

Legal, Political and Practical Aspects of Budgetary Decision-Making in Finland

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The purpose of this presentation is to illustrate the strong role of state finance in society. The article discusses the role of finance and economics from the point of view of administrative and political research. For many years, legal science, especially constitutional and administrative law, has been the leading field of research and practice in Finland dealing with government, the state and even society as a whole. Today, economics and finance have taken the leading position in the Scandinavian welfare state (*Sozialstaat*).

The Finnish budget has been lauded (e.g. by the OECD) for good state financing. In the most up-to-date OECD statistics, Finland occupies one of the top positions immediately following West Germany and Japan. Finland has, as one of the Nordic countries, been able to retain her character as a welfare state, where – in addition to the economy – the emphasis is on the equality of her citizens, the responsibility of the state in arranging basic security and the active role of the state in sociopolitical planning. Furthermore, there have been no decisions in Finland to start decreasing the benefits offered by the welfare state (*Sozialstaat*). What is less well-known is that the legal basis of government decision-making is laid down by the stipulations of the 1919 Constitution Act (CA). This Act unambiguously places both the state budgetary powers as well as all other state powers into the hands of Parliament.

Under the CA, the budget is above all an instrument of the legality of the state accounts and an instrument of fiscal planning. How is it then possible that an old budgetary system based on a legalistic tradition has been able to function as an extremely efficient guiding instrument of the economy and of social policy? The answer is very simple indeed: the legal budget and the practical budget are two different things. The legal domination of Parliament in budgetary decision-making is paradoxal: the more and more detailed are the decisions made by Parliament, the less practical meaning it has.

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state financing in general, both in the CA and in supplementary legislation, have not been amended, theoretical thinking on the budget and budgetary practice has undergone essential changes since the beginning of this century. The purpose of the study is to throw light on the gap existing between the legal and formal budgetary powers and the practical budgetary powers, as well as on the ways in which political decision-making has by-passed the official structures of decision-making and been channelled into the practices established.

The study follows two aspects essential to practical budgetary powers: (1) the budgetary decision-making process and (2) the social significance of the budget. In the former, a differentiation is made between the power relations of Parliament and the Cabinet, the Cabinet and the ministries, and those within the Cabinet, i.e. between the different ministries. The social significance of the budget, on the other hand, depends on the matters decided in connection with the budget, the scope and finality of the decisions, and the connections between the budget and other instruments of social regulation.

The tension between the legal budgetary powers under the 1919 CA and the practical budgetary powers that have developed in the course of the decades has become so strong that Parliament has been demanding that the whole chapter of the CA on government financing be amended. In the background lies the claim, often presented in social and political debate, of an alleged decrease in the powers of Parliament. Political budgetary powers would seem to follow unofficial practical budgetary powers.

Aspects of the Budgetary Discourse

The perspective adopted in the study is that of the politics of knowledge. My concepts of the politics of knowledge discourse rely on the political studies of Ilkka Heiskanen. The ideal-type construction of the politics of knowledge relies heavily upon the structuralist, hermeneutic and discourse-theoretical analyses as exemplified in the writings of *Roland Barthes*, *Jaques Derrida*, *Hans-Georg Gadamer*, *Paul Ricoeur* and *Michel Foucault*.

Briefly, the ideal type assumes, firstly, that language and knowledge can be analysed in terms of concrete discourse formations which convey 'what is being said' and 'what can be said' in any particular society at any given time. Secondly, it assumes that these discourse formations can be analysed in terms of the internal dynamics of language and knowledge; but they also can and must be analysed in terms of the external rules and discursive practices, i.e. the practical metalanguages of different regions and sub-regions of language and knowledge. Thirdly, it assumes that the mutual interaction of these practical metalanguages generates principles and mech-

Table 1. Levels and Formation of Knowledge in the Discourse on State Finances.

	Legal	Economic	Planning-related	Political
I	legal ideology	economic ideology	planning ideology	politics
II	general legal principles	theoretical macroeconomic principles	planning principles	political principles
III	principles of administrative law	microeconomic principles	planning models	models of political decision-making
IV	constitutional legal thinking	economic thinking	planning thinking	constitutional political thinking
V	interpretation of legal science	interpretation of economic science	interpretation of planning science	interpretation of political science
VI	legal practice	economic practice	planning practice	political practice

anisms of inclusion and exclusion and determines to a large extent the sedimentation and petrification of language and knowledge.

The study analyses the relationships between discourse on various levels and between their participants with their different starting points. The basic starting point is the budgetary power afforded to Parliament by the 1919 CA, interpreted in the course of the past 60 years theoretically in various areas of science and in practice under the pressures created by different interpretations recommended by science and the continuously changing practical need for change. In places, the presentation is rather polemical.

There is fairly little public discussion on state finances and planning, and the starting points are mainly theoretical. However, we can differentiate between legal, economic, planning and political knowledge in the discourse.

