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When *Reform* Comes into *Play*:
Budgeting as Negotiations between
Administrations

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When *Reform* Comes into *Play*: Budgeting as Negotiations between Administrations

In this article budgeting is considered as a game. It is analysed in an area of public budgeting that usually remains behind the scenes to research: the intra-administrative negotiating structures by which money is distributed. Taking the example of the highly indebted metropolis Berlin, the administrations were confronted with a politically initiated budget reform. The reform cannot be analysed detached from the already ongoing game. Moreover the reform did make new resources available to support, modify, and vary the existing ways of approaching the aim of the game: to retain or gain as much leeway as possible in the form of money. The ethnographic use of the game metaphor differs from the symbolic or instrumental approach to the subject of institutional change, by allowing analysis of how budget reform functions in the implementation process.

Wenn *Reform* ins *Spiel* kommt: Über das inneradministrative Verhandeln von Berliner Globalsummen

Begreift man Budgetierung als Spiel, dann sind die Spielparteien damit beschäftigt, möglichst viel Gestaltungsspielraum in Form von Geld zu wahren bzw. zu gewinnen. Bühne des Spieles ist in diesem Artikel ein Bereich öffentlichen Budgetierens, der zumeist Hinterbühne des Forschungsinteresses bleibt: Es geht um inneradministrative Verhandlungsstrukturen, mit denen Gelder vergeben werden. Am Fallbeispiel der hochverschuldeten Metropole Berlin werden Spielparteien und Spielregeln des Budgetierungsspieles vorgestellt sowie Arten, mit den vorhandenen Regeln ein Spiel zu spielen. Aufgrund der hohen Verschuldung Berlins wird eine Budgetreform initiiert. Deren Wirken läßt sich nicht losgelöst von dem bereits laufenden Spiel betrachten. Vielmehr stellt die Reform neue Ressourcen zur Verfügung, mit der bestehende Spielweisen unterstützt, abgeändert, variiert werden. Mit der Anwendung der Metapher vom Spiel wird in diesem Artikel ein veränderter Zugang zum Thema *Institutioneller Wandel* möglich: Die Funktionsweise einer Reform im Prozess ihrer Umsetzung läßt sich analysieren.

1. Introduction

Taking an interest in the issue of budgeting public money inevitably draws the attention to the debate on budget reforms: because the burden of public debts makes reforms urgent (Meyers, 1994), because changing cultural values enforce reforms (Law & Akrich, 1994), or, because public sector 'reforms' are – similar to 'reorganisation' in private enterprise – a constitutive element of daily institutional life (Brunsson & Olsen, 1993).

To declare a public sector reform is one thing: to put it into effect is another. Concerning the process of implementing budget reforms, the political aspect of budgeting has, so far, received most attention (Wildavsky, 1964; Hecló & Wildavsky, 1974; Olsen, 1970) as has the analysis of interface activities between politics and the administrative machinery (Wildavsky, 1964; Czarniawska-Joerges & Jacobsson, 1989; Brunsson, 1989). This paper leaves aside the political level. How can the functioning of a budget reform be described and analysed in implementation? First answers were sought in an empirical case study on the introduction of managerial budgeting instruments in Germany, in the city-state of Berlin.¹ Budgeting as *administrative work* is the focus. This is where the perspective chosen for this study differs from that adopted by other investigations of budgeting and budget reform. Budgeting practices are described as a social performance to be continuously produced, and which includes intensive interpretative tasks. In the case of a reform, this means that public interests, well-tried traditions, new regulations, and existing forms of interaction have to be harmonised.

The subject of the article can be outlined as follows. In Berlin, all aspects of the “cameralistic” structures in government administration are being reformed on a grand scale. This reform also involves introducing business administrative forms of budgeting.² This involves shifting responsibility for costs from the centre to decentralised financial management. It also means that the outlay needed to produce administrative products is to provide the basis for determining the allocation of public funds. As yet, however, there is no knowledge of costs in keeping with these criteria. Since there is no point in time when municipal authorities could “go on vacation” to convert their systems and their accounts, new budgeting criteria have to be introduced while their basis is being ascertained. How can organisational change be described in such circumstances?

Two main tendencies can be identified in the relevant research landscape. In a *pragmatic research approach*, national and international comparative studies examine the course of reform and the preparatory control models, time planning, and final products.³ These comparisons offer insight into the successes and weak points of reforms (Banner, 1991; Banner & Reichard 1993; Wegener, 1996; Klages & Löffler, 1997; Pallot, 1997). Studies in this tradition accompanying the Berlin reform process reproach the political part of the organisation, the House of Representatives and the government, with showing a lack of commitment to consistent implementation (Reichard & Röber, 1998). The coincidence of reform and the pressure for consolidation is seen as unfortunate (Frischmuth, 1996), and, as my interlocutors

¹ Budgeting with government funds differs from budgeting in private enterprise in that there is strong public legitimation pressure (Luhmann, 1969). This finds expression in numerous legal regulations establishing rules and procedures for budgeting. Secondly, at least in Germany, it finds expression in a sort of planned economy that lays down a year in advance where and for what purpose public funds are to be used (cf. the Federal Budget Code, the German Budgetary Principles Act). And thirdly, it finds expression in the public accessibility of political consultations such as committee and parliamentary work (cf. the Federal Budget Code, cf. the Berlin Budget Code).

² Business management practice is located above all in a change from so-called input orientation towards output orientation in determining costs (Wahlen & May, 1998). Input orientation means that expenditures of the coming year are estimated on the basis of expenditures in the preceding year. Output orientation means that the expenditures are estimated according to the amount and quality of administrative products 'ordered' by parliament.

³ This research tradition finds expression in the so-called New Public Management. For the international discourse cf. Ferlie, Ashburner, Fitzgerald & Pettigrew (1996); Jones, Schedler & Wade (1997); for the debate in Germany cf. Wegener (1996); Banner & Reichard (1993); for a Berlin discourse cf. Dehnhard (1996).

reported, the struggle for administrative and political competencies obstructed implementation of the reform. The Berlin studies represent a wide range of assessments reaching from considering the reform as a complete failure to admiration of the consistency with which it was implemented.

The *symbolic interaction approach* is the second. It is particularly favoured in Scandinavia. It differs from the pragmatic approach in that it does not compare a model with reality, considering divergence as an unintended side-effect of reform, as teething troubles of a new system let even as particularly difficult reform conditions. The fact that reform models and the reality of reform always diverge is explained not as the result of unfavourable conditions but as a fact that has, as Czarniawska-Joerges & Jacobsson (1989, p. 38) put it, become a “fruitless insight”. The symbol-oriented investigation of reform locates changes beyond the models: Winberg, Brunsson & Olsen (1993, p. 120) claim that reforms are regarded as successful as long as they are kept simple and thus powerfully interpretable, distinguish ideals from practices, and exist as a future project. In the introductory phase, interpretation changes the original idea. Ultimately, budgeting practices inevitably embody something much more complex than what the reform idea stood for. Disappointed expectations can be offset by new reforms. From this point of view, the function of reforms is to rethink attitudes towards the ideal of the work concerned, and to strengthen faith in greater effectivity and efficiency. Reforms are thus understood as symbolic achievements in adapting governmental and administrative ideals to changing cultural values (Czarniawska-Joerges & Jacobsson, 1989; Brunsson & Olsen, 1993). However, the question of the general or symbolic functions of reforms does little to address the specific implementation of changes in administrative action.

