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On the locus of justice in the resource allocation of a small city.

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Abstract:
A narrative presenting the development and reforms of the budgetary process and related organisational changes in the city of Gothenburg is subjected to an analysis inspired by Rawls’ Theory of Justice. It is found that the centre of decisions on priorities have shifted over time, but above all it is found that the drive towards ”procedural justice” may provide an approach that will allow more interested parties than the traditional “advocates” and ”guardians” to participate.

Introduction
Managers increasingly find themselves embedded in complex environments. The standard models of managerial decision making assume, beside the usual troublesome assumptions on rationality, that decision making takes place in a clean hierarchical order with a policy making unit at the top. From these heights coherent goal structures are handed down and all the base of the hierarchy has to do is to chose the best alternative among those presented to them. We, as academics, forgetting
our own Byzantine faculty meetings, are quick to condemn the abuse of proper decision making practised by "practical men". But our models are normative. We build them for an ideal world. We assume markets in equilibrium, single-purpose organisations, and abilities to see into the future, and then we are surprised that organisations hold on to mutually contradictory goals at the same time. With a voice trembling with outrage we demand, in the name of de-regulation, that markets be better regulated so that they become more Market-like. When markets fail we blame it on non-market features (like inside information) forgetting that if all participants on a market had the same information, obviously, there would be no trade. The whole point of markets is the difference in information and values. Without insiders no market (admittedly insider gains in the capital market can be provocative!).

When organisations fail we rationalise them (Scott and Meyer 1994)! This means that we restore rationality through reform. Reforms are there by design and failure provides an opportunity to promote the adoption of a new design. Arguments are gathered from explanations to the failure as well as from brave new world that will materialise after the reform has been implemented (Hedberg and Jönsson 1978). Our fantasies about the future, after the reform, are dependent upon the current discourse on the goodness of organisational solutions. In this way both the realities of failure and the dreams of success colour our designs.

There have been many opportunities and reasons to rationalise municipalities over the last few decades in Sweden. The welfare state was built and expanded to unprecedented proportions here and it distributes benefits largely through the municipalities. Gothenburg has, until recently, been the largest municipality in Sweden with the number of employees varying between 40 and 50 thousand (this includes health care, which is normally a county task). A large organisation by any measure, and likely to be effected by new organisational fashions as well as financial realities.

The welfare state is a rationalist project. It welcomes rationality. The pinnacle being the introduction of program budgeting in the 1960s (Wildavsky 1975). Nowhere in the world, according to Wildavsky, can we find an application of the impeccable rationalist ideas of program budgeting that was successful on its own criteria. We have only one world and program budgeting has been tested in it. It didn’t work! Was it implementation error? Hardly! Implementation is part of the world and can be rationalised.
Putnam (1993) explains institutional efficiency by socio-cultural factors summarised under the label civic traditions after having studied regions in Italy over a 20 year period. Maybe the experience of failure in administrative reforms should not be viewed in the light of the instrumentality of designs (given an idealised environment), but from the perspective of institution building (i.e., rule making) over time? Such institution building could be assumed to be driven by a demand for just allocation of collective resources (Rawls 1973). The problem seems to be where the allocation mechanism should be located. When solving this problem politicians seem to become victims of their own designs, or, more correctly, of their advisors’ designs. The world does not stop changing long enough for designs to be implemented and trimmed to efficiency.

Municipal organisation is a good topic to study in this respect since it has responded to demands for collective solutions to tasks as well as the modernisation of the welfare state with the consequent complexity and adaptive difficulties.

First the municipal level of organisation focused on collective tasks (roads, water, sanitation, fire brigade). Those activities were seen as separate activities with little need for co-ordination and few priority problems. Modernisation through the welfare state introduced priorities, strain on resources and, thus, the need for policy making through democratic processes. The complexity of the problem of prioritisation (when you are also responsible for carrying decisions out) generated an ever-increasing demand for administrative tools that could take over some of the resource allocation work. Such tools (like program budgeting) were thought of as freeing politicians from routine and enabling them to focus on the important aspects of policy making – the rest would be mechanism. But at times centralisation of control is the preferred solution, and then decentralisation appears to be the way to go. Reforms, which relocate the locus of the mechanism where justice is born, follow each other and leave sediments of routines and practices in the organisation. This adds to complexity as organisations, also municipalities, try to cope with a complex environment through fragmentation of action to many levels. It seems like our modernist ambitions tend to force us into overwhelming complexity (and the solution then is better tools!).

