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

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Assessing the Power of the Purse:

An Index of Legislative Budget Institutions

Abstract: *To compare parliamentary capacity for financial scrutiny, I construct an index using data for 36 countries from a 2003 survey of budgeting procedures. The index captures six institutional prerequisites for legislative control, relating to amendment powers, reversionary budgets, executive flexibility during implementation, the timing of the budget, legislative committees, and budgetary information. Various methods of index construction are reviewed. The results reveal substantial variation in the level of financial scrutiny of government by the legislature among contemporary liberal democracies. The US Congress has an index score that is more than three times as great as those for the bottom nine cases, predominantly Westminster systems. Even allowing for US exceptionalism, the top quartile legislatures score twice as high on this index as the bottom quartile. These findings suggest that the power of the purse is a discrete and non-fundamental element of liberal democratic governance. For some countries it is a key safeguard against executive overreach, while others maintain a constitutional myth.*

> 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. *Publius, Federalist 58*

The requirement for legislative approval of financial measures is a democratic foundation stone 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 US 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, p. 10). Scholars and practitioners agree that the US Congress is a powerful actor that can have decisive influence on budget[2] policy (Wildavsky, 1964; Schick, 2000; Meyers, 2001). On the other hand, the budgetary influence of legislatures is said to be marginal in several other industrialised countries including France and the UK (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, while the literature on the US Congress is extensive, legislative budgeting in parliamentary systems and developing countries in particular remains understudied (Oppenheimer, 1983). As a basis for more systematic comparative work, this paper 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 indices 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 exclusively focus on the role of the legislature, but a broader selection of variables that are said to promote fiscal discipline in budgetary decision-making. Von Hagen's (1992, p. 70) pioneering index includes one composite item on the structure of the parliamentary process that considers notably the amendment powers of a legislature. Alesina *et al.* (1999) construct an index of budgetary procedures with two out of ten variables as indicators of the relative position of the government vis-à-vis 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 (e.g. 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. This 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, p. 22). This lack of variation calls into question the usefulness of this item 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 paper is to present a comparative framework to assess legislative budget capacity that can be applied, potentially, to any national legislature in a modern democracy. I suggest a series of variables that are combined into an index to measure cross-country variation in legislative budgeting and deliver an empirical application based on survey work by the Organisation for Economic Co-operation and Development (OECD) and the World Bank. More specifically, the paper asks which institutional arrangements facilitate legislative control over budgets. A crucial assumption is thus that institutional arrangements reflect the budgetary power of a legislature. ‘Control’ is here defined as the power to scrutinise and influence budget policy and to ensure its implementation. As Wildavsky and Caiden (2001, p. 18) remind us: ‘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 paper. While some 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 paper, which primarily aims at providing a fresh conceptual and empirical basis for engaging with this issue in follow-up research.

I proceed as follows. In the first section I outline and explain the selection of the variables included in the index, and section two gives an overview of the data used. Section three discusses issues related to index construction and selects a method for use in this paper. I conduct a number of experiments to check the robustness of the index. Section four presents an overview of the results in the form of a ranking of legislatures. I use two approaches 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 summarises 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 and I make no claim to cover every potentially relevant variable. Rather, the paper adopts an approach based on assessing the *institutional capacity* for legislative control (Meyers, 2001, p. 7). I argue that the presence of a critical number of institutional prerequisites, including formal authority and organisational characteristics, is necessary to facilitate budgetary control.

Amendment powers. The nature of formal powers to amend the budget determines 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 only allow amendments that reduce existing items but not those that shift funds around, increase items, or introduce new ones. This 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.

Reversionary budgets. The reversionary budget defines the cost of non-approval by spelling out what happens should legislative authorisation be delayed beyond the commencement of the fiscal year. Alesina *et al.* (1999, p. 258) use the reversionary budget in conjunction with legislative amendment powers to assess the relative position of the government vis-à-vis 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 non-approval. Reversion to last year's budget typically constitutes an intermediate case.

Executive flexibility during implementation. Provisions that allow flexibility during budget execution 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, i.e. 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).