This article, in contrast, seeks to record changing administrative practice as the local reality of performance. The conceptual use of the game metaphor serves this purpose: budgeting is considered as a well-established game. The game concept is used not only as a metaphor that merely serves to paraphrase (Hofstede, 1968; Lindbloom, 1963; Crozier & Friedberg, 1980); it is developed systematically in terms of player roles, types of rules and their differing application options in the business of budgeting. What rules are needed to play the budgeting game? What happens if the rules of the game change in mid-game, as happens during a reform? How can the game continue under such circumstances? In an examination of a specific case, the praxeology of the game offers an analytical concept for a sociological understanding of institutional change in administrative action. This concept addresses not a general theory of social change but a widespread phenomenon in public administration as a field of research: the endless succession of budgetary reforms in the public sector means that institutional change is of constitutive and strategic importance.

The analysis of intra-administrative negotiations on distributing public funds is based on methods that demand more than a brief visit. Participant observation (Spradley, 1980; Hirschauer & Amann, 1998) can capture aspects of dealing with reform that escape interviews and the analysis of written documents, namely the budgeting practices that have become part of the habitualised action repertoire and are no longer (or can no longer be) verbalised, as well as those that, in the eyes of finance experts, cannot be understood as aspects of budgeting suitable for legitimation or representation purposes (cf. also Wildavsky, 1964, p. 152).

Over a period of two months, the author accompanied preparations for the introduction of a new budgeting instrument at one of Berlin’s largest public authorities. The focus was not so much on the particularities of administration but on what negotiation structures develop when an authority negotiates with other authorities on budget levels and budget purposes. This perspective is reflected in the terminology used, the authorities no longer being referred to in terms of their function for the city (culture, sport, finance, etc.) but simply as “the Department” and “the Ministry”.

The focus was on everyday office work with its routines: work with files and computers, telephone conversations and discussions among colleagues, emergency meetings, and talks

during the lunch break. The spatial context of observation was the “maternity ward” where the new budgeting instrument saw the light of day, the Department’s finance section. This project thus tackled “only” a very small part of a large, fragmented structure. It was very much up to the Department to give or restrict access to segments of administrative reality.⁴ The observations presented here have thus been subject to this external influence. The handling of budgeted and current figures is analysed. A great deal of time in intra-administrative negotiations was spent harmonising the parallel interpretations of one and the same draft budget, one and the same adopted budget, and the forecasts and individual computations on which they were based. Owing to her spatial restriction to one observation post, the observer was able to capture these activities only by extending participant observation beyond the Department: she attended meetings between authorities, conducted ethnographic interviews with officials at the various authorities, and studied the files and correspondence of the authorities negotiating with one another. To permit description of development of the reform over a period of two years observation, interview and file material run together and are strongly aggregated.

The following chapter sketches the preparations and first results of implementing the new budgeting instrument. The third chapter transposes the reform scenario into the metaphor of the budgeting game. Chapter four recapitulates this shift in perspective in the analysis and description of budgetary reforms, raising the question of what is gained by the game metaphor and by concentrating on administrative negotiations as the backstage (Goffman, 1969) of budgetary reforms.

2. The Introduction of Lump-Sum Funding

The new budgeting instrument is the so-called lump-sum or block appropriation. It brings together a large number of subheads in three pools of costs. There are block appropriations for personnel, for physical resources, and for investments. The idea behind block funding for personnel to provide a global budget and spending limitation for the year is that the Department should in future take responsibility for managing its own money.

The block appropriation was first mentioned in Department files in a memo dated 1 June 1996:

In the 1996 Budget Structure Act, Art I § 3 (5) I lays down, from the financial year 1997, that each individual plan – including that of the Department ... – is to be allocated personnel costs as a lump-sum appropriation. This – completely unexpected – development will have serious consequences for human resources management from 1997.

The most important change to budgetary procedure is laid down in sentence 2 of the above provision:

“The block appropriation may not be exceeded”

To date, personnel costs have been managed – and will still be for 1996 – in such a way that personnel expenses have been paid out of the relevant personnel subheads regardless of whether the amounts estimated in the budget covered them or not.

I was told in the course of an interview that members of the department personnel section began hurriedly to investigate how to work out more or less what their staff cost per annum. They faced the problem that personnel costs had hitherto been calculated as average rates for all authorities in terms of position. Any variation owing, for example, to the fact that depart-

⁴ I requested access to where “negotiation, administration, and revision of the Department’s budget” took place. On the basis of this request and a subsequent interview, I was assigned to the finance section at the State Department Administration Office.

ment employees work much more frequently at weekends, at unfavourable times, and at dangerous tasks than district office workers, was not taken into account by the average rates. However, since, as the memo shows, payments were not subject to limitation, funds were returned or requested as needed.⁵ For the first time, the Department was now required to find out how much money was needed and what for. Detailed accounts had previously not been necessary. In their concern that the specific requirements of department personnel in comparison with other authorities should not have to be met by means of supplementary estimates, members of the Department prepared a projection, which they sent to the superior authority, the Ministry, estimating that an additional 8% of current personnel costs would be needed, some DM 165 million.

The problem of accurately estimating lump-sum appropriations was debated at meetings of the Berlin Senate departments and authorities. The minutes of these meetings reveal that the State Office for Information Technology was unable to process the individual components of salary payments for appropriate presentation. Not only the Department but also the Ministry was provisionally obliged to resort to projections. A projection, which the Ministry prepared as an “answer” to the Department submission, rejected the basic assumptions of the Authority as implausible and the demands deriving from them as completely exaggerated. The provisional settlement of the dispute, reached by letter and in top-level talks between the Department and the Ministry, was as follows. Block funding for the Department was for the moment to be at the same level as for other authorities. If at the end of the first accounting year a deficit was apparent that was clearly attributable to specific allowance payments for Department officers, this deficit would be “absorbed”.

In the course of the months that followed, a discussion developed on what “absorption” meant. Did it mean that all Department liabilities would be covered? Or was it up to the Ministry to decide the extent to which any deficit would be made good at the end of the year? Once again letters were exchanged and top-level talks organised. The outcome remained open for the moment. The Ministry made its decisions contingent on the budget situation at the end of the year, the Department demanded written confirmation of the verbal commitment to cover the entire expected deficit. The framework for dealing with a negative balance at the end of the first block funding year remained unsettled.

Adoption of the block appropriation was delayed owing to political negotiations. The old financial year was at an end, the new financial year had begun but without parliamentary appropriation. A provisional budget ensured that “operative business” could continue, while everything else (major investments, promotions, and new staff) was put on hold. The Department staff were thus occupied in developing various models for capturing and categorising personnel costs specific to the Department within the first year of the new budgeting system.

As one of the largest public authorities in Berlin (with a staff of just under 30,000), the Department has a functional separation between the data processing section, where all employees’ personal data are converted into salary payments⁶ and the personnel section, where staff appointment schemes are initiated, processed and controlled. The head of the personnel section interviewed the head of data processing to find out what cash flows were

⁵ Average payments obey a cameralist logic. In contrast to managerial cost finding, cameralist accounting is concerned not with the confrontation of profit and loss but with the comparison of approved and implemented outlays (Staender, 1984).