In the theoretical and practical discourse on state finances each of the participating sectors has tightly adhered to its own opinions, viewpoints and argumentation. The discourse, knowledge and exchange of knowledge do not meet. Legal science and pragmatics are traditional but they have been forced to defend themselves against, on the one hand, research carried out from the point of view of economics, politics and planning and, on the other, against administrative practice based thereon or leading a life of its own.

The Present Budgetary System

The formal description of the budgetary system can be found in the

publication *The Control and Management of Government Expenditure* (OECD 1987). Under the 1919 CA, budgetary power is vested in Parliament, which makes detailed decisions on an annual basis on the functions and activities of the State and on their financing. Under the CA, Parliament has no other guidance or control instruments available to it except Acts of Parliament and the budget. Under the CA, the function of the budget is purely a fiscal one: it balances the state revenues and expenditure for the following year. The budget proposal is drafted by the Council of State and formally presented to Parliament by the President. Each ministry is responsible for its share of the preparations for the budget.

In fact, budgetary powers were at a fairly early stage transferred to the Cabinet, and from there to the Ministry of Finance in the form of planning and preparatory powers. They avail themselves of very effective practical guidance instruments, whose legal status, however, is very weak or even non-existent. As early as during the wars, the function of the budget, its social function, started to change in accordance with the need for control of the national economy and economic policy. Since the 1960s, the budget has more clearly than before been an instrument of social policy, in the building of a welfare state and in the distribution of the benefits offered by it.

In Finland, the budget is the only binding financial plan adopted by Parliament. Since the 1970s, Parliament has been passing so-called planning laws in certain sectors of social policy, setting goals and allocating resources, for example, for higher education. Otherwise, Parliament does not make financial planning decisions spanning more than one year. And since the budgetary powers are vested in Parliament, the government cannot make legally binding economic decisions for longer periods than one fiscal year at a time.

Alongside the budget, each agency and ministry has already been preparing so-called five-year economic plans for 20 years, but their legal role is only preparatory. The Cabinet does not approve them, nor collect them into one document or handle them in any way. The ministries submit the plans to the Ministry of Finance as a basis for budgetary and other planning. Based on these plans, the Ministry of Finance sends each ministry a so-called feedback report, containing the ministry's comments on the total increase in expenditure during the five-year period in question and setting a framework for each ministry's expenditure (including the number of personnel).

In addition to the budget and the five-year plan, a third important planning document of the state finances is a specification budget on expenditures, which, like the five-year plans, is collected in the form of one document concerning all state administration by the Ministry of Finance, for its internal control needs alone. The main division used in the budget

is by ministries, supplemented by a subdivision by agency and nature of expenditure in question (salaries and wages, equipment, construction, transfers, lending, etc.). After the budget has been approved in Parliament, each ministry prepares a detailed implementation budget for its administrative field based on the same division and specifying the areas of expenditure with thousands of detailed subdivisions.

In 1968, for example, Parliament approved the budget with the expenditure divided into 4,500 sections (number of divisions), and supplemented by the specification budget prepared by the Ministry of Finance by adding over 10,000 subdivisions. In 1988, the budget approved by Parliament contained 5,000 divisions with another 3,000 added by the specification budget. In 1989, the total expenditure in the budget was 124 billion Finnmarks (US\$28 billion). The divisions employed differ: for example, funds allocated to the municipalities for social affairs are budgeted both in the actual budget and in the specification budget under a few headings each comprising 4–5 billion marks (US\$1 billion), while the funds for the expenditure of an average agency appear at an accuracy of 10,000 marks (US\$2,000) in the actual budget and a few thousand marks (US\$2–300) in the specification budget. As a matter of fact the budget is even more detailed because the text sections name more specific areas for the expenditure of the funds and these sections are also binding.

The Ministry of Finance guides and controls the drafting of the specification budget and any changes in it in the course of the fiscal year, i.e. changes in the allocation divisions. The large number of subdivisions used in the budget indicates the detailed division by type, object and subject of expenditure. The budget leaves the ministries no latitude.

The stages and levels of decision-making in the Finnish budgetary system can be seen in Figure 1 showing the drafting and decision-making processes of the state budget, the five-year plan and the specification budget.

Features in the Development of Budgetary Powers

Some specific features differing from general European development should be pointed out in the Finnish budgetary system and its development. The development of Finnish budgetary thinking and practices can be divided into four different temporal phases which emphasize the overall social situation of each era:

- (1) *the period of legalism* from the beginning of independence until the 1940s on both the official and the unofficial levels;
- (2) *the period of the planning of the national economy* and economic policy at the time of war reparations and reconstruction in the 1940s and the 1950s on the unofficial level;

