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The (In)Significant Role of the Legislature in the Budgetary Process

The legislature is undisputedly one of the essential institutions of democracy. However, in the budgetary process, some legislatures play more active roles than others. There are two simple questions regarding the legislature's budgetary process: (1) under what conditions does the legislature have more power to amend the governments' budget proposal?; and (2) when does the legislature become more active in the budgetary process? For these questions, previous research has argued that only institutions matter in the power to make amendments, or the role of the legislature in the budgetary process. This article investigates the effects of political factors by focusing on the share of seats of the government parties in the legislature. As with the findings of previous research, the analysis has demonstrated that an institution, that is, formal power, determines whether the legislature amends the budget. Moreover, it has also been demonstrated that the legislature is more prone to amend a budget proposal as the share of seats of the government parties increases. This suggests that the legislature can amend the budget proposal within government control.

KEYWORDS: legislature, budgetary process, amendment

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Introduction

THE LEGISLATURE is undisputedly one of the essential institutions of democracy. From a theoretical perspective, the importance of legislative deliberation has been clearly identified (HABERMAS 1996; STEINER et al. 2004). However, in the budgetary process, some legislatures play more active roles than others. The executive branch of government reflects the majority's preferences and is generally responsible for preparing the current- or following-year budget, creating the policy menu based on those preferences. On the other hand, in the legislature, parties with diverse preferences can discuss and oversee the executive branch's budget proposal. Ordinary citizens have political access only via elections. Thus, after elections, representatives or parties are the only actors reflecting the diverse preferences of citizens. Therefore, the budgetary process, with its relationship to government policy, and especially budgetary discussions in a legislature, lies at the heart of the democratic process.¹

In this respect, the comparison of legislative power in budgeting is regarded as a key research issue (e.g., PELIZZO et al. 2005). Moreover, some studies investigate what determines such legislative power (WEHNER 2005). However, this "power" includes multifaceted components such as "amendment power," "budgetary information," and so forth (for details, see WEHNER 2006). Although this approach may be appropriate to evaluate the overall budget capacity of the legislature, two simple questions remain regarding amendment power: (1) under what conditions does the legislature have more power to amend the governments' budget proposals (i.e., capacity)?; and (2) when does the legislature become more active in the budgetary process (i.e., behavior)? For these questions, conventional wisdom assumes that institutions or legal frameworks matter (LIENERT and JUNG 2004/2005, chapter 1), yet there are very few studies investigating whether politics matters (e.g., FORESTIERE and PELIZZO 2005). This article aims to scrutinize what institutional and political conditions determine amendment power vis-à-vis a budget proposal.

This article is organized as follows: the next section elucidates two main conditions for influencing the legislative budgetary process that previous research assumes. In the third section, this article proposes a hypothesis. Section four discusses data, method, and then presents results. The last section concludes with what could be improved for future studies.

1. Aaron Wildavsky argues that "the budget lies at the heart of the political process" (WILDAVSKY 1984, 5).

Previous Research: Institutions and Politics

Previous research has assumed that there are mainly two conditions that determine the range of the legislature's role in the budgetary process: one is institutions, and the other is politics.

Conventionally, institutions such as the constitution and political systems are consequential since they set up "rules of the game" in the political process and define each actor's role. It is well known that in terms of the budgetary process, the U.S. Congress is one of the strongest legislatures around the world, while countries with the Westminster system (e.g., the U.K.) have considerably weaker legislative power (MEYERS 1998; WEHNER 2006). In the Westminster system, which is based on a parliamentary system with a single-member district system, the executive can control politicians in the legislature where government parties are in the majority. Moreover, under this system, the Constitution limits the legislative role in budgeting. The U.K., Australia, and New Zealand chambers virtually have no power to amend budget proposals (BLÖNDAL et al. 2008; TANAKA 2011; LIENERT and JUNG 2004/2005). By using the indicator that stands for comprehensive legislative power in the budgetary process, WEHNER's (2005) statistical analysis demonstrates that only the dummy variable for the experiences of the U.K. colonies negatively influence that power. This result suggests that countries with the Westminster tradition have less budgeting power. In sum, institutions matter in the budgetary process.

