

## FISCAL TRANSPARENCY AND AUTHENTIC CITIZEN PARTICIPATION IN PUBLIC BUDGETING: THE ROLE OF THIRD-PARTY INTERMEDIATION

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**ABSTRACT.** Much of the current U.S. academic literature on participatory budgeting is preoccupied with direct citizen involvement in budget formulation, reflecting a particular normative theory of democracy. In this essay we suggest that U.S. academics can learn from a contemporary international community of practice concerned with “civil-society budget work”—a quasi-grassroots, quasi-pluralist movement with member organizations throughout the developing world—as well as from the budget exhibits mounted by the New York Bureau of Municipal Research at the turn of the last century. The budget-work movement employs third-party intermediation and advocacy, through all phases of the budget cycle. U.S. academics and budget-work practitioners can learn from each other, and this represents an unexploited opportunity for all concerned. We propose a program of locally based action research and trans-local evaluative synthesis.

### INTRODUCTION

Government budgets are important. In most countries today, they allocate a third or more of all economic output. But even in the most stable and ostensibly successful democracies, there is relatively little involvement by citizens in the processes of government budgeting. Why is there not more, given the obvious importance of the budget to

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social welfare? Progressive reformers at the New York Bureau of Municipal Research (BMR) thought that transparency was critical, and set out to improve it by means of their famous budget exhibits. In the words of one historian, “The peculiar genius of the budget reformers was to create a model that would serve the same functions of the machine[:] modern mass democracy . . . demanded some mechanism for making government intelligible to the people” (Kahn, 1993, p. 96).

Because of the same scarcity of fiscal resources that makes budgeting necessary, generally accepted norms of democratic administration call for administrators and elected officials to ensure that allocations are responsive to the interests of the governed. Citizen participation in public resource allocation is presumed to be an important means of ensuring this responsiveness, and is the subject of a small but growing academic literature in U.S. journals of public administration (PA). This literature is lively and offers a number of insights, but it is somewhat under-theorized (Ebdon & Franklin, 2006) and isolationist in its neglect of comparative research. These omissions constrain its explanatory as well as normative usefulness. In this essay we identify a common blind spot in the literature—its fixation on direct citizen involvement in budget formulation—and a variable that is frequently omitted—the scarcity of attention. In seeking to advance responsiveness by promoting participation, researchers and practitioners need to be conscious not only of the scarcity of fiscal resources which makes budgeting necessary in the first place, but also of the scarcity of citizen-participation resources, including time, expertise, and attention. We therefore call attention to one potential “mechanism for making government intelligible to the people”: third-party budget intermediation, as pioneered by the BMR in its budget exhibits at the turn of the last century and advanced today by an international community of practice under the rubric “civil-society budget work.”

The plan of the essay is as follows. First, we use a previously developed analytic framework (Ebdon & Franklin, 2006) to structure an examination of some barriers to and problems of citizen participation in budgeting and some taken-for-granted assumptions in the U.S. literature about what kinds of solutions are (or are not) appropriate. Much of the U.S. literature is driven by the institutional-design ideal of effectively administrator-led, direct citizen involvement in budget formulation. That emphasis may to some degree result

from an (often implicit) reliance on direct-democracy models, which leads to neglect of a full range of solutions. In response, we identify some ways in which third-party intermediation might facilitate meaningful citizen participation in resource allocation, and thereby promote the developmental as well as protective functions of democracy. Next, we illustrate how such intermediation has worked and does work in practice. Contemporary budget-work intermediaries include applied policy institutions, academic and research institutions that do applied budget work, advocacy and citizen-action organizations, and independent public agencies, and their audiences include non-specialist decision makers inside and outside government (International Budget Project, 2001). We offer examples of practice in the U.S. and elsewhere, including brief case studies of the BMR's budget exhibits and the contemporary work of Developing Initiatives for Social and Human Action (DISHA) in Gujarat, India. Finally, based on the cases and theoretical analysis, we propose an agenda for a program of comparative action and evaluation research.

#### **DEMOCRACY, SCARCITY, ALLOCATION, AND INTERMEDIATION**

One growing area within the recent scholarly literature of American PA focuses specifically on citizen participation in budgeting (Ebdon & Franklin, 2006). This literature emphasizes a model of direct citizen involvement in budget formulation which is undeniably attractive in normative terms, and it provides some guidance for designing processes and mechanisms that can reduce the barriers to such participation, but its central normative thrust leaves some issues unresolved. These include bounded rationality (scarcity of attention) and information problems,<sup>1</sup> the related problems of representativeness and the scope of and incentives facing marginalized and inattentive publics, the possibility of intentional and/or unintentional bias in participation and intermediation efforts organized by insiders, and the problem of ensuring that actual uses of funds respond fully to budgeted intentions. In this section of our essay, therefore, we attempt to respond to Ebdon and Franklin's call for improved theorization of citizen participation in budgeting. Our argument is that a roughly pluralist model of third-party intermediation combined with direct and indirect citizen action, including efforts to track and audit actual resource use as well as influence budget formulation, may therefore be a useful complement

to the conventional direct-citizen-involvement prescription in spite of being subject to its own set of limitations.

### **Democratic Administration and Theories-in-Use**

One of the fundamental problems of democratic administration is how to reconcile efficient, bureaucratic administration with the protective and/or developmental ends sought by various “models” of democratic (or republican) governance (Held, 2006). Citizen participation in one form or another, from direct involvement in formulating and administering public policies to less direct roles such as voting and acquiescing to the actions of officials, is central to most concepts of democracy. But the nature of that participation and its place in government decision making and administration vary significantly in practice and in theory. Theorists concerned primarily with protective models of democracy emphasize the importance of protecting citizens from over-reaching governmental power. This does not necessarily require extensive direct involvement in decision making. In fact, some theorists of protective democracy have suggested that the ability of the governed periodically to remove and replace governing elites may be sufficient democratic participation. Developmental, direct, and deliberative models of democracy, by contrast, consider the direct involvement of citizens in public decision making and the development of their capacities for active citizenship to be in and of themselves important purposes of democratic governance.

Unchecked power in government and its bureaucracy, of course, represents a threat to any of these concepts of democracy, but bureaucratic administration and its technical apparatus—such as the executive budget—are generally considered to be important means of efficiently managing large, activist governments. Thus, as readers of this journal well know, a central problem in designing and administering the institutions of large-scale, activist democracies is how to balance the efficient and effective operation of government bureaucracy with the protective and/or developmental ends of democracy. Protection of individuals’ civil liberties and material interests from tyrannous authorities or majorities does not require widespread, direct participation in decision making, although theorists differ on whether protection and mass participation are compatible or not. Development of individuals’ social capacities and

civic virtues as citizens, on the other hand, is considered to require widespread, direct involvement in public debate and decision.

