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Budget Theory

In the Public Sektor - Lance T. LeLoup

In the late 20th century, U.S. national budgeting underwent profound changes. Rising healtcare and entitlement costs, combined with persistent deficits, pushed policymakers toward macro-level strategies for fiscal balance. Unlike the post WWII optimism of growth, the 1980s-1990s emphasized austerity and cutback management. Budgeting became more political, and central to governance.

Three Eras of Budget Theory

Incrementalism Era

- Wildavsky's theory (1964): budgets are based on last year w/ small adjusment.
- Stable growth environment: Insider-driven, clossed process, agencies and commitees dominant.
- Critizid for ignoring major changes and focusing narrowly on micro level adjusments.

Transition Era

- Driven by stagflation, oil crises, and entitlement growth.
- Deficits became the central issue prompting reforms:
  - Congressional Budget act
  - Gramm-Rudman-Hollings Act
  - Budget Enforcement Act

Emerging New Paradigm

- Market by budget surpluses
- Emphasis shifted to how surpluses should be used: debt reduction, tax cuts, or new programs

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