While recognizing institutions as the most powerful factors to determine the extent of legislative power, politics has not entirely been ignored. WEHNER (2005) hypothesizes that legislatures have more power in countries that have substantial experience with minority governments, i.e., a divided government, because the difference of preferences between the executive and legislative branches widens.² FORESTIERE and PELIZZO (2005) have suggested that in Italy, with its fragmented and ideologically polarized party system, the legislature amended the budget proposals because they were prone to take various views into consideration and politicians tried to propose amendments which reflected the preferences of their own constituencies. However, their analysis indicates that the Italian legislature, with a more polarized party system, has amended budget proposals more, but with a more fragmented party system, they have modified them to a lesser extent.³ Yet, their regression analysis, including the

2. A variable for divided government is not statistically significant in Wehner's model.

3. WEHNER (2005) also uses the effective number of parties (LAAKSO and TAAGEPERA

above two political variables as well as a variable for institutional changes, finds that only institutional changes have determined the degree of legislative power (in amending budget proposals in Italy).⁴ Therefore, from an empirical perspective, only institutions might matter.

Existing research, however, employs the simple operationalization of political factors. For instance, WEHNER (2005) and FORESTIERE and PELIZZO (2005) utilize the effective number of parties (LAAKSO and TAAGEPERA 1979), representing party fragmentation,⁵ while Forestiere and Pelizzo use ideological party polarization by calculating the share of seats of the most left- and right-wing parties in the Italian legislature. This article introduces a variable for the power relationship between the government and the legislature, or for legislative competitiveness. This approach will indicate that both institutions and politics are significant.

Hypothesis

How do political conditions influence the role of the legislatures? Based on the aforementioned research, this article also assumes a dissensus between the executive and the legislature—that is, a divided government—provides the legislature with more power to oversee the budget (WEHNER 2005, 6). Moreover, if the share of seats for opposition parties is large in the legislature, in other words the share of seats for government parties is small, the government parties are unable to disregard the opposition's preferences. Deliberative theorists argue that, through political deliberation, actors may transform their own original preferences by taking others' views into consideration (DRYZEK 2000; YOUNG 2000). On the other hand, the executive has free rein over the budgetary process if the government parties are a majority in the legislature. Thus, the smaller the share of seats of the government parties in the legislature, the higher the probability that the legislature will amend the budget proposal. Therefore, this article examines the following hypothesis from political and theoretical perspectives:

Hypothesis: The probability that the legislature amends the budget proposal heightens as the share of seats for government parties decreases.

1979) as a variable for party fragmentation. However, it is statistically insignificant in his analysis.

4. FORESTIERE and PELIZZO (2005) use the ratio of differences for expenditures between bills proposed by governments and laws accepted by legislatures as a dependent variable.

5. To be exact, FORESTIERE and PELIZZO (2005) do not indicate the variable as the effective number of parties in their article.

Analysis

DATA AND METHOD

To test the hypothesis, I rely mainly on two databases: the 2007/2008 International Budget Database (hereafter IBD; OECD n.d.) and the Database of Political Institutions 2010 (hereafter DPI; BECK et al. 2001). The former consists of a survey of 97 countries in 2007/2008 and includes variables for institutions and practices of the budgetary process so that they can be compared systematically. The latter database contains an enormous quantity of data, including not only political institutions but also party systems. Thus, using these databases is appropriate to test the above hypothesis.

This study employs a binary dependent variable for the actual amendment of the budget proposal. This is operationalized by using a response to the following question: “Q41. Did this [amendment] entail an increase or decrease in total spending?”⁶ Although countries answered for both “current” and “previous” years, this article mainly utilizes the variable for the “current” year.⁷ TABLE 1 presents the frequency of the actual amendment, and TABLE 2 shows whether, and how, legislatures amended the budget proposals during those two years. TABLE 2 demonstrates that legislatures in most countries amended them in the same manner, while Albanian, Costa Rican, German, Hungarian, Korean, Peruvian, Swiss, and Turkish legislatures did not. Thus, we can understand that institutions, or traditions, are predominant conditions in determining the power of amendment.

To test the hypothesis, the analysis in this article employs two types of independent variables: institutional and political. For the former type, this article mainly utilizes the IBD. The first variable, *Formal Power*, captures the degree of formal legislative power to amend a budget proposal. This is a four-scale variable: the highest is four, while the lowest is one (Q40).⁸

6. I recode answers as follows: 1 stands for “change,” 0 for “no change.” The original answers are “Increase in total spending,” “Total spending was unchanged,” “Decrease in total spending.”

7. OECD countries answered this survey in 2007, while countries in other regions were surveyed in 2008. Thus, the definition for “current” and “previous” years depends on whether a given country is a member of the OECD.

8. A question number in parentheses corresponds to the question number of the IBD. The definition of each number is as follows: 4. “The Legislature has unrestricted powers to amend the budget”; 3. “The Legislature may make amendments but only if it does not change the total deficit/surplus proposed by the Executive”; 2. “The Legislature may only decrease

TABLE 1. Amendment.