Langton (1978, as cited by Yang & Callahan, 2005, p. 193) distinguished among “*citizen action* such as lobbying and protest, *citizen involvement* such as public hearings and citizen surveys, *electoral participation* such as voting and campaigning for political candidates, and *obligatory participation* such as paying taxes and performing jury duty.” A further distinction was drawn by King, Stivers, and Susel (1998), who noted that “authentic participation” in decisions can be distinguished from “unauthentic” forms on several dimensions. These include the degree of equality and quality of discourse between administrators and citizens in the process, and whether participation takes place early enough to shape the decision agenda as opposed to merely reacting to or ratifying administrator-determined agendas and premises. Thus citizen involvement may range in quality from authentic to rote and manipulative, with a continuum of intermediate forms—such as the familiar operating budget notice-and-hearing model (Berner & Smith, 2004)—in between, as described by the oft-cited “ladder of participation” analogy (Arnstein, 1969). While U.S. scholars of PA offer a very diverse range of normative theories of democratic administration, the literature concerned specifically with citizen participation frequently emphasizes direct involvement as the preferred ideal (see for example Frederickson, 1991; Ostrom, 1993; Schachter, 1995; 1997; Stivers, 1991). This emphasis has influenced the participatory budgeting literature as well.

### **The Bones of the State Laid Bare**

As a primary determinant of “who gets what, when, and how,” public budgeting lies squarely at the center of the problems of democratic administration. Effective budget reforms have political implications not only in purely distributive terms—“otherwise, why bother,” in the words of Aaron Wildavsky (1961)—but also for the quality of democracy and citizenship (Kahn, 1993; Orosz, 2002). Budget reformers, then, are effectively normative theorists of democracy, whether or not they are explicit about their underlying theories of democracy, or even fully attentive to their own taken-for-granted democratic theories-in-use (cf. Waldo, 1984).

Ebdon and Franklin (2006) usefully identify four general areas of analytic attention (“categories of variables”) in the U.S. PA literature of participatory budgeting: (a) the goals or outcomes sought; (b) overall process designs for involving citizens in public resource allocation; (c) the specific mechanisms by which citizen participation is elicited; and (d) the institutional, social, and economic environments within which efforts do or do not take place. Research questions for the literature are normative, descriptive, and explanatory variants of the overall question, what outcomes result from which institutional configurations of processes and mechanisms, in which environments? The intended outcomes that Ebdon and Franklin find in the U.S. literature can be categorized as (a) those focused on enhancing legitimacy, such as reducing cynicism, gaining public support for budgets, and enhancing trust; (b) those focused on enhancing accountability and responsiveness to citizens’ material interests (i.e. protective), such as gathering input and changing allocations; and (c) those focused more citizenship-related (developmental) goals, such as educating participants and creating a sense of community.

Environmental variables considered by this literature include structure and form of government, legal requirements for participation, population size and diversity, and political culture.<sup>2</sup> Dimensions of process design identified in the U.S. literature by Ebdon and Franklin include the timing of participation; the type of allocation/budget;<sup>3</sup> the selection, number and representativeness of participants; and the degree to which the process is designed to evoke sincere expressions of citizen spending preferences and willingness to pay taxes. Mechanisms of participation include public hearings, focus groups, budget simulations, advisory committees, citizen surveys, study circles, and town meetings.

Process- and mechanism-design characteristics posited as likely to foster meaningful participation and thereby legitimacy, responsiveness, and/or citizenship within U.S. local-government environments include: (a) making the process open and accessible to all; (b) ensuring that a representative sample of citizens participates; (c) providing for two-way communication between officials and other participants, ideally in such a way that all participants learn from one another in the process; (d) ensuring that participants incorporate a realistic budget constraint into their choices and deliberations and

confront the resulting tradeoffs, and that citizen participants correctly reveal their preferences under those conditions; and (e) ensuring that participation occurs early enough in the budget cycle—typically during formulation of the budget—to be independently influential, rather than simply reactive (Ebdon & Franklin, 2004; Justice, Melitski, & Smith, 2006; Miller & Evers, 2002; Simonsen & Robbins, 2000).

The U.S. literature—including Ebdon and Franklin’s (2006) review article itself—also includes a concern for inculcating civic virtue, although this may be as much a taken-for-granted artifact from the more general participatory administration literature in the U.S. as an explicit normative model. Prescriptions and evaluations of budgeting processes and mechanisms in the U.S. literature tend to presume either explicitly or implicitly the desirability of achieving authentic participation by means of direct citizen involvement in the formulation phase of the standard executive budget process. This is because other approaches to process and mechanism design would provide “too little, too late” (Beckett & King, 2002) to achieve not just the desired legitimacy and responsiveness, but also the citizenship-enhancing goals of participation. Thus, for example, one effort to develop survey mechanisms that can elicit adequately informed expressions of a representative sample of citizens’ willingness to pay for and trade off among alternative allocation choices (Robbins & Simonsen, 2002; Robbins, Simonsen, & Feldman, 2004; Simonsen & Robbins, 2000) has been criticized on the grounds that it adopts a normatively inappropriate public-as-consumer perspective, insofar as it focuses more on problems of demand revelation than deliberation (Orosz, 2002). It might be said, then, that this literature on balance simultaneously offers both a highly idealistic espoused normative theory of developmental, direct democracy, in which engaged citizenship is a central goal, and at the same time an almost cynical descriptive or explanatory theory-in-use which views power over resource allocation as concentrated almost exclusively in the executive organization.