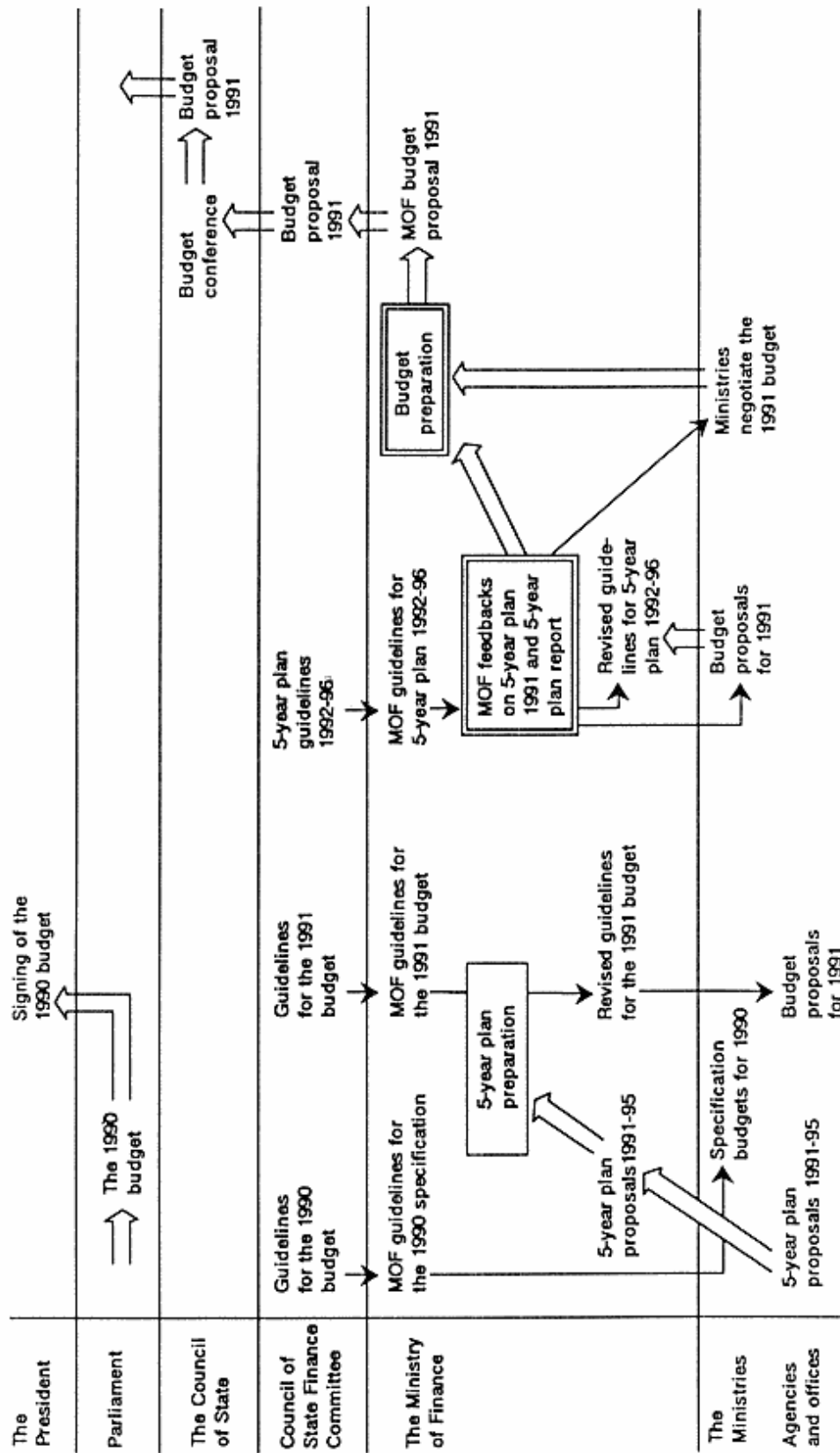


Fig. 1. The Drafting of the State Budget, the Five-Year Plan and the Specification Budget

- (3) *the period of planning and building the functions of a welfare state* from the 1960s to the middle of the 1970s on the unofficial level; and
- (4) *the period of neo-legalism* on the level of official discourse as well as *the period of strong, comprehensive and centralized economic guidance* led by the Ministry of Finance on the unofficial level.

There are several explanations for the legalism of the official budgetary system. One of these is the strong and long-standing dominance of juridical thinking in state administration. On the level of theoretical discourse, legal science was until the 1940s the only field of science dealing with the budget, and the concepts of thought employed there were transferred into the practices. On the level of practical discourse, legal training was right up to the 1960s almost the only field leading to offices in public administration both regarding the budget and any other field of administration, and so legal procedure was the only procedure that was known and applied.

The political situation in Finland at the end of the 1910s explains why, on the highest hierarchical level, i.e. in the CA, budgetary powers were conferred upon Parliament as its other means of decision-making. When the stipulations of the CA were drafted in the Constitutional Committee in the spring of 1917, the drafters did not yet know that Finland would become independent (on 6 December 1917). The sections on state finances were, among others, drafted to protect Parliament against the Russian ruler. Earlier budgetary powers had belonged to the ruler, the Emperor of Russia and the Grand Duke of Finland. Independence and a Republican form of government did not cause a change in the stipulations on state finances already drafted. In other respects, the powers provided for in the CA were revised so as to emphasize executive powers in order not to give Parliament excessive powers (strong position of the President, provisions on a qualified majority and the strict order for passing acts of a constitutional status).