⁶ The daily procedure is as follows. Accountants instruct a group of bookkeepers, who process a limited number of personnel files with respect to salary payments and the relevant coding. The coded data is then typed into the computer. A messenger brings the data on diskette to the State Office for Information Technology. The Office feeds the data into the main corpus of state employee payments and orders the payment of salaries. The diskette then makes its way back to the data processing section of the Department.

recorded and how this happened. An excerpt from an observation protocol:⁷

“What actually happens with back payments and reimbursements to members of staff who have been transferred, who come from or go to other states? Where does the money come from, where does it go?”

“Reimbursements from authorities in other states that take over staff from us go to the Ministry. Back payments are made out of a special fund.”

“Where is this fund located? Under non-personnel costs?”

“Yes.”

“And receipts go to the Ministry?”

“I’ve always thought it a lot of nonsense that it doesn’t flow back into salaries. That happens only in the case of reimbursements of our own people who haven’t left.”

“It depends on how you look at it. Under budget law it’s in order, from a departmental point of view, not.”

“How long can back payments be recognised?”

“11 months.”

“If a back payment is made that can no longer be recognised, is it done manually?”

“Yes.”

“Retrospective social insurance contributions?”

“Still worse. At the moment only when members of the Department retire. That gives us credit and savings for the current year.”

“If we want to show that the Department has to shoulder disproportionately high social insurance contributions, we have to count them all and not conceal them!”

In this one-and-a-half-hour discussion an attempt was made to reconstruct how personnel costs and all directly related items are recorded. Among the problems to emerge were manual entries that do not appear at all in the electronic records, entries the reason for which is not clear, personnel items redefined as non-personnel costs, or department-specific outlays redefined as receipts by the Ministry. In preparing a monthly account of personnel costs, it proved to be a problem that there were scarcely any electronically processed raw data to draw on.

The period of the provisional budget was used to make models for “real money” out of the “play-money payments”, as one finance specialist put it. A team spent weeks assembling bits and pieces of information on personnel costs. The aim was to prepare models and formulas for a monthly report of salary payments that would permit the data to be processed electronically. A first simulation was tested with small sets of data, improved, run again. Once the simulation was running satisfactorily, lists and definitions, formulas and tables for the personnel costs accounting model were printed out and collected in a fat dossier.

Preparations for a new method of cost finding were accompanied by preparations that were not documented. Colleagues in the finance section discussed scenarios for interpreting and handling the lump-sum appropriation system, and how Departmental budgeting would be affected. For example, if the Department was now responsible for its budget, would spending freezes be determined by the internal budgetary situation and thus in the responsibility of the Department? And if this was the case, who if not the finance officers would be able to judge this? But no finance officer wants to be made responsible for blocking promotions.

Other unanswered questions concerned the regulatory framework for block funding. What happens if the balance is positive rather than negative? Contrary to the principles of lump-sum funding, any surplus could be taken at the end of the year to consolidate state finances and

⁷ During budget negotiations, being a strategically important area, I was seldom able to tape proceedings for observation purposes. The quotes are based primarily on minutes. However, the central ideas, their place in the argumentation structure, and the substantive drift of the discussions and comments were recorded.

distributed to authorities that had mismanaged their resources because they had not taken the block appropriation system seriously. Not only the consequences of a negative balance at the end of the year were unclear, but also the consequences of a positive balance.

The lump-sum appropriation became available only in mid-March. It amounted to DM 1,760,434,000, and thus did not include any special payments specific to the department's personnel structure. A written statement was prepared for the Ministry, which was intended to secure from the outset the commitment made during negotiations that such special outlays would be covered retrospectively.

Sir,

Our now completed projection of personnel costs for 1997 shows that we will exceed the lump-sum appropriation of ca. DM 1,760 million that is to be allocated under the current supply estimates by about DM 55 million.

Taking into account your statements on supplementary financing to meet our Department's operative requirements, we remain confident that, after the lifting of the current human resources restrictions, we will not be subject to such restrictions under the 1997 Budget Act.

The relevant estimates are as follows:

Lump-sum appropriation 1997	1,760,434,000 DM
Personnel costs 1997	<u>-1,798,757,997 DM</u>
<u>Results for the year</u>	-38,323,997 DM

Margin of error (range of estimate)	<u>-17,000,000 DM</u>
	-55,323,997 DM

Retrospective financing of operative payments:

Allowance for duty at unfavourable hours	33,500,000	
Remuneration of supplementary duties	7,000,000	
Shift and rotating shift allowances	13,900,000	
Cost of accidents on duty	3,500,000	
Supplementary contributions	9,100,000	
One-time adjustment	<u>2,700,000</u>	
	69,700,000	<u>69,700,000 DM</u>

Adjusted result for the year I 14,376,003 DM

Refunds to LEA⁸ -430,000 DM

Adjusted result for the year II 13,946,003 DM

Despite the assumption that the lump-sum appropriation was too low, the finance section planned no restrictions for the Department. As one member of staff put it: "We're proceeding as usual." The assumption that the deficits were "justified" and that they therefore had to be financed retrospectively was behind this attitude.

Had the introduction of the lump-sum appropriation system changed anything in budgeting? At first glance it was quite uncertain how this system would develop. At the end of a dramatically tense preparatory phase, it was surprising that, after the new system had been intro-

⁸ LEA = Landeseinwohneramt; central residents' registration office of Berlin.

duced, finance section staff told colleagues they would be “proceeding as usual”. An unexpected turn of events. Just as unexpected were the developments that occurred during the first year of the lump-sum funding system.

During the first year, the Department did not need to declare a job freeze. New people were taken on. However, state policy set narrow limits to the Department’s newly-won independence. Owing to Berlin’s catastrophic financial situation, the lump-sum appropriation system was suspended for months in favour of spending freezes imposed from above.

Thus people could not be promoted or positions filled throughout the year but only at periods when no spending freeze was in force. Despite “normal” personnel management, the balance at the end of the first lump-sum appropriation year at the Department was not, as expected, negative, but positive. This was explained by the large number of positions that, although approved by parliament and accordingly covered by personnel allocations, had not been filled. A financial reserve was thus created to “compensate” personnel-specific special outlays. Moreover, projections and the first simulation models had been faulty, as was discovered in the course of the first year. Work during this year focused increasingly on simplifying the complex model and making it transparent for outsiders. The submission of convincing evidence that the Department’s personnel costs were higher than those of other authorities did not bring an adjustment of block funding for 1998. The Ministry stated that the insufficiency of the lump-sum appropriation must be substantiated before any adjustment could be made.

In brief, lump-sum funding has been introduced. However, not, as proposed in the business management model, as an output-oriented system, but as an input-oriented model.⁹ This reverses a fundamental legitimising principle of public administration in Germany. Whereas the treatment of one and the same subject matter by a specialist department, a personnel department and a finance department was formerly considered a guarantee for transparency and control of public expenditure, this goal is now considered in the German literature on reform as having been achieved if the full responsibility for finance, personnel, and subject are in the hands of the relevant specialist authority (cf. Banner, 1991).

A fundamental reason for introducing lump-sum appropriations, namely to shift responsibility for financial detail from parliamentary bodies and the interior and finance ministries to the individual authorities has reproduced the problem: it is still not clear who actually is to or is supposed to shoulder responsibility for finance. The envisaged independence of the authorities has not been realised. On the contrary, more dependencies have been established than before:

The existing accounting system is still in place, with the addition of a new form. The superordinate ministries can now intervene in both the cameralistic and lump-sum systems. They do so by means of various types of spending freezes and by delaying elucidation of the general conditions for lump-sum funding.