In Gothenburg the difficulties started when the expansion of the welfare state took off after the second world war. Until the crisis of the late 1950s our sources told us that the tradition was that
the "real" budget decisions were taken at a dinner with the City Collegium members at the home of
the Chief administrator. Department heads "gamed" to get scheduled for their presentation during
the final coffee with "avec" when politicians were in a good mood. Expenditures were added
together and the tax rate fixed accordingly. Modernisation came with co-ordinating planning
(Jönsson and Lundin 1975) and professionalisation of the administrative staff. Soon the ability to
spend surpassed the ability to find financial solutions and the pragmatic kind of politics
(Gothenburg spirit) were succeeded by party politics, which was, in turn, supplemented with
"economic democracy" (an euphemism for increased union influence on political decisions), and
by user and citizen participation. It seems like the city of Gothenburg has been aiming for "pure
procedural justice" (Rawls 1973) during the last 25 years:

The purpose of this paper is
1) to put together a narrative of the various budgetary reforms (and related organisational reforms)
based on own research into management control in the city of Gothenburg since the early 1970s.

2) to apply Rawls’ theory of justice in order to understand how the centre for just allocation was
located at different times and to gain insight into the dynamics of institution building over time.

The empirical basis consists of a series of studies which the author have done in co-operation with
others; first of the interaction between physical and financial planning (Jönsson and Lundin 1975),
then of the budgetary process over a 3 year period (Jönsson 1982), then of the politics of changing
policy (Brunsson and Jönsson 1979), and finally of a decentralisation reform (Jönsson et al 1995,
Jönsson et al. 1997).

The narrative.
In the wake of the Korea boom in the early 1950s the ambitions of the welfare state grew. The blue
prints of the cascade of welfare state reforms were worked at the centre (parliament) and
implemented through the municipalities. To carry the burden of more professional management
municipalities had to be larger than they were before. One of the reforms, carried out over a period
of years was the merger of municipalities. Optimism was abundant and even if the tax base grew
the pressure upwards on taxes was strong. Municipalities levy an income tax and during the 1950s
the rate was rapidly approaching 15 %. Two professors of the business school sounded the alarm
in a little book called "Must tax rates increase?" (Trolle & Goldberg 1958). Tax payers would revolt if this trend continued! (The tax rate in 1998 is more than 30 %) Something had to be done! Municipalities had to be more effective. They needed management! This was probably first felt in Gothenburg, a city with the biggest municipal administration (in terms of employees) in Sweden since it included health care (usually a county responsibility in Sweden). The business school was contacted. It set up a research institute oriented towards administrative studies. A group of young researchers got their first research experience in municipal rationalisation (should the slaughter house be closed down? What should a new accounting system for health care look like?). Several of these management scholars were hired by the city into central managerial jobs during the first years of the 1960ies. They provided the core of the professionalisation effort in the city of Gothenburg. However, the increased management capacity did not lead to a stabilisation of the finances, on the contrary it seemed like improved management increased the capacity to spend! The different offices could argue for grants by using co-ordination as argument (now when the Streets department is digging in X-street it is a good idea to replace those old water pipes and sewers the Water department has there! And a new pump is necessary since the volumes are increasing, and...).

Toward the end of the 1950s a new approach caught attention. A team of a senior politician interested in finances and a newly recruited city accountant argued that the financial difficulties are imminent. The cause for this is that plans are made first and then financing is discussed afterwards. Since plans consisted of urgent projects from different departments that supported each other the politicians tended to find themselves in situations where priorities could not be applied. The process should be reversed! First determine the budget frame, one operational budget frame for each department and a joint capital investment frame for the city. Then the departments should present their budget proposals inside the allocated financial frame! Then the City Council would be in control! A budget reform to this effect was initiated. In a short time city finances improved considerably. This was seemingly due to a general lack of knowledge of accounting outside the accounting department – depreciation charges (which do not result in cash expenditure) were counted as costs for the departments, but the corresponding cash flow stopped at the Finance department. The "Gothenburg Spirit" (phrase coined by the chief editor of one of the local newspaper, who was also a representative of the Liberal party) developed –it meant that politicians first agreed, across political parties, on the financial frame for the budget (tax rate and amount of
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borrowing), and only then was it permitted to start arguing about priorities. Everybody seemed to like it. It had a good disciplining effect! Like a miracle central reserves accumulated. These could be used for urgent projects that could be steered beside the budget frames! Soon, from the middle of the 1960s, finances deteriorated again.

