

Applying Pragmatism to Public Budgeting and Financial Management

John R. Bartle
David Scott Diamond Professor of Public Affairs
Director, School of Public Administration
University of Nebraska - Omaha
Omaha, Nebraska
jbartle@unomaha.edu

Patricia Shields, Professor
Department of Political Science
Texas State University
San Marcos, Texas 78666
ps07@txstate.edu

Association for Budgeting and Financial Management conference
October 24, 2008
Chicago, Illinois

Applying Pragmatism to Public Budgeting and Financial Management

Abstract

Pragmatism is a philosophy that emphasizes learning through action and building a knowledge base from experience and reflection. It is a potentially compelling approach for public budgeting and financial management. The largely normative theories of public finance, public financial management and public budgeting are examined and critiqued. We do not seek to abandon these valuable contributions to practice, however they often fail to describe and explain the practices of the field. In some cases, the norms prescribed may not be shared by government officials and citizens, and thus the management or policy prescription become unhelpful. We believe theory should guide practice, but theory must also be informed by practice. We seek to establish a better basis to understand the structure and evolution of government budgeting and finance, and to help practitioners face difficult situations that call for workable solutions.

The classical pragmatism of Charles Sanders Peirce, John Dewey, William James, Oliver Wendell Holmes, Jr. and Jane Addams is presented and applied to the theories of public finance, budgeting and financial management. Pragmatism focuses on inquiry and the problematic situation. Theories are viewed as tools to resolve the problematic situation. And, just as there are often many tools used to approach a problematic situation, there are many theories that, like tools or maps, are judged by their usefulness. This orientation makes sense for financial management because like all managers, they are focused on solutions to problems and cannot be wedded to academic theories to guide their action when the elected officials and citizens they serve need a solution.

Applying Pragmatism to Public Budgeting and Financial Management

Making the fiscal system work is, after all, a large part of making democracy function.
(Musgrave and Musgrave, 1973, xiv)

I. Introduction

Pragmatism is a philosophy that emphasizes learning through action and building a knowledge base from experience and reflection. It is a potentially compelling approach to public administration generally, and public budgeting and financial management specifically (Shields, 2008). The approach is consistent with Musgrave and Musgrave's (1973) insight about the nature and purpose of public finance. This potential needs to be explored and its implications articulated.

Numerous theories have been applied to public finance, public budgeting and public financial management. As a philosophy, pragmatism is an overarching construct under which any theory can fit. A practitioner can "test" a theory to see if it is useful in resolving their problem, but if it is not, they can move on to use another theory. Whether a theory is true or false as a matter of epistemology is generally not the concern of a manager, rather the question is, is it useful or not in guiding action? Managers in one place may operate productively under the guidance of one theory, while those in another may follow a different theory. Thus pragmatism is a broader explanation of the local relevance of different theories.¹

II. A Brief Critique of Existing Theories

The dominant theories of public finance² (PF) and public financial management (PFM) are largely normative. They focus on prescription drawing from certain sets of values and serve as models of practice. Existing theories are also ahistorical and generally do not take into account change over time. The historical development of government budgets and financial practices in the U.S., however, runs contrary to many of the prescriptions of these normative theories. The dominant theory of PF is also divorced from considerations of tax administration. Of course in practice, a fiscal policy must be administratively feasible to be implemented, and this includes the administration of the policy.

Theories of public budgeting (PB) are more diverse, but many also focus on values or theories drawn from several disciplines. In addition budgeting has been influenced by reform efforts in government, which have then spurred budget reforms. By their nature, these reforms are normative and idealistic, rather than descriptive. Historically, budget reform has spawned a set of budgetary methods that are employed in varying degrees in governments.

¹ Specifically, we are referring to the classical pragmatism of John Dewey, William James, Charles Sanders Peirce and Jane Addams. We are not referring to neo-pragmatism of Richard Rorty. For an extended discussion of the difference between these versions of pragmatism and their application to public administration see Shields (2003, 2004, 2005) and Miller (2004, 2005).

² By "public finance" we mean the economic approach to the study of public sector revenue and expenditure policies.

We do not seek to abandon these valuable contributions to practice, however they often fail to describe and explain the practices of the field. In some cases, the norms prescribed may not be shared by government officials and citizens, and thus the management or policy prescription become unhelpful. We believe theory should guide practice, but theory must also be informed by practice. We seek to establish a better basis to understand the structure and evolution of government budgeting and finance, and to help practitioners face difficult situations that call for workable solutions.

