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### **The Analysis of Dynamics and Structure of the Consolidated Budget of the USA**

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#### **Abstract**

In article research of dynamics and level of the budgetary indicators in comparison with an internal gross product of the USA is conducted (on the basis of information, provided on the site of printing house of the U.S. Government). The specifics of tax system of the USA consisting in prevalence of the taxation of the income over the taxation of consumption and application of the scheme of the progressive taxation of the income of corporations are revealed. The theoretical and practical conclusions drawn in article can be used in further research of a financial system of the USA.

**Keywords:** budget; deficiency; debt; income; expenses; gross internal product; financing.

#### **Introduction**

During reforms in practice for correlation of the pursued budgetary policy with the changed conditions of economic and social development, there was a reconsideration of the relation to process of formation of profitable and account part of the consolidated budget of the country. The United States of America are a unique example of the country in which provisions of various budgetary theories were rather effectively applied and applied in practice of state regulation to correction of an economic situation at change of business cycles. The budgetary reforming are one of the priority directions of the American state economic policy that predetermined a choice of this state for the analysis in the conducted research.

#### **Materials and Methods**

Normative documents of government bodies of the U.S. Government formed information base of work. The methodology of carrying out work is based on the conceptual provisions of representatives of the classical, neoclassical and institutional directions of economic thought, theoretical conclusions stated in works of modern domestic and foreign scientists in the field of the

theory of finance, the taxation and state regulation of economy. General scientific methods of research, in particular, dialectic, system and functional approaches are used. Methods of the comparative analysis, economical and statistical taxonomy and group, graphic and tabular methods were applied to the solution of objectives.

**Discussion**

Distinctive feature of the budgetary system of the USA is that receipts only of those taxes are enlisted in the budget of each level, the rights on establishment and which administration belong to the government of this level. There is no practice when receipts from taxes which are regulated by one government, are distributed between various budgets. Are only allocated with own tax powers federal and the regional governments. Municipalities acquire the rights on establishment and taxation as a result of their delegation of states by authorities.

At the federal level are raised: individual income tax; corporation income taxes; estate and gift taxes; assignments on social insurance; customs duties and excise taxes. Receipts on more than 20 taxes and fees go to budgets of states and local budgets (regional individual income tax, taxes on sales, taxes on cigarettes and tobacco, on alcoholic products, on automobile fuel, taxes on business, a real estate tax, other taxes and fees). The federal income is formed generally at the expense of direct taxes, the income of states and local authorities indirect and property taxes prevail.

The US system of the interbudgetary alignment is presented by difficult system of the budgetary grants allocated to budgets of various levels. Thus dependence of budgets of the subnational level on federal transfers is rather strong. It is provided to budgets of subordinate level both target conditional, and unconditional financial aid. A main type of unconditional financial support is the program of the interbudgetary profitable alignment based on allocation of the transfers calculated on legislatively approved formula considering account requirements and fiscal potential. Now the federal budget doesn't provide inappropriate financial aid to budgets of subordinate level though unconditional financial support to local budgets from budgets of states is widely used.

The target financial aid is provided in the form of block-grants and categorical grants. The first are allocated for financing of rather wide range of items of expenditure (on health care, social security, etc.) at establishment of restrictions on redistribution of means between these articles. The second are allocated for financing of the specific account program.

Using information from the site of printing house of the U.S. Government, we investigate dynamics of the main indicators of the consolidated budget of the USA in table 1.

Apparently from the table 1, the consolidated budget was scarce throughout all analyzed period.

Table 1: The budget totals for 2010-2014 (in billions of dollars)

	2010	2011	2012	2013	2014 (plan)	Growth rates, %			
						2011/ 2010	2012/ 2011	2013/ 2012	2014/ 2013
Receipts	2,163	2,303	2,450	2,712	3,034	106,472	106,383	110,694	111,873
Outlays	3,456	3,603	3,537	3,685	3,778	104,253	98,168	104,184	102,524
Deficit	-1,293	-1,300	-1,087	-0,973	-0,744	100,541	83,615	89,512	76,465
Debt held by the public	9,019	10,128	11,281	12,404	13,296	112,296	111,384	109,955	107,191
Debt net of financial assets	7,894	9,170	10,282	11,255	11,999	116,164	112,126	109,463	106,610
Gross domestic product (GDP)	14,508	14,959	15,547	16,203	17,011	103,109	103,931	104,219	104,987

In table 2 the analysis of dynamics and level of the budgetary indicators in comparison with the gross domestic product of the USA is carried out.