### **Practicalities**

Practical challenges to effective (meaning that at least one of the several desired outcomes is achieved) citizen involvement in budgetary decision making are legion, of course. Many are generic barriers to citizen involvement in public administration, and a few are

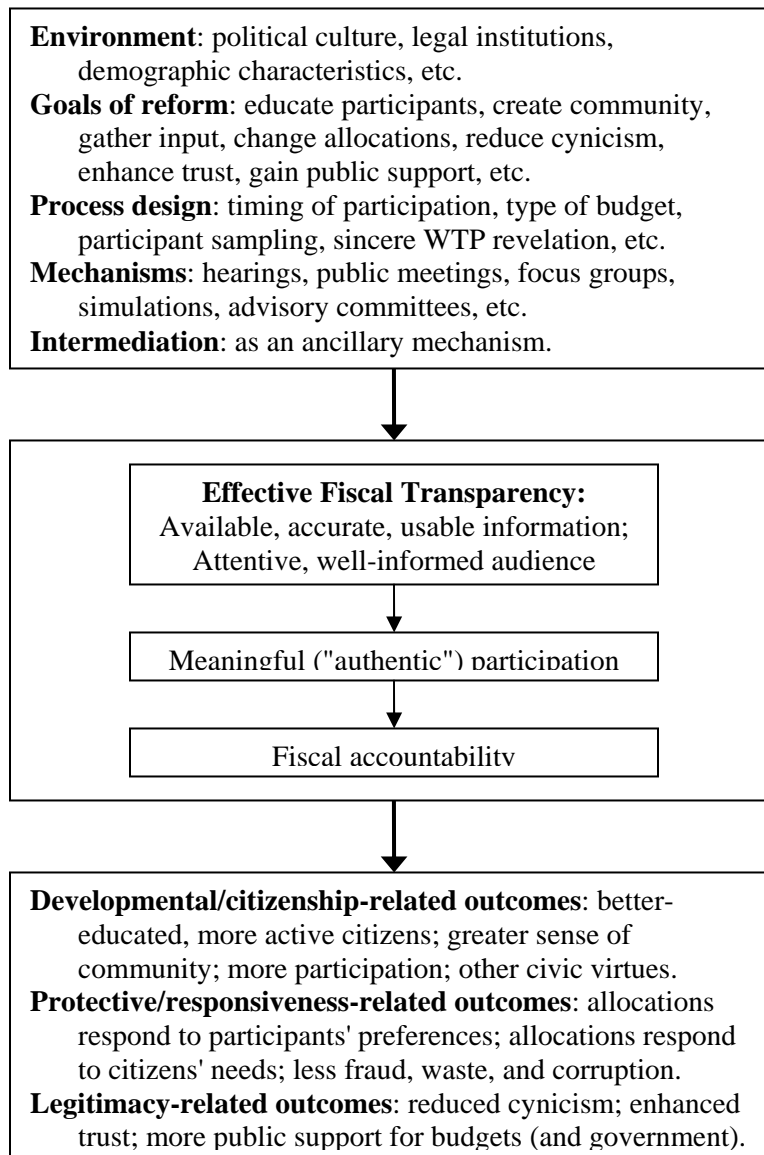
specific to budgeting. Generic challenges include (a) the “barriers of everyday life” such as time and attention constraints, the demands of job and family, insecurities and discrimination grounded in class and educational backgrounds, and cultures that lack a sense of personal or group efficacy; (b) administrative (and elected) officials’ resistance or indifference; and (c) poor process design and mechanism choices that can undermine even well intentioned efforts by officials to involve citizens (King et al., 1998). Also generic is the competition among some of the process design criteria, for example openness, representativeness, and the need for participants to be well informed about what choices are feasible and what their implications are. Unrestricted openness of course can lead to an unrepresentative sample containing too many members of attentive publics,<sup>4</sup> and once it has become well informed, a sample is *ipso facto* likely to be unrepresentative of the population from which it is drawn (Robbins & Simonsen, 2002, p. 459; Simonsen & Robbins, 2000, p. 68). In the context of budgeting specifically, there is the additional obstacle of non-specialists’ distaste for budget and financial data. There are also particular difficulties associated with achieving adequate understanding of budget constraints and tradeoffs, the long-term implications of allocation choices, the effects of uncontrollable and/or nonnegotiable costs on budgetary discretion, and other “budget knots” (Miller & Evers, 2002). In short, it often seems that “most citizens do not possess the information and cannot afford the time to come to well-reasoned judgments about the complex issues facing government decision makers” (Simonsen & Robbins, 2000, p. 26).

### **Fiscal Transparency and Third-Party Intermediation**

In light of these latter challenges in particular, we believe it is necessary to emphasize two variables not explicitly identified by Ebdon and Franklin's (2006) review of the literature. First is effective fiscal transparency, which together with participation and accountability is a requisite to achieving the desired developmental and protective outcomes—responsiveness, legitimacy, and citizenship. Second is fiscal-information intermediation, as a necessary if insufficient mechanism for effecting that transparency in light of attention scarcity. Figure 1 provides a simplified depiction of a democratic public resource allocation system, grounded in Ebdon and



**FIGURE 1**  
**A Selective Model of the Democratic Logic of**  
**Participatory Budgeting / PPEM**



Franklin's framework. Inputs—environment, goal, process, and mechanism variables—generate immediate outputs in the form of varying quantities and qualities of meaningful participation and accountability, which in turn will result (or not) in one or more of the outcomes sought from democratic budgeting—the legitimacy and responsiveness considered fundamental to virtually all models of democratic administration, and the citizenship-related outcomes central to direct and other developmental models. We have extended Ebdon and Franklin's approach by calling specific attention to the significance of transparency, as an intervening output, and intermediation, as a mechanism for achieving effective transparency. The following discussion elaborates on the significance and characteristics of transparency and the role of third-party intermediation in achieving it.

### ***Transparency***

Effective fiscal transparency entails the intelligibility and usability as well as availability of budget and financial information, to non-specialists (most citizens and many public officials) as well as to budget analysts and other specialists and budget-process insiders. It also entails the existence of an attentive and comprehending audience,<sup>5</sup> which for purposes of democratizing budgeting would have to include non-specialists. The intelligibility and usefulness of financial information for supporting decision making by a particular audience help to distinguish effective from illusory fiscal transparency (Heald, 2003). We cannot expect reliable and valid preference formation, deliberation, and revelation unless participants first understand their fiscal situation, options and the likely tradeoffs and other consequences associated with their choices (Robbins et al., 2004). That is, there can be no authentic participation in budgeting without effective transparency. Participation is meaningless if not well informed, and participants can only be well informed if there is effective transparency. At the same time, it does not seem reasonable to expect participants—particularly non-specialists—to have unlimited time and attention to devote to comprehending and making use of relevant information.

