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БЮДЖЕТНЫЙ ДЕФИЦИТ: ПРОБЛЕМЫ И ПУТИ ЕГО РЕШЕНИЯ

Аннотация: в данной статье раскрывается понятие бюджетного дефицита, причины, которые к нему приводят, и методы уменьшения этого явления.

Ключевые слова: дефицит бюджета

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BUDGET DEFICIT: THE PROBLEMS AND METHODS FOR ITS SOLUTION

Abstract: This article explains what budget deficit is, the causes that lead to it and the methods to decrease this phenomenon.

Key words: budget deficit

Budget deficit has become a challenge of many countries in the recent decades especially in developing countries.This leads to adding governmental activities and elevating government economic share in such countries that a main share of total demand is assigned to expenditure and government investment. On the revenue side, the government lacks adequate revenues to cover its huge expenses. The result of this process is a permanent budget deficit. According to Economic Times, the budgetary deficit can be defined as the difference between all receipts and expenses in both revenue and capital accounts of the government [1]. A budget deficit occurs when the spending exceeds the receiving income which is the total amount of money that you’re spending is greater than the total amount of money that you’re bringing in.

The concept of deficit is not as simple as it looks. Various indicators of deficit in the budget may be noted [2]: ·

1. Budget deficit = total expenditure – total receipts ·
2. Revenue deficit = revenue expenditure – revenue receipts ·
3. Fiscal deficit = total expenditure – total receipts except borrowings ·
4. Primary deficit = Fiscal deficit - interest payments ·
5. Effective revenue deficit = Revenue deficit – grants for the creation of capital assets ·
6. Monetized fiscal deficit = that part of the fiscal deficit covered by borrowing from the central bank

National budget deficit can be caused by various factors:

- Tax structure that may decrease the revenue, such as those intended to boost large companies’ ability to hire employees or under taxing those who are a high-wage earners and overtaxing the low-wage earners
- Low GDP (the money being made in the country) resulting in low overall revenue resulting in low tax revenue
- Poorly-designed tax structures that under-tax high-earners and over-tax low-earners
- High spending on many programs such as Medicare, Social Security or military spending

- Increased government spending on subsidies to various industries [3].

Countries counter budget deficits by promoting economic growth through fiscal policies, such as reducing government spending and increasing taxes. Reduced regulations and lower corporate income taxes improve business confidence, stimulate further employment, and promote economic growth leading to higher taxable profits and an increase in income tax revenue.

If the economy grows, then the government will increase tax revenue, without raising taxes. With economic growth, people pay more VAT, companies pay more corporation tax (tax on profits), and workers pay more income tax. High economic growth is probably the most effective way to reduce the budget deficit because the tax rates do not have to be increased or spending should be decreased. However, many countries with fiscal deficit crisis are often stuck in recession. Currently, countries in the Eurozone find it difficult to grow because of the nature of European monetary policy and the constraints of the Euro. Also, economic growth may not solve the underlying structural deficit (which occurs even during high growth) This may still require spending cuts or tax rises.

In 2021, the government deficit of the EU decreased compared with 2020, as did the government debt. In the EU, the government deficit to GDP ratio shrunk from 6.7% in 2020 to 4.6% in 2021 (-2.1 percentage points, pp). Meanwhile, the government debt to GDP ratio decreased from 89.8% at the end of 2020 to 87.9% at the end of 2021 (-1.9 pp) [4] .

Moreover, higher taxes increase revenue and help to reduce the budget deficit. Like spending cuts, they could cause lower spending and lead to a fall in economic growth. Again it depends on the timing of tax increases. In a recession, tax increases could cause a significant drop in spending. During high growth, tax increases won’t harm spending as much. It also depends on the type of tax you increase [5].

Next, is to cut government spending but it also depends on the type of government spending that will be cut. If pension spending is cut, then there may be an actual increase in productive capacity. If you cut public sector investment, it will have a bigger adverse effect on aggregate demand and the supply side of the economy. In the Eurozone crisis, many European countries have cut government spending to try and reduce their budget deficits. For example, Greece, Ireland and Spain all cut spending. However, these spending cuts contributed to a decline in economic growth, leading to lower tax revenues and rising debt to GDP. These spending cuts have been much less effective in reducing the budget deficit and led these countries to the recession phase [5].

To reduce budget deficits, the government is likely to use a combination of policies. A key factor is the timing of deficit reduction plans. If the country is already in recession, it is much more difficult to reduce the deficit because fiscal consolidation tends to worsen the economic situation leading to lower tax revenues. In some cases, austerity can even be self-defeating. The best way to reduce the budget deficit is to aim for positive economic growth, but in the long-term evaluate government spending commitments and reduce spending to sustainable levels.

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