Table 2: The budget totals as a percentage to gross domestic product (GDP)

	2010	2011	2012	2013	2014 (plan)
Receipts	14,909	15,395	15,759	16,738	17,836
Outlays	23,821	24,086	22,750	22,743	22,209
Deficit	-8,912	-8,690	-6,992	-6,005	-4,374
Debt held by the public	62,166	67,705	72,561	76,554	78,161
Debt net of financial assets	54,411	61,301	66,135	69,462	70,537

In 2010 the budget deficit was equal 1,293 billions of dollars that made about 60% of all budgetary receipts for the analyzed year.

The debt held by the public was equal 9,019 billions of dollars that in relative expression made more than 62% of the gross domestic product. Proceeding from data of table 2, it is possible to note that expenses of the budget made 23,82 %, the income was only 14,909 %, deficiency made 8,912 % of the GDP level.

In 2011 the budget deficit of the USA increased to 1,3 billions of dollars. Thus, the gross domestic product made in the analyzed period 14,959 billions of dollars (a gain for 3,931 %). Growth of the income by 6,5 % in comparison with last year, with simultaneous increase in the budgetary expenses on 4,25 % was noted. The tendency of decrease in level of expenses was outlined. The debt held by the public increased to 10,128 billions of dollars (67,7 % of the GDP level), the debt minus financial assets made 9,170 billions of dollars (61,3 % of the GDP level). The budgetary indicators in comparison with 2010 worsened.

In 2012 the situation improved. The tendency of growth of the budgetary income with simultaneous decrease in level of expenses is observed. The budget deficit was reduced to 1,087 billions of dollars (by 16,4 %). GDP of the USA increased to 15,547 billions of dollars (more than for 3,93 %). Receipts in the budget made 15,76 % of the GDP level, expenses – 22,75 %, deficiency – 6,99 %.

The debt of the population continued to grow. In 2012 it already made 11,281 billions of dollars that on 1,153 billions of dollars (11,38 %) is more than in last year. The debt minus financial assets made 10,282 billions of dollars.

In 2013-2014 is planned to keep the outlined tendency of decrease in budget deficit, due to bigger growth rate of the budgetary receipts, than the budgetary expenses. Nevertheless, budget expenses in absolute expression will continue to increase (3,685 billions of dollars in 2013, 3,778 billions of dollars in 2014).

GDP of the USA in 2013 made 16,203 billions of dollars, in 2014 is planned that it will increase to 17,011 billions of dollars. However, it should be noted that the population debt in comparison with an indicator of GDP will increase. So, in 2013 the debt share in GDP was planned at the level of 76,55 %, in 2014 it will increase to 78,161 %.

Thus, the budget of the USA has scarce character which tends to growth for 2010-2012. However, decrease in budget deficit in 2013-2014 is planned. So, in 2014 the budget deficit has to be reduced more than by 42,4 % in comparison with the level of 2010.

The analysis of dynamics of the outlays and receipts of the US budget for 2010-2014 is submitted on figures 1 and 2.

Average annual growth rate of the US budget outlays for 2010-2013 made 104,55 % (charts 1).

In the budget outlays the financing of mandatory programs, such as, for example, Social Security and Medicare prevails. It should be noted, that the highest average annual growth rate of outlays was observed in financing of the special-purpose programs, which aren't connected with defense (112,73 %) and in financing of mandatory programs of social security (110,76 %). Decrease in outlays was observed on such items, as «Appropriated («discretionary») programs (defense)» (87,08 %), «Other mandatory programs» (98,198 %).

