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in 29 Parliamentary Democracies**

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Working Paper Series Vol. FY2017-08
October 2017

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Newly Developed Database of Budget Institutions in 29 Parliamentary Democracies ¶

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Abstract

In this paper we developed a new database of budget institutions in parliamentary democracies. It is mainly based on the database of Fabrizio & Mody (2010) which integrates data on both West and East European countries, mostly according to the classification of budget institutions adopted traditionally by von Hagen and Hallerberg (and other related researchers). Data on three non European Westminster countries (Australia, Canada and New Zealand) and Japan, obtained through the author's own qualitative research was added.

Key Words: Budget Institutions, Parliamentary Democracies

¶ This study could not have been realized without the database of Fabrizio and Mody, which integrates previous studies of East European countries of Gleich and Yläoutinen, and refurbishes pioneering works of von Hagen, Hallerberg and others. The author owes a lot to these previous studies in terms of databases of budget institutions. The author is also grateful to the interviewees from the three Westminster countries for their cooperation during data gathering. The preliminary phase of this research was partly supported by the Japan Society for the Promotion of Science under the grant number (B) 23310104, and the author would like to thank the organization.

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1. Introduction

At present, public finance of most of industrialized countries has suffered excessive deterioration. The situation is the most serious in the case of Japan, whose gross general government debt reaches 234 % of its GDP in 2015. That of Greece reaches 181.6, while that of Italy 157.3, and that of Portugal scores 149.2. Such disastrous fiscal performance of contemporary economies has certainly been triggered by global economic crisis of 2008. However, already before the crisis, fiscal performance of modern capitalist economies was varied greatly. In 2005, the same kind of indicator was 173.7 for Japan, 117.4 for Italy, 113.3 for Greece, yet it was only 51.1 for United Kingdom, and 36.7 for Australia. The same score in 2005 of Germany was 70.1, although this is superior to one of the limiting criteria of Maastricht treaty where a value of 60 % per GDP is mentioned. The latter institutional numerical target, or limitation has, nevertheless, supposedly contributed to constrain fiscal profligacy in EU member countries, as most of these countries have been limiting their government debt using this criterion even though many of them have surpassed it more or less.

This might mean that the numerical target concerning public finance is essential and that it is the main factor for past successful cases of fiscal management in modern economies. This view was adopted when the EU members agreed on the Maastricht Treaty, when 3 % deficit per GDP and 60 % debt were the key criteria which were supposed to be able to constrain the fiscal mismanagement of member countries (so called “Convergence Criteria”). However, not all fiscal specialists agreed with this view and some of them insisted on the importance of “procedural rules” as compared to “numerical rules” of public finance, asserting that the latter is ineffective in fiscal management or puts excessively inconvenient constraint on economic policy management, while the former is much more effective to achieve a sound fiscal performance and is costless in terms of leaving sufficient room for stabilization policy (Alesina & Perotti (1999)).

This point or contrast of the two different approaches toward a sound fiscal management has a lot to do with the so-called “institutional” factor of the modern political economy. Numerical fiscal target has been regarded as an important limiting factor on public finance since the argument put forward in “Constitutional Political Economy” of James Buchanan and related researchers (Buchanan & Tullock (1962)). Gaining a hint from balanced budget rules stipulated in constitutions of American States, they intended to generalize such rules to the Federal Government (Buchanan & Wagner (1977)). Although we can interpret EU fiscal rules as one of such numerical fiscal target, many European researchers were skeptical to this numerical approach, while they were likely to support “procedural rules” rather than “numerical rules” (Alesina & Perotti (1999)). von Hagen was the first to organize such procedural fiscal rules in his database (von Hagen (1992)), and his database has been successively improved since then by him and his collaborators (including Mark Hallerberg), and these rules have been largely used in the studies of budget institutions (from von Hagen (1992) to Hallerberg et al. (2009)).