A. Public Finance Theory

Arguably the most influential book of the 20th century in the area of public budgeting and finance was Richard Musgrave's *The Theory of Public Finance*. Musgrave's (1959) approach was largely normative, and explicitly so. Economic efficiency and equity were his core principles. His view of equity was somewhat paternalistic; for instance he argued that merit goods were a meaningful concept and that the state should promote the consumption of these worthy goods. His classic three branches of a fiscal department (allocation, distribution, and stabilization) are not a description of any government organization, but rather a framework of what, in his mind, a good government should do. The task of each branch attempts to serve the normative goals of efficiency, equity and stable economic growth. Therefore his approach is largely normative. Undoubtedly many practitioners were helped by his approach, as it provided a balance for two compelling social values. It is, however, a rather single-minded view of government. As Buchanan has pointed out, it idealizes a unified government with strong leadership. Where power is more diffuse, the logic of fiscal policy and institutions is likely to be less coherent.

While current texts have different emphases and many stress equity less than Musgrave, the concept of economic efficiency is still dominant in most all PF texts.³ For example, Anderson (2003, 4) cites some key questions of PF: "What role should the government play in the economy relative to markets? What services should the government provide and how should those services be financed?" Notice the use of the word "should," implying a normative approach and central control. He also declares that, "in public finance our objective is to advance the goals of economic efficiency and equity through the appropriate design of public sector programs and financing" (p. 6). Such a model is a useful guide to develop a set of "best practices" that governments should consider. But as anyone who has seen the making of tax and budgetary policy knows, broad social values often give way to the power of interest groups, citizens' concerns, and administrative reality. What are fiscal officials to do when best practices are not politically acceptable, or in conflict with other powerful interests?

These texts often use the assumptions of neo-classical economics to ask questions about how to enhance efficiency. It needs to be emphasized that efficiency is a normative value. While some PF texts rigorously "prove" certain "optimal" policies, this does not necessarily make the approach acceptable or even feasible. Of course that is not necessarily the goal of such theories; scientific advancement and application of theory is the main purpose.

Public choice theory is an interesting mixture of positive and normative theory. Many public choice inquiries (see Mueller (2003), for example) posit certain assumptions, and then seek to predict relationships and outcomes. They are sometimes normative when they use their derivations to make a case for a certain preferred policy prescriptions, such as limits on taxes or restrictions on bureaucratic

³ See for example Rosen (1995), Ulbrich (2003), Gruber (2005) and Fisher (2007)

behavior. They are sometimes positive when they examine institutional arrangements and seek to examine their effects, either by the use of logic or with evidence.

James Buchanan described the genesis of public choice theory as a specification of Constitutional and other rules for making fiscal choices, as well as an investigation of their consequences, in the tradition of the original designers of the U.S. Constitution. He also argued that his constitutionalist approach was more consistent with American values:

“I think there is a fundamental difference between American and European attitudes ... on constitutional structure.... Americans have a sense that constitutions are needed to constrain politicians. You [Europeans] don't really have that tradition, and in the sense that it is the fundamental break between Richard Musgrave's position and mine. He trusts politicians; we distrust politicians” (Buchanan and Musgrave, 2001, p. 88)

Public choice denies the viewpoint that government is a “benevolent despot” that will act to correct market failures and make distributional judgments in an even-handed way. From this perspective, one “ceases to see government as standing apart from the economy adjusting, correcting, and fine-tuning the economy. Rather, one sees it as being thoroughly enmeshed in the economy” (Levy, 1995, p. 95). It is argued that this is a better way to understand why certain government policies exist.

Some elements of public choice theory have real practical merit to the practitioner, such as voting models, agenda control, rent seeking, principal-agent relationships, and explaining government growth models. Right or wrong, it also presents an alternative worldview that may be consistent with the perspective of some actors, and therefore can be relevant. Casual evidence, such as the popularity of tax and expenditure limitations, suggests that the beliefs of many voters and elected officials are roughly consistent with public choice theory. Nevertheless, public choice is heavily burdened by its strong assumptions about human behavior and the assumptions of synoptic rationality and self interest.

The normative frameworks of PF focus on efficiency, equity and economic growth but often do not support an experimental or explanatory approach to addressing public finance problems. There is a disconnection between the theories we claim are at our root and how we approach practice. Further, their utility to practitioners is likely to be limited because the solutions arrived at in this approach often seem divorced from the problems they face.

B. Public Financial Management Theory

The public financial management (PFM) theories of tax and expenditure policy or administration also tend to be normative, although the norms are different than the PF literature. The dominant “best practices” framework is based on values such as managerial control, legal compliance, and implementation of accounting standards (Bartle and Ma 2004). This explains in part the divergence between PF and PFM textbooks as the normative basis of the two approaches draws from different values. The different approaches of the disciplines therefore create a theoretical divergence between policy and management that does not exist in practice. Making policy and carrying it out are not as separate in practice as they are in theory.

For example, Coe's (1989, 5) textbook "is written to give students the financial management skills and analytical techniques they will need on the job." In the chapter on accounting he asserts, "A well-designed and well-managed accounting system also helps to ensure proper stewardship over public funds" (p. 6). Similarly, Mikesell's (2007) text is oriented to giving students the skills needed to work as fiscal analysts. It does survey current practices and identifies its differences from best practice. Reed and Swain's book has a more pragmatic focus, as it defines PFM as a technical field, that is, one concerned with "how things are done with money" (Reed and Swain, 1997, 2). It focuses more on legal constraints, politics, financial concepts, and public organizations more broadly.

