

Budget Module Self-Test

Unit 1: The Evolution of Parliament's Power of the Purse

1. Why did Gladstone say that 'the finance of the country is ultimately associated with the liberties of the country'?

Gladstone went on to say '... If the House of Commons by any possibility lose the power of the control of grants of public money, depend upon it, your very liberty will be worth very little in comparison. That powerful leverage has been what is commonly known as the power of the purse – the control of the House of Commons over public expenditure'.

Essentially, Gladstone was arguing that legislative control over public expenditure - the power of the purse – is an essential safeguard against executive overreach. The power of the purse is formally recognised in most constitutions, and it is hard to imagine how any modern country could be labelled democratic if the legislature does not have the right to approve financial measures. Public spending and taxation decisions have implications for the people (as the current economic problems demonstrate) and, as their immediate representatives, parliaments must oversee the allocation and use of public funds if the allocation of resources meets constituents' demands. Politics is, after all, often described simply as the allocation of resources. The problem in practice is that the *actual* budgetary role or influence of legislatures is marginal in many countries although there are, of course, wide variations in the performance and powers of legislatures in the area of financial scrutiny.

2. Taking your country as an example, how would you describe the development of legislative financial scrutiny over time? What factors have influenced this evolution?

Slow! Unit 1 describes how the basis of the UK Parliament's early development was the requirement for Parliament consent to taxation. However, the principle that no tax could be imposed without Parliament's consent was not established definitively until the seventeenth century; at around the same time the principle of the financial initiative of the crown was also established. Control and expenditure of expenditure lagged behind taxation (established between the 1780s and the 1860s), but the House's ability (or willingness) to debate Estimates meant that they have never been debated in detail. An important development in financial scrutiny was the creation of departmental select committees in 1979. Departmental Select Committees have the role of examining the "expenditure, administration and policy" of each department. Until the nineteenth century, examination of actual expenditure was *ad hoc* until the Public Accounts Committee was set-up in 1861 and the Comptroller and Auditor General and the Exchequer and Audit Department (now the National Audit Office) established in 1866.

It is highly debatable that there was ever a golden age of legislative financial scrutiny, but a key factor that has influenced the relationship between the House of Commons and the Government is the principle, established in the eighteenth and early nineteenth centuries, that Governments must be able to command a majority in the Commons (compare for example the powers and influence of Westminster and Congressional systems). The dominance of political parties and the development of

“party government” is one explanation for the UK Parliament’s inability to exercise its constitutional and procedural powers in the area of financial scrutiny. This may only change when or if Members display greater loyalty to the institution of Parliament rather than to their Party.