



RETHINKING BUDGETING

WHAT'S FAIR? EXPLORING THE BEHAVIORAL SCIENCE OF JUSTICE AND FAIRNESS



PART 1: The Three Forms of Fairness





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ACKNOWLEDGMENTS

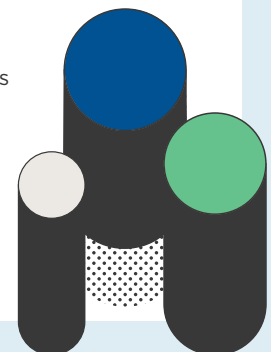
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ABOUT GFOA

The Government Finance Officers Association (GFOA) represents over 21,000 public finance officers throughout the United States and Canada. GFOA's mission is to advance excellence in government finance. GFOA views its role as a resource, educator, facilitator, and advocate for both its members and the governments they serve and provides best practice guidance, leadership, professional development, resources and tools, networking opportunities, award programs, and advisory services.

ABOUT THE RETHINKING BUDGETING PROJECT

Local governments have long relied on incremental, line item budgeting where last year's budget becomes next year's budget with changes around the margin. Though this form of budgeting has its advantages and can be useful under circumstances of stability, it also has important disadvantages. The primary disadvantage is that it causes local governments to be slow to adapt to changing conditions. The premise of the "Rethinking Budgeting" initiative is that the public finance profession has an opportunity to update local government budgeting practices to take advantage of new ways of thinking, new technologies, and to better meet the changing needs of communities. The Rethinking Budgeting initiative will seek out and share unconventional, but promising methods for local governments to improve how they budget.



Issues of fairness and justice are central to the work of all government officials, given their roles and power are granted by the will of their constituents and their work can empower and limit the livelihood of those same people. In this series of reports, we will focus on the role of the finance officer, though many of the concepts apply to all public officials. Finance officers are placed in a critical role for these concerns because their work helps decide where the money goes. [GFOA's Code of Ethics](#) identifies fairness as one of five core values of the code. Treating people fairly is one of the “Five Pillars” of [GFOA's Financial Foundations for Thriving Communities](#) framework. However, concerns about fairness are multifaceted and complex as well as social and political. The goal of this series is to define what fairness is and how to work toward achieving it. In this paper, Part 1, we will investigate three primary forms that fairness can take. This is important


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because fairness or “justice”* can be applied to “individual actions, laws, and public policies. If something is deemed unjust, this is a strong, maybe even conclusive, reason to reject them.”¹ Hence, it is important for public officials and public servants to be mindful of perceptions of fairness and justice at all times, especially in the current climate. If public servants better understand the three forms of fairness, then they can better design local government institutions and conduct themselves in ways that are seen as fair.

Before we get to the forms of fairness, it is important to acknowledge the impact of political polarization. Finance officers, like everyone in government, feel the increasing polarization of politics.² When we see that even views on the pandemic are driven mostly by partisanship,³ it is expected that local public issues have become more politicized. Questions of fairness have become more political, but not just because everything else has too. Questions of fairness tend to highlight differences in core values and preferred outcomes between people. [Parts 2 and 3](#) of this series will dig deeper into how to navigate political differences between people.

* We use justice and fairness as synonyms in this series of papers.

Fairness is essential to a well-functioning public finance system. Fairness is recognized as essential by the GFOA's Code of Ethics and Financial Foundations for Thriving Communities. However, fairness is a multi-faceted and nuanced concept. This means fairness can be difficult to achieve. To help, GFOA has teamed up with [EthicalSystems.org](#) to explore the most important elements of fairness and provide practical strategies for enhancing fairness in public finance.

 Check out all the papers and resources in this series at gfoa.org/fairness.



Fairness takes on many forms, and we may apply the concept of fairness to how people and organizations are judged. We even have different ideas about what it means for fairness to be achieved. Kees van den Bos,⁴ a researcher in fairness, observed how fairness affects our interactions:

If other persons' behavior seems to be fair, then people react favorably and acquiesce to demands or requests of those persons with little consideration of material outcomes. However, if a person is judged to be unfair, then people react largely in terms of the immediate material costs and benefits associated with various courses of action.

Thus, perceived fairness is not determined only by how resources are distributed. We can better understand how fairness is perceived by subdividing into three categories: procedural, interactional, and distributive justice.

- ➞ **Procedural justice** refers to fair processes. This could refer to the public engagement or negotiation processes that happen as part of annual budgeting.
- ➞ **Interactional justice** is about human interactions and defined by fair treatment of the people involved. In particular, it concerns whether everyone was treated with respect and empathy.
- ➞ **Distributive justice** refers to the fair distribution of resources.

Let's examine each in detail.