Up to now there was a secure socialist majority in the council, but now a new kind of politicians entered the scene, academics, and people with management experience, especially in the Liberal party, gained power. A non-socialist coalition won the majority in the 1966 election. Their first managerial act was to initiate a reorganisation of the top management of the city (some minor reforms had been implemented during the early 1960s). Now the aim was to have an Executive Committee of the City Council that is in control. A powerful executive committee, with several full time (salaried) politicians was established, and the central city offices were streamlined. The new organisation was in operation from 1971. The budget procedure had also developed, under the influence of Program Budgeting, and was now labelled (in translation), Program and Frame budget. The first budget decision in the spring did not only contain a budget frame, like before, but also a statement of priorities (and thereby became a more “political” document. Now the scene was set for improved quality in resource allocation as well as a better grip on the finances! It should be noted that the City of Gothenburg was a very large organisation in terms of employees, between 40 and 50 thousand. The two large agencies were health care and social services, each towards 20,000 employees. The problem was that the oil crisis in 1969 had wrecked the economy (Sweden being very dependent on oil imports, e.g., for heating) and the second crisis in 1973 did not improve the situation. An overorganised welfare state, with full employment and strong unions, and in the process of implementing legislation on economic democracy under the leadership of Olof Palme, was not well equipped to adapt to external shocks quickly. Industrial adaptation was under way, however. The shipyards (3 large ones in Gothenburg) were being dismantled and the steel industry was being restructured. Unemployment reached new (post-war) record levels. Negotiations were the hottest news item. What was recently "the housing problem" turned into a "problem of empty flats" (Jönsson & Lundin 1975a). The national policy was to "bridge over" the economic down turn. Part of the solution was to absorb some of the laid off work force in the public sector (it was primarily child care that expanded).
Our more intensive studies with the preparation of the budget for 1976, which was done in 1975 under the impression of 13% of inflation p.a. and wage demands for 15% increase. The budget frame for 1976 was based on the assumption that wages (and prices) would increase by 6% (not to worry, budget managers with foresight had tucked away another 4% in the account for "Unforeseen expenditure"). The upcoming wage negotiations would not go well if the employer side published, in advance, that they expected X% in increases.). Our expectation was that the budget process would collapse under the pressure. It did – in a sense!

Up till now the narrative has been given for back ground, now the budget process becomes the "figure" and more detail is necessary. First the general structure of the process (Jönsson 1982, Jönsson & Lundin 1976, Jönsson & Malmer 1978, Jönsson 1978): In the Swedish municipal system at the time every department (Social services, Schools, Water, Streets, Culture etc. we have observed at most 21 departments in the city) was headed by a Committee of elected politicians (same proportions between parties as in the City Council) who participated in the planning process through their regular committee meetings (usually once a month). The control centre of the city is the Executive Committee consisting of 15 senior politicians (seats proportional to City Council strength). The Executive Committee manages the city on behalf of the City Council and has a City Office (some 130 officers) to assist. The time schedule for the budget process was the following:

In January the Executive Committee took decisions on which assumptions on population changes, employment, inflation, housing etc were to be applied in budgeting. In February the Executive Committee proposed guiding priorities and budget frames (expenditure limits) for the committees/departments (the City Council took the formal decision in early March). In late May the committees/departments present their program budgets (5 year plans) with priorities, but usually with expenditure far above the expenditure limits for the next year. In August the tax authorities issue the definite estimates of the tax outcome for the next year and the Executive Committee majority, on this basis, issued definite guidelines for priorities and instructed departments to present their final budget proposal within expenditure limits by mid-September. (The minority takes this opportunity to present a different opinion.). Through late September and early October a sub-committee (the Budget Committee) "negotiates" with committees/departments on budget cuts to come down to expenditure limits. The budget and proposed tax rate were

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presented in late October and the City Council took the decision in late November after the most
important political debate of the year.
Not much can be said against this procedure. It is rational in the sense of the program budgeting
idea dominating at the time. In the Spring priorities were discussed on a long term basis, and in the
Fall, when financial details were known, next year priorities guided the final cuts. The structure
fitted Wildavsky’s (1975) budgetary roles (“advocates” and “guardians”) very well, with the
departments as ”advocates” arguing for improvements of their sector, and the Executive
Committee as ”guardians” of the Treasury, arguing that there is no more money. We followed the
process closely during the Fall and more on a distance during the rest of the year over a period of
three years (Jönsson 1982).

The situation for making the 1976 budget was more serious than ever, which was the lead theme of
the memorandum of the Executive Committee in August 1975. There was no room for
sophisticated balancing of priorities. Every department must 1) cut their budget proposals down to
the expenditure limits given through the March decision of the City Council, and then 2) a further
1.5%! Departments were encouraged to increase revenues by increased charges for services. The
tax rate should be increased from the planned 23% to 24%. The original expenditure limits
presupposed increased borrowing, but at this stage no increased borrowing beyond that was
proposed. The Budget Committee instructed the departments to present revised budget proposals at
2% below the preliminary expenditure limits to have a negotiation margin. During the budget
process in September we could observe a number of ”budget tricks” being used by departments.
Most of them were successful in the sense that ”advocates” managed to avoid cuts and even
increase their expenditure limits. Two examples illustrate how individual departments gamed to
avoid cuts and comparisons with priorities in other areas;

The Leisure department head called a press conference to present how the department would
manage to come down to the expenditure limits a couple of days before the scheduled meeting with
the Budget Committee. The main cut would be achieved by eliminating staff of some down town
youth clubs (where kids could spend time after school) and ”outsource” them to voluntary
organisations. This was a hot political issue, the majority favouring outsourcing and the minority
(social democrats) favouring the city running these clubs with its own personnel (1976 was an
election year). The press mobilised, interviews with unions and social workers (”Outrage!”), youth
occupied their clubs. The Budget Committee, trying to defuse the situation, found that it was wise to increase the expenditure limit for Leisure to provide room for voluntary organisations as well as own personnel. The Health committee/department came to the Budget Committee with outrageous cuts in high priority areas. This was very provocative and the chairman of the health committee (belonging to the majority of the Council) was forced to withdraw the proposed cuts and replace them with a general promise to save the same amount of money through rationalisation (which was probably the intended outcome in the first place). The health department, thus, started the year with an unbalanced budget without priorities guiding where cuts were to be taken. The chairman of the health committee realised that career opportunities in the city were limited from now on.

