to the executive's draft budget is by convention considered a vote of no confidence in the government (Blöndal 2001, 53). In effect, the confidence convention reduces legislative authority to a stark choice between accepting the budget unchanged, or forcing the resignation of the government and holding fresh elections. The confidence convention is most common in Westminster-type systems that in any case restrict legislative powers to amend the budget, such as Australia, Canada, New Zealand, and the United Kingdom (OECD 2002b, 159). As amendment powers are already included in the index, this variable suffices to signal restrictions on legislative policy making.

Also, some presidential systems counterbalance legislative powers over the budget with executive veto authority that can be overridden only with a heightened legislative majority. Package vetoes allow the executive to veto entire bills passed by the legislature, and a line-item or partial veto allows the president to reject individual items in a bill. Some authors give great importance to veto authority in assessing executive power over policy (for example, Shugart and Haggard 2001, 75–77). However, the power a package veto gives to the executive depends critically on the reversionary budget, which is already part of the index. For instance, if spending is discontinued without an approved budget in place, then to veto the budget would be a very extreme measure that the executive is likely to use only in extraordinary circumstances (Williams and Jubb 1996). In addition, line-item vetoes are exceptionally rare at the national level. Shugart and Haggard (2001, 80) found that only two out of 23 countries with pure presidential systems use a version of the line-item veto with extraordinary majority override, namely Argentina and the Philippines. Executive vetoes are excluded from the index for the above reasons.

Data

During 2003 the OECD, in collaboration with the World Bank, conducted the Survey on Budget Practices and Procedures, which was administered to specially identified budget officials in each participating country. The data set for this chapter draws heavily on the results of this survey, which are available online (OECD and World Bank 2003). The survey covers 27 OECD members plus 14 other countries. Some of the non-OECD countries have limited democratic credentials and are excluded from the scope of this chapter.[4]

The data are unique in that a similarly comprehensive budget system survey had not been previously carried out for such a large number of countries. On the other hand, responses were not always rigorously checked, and in certain cases the quality of the data is questionable. The data used in this chapter were double-checked as extensively as possible against information from online sources, such as finance ministry and parliamentary Web sites, as well as against previous survey results (OECD 2002b). Where necessary, clarification was sought from country experts who are identified in the acknowledgments. The following paragraphs introduce the specific data used for the construction of the index of legislative budget institutions. The full data set is reproduced in annex table 1, and annex table 2 details the construction of two composite variables. Any adjustments made to the original OECD data are documented.

Following Alesina et al. (1999, 257–58), the index codes all variables on a range between zero (the least favorable from a legislative perspective) and 10 (the most favorable). The maximum figure is divided equally between the categories. The subsequent section documents the conduct of robustness checks to see whether this coding procedure significantly affects the ranking of legislatures compared with alternative methods. The score given for each response option is in parentheses following the category.

The OECD survey (questions 2.7.d and 2.7.e) asked respondents to indicate whether legislative powers of amendment are restricted, and if so, which form the restrictions take. The index codes these answers in four categories; that is, the legislature may only accept or reject the budget as tabled (0), it may cut existing items only (3.3), it may shift funds as long as a specified aggregate constraint is met (6.7), or it has unfettered powers (10).

Survey question 2.7.c asked about the consequences should the budget not be approved at the start of the fiscal year. The responses are grouped into four categories: the executive budget (0), vote on account (3.3), last year's budget (6.7), or no spending (10). The second category requires elaboration. Historically, the English Parliament devised the tactic of voting appropriations near the end of the session to force economies on the Crown and to extract concessions (Schick 2002, 18). This historical rationale is now obsolete, but delayed approval nonetheless remains the norm. Formally, supply would cease without an approved budget in place. In practice, the parliaments of the OECD Commonwealth countries routinely approve interim spending, which is referred to as a "vote on account" in the United Kingdom.[5] Although some might argue that this system preserves the threat of reversion to zero spending, this practice is so standardized and predictable that it would be misleading to assign a score of 10.