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. 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, p. 250). The importance of legislative committees is widely recognised, although their primary function is disputed between proponents of distributive, informational, and partisan explanations (Shepsle, 1979; Krehbiel, 1991; Cox and McCubbins, 1993). Here, I note several benefits of committee structures. First, they establish a division of labour that facilitates specialisation and the development of ‘legislative expertise’ (Mezey, 1979, p. 64). Second, committees allow parliaments to deal with various matters simultaneously, and hence 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 only matters when budgets are meaningful. Otherwise, budgetary drift allows the government to get what it wants irrespective of what the legislature approved. Committees with a specialised monitoring function, in particular audit committees, help to detect implementation failures and improve compliance (McGee, 2002). In short, a well-designed committee structure enables budget scrutiny and oversight of implementation.

Access to budgetary information. Finally, 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, p. 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, p. 2).

There are, of course, other variables that might possibly be included. For instance, Von Hagen (1992) considers 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 (e.g. Blöndal, 2001, p. 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 fresh elections. I exclude this variable on grounds of parsimony. 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 UK (OECD, 2002b, p. 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 typically can only be overridden with a heightened legislative majority. Package vetoes allow the executive to veto entire bills passed by the legislature, while 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 (e.g. Shugart and Haggard, 2001, pp. 75-7). However, the power a package veto gives to the executive critically depends 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, p. 80) find that only two out of 23 countries with pure presidential systems use a version of the line item veto, namely Argentina and the Philippines. For these reasons, I exclude executive vetoes from the index.

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 dataset for this paper draws heavily on the results of this survey, which are available online. The survey covers 27 OECD members as well as 14 other countries. Some of the non-OECD countries have limited democratic credentials and are excluded from the scope of this paper.[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 paper were double-checked as extensively as possible against information from online sources, such as finance ministry and parliamentary websites, as well as previous survey results (OECD, 2002b). Where necessary clarification was sought from country experts who are identified in the acknowledgements. In the following paragraphs, I discuss the specific data used for the construction of the index. The full dataset is reproduced in Appendix 1 and Appendix 2 details the construction of two composite variables. I also document any adjustments to the original OECD data.

Following Alesina *et al.* (1999, pp. 257-8), all variables are coded on a range between zero (the least favourable from a legislative perspective) and ten (the most favourable). The maximum figure is divided equally between the categories. Later on, in the next section, I conduct some robustness checks to see whether this coding procedure significantly affects the ranking of legislatures compared with alternative methods. In the following, I indicate the score I give for each response option in square brackets.

The OECD (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. I code the answers in four categories, i.e. 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].

The survey (question 2.7.c) also asked after the consequences should the budget not be approved at the start of the fiscal year. I group the responses 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, p. 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 UK.[5] Some might argue that this system preserves the threat of reversion to zero spending, but my judgment is that this practice is so standardised and predictable that it would be misleading to assign a score of ten.

Executive flexibility is tested by combining three items. The OECD asked whether there is scope for appropriations to be reallocated from one programme 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). I assign each answer a score of 3.3 if it is negative, as a positive answer implies executive flexibility to vire, impound, and authorise fresh funds respectively. The sum of the scores for each case can range between zero and ten and is interpreted as an indicator of executive flexibility during budget execution. Appendix 2 provides full details.

The OECD also asked (question 2.7.b): 'How far in advance of the beginning of the fiscal year does the executive present its budget to the legislature?' and provided four response options, i.e. up to two months [0], two to four months [3.3], four to six months [6.7], and more than six months [10].

Data on the role of parliamentary committees in budget approval are available in the OECD survey (question 2.10.a). The survey also asked whether audit results are circulated and discussed in Parliament (question 4.5.m), but the answer categories are ambiguous with regard to the nature of committee engagement with audit findings. Therefore, data on parliamentary audit committees were gathered in a separate survey of parliamentary websites that was conducted during January 2004. I distinguish the involvement of three sets of specialised committees and give equal scores [3.3] to each category, i.e. 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 ten, and without any committee involvement 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 non-binding recommendations while a finance or budget committee retains full authority. Also, if a legislature uses an audit-subcommittee of the budget committee for the purpose of parliamentary audit, I assign half the available score for this item [1.7]. Refer to Appendix 2 for 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 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). I distinguish legislatures without such research capacity [0] from those with a budget office of up to ten 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 US Congressional Budget Office, which has about 230 staff (Anderson, 2005).