The outcome of the whole process was an "underbalanced" budget that was formally balanced by a "general deductions for vacancies" on the expenditure side in selected departments. (Positions are vacated during the year and often not filled with a new person right away, thus savings will be made, however the "deductions" were judged unrealistic for 1976 by the Budget Office). The general observation from this year was that departments were cleverly using media and public outrage to defend their proposals and there were little comparison of needs across functional areas. The political majority consisted of a coalition of parties, which, obviously, was not organised to make quick re-evaluations of priorities during budget negotiations in the Fall. Trickery had won the day and the "guardians" were weakened. The budget dialogue was between the Budget Committee and the departments, not between political majority and minority. We called it budgeting by confrontation. How was it secured that a just allocation between services was achieved, and on what basis could expenditure limits for the individual department be adjusted? We had to see what would happen during the next round, the 1977 budget. What would be the effect of the election in September 1976? Could the Budget Committee avoid to be locked in by its own time schedule with lack of time to negotiate final priorities?

The budget office had seen the effects of time pressure in 1975 and proposed that the draft budgets for 1977 should be "prioritised" 3 % above and below the expenditure limit. In this way the Budget Committee would be in a better position to weigh cost/benefit effects between departments. We suspected that it was too optimistic to expect the departments to leave themselves at the mercy of the Budget Committee by ranking marginal budget packages (remember that zero-based budgeting was à la mode at this time!), but there was no fault with the rationality of the argument.
The procedure was the same as the foregoing year. During the Summer the election campaign geared up and the "prioritising" got "politicised", which should be seen as a good thing in a democracy. The Budget Committee instructed departments to come in with +/- 3% prioritised final proposals, but it kept to the tradition of not showing "real" expectations as to inflation and wage increases by holding to a 6 % estimate and hiding the rest among "Reserves for unexpected expenditure". The May estimates exceeded the preliminary expenditure limits by about 8 %, which worried the Budget Office. In its August memorandum the Budget Committee proposed to solve the unbalance by another tax increase (to 25 %), increased borrowing, cuts below expenditure limits (smaller than last year), and a smaller reserve for unexpected expenditure. The election campaign was approaching its climax. Still it was possible to reach an agreement on the financing, but the minority did not accept the allocation between programmes. A theme in the campaign was whether the financial situation was serious or not. The majority was cornered to claim that things looked pretty good (while pushing hard for cuts in the budget). In the meantime the financial situation got worse every day (the budget for 1976 was unbalanced from the start!). The Budget Office was frustrated since they could not get the full attention of the leading politicians. The departments were asked to come back with their final budgets no later than 1st October (after the election). The Budget Office did not expect much help from the spending departments. The election resulted in victory for the minority, and that meant that the final rounds of cuts were going to be done by a caretaker government. Normally the incoming majority would have the final say on the budget it would be managing, but this time the excited atmosphere of the campaign grew nasty over a downtown building site (underground garage that would draw traffic to the city centre) where the minority turned sympathetic towards an occupation of the site even though they had participated in the decision to start the project. There was also disagreement on the procedures of the Executive Committee. As a result the outgoing majority decided to ride on formalities and take "responsibility" for the 1977 budget.

An interesting feature of these budget proposals was that many departments asked for compensation for last year's cuts, as well as the assumptions on which the budget was supposed to rest, which were often termed "unrealistic". The health care committee/department argued that the assumptions were so unrealistic that they had decided to follow them strictly and disclaim all responsibility for the consequences. The group of the city office in charge of analysing the
investment budget reported that they found it impossible to come down to the expenditure limit. (In our report at the time we labelled the situation "budgeting under disillusionment"). The Budget Committee gave up on many fronts and was saved by the Bank of Sweden who granted permission to take an extra foreign loan (in Swiss francs which could be arranged quickly, before the end of 1976, but which later turned out to be expensive due to the weakening of the Swedish crown). The budget, thus, was better financed than was feared at the start of the process, but the debt burden had increased and interest rates were high.