The reform has not brought the changes envisaged. Nevertheless, it has changed budgeting practice. For the purpose of analysing and describing the changes, the game metaphor can be applied. What rules of the game do intra-administrative negotiations on funding follow? How are changes introduced in the daily management of money distribution, which continues despite the turmoil occasioned by reform? How does organisational change take effect in a period when block funding has been introduced?

3. Room for Manoeuvre and Overt Reserves

⁹ The Berlin administrative reform wants to determine a fixed number of products for block funding and to allocate the money necessary to produce them (output oriented lump-sum appropriation). However, this assessment requires a cost accounting system that does not yet exist. The input-oriented lump-sum appropriation is based on key data derived from the medium-term budgetary planning for the whole of Berlin and broken down into decentralised administrative unit budgets. This procedure is also referred to as ceiling control. (On Berlin’s lump-sum appropriation system see Wahlen & May, 1998, p. 50-55).

3.1 Budgeting as a Game

This chapter sketches the intra-administrative rules of the game for distributing public funds in the age of block funding. For this purpose we take up Garfinkel's metaphor of the game with its rules. Garfinkel (1963, 1967) concentrates on selective and serial excerpts of everyday situations, in which he examines how social structures are usually and routinely maintained. By producing "crises", Garfinkel observes how participants try to save the situation from crisis, thus rendering their rules for producing routines particularly visible. In contrast to Garfinkel's use of the metaphor, the ethnographic observation of a two-year-long organisational negotiation process requires a more dynamic concept of the game and its rules than is provided by Garfinkel's experimental logic. Whereas Garfinkel carries out a move-by-move analysis of simply structured game proceedings, we are tackling a complex analysis of the negotiation of negotiating rules. Garfinkel's three categories of rule are adopted – in modified form. A distinction is drawn between *constitutive*, *strategic*, and *fair-play* rules. However, unlike Garfinkel's rules, ours are culled from highly diverse resources, from statutes, regulations, and administrative directives, from the practices and traditions of communication in public authorities. They derive from the format of negotiations, the figures. In other words, both the legal and praxeological levels to which the rules can be attributed are multi-dimensional.

Relations between the types of rules are not seen as static. Constitutive rules can reshape strategic rules, turning them into the opposite; fair-play rules can peter out and at some stage cease to be applied; new rules can establish themselves to replace them.

The players (in our case the Department and the Ministry) play a highly traditional game of budgeting for Berlin public authorities.¹⁰ The aim of the game is for each player to gain as much leeway as possible so that it can budget creatively. This is done by struggling to get sufficient funds for the purpose. This chapter describes only a few of the rules that are particularly apparent in the lump-sum funding game. They form a unique constellation, which, over and above the historical and specific local organisational field, can reveal overarching structural patterns for calculating social facts.

In addition to the rules of the game, the ways in which the two players use a given rule are described. This aspect of the game metaphor is referred to by Goffmann (1970) as expression game.¹¹ In the following game description, the expression game is reflected in the mutually reinforcing characterisation of minimalist suppliers and maximalist demanders.

3.2 Constitutive Rules: One Round Takes a Year, Black on White, Red or Black

Constitutive rules lay down what can be done and what not. They are basic rules without which a game cannot be played and which each player takes for granted over and above his or her own strategies, wishes, etc. Each player expects others to do likewise, and also expects other players to expect this of him or her (Garfinkel, 1963, p.190). For example, the order in which players have their "turn" is a constitutive rule in most games, and is a precondition for the game proceeding at all. The constitutive rules of intra-administration budget negotiations go back in large part to the rules laid down by federal and state financial regulations. The constitutive rules that became particularly apparent through the introduction of block funding

¹⁰ To describe the game, administrative units are reduced to a few characteristics. Like personalities, they are attributed a unified identity, a will, and a form of action. This form of description is a very rough simplification, which is accepted as a device for determining basic patterns relative to budgeting without getting lost in the complexity of intermediate forms and steps in practical administrative communication. In this simplified descriptive format, relations between political and administrative authorities are left out of account.

¹¹ For a study on the financial system that applies Goffman's expression game model to an empirical field cf. Pentland & Carlile (1996).

are described below, as well as the cultural acquisitions that, as Goffmann puts it, make them into “moves” in the game.

3.2.1 *One Round Takes a Year*

One Round Takes a Year is a constitutive rule in the cameralistic governmental accounting culture. The Federal Budget Code describes the annual budgeting principle as follows: The budget covers the period of one year and accounts must deal with this period (§45 (1), BHO). The final accounts and the consequences drawn from the final accounts are measured against this time frame.

In an interview, the competent Ministry official, who inspects the Department’s personnel costs, said about the development of block funding: “The Department’s ‘moonshine figures’ have been relativised. Instead of the DM 75 million deficit initially predicted, a plus of DM 10 million emerged.” To ensure that these figures were accurate, the official consulted the relevant files. On this basis he described how the financial situation developed from month to month: “In April a DM 25 million deficit was forecast, then the figure dropped; in July it was at DM 37 million again, and dropped thereafter. In September a letter came from the Department that they would be exceeding their budget by DM 6 million. We just smiled”

The temperature charts the official describes had no effect on estimation of the block appropriation. The most important factors were the assumptions at the beginning of the year and the results at the end. In contrast, for example, to the stock exchange, where the events of a single day have financial consequences, red figures are relevant for block funding only at the end of the year.¹²

The various players exploit the constitutive rule *One Round Takes a Year* differently. The rule was used by the Department to develop a business management form of cost accounting in this period, which would permit the special costs to be substantiated for the past and coming years.

The Ministry used the constitutive rule *One Round Takes a Year* to shift the onus to the Department. Adjustment of the block appropriation was to be negotiated not at the beginning of the year but at the end. The Ministry had thus postponed a commitment to adjust the estimate. At the end of the year this could then be made contingent on the overall financial position of the city.

In negotiating lump-sum funding, annual budgeting and negotiating strength are closely linked. While the Department forfeited much of its negotiating strength because it could not report its special expenses as a deficit within the period of a year, the strength of the other side was enhanced. It had the year “on its side” and now counted on a further year.

3.2.2 *Black on White*

Lump-sum appropriation negotiations are determined by the documentation of costs (Weber: *Aktenmäßigkeit*). As long as expenditures cannot be shown as expenditures under the heads used by the Department in calculating costs, budgeting will disregard them. The federal budget code states: “On the basis of the balanced books, the ministry responsible for financing prepares the budget account for each fiscal year” (§337, 2). In this fixation on documentary evidence, figures are only “there” when they are already past. Figures for which

¹² Not only short term developments, also long term budgetary planning, which covers a five-year period, leads a shadowy existence in comparison to the annual budget (Andel, 1983, p.100; Blankart, 1991, p. 331). The example of major investments that produce runaway costs after a number of years demonstrates this fixation on annual budgeting. What in the first years of financing appears to be a balance between planned and actual expenditures, leads in the course of projects to growing differences between allocated and required costs. If a major project has been receiving public support for several years, it becomes politically difficult to withdraw.

there is no proof on paper are not realities but only assumptions, and, as such, no legitimate basis for decision making.