Thus, transparency needs to be achieved in such a way that understanding and acting on the information provided does not divert too much scarce attention (Simon, 1978) from the rest of the

decision-making effort or increase the costs of participation and knowledge so much that ignorance and nonparticipation become the rational choices of citizens without already salient personal interests or expertise in budget analysis.<sup>6</sup> For proponents of developmental models of democracy at least as much as for more protectively oriented advocates of democratic administration, the openness and representativeness criteria indicate that one key design objective for budget processes and mechanisms is to expand the attentive public by transforming the inattentive public. In the case of public budgeting and financial management specifically, the challenges presented by bounded rationality, costly information, rational ignorance, and information asymmetries can be compounded by non-specialists' all too common aversion to dealing with budget and financial information and tradeoffs.<sup>7</sup>

This in turn implies that a central institutional-design consideration is how to achieve transparency in a way that does not unduly diminish the autonomy of citizen participants.<sup>8</sup> One solution, reflected in much of the practitioner as well as scholarly literature advocating greater citizen involvement in (or at least attention to) resource allocation, is to have public officials take steps toward greater transparency by making information more readily available and comprehensible to citizens (Boydston & Aaron, 2004; Justice et al., 2006; Lun, 2004; Simonsen & Robbins, 2000). This is an excellent idea, make no mistake about it. It is also an incomplete solution. Among the obstacles to participatory budgeting, Miller and Evers (2002) call out three in particular as being especially nettlesome: non-negotiable issues (conflicts over broad community norms regarding allocation choices), the inherent complexity of budget issues, and the implicit assumptions built into budget processes and contents. All three, to some degree, are likely to be exacerbated by the institutionalized, taken-for-granted beliefs of even the most well intentioned budget insiders and others among the usual suspects of attentive publics (Miller, Justice, & Iliash, 2004). Thus, transparency from within the system, as it were, is extremely valuable, but may be biased. This suggests the appropriateness of providing genuinely independent analysis, to excavate and challenge assumptions, and to generate alternative ones, in budgeting as in other arenas (Fischer, 1993; Lindblom, 1990; Miller & Evers, 2002, p. 267). Thus it may be desirable to foster citizen action from the outside as well as citizen involvement on the inside of government.

(And of course, many protective as well as developmental theorists of democracy would suggest that relying on administrators' unchecked discretion and judgment is an inherently anti-democratic approach in any event.)

Finally, assuming all or most of the forgoing challenges are dealt with successfully still leaves a further problem: will the resources actually be used in accordance with the intent inscribed in the adopted budget? Corruption is one concern that leads to the promotion of citizen involvement in resource allocation by international organizations and local civil-society groups, of course. But even without any corrupt misappropriation of funds, simple carelessness or the gray area of rebudgeting can lead to actual uses of funds that vary from the adopted budget (Barlett & Steele, 2007; Forrester & Mullins, 1992; Rubin, 1996). Expenditure monitoring, financial reporting, and various kinds of audits are of course solutions widely employed by managers and other insiders as well as some attentive outsiders. However, at least in the U.S., these processes and mechanisms tend not to be designed for or widely used by individual citizens (Jones, Scott, Kimbro, & Ingram, 1985; Kahn, 1997). Practically speaking, we suggest, this means that some degree of third-party fiscal-information intermediation is needed, to improve transparency by reducing the expertise, time, and attention demands of participation, and by helping citizens to understand what fiscal information is important.

### ***Intermediation in Theory***

Drawing on the analogy of private-sector financial intermediation, we suggest that useful functions of budget intermediation can include fiscal data acquisition, reduction, analysis, and dissemination, as well as user education. The use of third-party approaches specifically might respond at least partially to some of the incentives for opportunism associated with reliance on government officials for interpretation of financial information, and, when extended throughout the budget cycle, for faithful execution of initial budgetary formulations. The analogy is not exact, however. Private-sector financial intermediaries such as banks and financial analysts are motivated by the opportunity to appropriate some of the resulting efficiency gains by brokering transactions as well as information. Budget intermediaries will generally need some other motivation,

such as the advocacy missions of the BMR, DISHA, and the other examples cited later in this essay.

Theories of financial intermediation and the work of specialists in information intermediation suggest a number of ways in which intermediation perfects markets by solving information- and attention-related problems faced by investors and others seeking to allocate their attention and financial resources to greatest advantage. They also suggest some of the challenges inherent in intermediation itself. Here, we focus on a subset of those market imperfections which closely parallel barriers to citizen participation in public resource allocation. In the financial literature, these include information asymmetries; the costliness of information, documentation, and monitoring; and (market-) participation costs such as travel, inconvenience, and the opportunity costs associated with time spent learning about and participating in markets (Allen & Santomero, 1997; Benston & Smith, 1976). There are a number of additional challenges associated with information and attention problems, some addressed by intermediation, and some inherent to intermediation itself. These include information overload; other problems of bounded rationality, such as an inability to make adequate sense of information; insufficient diversity of perspectives or “voices”; poor communication by intermediaries; and principals’ lack of a “culture of information use” (Fisher & Kunaratnam, 2007).

Financial intermediaries can help principals deal with large fixed costs of generating, documenting, and analyzing information through specialization and economies of scale. Specialization and expertise can reduce costs by fostering productive efficiency, and by spreading the fixed costs across a larger number of users of the information. Banks, for instance, spare savers the difficulty and expense of finding borrowers for specific amounts of money they want to lend for particular amounts of time. Without intermediaries, a saver looking to earn a return on, say \$100 she needs to have back in 18 months would have to find a borrower interested in borrowing exactly \$100 for exactly 18 months. Instead, banks accept deposits from savers and re-lend the funds to borrowers, taking a profit out of the spread between the interest rates on loans and deposits. Similarly, “delegated monitoring” by specialist intermediaries such as bond-rating agencies and mutual-fund managers facilitates specialization and the spreading of fixed costs across many principals. Delegation,

specialization, and economies of scale can reasonably be hypothesized to operate in roughly comparable ways in the “market” for citizen participation in resource allocation, and so to help overcome rational ignorance. Additional challenges in the latter market, however, include the intermediation-supply challenge posed by the relative dearth of opportunities for intermediaries to appropriate some of the efficiency gains, and the related risk of biased and incomplete provision from a too-small pool of intermediaries.<sup>9</sup>

Intermediaries also help address transaction-cost problems associated with bounded rationality and information asymmetries, whether caused by active withholding or just the inherent complexity of the relevant information, through specialization and expertise. Additionally, *third-party* intermediaries face different incentives, which can reduce the likelihood of asymmetry-facilitated opportunism. Although subject to their own incentives for opportunistic behavior, third parties are less likely than borrowers, issuers of common stock, and the self-interested bureaucrats feared by public-choice theorists (or the actively corrupt ones feared by international aid organizations) to see opportunities for profit from perpetuating asymmetries. Delegated monitoring, by increasing the supply of monitoring (of budget execution, for example), can also serve to reduce the likelihood of corruption or other opportunistic behavior by insiders.