The index tests executive flexibility during budget execution by combining three items. The OECD survey asked whether there is scope for appropriations to be reallocated from one program to another without parliamentary approval (question 3.2.a.4), whether the executive may withhold funds that are appropriated but not available on a legal or entitlement basis without legislative consent (question 3.1.c), and whether the annual budget includes any central reserve funds to meet unforeseen expenditures (question 3.2.c.1). Each answer is assigned a score of 3.3 if it is negative, because a positive answer implies executive flexibility to vire (reallocate or transfer funds between budget items), impound, and authorize fresh funds, respectively. The sum of the scores for each case can range between zero and 10 and is interpreted as an indicator of executive flexibility during budget execution. Annex table 2 provides full details.

The OECD also asked how far in advance of the beginning of the fiscal year the executive presents its budget to the legislature and provided four response options (question 2.7.b): up to two months (0), two to four months (3.3), four to six months (6.7), and more than six months (10).

The role of parliamentary committees is measured using two items in the OECD survey, relating to committee involvement in budget approval (question 2.10.a) and whether audit results are circulated and discussed in parliament (question 4.5.m). However, the answer options for the latter question are ambiguous with regard to the nature of committee engagement with audit findings. Therefore, the index also uses data on parliamentary audit committees, gathered in a separate survey of parliamentary Web sites (January 2004). The index distinguishes the involvement of three sets of specialized committees, with equal scores given to each category (3.3), that is, a budget or finance committee, sectoral or departmental committees, and an ex post audit committee. For instance, if a parliament uses a finance committee and sectoral committees for budget approval, as well as an audit committee for ex post scrutiny of audit findings, it gets the highest possible score of 10, and without any committee involvement it gets a score of zero. Involvement of sectoral committees gets a score of 3.3 only if they have actual authority over departmental budgets, but not if they are merely consulted or submit nonbinding recommendations while a finance or budget committee retains full authority. Also, if a legislature uses an audit subcommittee of the budget committee for parliamentary audit, it receives half the available score for this item (1.7) (annex table 2 presents full details).

Legislative access to budgetary information is very difficult to assess. It was not possible to use the survey results to construct a reliable and fine-grained measure of the quality of budgetary information supplied by the executive. However, most of the countries included in this analysis are OECD members and hence subscribe to the "OECD Best Practices for Budget Transparency" (OECD 2002a). In addition, studies confirm that several non-OECD countries in the sample provide high-quality budgetary information, for instance Chile (Blöndal and Curristine 2004), Slovenia (Kraan and Wehner 2005), and South Africa (Fölscher 2002). Therefore, it is reasonable to assume adherence to a common minimum standard for budgetary documentation in most cases. However, one of the key differences between countries is the level of legislative budget research capacity (question 2.10.e). This analysis distinguishes legislatures without such research capacity (0) from those with a budget office of up to 10 professional staff (2.5), 11 to 25 (5), 26 to 50 (7.5), and more than 50 (10). The last category acknowledges the uniqueness of the U.S. Congressional Budget Office, which has about 230 staff (Anderson 2005).

Construction of the Index

The task of constructing the index raises, in particular, theoretical questions about the substitutability of components. This section discusses various possible methods for index construction and then compares the results in order to check the robustness of the index. The starting point for this discussion is the additive index. This frequently used method consists of summing up all scores for a given case to derive the index score for that case (Lienert 2005; von Hagen 1992). The simple sum index can be represented as a special case of the following formula (Alesina et al. 1999, 260):

$$I_j = \sum_{i=1}^{6} c_i^j$$

The term c_i captures the value of component i, and j is a power term that can be adjusted to reflect different assumptions about substitutability. If $j = 1$, then the result is the simple sum index. If $0 < j < 1$, this favors cases with consistently intermediate scores over those with a mixture of high and low scores; that is, this approach assumes a limited degree of substitutability. Conversely, with $j > 1$, a greater degree of substitutability is assumed, since high scores are rewarded. In addition, it would be possible to allow differential weights for each of the components. However, the theoretical discussion does not imply that some of the variables are more important than others, so the possibility of using differential weights is not pursued in this case.

