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EARLY DOCTRINE OF BUDGETARY INCREMENTALISM IN THE THEORY OF CHARLES LINDBLOM AND AARON WILDAVSKY

Abstract

Despite numerous attempts of contemporary financial executives to enhance the national process of public budgeting with innovative solutions, the model of traditional, incremental budgeting still withstands as a primary form of budgetary technicism. The crucial contribution to describing and radical popularization of incremental ratio in the field of public budgeting was made by American scientists Aaron Wildavsky and Charles Lindblom who are considered to be the pioneers of early doctrine of budgetary incrementalism.

Charles Lindblom approached the phenomenon of incremental decision-making in the context of wider social scene, advocating the advantages of marginal changes of public policy decisions in all spheres of decision-making as opposite to radical deviation from formerly adopted course of action. On the other side, Aaron Wildavsky explained with great precision the incremental ratio in decision-making process in the field of public budgeting, that is annual budget decision-making. According to Wildavsky, we should not pose the question how the process of public budgeting should look like (“what is a good budget?”), but we should only describe this process as it essentially is, or only could be. This leads us to the conclusion that incrementality, in the theory of early incrementalism, is viewed as an innate characteristic of budgeting process despite various reform initiatives.

Key words: *budgetary incrementalism, increment, marginality, budgeting process.*

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РАНА ДОКТРИНА БУЏЕТСКОГ ИНКРЕМЕНТАЛИЗМА У ТЕОРИЈИ ЧАРЛСА ЛИНДБЛОМА И АРОНА ВИЛДАВСКОГ

Апстракт

Упркос бројним покушајима савремених финансијских управљача да националне процесе јавног буџетирања оплемењене иновативним решењима, модел инкременталистичког, традиционалног буџетирања још увек опстаје као примарни облик буџетског техницизма. Пресудан допринос у дескрипцији и радикалној популаризацији инкременталистичког рација у области јавног буџетирања дали су амерички теоретичари Арон Вилдавски и Чарлс Линдблом, који се могу сматрати утемељивањима ране доктрине буџетског инкрементализма.

Чарлс Линдблом је приступио феномену инкременталистичког одлучивања на ширем друштвеном плану, афирмишући предности маргиналних промена јавних одлука у свим областима одлучивања у односу на радикална одступања од праваца деловања усвојених у прошлости. Са друге стране Арон Вилдавски је инкременталистички рацио одлучивања веома егзактно објаснио на плану доношења ануалних буџетских одлука у процесима јавног буџетирања. Према Вилдавском не поставља се питање какав би требало да буде процес јавног буџетирања („шта је то добар буџет“) већ би га требало само описати онаквог какав он у својој суштини јесте и какав би једини и могао да буде, из чега се изводи закључак да је инкременталност, у теорији раног инкрементализма схваћена као иманентна карактеристика буџетског процес, без обзира на различите реформске иницијативе.

Кључне речи: *буџетски инкрементализам, инкремент, маргиналност, буџетски процес.*

Introduction

Irrefutable popularity of incremental views pertaining to the nature of budgeting process has validated the promotion of budgetary incrementalism into an unsurpassable “technique” of public budgeting. From semantic point of view, the professional literature has witnessed for decades the development and maintenance of related identities between the categories “traditional budgeting” - “incremental budgeting” – “linear budgeting”. It is an undisputable fact that the incremental pattern of public budgeting justifiably bears the epithet of “traditional” or “classic” budgeting, as much as the linear budgeting can be rightly identified as “incremental” budgeting.

The incremental pattern of behavior in the field of public policy decision-making represents significantly wider phenomenon compared to the content assigned to it by the contemporary theory of public finances. The incremental approach in decision-making process adopted by public policy executives is mostly analyzed in contemporary perspective in the field of financial management and decision-making process, often neglecting the fact that the same model can be applied and analyzed in all other fields of social activities.

The ultimately simplified meaning of the incremental concept assumes a gradual, incremental

intervention of decision makers in relation to the decisions that were adopted in the past. This idea was particularly popular in the field of public budgeting where gradual corrections of the formerly made decisions reflect the complex nature of the budgeting process itself, as well as the deficit of information that are vital to decision makers for adopting budget decisions. Hence, Allen Schick is right when he observes "To budget is to decide on the basis of inadequate information, often without secure knowledge of how past appropriations were used or of what was accomplished, or of the results that new allocations may produce." (Schick, 2002a, p. 8). This leads us to logical conclusion that "budgeting process is never quite settled since those who manage it are never fully satisfied" (Schick, 2002b, p. 8).