Further, intermediation, especially by third-party advocates of particular interests, can help to solve some of the ways in which the scarcity of skills and attention associated with bounded individual rationality, as well as other participation costs, can result in rational and irrational ignorance. Rational ignorance can result from scarcity of analytic skills as well as time, from information overload, and from poor communication or presentation by suppliers of information. Intermediaries’ specialization and expertise in gathering, reducing and presenting information represent potential solutions. Advocacy-oriented intermediation in particular can go further by performing additional reduction/narrowing of information and interpretation, although this is of course subject to risks of bias. Irrational ignorance, such as results from the lack of a general culture of information use or an aversion to using financial information in particular, might also find a solution in advocacy-based intermediation. Advocacy and its associated targeting of particular audiences might help

intermediaries to overcome the resistance or disinterest of targeted populations, by drawing on prior relationships and trust, by selecting and analyzing information with an eye to its relevance for specific audiences, and by using presentation formats and media appropriate to specific audiences.<sup>10</sup> Again, of course, a challenge lies in the potential for system bias or opportunism by intermediaries if too narrow a selection of audiences is served by intermediaries. Still, intermediation by advocacy-oriented third parties seems in concept likely to offer more solutions than problems in the context of efforts to advance meaningful citizen participation in resource allocation.

Finally, we need to address the questions of incentives for third-party intermediaries. Private financial intermediation arises to perfect private financial markets when entrepreneurs identify opportunities to create efficiency gains and appropriate some of those gains, especially by engaging directly in transactions. Opportunities for direct profit through transactional intermediation are less available and less desirable in public budget intermediation. Historical and contemporary evidence, however, suggests that even in the absence of private profitability, civic reformers and organized interests (or organizers of interest groups) are often sufficiently motivated to undertake budget intermediation. Some examples of budget intermediation in practice can provide evidence of this. The next section introduces a growing movement of “civil-society budget work” in developing democracies as well as some historical and contemporary analogues in the U.S., cites some examples of contemporary practice in the U.S. and elsewhere, and presents the illustrative cases of DISHA and the BMR’s early twentieth-century budget exhibits.

### **BUDGET INTERMEDIATION IN PRACTICE**

We have argued that—perhaps because of its roots in developmental- and direct-democratic theories (often taken for granted and thus unexamined)—the contemporary U.S. participatory budgeting literature generally gives somewhat short shrift to the idea of using third-party intermediaries throughout the budget cycle in order to facilitate meaningful citizen participation in public resource allocation. What might such budget intermediation look like in practice? There is, as it happens, an extensive international literature and community of practice concerned with the intermediary-based

model of civil-society budget work as well as efforts to promote direct participation in contemporary developing democracies. Although it is, like the U.S. practice and literature, somewhat under-theorized, this international work does nevertheless indicate some of the ways in which third-party intermediation can substitute for or complement direct citizen involvement in resource allocation. Additionally, the U.S. experience includes at least one historical example of civic intermediation aimed at strengthening our own developing democracy at the turn of the last century—the BMR's budget exhibits—as well as some contemporary examples of budget intermediaries. This section uses those international and U.S. examples to illustrate some possibilities and limitations of third-party intermediation in practice.

### **Civil-Society Budget Work**

Advanced by an international community of practice documented and promoted by the International Budget Project (IBP, see <http://www.internationalbudget.org>) the approaches to third-party advocacy and intermediation collectively referred to as civil-society budget work represent an alternative set of mechanisms aimed at intervening in governmental budgeting processes (IBP, 2007; Robinson, 2006; Singh & Shah, 2003; Wagle & Shah, 2003b). These approaches were developed in the last quarter of the 20<sup>th</sup> century and widely promoted in the 1990s, primarily in environments where representative government was less established than in the U.S. and/or per capita income significantly lower. Starting in such “middle-income” countries as Brazil, India, Mexico, Poland, and others, this community of practice has spread to low-income countries such as Nigeria, Uganda, Ecuador, Indonesia, and Azerbaijan. NGOs and think tanks have typically been among the prime movers in the middle-income countries, while grassroots and community-based organizations often lead the effort in the less developed countries.

Lists of the kinds of activities (mechanisms) involved in and rationales for budget work emphasize transparency and the budget-literacy requisites of effective transparency, together with accountability and corruption-reduction outputs for which transparency is a requisite. They also indicate that budget groups' independence and advocacy orientation are central aspects of the



institutional design for many variants of budget work. Major activities involved in budget work include (IBP, 2007; Krafchik, n.d.):

- Producing simplified budget information, leading to greater budget literacy and debate;
- Collating, synthesizing and disseminating budget information, including to legislators;
- Performing independent, critical analysis of budget processes, content and impacts, often with particular concern for the poor and marginalized;
- Providing new information, such as citizen and interest-group preferences, to budgeters;
- Performing training for other non-governmental groups, legislators, and the media, leading to more effective oversight;
- Monitoring and assessing the impacts of budget execution;
- Monitoring government responses to audit findings; and
- Promoting accountability through analysis, dissemination, training, monitoring and impact assessment activities.

For present purposes, we would point out five distinguishing characteristics of this model compared to the implicit normative institutional-design benchmark of direct citizen involvement in budget formulation. First, budget work relies on intermediation, rather than promoting direct citizen involvement. Second, the initiative in devising and implementing the mechanisms of participation tends to come from non-governmental (civil-society) actors rather than from elected officials or public administrators. Third, since many of these interventions are developed by and/or on behalf of specific disadvantaged populations, they are frequently explicitly concerned with advocacy of particular interests, in a way that governments cannot be (cf. Lipsky & Smith, 1989). Fourth, as the lists of activities indicate, they operate throughout the budget cycle, concerned with legislative approval-stage analysis, implementation monitoring, and auditing, as well as budget formulation. Finally, they are centrally focused on effective fiscal transparency as a primary objective, and so are explicitly concerned with gaining public access to public budget and financial data, performing analysis and data reduction work and promulgating the results thereof, and educating non-specialists—

including legislators, journalists, other advocates, and citizens. As one result, proponents observe, budget intermediaries have “created an audience for discussions about the use of public resources and built the analytical and advocacy skills of this audience” (Hayes & Van Zyl, 2008, Box 3). In other words, they have helped to achieve effective fiscal transparency.

A number of contemporary efforts to promote participatory budgeting in developing economies and democracies are described in reports by the World Bank, the International Budget Project (IBP), and affiliated researchers describe (IBP, 2000; Robinson, 2006; Singh & Shah, 2003; Wagle & Shah, 2003b). These include direct-involvement and citizen-action approaches—often facilitated by third-party intermediaries—as well as indirect intermediated approaches, in all phases of the budget process. Participatory budget formulation models include the participatory budgeting process famously exemplified by Porto Alegre, Brazil—a citizen involvement model—and alternative budget approaches such as the Alternative Federal Budget developed by Canada’s Center on Policy Alternatives—more a citizen-action mechanism. Participatory budget analysis, mainly in conjunction with the legislative approval phase, includes elements of both citizen involvement with legislators, and citizen action through training of citizens, direct contacts with the press, and so on. The Institute for Democracy in South Africa (IDASA) focuses on this aspect of budget work. Participatory budget expenditure tracking during the budget execution phase includes elements of involvement with public officials and of using publicity to prompt citizen action. Examples include Uganda’s Public Expenditure Tracking System and the G-Watch Project in the Philippines. Finally, participatory performance monitoring as described by Singh and Shah emphasizes citizen action in the form of monitoring and evaluation “by citizens and for citizens” (p. 4), followed by presentation of the resulting “scorecards” or “report cards” directly to the appropriate government agencies, as in the case of Bangalore, India’s Public Affairs Center.