While some scholarship in this area is more based on the study of practice (debt management, purchasing, and pensions), much of PFM is focused on best practice which may or may not be feasible or common for practitioners. There is room to improve our understanding of PFM by studying how practice has developed over time and why there is variation among governments.

C. Budgeting

Budgeting theory is more heterogeneous, as different theories have been applied and have been shown to have some merit. Two recent books (Bartle, 2001; Khan and Hildreth 2002) review some of these theories, including: incrementalism, Rubin's real time budgeting, the organizational process model, Niskanen's "greedy bureaucrat" model, the median voter model, principal agent model, transaction cost theory, interpretive theory, post-modernism, punctuated equilibrium, portfolio theory, and others. This broad range of theories suggests the pluralism in this area. This is healthy and perhaps helpful for the practitioner as different theories are accessible for consideration and experimentation.

Alan Schick's very influential 1966 article, "The Road to PBB: The Stages of Budget Reform," established a periodicization of American (mostly federal) budgeting and the associated orientations of budgeting:

- Control, ranging from 1920-1935, and focused on financial control to secure funds,
- Management, from the New Deal until the 1960's, focused on using financial resources to meet the goals of the organization and
- Planning, beginning in the Kennedy-Johnson administration, and focused on optimizing resource use in pursuit of policy goals.

Others have identified different orientations since then. But earlier (1930) Mabel Walker, identified four other periods of American municipal budgeting⁴:

- Honesty: Employing the budget as a means to combat corruption (1840-1900),
- Economy: "the attitude was to keep the tax rate down regardless" (Walker, 1930, p. 13),
- Efficiency: "the taxpayer gets full value received for every dollar expended by the city" (Ibid), and
- Proportion: "balance in the administration of the city's affairs" so that different pressures and interests are satisfied as well as possible (Ibid, p. 14).

Taken together she identified these four standards of ideal fiscal administration: "honesty, economy, efficiency, and proportion" (p. 15).

⁴ She did not specify the time periods corresponding to the second through fourth periods.

Whether Schick or Walker correctly identified these periods is not the issue here. The seven values they identified are all salient ones in budgeting, and not just in the U.S. In the words of Charles Beard, “budget reform bears the imprint of the age in which it originated” (cited in Schick, 1966). Their popularity during different time periods indicates that they were temporal solutions to the problems of the day. Certainly not all governments embraced these reforms, but practitioners learn from their neighbors as well as their experience. An answer that worked for a neighboring government is likely to be worth a try. Thus solutions spread and are adopted if they solve the problem facing the practitioner. The findings of the policy diffusion literature are consistent with this.

Many PF and PFM practical problems are considered within a deliberative framework. Our theories do not explicitly take this into account. Public financial managers consider budgets and tax policy within a larger deliberative framework that includes staff meetings public meetings, voting by city councils, state legislatures, school boards or congress. If as Musgrave and Musgrave suggest, fiscal systems are a “large part of making democracy function” PF & PFM could use a philosophical perspective that incorporated democracy in its many forms (participatory or representative). Thus an overarching theoretical perspective that is problem oriented, pluralistic, democratic, provisional and tied to a legal and Constitutional framework would be a valuable addition to Public Finance and Public Financial Management. The classical pragmatism of Pierce, Holmes, James, Dewey and Addams offers this perspective.

III. Pragmatism

In the “Criteria of Action” chapter in *The Administrative State*, Dwight Waldo linked public administration to pragmatism. He notes that pragmatism “as a body of literature cannot be compressed and reconciled in short space” (Waldo, 1948, 83).⁵ To make sense of pragmatism, it is useful to begin with inquiry and its role in resolving problematic situations. Pragmatism uses a problematic situation as a starting point for inquiry. Pragmatic inquiry incorporates a scientific approach and broad participation. Ultimately, problematic situations are resolved through action. Hence, it is well suited for the dynamic, decision filled world of public budgeting and financial management.

In addition, pragmatism emphasizes learning through doing and making. Although financial management is a process, it is filled with deadlines and products (sources of problematic situations) such as budget documents, financial statements and revenue estimates. Financial managers do and make these documents. Theory is important because it can guide the doing and making. It can also be used to make sense of the results or consequences of these actions. Theory does not represent truth rather it is a guide to action and a prism to interpret consequences.

