

Efforts to reduce the budget deficit essays examples

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In the United States budget expenditures are divided on direct (mandatory) and discretionary. Direct costs are guaranteed by the legislation in force and cannot be trimmed (social benefits, health care programs, etc.).

Discretionary spending annually are reviewed and approved in the budget for next year by the US Congress. At the same time a limit such costs is fixed. If the actual costs exceed the budget limits, sequestration runs, reducing the budget deficit (Gramm-Rudman-Hollings Act).

In 1986 the Supreme Court determined this Act as unconstitutional on the basis of sequestration gave the Congress inopportune authorities. Anyway, in 1987 the Act was re-enacted, with the new process of sequestration and deficit limits.

In 1985, when the US budget deficit was \$ 220 billion, Congress decided that mandatory across-the-board spending cuts is the only way to ensure that Republicans and Democrats solutions deficit. Thus, they passed a law the Gramm-Rudman-Hollings balanced budget (Cline, 2013).

Budget Sequestering means a proportional reduction in all budget expenditures on a certain amount (automatic across-the-board spending cuts). It is used from the determined date to the end of the fiscal year (Congress of the United States, 2012). As part of sequestration, there may be a number of protected expenditure items, the list of which is defined by the highest authorities (Keith, 2004).

Sequestration procedure was used only in relation to the new budget obligations of the federal government during the discussion of the budget request administration the next fiscal year. Gramm-Rudman-Hollings Act (in all editions - 1985, 1987, 1990 and 1993 had no retroactive force:

sequestration procedure cannot be applied to those already legislatively approved and executed projects budget (for example, at the end of the fiscal year).

Initially, in 1985, was supposed to balance the federal budget over 5 years, i.e. by 1992 fiscal year. Due to these solutions to reduce deficits a special schedule was elaborated, in which deficit limits were not to exceed the maximum statutory values.

It was also not prohibited by the Act to transfer of the failed volume of sequestration for next fiscal year. The sequestration procedure was based on the principle of automatic reduction of the so-called extra expenses exceeding the amount specified for a given year and the deficit calculated according to a special formula. Thus, US lawmakers sought to avoid a collision of different warring groups, which would require smaller reductions for some articles, and large - for others, which eventually would lead to endless haggling and delays in implementing the cuts, and in a final result. The formula of automatic sequestration looked as follows. If the estimated size of the deficit exceeds the set limit of 10 billion dollars - the amount of the proposed cuts is divided equally between the two major groups of expenses - military and civilian (later it was added to another group - the cost of international activities), thus reducing the within these groups on specific programs were to be made to a single percentage (Federal Reserve Bank of Minneapolis, 1989). Legislation detailed the entire programs, to be sequestered.

In 1986, the Supreme Court declared many provisions of the Law on the balanced budget and emergency measures to control the deficit were

recognize as unconstitutional, and under this pretext president administration did not consider itself obliged to apply the procedure of sequestration in 1986-1988. The American lawmakers were not satisfied and at the end of 1987 secured the adoption of the new Law. The new edition of the maximum allowable deficit limits remained unchanged, but the term final balancing the budget was, of course, moved for two years and has been placed at the beginning of 1993.

References

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