Constructing the Index

The task of index construction raises in particular theoretical questions about the substitutability of components. In this section, I first discuss various possible methods for index construction and then compare 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 in order to derive the index score for that case (e.g. Lienert, 2005; Von Hagen, 1992). The simple sum index can be represented as a special case of the following formula (Alesina *et al.*, 1999, p. 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 we get the simple sum index. If $0 < j < 1$, this favours cases with consistently intermediate scores over those with a mixture of high and low scores, i.e. 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, this is not implied by the theoretical approach, so I do not pursue this possibility here.

To assume complete non-substitutability, 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 study 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 non-substitutability 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.

I propose a third method, which is based on sub-indices:

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

Here, s_k represents two sub-indices, 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 sub-indices, but most essential is the underlying approach. The rationale for this index is as follows. Variables one to three (amendment powers, reversionary budgets and executive flexibility) can be interpreted as formal legislative authority vis-à-vis 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 to six (time, committees and research capacity) are taken to represent the organisational capacity of the legislature. Assuming that both formal powers as well as organisational capacity are necessary for effective scrutiny, this calls for multiplication of the two sub-indices. However, within each sub-index at least a degree of substitutability is plausible. For instance, if committees are weakly developed, then this lack in division of labour might be compensated by using a lot of time to scrutinise 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 non-approval.

[TABLE 1 ABOUT HERE]

I proceed to check the robustness of results. Table 1 contains the Spearman rank correlations between four alternative indices, which are labelled according to their subscripts in the above formulas. I use the simple sum index with $j = 1$ computed with the first formula and two other arbitrary numbers for the power term, i.e. $j = 0.5$ (half the value of the simple sum version) and $j = 2$ (double the value), to consider the impact of different substitutability assumptions. The fourth index labelled s is calculated using the second formula based on the two sub-indices. All of the correlations between these four versions of the index are positive and very strong. The lowest coefficient is .86 between the two indices that use extreme values for j, which is expected. Overall, the results are very robust. For this reason, I use the simple sum index in the remainder of the paper.

Discussion and Analysis

This section presents the index of legislative budget institutions and discusses main results. For presentational purposes, I rescale the index to range between zero and 100. The resulting ranking is presented in Figure 1. To evaluate the index, I pursue two approaches. First, I briefly consider whether the results are broadly in line with case study literature. Second, I check the validity of the index by testing its association with a simple indicator of legislative amendment activity.

[FIGURE 1 ABOUT HERE]

The US 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 US Congress is the only legislature with the institutional foundation to exercise very strong influence over public finances. The importance of Congress in the US 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 US President submits a draft budget this does not bind Congress in any way (Schick, 2000, pp. 74-104). Oppenheimer (1983, p. 585) concludes 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 UK case is often said to epitomise the decline of parliaments (Einzig, 1959; Reid, 1966; Adonis, 1993). In a recent paper, Allen Schick (2002, p. 27) goes 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, p. 257). While we have no time series data to test the decline thesis, the index confirms that current capacity in the UK 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 characterise 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, p. 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 post-apartheid environment.

Few national legislatures have been as extensively studied as the US Congress and the UK Parliament, but nonetheless we can assess some other rankings 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 in between the extremes of the US 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 paper 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): ‘In practice, does the legislature generally approve the budget as presented by the executive?’ Eleven out of 36 respondents in this sample indicated that it ‘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 impact on 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, p. 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 UK the last government defeats over estimates date back more than 80 years.[7] I argue that legislative actors need 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.

[TABLE 2 ABOUT HERE]

Accepting the above premise, one would expect budget-amending legislatures to have more developed institutional capacity. I use 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, p. 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. Based on the data in Table 2 we obtain 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 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 towards 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 paper 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 using statistical tests. It provides a sound basis for investigating cross-national patterns in legislative budgeting, their causes and consequences. However, I 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 favour 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 paper reveals substantial variation in the level of financial scrutiny of government by the legislature among contemporary liberal democracies. The US Congress has an index score that is more than three times as great as those for the bottom nine cases, predominantly Westminster systems. Even allowing for US exceptionalism, the top quartile legislatures score twice as high on this index as the bottom quartile. In between the extremes of Westminster and the US 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 impose 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 non-fundamental element of liberal democratic governance. For some countries it is a key safeguard against executive overreach, while others maintain a constitutional myth.