⁵ He went on to attempt at least a sketchy description “But we are on safe ground to say that pragmatism is a protest against rationalism, against a priori methods of thought, and habits of mind. Its test of truth is usually considered to be chiefly ‘workability’ or ‘cash value’; an idea is true if it ‘works,’ if it has desirable effects when tried, it places emphasis on experience, and is hence characterized by empiricism. Intelligent use of experience in testing for truth is an experiment; so ‘experiment’ is a term frequently found in pragmatic writings, Since the truth of an idea is determined by (or is) what it does, it is in some sense an instrument. Impatience with the ‘abstract’ or ‘theoretical,’ and use of such terms as scientific, experience, empirical, practicability, experiment – these characterize the pragmatic temper.” (Waldo, 1948, 83)

Classical pragmatism is also a philosophy that focuses on the tools that facilitate doing and making, which resolve problematic situations. Pragmatism approaches the problematic situation using an experimental approach to inquiry. Action is placed within a broad experimental context. Did the action (akin to stimulus) result in the expected outcome? Action guided by an experimental logic resolve the problematic situation. Then, the action is evaluated in light of consequences. Various theories of PB, PF and PFM may be used by a practitioner. As long as theories are useful, they serve to order the information an actor receives and guide their resolution of problematic situations. Other actors may use other theories, which present a challenge in communicating and resolving a problem. There is no reason to believe that any particular theory will be relevant in any case.

A. Charles Sanders Peirce

Charles Sanders Peirce originally conceived of pragmatism as a philosophy of science with a logic of inquiry at its center. He introduced the early concepts of pragmatism in “The Fixation of Belief,” an 1877 article written for *Popular Science Monthly*.⁶ In “Fixation,” Peirce (1955a) defines inquiry. He begins by criticizing ways of thinking which ‘fixate’ belief systems; thus making them impervious to fresh evidence. Peirce draws a distinction between doubt and belief and the impact each has on action.

“Doubt is an uneasy and dissatisfied state from which we struggle to free ourselves and pass into the state of belief; while the latter is calm and satisfactory state.... The irritation of doubt causes a struggle to attain a state of belief. I shall term this struggle *Inquiry*” (p. 10).

Inquiry using the methods of science is the best way to “satisfy our doubts” (p. 18). Peirce conceived of two states – doubt and belief. When belief states exist, habits of mind provide stimulus for action. When belief/habits are disturbed, a problematic situation emerges. The problematic situation is resolved through inquiry. The process of resolution can result in new belief systems and new habits. One might speculate that accepted budgeting and financial management practices used by state and local government such as accounting systems, budgeting practices, and performance budgeting, are the manifestations of organizational belief systems or habits that make the system work. Inquiry and the problematic situation arise when the standard operating procedures of a practice break down and a search for new financial tools to resolve the problem begins.

To Peirce the scientific method represents the opposite of individualism. “What distinguishes it from all other methods of inquiry is its cooperative or public character” (Buchler, 1955: x). The classic example of the three blind men trying to describe an elephant is illustrative. Each describes the elephant from his own limited perspective (small tail, big ears, etc.). The story’s moral is that we are all trapped inside our limited selves, and can not know the truth. If, however, we allow the three blind men to talk to each other, to compare perspectives, to argue, to test new hypotheses, to behave like a community of scientific investigators it is possible to imagine that the blind men will eventually overcome their limited perspectives and come to a truer sense of the elephant. In the same way, a budget director, agency head, and accounting director may all see a problem from different perspectives drawing from their theoretical frameworks. Until they approach a problem using a cooperative method of inquiry, they are likely to “talk

⁶ From a public administration perspective, what is also interesting about Peirce, is his thirty year employment with the US government as a physicist, astronomer, inventor and occasionally, an administrator. He worked at the United States Coast and Geodetic Survey, currently the National Geodetic Survey (Dracup, 1995).

past” each other and not be able to reach a consensus to resolve the problem. Instead the problem remains unresolved, or one imposes their view on the others.

Peirce (1955b) also argued ideas have clear meaning when applied – that is in their effect or consequences. For example, a temperature of 90 degrees is hot if one is playing football. It is cool if one is drinking tea. Apart from the context and practical consequences terms like hot cool and 90 degrees have little meaning. Using this logic both guiding norms and theories of PF and PFM should be considered in context and by their effects or consequences.

B. John Dewey

Dewey extended Peirce's scientific logic of inquiry to practical reasoning and social problems. The struggle to see the elephant becomes the struggle to *use* the elephant in everyday life. Hence, unlike earlier philosophers such as Plato, Aristotle, Descartes, and Kant, Dewey's real interest is *not* truth rather the social grounds of belief. He (1938:14) used “warranted assertability” as the test for the social grounds of belief.⁷ The methods of science retain their centrality but the focus of science is no longer the “discovery of nature's eternal laws.” Rather, emphasis shifts “to the formulation of theories motivated by the desire of human beings to predict and control their natural and social environment” (Posner, 1995: 390).