While the outgoing majority dealt with the budget the incoming social democrats focused on reform. In the campaign they had charged the ruling coalition with wrecking the economy of the city. A stricter control over expenditure was required. Their solution was to gain a tighter grip on the spending departments through their committees. The ruling coalition agreed with the ends but not with the means. It claimed that the role of the Executive Committee (and its Budget Committee) was to balance the allocation of resources between the service areas. In order to accomplish this the Executive Committee must stand above the "advocates" for the schools, social services etc who resided in the department committees. The Social democrats saw this differently. Their view was that priorities are decided by the party and then all members go out and implement those priorities wherever they serve. There is no role conflict between serving on the Executive Committee and the School Board. On the contrary! By assuring that the priorities of the majority are applied in the day to day operations of the agencies the implementation of the program of the majority will be enhanced. The non-socialist coalition saw the opposite happen; if a school politician would be allowed in the Executive Committee, he/she would continue to argue the school case and weaken the Executive Committee, which would turn into an arena for bargaining between partisan advocates, and would solve its differences by expanding the budget. Since the social democrats were in majority their way was implemented. Senior politicians from the Executive Committee could take up positions in the functional committees. Priorities are set in the party! We, the researchers, simply had to follow what would happen when the 1978 budget was worked out under this new regime!

As a matter of fact the work on the 1978 budget turned out to be rather boring as a research topic. Nothing much happened since the problem of the financial crisis was solved by the largest tax increase in the history of the city. This could be carried out by the new majority blaming
mismanagement by the old majority. Some aspects should be pointed out, though. Policy making was done close to the meetings of the Executive Committee under the old coalition majority. Parties had to compromise and party representatives had to refer back to their group in the City Council. This provided for a prime role for the City Office to provide information and expert advice. Under the new majority, priorities were worked out elsewhere and the City Office was just told what to do under the given policies. Its role diminished. The formal decision apparatus had been turned into a tool for implementation of policies (no longer a policy making structure). On the other hand the spending departments grew in policy making stature. They could provide the right information directly to "their" politicians to be argued in the party caucus.

A further dimension was added during the last years of the 1970s. Economic democracy was being implemented also in the public sector. The core idea of this legislation was that decision makers were obliged to negotiate with the unions before formal decisions to, significantly, change working conditions for the employees were taken. This meant that budget proposals had to be negotiated with personnel before they were decided upon, especially if cuts were contemplated! The unions did not have veto power, but they could delay and make things difficult by mobilising the press and clients on behalf of their demands. The advocates (Wildavsky 1975) had been strengthened again!

It would not surprise if elected politicians struck back with a new deal aiming at bringing the authority to allocate resources back to the "people" at this moment, would it? What happened was that, almost as an extension of economic democracy, the debate on political decentralisation/participation took off again. Already before the reform of merging small municipalities to larger units that could carry the costs of professional administration had been fully implemented there were suggestions, especially from non-socialist politicians, to introduce sub-municipal committees to improve participation as well as local adaptation of solutions. The standard organisational structure of municipalities (as far as its committees are concerned; school board etc) was "de-regulated" in a new law of "Local organs", adopted in 1979, and the government started experimenting with alternative solutions from 1984 ("Free municipalities" could propose new structures and get them sanctioned by the government for a trial period.) Gothenburg took its decision on this decentralisation/participation issue in 1987. Local committees, charged with managing the "soft sector" activities of the city were to start from 1990 (with 1989 as
a year to get organised.) There would be 21 districts, each with a political committee mirroring the strength of the parties of the whole city (no direct local elections), and appointed by the City Council. This was a major organisational change and the city signed a contract with the university to evaluate the reform, which has been most thoroughly studied (Jönsson et al. 1995, Jönsson et al. 1997). The ideology of the welfare state seemed to have shifted. Instead of universal solutions (equal treatment of everybody) the principle of local priorities had been adopted. This meant that media could be expected to mobilise by comparing how much resources were spent on different services in different districts (and that politicians from the different districts would be given opportunities to justify differences in resource allocation?). There were also competing models with quasi-markets in other cities. Gothenburg was the first major city to implement the local committees solution, and, in time, most big cities in Sweden have adopted this solution (there are variants).

The organisational principle for the local districts that was somewhat recommended by the reform initiators was a "geographical principle". It seemed to be un-controversial that the local administration should have a top managers, whom all functional departments (schools, social services, culture, leisure) reported to, but the nature of the second layer of managers provided the difference. If a "geographical" principle were applied the district would be divided into sub-districts, each sub-district with a "general" manager supervising all functional areas. With a "functional" principle the second layer managers would be specialists (schools, social services etc) supervising the functional area for the whole district. There was a third principle called "target group" which would provide a vehicle for integrating, e.g., all activities directed towards "youth" under one second layer manager. The majority of districts chose the geographical principle. The key word was integration (of the old warring departments) into common work towards the wellbeing of the district population. There would be better service (local solutions), better efficiency (integrated activities) and better democracy (participation) as a result. The implementation of the reform included a one time reduction in the number of employees with several per cent, but soon there was further budget cuts due to the financial crisis of the public sector during the first years of the 1990s. One of the conclusions of our evaluation was that the reform had made it possible to carry out austerity measures with less negative effects than would have been the case with the old bid department, functional structure. The argument was that the cuts could be made closer to the action and with better concern for the consequences. One general observation was that child care
(kindergartens etc) lost resources to the benefit of schools during the first few years. There was reallocation of resources now that the level of ”abundance” could be compared locally.