The war changed the power relations between Parliament and the executive in favour of the latter. The power of independent agencies was likewise broken by centralizing it in the hands of the Cabinet in charge of the war economy. State economy was turned into the most important instrument of a war-time planning economy emphasizing effectiveness and flexibility. The changes were mainly implemented by means of lower-level norms and through practice.

Already during the war, but especially during the following period of reconstruction, and all the way up to the 1960s, Keynesian economic thinking made its way into the drafting of the budget and pushed aside the legal, fiscal tradition. Universities were educating growing numbers of national economists and business economists, whose influence could soon be seen also in state financial administration. Budget practices were changed

to suit the needs of the national economy and the control of economic policy. On the other hand, the period forced the state to pay special attention to the control of expenditure, i.e. to traditional legal methods of control. The leadership and responsibility belonged to the Cabinet and its technocratic planning organs. The established administration, having grown accustomed to regulation, could be changed only under the leadership of the Cabinet.

The next important phase was the period of the welfare state, which started in the 1960s and during which the budget was harnessed as a planning instrument of expanding state functions. At the same time, different planning theories and techniques were adopted fairly directly from the USA and Western Europe as a result of a growing internationalism. At the end of the 1960s and the beginning of the 1970s, there was theoretical talk and even some practical tests on the PPB method (Planning-Programming-Budgeting) and the ZZB method (Zero-Base Budgeting), and policy analysis and social indicators were applied.

In the 1970s, when news came from the USA of the bankruptcy of, in particular, the PPB method, and when public finances were put under strict control in Europe, it was easy in Finland to reject the reforms with unofficial status only and to return to constitutional legalistic thinking. The importance of parliamentary decision-making was once again emphasized. Because its forms of decision-making and preparatory machinery had remained unchanged since the beginning of independence, the actual exercise of budgetary powers was shifted to the Ministry of Finance in charge of preparation and implementation. These aspects were further centralized, this time formally in the name of parliamentary power.

In evaluating the above development of budgetary powers as well as the Finnish budgetary system in general, we must remember that the Finnish national budget is of the order of that of a small European company (with a total expenditure of 124 billion marks or US\$28 billion). Its centralized management as well as that of public administration in general is possible in practice, and it can even be effective and cheap.

Budget Practices

The practical aims of the budget can be summarized as set out in the following figure (Figure 2). They form the basis for the whole planning system of state finances.

The defining of the goals of economic policy is centralized in the hands of the Department of National Economy of the Ministry of Finance and other planning organs in the Ministry. For the planning of financial and taxation policies the ministry has specific departments. Through its Salaries Department and Organizational Department, the Ministry also controls

Goals

Goals of economic policy, especially cyclic policy	Goals of financial policy (including taxation)	Goals of administrative policy, policy of resources	Goals of social policy
Department of National Economy, Economic Planning Centre	Budget Dept. (Taxation Dept.)	Salaries Dept. and Organizational Dept.	Cabinet in its platform (no legal status)

Means

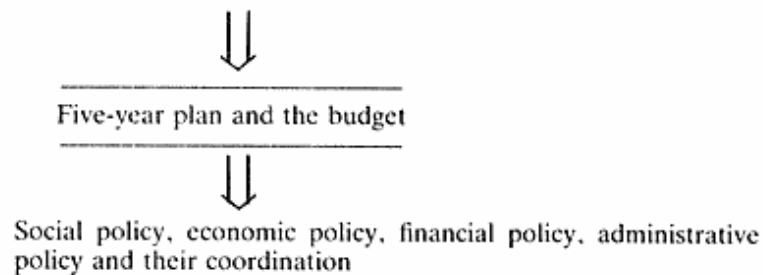


Fig. 2. The Goals of the Planning of State Finances.

the administration of public resources (organization and management, personnel policy, resources, ADP, in-service training of civil servants, etc.). The Ministry of Finance conducts negotiations with the trade unions on salaries and other labour-market matters in the role of the employer for the state. It also determines the involvement of the state in the administration of public functions in the municipal and private sectors. Its functions include the overall development of state administration, including public organization and personnel, the system of salaries and wages, training and ADP, and the budget also operates as an instrument of control and coordination in such internal administration of resources.

For the purposes of economic planning, the Council of State has two permanent Ministerial Committees chaired by the Prime Minister but organizationally tied to the Ministry of Finance, the Ministerial Committee on Economic Policy and the Finance Committee, as unofficial, preparatory bodies in matters of state finances. In the case of both, the actual preparatory work is done in the Budget Department of the Ministry of Finance, as the Prime Minister does not have preparatory machinery of his own.