To assume complete nonsubstitutability, the components can also be multiplied. This typically generates highly skewed distributions, because a single low score substantially drags down the index. Since the majority of cases included in this analysis have scores of zero on at least one of the components, this method does not yield useful results. Nor does it appear theoretically plausible to assume complete nonsubstitutability for all components. In addition, this method is highly sensitive to small mistakes in the data, which can lead to severe misrepresentation of the affected cases. These are strong reasons for rejecting the purely multiplicative approach for this analysis.

This analysis preferred a third method, which is based on subindexes:

$$I_s = \prod_{k=1}^{2} s_k, \text{ where } s_1 = \sum_{i=1}^{3} c_i \text{ and } s_2 = \sum_{i=4}^{6} c_i$$

Here, s_k represents two subindexes, each consisting of the sum of three different components, which are then multiplied. It is possible to again incorporate a power term into the formulas for the subindexes, but most essential is the underlying approach. The rationale for this index is as follows. Variables one through three (amendment powers, reversionary budgets, and executive flexibility) can be interpreted as formal legislative authority in relation to the executive. Amendment powers and reversionary budgets are frequently stipulated in constitutions, and organic budget laws typically regulate flexibility during implementation (Lienert and Jung 2004). In contrast, variables four through six (time, committees, and research capacity as a proxy for access to budgetary information) are taken to represent the organizational capacity of the legislature. If it is assumed that both formal powers and organizational capacity are necessary for effective scrutiny, multiplication of the two subindexes is called for. However, within each subindex, at least a degree of substitutability is plausible. For instance, if committees are weakly developed, then this lack in division of labor might be compensated by using a lot of time to scrutinize the budget or by delegating scrutiny to a well-resourced parliamentary budget office. Similarly, even when amendment powers are limited, the legislature may still be effective in extracting concessions from the executive if spending reverts to zero in the case of nonapproval.

The next step is to check the robustness of results. Table 5.1 contains the Spearman rank correlations between four alternative indexes, which are labelled according to their subscripts in the above formulas. To consider the impact of different substitutability assumptions, the simple sum index with $j = 1$ computed with the first formula is compared with indexes using two other arbitrary numbers for the power term—that is, $j = .5$ (half the value of the simple sum version) and $j = 2$ (double the value). The fourth index labelled s is calculated using the second formula based on the two subindexes. All of the correlations between these four versions of the index are positive and very strong. The lowest coefficient is .86 between the two indexes that use extreme

Table 5.1. Spearman Correlations between Indices

	j = 1	*j* = .5	*j* = 2
j = .5	.97	…	…
j = 2	.95	.86	…
s	.99	.97	.94

Note: N = 36.

values for *j*, which is expected. Overall, the results are very robust. For this reason, the simple sum index is used in the remainder of the chapter.