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Procedural Justice

Procedural justice is at the heart of the democratic system of government. Modern democratic government provide the unique right and ability for citizens to influence government policy. In fact, the establishment of justice is one of the specific goals of the Constitution of the United States, as set for in the preamble. However, in many cases, the people who are affected by government decisions

don't know how decisions are made. Without proper knowledge, people engage in conjecture and assumptions. These might not be helpful to establishing perceptions of justice. For instance, the public might assume partisanship or that corruption plays a role in government decisions.

Being a participant increases satisfaction with decisions.

Participation increases satisfaction with decisions. In part, this is due to the fact that participation increases

procedural justice perceptions.⁵ Being a participant and seeing how things are done improves our opinion of the process. Procedural justice is a determinant of viewing rules or laws as legitimate and ultimately complying with those rules or laws.⁶

In budgeting, procedural fairness seems to be determined by perceptions of ethicality (decisions compatible with ethical/moral values held by the people affected), accuracy (decisions based on good information, informed opinion), and bias suppression (decisions not influenced by personal self-interest or narrow preconceptions) in decision-making processes.⁷

See more examples of how procedural justice can be applied to financial decision-making in Chapter 14 of the GFOA book [*Financial Foundations for Thriving Communities*](#).

ACTION TO TAKE

Consider if decision-making processes display the characteristics of procedural justice. Do people have the chance for input? Is the information used to make decisions seen as accurate? Are clear decision-making criteria applied equally to everyone? If the processes produce a bad decision, is there a way to recognize and correct the decision?

Interactional Justice

Key components of interactional justice are truth and dignity in interpersonal interactions.⁸ Whatever our ideology and values, nobody likes being lied to. Everyone expects human dignity. Interactional justice is relevant in local governance any time the public is engaged. It represents citizen satisfaction with how they are treated during those interactions. Whether in person, online, or via phone, a judgment of interactional justice will be formed. Answering email quickly, respectfully answering questions in public forums, or showing concern during a phone conversation may all influence interactional justice perceptions. Following up with the public after consultation is also important,

showing that previous conversations were heard and that decision-makers care enough to update and explain what was done.

Interactional justice in government comes down to citizens feeling that those in power respectfully engage with, not dismiss or overpower, ordinary citizens.

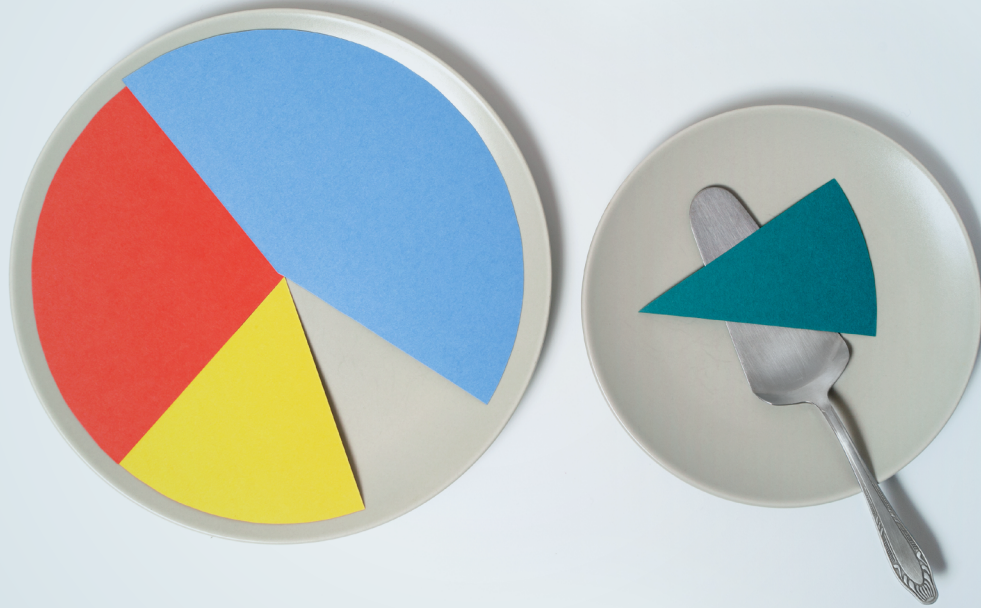
Interactional justice, over which local government officials can exert a lot of control, has many benefits. Interactional justice can help people to be less self-serving.⁹ It also overlaps with procedural justice. After all, we likely won't view a process as just if we are not respected and treated well personally. Interactional justice has unique value in persuading people with negative views of the process, making complaints, or those unsure if they want to engage. Interactional justice in government comes down to citizens feeling that those in power respectfully engage with, not dismiss or overpower, ordinary citizens.

A real-life example of how interactional justice can improve conversation is the fact that irate and judgmental members of the public can usually be calmed by responding to them with care and respect, building rapport quickly. You may even get an apology!

Finally, it is important to note that interactional justice does not require, in any way, that the public official is able to persuade the citizen of the merits of public official's position. It only requires recognizing differences and exercising empathy. In [Part 2](#) of this series we will introduce Moral Foundations theory which is a particularly effective way to understand differences in political views.