Why is the decision-making tied to the budget so centralized and narrow in Finland; why is it so subordinate to the starting points of the economy; and why has the ministry in charge of state finances acquired such supremacy over the other ministries? The following lists a few of the background factors:

- (1) the budget takes a stand in nearly all matters of economic policy, administrative policy and social policy;

- (2) the budget and the five-year plan are the only coordinating forms of social planning;
- (3) there is no long-term planning other than the five-year planning of state finances, no matter how non-binding legally;
- (4) the Ministry of Finance has developed methods for the drafting and implementation of the budget that have taken away the prerequisites for an independent political role of the other ministries;
- (5) tied to the budget, the Ministry of Finance handles several general matters related to guidance and control of administration which, in other European countries, belong to the sphere of special ministries of economy or administration, the Prime Minister or each specific ministry;
- (6) the political and administrative processes are strictly tied to legal decision-making, the Cabinet makes its decisions in a collegiate manner like a court of law, all decisions are presented for decision-making and carefully recorded;
- (7) the system of the legal responsibility of each minister, based on the constitution, is strict, but the system of political responsibility is weak and undeveloped;
- (8) the Prime Minister has no special legal position.

The budgetary process starts with economic forecasts and estimates. In other words, the Cabinet draws no economic or other guidelines for long-term or short-term administration. However, the Ministry of Finance regularly prepares macroeconomic assessments for the Cabinet, which form a framework for the budget and other measures of economic policy. These assessments are unofficial documents for Cabinet use only, and they are neither approved by the Cabinet nor binding on the ministries as such. They acquire legal significance once a year through the budget, the most important instrument of implementation of the macroeconomic assessments and financial plans. Besides preparing the assessments, the Ministry of Finance also coordinates them with the budget.

One of the first and most important stages in the preparation of the budget is the setting of its economic framework. This is issued jointly to all the ministries in the form of budget guidelines and to each ministry separately in the so-called Ministry of Finance feedback regarding the five-year plans. Neither of the above is purely technical in nature; they also affect the contents of the planning, the policy to be pursued, and they determine in particular the limits for the increase in public expenditure. They affect the sociopolitical planning of the ministries. The Ministry of Finance acts as the coordinator between the goals and needs in the various fields and the estimated development of the national economy and so determines the resources needed for the state budget. The feedback reports in particular take a stand with regard to the number and type of personnel

in the following budget year – office by office and agency by agency all the way down to individual salaries.

The handling of the budget in the Cabinet is quite brief and takes place just before the budget is presented to Parliament. The discussion on the budget is lead by the Ministry of Finance, as is all other discussion on state finances related to the budget. Legally the Ministry has very little decision-making power, but it has at its disposal several other means of control which are much more effective than any legal ones.

The budget is prepared in bilateral negotiations. Each ministry has to negotiate separately with the Ministry of Finance about its requirements. It is not until the last phase of the preparations that unofficial negotiations involving the whole Cabinet are conducted. This so-called Budget Conference is the only occasion in which professional ministers can compare the different state functions with each other and have their own civil servants as their support. When the budget is presented in the plenary session of the Council of State and the preceding preparatory session (of the Finance Committee), only the Minister of Finance is accompanied by civil servants. The other ministers are on their own. In practice, the coordination is thus delegated to civil servants in charge of the finances.

The different sectors of social policy are developed by means of each ministry's own planning systems. Every year or at three-year intervals, about 20–25 different sector plans are drawn up for the basic functions of each field under the leadership of the ministries, setting goals for education, health care and other comparable state functions. These plans, however, are subordinated to the budget. For their implementation, the necessary funding has to be included in the annual budget. There are no planning systems for the coordination of needs in the different areas of social life. The budget and the five-year planning of state finances tied to it do, of course, coordinate social policy, but only from the point-of-view of financial administration.

For the control of the implementation of the budget, a so-called system of advance financial control has been created, which is unknown in the other Nordic countries. Matters belonging to the scope of the Cabinet or the ministries and which are financially significant have to be submitted to advance financial control. Depending on the significance of the matter, this control is exercised either by the statutory and permanent Ministerial Committees of the Cabinet, the Finance Committee or by the Ministry of Finance in the form of a statement issued on the matter to be decided. If the statement is negative and the ministry in question does not want to accept it, it can have the matter decided by the Council of State as a collegiate body. In practice this does not happen, as the ministries yield to the viewpoint adopted by the Finance Committee or the Ministry of Finance. This procedure is exemplified in Figure 3.