Dewey’s philosophy presupposes a “specific theory of self and community... for Dewey social institutions are better understood as *experiments in cooperation* ... rather than as embodying some timeless order. Human development requires cooperation” (Seigfried, 1996; 92) (*italics added*). Hence, Dewey emphasized the role of community in inquiry. “An inquirer in a given special field appeals to the *experiences of the community* of his fellow workers for confirmation and correction of his results” (Dewey, 1938; 490) (*italics added*).

John Dewey and Jane Addams use this focus on the community (in inquiry) to develop a rich theory of participatory democracy. The notion of democracy usually alludes to ideas of representation and voting. Participatory democracy falls outside this schema and is conceptualized as a way to communicate and cooperate. It is an ongoing daily process – a way of life. It is “the day by day working together with others. Democracy is the belief that even when needs and ends or consequences are different for each individual, the habit of amicable cooperation – which may include, as in sport, rivalry and competition – is a priceless addition to life” (Dewey, 1938/1998).⁸

Dewey and Addams’ inclusive organic conception of democracy can be applied as financial officers work with each other, across organizational boundaries, and with the public. It is helpful because it places the “public” front and center – something missing from most theories of PF & PFM. Returning to Musgrave and Musgrave’s insight, Dewey and Addams show us a way to link the “working fiscal system” with a “functioning democracy.”⁹

⁷ Dewey (1938: iii) acknowledged Peirce’s influence in the Preface of *Logic*.

⁸ For an extensive discussion of Dewey’s notion of democracy and how it can be used as a source of objectivity in public administration see Hildebrand (2008).

⁹ For an extensive discussion of Jane Addams’ notion of democracy see Addams (1902) and Shields (2006).

C. Oliver Wendell Holmes Jr.

As mentioned earlier, PFM emphasizes legal compliance and implementation of accounting standards. Further, Buchanan links PF theory to a constitutional framework. The contribution of another founder of classical pragmatism, Supreme Court Justice Oliver Wendell Holmes Jr. also demonstrates the applicability of classical pragmatism to the legal nature of PF, PB and PFM theory and practice.

In his most famous passage of the *Common Law*, Holmes asserts, “the life of the law is not logic: it has been experience” (p. 1). He believed the method of solving legal problems (finding an established rule and applying it logically to the facts) “was not as certain as the formal statement of rules and facts in judicial opinion, nor as the statement of rules in treatise or the statute book made it appear” (Patterson, 1953, p.467). Holmes emphasized the distinction between the law that “is” and that “ought to be.” He believed that when laws (what ought to be) are implemented they are changed. When social conditions change or new values emerge, courts are asked to interpret and change the boundaries of the law. This is the boundary a practicing financial officer must navigate as they implement tax, expenditure, auditing and accounting principles. This logic applies to the multitude of rules, regulations and standards confronting public sector fiscal management.

D. Focus on the practitioner

Many academic theories of budgeting and finance attempt to generalize about the processes and outcomes in the field, but do not focus on understanding the day-to-day tasks and motivations of practitioners. While academics spend lots of time arguing about theories and methodology, practicing financial managers are often stuck with the messy jobs of producing budgets or changing tax codes. Academic theories struggle to provide a framework that incorporates practitioner experience or helps practitioners keep an eye on the big picture while navigating the narrow, day-to-day world. Classical pragmatism provides a strategy that can help financial managers recognize and resolve problematic situations as they go about the practical day-to-day business of implementing programs, preparing financial reports, balancing budgets, and considering revenue options. It does this in a context that encourages democracy, and recognizes the web of networks that enrich and complicate their world, thus the emphasis on the community of inquiry is more appropriate than a single theory.

As a practicing financial manager looks at the action-oriented, adaptable and ever-fluctuating environment described by classical pragmatism he knows this is his world. “It is a complex world not amenable to understanding much less conquest, by any one formula or singular approach; but rather where old arsenals quickly rust... In this world the most consistent success arise from the application of robust beliefs and techniques inaugurated at the three-way intersection of ... experience, common sense and hard-nosed science (Brom and Shields, 2006, 312).¹⁰ It is based on the history and cultural setting of each manager because it sets the context of what is possible, and therefore relevant to be considered. Therefore different experiences in different places are likely to lead to different understandings of what theory is workable.

¹⁰ The basis of this assertion is largely intuition rising from experience. “This is not enough to form belief, but enough to meet the pragmatic threshold for initiating an exploratory inquiry. (Brom and Shields, 2006, 312).

John Winfrey (1998) outlines a similar approach to public policy that he calls a pluralistic approach to social ethics. While he acknowledges the relevance of several philosophical approaches to ethics, he argues that,

“those theories that attempt to derive all rules from a single, fundamental principle are unsuccessful.... We have argued that the relative weights given to each moral principle may change according to the situation. Thus our approach must be *pluralistic* in the sense that no one ordering of principles is available. Similarly, it must be *intuitionist* in the sense that, when no strict ordering is available, one must use her or his own considered judgment. ... Although no set weights can be assigned to moral principles, our judgments as to how they should be balanced in various situations become better informed with experience. (Winfrey, 1998, p. 3 and p. 16, emphasis original).