Although the studies of von Hagen and Hallerberg, and other related researchers, as well

as the followers who have been using the same database, have contributed a lot to the development of the political economy of governmental budget, such database has crucial deficiencies, which need to be overcome. First of all, their database is constructed on the sample of 15 EU countries. Thus, important countries are missing in the sample. One category of such countries is the “Westminster” group of countries, except the United Kingdom. Typically, Australia, Canada, and New Zealand compose such group of countries and at the same time they are also important to characterize modern governmental budgeting practices. These countries are characterized by their high quality of fiscal planning function, numerical targets, and strong emphasis on executive power of Senior Ministers (Prime Minister and Minister of Finance, among others) in budgetary decision making. They have also made efforts to simplify budgeting procedure inside administration, so that “letting managers manage” tradition has become firmly established. Such characteristics can be regarded as “Westminster-type” new tradition of governmental budgeting, and the same characteristics can be found in budget practice of the United Kingdom. However, only UK has been represented in the sample of von Hagen and thus “Westminster-type” budgeting style has been represented too narrowly in the sample, which could have influenced the conclusion and insights drawn from the past analyses, which have used the same “von Hagen” sample.

The second group, which has not been represented in the traditional sample but is important, is the group of East European countries. Characterized by the complex ethnicity, and still unstable political culture, most of the East European countries have coalition governments. However, political institutions, including budgetary procedure, are yet immature. Traditional sample of West European countries has those of coalition governments with relatively mature political and budgetary institutions. Thus traditional sample has overrepresented relatively mature democracies while underrepresenting immature ones. Including East European countries into the sample of budgetary database is important to achieve more general representation of countries with coalition governments with or without matured institutions, and this has been just recently taken into account by some researchers (Fabrizio & Mody (2006, 2010), Yläoutinen (2005), Gleich (2003)).

Finally, the “European” sample so far adopted has also been too narrow as it did not contain Japan, a country with the most serious fiscal problem among industrialized countries, which nevertheless has substantial influence on world economy and society. Japan has also been known by some few specialists to have extremely poor budget institutions (von Hagen (2006)). Thus, not including Japan in the sample of budgetary institutions means losing an important explanatory power of budget institutions on fiscal and economic variables. However, we have not yet come across a multicountry sample of budget institutions that would include Japan. This point still remains to be resolved, probably due to geographical (non) proximity of researchers.

The intention of this paper is to suggest a new database of budget institutions integrating non European Westminster countries, East European countries, as well as Japan. This is almost

the complete sample of representative parliamentary democracies. While excluding presidential democracies from our new sample may be unfortunate if we wish to gather most of industrial countries in our sample, this choice was inevitable as our sample was constrained by data availability, and we also recognize that this choice is relevant because in presidential democracies the government and the parliament have different functions from the point of view of parliamentary democracies, mostly due to their “strict” application of “separation of power” principle. Mixing two sorts of samples in one would undermine the coherence of data. We hope that with the help this new database we can discover the hidden mechanism of budget institutions that is probably influencing public finance and national economy. We also hope that we can illuminate political functions of parliaments through budgetary processes. For these objectives, however, we must disclose all details pertaining to creation of such new database of budgetary institutions.

2. Making of New Database of Budget Institutions

We started creating our new database by mostly adopting the results of research by Fabrizio & Mody (2010). They made budgetary indices of East European countries comparable with those of West European countries (Fabrizio & Mody (2006)). Not all but many indices of the traditional database (of von Hagen and Hallerberg) are still used in the database of Fabrizio & Mody (2006, 2010).

We then supplemented their database by new indices of four countries, that is, three non European Westminster countries and Japan. These indices were obtained by our own qualitative research. Besides, we supplemented our new database by employing French and Irish indices from the traditional database of von Hagen and Hallerberg.

The starting point of our new database was the work of Fabrizio & Mody (2006, 2010). Their database integrates the data of East European countries, using such various sources as “Gleich (2003), Yläoutinen (2004), IMF fiscal ROSC reports, and direct information from the authorities” (Fabrizio & Mody (2006)). They relied on documentary sources and directly interviewed government authorities when it was necessary, to construct their East European new database. The same is true with their version of budgetary database for the entire European. “Expanding the data to a broader set of European countries was made possible by the reporting in Hallerberg, Strauch, and von Hagen (2007)¹. To confirm and update the status of budgetary practices, we have consulted annual fiscal budget laws and the Fiscal Transparency Module of the International Monetary Fund’s Reports on the Observance of Standards and Codes (ROSC). Where ambiguities persisted, we were in direct contact with the country authorities” (Fabrizio & Mody (2010)).