In a wider context, determining the concept of incrementalism, as a decision-making model in all fields of public action, is attributed to the theorist Charles Lindblom. In the first part of this research, the authors will point to the method which Charles Lindblom used to formulate basic characteristics of the incremental pattern of decision-making process, bearing in mind that his postulates constitute the idea based on which the American theorist Aaron Wildavsky developed and perfected, so called, doctrine of budgetary incrementalism. In addition to defining the initial characteristics of the incremental concept, the contribution of Charles Lindblom will also be reviewed through the prism of the fact that this theorist considered the incremental pattern in decision-making process as an innate characteristic of social and economic democracies. In order to justify the imperative of gradual decision-making by financial and political executives in general, the scientists favoring the theory of early incrementalism led by Lindblom, generally relied on the arguments that "conflicted actors in decision-making process can rarely agree on taking bold political moves, as well as that the elite from various fields of interest are happy to resort to veto power and gain considerable influence on slowing down the reform dynamics" (Weiss, Woodhouse, 1992, p. 257).

Applying Lindblom's theoretical bases of the incremental concept to wider social context, Aaron Wildavsky created its mirrored version in the field of public budgeting, which is the reason why this author is often referred to as the founder of budgetary incrementalism. However, in his large opus dedicated to this phenomenon, Wildavsky did not offer any new mechanism of public budgeting, but rather gave a precise description what, according to his opinion, national budgets really *are* and what they could only be. In the second part of this paper, the authors will analyze the basic arguments which Wildavsky used to defend the concept of budget incrementalism coming into conflict with progressive stands of the theorists who favored the ideas of introducing contemporary models of public budgeting which significantly deviated from the incremental ratio of decision making process.

In the third part of their research, the authors point to the extreme complexity of the endeavor to determine the concept of budgetary incrementalism in a theoretically comprehensive way taking into account, before all, its multidimensional nature. The authors will point out to the initial hesitation of financial theory in deciding whether to view budgetary incrementalism as a process or as a result of a certain process, given the fact that both static and dynamic components of this budgeting technique are clearly expressed. In case the budgetary incrementalism is viewed as a process, the authors

will then further analyze the complex content of this process, dividing it into the process of horizontal and vertical decentralization.

Conceptual bases of incrementalism in the theory of Charles Lindblom

Broad scope of the phenomenon of incrementalism as a theoretical concept significantly exceeds the framework of public budgeting. Namely, budgetary incrementalism represents only one evidence, maybe the most illustrative (or the most obvious one) how the pattern of incremental theory works at the *specific* level that could, as a complex phenomenon, be projected to the *entire* social and political decision-making process (general level). Hence, in the system of public policy decision-making, all the decisions and their consequences can be explained in the spirit of incremental ratio, no matter if they refer to budget decisions or any other aspect of public policy decision-making.

How should public decisions be made and with what support, at the same time striving to maximize their compatibility with public needs that seek fulfilment, is the question that all theories on public decision-making and planning have tried to give answer to. In light of the conflict between the aspiration to plan public needs in the form of a series of small incremental changes and the idea to create a unique comprehensive plan, theory has offered two basic instrumental models that can serve as a financial and political framework for planning public needs and for public decision-making in general (Rostron, 2008a, p. 512). Hence, while in the system of rational decision-making and planning the managers are focused on identifying the public goals, researching into all possible means for achieving them, considering efficient alternative solutions and, eventually, adopting a set of political decisions for the best results, on the other side the incremental approach relies on evolutive changes in public decision-making through a continuous cycle of experiments and adaptations (Rostron, 2008b, p. 512).

Incrementalism *versus* rationalism represents a conceptual dilemma which has been in focus of the reformists of national systems of public finances all over the world for decades. Speaking about the problem of the conceptual definition of incrementalism due to numerous and versatile dimensions of theoretical approaches to this phenomenon, we believe that emphasis should be placed on the most important specific characteristic of this mechanism that could not be discerned at any other alternative technique of rational budgeting. Without pretensions to offer a complete and comprehensive definition (which has not been achieved yet, despite the attempts made in financial, sociological and political theory), we could define incrementalism at *general level* as a mechanism of public policy decision-making and planning where the marginal effects of the decisions made in the previous period represent the starting point for the decisions to be made for the future period, when their effectuation is expected.

The initial contribution to the affirmation of the concept of incrementalism in general, as a social and political phenomenon in the sphere of public policy decision-making, is ascertained in the theoretical opus of Charles Lindblom which, without any doubt, represented a doctrinary preamble of the theory of budgetary incrementalism of Aaron Wildavsky and his followers.