Examples of organizations doing budget work in the U.S. at the federal level include the non-governmental Concord Coalition, Council on Budget and Policy Priorities (CBPP, the parent organization for the IBP), and Heritage Foundation; and the governmental Government Accountability Office, Congressional Research Service, and Congressional Budget Office. At the state level, non-governmental

intermediaries include the 29 members of the CBPP-sponsored State Fiscal Analysis Initiative. Local-level intermediaries doing budget work include the Citizen's Budget Commission of New York, Philadelphia Forward, and similar non-governmental advocacy groups in other cities. Governmental examples include the newly created independent Office of the State Comptroller in New Jersey, and New York City's Independent Budget Office. There are also a number of examples of participatory performance measurement or community indicators projects in the U.S., led by NGOs, local governments, or partnerships (see Ho, 2007). While these budget intermediaries vary in their areas of focus, primary constituencies, institutional designs, and policy frames, they share a fundamental concern with promoting effective fiscal transparency by making budget and financial-performance information accessible to concerned non-specialists (and to those who they feel *should* be concerned!).

The remainder of this section uses a contemporary case—DISHA, in Gujarat, India—and a historical case—the New York City budget exhibits organized by the BMR at the turn of the twentieth century—to illustrate how the mechanism of budget intermediation has operated in two quite different environments, with somewhat different goals. The case material indicates some strengths and limitations of the approach as it has been practiced, including that budget intermediation is an adaptable mechanism which can be designed to suit very particular local contexts and the problem definitions of its designers.. It also suggests some of the potential for an intermediary-based model and mechanisms to promote greater *effective* transparency—and thereby developmental as well as protective ends such as participation, accountability, responsiveness, citizen education, and legitimacy—in any setting.

### **The New York Budget Exhibits**

At the turn of the last century, Progressive reformers in the U.S. were concerned with (among other things) legitimizing activist government, reducing inefficiency in spending and controlling what they saw as corrupt big-city political machines (i.e., protection), and constructing a model of active or "efficient" citizenship (i.e., developing civic virtue). One mechanism they employed in service of these goals was the budget exhibit pioneered by the New York Bureau of Municipal Research (Kahn, 1993, 1997; Rubin, 1998; Schachter,

1995, 1997; Williams, 2003; Williams & Lee, 2008). The BMR employed what were then state-of-the-art mechanisms of marketing, including what might today be called “edutainment,” in order to enlarge citizens’ attention and direct it to the municipal budget, thus helping to make the government and its finances “intelligible to the people” (Kahn, 1993, p. 96). Through the budget exhibits, the BMR sought to educate citizens about how—and how efficiently—public funds were used, and to motivate them to act upon that knowledge.

Similarly to contemporary civil-society budget intermediaries, the BMR worked (at least initially) from an activist stance outside of local government, to increase effective transparency and public attentiveness toward goals of legitimacy, responsiveness and citizenship. Using analysis (intermediation) to enhance the intelligibility of budget and performance information and its usefulness as an instrument of intervention, the BMR sought to get “the facts before the public in a manner that made ignoring problems difficult” (Williams, 2004, p. 140). While this could be expected to lead to some efforts by citizens to sway the content and execution of the budget for the year of the exhibit, it could also be expected, if successful, to have longer term effects by increasing the size and efficacy of the budget-attentive public.

The first exhibit, in 1908, was an “extravaganza” that both attracted a mass audience and provided it with forms of information and analysis it was able and likely to use. The BMR exploited forms of presentation (“common media of display and amusement”) that were attractive and intelligible to contemporary mass audiences, who had recently been trained to “read” the forms of information and categories employed by world fairs, grand exhibitions, museums, and department stores (Kahn, 1993, pp. 94-95). It also provided a forum for displays by a broad range of non-governmental advocacy organizations enlisted to provide analyses and draw attention, such as “the Tenement House Committee, the City Club, the Association for Improving the Condition of the Poor, and the State Charities Aid Association” (Kahn, 1993, p. 92). The BMR also enlisted local clergy to encourage greater attentiveness by their parishioners to the City’s budget and spending performance.

The BMR handed off responsibility for mounting the budget exhibition to the City in 1910. The 1911 exhibit attracted a million visitors, an apparent significant increase in public attentiveness from

the 50,000 who attended the 1908 exhibit. The 1911 exhibit was the last in New York, however, although there were exhibits in several other cities in the years immediately following. The demise of the budget exhibit has been variously attributed to changes in the BMR's personnel and priorities, changes to its normative models of governance and the executive budget, and the sheer expense of mounting the exhibits (Kahn, 1997; Schachter, 1997; Williams & Lee, 2008).

### **Developing Initiatives for Social and Human Interaction**

The DISHA case (Aiyar & Behar, 2005; IBP, 2000; Malajovich & Robinson, 2006; Mistry, 1999; Robinson, 2006; Wagle & Shah, 2003a) illustrates an attempt to overcome a different set of policy problems and environmental and institutional obstacles—including poverty, elite domination of politics and administration, and an apparent absence of enforced legal requirements for information disclosure or public participation in budget processes—and an approach more explicitly grounded in advocacy of specific group interests. At the same time, it suggests that budget work rooted in advocacy can nevertheless generate spillover benefits for other groups and individuals by promoting greater effective fiscal transparency.

Founded in 1985, DISHA is a membership-based advocacy organization representing tribal (indigenous) people, forest laborers, agricultural laborers, and other primarily rural, poor and marginalized citizens of Gujarat, a large state on the west coast of India. DISHA had about 80,000 members in 1999, and its constituencies constituted over a quarter of the state's 50 million people (Mistry, 1999). DISHA's budget work responds very specifically to the environment of public budgeting at the state level in Gujarat, and is animated by its mission of advocating for its constituency. The DISHA case also illustrates some of the possibilities of working throughout the budget cycle and the potential for advocacy-based budget work to generate spillover benefits of fiscal transparency.

