

Government spending

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Government Spending Question One The Troubled Asset Relief Program (TARP), Bailouts and Quantitative Easing (QE) were used by the US government to revive the economy following the financial crisis. However, the exact figure used through TARP, Bailouts and QE largely remained unknown but according to Nankin and Schmidt (1), the Treasury Department was authorized by Congress to spend \$700 billion in addressing the financial crisis. On the other hand, the Treasury Department (1) points out that the collective figure spent on TARP, Bailouts and QE was reduced to \$475 billion. However, it is imperative to note that that figure (\$700 billion) is strictly what was committed in 2008 to curb the financial crisis since the New York Times (1) details a further \$12.2 trillion committed by the government by 2011. Therefore, the amount spent on TARP was \$475 billion, Bailouts \$11 trillion and QE \$787 billion as reported by the Treasury Department (1).

Question Two

According to the Office of Management and Budget (OMB 1), federal spending on private-sector contractors in the fiscal year 2012 was 14% of the federal budget and was slightly below \$307 billion. Further, the OMB stated that the spending exceeded that spent on federal contract spending on procurement of goods. According to CNN, this is because there is a push to cut down on federal spending and getting rid of a bloated government, which has trickled down to the private sector (Shahadi 1). As explained by the OMB, the 10 years preceding 2012 saw the cost of service contracts increase by 44% to the current figure.

Question Three

As of September 30 2013, the total value of unclassified US government procurement contracts dropped from the previous fiscal year's \$512 billion

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to \$456 billion (Salant & Kathleen 1). This figure includes all procurements through free trade agreements, also referred to as FTAs. Although no explicit information is available on the budget allocation to the Department of Defense and other classified contracts, findings by the Bloomberg Industries indicate that this total budget featured an allocation cut of \$22.3 billion to the Pentagon (Salant & Kathleen 1). The overall decline in government spending for the fiscal year ending September 30 2013 marked the fourth consecutive year of cuts in government spending since 1989.

Question Four

A report by the International Monetary Fund (IMF) put the cost incurred by governments around the world after the 2008 financial crises at \$11.9 trillion (Conway 1). By the time this estimate was made, it was equivalent to one fifth of the economic output of the entire world and entailed capital injections into banks. The capital injections were intended to protect the banks against collapsing and were specifically directed towards absorbing toxic assets, guaranteeing debts and the liquidity support granted by central banks. Here, it is also imperative to note that the calculations by the IMF indicated that the cost was poised to increase. The bulk of the amount (\$10.2 trillion) was spent by governments of developed countries while \$1.7 trillion was spent by developing countries. Even within the developed countries, the report showed spending disparities with Britain being the biggest spender especially on emergency measures aimed at supporting the financial sector (Conway 1).

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