ACTION TO TAKE

The GFOA [Code of Ethics](#) is based on values that have been proven to increase trust. Think about what you can do to live the values of the Code. GFOA has gathered [many examples](#) to illustrate how this can be done.



Distributive Justice

Distributive justice is determined by comparing the “actual reward” of some resource to our internal belief of an ideal “just reward.”¹⁰ The more the actual and just versions of the process match, the higher our ratings of distributive justice. Evaluations of injustice lead to becoming disheartened, disengaging from the process, or acting to change the process. Judgments depend on many factors, including the allocator, observer, rewarder, nature of the reward, and context.

The “just reward” one imagines is influenced by an individual’s ideology (equity, equality) and the topic at hand.¹¹ For example, one study found that distributive justice preferences for equity, equality, or needs regarding welfare depend on the particulars of the welfare policy under consideration.¹² People in the study did not apply the consistent principles to unemployment, pensions, and health care. Instead, they often had different preferences for each. Some people favor an equality-based reward for all of these. Yet others believe demonstrating a true “need” to get the benefit is more important than equality or equity. Ideology and the particulars of the policy under consideration determine individual preferences.

Some local governments have attempted to achieve distributive justice by giving each council ward or district an equal amount of money for road repairs each year, for example. This might be seen as fair by some people but also might be inefficient and ineffective, as the transportation needs may differ greatly from one district to the next. Another approach might be to define desired outcomes (e.g., a goal for quality of the roadway) and distribute resources to make sure that quality goals are met in all parts of the city.

ACTION TO TAKE

Consider how to ensure that different constituencies get a fair allocation of resources. As in our roadway example, a promising approach is to define outcomes that the community wants to achieve and distribute resources in a way that allows members of the community to realize those outcomes. Read more about this approach to budgeting on the [GFOA website](#).



A Fly in the Fairness Ointment: Mental Shortcuts in Judging Fairness

People do not judge fairness rationally or comprehensively, according to the three types of fairness we outlined before. People seek certainty but also want to arrive at decisions with minimal cognitive effort. People take mental shortcuts that allow decisions when there is uncertainty or incomplete information, deciding faster but with less accuracy. Sometimes these shortcuts produce good results or at least good-enough results. Other times they do not.

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For example, when determining what is fair, people often rely on trusted public figures, political parties, and news sources instead of examining the issue at hand. Word choice can also impart a sense of fairness/justice by association. For instance, citizens may support a ballot initiative that is worded in a way that signals their values. A term like “racial justice” or “patriotism” could garner support for policy proposal from a liberal or conservative, respectively, even when the content of the policy may not match their values.

We also participate in motivated reasoning. This means that we want to continue believing what we currently believe. We are likely to believe that which confirms our existing attitude and discard that which disagrees with it. This is in part due to our desire to view ourselves as consistent and our dislike for admitting we were wrong. It can be hard for someone to change their mind from seeing something as fair that they previously thought was unfair or vice versa.

None of this means that finance officers shouldn’t take the steps to increase fairness that we described earlier. It means that the three forms of fairness are not guarantees for influencing people’s perceptions of fairness. They do, however, stack the odds of being seen as fair in the finance officer’s favor.



Where to Next?

This was the first in a [series of papers](#) about fairness in public finance. Look for other papers in the series that will cover topics with implications for fairness, such as: political polarization, how different people define “fairness”, group dynamics, and more.

SUMMARY AND ACTIONS TO TAKE

Fairness is a multifaceted concept. For citizens to feel fairly treated, consider procedural, interactive, and distributive justice.

- 1. Improve procedural justice in decision-making processes.** Provide transparency on how decisions are made. Give people the opportunity for input. Develop criteria for making decisions, which will help promote open discussion of the personal values and opinion differences of those involved. Framing the conversation with acknowledgment of these considerations can help surface and resolve hidden tensions. Take steps to make sure everyone agrees that the information used to make the decision is accurate. Make provisions to review decisions and correct mistakes.
- 2. Interactional justice can help increase perceptions of fairness, even when there is lack of agreement between participants.** Ensuring that interactions with key stakeholders are timely, respectful and clear can help ease tensions over perceived fairness of decisions. The [GFOA Code of Ethics](#) is based on values proven to increase trust. Think about what you can do to live the values of the Code. GFOA has gathered examples to illustrate how this can be done.
- 3. Consider strategies to address distributive justice.** For example, can a standard for service be defined and the budget be used to decide how to live up to that standard for all citizens? Where concerns remain over distributive justice, clearly explain the procedure taken to make the decision and the reasons for the decision. This will help people to accept the decision, even if they do not agree with it.
- 4. Remember, people do not judge fairness rationally or comprehensively.** Thus, the steps above do not guarantee that people will perceive fairness, but they do increase the odds.

ENDNOTES

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