### ***Budget Formulation***

The budget process of Gujarat's state government has traditionally been elite-and executive-dominated, conducted largely behind closed doors and apparently not subject to notice-and-hearing

or freedom-of-information requirements of the type common for U.S. governments. In fact, an initial challenge was simply gaining access to copies of the executive budget proposal in time to influence the process. During this stage, DISHA works with legislators to educate and prepare them for taking an active role in reviewing the executive proposal, prepares press releases, consults with other NGOs concerning their fiscal priorities, and prepares a number of analyses and recommendations.

### ***Budget Approval***

The first product of DISHA's budget work was a monograph, "Injustice to the tribals," which used budget data to show "how poor people are left out of the budget policies, and how these policies adversely affect the poor" (IBP, 2000, p. 2). The press and opposition party made considerable use of this information. Subsequently, and continuing to the present, DISHA prepares daily analyses and briefing notes of no more than six pages' length for distribution to legislators, the media, and other NGOs, as well as briefs "disseminated in local languages through newspapers and one-page fact sheets [in] tribal villages and schools" (Wagle & Shah, 2003a, p. 2). For all audiences, DISHA works to demystify budgetary data, translating the information into language that makes it meaningful to nonspecialists.

### ***Budget Execution***

During the fiscal year, DISHA's analysts monitor agencies' "supplementary demands" for contingency funding, and work with the leaders of local councils to monitor the agencies' actual outputs and use of budgeted funds. When DISHA staff or local observers detect misappropriation of funds—including under-spending of funds allocated for the rural poor—DISHA raises the issue with local politicians, legislators and the appropriate ministers. "This has resulted in significant mobilization of unused funds for development purposes at the local level" (Malajovich & Robinson, 2006, p. 24).

### ***Audit and Evaluation***

DISHA relies on the state's audit reports, its own field work, and reports from local stakeholders to compare actual spending and "the implementation of specific budget initiatives" (Malajovich & Robinson, 2006, p. 10) to the adopted budget plan. In this work,

DISHA focuses on projects and allocations relevant to its target constituencies, in keeping with its primary role as an advocacy organization.

### Discussion

The BMR and DISHA cases illustrate the potential of third-party budget intermediation to make public finance intelligible to the people—including ordinary citizens, legislators, and the press—by making information available and actionable, and by creating an audience for that information. Although some intermediaries undoubtedly press for structural changes in public budgeting institutions, the BMR and DISHA instead intervened in existing arrangements to take advantage of latent opportunities to increase participation in budgetary planning, management, and control, with both protective and developmental outcomes. Focused on advocacy missions, the BMR (anti-machine) and DISHA (pro-poor) efforts suggest one possible operationalization of the proposal to stimulate a liberal form of civic virtue by mobilizing self-interest and protective goals toward enlightenment and developmental outcomes. Such an approach can help overcome some of the incentive problems that lead to rational ignorance and non-participation (Burt, 1993; "Civic Virtue and Self-Interest", 1995).<sup>11</sup> To the extent reformers seek the greater citizen involvement called for by direct models of democracy as a central goal, of course, budget work can never be a satisfactory substitute for widespread, meaningful, direct citizen involvement in budget processes. It may, however, be a vital complement if not a necessary precondition to such involvement, helping to create the attentive and informed audience that is a requisite for effective transparency and so meaningful participation, by conserving scarce attention, reducing citizens' participation costs, and overcoming irrational aversions.

At the same time, intermediary-based approaches to citizen participation in resource allocation face a number of familiar challenges, including those to which direct-democracy models respond. Limitations and risks of budget work include its costliness, the risk of elite capture, and the risk of "illegitimate representation" (Wagle & Shah, 2003b). The advocacy orientation of many NGOs may help to capture and economize on the attention of affected citizens and decision makers, but it also carries with it a risk of unintentional

or strategic bias.<sup>12</sup> Additionally, intermediation does not in and of itself solve problems of popular attention and comprehension. Effective communications strategies and use of appropriate media are required as well. The BMR and DISHA cases illustrate these limitations but also some solutions.

For example, DISHA has been criticized for its failure to engage in more extensive outreach and to use available technology such as the World Wide Web to disseminate its analyses. The BMR, for its part communicated effectively and created a large audience precisely by exploiting cutting-edge media and edutainment forms of the early twentieth century, but may have found the cost of the exhibits to be unsustainable. Media possibilities at the beginning of the present century, which could prove as audience-attracting as but more cost effective than the BMR's exhibits, include the Internet (Justice, Melitski, & Smith, 2006) and even radio, in low- and middle-income countries as well as rich ones (Campos, 2007, 2008; McGrath, 2008). The BMR eventually foundered when its principals were unable to agree on the central goals of their advocacy work, and perhaps because of funding pressures as well. The later history of the BMR and its turn away from a mass audience for its work has been portrayed in fact as an instance of what could be called elite capture (Kahn, 1997; Schachter, 1997). DISHA so far appears to have maintained greater unity of purpose, even as it facilitates budget work by other groups and interests, and to have secured sustainable funding so far, but its history with budget work is still a short one. The cases do not speak directly to the danger of illegitimate representation, but the BMR's inclusion of other reformers and DISHA's efforts to train other advocates, together with some apparent success of contemporary budget groups and their sponsors in stimulating more widespread budget work by a variety of actors, suggest the potential to mitigate this risk by providing a large pool of alternative intermediaries.

#### **AN AGENDA**

Does intermediation undermine citizenship? Kahn (1993) implied that it does, and certainly the recent efforts of researchers and reformers concerned with citizen participation in resource allocation within the U.S. have tended to emphasize direct citizen involvement in budget formulation as the preferred model. This is in keeping with



the normative ideals espoused by developmental, direct, and deliberative models of democracy. But given the problem of attention scarcity, this emphasis may underestimate the value of third-party budget intermediation in facilitating citizenship as well as legitimacy, responsiveness, and citizenship. Reformers concerned with advancing citizen participation in government resource allocation decisions elsewhere in the world—many of them in or supported by U.S.-dominated institutions—promote a wider variety of processes and mechanisms, including intermediary-based budget work. While we have noted above some of the limitations of budget work, the international experience and the BMR's work provide a number of potentially useful lessons for the U.S.