Discussion and Analysis

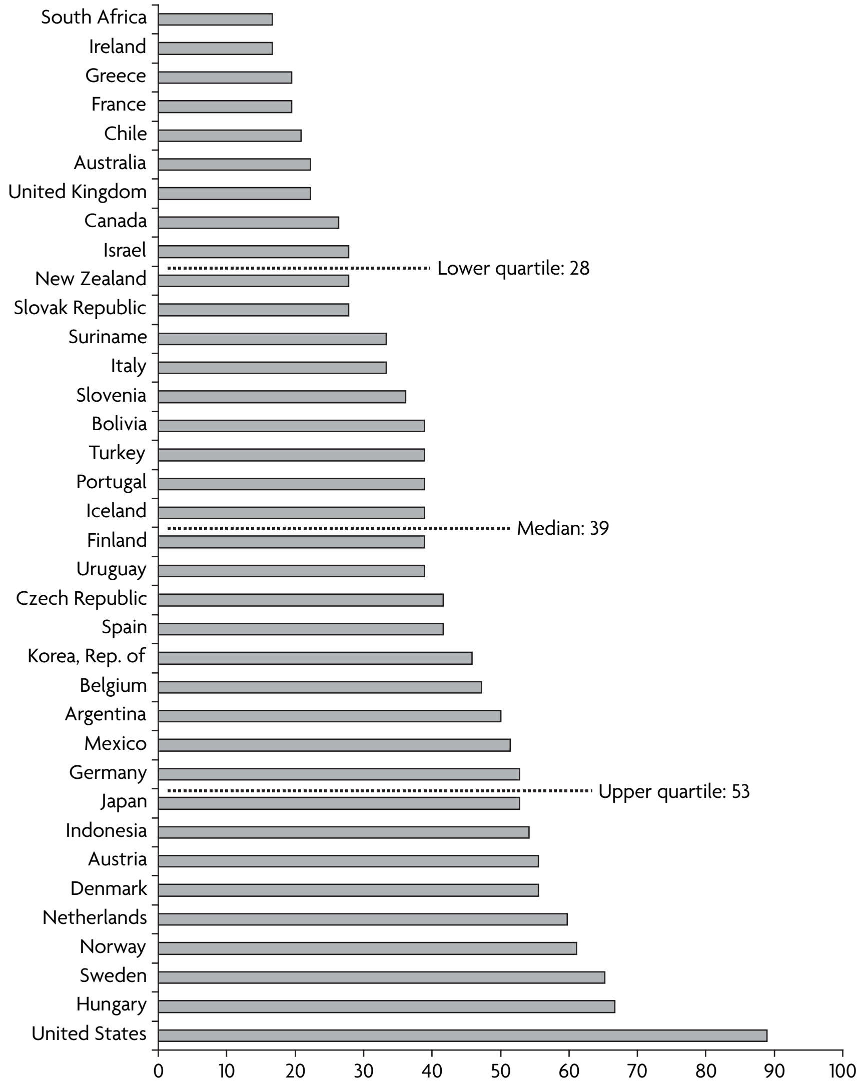
This section presents the index of legislative budget institutions and discusses main results. For presentational purposes, the index is rescaled to range between 0 and 100. The resulting ranking is presented in figure 5.1. Next, two approaches are used to evaluate the index: first, to consider whether the results are broadly in line with case study literature, second, to check the validity of the index by testing its association with a simple indicator of legislative amendment activity.

The U.S. Congress emerges as an outlier by a substantial margin. Its score is more than three times as great as those for the bottom nine cases, predominantly Westminster systems. According to the index, the U.S. Congress is the only legislature with the institutional foundation to exercise very strong influence over public finances. The importance of Congress in the U.S. budget process is widely acknowledged. Aaron Wildavsky's seminal work on the politics of the budget process is, in essence, a study of congressional policy making (Wildavsky 1964; Wildavsky and Caiden 2001). Although the U.S. president submits a draft budget, it does not bind Congress in any way (Schick with LoStracco 2000, 74–104). Oppenheimer (1983, 585) concluded a wide-ranging literature review with the observation that Congress is "the most influential legislature" in policy making. The index is in line with this judgment.

On the other extreme, the case of the United Kingdom is often said to epitomize the decline of parliaments (Adonis 1993; Einzig 1959; Reid 1966). In a recent paper, Allen Schick (2002, 27) went as far as to claim: "Nowhere is the budgetary decline of parliament more noticeable than in Britain … [The] House of Commons, the cradle of budgetary democracy, [has] lost all formal influence over revenues and expenditures." In 1998–99 the Procedure Committee of the House of Commons bluntly referred to its power over expenditure as, "'if not a constitutional myth, very close to one" (quoted in Walters and Rogers 2004, 257). Although no time series data are available for testing the decline thesis, the index confirms that current capacity in the British Parliament is extremely limited. The rankings of other parliaments with a Westminster heritage are very similar, which again is supported by case study evidence. For instance, in Canada members characterize legislative scrutiny of the budget as a "cursory review," "a total waste of time," and "futile attempts to bring about change" (quoted in Blöndal 2001, 54). Another example is the paper by Krafchik and Wehner (1998), which highlights the great difficulty of the South African Parliament in transcending its Westminster heritage in the postapartheid environment.