¹ (This is the author’s note) The same paper with Hallerberg et al. (2006). Hallerberg et al. (2006) shows in the appendix a detailed information about the indices of budget institutions for each country, while Hallerberg et al. (2007) does not.

Basically, they made their database relying on documentary research and direct interviewing of governmental authorities. However, the final judgment of scores evidently resides on their own expert knowledge. This is not the self reporting of governments, as is found in the case of OECD database (International Budget Practices and Procedures Database). The same is true with the original von Hagen indices. “The data for the following characterization of the national budgeting procedures in the EC are based on an assessment of information on national procedures provided by the European Commission.” (von Hagen (1992), p.38) “The following tables compress and summarize the assessment of information on national budgeting procedures and are prepared by the present author. They do not reflect the judgment nor the interpretation of the European Commission.” (von Hagen (1992), p.59) von Hagen gathered qualitative accounts from the European Commission, or Member States (von Hagen (1992), p.59). He, however, summarizes and reorganizes various sources, and his subjectivity as expert mixes this summary and reorganization. The advantage of this approach is in a possibility to know the actual governmental behavior rather than codified rules, but it is achieved “at the expense of subjectivity in the assessment.” (von Hagen (1992), p.38)

Thus, making a database of governmental budget procedures inherently necessitates some expert knowledge of governmental officers and researchers themselves, which may be subjective. Our own supplement of data concerning 3 Westminster countries and Japan, as well as minor adjustment of pre-established indices of budgetary indices would follow a similar procedure and implies our expert, but somewhat subjective scoring.

2.1. Using the Database of Fabrizio & Mody(2010)

Before Fabrizio & Mody (2010), Fabrizio & Mody (2006) is used to be a pioneering empirical study which prepared and reorganized the budgetary indices of East European countries. This was achieved by their own qualitative study, but they also referred to Gleich (2003) and Yläoutinen (2005). Gleich (2003) prepared the budgetary indices of 10 East European countries using their own qualitative research based on legal documents and questionnaire responses. The items of budgetary indices are almost similar to those of von Hagen database, but not completely the same. Yläoutinen (2005) also developed the budgetary database of East European budget institutions using her own questionnaire survey. The database of Fabrizio & Mody (2006) is a synthesis of these studies with their own qualitative research. Not all indices of Fabrizio & Mody (2006) are employed by Fabrizio & Mody (2010) (all European version of a sample, integrating East and West European countries) probably due to the data availability (of West European countries). Following the classification of Fabrizio & Mody (2010), we can refer to their evaluation of budgetary institutions in East European countries, as is shown in the following table.

Table 1: Budgetary indices of East European Countries

N1	N2	N3	P1	P2	P3	I1	I2	I3	I4
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Bulgaria	0	3 0^{-97}	4	0	0	4	0 4^{-00}	1.28	4	4
Czech	0	3 0^{-97}	4	0	4	4	4	1.28	1.33 4^{-00}	0
Estonia	3	3	4	4	0	4	4 0^{-02}	1.92	1.67	4
Hungary	0	3	4	0	0	0	0	0.64	1.33	0
Latvia	3	3	2	0	0	4	4	1.92	2.67	4
Lithuania	0	1 0^{-98}	4	4	0	0	4	1.28	1.33 4^{-00}	4
Poland	3 0^{-97}	1 0^{-98}	4	4 0^{-97}	0	4	4	1.28	2.67	4
Romania	0	3 1^{-02}	4	4 0^{-02}	0	4	4	1.28	4	0
Slovakia	0	1	2	0	0	4	0	1.28	1.33	0
Slovenia	0	3	4	4	0	4	0	1.28	2.67	0

Source: Fabrizio & Mody (2010)

Their budgetary scores assimilate those of von Hagen and Hallerberg. However, the database of von Hagen and Hallerberg has been evolving for over three decades since the original work of von Hagen (1992). Fabrizio & Mody (2010) seems to have referred to the version of Hallerberg (2006) as we compare the scores of West European countries (Hallerberg et al. (2009) has further adjusted their scores after the version of Hallerberg (2006)). The classification of budgetary indices, adopted in Fabrizio & Mody (2010), based on budget process argument of Wildavsky (1975), preparation, voting, and implementation, is shown in the following list².

