

# The moment of truth essay examples

[Countries](#), [United States](#)



Members of the National Commission on Fiscal Responsibility and Reform of the United States of America have studied the economic downturn experienced by American families for a long time. They defined the reality of the problem and proposed a solution. They noted that the solution would be difficult and painful. The members consist of people with diverse backgrounds and signify diverse areas sharing a united principle that America's long-standing financial fissure is indefensible. If the problem continues, the future generation will suffer inevitable poverty in a weak nation.

The moment of truth is a document that tackles the economic challenges faced by the nation. The document contains an insistent, reasonable, bipartisan and impartial scheme. The solutions include toleration of some of previously-unwanted provisions to achieve an upright concession. The proposed solution does not contain all the answers but it would involve a dynamic participation of all citizens as the beginning of tackling national issues.

### **The Debt Crisis**

The foremost problem faced by the country is the debt crisis that brings the nation to an indefensible economic trail. There exists an imbalance relationship between spending and revenue creation that sways the country to have a huge loan every year just to balance the problem. There is an overwhelming shortfall.

There was a twenty-four percent federal spending of the Gross Domestic Product (GDP) in 2010. The GDP include the cost of the entire goods and services created inside the financial system of the country. Also, in 2010 the

tax revenues rested at fifteen percent of GDP. It was the lowest recorded level from 1950. A bigger fraction of the financial system was allotted to the federal spending throughout the World War II. Moreover, there is less than nine percent budget discrepancy of GDP.

The national debt increased from thirty-three percent to sixty-two percent of the GDP in the year 2010, and it has been almost a decade since the financial status of the country was balanced. The war, some economically reckless strategies and a profound fiscal recession influenced the overwhelming discrepancy as the years go by.

However the economy improves, the federal expenditure is anticipated to amplify more rapidly than revenues. This denotes that the country needs loans continuously. The continuity of the existing condition will mean that the shortage will stay elevated all through and past the decade. The money owing will coil progressively, getting ninety percent of the GDP in the year 2020 as projected by the Congressional Budget Office (CBO). Economic revitalization will only allow a recovery of the deficit circumstances for a while as the revenues rise.

The federal debt height is untenable. As a result of making it more costly for private sectors and businesses to innovate, lift capital, and generate employments, the mounting debt might decrease per person in the GDP. Every American citizen's part of the national economy will be decreased to fifteen percent in 2030. It will compel interest rates to go up for the entire borrowers and restrain economic expansion by swarming out private ventures.

The debt will deprive the government of the resources required to take

action to upcoming emergencies and provide in other precedence. The growing debt will further constrain the government, and the spending is repeatedly exploited to answer to immediate monetary needs like during wars or depressions. The national government may perhaps acquire complexity loaning funds at a reasonably priced interest rate that will further avoid the nation from successful counters to the problems if the national debt increases.

The debt crises will also situate the nation in jeopardy because it exposes America to overseas creditors. The foreign creditors presently possess the large part of the communal liability. The interest that the nation is paying the foreign creditors diminishes the nations' quality of life.

China holds the largest part of America's debt and unfortunately, it does not have similar desires and tactical schemes as America. The inventors have the possibility to mislay assurance to America about its ability to return the borrowed money. This situation calls for the implementation of the most rigorous of austerity procedures.

The major concern about the debt crisis is its tendency to be stabilized as just a part of the national economy if it remains rising as the projection of the debts' exact level that would prompt the crisis is hard. A stable debt is more preferable than a rising debt as far as investors are concerned. The CBO stated that it is not distinguishable for a debt to be identified as impending but it is clear that higher debts means bigger possibility of crisis. Procrastination will only lead to an inevitable booming of the crisis and the possibility of giving the cure will be smaller. Responsible governance requires immediate actions for the debt crisis.

## **The Proposed Solution**

The Moment of truth proposed solutions for the debt crisis. It consists of six parts that will hopefully guide the nation to recovery. The plan intends to recover the nations' economic health, uphold profitable growth, and defend the most susceptible part of the nation.

The plan's objectives were to attain a debt reduction of about \$4 trillion in 2020. This is more than anything compared to whichever endeavor in American history. By 2015, the discrepancy must be reduced to 2.3% of GDP or 2.4% of GDP without the Social Security reform.

Moreover, the plan also aims to reduce tax rates instantaneously and put an end to the AMT as well as incise the backdoor tax code expenditures. The plan would also restrict the proceeds at 21% of GDP to acquire expenses fewer than 22%, and in due course restrict the expenditure up to 21%.

Stabilization of the debt in 2014 is also an objective of the proposal along with the reduction of debt to sixty percent of GDP in 2023 and forty percent in 2035.

The plan consists of six components. These components are discretionary spending cuts, comprehensive tax reform, health care cost containment, mandatory savings, social security reforms to ensure long-term solvency and reduce poverty, and lastly the process changes.

The discretionary spending cuts endorse hard-hitting unrestricted expenditure caps to oblige financial plan regulation in legislature. They comprise implementation methods to provide the restrictions emphasis. The cuts on discretionary spending will create noteworthy cuts in both non-security and security expenditures by means of cutting non-prioritized

agenda and reforming government procedures.

The expenditure trail suggested by the Commission is not just numbers but rather visualization the future that reflects the priorities and values of the American populace. Investing to the future must be constant but must not weaken investments by means of leaving the next generation forthcoming liabilities they cannot pay back. The spending cuts will require a more organized administration that spends intelligently, expends people's valuable income tax dollars soundly, and is apparent and responsible for every value of the money.

Comprehensive Tax Reform immediately widen the foundation, decreases rates, decrease the shortage and abridge the tax code by diminishing the countless tax spending. This reform would make the country more aggressive, and limit income to evade extreme taxation. The present individual income tax arrangement is completely perplexing and problematical. The Commission concluded that the taxpayers knew the present income tax is essentially inequitable, excessively multifaceted, and needs reform.

Health Care Cost Containment gives genuine and practical reforms to medical expenditures. Federal health care expenditure is the principal fiscal dispute in many years. The health insurance substitution subventions will cultivate from six percent of GDP to ten percent from 2010 to 2035.

The mandatory savings programs are not the major factors of the booming debt crisis but still needs to be in an appropriate path. The goal of the commission for reforming these policies are to defend the disadvantaged, stop extravagant expenditures and search for private sectors.

Social Security is the baseline of economic protection and it is more than a retirement plan; it ought to be protected. Social Security Reforms ensures long-standing solvency and decrease scarcity.

The sixth component of the plan is the process changes which are about the reformation of the budget procedure to guarantee the stability of debts and control expenditures.

## **Argument**

Under the tax reform was the proposed chained consumer price index (CPI).

This indexing government benefits aims to guarantee the reflection of transformations in cost of living. But the present law is not successful in monitoring the inflation. The chained CPI is a closer estimation of cost of living. Approving it for indexation will signify a more precise and efficient action to preserve the value of expenditure programs and tax reforms. If the lawmakers are not able to agree regarding the technical changes to improve the estimation of inflation, the attempt to achieve goals is depressing.

The Simpson-Bowles proposals were not lay to a vote in Congress. The failure to control the debt crisis is robbing the people the capability to invest for upcoming needs and challenges. It is critical that leaders from different parties help each other to arrange the fiscal house to aim for unified goals. Parties should move out from comfort zones and embrace changes even if it would be painful in some parts. Stabilization of the debt crisis must be the priority.