“If we want to show that the Department has to shoulder disproportionately high social insurance contributions, we have to count them all and not conceal them!” Whether such costs disappear into thin air or manifest themselves as figures depends initially, as the example in chapter two tells us, on whether they are captured on a sheet of paper. But to capture figures on a sheet of paper is already an art in itself, as the following interview excerpts indicate.

Question: “Once figures are there you can’t avoid having to deal with them?” Answer: “No, you can question them”. Question: “And what do you do then?” Answer: “I take my precautions by submitting an endless mass of printed paper. Sensibly documented but so complex that they push my pile of paper aside in disgust.” In another context the art of documentation is described as follows: “If we’re clever enough and don’t send too much, we don’t hear the reproach that we’re burying them under figures and just want to hide the essential. But we can’t supply too little, either, because then the reproach is that we’re hiding something and aren’t saying what we know ... anyway, these negotiations aren’t about the specific structure of costs, they’re about nit picking. That’s the best way to call everything into doubt. Here a little million, there a little million.”

These two excerpts from interviews show that the documentation of financial facts cannot be seen in isolation from the choice of presentation. And the choice of presentation depends in turn on the context in which the *Black on White* rule should, in the view of the player, apply. The basic rule *Black on White* is applied differently by the two players:

The Department uses the basic rule to enhance the credibility of the personnel cost documentation in the current year.

The Ministry uses the rule to delay assessment and thus to gain leeway in negotiations.

3.2.3 Red or Black

The *urgency* of costs is, however, not established by black-on-white evidence. It is generated only in a second step. Only when figures appear on paper not in black but in *red* are items particularly important. In the cameralistic accounting system, funds are appropriated to individual aspects of the system. These are the supply estimates passed by parliament, which set a limit to spending. To exceed appropriations, thus producing a deficit, is justified only if it can be shown that it was inevitable. §27 (3) of the Basic Budgetary Rules Act states: “Expenditures shall be made or utilised only for the purpose stated in the budget, in so far as and for as long as this purpose persists and only until the end of the fiscal year. ... (cf. also § 7 (1) BHO)”. A deficit that is still shown as a deficit after the closing of accounts is almost automatically considered undeniable.¹³ For the subsequent year the need therefore arises either to increase the grant to obviate a deficit, or to reorganise financing.

Just how important the distinction between red and black figures is for budgetary negotiations can be demonstrated by looking at two colloquial expressions.

“We saw the forecast of DM 75 million deficit as a risk and made a noise, whereupon the others (at the Ministry) naturally shook their heads; incidentally, it also turned out that these were the usual moonshine figures the Department produces.”

“The DM 75 million deficit vanished into thin air. That’s how fast it goes.”

¹³ Cf. §37 LHO Berlin: “Unscheduled and extraordinary expenditures require the approval of the Senator for Finance. Approval shall be given only in the event of an unforeseen and incontrovertible need. A need shall not be deemed incontrovertible if the expenditures can be postponed until adoption of the next budget act or the next supplement thereto.”

An outsider might be justified in wondering how several million DM can possibly vanish into thin air. But, strictly speaking, not the costs but the criteria by which they were computed vanished. On the basis of the plus and minus criteria alone, leaving aside all others (e.g., the specific personnel structure at the Department) strange things happen: regardless of whether the authority has higher personnel costs and whether they would have to be assessed differently, costs can become “moonshine figures” and “vanish into thin air” as long as what counts is an overall end-of-year plus. Moonshine figures and vanishing costs are understandable only if the non-verbalised context is considered, in this case the *Black or Red* rule.

The two players use the difference between red and black in different ways. In the case of lump-sum funding, the Department had a weapon on hand as long as it expected forecasts of high deficits. Since these cannot materialise on paper within a year, the Department’s negotiating position was substantially weakened by positive figures.

The Ministry used the *Black or Red* rule in taking a decision on assessment of the block appropriation. In this connection it was concerned not with economic personnel assessment but with whether the Department could produce black figures without specific personnel assessment. Since this was the case, the average appropriation amount was not to be changed for the current or the coming year.¹⁴

3.3 Strategic Rules and an Instrument: Room for Manoeuvre and Overt Reserves, Same or Different, be Prepared and Take your Chance, Look Back with Foresight

In addition to the constitutive rules without which the game cannot be played, there are strategic rules. Strategic rules have a binary structure. There are two sides to rapprochement: if a player chooses the one aspect of the rule, the other player counters with the opposing aspect. There are also strategic instruments for budgeting. In contrast to the rules, the instrument does not have a binary structure and is used in a similar way by both players. With this instrument budgets can be transformed into strategic negotiation spaces. We consider three strategic rules and one strategic instrument.

3.3.1 Room for Manoeuvre and Overt Reserves

Insight into the strategic potential of intra-administrative negotiation is provided by the following examples, which for good reason evade public verbalisation to a large extent. An excerpt from an interview:

A budget specialist described his dealings with finance as follows: “As long as I was certain about my departmental budget I travelled around Germany boasting about the much better infrastructure that Berlin had to offer than elsewhere. Since I am no longer certain about the level of funding, I keep quiet. Who talks big about the infrastructure being excellent when cuts are on the agenda?”

In the period of budget cuts an indirect discourse on economies exists. It is characterised by metaphors of leeway, of room for manoeuvre. Another budgeting ploy could be called the “phantom scope trick”. One variant is the following:

¹⁴ The importance placed on red and black figures in public administration provokes comparison with efficiency-oriented market economics. The cliché has it that a negative balance has consequences involving not the expansion but the cessation of financing. A fruitful and different form of contextualization is offered by Law & Akrich (1997, p. 212). They use not the criterion of state institutions versus private enterprise but the framework of slow and fast availability of monetary information. Where monetary information is more rapidly accessible, a short term to and fro between well-financed and deficit-ridden divisions of an enterprise takes place. The ground is being currently prepared in Berlin public authorities for such a trend.

When savings are called for, authorities propose cuts that prove on closer inspection to be impossible (e.g., because the law prohibits it). If the impracticability of such a proposal is not realised by the control authorities in the state, the authority has “gained room for manoeuvre”.

It is the implicit target to establish scope for action by holding and gaining room for manoeuvre. This is one side of the rule. Another aspect is the search for overt reserves, for hidden reserves, for structures amenable to “slimming down”, or “starvation diet”.

In the course of the introduction of lump-sum funding such overt reserves are the positions still financed by the state in accordance with cameralistic practice, but which had not been filled by the Department. For the tactical purposes of the Ministry (which imposes spending freezes while delaying the supplementary funding demanded by the Department), they represent savings potential.¹⁵ As funds without direct application they offer the opportunity (initially) to refuse further negotiation on the cost-specific assessment of personnel expenditure. They represent a counterweight to the urgency of assessing effective costs.

While such “hidden reserves” are not officially taken into account in the basis for assessment, they have strategic importance in budgeting practice. With implementation of the block funding system, budgeting practice is shifting from negotiations about fixed costs to haggling over leeway.¹⁶ The strategic handling of *Room for Manoeuvre or Overt Reserves* gained new impetus with the introduction of personnel-specific block grants and simultaneous saving constraints. With the different form of financing and cost reporting, previously non-formalised areas were now formalised. Room for manoeuvre thus had to be found elsewhere.