Lindblom managed to identify a few characteristics whose presence in a concrete model of public decision-making, he believed, was a testimony of the existence of the incremental mechanism of decision-making process. Incrementalism is presented in public policy decision-making if policy makers: 1) take into account only limited set of politically relevant alternative decisions which differ from the current policies only up to the level of *increment*; 2) analyze only those aspects of adopted policy which are different from alternative solutions; 3) consider political decisions as a logical, *successive* series of decision-making process; 4) insist on *the marginal value* of various social values and restrictions; 5) apply *the combination of the estimation and empirical analysis* (rather than sole empirical analysis) when dealing with the consequences of the decisions reached in relation to independently determined goals; 6) take into account only *a small number* of all relevant social values that are included in their decision-making (Lindblom, 1961, , p. 306).

Based on the aforementioned imperatives that are attributed to incremental ratio of the public executives involved in decision-making process, we can come to an obvious conclusion that *marginality and regularity* are two key characteristics of this method. *Marginality* assumes legality in public decision-making “at the margin”, that is in a way that the new content can be “injected” into formerly made political decision only to a minimum (marginal) extent. This characteristic is based on the application of the mechanism of incremental annual balancing of budget lines where the term “increment” is generally accepted to denote “the difference between what budget beneficiaries demand in the current budget year and what they received in the previous year” (Gist, 1977, p. 344). Such passive behavior of public executives can be explained by their inferiority to conduct a comprehensive analysis of the facts and circumstances related to every particular field of decision-making process in order to reach the solutions that will lead to better fulfillment of public needs. On the other side, *regularity*, as *differentia specifica* of the incremental method, assumes an operative routine in public decision-making, developed on the basis of standardized practices, which, as in the case of marginal rules, assumes the passivization of the managers involved in public decision-making.

Lindblom’s approach to researching the incremental method in the sphere of public decision-making was to compare the characteristics of this method to the concept of *rational comprehensiveness* (Eng. „*room method*“), analyzing in which fields of formalization *the concept of successive comparison* (Eng. „*branch method*“ - Lindblom’s semantic substitute for incrementalism) shows superior characteristics compared to largely popularized rationalism (Lustick, 1980, p. 342). Comparative advantages of incrementalism, in relation to its rival – rationalism, were analyzed taking into consideration several problematic areas: the selection of value-based goals, the analysis of means and goals, the criterion of “good” managing decisions and the issue of comprehensiveness.

Speaking about the first issue, the incremental approach to the selection of value-based goals which deserve financial and political sponsorship from budget funds, it relies on the negation of the possibility, that was proposed by the rationalists, to explore social preferences when making individual decisions, particularly those pertaining to complex value-related problems. Instead of a tempting idealistic solution where the public needs planners would first formulate the values (interests) at the level of each particular planning segment, and then create political decisions aimed at covering

these values, incrementalism offers much simpler solution – since the values and their mutual relations are very difficult to define, what is only left to public needs planners is to conduct a simplified selection of alternative political solutions which already contain various combinations of these values (Lindblom, 1959a, p. 82). Hence, the only value which is relevant for the public planners' selection is the *increment* which represents the difference between two alternative policies (Lindblom, 1959b, p. 82). The focus of decision makers only on the incremental, marginal values makes, according to the theorists of incrementalism, this technique of planning and formulating of public needs, thanks to its simplicity, the only operationally feasible technique.

The analysis of means and goals within the framework of rationalists' method, represents a significant component of decision-making process. We are speaking about the obligation of managers to follow the logical order which calls for *prior and independent* formulation of goals, followed by the selection of the means for their achievement, while, on the contrary, the incremental concept assumes the identity of means and goals, which makes this analysis pointless. Similar to Lindblom, other theorists of early incrementalism did not make the effort to analyze "middle solutions", that is the models of public policy decision-making that would represent a functional cohesion of the components of an incremental and rational (comprehensive) model. These models, judging by the nature of contemporary budgetary technicism, are increasingly gaining importance.

Initiation of budgetary incrementalism in the theory of Aaron Wildavsky

The incremental approach to describing the nature and dynamics of public budgeting process represents the first, relatively completed, theoretical analysis in the sphere of public budgeting. Although, from the angle of contemporary budgetary technicism, the incremental approach is exposed to multiple qualitative criticism since it promotes numerous innovative mechanisms of budget modelling, still, there is an undisputable fact that this doctrine, even in domain of modern public finances, relentlessly manages to find the ways to emphasize the need for its own (re)affirmation. Despite a rather argumentative rationalists' criticism of the effects of the implementation of budgetary incrementalism, a large number of authors still believe that this doctrine remains the leading direction that the budget theory pursues at the global level.