We (Jönsson et al. 1997, chapter 4) found that the district managers first concentrated on building an organisation and recruiting holders of key positions, then a new accounting model was introduced from the centre, a model that supported a rather strict maintenance of financial discipline (frame budgeting). Financially much energy was devoted to the getting of the ”right” bag of money for the district. This was no easy task since the old departments had different systems. The school department was the most difficult to deal with (it had, e.g., centralised purchasing of heating oil for the schools without proper records of consumption for the different schools, with the consequent difficulties of dividing up the ”oil” budget between districts.). Then the austerity measures struck - 15 % were to be saved over a period of 3 years. We found that those districts that had taken the difficult decision quickly and in one stroke and then sticking to that plan had managed better than districts who thought it wise to start the process with an easy 3 % and then see what could be done. By 1995 the reform had stabilised, one could see developing co-operation between districts on common problems and district managers were well respected (almost like the former department heads). Solutions were different in different district, in the Northeast district the immigrant problems and the strain on the social services budget dominated (in the economic downturn the increased number of refugees could not be offered jobs, schools would have a dominance of non-Swedish speaking pupils etc), while in the south-western, rich, parts the problems related to too hard cuts in comparison with the average. Also these districts had vocal citizens who could mobilise protests.

Part of the political debate in the austerity years of the first half of the 1990s dealt with the unfair allocation of the financial burdens for municipalities. Before, the state support for the municipal sector had been biased towards the rural areas which lost jobs and inhabitants as industry restructured and people moved to the bigger cities. Now politicians in the big cities argued that an unfair burden of social costs, not least caused by the reception of refugees, who, even if they were allocated to small towns initially soon moved to the big cities where they could find compatriots. The model for state grants was reviewed, using regression models to allocate funds on the basis of ”objective facts” about the population. The same kind of debate was found in Gothenburg and the same kind of solution was introduced! A resource allocation model was introduced from 1995 to
make resource allocation based on “facts” rather than the needs or plans of departments. The City Office that had had a new period of comparative glamour during the first reform period, but was loosing grip again when districts and their managers assumed centre stage positions, found a new instrument for control. At the same time the districts that were complaining about unfair allocation saw hope in a strictly ”objective” model.

The model was built in two parts and the parameters were tested with regression analysis so as to minimise the reallocation between districts that would result from the changeover. The first part (about 50 %) allocated resources strictly on the basis of number of inhabitants in the different age categories; the same amount for each 7-year old in every district. The other part allocated resources according to needs (every person above 75 years of age living alone gave a certain amount (weight); child with jobless, single parent gave another amount etc). The model resulted in significant reallocations for some districts, but not as expected, to the ”rich” districts but to those districts with a high proportion of immigrants. The idea was, from a political point of view, was that the parties could conduct a general debate on different needs (we want to increase the grant for people with multiple handicaps!) and then this would be translated into a change in the ”weight” for that category. From an administrative point of view it was interesting to compare the allocation that the model provided (added into a lump sum allocation) with the actual outcome (differentiation in politics between districts would expressed in deviations from the ”weights”). The model has been used for too short a time to be properly evaluated yet, but it seems like it has come to stay.

One aspect that differs between cities that have adopted the model is how large a proportion of the resources that are allocated on the basis of ”need”. Gothenburg is extreme in that as much as about 50 % is on this criterion, while others allocate as little as 30 % on this basis. The most concrete political effect of the model so far has been a request from three districts to sever ties with Gothenburg and form their own municipalities. The matter was put to a referendum in last years elections and the vote in those districts was for severance (but not with an overwhelming majority), while a large majority in the other districts were against. This is where we stand today.
Summary
For the benefit of the discussion of justice the following points should be noticed in summary:

1. The municipality of Gothenburg seems to have organised and reorganised to reach better control over finances in the post-war period. The rhetoric and the perceived causes of the problems have differed.

2. The first reform (late 1950s) came in the expansionist period after the Korea boom and aimed at discipline in prioritisation by imposing a budget frame.

3. The next reform (late 1960s) aimed to centralise control to the Executive Committee.

4. The third reform (late 1970s and implemented by the state) introduced economic democracy and gave unions the right to negotiate budget decisions.

5. The fourth reform (late 1980s) introduced decentralisation to districts where local political committees were charged to allocate resources to local needs.

6. A fifth reform (middle of 1990s) introduced an ”objective” resource allocation model to distribute resources between districts (lump sum), local priorities still celebrated.

The question is; have the political leaders found the most feasible location of justice now? If the answer is yes, what are the arguments that this is the case?

A theory of justice
The general conception of justice in Rawls (Rawls 1973, p. 302f.) theory is:
”All social primary goods – liberty and opportunity, income and wealth, and the bases of self-respect – are to be distributed equally unless an unequal distribution of any or all of these goods is to the advantage of the least favoured”

This conception is articulated in two principles and two priority rules
First principle
"Each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberties for all”

Second principle
Social and economic inequalities are to be arranged so that they are both
a) to the greatest benefit of the least advantaged, consistent with a just savings principle (justice between generations)
b) attached to offices and positions open to all under fair equality of opportunity

First priority rule (Priority of Liberty)
Liberty can be restricted only for the sake of liberty,

Second priority rule (Priority of Justice over efficiency and welfare)
an inequality of opportunity must enhance the opportunities of those with lesser opportunity, and excess rates of saving must on balance mitigate the burden of those bearing those hardships.