The authority used the calculation of personnel-specific costs for an opposing end: pools of costs that previously played no role could now be put on show – as empty reserves, which at the same time distracted attention from reserves elsewhere (the funded but unoccupied positions). These background funds give the authority room for budgeting despite savings.

The Ministry used its tactics of delaying financial commitments to get its hands on newly discovered reserves at the Department as a means of achieving savings beyond drastic cuts in services.¹⁷

3.3.2 *Same or Different*

A third example of strategic rules in the case under study has to do with treating public services as a unified structure or as a differentiated structure with specific properties.

At a first review meeting after two months of working with the block appropriation system, the finance officers of the various authorities met with representatives from the ministries responsible for personnel and finance for an exchange of experience. The authorities complained: “What happens if, as will probably be the case, we are broke by

¹⁵ The process of conjuring out financial reserves is described in Peters (2000).

¹⁶ The *Room for Manoeuvre and Overt Reserves* Game is not restricted to the specific budgeting culture under study. The rules of the game are strategic rules that structure the give-and-take in financial negotiations. This form of financial negotiation is also manifest in the media performance put on by industrial associations when an increase in charges and taxes threatens. As long as the taxman spares or favours private industry, silence reigns, which only becomes evident when additional burdens become politically relevant. The associations then react with complaints and threats about relocations and job cuts.

¹⁷ What has been described as a rule about room for manoeuvre and overt reserves is described by Goffmann as covering and revealing moves in expression games (1970). Cf. Kalthoff (1999), Pentland & Carlile (1996) for other empirical studies in which revealing and concealing play a role.

the summer recession?” The interior and finance ministry representatives answered: “We know these fears from when the block appropriation was introduced in the Berlin districts. They proved to be unfounded.” The authorities again: “Our personnel cost structures can’t be compared with those of the districts. And they are also very difficult to compare between authorities. We need block funding specific to each authority!” The response: “Your deficits are absorbed at the end of the year.” The departments: “But we don’t want to receive our income only in the end-of-year procedure. It can’t be the idea of block funding that the revenues we take care of aren’t available to us.”

Public service personnel costs were, until the introduction of block funding, calculated and allocated on a uniform basis for each authority, be it the courts, the Berlin Fire Service, or the Kreuzberg District Office. The Ministries for Internal Affairs and Finance continue to treat authorities uniformly under the block appropriation system.

The Department argued against this uniformity of treatment, pointing out that structures differ in kind from authority to authority. Block funding offered the opportunity for financing appropriate to requirements: expenditure per person paid, calculated specifically in terms of age structure, bonuses, etc. Two conceptions of public financing were in conflict.¹⁸ Exploiting the distinction between *same or different* provides strategic options in all negotiations on costs where responsibilities are not contractually attributable to one or other party. Strategically exploitable room for manoeuvre arises in interpreting organisational objectives, loyalties, and responsibilities.

The *Same Or Different* rule is used differently by the two players. The Department used one part of the rule to emphasise the differences between itself and most other Berlin authorities. It justified supplementary payments.

The Ministry used the other, ritualised part of the rule in calculating all personnel costs uniformly. It explained its reasons as follows: if the specific characteristics of the various authorities are balanced against one another, they ultimately offset one another.

3.3.3 *Be Prepared and Take Your Chance*

With the consolidation course, the basic rule *One Round Takes a Year* developed into a strategic rule. Annual budgeting as a constitutive rule of the game serves no longer only as a period but, as far as financial promises are concerned, rather as a framework for a sequence of points in time. This situation in the first block appropriation year was as follows:

From January to March no budget came into force. The authorities operated with an emergency budget that permitted only the unavoidable spending. Immediately after the allocation of block funding in early March, a job freeze was imposed. From now on this pattern was repeated throughout the financial year: Job freezes, spending freezes, and the blocking of specific items were declared, lifted, and declared again. During an informal talk on the occasion of a meeting, the finance experts of two authorities discussed how much time they had between the emergency budget and the job freeze (“We had four hours. Managed to get three things through, though.” “We had one and half days.”). A Ministry official reported that the authority he was in charge of managed to fill 1000 vacancies pre-programmed for this point in time at the press of a button.

The two players use the *Be Prepared and Take Your Chance* rule in different ways. The Ministry imposed temporary spending freezes to gain control over the excessive requirements of

¹⁸ In business organizational forms, too, the distinction between *Same or Different* is used as a strategic negotiating resource. Organizational models that provide for an entrepreneurial centre with central powers and specialised units/enterprises largely independent of the centre but assigned to it with their own rights and duties, invite the exploitation of negotiating latitude in deciding where unity stops and differentiation starts.

authorities and influence on the spending behaviour of the authorities.

The authority had control over its own budget only at the points in time when the spending freezes were lifted. Whatever happened within the period of a year, e.g., promotions, was, as far as possible, now done in the periods between spending freezes.

3.3.4 *Looking Back with Foresight*

The instrument that serves as forecast, simulation, or as projection sets the level of expectations for the three strategic rules. The effects of the instrument cannot be dealt with here in full detail. Only one aspect of *Looking Back with Foresight* is discussed, which shaped the strategic negotiating scope for the three rules mentioned above.¹⁹ The forecast reflects expectations on financial developments. As on the stock exchange, it is a matter of moods and trends. If worse times are expected, there are gloomy forecasts, if better, the forecasts are more confident. An example from a meeting between the finance officer and one of his heads of division; they are discussing how a Department forecast on personnel costs should be.

Head of division: “If I know seven months in advance that I’ll have to put on the brakes, I must prepare it structurally.”

Finance officer: “But the Department hasn’t prepared itself intellectually for retrenchment. It tends to hide behind the Ministry.”

Head of division: “But we have to quash such expectations. It’s normal to want to hold on to the good things in life. For the next twenty years there’ll be no more paradise. We’ll say so, period.”

This dialogue took place in the run-up to the projection shown in chapter two. What happened in the way of budgeting routine procedures was particularly clear with the introduction of new budgeting instruments. Figures were provided with an interpretation context and vice versa an interpretation context with figures. The forecast became an aid in interpreting data, and thus had a substantial influence on the players and their playing behaviour.

Apart from the annual forecast there were interim forecasts. They showed whether foreseeable financial developments and errors in forecast models had occurred that radically changed the annual forecast. With the introduction of lump-sum funding, interim forecasts became particularly important, because the new way of recording costs – no longer by cost centres but by heads – was a source of uncertainty.

In a note, a Department finance expert justified previous annual forecasting on personnel costs as follows: “The last projection was from May 1997, and was based on figures for January to March 1997. Errors were discovered in this projection, which supplanted that of January 1997. We then examined the whole projection procedure.” He went on to describe the errors found, the difficulties and the attempts to eliminate them, the persisting uncertainties, and the first results. Then he addressed the strengths and weaknesses of the statewide documentation methods for personnel costs, which could also be used for forecasting purposes. He came to the following conclusion: “We learn from this that such calculations can be made with any prospect of success only if one keeps precise records over the entire year on the three factors mentioned, or through multiple annual series of figures of, e.g., monthly reporting-date records from which stable regularities can be derived, also with a view to future years. Neither is available and ... will be difficult to obtain in the future, too. We will naturally try at once to develop pro-

¹⁹ Other aspects of the forecast discussed in the literature are, in particular, instrumental questions about possibilities to calculate the future (Premchand, 1983); incremental questions, namely looking for the determination of actual prognoses through previous budget structures (Wildavsky, 1964); and the definititorial power of forecasts over what is understood as reality (cf. in general Miller & O’Leary, 1990).

cedures for obtaining such observations ...”