In an attempt to discover the sources of theoretical initiation of the concept of budgetary incrementalism, we have established that the roots of this doctrine are linked to the reactions to the theoretical challenge that the American political scientists Valdimer Orlando Key presented in his famous essay „The Lack of Budgetary Theory“, published in the 1940s. The essence of Key's "lamenting" can be reduced to the appeal for the ultimate shaping of the budget theory that would finally move on from the descriptive research of basic issues of budgeting "mechanics", such as: the organizational and procedural bases for budget preparation, the methods of submitting the financial plan proposals by budget beneficiaries, the official structure of budget documentation, etc. (Key, 1940a, p. 1137). According to Key, such a straightforward theoretical exploitation of procedural (formal) elements of public budgeting blurred the significance of the

analysis of the mechanism of public funds *allocation*, as the essential preoccupation of budget planners. Underlining the need for researching the allocative budget mechanisms is, from historical point of view, motivated by the rise of state interventionism as a superior Keynesian alternative to the mechanism of “invisible market hand”.

Looking at the budget document as a decision regulating the allocation of meager public funds *per definitionem* for the purpose of maximizing the benefits for a social community, Key came up with his famous question: “*on what basis shall it be decided to allocate X dollars to A activity instead of to B activity*”? (Key, 1940b, p. 1137). In this way he opened the door to a complex and unexplored area, challenging the economic doctrine to respond to this issue, or to prove the pointlessness of Key’s “allocation rebus”. (Mayers, 1996, p. 172).

Key’s normative essay was written in the period when both the rationalists and “realists” operated in domain of partial and superficial analysis of budget phenomenology and, therefore, it is not surprising that his review on the allocation problem is significantly based on the criticism of both (pairs) theoretical courses.

Speaking about early research in the field of rational budgeting, Key points to rationalists’ one-sidedness in glorifying the principle of efficacy at the level of microbudget entities. Without disputing the legitimacy of the need of the participants in microbudget planning to use or to plan using the available funds with maximum efficacy, Key underlines that the format of the estimation of microbudget’s efficacy is much less important than the allocation of microbudget efficacy. In other words, even if the participants in microbudget planning succeed in their attempt to plan and realize their needs in the most efficient way, this does not automatically result in maximizing the benefits for the society itself in the circumstances when this relative function, from the point of the general interest, is not even necessary, that is when the public funds for its financing could be allocated for other purposes that would bring larger benefits to society. (Key, 1940c, p. 1139). While he criticized rationalists for their superficial insisting on *efficacy*, his principal objection was aimed at the predecessors of radical incrementalists and their superficial insisting on the effects of *marginality imperatives* on making allocation decisions. The doctrine of marginal utility, whose full applicability was achieved in domain of planning of business decisions of market participants, was questioned in relation to decision-making mechanism in the field of public spending. (Mayers, 1996, p. 1143).

Speaking about Key’s “allocation rebus”, we could say that those stands which pointed to the paradoxicality of the posed question ended far more popular than those which attempted to answer it. Among the first group of stands, the largest attention was paid to the opus of the American professor Aaron Wildavsky who distinguished himself in contemporary theory of public finances as the most important protagonist of the view on the unquestionable superiority of the incremental course in the analysis of public budgeting process. In addition to Wildavsky, the contribution of the following authors to the theory of incremental budgeting was of immeasurable importance: Lindblom, Fenno, Davis, Sharkansky and others.

The majority of stands that Wildavsky presented in his works were factually based on the views of the reformists of the system of public budgeting in the USA related to the imperatives of, what is colloquially called in political practice, “good budgeting”. According to Wildavsky, the widespread obsession of the reformists with

the concept of “good public management”, that is with the principles of effectiveness and efficacy, is marked by the capital failure of the reform leaders to understand that any change in the field of public budgeting will eventually impact the allocation (“who gets and how much”). In other words, no budgetary reform can be marked as neutral and proclaimed as “universally beneficial” for all people, which was the initiation of rising rational course. (Wildavsky, 1964a, p. 183).

In the spirit of such reasoning, Wildavsky points to Key’s appeal for creating a budget theory that would be essentially normative and, in terms of responding to the question *how a good budget system should be structured*, would reach ideal contours of public budgeting. The incrementalists, led by Wildavsky, remained adamant in opposing the possibility of normative theoretical modelling of the mechanism of budget decision-making, considering such endeavors as classic forms of utopistic reasoning. In our attempt to systemize the basic arguments that the incrementalists used as guidelines, we had to start from understanding the nature of the budget act as a financial reflection of government’s political plans. Taking into account that no political plan can be implemented without relying on budget projections, the creation of the ideal theoretical framework for budget decision-making would also mean the creation of *a political theory* that would promote a universally applicable pattern of “*good political decision-making*”. In this way, according to incrementalists, the creative role that the executive power plays in social life would become purposeless. The normative budgeting theory, according to incrementalists, would, therefore, inevitably become *a political theory*, that could not be verified as a result of its own ambitiously wide scope (Wildavsky, 1964b, p. 184).