One solution to the problem of theorizing the public for public administration (Frederickson, 1991) might be to accept that “the public” and its interests are manifold, complex constructs—not only in terms of multiple interest-based and cultural groupings, but also in terms of the roles any given individual plays. People are of course, citizens, clients, members of interest groups, customers, and constituents of legislators (who can in turn represent them as both trustees and delegates) at various times, and even at the same time. Perhaps, then, it makes sense to design processes and mechanisms that facilitate expression of all those forms of membership in institutions of governance, as well as the pursuit of more private interests, within the constraints imposed by the scarcity of attention and other resources. Civil-society budget work is plainly not sufficient in and of itself to ensure all of the various legitimacy-, responsiveness- and citizenship-related outcomes sought from citizen participation in resource allocation. However, it does just as plainly respond to many barriers that hinder effective citizen participation in resource allocation, in developed as well as developing environments, including constraints on nonspecialists' time, attention, expertise, and efficacy.

All of this, we believe, suggests the usefulness of an agenda for comparative (action) research, grounded in more explicit theorization of the models and mechanisms of democratic participation in resource allocation. Such an agenda can build on the work academics, the IBP, and others have already undertaken in fostering, identifying and cataloging the goals and outcomes of many configurations of resource-allocation processes and mechanisms in a

variety of environments around the world. It can include comparative analysis of existing interventions to identify and explain the outcomes associated with particular institutional configurations in particular environments. But a reform-oriented agenda can also include theoretically informed experimentation and action research involving new as well as existing budget-work organizations: Does intermediation produce less “democratic” (responsive, developmental, legitimate) allocation processes and outcomes than direct citizen involvement? When are the two approaches complementary, and when do they compete in efforts to achieve effective fiscal transparency and meaningful citizen participation in resource allocation? The growing number of governmental as well as nongovernmental budget-intermediary organizations and their increasing awareness of one another present rich opportunities for theoretically informed observation and intervention.

In participatory budgeting, as in other areas of public affairs, it seems that practitioners have got ahead of scholars, grappling with problems based on their intuitive grasp of their own circumstances and exposure to a variety of practical innovations. They appear to have done so, however, largely without benefit of the kind of theoretically informed framework that could help them improve their efforts by being more systematic in specifying the goals of democratic administration they seek to achieve, understanding how particular institutional configurations interact with relevant environment and goal combinations, and then designing and evaluating mechanisms and processes to achieve the desired outcomes. This essay hardly provides a complete theoretical framework or research design. We have attempted to take a first small step in that direction, however, by calling attention more explicitly to the theories-in-use that appear to inform some academic analyses of and prescriptions for citizen participation in resource allocation, the problem of attention scarcity, the potential for third-party intermediation—such as civil-society budget work—to address that problem, and the opportunities for two (until now) largely distinct bodies of literature and communities of practice to learn from one another.

#### NOTES

1. This observation—that scarcity of attention can be as important as scarcity of resources as a consideration in the design of

institutions of public finance—is of course not original to us by any means. See for example Robert Anthony's (1977a; 1977b) critique of zero-based budgeting.

2. And since this literature focuses on U.S. local governments, it presupposes that the proximate environmental variables for a local government are embedded with a state-level cultural, political-economic and constitutional context, which in turn is nested within the U.S. context as a whole—high-income, institutionally stable, and representative of a particular model of liberal “democracy.” See Dunn, 2005, for an account that suggests the scare quotes.
3. Specifically, Ebdon and Franklin discuss whether participation concerns the operating budget, or the capital or special grants budgets. We might also add the question of budget format here, after Grizzle (1986), since if format influences legislators it might well influence other citizens as well.
4. Interestingly, Ebdon (2002) found that at least one city council discounted the input provided by an ostensibly representative sample of citizens who participated in a budget-decision process, apparently finding more persuasive or relevant the input provided by self-selected, attentive individuals and groups (the usual suspects).
5. In this case, if a tree falls in the forest but nobody is there to hear, we can conclude that it did not make a sound (see Heald, 2003, 2006; O'Neill, 2006).
6. For one general explication of the “rational ignorance” idea, see Downs (1960).
7. This phenomenon—call it “eyeshade aversion”—is probably quite familiar to most teachers of the budgeting/ financial management course required in the standard U.S. Master-of-Public-Administration curriculum.
8. The Robbins and Simonsen dynamic survey method represents one solution to this design problem: relying on neutral academics to structure a semi-closed-ended instrument that seeks to offer neutral structuring and simplification of the analytic judgments required as the basis for adequately

informed preference formation and revelation by a sovereign citizen/consumer.

9. Readers will recognize this last item as a familiar criticism of pluralist models of democracy.
10. To amplify the last point, some readers may be familiar with recent efforts in the U.S. by the Concord Coalition, former Auditor General David Walker, and others to draw attention to the looming consequences of current fiscal policies. The content of their presentations is quite dramatic and even galvanizing from a specialist's perspective, but general audiences seem just to shrug and yawn, if they bother to show up and listen in the first place.
11. And because they represent intervention from the outside, the BMR (at least initially) and DISHA could also overcome to some degree the other two barriers to authentic participation: officials' resistance and poor institutional design. At the same time, of course, it clear that this kind of intermediation is most effective as a complement to rather than a substitute for institutional arrangements that provide for access to information and opportunities for citizens and advocates to influence decisions makers and to be involved in decision processes (Aiyar & Behar, 2005; Wagle & Shah, 2003b). Similarly, independent monitoring and grading of budget execution, auditing, and performance reporting, can complement and stimulate, but will not adequately substitute for adequate internal controls.
12. Both the risk and the potential, of advocacy-based analysis are implied by Robert Frank's recent account of how easily the fiscal preferences of survey respondents were shaped by alternative framings:

In the first survey, respondents were simply asked whether they favored the proposal [to eliminate the U.S. federal estate tax]. Almost 75 percent said they did. In the second, respondents were first told that lost revenue from eliminating the estate tax would necessitate some combination of raising other taxes, borrowing more money from abroad and further cutbacks in government services.

This time, almost 80 percent of respondents favored keeping the estate tax. (Frank, 2007)

Interpretive intermediation can serve to improve citizens' comprehension of budget constraints and tradeoffs (our interpretation of Frank's example), but might just as easily be used to distract, distort or mislead (perhaps the way others might interpret the example). This two-edged character of advocacy-based intermediation is particularly interesting, of course, in the context of seeking to avoid the unintended consequences of badly designed tax and expenditure limitations (TEs). Like the BMR, a number of advocates of participatory budgeting emphasize the importance of legitimacy in averting ill-considered tax revolts (Beckett & King, 2002; Ebdon & Franklin, 2006). At the same time, however, TEs are often promoted by advocates for particular interests, who exploit the boundedness of rationality among larger publics in order to secure majority votes. We believe this argues for more, rather than less interest-based intermediation, as a way to provide competing frames and arguments to an enlarged attentive public (cf. Fischer, 1993; Lindblom, 1990; Schön & Rein, 1994).

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