Few national legislatures have been as extensively studied as the U.S. Congress and the British Parliament; nonetheless, some other rankings can also be

Figure 5.1. Index of Legislative Budget Institutions



Source: Annex table 1.

assessed against the literature. Notably, the Danish, Norwegian, and Swedish parliaments achieve relatively high scores on the index. This corresponds with literature that has pointed out the distinctiveness and relative strength of these parliaments (Arter 1984; Esaiasson and Heidar 2000; Wehner 2007). In addition, a large number of cases fall between the extremes of the U.S. Congress and Westminster-type legislatures. Notably, continental European parliaments make up much of the middle mass on the index. Case study work shows that in a number of these countries, parliaments retain a limited level of influence on budgets.[6] It is beyond the scope of this chapter to present a full literature review. Still, this brief comparison with some of the case study literature suggests that the index generates plausible scores.

The validity of the index can also be tested statistically. Given that the index captures institutional preconditions for legislative control, it should be associated with a measure of policy influence. One such indicator is amendment activity. The OECD asked (question 2.7.i) if, in practice, the legislature generally approves the budget as presented by the executive. Eleven out of 36 respondents in this sample indicated that the legislature "generally approves the budget with no changes." More finely grained measures of amendment activity would be preferable, such as the number of amendments and their magnitude, but comprehensive data are not available. Also, it is true that a legislature may not have to amend the budget to affect policy. Hidden actions, such as a short phone call from a powerful committee chair to an executive official, can be important means of legislative influence (Meyers 2001, 7). Moreover, the executive may anticipate legislative reactions and fashion the draft budget accordingly, thereby reducing the likelihood of amendments. However, it would be naive to conclude that the absence of amendments indicates that the legislature is getting its way. An executive has no reason to be responsive to legislative preferences unless the absence of such consideration has consequences. For example, in the United Kingdom the last government defeats over estimates date back more than 80 years.[7] It makes sense for legislative actors to maintain a modicum of amendment activity in order to signal to the executive their capacity for substantial revision should the draft budget not take sufficient account of their preferences.

Accepting the above premise, one would expect budget-amending legislatures to have more developed institutional capacity. This analysis uses a *t*-test to assess whether index scores are higher for budget-amending legislatures compared with those that do not amend the budget (Bohrnstedt and Knoke 1994, 139). Setting $\alpha = .05$ for 34 degrees of freedom gives a critical value of 1.7 for a one-tailed test to reject the null. Using the data in table 5.2, the analysis obtains a value of 2.3, which falls within the rejection region. This supports the prediction that budget-amending legislatures maintain higher levels of institutional capacity for financial scrutiny.

The evidence in this section is mutually reinforcing and confirms that the index is a useful summary indicator of legislative capacity to influence budget

Table 5.2. Comparison of Budget-Amending and Non-Budget-Amending Legislatures

	Amending	Nonamending
Number of cases	25	11
Mean index score	44.9	31.8
Standard deviation	15.3	16.3

Source: Annex table 1.

policy. The ranking is broadly in line with case study literature, and the index is positively associated with a simple measure of legislative impact on public finances. Not too much should be read into small score differences between national legislatures, as the index makes no qualitative statements on the margin. Nonetheless, whether a legislature ranks toward the top, middle, or bottom of the index conveys an overall perspective on the state of legislative budgeting in a particular country. Indeed, if the power of the purse is a sine qua non for legislative control in general, then the results also reflect the overall status of the legislature in the political system of a country.