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Table 1: Spearman Correlations between Indices

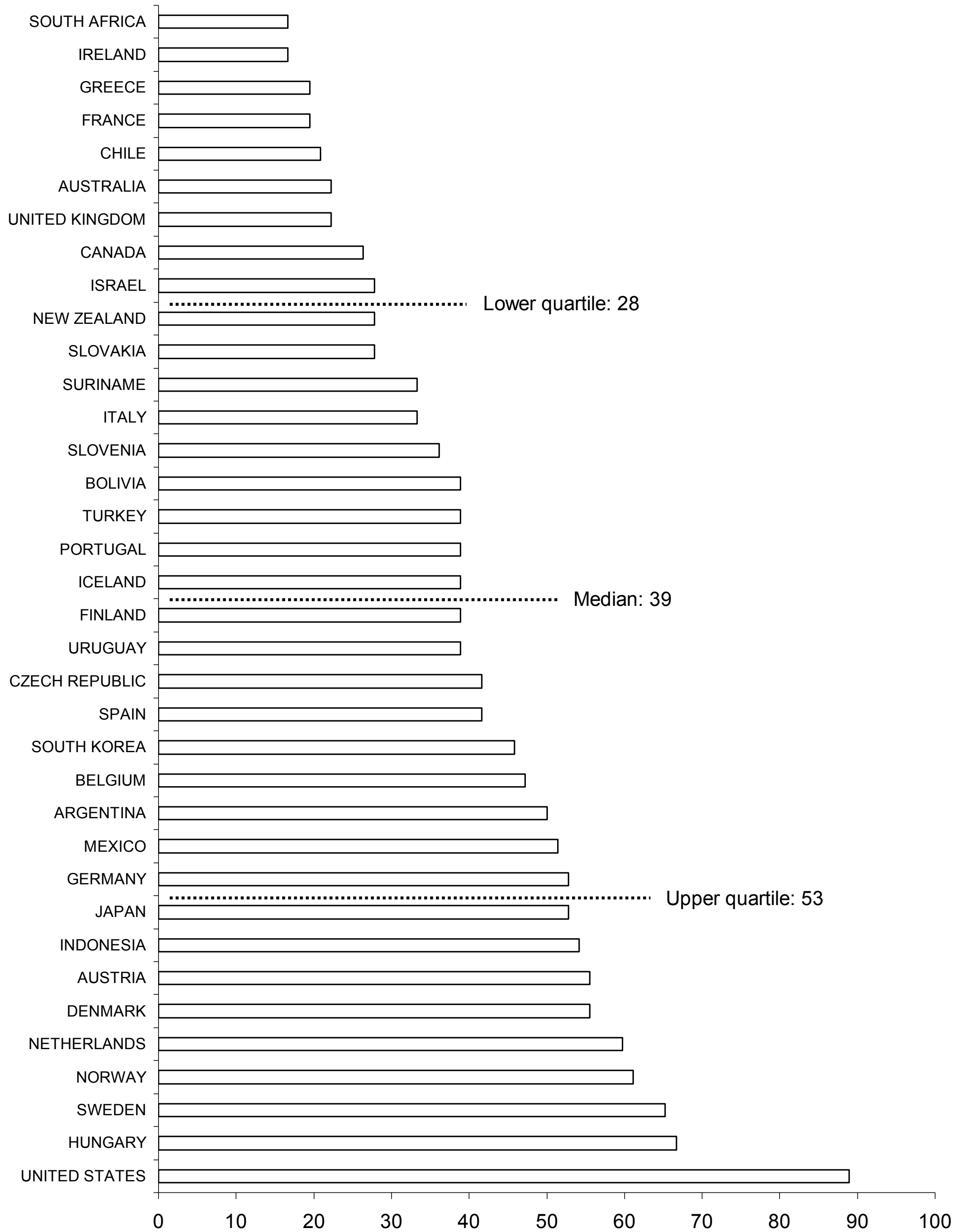
	j = 1	*j = .5*	*j = 2*
j = .5	.97	…	…
j = 2	.95	.86	…
s	.99	.97	.94

Note: N = 36.