In addition to general labeling of rational normative theory as a kind of utopian, Wildavsky argued the reasons why *the ideal model* of rational budgeting was not sustainable. To certain extent he agreed with Key’s criticism of blind insisting of the rationalis theory on budget efficacy and pointed to the fact that the key budgeting problem did not lie in the method of maximizing the budget benefits, but rather in establishing their scope and in identifying the subjects who will receive them. On the other side, no matter how strong is the desire of contemporary budget reformists to promote the efficacy concept in public budgeting as an imperative, this is not possible without the reform of the political process of budget decision-making. The introduction of innovative models of rational budgeting without changing the political pattern in budget decision-making and the roles of the participants in this process, would be, according to budgetary incrementalists, doomed to fail from the outset.

Since it was aimed at discovering the ideal performances of public budgeting, the rational normative theory had to offer the models of budgeting techniques through which such “ideality” could be attained, as well as to invent such an operative political framework that would guarantee the realization of those criteria. According to incrementalists’ opinion, the possibility that any of these two conditions are met in practice, is very limited. Given the fact that the process of public budgeting is generally expected to address the need for the fulfilment of potentially highly incompatible aspirations (achieving efficient allocation of limited public resources, preventing financial bankruptcy, respecting the demand for gender and intergenerational equality, achieving fiscal stabilization, etc.), any kind of normative model would be doomed to fail in the absence of a clear consensus between the key actors in public budgeting

process related to the selection of goals and their ranking (Mayers, 1996, pp. 174-175). Merely, the programs financed from the public funds, as well as their *outputs*, represent the object of divergent perception of various participants who assign different values to such programs (Fölscher, 2007a, p. 112). Since the country of “universal consensus” has never existed (Wildavsky, 1961, p. 184) and since this fact is of both notorious and unchanging character, therefore, the quest for the objective methods of prioritizing various programs (goals) remains purposeless. Adamant insisting on finding the ways to eventually reach such a consensus (for example, via viewing the society as a unique organism to which a certain set of preferences is artificially assigned) is considered to be a form of *theoretical totalitarianism* (Fölscher, 2007b, p. 112). In addition, unlikelihood to reach the agreement on universally accepted public goals (programs) could result, in the circumstances of fragile political systems, in *political totalitarianism* where the decisions of the inner political leadership (often - the individuals) are automatically considered to be compatible with social preferences and social interests.

The above stated arguments of theoretical and conceptual nature represented a sufficient motive for Wildavsky and his followers to develop *a priori* suspicion towards every single reform of American budget system that was inspired by positive intentions to create an instrumental and procedural framework of “good budgeting”. Instead of searching for “good budgeting” techniques, the incrementalists propose a description of what budgeting really is, and, taking into account the entire political framework of budget decision-making, what it could only be. From historical point of view, the initial attempts of the implementation of early operative concepts of rational budgeting (for example, the *Planning Programming Budgeting System*) resulted in institutional and political unreadiness and relative absence of expected results of the reforms, which constituted strong grounds for the legitimacy of incrementalists’ criticism. Nevertheless, by enhancing the environmental and procedural framework for the implementation of novelties in the field of budget technicism, there was less room for accepting the unquestionable reasoning of leading theorists of budgetary incrementalism.

Difficulties in determining budgetary incrementalism in an integral way

The beginning of the end of unquestionable rule of incremental doctrine in domain of budgetary technicism (especially in the 1960s and 1970s) is vividly explained by the statement that this concept became so operatively popular that at the end “had to be killed by its own weight” (Ainswort, Hall, 2011, p. 29). Although the concept of the incremental budgeting pattern is rather simple, which is considered to be its major advantage, the content of its individual theoretical elements (“base”, “increment”, etc.) is extremely complex. This is the reason why it was a difficult task to challenge the legitimacy of scientific attempts to explain incrementalism in a multifunctional way. In that context, the two dimensions of budgetary incrementalism which are most commonly distinguished are - *descriptive and explanatory*. In the first case, the process of public budgeting can be considered to be descriptively incremental if the changes in the process of planning public expenditure are marginally different in relation to *status quo*, while, on the other side, budgeting process can be explained by

incrementalism only in case of pointing to *the reasons* of the mentioned marginality. (Wanat, 1974, p. 1221).