Conclusions

This chapter has expanded the methodological toolkit for cross-national research on the legislative power of the purse. Previous efforts to construct quantitative measures of legislative budget power were either extremely limited in their coverage of relevant variables or neglected detailed discussion of related methodological issues. The index constructed here is robust and delivers results that can be checked against case-study evidence and with the use of statistical tests. It provides a sound basis for investigating cross-national patterns in legislative budgeting, their causes, and consequences. However, the findings do not suggest that quantitative analysis should be a substitute for the detailed study of particular cases. Rather, there is an emerging debate on comparative research methods that argues strongly in favor of a carefully designed combined use of statistical and small-N approaches (Lieberman 2005). For instance, large-N analysis can provide the basis for a more deliberate choice of case studies, which in turn may deepen understanding and add important contextual variables.

The empirical results of this analysis raise questions about the prerequisites for democratic governance. Despite widespread constitutional recognition of the importance of legislative control over the purse, this chapter reveals substantial variation in the level of financial scrutiny of government by the legislature among contemporary liberal democracies. The U.S. Congress has an index score that is more than three times as great as those for the bottom nine cases, predominantly Westminster-type systems. Even allowing for U.S. exceptionalism, the top-quartile legislatures score twice as high on this index as the bottom quartile. In between the extremes of Westminster and the U.S. Congress, continental European parliaments make up much of the middle mass of the ranking. To what extent legislative involvement or the absence of effective checks and balances imposes costs is an empirical question to be tackled in follow-up research. The findings presented here suggest that the power of the purse is a discrete and nonfundamental element of liberal democratic governance. For some countries it is a key safeguard against executive overreach, while other countries maintain a constitutional myth of legislative control.

Annex

Annex Table 1. Data for the Index and Amendment Dummy

Legislature	1 Powers	2 Reversion	3 Flexibility	4 Time	5 Committees	6 Research	Σ/.6 Index	7 Amendments
Argentina	6.7	6.7	6.7	3.3	6.7	0	50	1
Australia	3.3[a]	3.3[b]	0	0	6.7	0	22.2	0
Austria	10	6.7	6.7	3.3	6.7	0	55.6	1
Belgium	10	10	0	0	8.3	0	47.2	0
Bolivia	10	0	6.7	3.3	3.3	0	38.9	1
Canada	3.3	3.3[b]	0	0	6.7	2.5	26.4	0
Chile	3.3	0	0	3.3	3.3	2.5	20.8	1
Czech Republic	10	6.7	0	3.3	5	0	41.7	1
Denmark	10	6.7	3.3	6.7	6.7	0	55.6	1
Finland	10	0[c]	6.7	3.3	3.3	0	38.9	1
France	3.3[d]	0[e]	0	3.3	5	0	19.4	1
Germany	10	6.7[f]	3.3	6.7	5	0	52.8	1
Greece	0	6.7[g]	0	0	5	0[h]	19.4	0
Hungary	10	10	6.7	3.3	10	0	66.7	1
Iceland	10	0[i]	6.7	3.3	3.3	0	38.9	1
Indonesia	6.7	6.7	3.3	6.7	6.7	2.5	54.2	1
Ireland	0	0	3.3	0	6.7	0	16.7	0
Israel	0	6.7	0	3.3	6.7	0	27.8	1
Italy	10	0	3.3	3.3	3.3	0	33.3	1
Japan	0	10	6.7	3.3	6.7	5	52.8	0
Korea, Rep. of	3.3	6.7[j]	3.3	3.3	3.3	7.5	45.8	1
Mexico	6.7	10[k]	0	0	6.7	7.5	51.4	1
Netherlands	10	6.7	6.7	6.7	3.3	2.5	59.7	1
New Zealand	3.3[l]	3.3[b]	6.7	0	3.3	0	27.8	0
Norway	10	10[m]	6.7	3.3	6.7	0	61.1	1
Portugal	10	6.7	0	3.3	3.3	0	38.9	1
Slovak Republic	6.7	0	3.3	3.3	3.3	0	27.8	1
Slovenia	6.7	6.7	0	3.3	5	0	36.1	1
South Africa	0	0[n]	0	0	10	0	16.7	0
Spain	6.7	6.7	3.3	3.3	5	0	41.7	1
Suriname	10	0	0	3.3	6.7	0	33.3	0
Sweden	10	10	6.7	3.3	6.7	2.5	65.3	0
Turkey	6.7	10	0	3.3	3.3	0	38.9	1
United Kingdom	3.3[o]	3.3[b]	3.3	0	3.3	0[h]	22.2	0
United States	10	10	6.7	10	6.7	10[p]	88.9	1
Uruguay	6.7[q]	6.7	3.3	3.3[r]	3.3	0	38.9	1