The first principle gives liberty priority, which is expressed in the first priority rule. The second principle is a slight reformulation of Pareto’s efficiency principle (see also e.g. Milgrom & Roberts 1992, p. 24). Rawls’ theory of justice is a theory of justice because it specifically deals with when inequality is justified (only when it is to the benefit of the least favoured). It is not just a matter of final outcome (even between generations), but also the manner in which the outcome was generated. This brings us to the concept of ”procedural justice”. Rawls helps us understand the nature of ”pure procedural justice” by giving an example (p.85 f.):
Suppose that a number of persons are to divide a cake. Assuming that a fair division is an equal one; What procedure will give this outcome? Obviously if the person who cuts the cake takes the last piece! This is an example of perfect procedural justice. There is an independent criterion for what constitutes a fair division, and there is a procedure that is sure to give the desired outcome (given that all like cake). Imperfect procedural justice is exemplified by a criminal trial; The criterion is that the defendant should be declared guilty if and only if he committed the crime. However even when the rules for hearing a case is adhered to carefully the court may reach the wrong verdict. Procedural justice is imperfect. Pure procedural justice is when there is no
On the locus of justice in the resource allocation of a small city

independent criterion for the right result, but there is a fair procedure such that the outcome may be considered fair provided that the procedure has been properly followed. An example would be gambling. Even if the outcome is highly unequal the persons, who have been engaged in a series of fair bets, will consider the game fair. "The background circumstances define a fair procedure" (Rawls 1973 p.86). But how are we to account for such background circumstances? No situation is designed "de novo"! We always enter a situation with precedents and differences in prestige or endowments! Rawls solution is that we should assume an "original position" in which we exclude "knowledge of those contingencies which sets men and odds and allows them to be guided by their prejudices" (p.19), i.e. the reasoning should be conducted under a "veil of ignorance" of such contingencies. We are then to seek a reflective equilibrium – a conception of justice cannot be deduced from self-evident premises or conditions on principles; ...instead its justification is a matter of mutual support of many considerations (p. 21). Such a reflective equilibrium is justified by the fact that it was reached from an original position (of equality). It provides the rules of the game, the outcome of which will be considered fair. But it will not be stable....

2. The first reform (late 1950s) came in the expansionist period after the Korea boom and aimed at discipline in prioritisation by imposing a budget frame.

3. The next reform (late 1960s) aimed to centralise control to the Executive Committee.

4. The third reform (late 1970s and implemented by the state) introduced economic democracy and gave unions the right to negotiate budget decisions.

5. The fourth reform (late 1980s) introduced decentralisation to districts where local political committees were charged to allocate resources to local needs.

6. A fifth reform (middle of 1990s) introduced an "objective" resource allocation model to distribute resources between districts (lump sum), local priorities still celebrated.
Application:

The first reform identified in the summary above was an outcome of patient arguing from one of the leading politicians and a dedicated city accountant showing that the City Collegium (similar function to the Executive Committee (except for Finance)) was unable to prioritise given the current procedure to accept plans first and then find financing solutions. The very attractive solution to determine the financial frame first and then adapt plans promised to keep the city leaders in control. It required a reversal of procedures and a Spring dialogue on long term plans. So long as these Spring talks generated commitment, in the "Gothenburg spirit", to the sacred financial frame finances improved rapidly. The procedure had changed in side the established structure.

This, however, left the senior politician for Finance and the Finance Office in control, at the expense of the City Collegium. When the social democratic majority was upset in the 1966 election the first act (second reform) was to initiate a reorganisation to avoid the fragmentation that had resulted from the dual political control (Finance and City Collegium) and the multiple offices in City Hall. The result was the establishment of the Executive Committee (in firm control of policy making) and a centralised City Office. The power structure had changed, but the resource allocation procedure remained largely the same. The organisational change achieved a balance between financial concerned (which had been favoured in the previous period) and the need for a better basis for prioritisation between service areas through centralisation (also of the administrative structure). Political attention was focused to the Executive Committee, which heard the arguments and articulated priorities.

The procedure was put to the test in the economic crisis that followed the oil crises (where the government tried to bridge the slump by expanding the public sector) and it failed, mostly because there was a break down of the "Gothenburg spirit" of co-operation in determining the budget frame (and the fact that the social democrats seemed to have regained power in the 1976 election by claiming that the non-socialist coalition majority had mismanaged finances). The trust upholding the budget procedure was compromised. "Politics" had gained at the expense of the co-operative management of the budget (for the good of the city?). The formal procedure remained unchanged but the setting of priorities was dispersed from the Executive Committee to the party organisation and negotiations with unions. Experimentation with forms of decentralisation were initiated. A
period of weak and shifting majorities ensued (finances largely saved through tax increases). The setting of priorities was dispersed again.