The transition of incremental theoretical course from general to specific one (from general political decision-making to budgeting) was followed also by the transition of the inconsistency and ambiguity, the inherent characteristics of the political, “Lindblomian” concept of incrementalism. (Bailey, O’Connor, 1975, p. 60). Although the pattern of the operationalization of the concept of incrementalism is apparently simple, in theory we can distinguish quite different approaches to its determining, so that we cannot but wonder whether the studies analyzing budgetary incrementalism actually speak about the same phenomenon. Is it possible to unify the meaning of the concept of budgetary incrementalism and in what way is the question which has remained open to this date, so it is not surprising that the same process in the analysis of one author is considered incremental, while the other author denies this characteristic.

The concept of budgetary incrementalism that was developed in the literature in the field of policy decision-making and budgeting is rather disappointing from the aspect of precision and expository clarity. (Bailey, O’Connor, 1975, p. 60). Without disputing the fact that it would be very difficult to reach a complete theoretical unification of the incremental concept, we believe that it is important that numerous deterministic approaches should be reduced to those that nullify each other to the least possible extent.

Speaking about the need for the unification of the content assigned to incremental budgeting, the core of the confusion related to this process lies in the preferences of a number (even a prevailing number) of authors in this field to use denotative approach when determining incremental budgeting - by listing the characteristics whose presence in the concrete budgeting model points to an incremental budgeting technique. Although legitimate, such perspective remained inconsistent in relation to the issues whether the listed characteristics of incremental budgeting should manifest together in a cumulative way, or the presence of any of them should lead to a conclusion that it is an incremental approach?! If we accept the first approach, then it would be very difficult to recognize whether the cumulative criterion has been fulfilled in any concrete budgeting system; on the other side, the acceptance of other solution would mean that every “Lindblomian” characteristic of incrementalism can be turned into an independent “definition” of incrementalism, whereas there would be a significant logical inconsistency among them. (Berry, 1990a, p. 168).

William Berry undertook to perform a studious analysis of all the approaches that are available in theory related to determining the incremental pattern of public budgeting, where he managed to synthesize no less than twelve definitions (six of them were derived from Lindblom’s analysis of incrementalism as a sociological pattern, while the other six are exclusively linked to domain of public budgeting, mostly relying on the Wildavsky’s views). In an attempt to avoid extending the problem of content-related determining of incrementalism to the entire field of public budgeting, here we will focus on the most significant definitions-characteristics which are solely linked to the field of public budgeting.

Budgetary incrementalism - the process or the result of the process

The major works of Aaron Wildavsky in the field of public budgeting reflect rather large evolving changes related to understanding of the term “incremental”. Although they are undoubtedly useful, the definitions which originate from this author’s views raise questions rather than provide answers. Certainly, the most significant problem remains in domain of completing, that is of rounding up the theoretical concept of budget *increment*.

In early works of Aaron Wildavsky the focus of the concept of budgetary incrementalism was on the *marginality* of budget decisions, i.e. incrementalism was viewed as budget decision-making *process* which, we could say, recognized the legitimacy of the budget “base”, i.e. the expenditure that was confirmed and realized in the previous budget period, and where the decision makers were focused only on those public needs which required minimum modification of this base. (Wildavsky, 1964, p. 13). Although in this way incrementalism was presented as a process, we could state that its key determinant is actually the *result of the process* embodied in the scope of “minimum” changes that were made compared to the previous budget period. Therefore, the budget decisions are incremental to the extent to which they result in “marginal” changes of public expenditure (Boyne, Ashworth, Powell, 2000a, p. 53).

From later works of Aaron Wildavsky and his followers, which dealt with empirical assessment of the presence of the incremental pattern in the system of public budgeting in the USA, it is possible to reach a conclusion that incrementalism is not as much based on the marginality as it is on the *regularity* of decisions related to public expenditure. (Dempster, Wildavsky, 1979, pp. 371-375). This radical turn *per se* calls for the need to adapt incrementalism to the fact that, in American practice of budget decision-making, the decisions of budget planners related to the scope of public expenditure were increasingly moving away from the zone of “minimum changes”, whose scope, by the way, has never been uniformly determined, not even by the incrementalists. The absence of unanimous agreement as for the content and scope of the term *increment* represents major weakness of the incremental doctrine. (Tucker, 1982, p. 333). In literature, there is an opinion that such a change of focus of radical incrementalism, from its scope to the regularity of changes in public expenditure, has led to a significant erosion of the status of budgetary incrementalism as an explanatory theory, where such wandering from marginality to regularity has made the content of the term *increment* critically fluid (Sharpe, Newton, 1984, p. 81). Literal interpretation of the revised understanding of incrementalism in budget decision-making would lead to the recognition of this concept even in cases of drastic annual growth of public expenditure (of 100%) under the condition that such a growth is periodically stable. However, we believe that Wildavsky did not want to go too far in revising his original stand but that, evidently, his intention was to “couple” regularity, as a newly promoted characteristic of incrementalism, and marginality together. Namely, by interpreting Wildavsky’s principal motivation aspects, we can conclude that marginality and regularity are seen as “the servants” of the *stability* of public expenditure changes, which this author considers to be the axiom of the public budgeting incrementalism. Whether and to what extent this stability will be based on smaller or larger annual increments depends, before all, on the character of the norms which comprise the rules governing decision-making process in the field