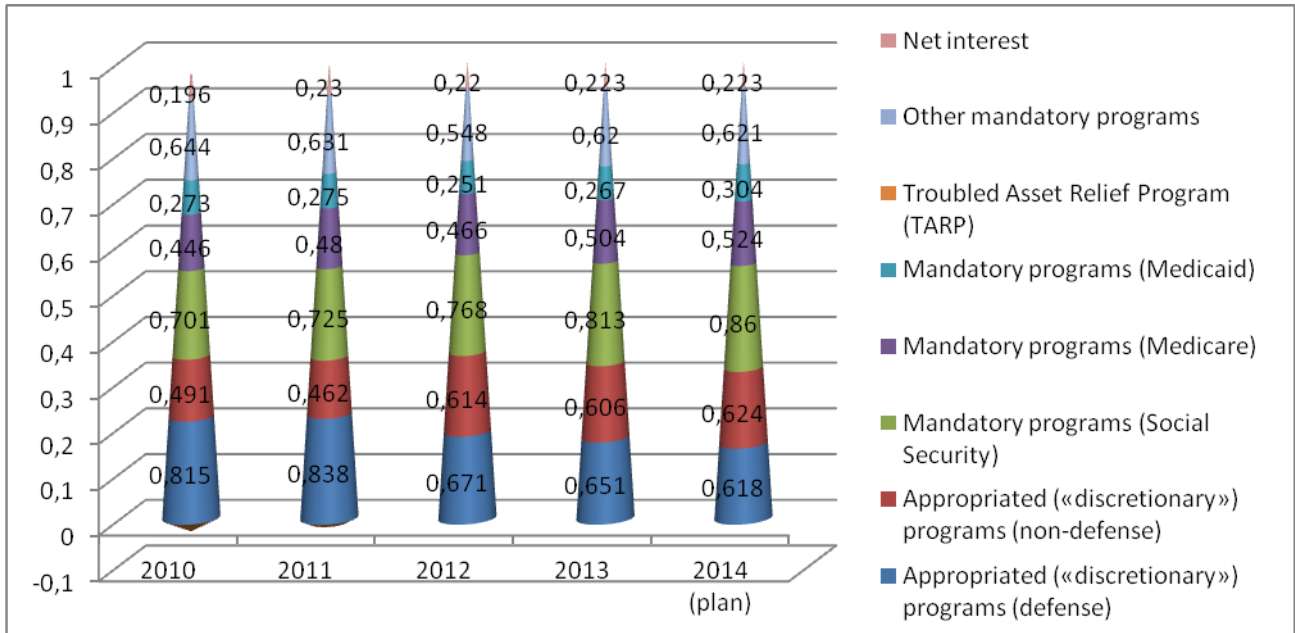


Figure 1. Dynamics of the US budget outlays for 2010-2014

Average annual growth rate of the US budget receipts from 2010 for 2013 made 118,43 % (figure 2).

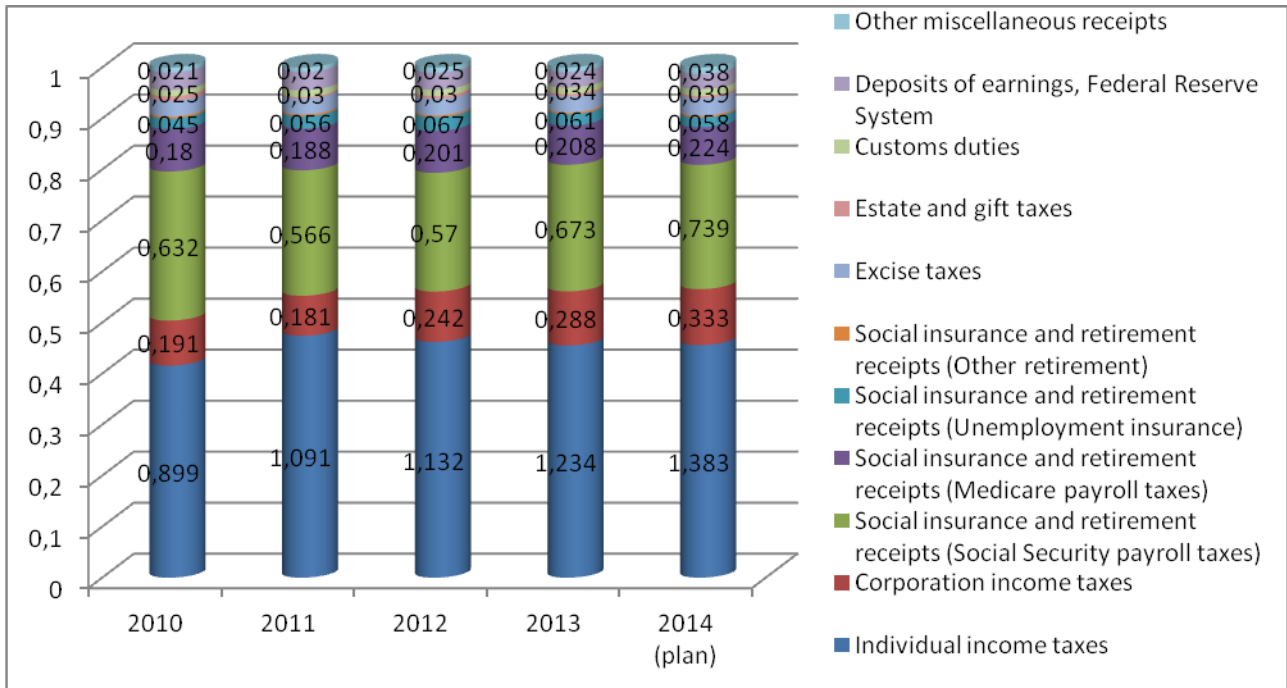


Figure 2. Dynamics of US budget receipts for 2010-2014

The bigger share in the budget receipts is the share of individual income tax. It should be noted that the highest average annual growth rate was observed under the items «Other miscellaneous receipts» (134,52 %) and «Corporation income taxes» (132,04 %), thus, that the share of this receipts in the total value of budget receipts is small. Decrease in growth rates was observed only under such items as «Estate and gift taxes» (82,717 %).