Table 2: List of Budgetary Indices (Fabrizio & Mody (2010))

No.	Score	Symptoms
N1		<u>General constraint</u>
	4.00	Spending and debt as share of GDP
	3.00	Spending as share of GDP or golden rule or limit on public borrowing
	2.00	Balance and debt as share of GDP
	1.00	Balance as share of GDP

² The indices of “quality of budget institutions” are classified, in Fabrizio & Mody (2010), into “Preparation Stage” (1 to 3), “Authorization Stage” (4 to 6), and “Implementation Stage” (7 to 10). Here we rename these three stages, N1 to N3, P1 to P3, and I1 to I4. “N” is taken from “Negotiation,” “P” is taken from “Parliament,” and “I” is taken from “Implementation”.

	0.00	None
N2		<u>Agenda setting</u>
	4.00	MF or PM determines budget parameters to be observed by spending ministers MF
	3.00	proposes budget norms to be voted on by cabinet
	2.00	Cabinet decides on budget norms first
	1.00	MF or cabinet collects bids subject to the pre-agreed guidelines
	0.00	MF or cabinet collects bids from spending ministers
N3		<u>Structure of negotiations</u>
	4.00	Finance ministry holds bilateral negotiations with each spending ministry Finance
	2.00	ministry holds multilateral negotiations.
	0.00	All cabinet members are involved in the negotiations at the same time
P1		<u>Parliamentary amendments of the budget</u>
	4.00	Are not allowed, or required to be offsetting
	0.00	Do not required to be offsetting
P2		<u>Sequence of votes</u>
	4.00	Initial vote on total budget size or aggregates
	0.00	Final vote on budget size or aggregates
P3		<u>Relative power of the executive vis-à-vis the parliament; can cause fall of government?</u>
		Yes
	4.00	No
	0.00	
I1		<u>Changes in the budget law during execution</u>
	4.00	Only new budgetary law to be passed under the same regulations as the ordinary budget Requires parliament consent
	2.00	At total or large discretion of government
	0.00	
I2		<u>Transfers of expenditures between chapters (i.e. ministries' budgets)</u>
	4.00	Not allowed
	3.20	Only possible within departments with MF consent
	2.56	Only possible within departments
	1.92	Require approval of parliament
	1.28	Only if provided for in initial budget or with MF approval
	0.64	Limited
	0.00	Unlimited
I3		<u>Carryover of unused funds to next fiscal year</u>
	4.00	Not permitted
	2.67	Limited and required authorization by the MF or parliament
	1.33	Limited

	0.00	Unlimited
I4		<u>Procedure to react to a deterioration of the budget deficit (due to unforeseen revenue shortfalls or expenditure increase)</u>
	4.00	MF can block expenditures
	0.00	MF cannot block expenditures

Source: Fabrizio & Mody (2010)

We would need to make some remarks on this list because some of indices adopted traditionally in the sample of von Hagen and Hallerberg have been dropped. From all the indices of Hallerberg et al. (2009), those of “Fiscal Targets” and those of “Informativeness of Budget Draft” have been dropped completely. For the indices of “Negotiations in Cabinet”, “Budget Norms” index has been dropped. For the indices of “Parliamentary Stage”, the indices of amendments are integrated into one of an inquiry whether offsetting amendments is required. One time vote on total expenditure is not asked in the indices of Fabrizio & Mody (2010). For the indices of “Execution”, “Cash Limits” and “Disbursement Approval” are not asked in the indices of Fabrizio & Mody (2010). Narrowing of focus shown in such selective use of budgetary indices can be due to the data availability of East European countries (judging from the indices adopted in Fabrizio & Mody (2006).