The comprehensive organisational reform, with 21 districts directly responsible to the Executive Committee (for activities in "soft" sector and finances), was implemented under the auspices of financial crisis (derived from the crises of the state, real estate and bank sectors) in the early 1990s. Priorities were supposed to be locally adopted, resource allocation initially a one-to-one transfer of resources to activity centres. Intense arguments from new district managers that resource allocation was unfair (with facts to prove it) initiated a reform in terms of a new "automatic" resource allocation model, where central politicians were supposed to alter parameters of the model while district politicians retain the task to adapt allocation to local needs. There is a strict financial regime (and finances were, largely, brought under control over a 5-year period), but now solutions may differ between districts. Citizens will not be treated uniformly equal, instead there is a focus on differences in needs, integration of services, efficiency, and responsibility to the local population. This seems to be manifested in the new resource allocation model, with its "objective, and detailed" way of calculating a lump sum to be allocated to a district, a lump sum that is based on the characteristics of the population (not on the needs of spending departments). This lump sum can then be "re-prioritised" by the local politicians on the basis of local arguments. This provides for a dialogue, that seems not yet to have been exploited, where locals justify their "difference principles" in relation to the model’s averages. Services may be integrated in a different way, or efficiencies may take on another local pattern, or for that matter, justice may have a different meaning. The outcome of such a dialogue may be an articulation of the identity of the district which may further strengthen the feasibility of the solution. It will also help us question the modernist conception of "general welfare" which supposes standardisation of people into cases under the structures of welfare legislation. We would not be much closer to Sen’s (1996) goal of freedom for everyone to realise her or his human potential, but the opportunity to identify with one’s district is a step in the right direction (Whetten & Godfrey 1998) even if it applies only to a few spokesmen for the district.

Conclusion

Maybe it is because of professional biases that this author sees a pattern in the Gothenburg discourse on the just allocation of resources through budgetary processes which is about procedural
justice rather than justice in terms of outcome for individuals, departments or districts. It seems like justice is a question (c.f. Whetten and Godfrey, 1998, p. 275) rather than a construct to be applied in rigorous analysis. What organisations can hope for is to find solutions that are accepted for their ostensible procedural justice while the dialogue on justice goes on. Whether the dialogue has brought, or will bring, us closer to a just situation is a question which defies an answer. There is probably little hope (even if we must keep trying) which the current situation in Gothenburg illustrates;

In our evaluation of the latest reform the districts were described in terms of the “resources” of their citizens (measured by an index based in three variables; family income, proportion of welfare recipients, and proportion of immigrants). The districts were ranked in four groups (resource-strong to resource-weak, with two intermediate groups). It was found that the differences been districts on this measure increased between 1989 and 1993, the period of reform when local solutions were supposed to bring better equality. Granted that the reform coincided with an economic crisis and new waves of refugees (who could not be offered jobs due to record levels of unemployment), but the resource allocation through the city budget cannot be said to have ameliorated the situation. When the resource allocation model was later applied (with a reformed accounting system as a pre-requisite) three of the resource-strong districts asked for secession (justified by the unfairness of the resource allocation between districts). What can we say; On the one hand the measures pointed out that inequality had increased, but on the other hand, when the details of the allocation became visible to the public solidarity suffered. The optimist could see this as an opening for a serious discussion of the purpose of collective action on the municipal level (if it is not reallocation of resources from the strong to the weak, what then?), but the pessimist might find arguments for reduction of welfare efforts, reduction to municipalities providing the basic services like water, sewerage, fire brigade and leave the soft sector to private initiative. That, in a sense, is retreating to ”pure procedural justice” (everyone for himself - after all there are insurance solutions for most contingencies).

There is an argument for Rawls' pure procedural justice in that ”perfect procedural justice” presupposes 1) an independent criterion of justice, and 2) a procedure that will assure justice under that criterion, while democracy presupposes disagreement on the criterion of justice (and a budget procedure cannot be rearranged every time the majority changes). We cannot have the perfect and
thus it remains to find a procedure that will find the just solution under varying criteria. But there may be an improvement on this if we can limit the range of variation for criteria, to some standard for minimal justice. This means that it is desirable to keep the conception of justice as a question rather than as a construct (suited for inclusion in rigorous analysis). The location of the dialogue has shifted over the period described in the narrative. On an abstract level, and in a traditional understanding, the interchange is between "advocates" and "guardians" (Wildavsky 1975), but the shift observed in Gothenburg seems to be outwards, beyond spending departments and the treasury, to local citizens, voluntary organisations, and media. In order for the dialogue on the question of justice to be multi-located, concerned with allocation between services and categories locally, and with allocation between districts and categories centrally, the procedure may have to be transparent and pure. The vast increase in information and complexity of issues that follows from the shift, may partly be handled by way of information technology, but the scarce resource to worry about is the attention of concerned citizens.

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