Source: Data are from OECD and World Bank (2003) except certain committee data (see text and annex table 2).
Note: Additional comments where responses were missing or ambiguous: a. Members of the House of Representatives may reduce existing items only. The Senate can propose amendments only to parts of the budget that are other than the ordinary annual services of government. b. Vote on account or other regularized interim supply measure. c. Constitution Section 83. d. Constitution Article 40. e. Constitution Article 47(3). f. Article 111 of the Basic Law. g. Constitution Article 79. h. Based on OECD (2002b). i. The executive would resign and new elections would be held. j. Constitution Article 54(3). k. There are no provisions. l. Standing Orders 312–316 give the Crown a financial veto over amendments with more than a minor impact. m. There are no clear formal rules describing the consequences. n. The executive budget takes effect subject to restrictions related to the previous year's expenditure limits, according to Section 29 of the Public Finance Management Act. o. Standing Order 48 of the House of Commons allows cuts only to existing items. p. The Congressional Budget Office has about 230 staff. q. Constitution Article 215. r. Based on Santiso (2004).

Annex Table 2. Construction of Composite Variables

Legislature	1 Withhold	2 Virement	3 Reserve	Σ Flexibility	4 Budget	5 Sectoral	6 Audit	Σ Committees
Argentina	3.3	0	3.3	6.7	3.3	0	3.3	6.7
Australia	0	0	0	0	0	3.3[a]	3.3	6.7
Austria	3.3	3.3	0	6.7	3.3	0	3.3	6.7
Belgium	0	0	0	0	3.3	3.3	1.7[b]	8.3
Bolivia	3.3	0	3.3	6.7	3.3	0	0	3.3
Canada	0	0	0	0	0	3.3	3.3	6.7
Chile	0	0	0	0	3.3	0	0	3.3
Czech Republic	0	0	0	0	3.3	0	1.7[b]	5
Denmark	3.3	0[c]	0	3.3	3.3	0	3.3	6.7
Finland	3.3	3.3	0	6.7	3.3	0	0	3.3
France	0	0	0	0	3.3	0	1.7[d]	5
Germany	0	0	3.3	3.3	3.3	0	1.7[b]	5
Greece	0	0[e]	0	0	3.3	0	1.7[f]	5
Hungary	3.3	3.3	0	6.7	3.3	3.3	3.3	10
Iceland	3.3	3.3	0	6.7	3.3	0	0	3.3
Indonesia	0	3.3	0	3.3	3.3	3.3	0	6.7
Ireland	0[g]	0	3.3	3.3	3.3	0	3.3	6.7
Israel	0	0	0	0	3.3	0	3.3	6.7
Italy	3.3	0	0	3.3	3.3	0	0	3.3
Japan	3.3[h]	3.3	0	6.7	3.3	0	3.3	6.7
Korea, Rep. of	3.3	0[i]	0	3.3	3.3	0	0	3.3
Mexico	0	0	0	0	3.3	0	3.3	6.7
Netherlands	3.3	0	3.3	6.7	0	3.3	0	3.3
New Zealand	3.3	3.3	0	6.7	3.3	0[j]	0[k]	3.3
Norway	3.3	3.3	0	6.7	3.3	3.3	0	6.7
Portugal	0	0	0	0	3.3	0	0	3.3
Slovak Republic	0	0	3.3	3.3	3.3	0	0	3.3
Slovenia	0	0	0	0	3.3	0	1.7[l]	5
South Africa	0	0	0	0	3.3	3.3	3.3	10
Spain	3.3	0	0	3.3	3.3	0	1.7[m]	5
Suriname	0	0	0	0	3.3	3.3	0	6.7
Sweden	3.3	3.3	0	6.7	3.3	3.3	0	6.7
Turkey	0	0	0	0	3.3	0	0	3.3
United Kingdom	0	3.3	0	3.3	0	0[n]	3.3	3.3
United States	3.3	3.3[o]	0	6.7	3.3	3.3[p]	0	6.7
Uruguay	3.3	0	0	3.3	3.3	0	0	3.3