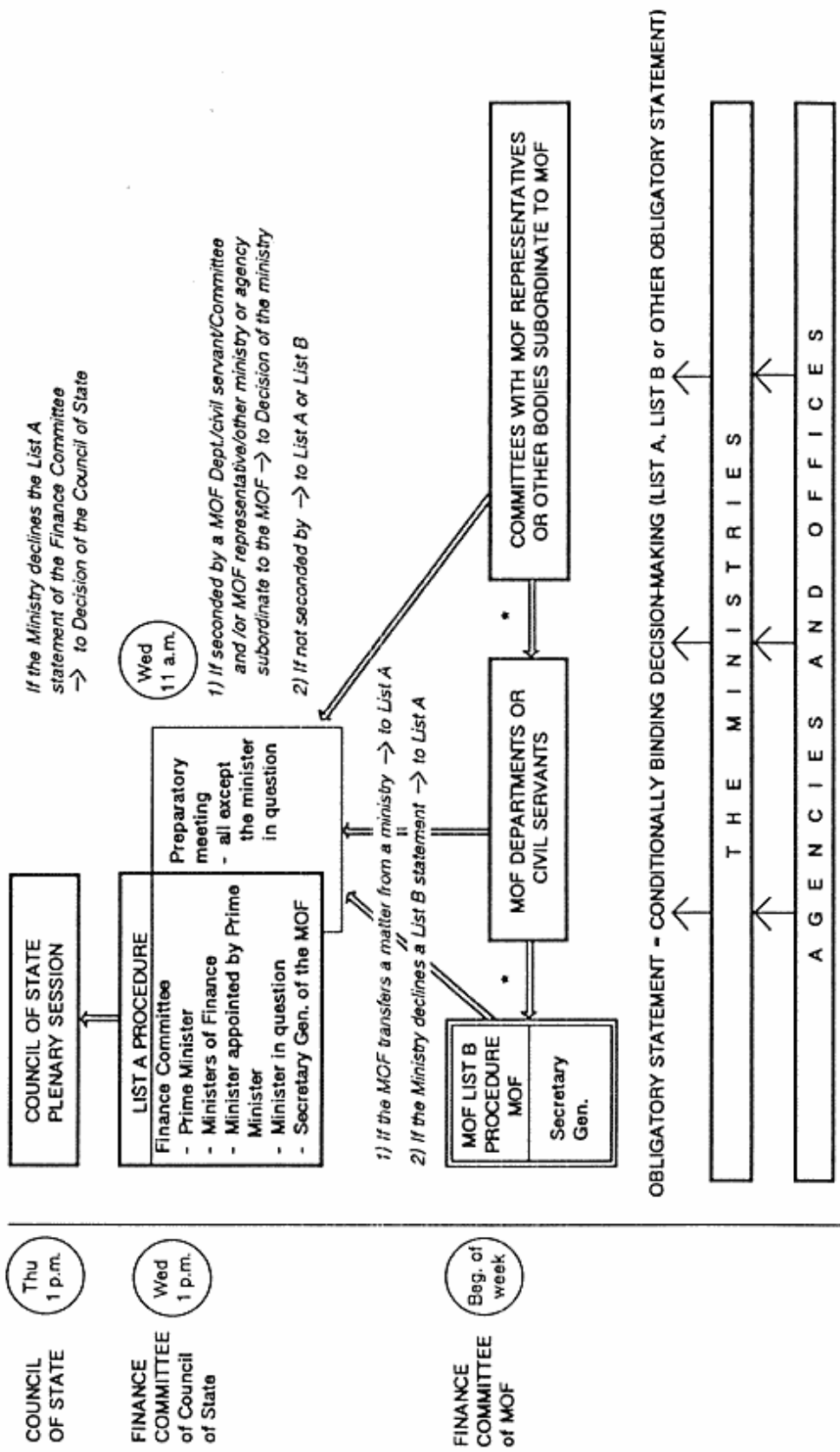
In the course of the last 50 years, 40–60 percent of all the matters handled by the Council of State and the ministries have been submitted to this advance financial control, depending on the state's cash-flow situation. Legally this has involved not decision-making but preparation. However, considering the conditional binding nature of the statements we are talking about, a politically and administratively very efficient means of control is exercised by the Ministry of Finance and its civil servants. Subordinated to it has been social planning – the sector planning, legislative drafting, the committees – as well as all individual decisions with economic significance or involving administrative principles or the interests of the state as an employer. Economic significance has in practice been determined with guidelines and practices and it has depended on the economic situation in question. Under favourable economic conditions the control can be relaxed and during hard times it can be tightened. Public spending can naturally be curtailed even during favourable times by means of the scope and strictness of the control.

In addition to the advance control described above, in addition the control exercised afterwards is centralized. Subordinate to the Ministry of Finance is the State Economy Comptroller's Office controlling the legality of the implementation of the budget as well as that of state administration in general.

The centralization thus operates on several levels. The same ministry is in charge of the substance of (1) economic policy, (2) state finances and (3) internal resource management of public administration and their coordination, as well as their control both in advance and afterwards. The official position of the Ministry of Finance is the same as that of the other ministries. Thus, it occupies no superior legal position. The ministry is quite large and efficient and it also largely handles practical political coordination. Making use of fragmented legislation, lower-level norms and, above all, practices, actual preparatory and decision-making power has become so centralized in Finland that we can almost talk about Cabinet administration. Unlike in some other European countries, e.g. West Germany, England and France, the Finnish Cabinet is not built around the Prime Minister but around the Minister of Finance. It is to be noted at this point that under the legal system of decision-making stipulated in the Constitution Act, the Council of State cannot make binding decisions in budgetary or other matters except as a collegiate body (of 18 ministers).

