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Reflections on John Wanna's contributions to theory and practice

Allen Schick

Introduction

I first met John Wanna in print by reading *Managing Public Expenditure in Australia* (Allen & Unwin, 2000), a book that taught me much about managing public finance in other countries. The book was published at the dawn of the new millennium, a time of great ferment in public management and budgeting. New public administration was challenging embedded tenets of hierarchical, control-based public administration, and budget reforms were challenging long-established roles and practices in public finance. Australia was at the centre of these fundamental transformations, and John Wanna was at the centre of interpreting and integrating these twin developments. Reading his study of managing public expenditure in Australia, I realised that his work had relevance for a broad swathe of advanced countries. In due course, John broadened his scope to OECD (Organisation of Economic Cooperation and Development) countries but, in so doing, he remained grounded on his homeland.

One of the lessons I learned from John is that budgeting is part of a portfolio of administrative practices, and that government cannot reform the way it allocates money unless it also reforms the ways it manages the civil service and delivers public services. This lesson is well

understood today, but it was ignored by the many countries that tried to imitate Australia's innovations by fencing off budget work from other administrative processes.

In dozens of articles and essays, John went a big step further by connecting public management to electoral and cabinet politics, thereby teaching us that there are political fingerprints on seemingly technical changes in administrative and budgetary practices. In John's telling, a political battle over bureaucratic cooperation had a profound impact on the course of reform, by leading to the establishment of a separate department of administration, which gained a foothold in Australian national government by spearheading reforms in expenditure management.

Perhaps the most important lesson I learned from John Wanna is that basic reforms emerge more from practice than theory. What are now known as medium-term expenditure frameworks (MTEFs), John explained, began as confidential forward estimates that never saw the light of day. As fiscal prospects darkened in the 1980s, the government thought it useful to publish these estimates, but to do so it had to improve their reliability. One small step led to another, and then to others, and ultimately to the introduction of MTEFs around the world.

By comprehending that experience is the mother of managerial innovation, John nurtured a generation of public sector managers through his work at ANZSOG (the Australia and New Zealand School of Government) and via numerous publications that rang true to practitioners. His works were appreciated by academics, and practised by those charged with making government work.

Having connected budgeting to management and management to politics, John Wanna then broadened his focus to comparative studies, among Westminster countries and within the OECD community. John led studies of how the global financial crisis that devastated public finance in many countries a decade ago impacted budget practices.

It is to be hoped that in active retirement, John Wanna will continue to contribute to theory by focusing on practice. He has a lot more to teach us.

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***Managing Public Expenditure in Australia*
by John Wanna, Joanne Kelly and John Forster
(Allen & Unwin, 2000 352pp)**

By almost all accounts, Australia leads the international budget reform sweepstakes. During the past two decades, it has pioneered forward estimates, running cost arrangements, accrual accounting and budgeting, output–outcome measures, and other reforms. Its innovations have been copied in dozens of countries, and the medium-term expenditure framework it devised has been actively promoted by international institutions.

This informative and insightful book describes how Australia modernised public expenditure management beginning in the 1960s and continuing until the end of the century. The authors weave budget reform, with two parallel stories — the rise and fall of national governments, and repeated efforts to constrain the growth in expenditure. The stories are told in chronological order from one government or crisis to the next. This timeline makes it easy to follow events but sometimes drains the book of some analytical coherence. Forward estimates are first discussed when they originated in the mid 1960s (p.54); they re-emerge more than 100 pages later when budget reform was in full swing during the 1980s (p.178), and their 1990's form is assessed 50 pages later (p.234). Although the book has splendid analytical chapters at the beginning and end, this reviewer would have preferred a more concept-based treatment of the reforms.