Table 3: List of Budgetary Indices (Hallerberg et al. (2009))

(Fiscal Targets) Multiannual Target, Planning Horizon, Nature of Plan, Degree of Commitment
(Negotiations in Cabinet) General Constraint*, Agenda Setting*, Budget Norms, Structure of Negotiations*
(Parliamentary Stage) Amendments Limited, Amendments Offsetting*, Amendments Cause Fall*, Expenditures Pass in One Vote, Global Vote on Total Budget*
(Execution) MF Block*, Cash Limits, Disbursement Approval, Transfers*, Budget Changes*, Carryover Provisions*
(Informativeness of the Budget Draft) Special Funds Included, Budget in One Document, Transparency Assessment, Link to National Accounts, Government Loans Included

Source: Hallerberg et al. (2009). Asterisk is put on the indices adopted in Fabrizio & Mody (2010)

Fabrizio & Mody (2010) supplemented East European database with West European indices, which almost follows the classification of budgetary indices used by von Hagen and Hallerberg. As it was already mentioned, not all indices are adopted due to problems with data availability. What is remarkable here, even with the adopted indices, is that their evaluation of

budget institutions in West European countries is not the same as that of von Hagen and Hallerberg. This reflects their updated and latest survey of budget institutions. The following table shows the indices adopted by Fabrizio & Mody (2010) with respect to West European countries.

Table 4: Budgetary indices of West European Countries

	N1	N2	N3	P1	P2	P3	I1	I2	I3	I4
Austria	2 0^{-97}	4 2^{-97}	4	0	2	0	2	4 1.28^{-97}	2.67	4
Belgium	4 0^{-92}	2 1^{-92}	2 0^{-92}	4 0^{-02}	4 0^{-92}	4	0 4^{-92}	0 2.56^{-92}	0	4 0^{-92}
Denmark	4	4 3^{-97}	2 4^{-97}	0	4 0^{-97}	0 4^{-97}	2 4^{-97}	0 1.92^{-97}	0	4 0^{-97}
Finland	4 1^{-95}	2	2	0	0	4	0	4	4	0
Germany	3	2 1^{-97}	2 4^{-97}	0	4 0^{-97}	4	0 2^{-97}	0.64 1.28^{-97}	2.67	4
Greece	2 0^{-97}	4 1^{-97}	4 0^{-97}	4 0^{-97}	4 0^{-97}	4 0^{-97}	0	1.28	0 4^{-97}	4
Italy	2 4^{-00} 2^{-95}	1	4 2^{-96}	0 4^{-96}	4 0^{-96}	4 0^{-96}	0	0	1.33 0^{-01}	4 0^{-96}
Luxembourg	4 3^{-03}	4	0	4 0^{-02}	0	4	4	4 0^{-97}	4	4
Netherlands	3 1^{-97}	2 3^{-97}	4	0	4	4	0	1.92 0^{-94}	1.33	0
Portugal	2 1^{-97}	2	2 4^{-97}	0	0	4	0 4^{-97}	0	1.33 2.67 97	4 0^{-97}
Spain	3	4	4	0	4	0	0	1.28	4 1.33 93	0
Sweden	3 0^{-96}	3 0^{-96}	4	0	4 0^{-96}	4	4	4 0^{-96}	2.67 1.33 96	0
UK	4	3 2^{-97}	4	4	4	4	4	1.28 1.92^{-97}	0 1.33 97	4 0^{-97}

Source: Fabrizio & Mody (2010)

Some scores adopted in the database of Fabrizio & Mody (2010) (Hallerberg et al. (2006) is the most comparable version) and those adopted in the database of von Hagen and Hallerberg are different. These changes, judging from documentary research, seems reasonable to the eyes of the author of this paper. The only thing that we corrected was I2 of United Kingdom. Originally in Fabrizio & Mody (2010) it is 2.56, while we changed it to 1.28, because budgetary transfer was liberalized rather than restricted.

2.2. Newly introduced indices of 4 added countries (plus 2 reintegrated countries)

In this paper, the database of Fabrizio & Mody (2010) is supplemented by the author's original research. The author developed the scores of 3 non European Westminster countries and of Japan. Simultaneously, the database of Fabrizio & Mody (2010) is supplemented by adding two omitted European countries (France and Ireland), using the database of von Hagen and Hallerberg. The following is the table which shows the newly developed scores of budget institutions of these 4 plus 2 countries.