His book then parallels the effort of this article, as it attempts to provide an approach to the resolution of contentious policy issues in a society where values diverge. Similarly, we believe that different perspectives that have served to organize action, research and learning in this field need to embrace the intuitionist and experience-based approach.

E. Theory, Practice and Product

Dewey turns the Greek way of knowing on its head to demonstrate the practical nature of science as well as the intimate connection between practice and scientific inquiry. The Greeks classified ways of knowing using the terms *theoras*, *praxis* and *poiesis*. *Theoras* (or theory) is derived from the Greek word for god (Hickman, 1990, 108). Theory dealt with the divine and the ‘fixed essence’ of nature. Foundational notions of knowledge are derived from this tradition (Hickman 1990, 83). *Praxis* (or practice) indicated the concrete deliberative exercise of an art or science. *Poiesis* (or product) is associated with productive activities (Shields 1998).

The hierarchy of Greek social organizations reflected the privileging of *theoras* vis-à-vis *praxis* or *poiesis* (Hickman, 1990, 109). The esteemed philosopher engaged in *contemplation* (finding truth in theory), the artisan (architect, ship designer, sculptor – budget process designer) engaged in *making*, the craftsman (carpenter, stone cutter, accountant, budget officer) engaged in *doing*. This philosophic formulation, reinforced by Greek social structure, created a “division between practice and theory, experience and reason” (Dewey 1938, 73).” According to Dewey (1938) science and experimentation, which necessarily involved making and doing, was not valued in Greek society. Because the social structure devalued doing and making, Greek society placed little value on scientific discovery.¹¹

Perhaps more importantly, the worlds of practice and production were devalued. The devaluing of practice and particularly production underlies common dualism such as theory/practice; academic/practitioner, policy/administration. From this ancient perspective, practice and practitioner (financial managers) are worth-less. Dewey argued that the privileging of theory placed roadblocks in scientific discovery and inquiry generally. His important insight about science is that it inverted the ancient hierarchy. Theory no longer had to deal with final certainty but instead became a tool of scientific investigation propelled by the interactions between practice and production. As a tool, theory was valued

¹¹ Not surprisingly, Greek society was not known for scientific innovation.

for its practical consequences. And, just as there are often many tools used to approach a problematic situation, there are many theories that, like tools or maps, are judged by their usefulness (Hickman 1990, 99). This orientation makes sense for financial management because like all managers, they are focused on solutions to problems and cannot be wedded to academic theories to guide their action when the elected officials and citizens they serve need a solution to a problematic situation. Theory is a tool, not an ideology.”¹²

F. Hotel Corridor

William James (1907, 54) uses a hotel corridor metaphor to illustrate how pragmatism’s pluralistic (inter/multidisciplinary) orientation connects to the problematic situation. Consider a patient with back pain (problematic situation). The patient walks the corridor owning the pain. The hotel rooms represent different paradigms such as chiropractic, orthopedic, physical therapy, acupuncture as well as different ways to diagnose and treat the pain. The person with the back problem knows when relief occurs. The ultimate test of the value of an approach to the treatment of a back problem is practical – the relief of pain.

In the case of financial management, the practicing financial manager owns the problem as he travels a hotel corridor looking for ways to reach resolution. Theories from economics, operations research, organization theory, accounting etc. are found within rooms connected to the corridor. All the rooms open out to it and all the rooms can be entered. The problematic situation brings him to the corridor and gives him the right to move freely from room to room. The theories inside the rooms are judged by their usefulness in addressing the problem. The tools of theory and methods found in the rooms are combined and tested using practical outcomes as criterion of truth.

Thus pragmatism views theories as practical tools that can be drawn from a pluralistic tool box. Further, the problematic situation as a starting point is easily applicable to the complex nature of the PFM field. For example, public financial management problems transcend scale (small city, state agency, Department of Defense). Problems can also be either concrete or abstract.¹³ These theoretical tools may need to be drawn from existing theories or fashioned on the spot. The value of pragmatism is that it helps practitioners recognize that new better conceptualization is necessary. It also encourages them to find or develop the needed tools.

Dewey distinguishes between abstract and concrete thinking. He notes that each are useful in resolving the problematic situation. The issue here is that the practicing financial manager’s thoughts must be tethered to the post of use (problematic situation). But if the tether is too short (too concrete) it is quite difficult to really see creative ways to resolve the problem. There is an inability to move back and forth between the big and little picture. Theory enables the practitioner to lengthen the tether and bring more critical thinking skills to the problematic situation.

Using pragmatic logic, one would not expect a unifying theory of public budgeting and financial management. Rather, the field is organized around the principle that theories are useful and should be judged by their usefulness in resolving problems. Unity is achieved because the pragmatic financial manager owns the corridor and understands how to use and combine the tools in the rooms as they address small, large or wicked problems. Across the community of practitioners, there is sharing of

¹² For an extensive discussion of pragmatism as a philosophy of science for public administration see Shields (1998).