The Changed Role of the Budget in Relation to Decision-Making

The stipulations on the budget, like many other basic administrative norms, are based on a tradition of administration. Under the constitution and lower-level norms, the spirit of the budget is cameralistic. When the



* Alternatives for List A handling

Fig. 3. The Weekly Advance Financial Control Through Listing

Constitution was being drafted, the role of the budget was quite minor. What was most important was that payments were made on time and that the accounts balanced out. From the point of view of legislation, the role of the budget still relates mainly to accounting, and this is, quite justifiably, the starting point of legal discourse.

The budget-drafting guidelines, i.e. so-called lower-level norms, define the functions of the budget from the aspect of the national economy and economic policy, and economic scientists treat the budget from this perspective. What, then, is the actual function of the budget and the basis for budgetary decision-making at the end of the 1980s? When Parliament adopts the budget, or makes its most important and extensive annual decision, what does it actually decide on?

In the light of administrative practice, the nature of a budgetary decision is quite far removed from its original nature. First of all, the effect of the budget is not limited to one year (the fiscal year) only. Secondly, Parliament, when adopting a budget, the President and the Council of State when submitting a budget proposal, and the ministries and the lower administrative agencies when preparing their budgetary proposals have, for decades, knowingly or unknowingly, taken a stand on at least the following issues:

- (1) the overall development of the national economy;
- (2) the development of economic policy;
- (3) the scope of the public sector;
- (4) the functions of the welfare state, their number and scope and their mutual relations;
- (5) the internal structure of public economy and the division of labour between the state and the municipalities;
- (6) the relative emphasis between the different fields of administration, whose functions have extended strongly beyond the state (welfare services, subsidies, transfers of income);
- (7) the division of labour between the public and private sectors;
- (8) regional development;
- (9) the distribution of the services of the welfare state; and
- (10) the distribution of income.

The above aspects of budgetary decisions cover all political sectors. We can simplify the picture by dividing the functions of the budget into three groups: functions of (1) economic policy, (2) welfare policy and (3) public-sector administrative policy, which will not be discussed in further detail in this context.

From the point of view of the actual exercise of power, what is essential is the basis on which the budget is drafted. Is Parliament submitted a budget proposal constructed from beginning to end with a view of the overall development of the national economy or that of ensuring the management

of the functions of the welfare state and the distribution of income? The basis for the drafting of the budget also determines the basis for its implementation.

The official discourse on the planning of state finances, the mass media and the budget document keep repeating year after year the significance of the budget for the national economy and economic policy. Special emphasis is laid on the effect of the various partial decisions included in the budget on the lowering of inflation, the balancing of the trade cycles, the current accounts deficit and similar issues of the national economy or economic policy. In the 1970s and the 1980s national economists have, nevertheless, had a low opinion of the budget figures denoting economic estimates of development. The significance of the budget for economic policy and the trade cycles has been noted to be fairly small, and other studies in the field of social science would seem to indicate similar results.

A recent comparative study (Uusitalo 1988) notes that the budgetary policy exercised explains the even distribution of income in Finland compared to other European countries. The study examines the effects of welfare-state policy, structural changes and incomes policy on the distribution of income in 1966–85. The starting point of the study is that the distribution of resources is not determined solely by economic factors. A way of distributing resources and guiding social development that supplements market forces and functions as a partial alternative to them is politics, i.e. planning. The study analyses the extent to which transfers of income, taxation and services succeed in decreasing the differences created by economic activity.

The study has shown that the functions of the welfare state realized through the budget, the services, transfers of income, taxation and other functions guide the distribution of income. Even though differences in incomes have increased in the 1980s, differences in the amounts of money available have decreased continuously from 1966 to 1985. The role of the budget in the balancing of income differences has increased in the 1980s. The increase in income differences is explained by the move away from solidarity in incomes policy. From the point of view of the welfare of the citizens, the distribution of available funds is more important than the distribution of income, because the latter fails to take into account the different loads carried by different households.

It should, however, be noted that the above statistical study does not examine the role of the budget in balancing differences in wealth, which are still considerable in Finland. A recent study estimates that they are close to the Swedish level (Pekkarinen et al. 1988).

To what extent has it been possible for the political decision-makers, when deciding upon the budget, knowingly and systematically to guide social policy and the distribution of the welfare of the welfare state? The

conditions seem rather gloomy. The budget has not been created as an instrument for the guidance of economic or social policy. It is too heavy to be used as an instrument of conscious control of economic or social policy; it is too complex and its effects are not clear enough. Legally, it is, after all, an instrument for the planning and control of accounting. Information relating to the implementation of welfare policies is actually collected for the budget, but at the stages of budgetary decision-making involving political decisions, the starting point or the main basis for the decisions is not the sociopolitical function of the budget. The different welfare factors are not compared with each other systematically from policy bases. In the budget document submitted to Parliament, the discussion of the functional aspects of the welfare state are mainly contained in the legally non-binding general information sections, whereas the divisions and grounds built on factors of the national economy are binding.