of public expenditure planning. Since these norms, by rule, favor smaller increments, we could accept the view of some authors as legitimate – that insisting on regularity does not represent negation of marginality of incremental planning. (Boyne, Ashworth, Powell, 2000b, p. 54).

Budgetary incrementalism as the process of vertical and horizontal decentralization

The failure of the mechanism of public expenditure planning to attain the degree of “rationality” that would be based on the full respect of public interest, resulted in the conclusion reached by incrementalists that public budgeting can be viewed exclusively as a *political process* permeated by various forms of institutional conferring (“negotiations”) (LeLoup, 1978, p. 503). Particularity of political interests and roles results in different perceptions of the mere purpose of public budgeting process: while the budget beneficiaries who plan their own microbudgets (Engl. *agencies*) are preoccupied with the possibility of getting as large expenditure extensions as possible, on the other side, the financial and political authorities are focused on the possibility of reducing them. The third side in this equation, the legislators, are expected to determine the optimality of budget decisions based on their contribution to the possibility of making a choice where, by the nature of things, legislative ratio is rather more inclined to choose the extension than the reduction of the proposed expenditure (Bozeman, Strausman, 1982a, p. 510).

Starting from the view that “budgeting is incremental because it is consensual”, American incrementalists asserted that the post-war system of public budgeting in the USA showed an increasing deviation from incremental postulates since, according to their belief, this consensus was compromised. (Jones, 1997, Wildavsky, 1992). The consensus in reaching decisions related to public expenditure, as a form of a coordination of vertically positioned actors in decision-making process, represents an important characteristic of budgetary incrementalism, where the negotiation strategies, which the participants in vertical negotiations rely on, are in the main focus of incrementalists’ attention. The emphasis that these strategies place on the scope of incremental changes, while the base (the level of expenditure from the previous period) remains same, deprives the participants of a comprehensive periodic re-evaluation of the totality of public expenditure. (Bozeman, Strausman, 1982b, p. 510). Moreover, such format of meaningful re-evaluation becomes impossible in the circumstances of clearly expressed vertical “competition”.

The incrementalists are inclined to view the consensus in budget planning as any other process which results in identical or similar treatment of different public programs (expenditures), as opposed to the scenario where individual programs are singled out under the scheme of favored treatments. This means that in case when there is an annual growth of public expenditures, the consensual pattern points to the fact that the growth increment is divided among all programs (expenditures) in a reasonably equal way, while in case of the decline increment, the burden of public expenditure cuts would also be shared with the same reasonable equality, but this time in relation to the *reduction* of all government programs. (Jones, Baumgartner, 1997, p. 1322). Horizontal

decentralization in the system of public expenditure planning assumes the absence of the competition among individual decisions related to the allocation of public funds for certain purposes. The incrementalists assert their stand that the process of making individual allocation decisions must be kept separate from the "prioritization" process, that is from the assessment to what extent the effects of a particular decision of one microbudget's participant will bring the benefits for the society that exceed the effects of alternative allocation decisions of other microbudget's participants. In this way the incrementalists give additional contribution to the stability of administrative structure of public decision-making that should be based on simple rules while, on the other side, increasingly complex and sophisticated forms of political strategies (which include the competitive elements in allocation decisions) are classified into the corpus of "deviant cases" (Natches, Bupp, 1973a, p. 955).

Putting the emphasis on the analysis of the subjects of microbudget planning (agencies) and their, more or less, anticipated behavior while planning their own needs, has resulted in a significant statistical achievement of incremental, quantitative budget studies (Natches, Bupp, 1973b, p. 955). However, when the focus of the analysis shifts from the *agencies* to *programs* as "the operative units of public policies", (McKean, Awshen, 1965, p. 286), then we can speak about a considerable erosion of the applicability of incremental views related to horizontal decentralization. The planning of programs, as a complex form of the operationalization of public needs, is inextricably linked to strategic assessments of the degree of their contribution to public interests which, correspondingly, makes the issue of intra-program competition extremely relevant.