¹³ The recognition of the need to find a new theory is an example of an abstract problematic situation.

information to see what others are doing and “what works.” However each manager needs to adapt other solutions to their own administrative situation, and to indigenous beliefs, customs, and practices.

IV. Assessment

Pragmatism is not new to this field; it is over 130 years old. In 1926 book, *Municipal Finance*, A. E. Buck wrote, “The approach is from the pragmatic point of view, emphasis being placed on practical and efficient financial administration. The method of treatment is empirical; theory is reduced to a minimum. The criteria used are based on experience and practice” (p. v). In 1930, Mabel Walker wrote:

“If a budget clerk were to carefully search through the archives of public finance, economic theory and municipal government, he would find pitifully little to assist him in the all-important question of dividing up the city’s revenues. His adoption of rule-of-thumb devices to tide him past the crucial points is the most that could be reasonably expected... To understand municipal budget making it is necessary to visualize this tremendous pressure that is being exerted from all sides – the pressure of organized interests, of ambitious department heads, of civic groups, of official prejudices, of the political potency of a low tax rate, even of public opinion where not represented by any of the above. The final budget will be the resultant of these forces and not the outcome of a dispassionate evaluation of the various functions. (Walker, 1930, p. 29, pp. 47-48)

She dismisses utility theory from economics as “a pleasing theory but not a practical one for budget makers.” Pragmatism is “cruder and simpler” (Walker, 1930, p. 86)

Coherent, logical theories such as those from economics that are used in public finance are pleasing, as Walker says. A more pluralistic approach that embraces multiple theories is messy. Certainly it should not become a monolithic belief system. However, we believe one primary goal of theorizing in an applied field such as public budgeting and financial management should be to describe and explain what we observe. Existing theories of PF generally fail this task. Theories of PFM have some descriptive and explanatory power, but that power is limited. Theories of PB are multiple and this theoretical dissonance is a reflection of the findings of different research. In this sense it may be healthy.

Some theories of public budgeting and financial management suffer from being too abstract and are imported from other disciplines causing too much separation from the environment. Instead, explanatory theories should draw from the worldviews of practitioners. Multiple frameworks represent the different professions and viewpoints and will shift over time. While some questions are conducive to disciplinary theories, attempts to understand and explain why something happened often require an understanding of locally-held beliefs and relationships. “The pragmatist’s real interest is not in truth at all, but in the social grounds of belief (‘warranted assertibility’). This change in direction does not necessarily make the pragmatist unfriendly to science, but it shifts the emphasis in thinking about science from discovery of nature’s eternal laws to the formulation of theories motivated by the desire of human beings to predict and control their natural and social environment.” (Posner, 1995, p.390)

A pragmatic philosophy of public budgeting and financial management is designed to serve practitioners, not theorists. But if it does so, then it should have empirical validity. Further work needs to articulate the organizing principles of this approach and the means by which we can test for empirical validity. And some coherence is still needed to organize thinking in the field that could easily be overwhelmed by numerous theories. Nevertheless, we think this approach has great promise for the field.

References

- Addams, Jane (1902). *Democracy and Social Ethics*. New York: Macmillan Co.
- Anderson, John E. (2003). *Public Finance: Principles and Policy*. Boston: Houghton Mifflin Co.
- Bartle, John R. (2001). *Evolving Theories of Public Budgeting*. Oxford UK: Elsevier.
- Bartle, John R. and Jun Ma (2004). "Managing Financial Transactions Efficiently: A Transaction Cost Model of Public Financial Management" in Aman Khan and W. Bartley Hildreth (Eds.), *Financial Management Theory in the Public Sector*. Westport CT: Praeger Publishers: 1-23.
- Brom, Robert and Patricia Shields (2006). Classical Pragmatism, the American Experiment and Public Administration. In *Handbook of Organization Theory and Management: The Philosophical Approach*. 2nd edition, edited by Thomas Lynch and Peter Cruise, 301-322. New York: Taylor and Francis.
- Buchanan, James M. and Musgrave, Richard A. (2001). *Public Finance and Public Choice: Two Contrasting Visions of the State*. Cambridge MA: MIT Press.
- Bulcher, Justus Ed. (1955). *Philosophical Writings of Peirce*. New York: Dover Publications.
- Coe, Charles K. (1989). *Public Financial Management*. Englewood Cliffs NJ: Prentice Hall.
- Dewey, J. (1998). Creative democracy: The task before us. In L. Hickman & T. Alexander (eds.), *The essential Dewey: Volume I pragmatism, education, democracy*. (pp.340-344). Bloomington IN: Indiana University Press (first printed in 1938).
- Dewey, J. (1938). *Logic: The theory of inquiry*. New York: Holt, Rinehart and Winston.
- Dewey, J. (1998). "Philosophy and Democracy," in *The Essential Dewey: Volume I Pragmatism, Education, Democracy*. Edited by Larry Hickman and Thomas Alexander. pp.71-78. Bloomington IN: Indiana University Press, first printed 1919.
- Dewey, John. (1998). "Pragmatic America," in *The Essential Dewey: Volume I Pragmatism, Education, Democracy*. Edited by Larry Hickman and Thomas Alexander. pp. 29-31. Bloomington IN: Indiana University Press, 1998, first printed 1922.
- Dracup J. (1995). History of Geodetic Surveying: Part II Following in Hassler's footsteps. *American Congress of Surveying and Mapping Bulletin* (July/August: 15-19).
- Fisher, Ronald C. (2007). *State & Local Public Finance*, third edition. Mason OH: Thomson.
- Gruber, Jonathan, (2005). *Public Finance and Public Policy*. New York: Worth Publishers.
- Hickman, Larry L. (1990). *Dewey's Pragmatic Technology*. Bloomington, IN: Indiana University Press.
- Hildebrand, David L. (2008). Public Administration, as Pragmatic, Democratic and Objective. *Public Administration Review*. 69(2): 222-229.
- Holmes, Oliver Wendell, Jr. (1881). *The Common Law*, Boston: Little Brown.