Table 5: Budgetary indices of 4 added countries (plus 2 reintegrated countries)

	N1	N2	N3	P1	P2	P3	I1	I2	I3	I4
Australia	2	1	2	0	0	4	4	1.28	1.33	0
(85-)	0 ^{~97}		0 ^{~82}					2.56 ^{~85}	4 ^{~85}	
Canada	2	4	4	4	0	4	4	1.28	1.33	0
	0 ^{~94}	1 ^{~94}	0 ^{~94}					3.2 ^{~92}	4 ^{~86}	
NZ	3	2	2	0	0	4	4	1.92	4	0
(85-)	0 ^{~93}	1 ^{~93}	0 ^{~88}	4 ^{~95}				3.2 ^{~88}		
Japan	0	2	0	0	0	4	0	3.2	2.67	0
France	4	4	4	4	4	4	0	1.28	1.33	4
							4 ^{~97}	1.92 ^{~05}		
Ireland	4	4	2	4	0	4	4	1.28	1.33	4
	2 ^{~92}	1 ^{~92}	2 ^{~92}					3.2 ^{~92}	4 ^{~92}	0 ^{~92}

Source: The author's own qualitative research which supplemented the database of Fabrizio & Mody (2010). As for Japan, von Hagen (2006) was also referred, while for France and Ireland, the scores from Hallerberg et al. (2006) are used (French I2 score was modified).

In this table, three Westminster countries are scored according to the author's own

qualitative research³. Japan is scored using von Hagen (2006), but its data are modified using local information (including interviewing the mandarins of Japanese Ministry of Finance about the detail of budgetary process by telephone). The data of France and Ireland are omitted from Fabrizio & Mody (2010). The scores of these two countries are reintroduced from the database of von Hagen, with some minor modifications. In the following subsections, we are going to explain the background of scoring shown in the table 2 country by country.

2.2.1. Australia

Australia's N1 is scored as zero until 1997, while that is scored as two since then. Here FRD is referenced. The data before 1985 is missing. Some fiscal rules were recorded (Wanna et al. (2001), p.124) but they can be interpretable as very rudimentary.

N2 is scored as one, since agenda setting function has been nonexistent, but referred in the Expenditure Review Committee (Blöndal (2008) and the author's interview held in 2013(see note 3).

N3 is scored as two. There has been a tradition of collective decision making between Treasury, Finance and Cabinet Office, but not the entire cabinet. This tradition has been established since ERC was introduced. Although ERC was introduced in 1975, it seems to have become effective from Hawke Cabinet (1983).

P1 is zero since the Senate's amendment power is authorized. There is no system of sequence of votes (P2). P3 conforms to the Westminster tradition (4).

I1 has been scored between 4 or zero in the database of von Hagen, or that of Fabrizio & Mody (2010). The lower score is found among the countries, which have increased the occasions of supplementary budget. There is no such country in Westminster countries (I1=0).

"One-Line Budget" has been implemented since 1986 (I2=1.33). Before, the transfer between votes had been virtually banned (I2=2.56)⁴. Carry-forward has been admitted since 1986 (Wanna et al. (2001) "Running Cost Agreements" p.203). Since then I3 has been 1.33. There is no such rule as MF block (OECD survey (Lienart & Jung (2004)).

Data availability is limited before 1985.

2.2.2. Canada

Canada has established fiscal rule since Chrétien government (N1=2). We infer that this means that the Federal Spending Control Act of Mulroney government was not effective.

The funding decision has been made between the PM and the Minister of Finance since

³ Our qualitative research is mainly documentary one, but we supplement our documentary research by interviewing government agents of these three countries (July-August 2012 for Australia, September 2012 for Canada, and March 2013 for New Zealand).

⁴ In Australia the Audit Act (section 37) similarly empowers departments to shift funds from one vote to another if the Treasury consents. But the Public Accounts Committee has so often been critical of underspending that the Treasury has not given that consent for a long time and that section of the Act has virtually become a dead letter. (Weller & Cutt (1976), p.63)

Chrestien government⁵ (N2=4).

N3 is 4 since in Canadian government, budgetary decision making is made only between the PM and the Minister of Finance. It is from 1995 similarly with N1 and N2.

