

Chapter 11

Theoretical Application of Public Sector Planning and Budgeting

Caroline E. Covell
Walden University, USA

ABSTRACT

The corporatization of the government has resulted in the change of the government structure and it has a negative impact on the fiscal budgeting. This change has also resulted in the equalization and generalization of the public-sector finance to private-sector finance. The impact is the disappearance of sources of funds and the adoption of the four-legged horse budget apocalypse and the categorical funding. This adoption has resulted in economic marginalization, social exclusion, massive corruption, and non-sustainability. A sustainable fiscal budget design requires the application of theory on practice and a holistic approach through the organizational structure and the timeframe of each jurisdiction, based on factual evidence and scientific analysis.

INTRODUCTION

Public sector finance is different from the private sector finance in all aspects. They cannot be generalized or equalized. Graham, in his *Public Sector Financial Management*, stated that even a small comparison can be dangerous.

The reinventing the government or the government reform has turned the government into a corporation, and hence, it operates like a business. As a corporation, the government financial management and its accounting system have also become

DOI: 10.4018/978-1-5225-3713-7.ch011

like that of a private company. Consequently, billions of sources of funds have disappeared from the government book and record and taxes paid by the citizens have disappeared into people's bank accounts.

The public and the private sectors operate in a different paradigm. If the private sector finance is about maximizing profits, obtaining a greater return on investments with the least cost, and maximizing the wealth of the stakeholders, which is more about personality and in a short time frame, public finance is about economic fairness, social equity and human rights, maximizing the economic welfare of the people without making others worse off, and in a longer time frame. It is about the economic health of the nation, democratic leadership, and about the economic survival of a sovereign state.

The Constitution prescribes how the nation's resources should be managed, which is to maximize the health and economic as well as social welfare of the people. Personality and individual desires have no place in public finance. To avoid the use of personality in the public finance, it is important that public leaders must go through a development process and transformational process. These processes help the leaders to have a better understanding of the purpose and the objective of public finance. It helps them to develop their competence and technical capacity and they become a transformed individual. As a transformed individual, in terms of making a decision, policy making, and fiscal budget, they will no longer thinking of "my way" and that their position in the public office is their capital investment, which they must protect for themselves and their inner circle. Rather, they would start thinking of "our way" and what they should do for the betterment of their fellow citizens.

BACKGROUND

President Lindon Johnson once stated in one of his speeches that public leaders should think of a way, using his education and knowledge expertise, to help the poor to raise them out of poverty, to help them to become economically independent, have enough food to eat for themselves and their family members, and have a roof over their head. This is something President Kennedy used to question, "Ask not what your country can do for you; ask what you can do for your country. President Truman even stated, "It is the job of the government to take care of the welfare of the people."

In order for the government to take care of the social and economic welfare of the people, it needs people with education and knowledge expertise. Why it is important that the government to use education and knowledge expertise? Because, in theory and practice, the government is a difficult, vast, and a complex formal organization, with a demanding environment. It is a social administrator and a field of science

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