- James, William. (1907). *Pragmatism: A New Name for Some Old Ways of Thinking*. Cambridge, MA: The Riverside Press.
- Khan, Aman and Hildreth, W. Bartley (2002). *Budget Theory in the Public Sector*. Westport CT: Westwood.
- Levy, John M. (1995). *Essential Microeconomics for Public Policy Analysis*. Westport CT: Praeger Publishers.
- Miller, Hugh. (2004). Why Old Pragmatism Needs an Upgrade. *Administration & Society*, 36(2), 243-249.
- Miller, Hugh. (2005). Residues of Foundationalism in Classical Pragmatism. *Administration & Society*, 37
- Mueller, Dennis C. (2003) *Public Choice III*. New York: Cambridge University Press
- Musgrave, Richard (1959). *The Theory of Public Finance*. New York: McGraw-Hill.
- Musgrave, Richard and Musgrave, Peggy (1973). *Public Finance in Theory and Practice*. New York: McGraw Hill.
- Patterson, Edwin W. (1953). *Jurisprudence: Men and Ideas of the Law*. Brooklyn: The Foundation Press.
- Peirce, Charles Sanders (1955a) The fixation of belief. In Justus Buchler, *Philosophical Writings of Peirce*. Pp. 5-22. New York: Dover Publications, first printed 1877.
- Peirce, Charles Sanders (1955b) How to make our ideas clear. In Justus Buchler, *Philosophical Writings of Peirce*. Pp. 23-41. New York: Dover Publications, first printed 1878.
- Posner, Richard (1995). *Overcoming Law* Cambridge MA: Harvard University Press.
- Rosen, Harvey S. (1995). *Public Finance*. Chicago: Irwin.
- Reed, B.J. and John W. Swain (1997). *Public Finance Administration*, second edition. Thousand Oaks CA: Sage
- Schick, Alan (1966), "The Road to PBB: The Stages of Budget Reform," *Public Administration Review* 26, pp. 243-258.
- Seigfried, C. H. (1996). *Pragmatism and feminism: Reweaving the social fabric*. Chicago: University of Chicago Press.
- Shields, Patricia M. (1996). Pragmatism: Exploring Public Administration's Policy Imprint. *Administration & Society*, 28(4), 390-411.
- Shields, Patricia M. (1998). Pragmatism as Philosophy of Science: a Tool for Public Administration. *Research in Public Administration* 4: 195-226.
- Shields, Patricia M. (2003). The Community of Inquiry: Classical Pragmatism and Public Administration. *Administration & Society*, 35(5), 510-538.

- Shields, Patricia M. (2004). Classical pragmatism: Engaging practitioner experience. *Administration & Society*, 36(3), 351-361.
- Shields, Patricia M. (2005). Classical Pragmatism does Not Need an Upgrade: Lessons for Public Administration. *Administration & Society* 37(4) 504-518.
- Shields, Patricia M. (2006). Democracy and the Social Feminist Ethics of Jane Addams: A Vision for Public Administration. *Administrative Theory & Praxis* 28(3) 418-443.
- Shields, Patricia M. (2008). Rediscovering the Taproot: Is Classical Pragmatism the Route to Renew Public Administration? *Public Administration Review* 68(2) 205-221.
- Ulbrich, Holley (2003). *Public Finance in Theory & Practice*. Mason OH: Thomson.
- Waldo, Dwight (1948). *The Administrative State: A Study of the Political Theory of American Public Administration*, second edition. New York: Holmes Meier Publishers.
- Walker, Mabel L. (1930). *Municipal Expenditures*. Baltimore: The Johns Hopkins Press.