Table 2: Comparison of Budget-amending and Non-amending Legislatures

	Amending	Non-amending
Number of cases	25	11
Mean index score	44.9	31.8
Standard deviation	15.3	16.3

Figure 1: Index of Legislative Budget Institutions



Appendix 1: Data for the Index and Amendment Dummy

	1	2	3	4	5	6	Σ / .6	7
Legislature	Powers	Reversion	Flexibility	Time	Committees	Research	Index	Amendments
Argentina	6.7	6.7	6.7	3.3	6.7	0	50	1
Australia	3.3[a]	3.3[f]	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[f]	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[g]	6.7	3.3	3.3	0	38.9	1
France	3.3[b]	0[h]	0	3.3	5	0	19.4	1
Germany	10	6.7[i]	3.3	6.7	5	0	52.8	1
Greece	0	6.7[j]	0	0	5	0[q]	19.4	0
Hungary	10	10	6.7	3.3	10	0	66.7	1
Iceland	10	0[k]	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
Mexico	6.7	10[l]	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[c]	3.3[f]	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
Slovakia	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
South Korea	3.3	6.7[o]	3.3	3.3	3.3	7.5	45.8	1
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[d]	3.3[f]	3.3	0	3.3	0[q]	22.2	0
United States	10	10	6.7	10	6.7	10[r]	88.9	1
Uruguay	6.7[e]	6.7	3.3	3.3[p]	3.3	0	38.9	1

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

Appendix 2: Construction of Composite Variables

	1	2	3	Σ	4	5	6	Σ
Legislature	Withhold	Virement	Reserve	Flexibility	Budget	Sectoral	Audit	Committees
Argentina	3.3	0	3.3	6.7	3.3	0	3.3	6.7
Australia	0	0	0	0	0	3.3[g]	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[k]	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[k]	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[l]	5
Germany	0	0	3.3	3.3	3.3	0	1.7[k]	5
Greece	0	0[d]	0	0	3.3	0	1.7[m]	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[a]	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[b]	3.3	0	6.7	3.3	0	3.3	6.7
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[h]	0[n]	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
Slovakia	0	0	3.3	3.3	3.3	0	0	3.3
Slovenia	0	0	0	0	3.3	0	1.7[o]	5
South Africa	0	0	0	0	3.3	3.3	3.3	10
South Korea	3.3	0[e]	0	3.3	3.3	0	0	3.3
Spain	3.3	0	0	3.3	3.3	0	1.7[p]	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[i]	3.3	3.3
United States	3.3	3.3[f]	0	6.7	3.3	3.3[j]	0	6.7
Uruguay	3.3	0	0	3.3	3.3	0	0	3.3

Notes: Data from OECD (2003) except data on audit committees, which were gathered through a survey of parliamentary websites in January 2004. Additional comments where responses were missing or ambiguous: a) Provision in an estimate passed by the Dail does not convey authority to spend without sanction of the Minister for Finance. b) Author's research. c) Reallocations between operating appropriations are allowed. d) Reallocations are allowed for the Public Investment Programme and with the approval of the Ministry of Economy and Finance. e) There can be transfers with the approval of the central budget authority or the legislature depending on budgetary classification. f) Most transfers require approval by the legislature, some only notification. g) Sectoral committees in the Senate examine and report on relevant areas of the budget. h) The Finance and Expenditure Committee scrutinises the Budget Policy Statement and Estimates. Other committees may debate the estimates and policy for specific departments. i) Based on Walters and Rogers (2004). j) The Appropriations Committees in both houses operate elaborate subcommittee structures. k) Budget committee with an audit subcommittee. l) The Evaluation and Control Delegation of the Finance Commission in the National Assembly has tried to improve interaction with the Court of Audit. m) Standing Order 31A establishes a Special Standing Committee on Financial Statement and General Balance Sheet of the State. n) The Public Accounts Committee was abolished in 1962. o) 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). p) There is a Commission for Relations with the Tribunal of Accounts, but its role is limited.

[1] Refer to the International Constitutional Law website, which includes references to the financial provisions of various constitutions: http://www.oefre.unibe.ch/law/icl/ [last accessed May 2005].

[2] Definitions of the budget differ across countries. The use of the word in the UK now refers to the Spring Financial Statement, which focuses on taxation measures. In many countries, however, the term has a broader meaning that 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, p. 2). I use 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 US 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, pp. 411-6).

[4] Several countries included in the survey have low scores on the 2003 Freedom House combined average ratings. I use 3.5 as a somewhat arbitrary cut-off point and exclude Cambodia, Colombia, Jordan, Kenya and Morocco. The ratings are available at http://www.freedomhouse.org [last accessed May 2005].

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

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

[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' travelling expenses were the objects of criticism (Einzig, 1959, pp. 274-5).