OECD legal framework (Lienart & Jung (2004)) tells us that in Canada, P1 and P3 are 4. There is no such institution as sequence of votes in Canada (P2).

I1 is four because of the same reason with Australia. I2 is 1.28 since 1993 since “Operating Budget” was introduced in 1993 (1993 Office of Auditor General Report, chapter 6). Historically, it is 3.28 since only transfer within votes was permitted and there was a severe “allotment control” made by TBS⁶. I3 is 1.33 since 1987 as is clear in “Carry-Forward of Capital Funds - TB Circular 1987-53”. There is no such rule as MF block (OECD survey).

2.2.3. New Zealand

The 1994 fiscal responsibility act introduced a fiscal rule based on “golden rule” (N1=3). The same act introduced BPS (N2=2). Before this act, there had been similar procedures but ineffective⁷. Budgetary decision making is characterized as that made by Senior ministers or “Budget ministers” (N3=2)⁸. Such collective decision making has been a long tradition, but it was virtually established in 1989⁹.

Boston & Church (2002) tell us that there was no amendment admitted until 1996. After that it has been allowed (OECD legal framework) but with various restrictions including veto power (P1 is changed from 4 to zero since 1996). No sequence of votes similarly as with two other Westminster countries (P2=0). P3 is 4 because it is Westminster tradition.

I1 is 4 as is in other two Westminster countries. For I2, the transfer between votes was

⁵ Treasury Board of Canada, “Expenditure management system of the government of Canada” (1995)

⁶ “The power (for virement, i.e. transfer of money within a vote) was made statutory in 1931, and continued in FAA 1951 with one qualification: s.29 requires the various branches of the executive to submit to the TB, in the form detailed in the estimates submitted to Parliament for such appropriation or item, or in such other form as the Board may prescribe, and when approved by the Board the allotments shall not be varied or amended without the approval of the Board (p.249, Ward (1962)).”

⁷ “The guidelines did not establish control at the overall net fiscal impact level” (p.27, Nethercote, Galligan & Walsh (1993)).

⁸ “Another was the establishment of a Cabinet Expenditure Committee...in formulating 1993 budget, a smaller group of 'gate-keeping' ministers (including the Finance Minister, Prime Minister and Deputy Prime Minister) made initial decisions on which new initiatives would proceed for consideration by cabinet committee.” (Boston & Church (2002))

⁹ “In 1989, under the prime ministership of Geoffrey Palmer, the Expenditure Review Committee was formed from an ad hoc committee to give greater formal structure to the budget process.” (McLeay (1995), p98)

“Between 1985 and 1989, a committee outside the formal process existed to push certain items onto the cabinet agenda known as the Priorities Committee, it held weekly meetings and was serviced by an official from the Prime Minister's Office”(Boston(1990), p.72).

“Roger Douglas, as Finance Minister, also tended to operate outside formal channels. He would often decide on a preferred policy in discussion with selected officials. He would then get his Associate Ministers David Caygill and Richard Prebble onside, before going to Deputy Prime Minister Geoffrey Palmer and Prime Minister David Lange.” (idem, p.71)

prohibited and that within vote was also virtually prohibited¹⁰. 1989 Public Finance Act allowed the transfer between votes (I2 =1.92). Carryover is still prohibited (I3=4). There is no such institution as MF block (I4=0).

Data availability is limited before 1985.

2.2.4. Japan

For Japan, we can refer to von Hagen (2005). However, some scores seem to be readjusted from the point of view of a local (Japanese) researcher. N2 is readjusted from 2 to 1. In other scoring of von Hagen and Hallerberg, N2=2 means setting the total limit sum to the entire budget. Although “weak agenda setting power” (von Hagen (2005)) is correct, the reality of such weakness in Japan is closer to one rather than to two. I1 is set to 2 in von Hagen (2006). However, the notorious, frequent use of supplementary budgets is well known here in Japan. I1 is evidently zero rather than 2. In von Hagen (2006), I2 seems to be 4, but it is to be readjusted with the general level of scoring in Hallerberg et al. (2006). That should be 3.28 rather than 4. Finally, there is no such institution as MF block (I4=0). It was also confirmed via a telephone call with a Japanese MF agent.

