S hocks of austerity usually change more than the bottom line. They can turn administrative systems on their heads, disrupt power balances, transform institutional cultures, and roll back subsidiarity in decision making. Ringa Raudla, James W. Douglas, Tiina Randma-Liiv, and Riin Savi explore whether the fiscal tightening experienced by most of Europe in recent years has led to wholesale centralization of management—across branches of government, within cabinets, and inside public agencies. Have parliaments taken back the reins of public spending from the executive? Do ministers of finance grow more powerful in times of fiscal discipline? And do budget units within organizations become the de facto brokers of all decisions? In short, is there a centralization “cascade”? Judging by the perceptions—emphasis on perceptions—of some 6,000 senior managers in the civil services of 17 European countries in 2012, the answer to those four questions is yes.

That is an interesting finding, but it is not entirely surprising. It probably resonates with anyone who has ever been involved in major budget cuts. But why should sudden fiscal discipline be seen as pulling decision making away from managers in the trenches? Why is frugality viewed as disempowerment? Here are five possible and very practical reasons, all associated with the “common-pool problem.”

First, baselines. The pain of retrenchment depends on the position you retrench from. A mandated 10 percent reduction in your staff head count has a very different meaning if your employee roster is 100 strong or 100,000 strong. So does an absolute reduction of 10 staff. Individual ministries and agencies know their base data better than anyone else, but they have an incentive to inflate or deflate the data in order to minimize the impact of the downsizing on their operations. Whatever baseline figures they submit, external validation is necessary. To the affected manager, that validation—and the messy meddling it entails—ought to feel like recentralization.

Second, trade-offs. Once the overall size of the budget cut is decided—but that decision is made—it soon translates into fewer or smaller programs and projects across ministries. But who can decide what is a priority and what is not? Which budget should be pared down first or more deeply: preschool special education or research on brain-damaging diseases among children? How are the ministers of education and health supposed to agree on that? Multiply those cross-sectoral trade-offs by a dozen or more ministries, and you see the need for a final, higher-level arbitrator. Sure, you can distribute aggregate reduction targets for each institution to meet as it seems best, but you still need someone to set the targets. (Nota bene: If the target reduction is the same percentage for all agencies, you probably have a problem of strategic focus giving way to expediency.)

Third, communications. Citizens rarely like fiscal adjustment—especially when their favorite public services are on the chopping block. To make the case for austerity, governments need a clear storyline, delivered with commitment and consistency. Any wavering or confusion in the messaging can ruin even the best of plans, no matter how technically solid they may be. So it is only natural that presidents or prime ministers—who have their political careers at stake over the adjustment—seek to centralize communications. The task is frequently entrusted to ministers of finance, with other cabinet members relegated to obedient echoing or, worse, silence. No wonder the latter perceive a recentralization of power.

Fourth, hidden agendas. Fiscal crises are about both tactics and strategy. You want to know where the money to pay teachers, soldiers, and bondholders will come from this month. But you also want to use the crunch to think long term about what you do—and how you do it. Do you need so many ministries? Do you continue spending bundles of cash to keep the loss-making, state-owned airline flying at a time when you are reducing pensions? Should subsidies that...
benefit mostly the rich—such as those for gasoline or mortgages—be maintained? Can some public investment projects be done by the private sector in exchange for user fees? Soon enough, words such as “reinventing,” “cost recovery,” “subcontracting,” “outsourcing,” “partnerships,” or—the most dreaded—“privatization” appear in PowerPoint presentations. The role of the state is up for debate. As a manager of a public institution, you cannot help imagining that somewhere there is a master plan for broad state reform and you have not been consulted. You suspect that power—and power over resources, in particular—is about to slip away from you and concentrate at a higher level in the hierarchy. Raudla and colleagues find hints of that—the perception of recentralization is stronger among managers in policy areas further away from finance, such as health or justice.

Fifth, accountability. The data are quite suggestive: the larger the number of organizational goals, the more acute the perception of recentralization during fiscal crises. In other words, a manager who is publicly accountable for specific results is bound to be more sensitive to any dilution of his or her power to make decisions—no matter how slight that dilution is. Take a minister of education. He or she would push back on budget cuts—even on a discussion about cuts—if the period of standardized testing is about to start. The minister’s reputation hinges on those test scores. Pressured by superiors—or by finance peers—to engage in the budget melee anyway, the perception of power becoming more top-down will grow stronger.

A final point. Raudla and colleagues reach their conclusions based on the opinions of central government officials. Local authorities were not included in the pan-European survey. While unfortunate, this opens a nice avenue for further research. Why not track the “cascade” all the way down and include subnational managers in a future survey? If fiscal austerity triggers such a vigorous feeling of recentralization among civil servants working in the capital, how much worse do perceptions get when formed from a province or a municipality—where the lack of devolution is a perennial complaint? Brace for a torrent, not just a cascade, of discontent.