Budgetary incrementalism as an isolated process

The technique of incremental (linear) budgeting is often believed to be isolated from the effects of external variables that could "threaten" the imperatives of marginality and regularity in planning public expenditures. Favoring only the internal variables (particularly the political restrictions and cognitive limitations of the subjects involved in the planning process) by the theorists of early incrementalism was the result of the opinion that incrementalism is the product of "standard budgeting circumstances", while the non-incremental changes are the result of the effects of abnormal environmental conditions in which the planning of public expenditures takes place (Boyne, Ashworth, Powell, 2000c, p. 56).

If we accept the fact that the scope of planned expenditures is preconditioned by the scope of public needs from the previous planning period, then we automatically imply the absence of any influence of economic, political and all other external variables on the character of budget decisions. (Berry, 1990b, p. 173). However, the actual appearance of non-incremental changes in the process of public expenditure planning pointed to the need for abandoning such an ignorant attitude of radical incrementalists related to the issue of their significance. In later works of Aaron Wildavsky, as the most prominent protagonist of budgetary incrementalism, the possibility of having non-incremental changes in public expenditure planning is partially recognized, only in the form of random, accidental cases, and only as those restricted to one budget cycle.

If we prefer external variables of exclusively political character, then the linear budgeting is in the position to act as an apolitical and non-ideological mechanism that

can be applied in any environmental framework. In a certain way, this actually means that incremental rules in decision-making process are not “subdued” by politics, but, on the contrary, it is the duty of each newly created political establishment to engage in financial planning aimed at covering public needs and complying with the canons of budgetary incrementalism. Such incremental reasoning is based on the fact that the changes of a political course, which in democratic systems occur through a natural change of power in the election process, are not radical to the extent that their manifestation through the mechanisms of budget planning would demand a drastic deviation from the “base”. Therefore, the change of power does not undermine the incremental nature of changes in planning the public expenditure, except in case of extremely rare (revolutionary) metamorphoses of social and political ambient when the entire corpus of formerly articulated public needs are subjected to re-evaluation, which makes the deviation from the base inevitable.

Concluding remarks

National budget, as the concentrate of ideas on fiscal policy, has long time ago ceased to be just a financial instrument of plain “distribution of public funds for basic state needs”, not excessively overburdened by financial planning. Such an unpleasant role was assigned to budgets by the representatives of the classic “laissez-faire” school of economic thought who strongly opposed the idea that a budget should have any other function, but the financial and, of course, political one. This was, according to the these classic theorists the key method for drawing a demarcation line between the rules and functions of the market and the rules and functions of the public sector. The breakthrough of Keynesian school of economic thought, as a logical consequence of the imperfection of the “laissez-faire” doctrine in the analysis of market phenomena, brought radical changes in terms of the role of state in creating the course of national economy and these changes became permanently incorporated in the mechanisms of budget decision-making process.

The concept of budgetary incrementalism, founded by American theorist Aaron Wildavsky, which can be considered to represent a traditional approach to budget decision-making, has been for a very long time exposed to significant and argumentative criticisms in relation to its theoretical stands. Apart from their obvious advantages related to the simplicity of budget decision-making and control, the budgets prepared according to the incremental model have significant deficiencies. Mainly, it is the fact that this budgeting technique does not fully take into consideration the dynamics of the needs which are financed from budget funds, which is particularly emphasized in dynamic ambient of modern economies. In the circumstances when the budget lines from the previous budget periods are projected to the future period with only minor changes and no performance evaluation, the efficient allocation of public funds becomes the victim of “roboticized” budget management. Therefore, such a pattern which assumes minimum modification in the content of budgetary decisions between budget periods, tends to “passivize” managing capacities of those in charge of making allocation decisions and “tame” sophisticated character of budget planning.

Nevertheless, modern theorists, who favor the ideas of rational budgeting, would have a very difficult task in attempting to challenge the conceptual grounds laid by

theoretical promoters of incremental budgeting who built this technique of public budgeting to the level of a doctrine. The main reason for this lies in the fact that Aaron Wildavsky, resorting to the ideas of Charles Lindblom, offered a theoretical model of public budgeting which represents a comprehensive and complete circle with clearly expressed political, financial and bureaucratic component. Wildavsky's basic postulate to view the mechanism of national budgeting as a *par excellence* political process has survived to this date, resisting the attempts of rational theorists to move the financial planning process away from the sphere of political decision-making and to subdue it to the economic imperatives of economy, efficacy, and effectiveness. This unbeatable element of Aaron Wildavsky's doctrine was recognized by many representatives of rational school who had made many futile attempts to apply the radical models which depart from the established incremental pattern. Bearing in mind this fact, we could conclude that, despite the elements of rational modernization which are definitely present (program-based budgeting, performance-based budgeting, etc.), the national budgeting systems in majority of modern countries remained dependent, in one way or another, on the political dimension of budget decision-making process.

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