With the reform, a detailed cost forecast began to develop. It is probable that managerial cost accounting, once standardised for all authorities, will be of less strategic use for either side. The normed categories have a not inconsiderable definitional power on both sides of the negotiating table. At this point the strategic rule becomes a constitutive rule.

The two players used the *Look Back With Foresight* rule to permit them to make their most negative fears about the development of the financial situation the basis for forecasts. In periods when the standards for economic cost categories were not yet set, the Department was especially concerned to play its part in defining future standardised cost categories.

3.4 Rules of Fair Play: The Role Game, The Trust Game, The Endless Game

In addition to constitutive and strategic rules, a third type of rule is revealed by analysis of block appropriation practices. They include rules that define the common interpretation of the game. Whoever disregards the rules of fair play is a “bad player”, a spoilsport. Three such rules will serve as examples. Depending on the given situation and who is involved in negotiating budgets, different fair-play rules can apply, without the rules having to be mutually free of contradiction.

3.4.1 *The Role Game*

Existing role attributions had a strong influence in the introductory phase of block funding:

“The Department had a 100% reserve mentality. Within the Department people believed they could be denied nothing. Given their specific function in the city, their demands would have to be met” (statement by a Ministry official).

“The Ministry is not aware of the dimensions we’re talking about in the case of personnel block funding. Their main interest is to keep negotiations open as long as possible” (statement by a Department official).

In implementing the block appropriation system, the Department assumed the role of the person “who always asks too much” and the Ministry assumed the role of the person “who always makes swingeing cuts even if he can’t fully appreciate the position”.²⁰ The Department projection was rejected by the Ministry as excessive and implausible; the counter estimate presented by the Ministry, which was much lower, was not accepted by the Department because it was allegedly unrealistically low. In determining the level of expectations for negotiations, a bargaining rule has developed in the public service, which can be formulated as follows: since cuts can always be expected, the demander is well advised to “calculate” as much as possible. The supplier need not count on its savings targets being met, so that they have to be set higher from the outset. Both sides know both rules. Where the respective “pain threshold” lies beyond which face could be lost is an open question. These conditions result in differing ritual ways of playing the game. The more drastic the terms in which the budgetary position is portrayed by the funding party, the more urgent will be the needs reported by the

²⁰ In financial negotiations involving more than two parties, the range of roles is broader. In the case of block funding implementation at the departmental level, the Department is in the same boat as all those public authorities that pay money for dangerous working conditions, allowances for shift and night work, weekend work, and work at unfavourable times. In Berlin, they include, for example, the Fire Service. In this coalition, the Fire Service is the authority that, in contrast to the Department, did not vehemently push its demands for supplementary grants. Whereas the Ministry played the role described above vis-à-vis the Department, the Berlin Fire Service played the role of the character who has to be looked after and who has to be encouraged to insist on its rights.

authorities. If a party has once gained a reputation as a “maximalist”, it will have no choice but to live up to that reputation. Regardless of whether this is understood as mere (individual) prejudice or an accurate judgement: the important thing is that such aids to interpretation take on strategic weight in negotiations, thus committing the other side to the complementary role. In the constantly recurring budgeting game, the parties’ conceptions of themselves and their interlocutors become fixed with regard to how the funding demands of public authorities are judged in terms of their roles.

In the *Role Game* (3.4.1), the exploitable resources are dramaturgy and rhetorical force: the maximalist demanders have their backs to the wall (as far as savings are concerned), while the minimalist suppliers “bow to reality” (as far as the catastrophic financial situation of the state is concerned).

3.4.2 *The Trust Game*

In the implementation of the block appropriation system, the superior authority has neither extensive insight nor the capacity to control the subordinate authorities. It must therefore rely on wide-meshed control and on trust. Vice versa, the subordinate authority has to rely on its forecasts being accepted and on its interests being represented by the controlling authority vis-à-vis other state authorities. There is thus a necessarily mutual relationship of trust, which both sides hedge about with numerous structural aids. One such institutional structure is that every level in the administrative hierarchy in one authority has a corresponding level in the hierarchy of the other. Contacts between authorities are generally between “peers”. Along these multi-level communication lines, settled working relationships are established, thus stabilising control and trust relations. An example of a crisis:

In an interview, the Ministry official expressed his indignation at his Department colleagues. It was outrageous that Mr. F. had prepared a projection in excess of the legally permissible limit: “The average rate in this calculation is higher than what could be earned de facto with Sunday bonus and the fattest shift premiums. This is excluded as a basis for negotiation.”

F., Department official at a departmental meeting told a colleague, who was arguing on the basis of Ministry figures: “I’d be careful with the figures. They come from C. and he produced calculations much lower than mine. I used to think he was on my side. But it was he that stabbed me in the back.”

This example was concerned ex post facto with preparation of the first projections for the block appropriation forecast. They were produced by a Department official. The forecast was checked out by his long-term colleague at the Ministry and a counter-sample was prepared. The marked difference between samples constituted a breach of trust for the man from the Ministry. This breach was not in the difference itself but in the *obviousness* with which the demand was inflated. The colleague from the Department hadn’t even tried to conceal the excessiveness of the forecast from the control authority employees, with the superficial knowledge of costs they can be expected to have.

The two financial experts stood by their calculation. The incident put the mutual relationship under strain. Negotiations shifted from direct cooperation between outposts towards cooperation between superior “ranks”. At this level the loss of confidence that had occurred at the outpost level was compensated.

The Trust Game allows players to test the limits of confidence: imperative funding and imperative requirements, from being absolute categories are now negotiable.

3.4.3 *The Endless Game*

Negotiations on an adequate block appropriation were characterised by a use of language that

suggests linearity (“adopted” budgets, “completed” financial years). A look at negotiation structures, however, suggests a circular process that is functional precisely because it has no end (cf. also Peters, 2000). This can be reconstructed from the correspondence on the lump-sum allocation system as follows.

The official document that announced the introduction of uniform block appropriations ended by noting that special arrangements were conceivable if imposed by structures and circumstances completely different from those of the Berlin districts. The Department argued on the basis of these conditions. The game thus went into the second round.

It was now not clear whether and to what extent the Department would be able to satisfy the conditions in the eyes of the Ministry. The Department submitted a well-founded assessment of demand.

In the third round of the game the Ministry refused to recognise this assessment. The Ministry managed to impose its proposal to wait until the end of the first year for the special payment when it would be apparent whether the personnel structure had indeed produced a deficit.

The fourth round in the budget game now began: the promise of supplementary payments at the end of the year could be interpreted in more than one way. The Department demanded a clear undertaking. Following an exchange of letters and meetings at the executive level, this clear undertaking was given.

The fifth round began with the annual accounts. No special costs had accrued and therefore did not have to be covered. However, in view of the good results for the year, further negotiations on personnel cost assessment were postponed by the Ministry until the following years.

In negotiations on the allocation of public funds, a mutual willingness to cooperate is maintained by keeping negotiations open. With the help of a concatenation of temporary decisions, controversial issues are postponed and watered down. Negotiations on taking account of the Department's special personnel payments in block funding remained open. Neither a winner is proclaimed nor the end of the game declared.