The authors make a convincing case that the political, expenditure control and budget reform stories are largely independent of one another. Budget reform, they conclude, was 'driven far more by technocratic concerns than by political ideology or economic rationalism' (p.13). Technocratic reformers gained stature through a 1976 reorganisation that hived off expenditure management from Treasury and assigned this function to a new Department of Finance. At the time, the split was thought to have weakened central control over expenditures. In fact, however, the opposite

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occurred, because the new Department of Finance could single-mindedly focus on expenditure management, which had previously been a subsidiary concern. With an infusion of young reformers, Finance led the charge for budget improvement. This well told story serves as a useful lesson of how difficult it is to foresee the ultimate effects of structural change in government.

Although reformers defined the direction budget innovation took, politicians played critical roles in supporting change. An expenditure review committee consisting of six ministers served as an inner cabinet that sifted through spending bids and established government expenditure priorities. ERC disciplined the budget process and facilitated the use of forward estimates in reviewing proposed policy changes.

The budget role of politicians was also expanded by the introduction of portfolio budgeting, an innovation that has been given scant attention in international circles. By organising departments into a relatively small number of broad portfolios, the government encouraged ministers to reallocate resources within their areas of responsibility.

The book demonstrates that not only are budget allocations incremental, but so too is the process of reform. From their genesis as crude, internal projections developed by Treasury for its own use, the forward estimates evolved over two decades into the linchpin of the government's medium-term expenditure framework. This development was neither smooth nor quick, for the authors show that as long as the forward estimates were private they could not be reliable, and as long as they were not reliable, they could not be used. Building the forward estimates into the basis for budget decisions was a gradual process that had as many difficulties as successes.

Incrementalism also meant that some reforms failed. This certainly was the case with program budgeting which was inaugurated in the mid 1980s but never amounted to much more than a means of classification. In my view, the authors are too generous in their appraisal of program budgeting, and fail to see that it was fundamentally incompatible with the Financial Management Improvement Program and other contemporary reforms. Program budgeting may have been useful in consolidating the previously separate itemised appropriations, but to the extent it transcended organisational lines, it diminished rather than enhanced managerial

accountability, one of the enduring aims of budget reform in Australia. The fact that program budgeting has failed everywhere should indicate that the fatal flaw is in its design, not in the manner it was implemented.

The authors write off Australia's evaluation strategy as another reform that failed. But here I believe the evidence justifies a more favourable appraisal. The government made a determined, and for a time, successful effort, to feed evaluation findings into budget decisions. Ministers had to prepare portfolio evaluation plans and all major policy proposals had to be accompanied with a statement of how they would be evaluated. Each year during the prime of the evaluation strategy, the Finance Department published a report showing the extent to which that year's budget decisions were influenced by formal evaluations. Over time, evaluation faded away, probably because it gets increasingly harder to evaluate programs that have already been reviewed.

Although the book covers the post-1996 reforms introduced by the Howard government, the analysis of this period is not so insightful. Most of the interviews for the book were conducted in 1996 or earlier, and the authors have less access to primary sources than they had for the pre-1996 reforms. Because many of the latest batch of reforms are new, they rely more on the exaggerated claims of reformers than on actual results. This is especially true with respect to price-based budgeting. The authors do not explore how prices can be set independently of both market competition or actual costs. My own sense is that price is simply the in word these days for cost, and that little has changed but the label. In any event, the authors know from their own research that reforms which seem promising at the outset do not always deliver on their expectations. Rather than rush to judgment on the Howard-era reforms, it would be best to wait and see how they stand the test of time.

But with respect to previous innovations, the book's footing is sound. Its lessons are especially relevant for developing and transitional countries where there is a tendency to embrace the most *avant garde* reforms. Australia teaches us that true reform is gradual, and that basic institutions must be in place before advanced methods are tried. Expenditure managers in these countries would do well to draw from the complexity of Australian experiences chronicled in this book. They will gain a deepened appreciation of the challenges that must be overcome in

putting expenditure management on a sound basis. As Australia learned, and this book reminds us, a country can move very far by taking one step at a time.

Allen Schick
The Brookings Institution
Washington DC USA

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