Source: Data were compiled from OECD and World Bank (2003) except data on audit committees, which were gathered through a survey of parliamentary Web sites in January 2004.

Note: Additional comments where responses were missing or ambiguous: a. Sectoral committees in the Senate examine and report on relevant areas of the budget. b. Budget committee with an audit subcommittee. c. Reallocations between operating appropriations are allowed. d. The Evaluation and Control Delegation of the Finance Commission in the National Assembly has tried to improve interaction with the Court of Audit. e. Reallocations are allowed for the Public Investment Programme and with the approval of the Ministry of Economy and Finance. f. Standing Order 31A establishes a Special Standing Committee on Financial Statement and General Balance Sheet of the State. g. Provision in an estimate passed by the Dail does not convey authority to spend without sanction of the Minister for Finance. h. Author's research. i. There can be transfers with the approval of the central budget authority or the legislature depending on budgetary classification. j. The Finance and Expenditure Committee scrutinises the Budget Policy Statement and Estimates. Other committees may debate the estimates and policy for specific departments. k. The Public Accounts Committee was abolished in 1962. l. The Commission for Budgetary and other Public Finance Control receives audit reports, but in the past it has dealt with very few of them (Kraan and Wehner 2005). m. There is a Commission for Relations with the Tribunal of Accounts, but its role is limited. n. Based on Walters and Rogers (2004). o. Most transfers require approval by the legislature, some only notification. p. The Appropriations Committees in both houses operate elaborate subcommittee structures.

Notes

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1. Refer to the International Constitutional Law Project Web site, which includes references to the financial provisions of various constitutions: http://www.servat.unibe.ch/icl/.

2. Definitions of the budget differ across countries. The word *budget* in the United Kingdom now refers to the Spring Financial Statement, which focuses on taxation measures. In many countries, however, the term has a broader meaning, which is captured in the first traceable legal definition of the budget in a French decree of 1862: "The budget is a document which forecasts and authorizes the annual receipts and expenditures of the State …" (quoted in Stourm 1917, 2). This chapter uses the word in this broader sense.

3. In virtually all countries the executive prepares a draft budget that is then submitted to the legislature for approval (Schick 2002). The U.S. Congress held out longest compared with other legislatures before establishing an executive budget process, until in 1921 the Budget and Accounting Act required the president to coordinate the drafting of a budget proposal to be submitted to Congress (Webber and Wildavsky 1986, 411–16).

4. Several countries included in the survey have low scores on the 2003 Gastil index produced by Freedom House and available at http://www.freedomhouse.org. The somewhat arbitrary cutoff point of 3.5 used in this chapter excludes Cambodia, Colombia, Jordan, Kenya, and Morocco.

5. This practice is referred to as *interim supply* in Canada, *supply* in Australia, and *imprest supply* in New Zealand.

6. Chinaud 1993; Coombes 1976; Eickenboom 1989; LeLoup 2004; Leston-Bandeira 1999.

7. In 1919 the Commons, in what the chancellor criticised as a "virtuous outburst of economy," denied the lord chancellor funding for a second bathroom and other amenities, and in response Lord Birkenhead refused to move into his official residence. The last government defeat over estimates was in 1921, when members' traveling expenses were the objects of criticism (Einzig 1959, 274–75).

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