From the point of view of Parliament, the weak status of the welfare and sociopolitical function of the budget is the more significant, the smaller the role of Parliament in determining the other factors of welfare and its distribution, such as labour-market politics. In other words, the stronger the social influence of non-parliamentary methods of control, the smaller is the role of independent parliamentary decision-making. In the future we will also have to take into account the demands set by a more unified Europe on national welfare policies. Even these demands can be met in a budgetary process starting from economic aspects and having a clouded political aspect.

Conclusion

One could polemicize and assert that Finnish budgetary planning is characterized by centralization and lack of alternatives. On the different levels and at the different stages. Usually only one plan is drafted and the whole of national economic and social policy is coordinated in one spot. The result is that sociopolitical discourse is rather non-existent. The official name for this situation is 'national consensus'.

Centralized civil-servant preparation and power has a long tradition dating back to Russian rule, when the Russian Emperor cast his long shadow over society. The constitutional and legal system of collegiate decision-making in Parliament and the Council of State has, during independence, changed from an instrument of fighting Russian attacks into an instrument for the justification of centralized civil-servant planning and decision-making.

One reason for the continued strong role of the civil service is the fact that official discourse strictly adheres to the doctrine of decision-making power being vested in Parliament and of the Council of State being able

to function as a collegiate body only. This had prevented the development of a political system of decision-making and responsibility.

The above culminates in the issue of the Prime Minister as leader of Cabinet policy. In Finland the Prime Minister has no special position; legally he or she has the same power as any other minister, i.e. one vote in the collegiate decision-making. The Prime Minister has no power to decide on the issues to be handled or to transfer them for his or her decision. He or she has a few assistants handling general political functions; however, without any decision-making or preparatory powers or any legal status whatsoever.

Legal budgetary decision-making is different from the practical exercise of budgetary power. Political budgetary decision-making is largely subordinate to practical centralized decision-making. There are several reasons for this. One of the most important reasons is that legally binding budgetary decisions can only be made, even in small details, very high up in the hierarchy. When Parliament and the Cabinet decide upon everything, they end up deciding upon very little. When the ideal of the legal ideology is that down to every detail it is Parliament (a collegiate body of 200) and the Council of State (a collegiate body of 18) that make the decisions, the decision-making power of the individual decision-makers, the Members of Parliament or the ministers is restricted to very minor matters only. As Parliament and the Council of State are organs too clumsy for actual national economic planning, the responsibility has shifted to small unofficial preparatory bodies. The formal and heavy decision-making process in Parliament and the Council of State is replaced by a ministry responsible for the practical efficiency of the economy, coordination and planning in general. The power of Parliament, emphasized in the name of democracy, is in fact turned into a centralized power of economic civil servants.

Another reason is that the budget document is made up of tens of thousands of details, which – according to its drafters – cannot be separated without breaking the whole that they form. It is very difficult for others apart from its drafters to visualize this logical, legal, economic and social whole. The budget proposal cannot be changed to any essential degree in the Council of State or in Parliament without taking huge risks. What is of importance in the relationship between the Cabinet and Parliament is also the fact that usually the budgetary decisions more and more often involve comprehensive issues of taxation policy, incomes policy and social policy, which the Cabinet has agreed upon with the labour-market organizations. This package can be mastered only by those who have put it together, and Parliament cannot take the risk of breaking it up.

It is not easy to take hold of the budgetary system because the purpose has not been to make it understandable to an outsider. It is possible to master the entity formed by the budget only through complex budget-law

constructions, on the one hand, and through economic models and the way of thinking related to them, on the other. One also has to be familiar with the practices, with their numerous details. There are not many who can do all this. The budgetary system can be evaluated only from within, which again poses its own difficulties.

Basically, Finnish administration is very 'public' in the sense of everyone having access to it. In contrast to the rest of the administration, the budget and the decision-making tied thereto, though accessible never becomes 'public' in this sense as regards its significant preparatory phases. Budget secrecy is well observed. Before or after the budget has been publicized, the members of the Council of State are not at liberty to divulge the discussions held during its preparation. In contrast to other preparatory documents, the budget proposals of the ministries do not become public even after the budget has been approved. No alternatives can therefore be publicly discussed even afterwards. All information to be obtained from the Council of State by the press or other mass media is centralized into the hands of the Ministry of Finance.

When evaluating the budgetary system, we must also take into account the following features considered typical of the Finnish administrative tradition: legalism, the value placed on goals and means given from above, the hierarchical structure of administration and the numerous details in the directives submitted from above, the respect for law and the civil service, the tenure of the civil servants as well as the lack of criticism and discourse. When these are added to the internal features hovering around the development of budgetary decision-making, we can note that the budget is indeed characterized by a strong Byzantine spirit.

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