AMENDMENT	FREQUENCY	%
Decrease	17	30.36
No change	12	21.43
Increase	27	48.21
Total	56	100
No change	12	21.43
Change	44	78.57
Total	56	100

Source: OECD (n.d.). Q41. “Did this [amendment] entail an increase or decrease in total spending?”

Second, this article develops a variable for the share of seats of a government by employing the DPI. By using *NUMGOV* (a variable for the number of seats of government parties) and *TOTALSEATS* (a variable for the total number of seats in the legislature), this article calculates a second variable, *Share of Government Party*, by dividing *NUMGOV* by *TOTALSEATS*. Control variables are *GDP per capita* (natural logarithmic transformed) (WORLD BANK n.d.) and a binary variable for democracy, *Democracy* (CHEIBUB et al. 2010).⁹ Independent variables other than *Formal Power* are lagged one year prior to the dependent variable. As a matter of course, using additional variables is more appropriate. However, as demonstrated in the next section, the number of cases is quite limited. Thus, in this article, I include only three or four independent variables in the analysis models. TABLES 3a and 3b report summary statistics only for countries that responded to a question for the dependent variable. Last, this article employs a logistic regression analysis since a dependent variable is binary.

RESULTS

TABLE 4 presents the results of logit regression analysis. In Models 1 and 2, coefficients of a variable for *Formal Power* are significant at the 10% level and have positive signs. However, this coefficient in Model 3 also has a positive sign but is not significant, and for Model 4 the overall model itself is not significant at the 5% level (see WALD χ^2 in Model 4). Although the

existing expenditures/revenues”; and 1. “The Legislature may not make any changes; it can only approve or reject the budget as a whole.” For details, see the *Codebook* (OECD n.d.).

9. Here, 1 stands for democracy, 0 otherwise.

TABLE 2. Amendment in two years.

COUNTRY	PREVIOUS	CURRENT	COUNTRY	PREVIOUS	CURRENT
Albania	1	-1	Malta	-1	-1
Argentina	0	0	Mongolia	1	1
Austria	0	0	Morocco	-1	-1
Belgium		1	Netherlands	1	1
Benin		1	Nigeria	1	1
Bosnia and Herzegovina	-1	-1	Norway	0	0
Brazil	1	1	Peru	1	0
Bulgaria	1	1	Philippines	0	0
Burkina Faso	0	0	Poland	1	1
Congo	-1	-1	Portugal	1	1
Costa Rica	0	-1	Qatar	0	0
Cyprus	-1	-1	Romania	-1	-1
Czech Republic	0	0	Russia	-1	-1
Denmark	1	1	Rwanda	1	1
Finland	1	1	Serbia	-1	-1
France		-1	Slovak Republic	1	1
Germany	-1	1	Suriname	1	1
Hungary	1	-1	Swaziland		-1
Iceland	1	1	Switzerland	-1	1
Indonesia	1	1	Taiwan	0	0
Italy	1	1	Thailand	-1	-1
Japan	0	0	Turkey	0	1
Jordan	0	0	Uganda		1
Korea	1	-1	United Arab Emirates	1	1
Kyrgyzstan	1	1	Uruguay	1	1
Liberia	1		Venezuela	1	1
Lithuania	1	1	Vietnam	1	1
Malawi		0	Zambia	1	
Mali	-1	-1	Zimbabwe	-1	-1

Source: OECD (n.d.). -1: decrease, 0: no change, 1: increase.

TABLE 3a. Frequency distribution.

AMENDMENT	FREQUENCY	%
NO	10	20.41
YES	39	79.59
Total	49	100
FORMAL POWER	FREQUENCY	%
No change	4	10.00
Only cutting	6	15.00
Amendment without changing the total deficits/surplus	9	22.50
Unrestricted power	21	52.50
Total	40	100
DEMOCRACY	FREQUENCY	%
Non-democracy	12	24.49
Democracy	37	75.51
Total	49	100

Source: OECD (n.d.) and CHEIBUB et al. (2010).

TABLE 3b. Descriptive statistics.

	N	MEAN	SD	MIN	MAX
Share of Government Party	47	0.575	0.146	0.206	0.920
GDP per capita (ln)	48	8.975	1.523	6.025	11.407

Source: DPI (BECK et al. 2001) and WORLD BANK (n.d.).

results are sensitive to the models, the coefficients of *Formal Power* have positive signs. Thus, as previous studies have argued, when the legislature has relatively more formal power to amend a budget, the legislature might be more prone to amend the budget proposal. On the other hand, in all models, coefficients of a variable for *Share of Government Party* are statistically significant at the 5% level and have positive signs. (Model 4 itself is not statistically significant at the 5% level but is significant at the 10% level.) This result contradicts the hypothesis based on WEHNER's (2005) expectation and suggests that the larger the share of seats for the government parties in the legislature, the more the legislature tends to amend the budget

TABLE 4. Institution, politics, and amendment.