The *Endless Game* was used by minimalist suppliers during the introduction of block funding to refer demands for more money to the future and a better budgetary position. In contrast, the maximalist demanders gained room for manoeuvre by referring to past financial commitments that should, in their view, be implemented in the future.

3.5 The Reform Game

In sum, the game is about the art of gaining and holding as many resources as possible (in the form of money) to establish scope for action. The introduction of block funding affected some of the budgeting rules:

1. Annual budgeting as a constitutive rule in the budget game no longer guaranteed financing for an authority for a year but only provided an advance, the final amount of which was to be negotiated at the end of the year on the basis of actual and substantiated expenditures. Profits and losses are not, as postulated in the block funding model, “permissible” and in the responsibility of the authorities. It was a matter of constitutive consolidation: if a surplus was suddenly earned it was skimmed off, if a deficit threatened a budget freeze was imposed to prevent it.

Through this form of crisis management, the rule *One Round Takes a Year* was not only a constitutive but also a strategic rule:

2. To allow them to control their own budgets under such restrictive financial conditions, the authorities prepared themselves to bundle in the brief periods when their budgets were at their disposal what they had been used to spreading throughout the year. The *Be Prepared and Take Your Chance* rule makes specific points in time in the course of the year rather than the financial year relevant for budgeting.

3. The strategic instrument *Look Back With Foresight* is developing into a constitutive rule: a new form of budget control has been arising from the documentation and standardisation of monthly payroll payments in accordance with economic criteria. The development of in the broadest sense internal controlling was and is influencing the perception and organisation of how public funds are distributed. The individual authorities have become subject to such economic monitoring.

4. The strategic utilisation of *Room for Manoeuvre and Overt Reserves* was stirred up anew by the fact that managerial cost accounting made previously non-formalised areas describable, and, vice versa, lessened the importance of previously formalised areas. The game of hide and seek thus gained a new dynamic.

Block funding not only produced a completely new form of budgeting; it also changed the traditional game of seeking to win and keep as many (financial) resources as possible through new rules and ways of handling rules. A strategic instrument thus developed into a basic rule and a basic rule became a strategic rule.

Wittgenstein ([1956]1989) says: “Whoever describes with a rule ... does not foresee the application that he will choose in a specific case of the rule.” The relevance of the rule concept, as it is outlined here, lies in its situational and contextual effects.²¹ The rules are not understood and used as external criteria. For an analysis of the *implementation* of reforms in budgeting practices the rule concept merges the substance of the law with well-tried traditions of interpretation, with the exercise of statutory discretion and the changing cultural contexts of interpretation. The basic rule *One Round Takes a Year*, for example, is often violated without provoking sanctions. If, for instance, elections take place in Berlin in autumn and the new government is not in a position to pass the budget before the coming March, this is a legitimate justification for ignoring the rule. And this is not a rare occurrence (cf. Zahradnik, 1997).

The criterion governing the use and interpretation of the rules described above is the production of legitimacy. Providing public testimony on profits and losses means having to prove that the taxpayers’ money has not been wasted (in the event of a loss), but also that the government is not guilty of failing to render necessary assistance (in the case of a surplus) (cf. Peters, 2000). The art of budgeting investigated in this article is the art of players convincingly underpinning the legitimacy of their positions of negotiating by creatively handling existing rules, either by reproducing, modifying, maintaining or dropping them.

4. Conclusion

In this paper, the game metaphor has been applied in describing budgeting processes as administrative work. As a descriptive and analytical format, the game shows how social change is generated on the stage of intra-administrative negotiation. In a close meshing of

²¹ This rule concept refers to Wittgenstein’s deliberations ([1956]1989) and the ethnomethodological debate on the rule concept (cf. Bogen, 1993; Coulter, 1995; Lynch, 1992).

ritual, strategic and constitutive rules, each player pursues the goal of gaining or retaining the greatest possible scope for action. For this purpose all the rules that help the player to legitimise his or her own position are demonstratively used. A budgetary reform provides a number of new game resources: resources that are woven in as the legitimation of strategic interests (*Room for Manoeuvre or Overt Resources*), which make it possible to use existing rules differently (*One Round Takes a Year*), which are continued in new rules (*Be Prepared and Take Your Chance*), which create new rules (*Look Back with Foresight*), and which do not affect certain parts of intra-administrative negotiations at all (*Red or Black, Same or Different, Role-Game*).

This observation of budgeting and reform as a practical administrative game show the structural differences between the negotiating processes in 1995 and 1997. The changes that occurred have not resulted in a major breach or profound uncertainty, but take effect in various modifications of activities, rather insignificant in themselves, which were largely not envisaged by the reform models. This finding is not very surprising, when one considers the widespread preconception about ubiquitous resistance to change in (German) public administration. However, it goes beyond mere confirmation of this prejudice. The empirical analysis level chosen showed *firstly* the specific complexity of reform projects, the micro-structural changes in the practical administrative activities and the rules of the game to which it gives rise. No reform model can encompass this complexity so completely that it can determine in advance what direction has to be taken in the established modes of playing to attain the goals set. *Secondly*, the analysis of such processes of change shows what multi-layered practical rules the budgeting process obeys. From this point of view, legislative changes constitute only a setting, not an administrative reform. Only when the actors concerned make it part of the games they play and thus of local budgeting as intra-administrative negotiation does it take specific effect. In the context of an analytical understanding, the practice of budgeting as intra-administrative negotiation shows that this activity is conceptualised as a continuing game, as concrete social performance. It consists principally in interpreting flexibly couched sets of figures in such a way as to produce a budget that is designed to be temporary and can find public approbation. The specific case study thus produces the following general results:

1. The budgeting game can capture what remains in the way of “unintended consequences” after results have been balanced against the original reform models as surrogate for changes not described.

2. What remains an operational black box when analysis of reform concentrates on the political components of budgeting (Olsen, 1970; Czarniawska-Joerges & Jacobsson, 1989; Brunsson & Olsen, 1993; Brunsson, 1989) can be reconstructed through the empirical analysis of administrative games as central components of explicit and strategic change.

3. According to this study, insight into the constitutive structural level of administration is essential in understanding how reforms attain social reality. Legislation, the discretionary powers it grants, well-trying traditions of negotiation, modes of calculating, the status of technology, and how sudden disturbances are handled feed into the specific changes by which reforms are accomplished.

4. This approach, described above as praxeological, allows the view of reform to be contradicted that, concentrating on the symbolic performance of budgeting, sees the budgeting process as merely reflecting changes discussed in other areas (Czarniawska-Joerges & Jacobsson, 1989, p. 31). Examination of intra-administrative negotiating structures has sharpened the focus on the question of where the potential for social change in budgeting is localised.

5. A distinction must accordingly be drawn between, on the one hand, inventing and imposing reform projects in political arenas, and, on the other, mobilising resources and giving shape to the reform at the administrative level. As negotiations between the Department and the Ministry in the case study show, it is not useful to examine the budgeting process in isolation from specific administrative interests. It is part of all negotiation about scope

for action, which always seems to take monetary form. Although the significance of intra-administrative negotiations for the shaping of budgetary reforms has long been no secret, it is repeatedly a blind spot in scholarly description.

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