2.2.5. France and Ireland

In Fabrizio & Mody (2010), there is no data about France and Ireland. However, similar indices have been developed by von Hagen and Hallerberg. We reuse Hallerberg et al. (2006) to supplement the database of Fabrizio & Mody (2010). However, LOLF¹¹ reform has liberalized budgetary transfer, and therefore we changed I2 score from 1.92 to 1.28 in 2006.

3. Concluding Remarks

Traditional database used for research of budget institutions is that containing data of 15 European countries developed by von Hagen and Hallerberg (von Hagen (1992), Hallerberg (2003), Hallerberg, Strauch and von Hagen (2006, 2009)). However, this database is “too European”, or even too “West European” and excludes many important parliamentary democracies. Another database of budget institutions is that of Fabrizio and Mody (2010), which integrates data related to East European countries.

Adopting the database of Fabrizio and Mody (2010) as our starting point, we intended to further enlarge sample countries in two directions. One was to integrate three additional Westminster countries (Australia, Canada, and New Zealand). Westminster countries have a particular budgeting style, characterized by its advanced fiscal planning functions, as well as

¹⁰ That was possible if the value was within the scope of 2 and 1/2 %. Over that threshold, a detailed report to the parliament was required (NZ Treasury note).

¹¹ Loi Organique relative aux Lois de Finances. French budgetary reform with total application in 2006, which liberalized internal budgetary management including budgetary transfer, and introduced a kind of performance / program budget.

more delegated and decentralized budgetary management than in continental Europe. Westminster style budgetary management is, however, underrepresented in traditional databases, since only the United Kingdom is included in the previous databases. We also included Japan, which has the most seriously flawed fiscal performance among developed countries in terms of the debt outstanding per GDP.

We suspect that the absence of the data for these countries is the cause of somewhat biased results of the previous studies. In so called "delegation states" of von Hagen's classification¹², procedural rules, rather than fiscal planning functions, have been emphasized, but such classification might be a result of underrepresentation of Westminster countries. Westminster style of budgeting would imply a dependence on fiscal planning function rather than detailed budget control including implementation phase (which is relatively loose now in these countries). But such characteristics are contrary to the ideal of a "delegation state" described by von Hagen and Hallerberg. Japan is also characterized by its extremely poor indices of budget institutions, thus omitting this country would blur the results of empirical studies. Including East European countries is also important, because many of them have coalition governments and they could be characterized as "commitment (contract) states" according to Hallerberg and von Hagen, but their fiscal planning function is relatively poor and immature compared to typical contract states such as Nordic countries. All the above considerations could cast a new light on the traditional dichotomy of "delegation" and "contract" states, currently adopted by von Hagen and Hallerberg.

On the contrary, we have sufficient reasons to stay inside parliamentary democracies as most of discussions related to coalition government and budget institutions are applicable only to parliamentary democracies, and the situation is rather different in presidential democracies. We adopt a new sample of 29 parliamentary democracies including Euro area countries, Central and East European countries, three Westminster countries (Australia, Canada, and New Zealand), and Japan. We believe that this sample covers most of industrialized parliamentary democracies, with the exception (due to data availability problems) of Norway, Switzerland, and other similar countries.

This database is developed to be used in new empirical studies on budget institutions, and to open new opportunities of research based on a relatively larger sample of representative parliamentary democracies¹³.

¹² von Hagen and Hallerberg, and other related researchers have focused on the classification of countries in terms of budget institutions into delegation states and contract (commitment) states. The former typically have single party governments often under the majority electoral system, while the latter typically have coalition governments often under the proportional representation electoral system. Budget institutions are effective in both cases, but different aspects of budget institutions prove to be important for each of these two classes of states.

¹³ In real use of this new database, a judgment is needed about the time horizon adopted for empirical study. We assume that there is no virtually decisive change until 2010 from the change of scores shown in the tables in this paper. We also assume that we can use our indices since 1970 (1985 for Australia and New Zealand due to data availability problem) as we don't find any incidence to make changes on budgetary scores. Of

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cause, East European countries have limited data span because post communist regimes have been established around the mid of 1990's. Data other than budget institutions also start in the mid of 1990's or even later, inevitably limiting the scope of empirical study for these countries in terms of time.

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