The analysis of structure of the US budget for 2010-2014 is presented in table 3.

Table 3: Structure of the budget of the USA for 2010-2014 (%)

	2010	2011	2012	2013	2014 (plan)
<b>OUTLAYS</b>					
Appropriated («discretionary») programs:					
- Defense	23,582	23,258	18,971	17,666	16,358
- Non-defense	14,207	12,823	17,359	16,445	16,517
<i>Subtotal, appropriated programs</i>	37,789	36,081	36,330	34,138	32,875
Mandatory programs:					
- Social Security	20,284	20,122	21,713	22,062	22,763
- Medicare	12,905	13,322	13,175	13,677	13,870
- Medicaid	7,899	7,633	7,096	7,246	8,047
- Troubled Asset Relief Program (TARP)	-3,183	-1,055	0,000	0,000	0,000
- Other mandatory programs	18,634	17,513	15,493	16,825	16,437
<i>Subtotal, mandatory programs</i>	56,539	57,535	57,450	59,783	61,091
Net interest	5,671	6,384	6,220	6,052	5,903
Adjustments for disaster costs	0,000	0,000	0,000	0,027	0,132
<b>TOTAL OUTLAYS</b>	100,000	100,000	100,000	100,000	100,000
<b>RECEIPTS</b>					
Individual income taxes	41,563	47,373	46,204	45,501	45,583
Corporation income taxes	8,830	7,859	9,878	10,619	10,976
Social insurance and retirement receipts:					
- Social Security payroll taxes	29,219	24,577	23,265	24,816	24,357
- Medicare payroll taxes	8,322	8,163	8,204	7,670	7,383
- Unemployment insurance	2,080	2,432	2,735	2,249	1,912
- Other retirement .	0,370	0,347	0,327	0,332	0,330
Excise taxes	3,098	3,126	3,224	3,134	3,461
Estate and gift taxes	0,878	0,304	0,571	0,479	0,428
Customs duties	1,156	1,303	1,224	1,254	1,285
<b>TOTAL RECEIPTS</b>	100,000	100,000	100,000	100,000	100,000

The bigger share in structure of the budget outlays is connected with execution of mandatory programs (2010 - 56,539 %, 2011 - 57,535%, 2012 - 57,45%). It is planned that in 2013 the share of these outlays will increase to 59,783 %, and in 2014 it will make 61,091%.

More outlays of mandatory programs are connected with Social Security (2010 – 20,284 %, 2011 – 20,122%, 2012 – 21,713%), Other mandatory programs (2010 – 18,634 %, 2011 – 17,513 %, 2012 – 15,493 %), Medicare (2010 – 12,905 %, 2011 – 13,322 %, 2012 – 13,175 %). Financing of mandatory programs makes from 13% up to 14% of GDP throughout all analyzed period.

The share of the outlays, connected with appropriated («discretionary») programs from 2010 for 2012 was reduced from 37,789 % to 36,330 %, more due to reduction of financing the appropriated («discretionary») programs of defense.

The net interest made 1,351 % of GDP in 2010, by 2012 it increased to 1,415 %. It is planned that in 2013 the net interest will be equal 1,376 % of GDP, and in 2014 – 1,311 %.

In general, a minimum level of the budget outlays to GDP was in 2012 (22,750 %), a maximum level was in 2011 (24,086%).

Receipts of the USA budget in 2010 made 14,909 % of the GDP, in 2011 this indicator increased to 15,395 %, in 2012 - 15,759 %. It is planned that in 2013 the budget receipts will make 16,738 % of GDP, and in 2014 already 17,836 %.

The most essential in budget receipts was individual income taxes: in 2010 it made 6,197% of GDP, in 2011 – 7,293 %, in 2012 – 7,281 %. The second significant item in receipts was Social

Security payroll taxes. This category of receipts made from 3,666 % (in 2012) to 3,784% (in 2011) of GDP.

The corporation income taxes and Medicare payroll taxes were ranging from 1 % up to 2 % of the created gross domestic product. Other receipts items were in total equal 1,799% of GDP in 2010, 1,845 % in 2011 and 1,962% in 2012. It is planned that by 2014 the share of this receipts will make 2,087 % of an GDP.

It should be noted that in structure of the USA budget raises the share of such receipts as «Corporation income taxes» (from 8,830 % in 2010 to 10,976 % in 2014), «Excise taxes» (from 3,098 % in 2010 to 3,224 % in 2012, for 2014 3,461% is planned).

In general, it is possible to recognize structure of the USA budget steady and developed. The highest fluctuations are connected with financing of appropriated («discretionary») programs.

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