	MODEL 1	MODEL 2	MODEL 3	MODEL 4
Formal Power	0.677+ (0.408)	1.038+ (0.537)	0.651 (0.406)	1.301* (0.623)
Share of Government Party	5.371* (2.411)	6.129* (2.837)	5.739* (2.862)	10.92* (4.648)
GDP per capita (ln)		-0.394 (0.443)		-0.973 (0.592)
Democracy			0.398 (1.330)	3.675 (2.352)
Constant	-3.662* (1.825)	-1.563 (2.963)	-4.123 (2.575)	-2.785 (2.788)
N	38	38	38	38
Wald χ^2	8.31*	8.59*	8.14*	8.26+
Pseudo R ²	0.1180	0.1521	0.1201	0.2086
	Model 5	Model 6	Model 7	Model 8
Formal Power	0.895+ (0.524)	1.113* (0.543)	0.879+ (0.523)	1.546* (0.742)
Share of Government Party	4.294+ (2.603)	4.972 (3.268)	5.067 (3.090)	10.93* (4.716)
GDP per capita (ln)		-0.304 (0.424)		-1.028+ (0.624)
Democracy			0.687 (1.212)	4.462+ (2.435)
Constant	-3.858* (1.833)	-2.093 (3.043)	-4.825+ (2.660)	-3.817 (2.661)
N	36	36	36	36
Wald χ^2	8.65*	8.98*	8.04*	8.11+
Pseudo R ²	0.1326	0.1541	0.1386	0.2325

Note: Robust standard errors in parentheses. ** p<0.01, * p<0.05, + p<0.1.
Entries in italics are statistically insignificant but for the entries p<0.11.

TABLE 5. Cross tabulation.

FORMAL POWER	AMENDMENT		
	NO	YES	TOTAL
No change	1	3	4
Only cutting	2	4	6
Amendment without changing the total deficits/surplus	1	8	9
Unrestricted power	3	18	21
Total	7	33	40

Source: OECD (n.d.).

proposal. We can interpret this result as follows: according to SCHUMPETER'S (1942) democratic theory, if the legislature opposes the bills submitted by the government, this can be regarded as non-confidence in the government. Thus, the smaller the share of seats of the government parties in the legislature, the more power the opposition parties have. In this setting, the amendment of the budget proposal might represent a weakening of the government parties or the government itself. On the other hand, when the share of seats of the government parties is large, the amendment denotes the more active role of the legislature under the reign of the government.

Although this finding is intriguing, the results in Models 1–4 can be caused by a problem with the dataset. TABLE 5 shows that among countries without formal legislative power to amend the budget proposal three countries actually amended it. Therefore, I conducted the same analysis by excluding these countries from the sample. In Models 5–8, the coefficients of *Formal Power* consistently have positive signs and are statistically significant at the 5% or 10% level. On the other hand, the coefficients of *Share of Government Party* consistently have positive signs but are statistically significant only in Models 5 and 8. (Model 8 is statistically significant at only the 10% level.)

To summarize, although the results are sensitive to the models, when interpreting the findings obtained from the simplest models (i.e., Models 1 and 5), the results suggest that politics as well as institutions matter for whether the legislature proposed amendments. More significantly, the legislature is likely to amend the budget as the share of seats for the government parties increases in the legislature.

Conclusion

Although previous research has argued that only institutions matter in the power to make amendments, or the role of the legislature in the budgetary process, this article has investigated the effects of political factors by focusing on the share of seats of the government parties in the legislature. As with the findings of previous research, the analysis has demonstrated that an institution—that is, formal power—determines whether the legislature amends the budget. Moreover, it has also been demonstrated that the legislature is more prone to amend a budget proposal as the share of seats of government parties increases. This suggests that the legislature can amend the budget proposal within government control.

This article has focused attention on the party share in the legislature. The analysis, however, has three problems. First, the period of the dataset is only one year, and the number of the missing value of the dependent variable is large. To increase the sample size, therefore, future research should extend to additional periods and sample countries for datasets. Second, the variable for politics in this analysis does not stand for the political process itself. Variables directly measuring the political process in the legislature are required. Third, the dependent variable used in the analysis is only dichotomous. Therefore, future research should gather the rate of change between the budget proposal submitted by the government and the budget accepted by the legislature as FORESTIERE and PELIZZO (2005) used. Future improvements in sample size and a dependent variable will yield new insights.

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