



Pantelyeyev V.

ANALYSIS OF GOVERNMENT SHUTDOWN AS A COMPOSITION OF STATE'S FISCAL POLICY

Об'єктом дослідження є управління практичними питаннями здійснення фінансової політики в галузі функціонування бюджетної системи різних країн. Одним з найбільш проблемних місць є здійснення узгодженої політики по утворенню і використанню бюджетних коштів із здійсненням загрози зупинки роботи уряду і вимушеними відпустками працівників.

Проведено аналіз сучасної системи процедур проблемного вирішення протиріч між вищим керівництвом країни і вищим законодавчим органом держави. Встановлено, що зупинки роботи уряду приносять значну шкоду для економіки. Держава несе реальні витрати, так як підрядники підвищують свої розцінки, щоб мінімізувати виникаючі ризики. Постійні закриття і відкриття роботи уряду вимагають додаткових витрат на розгляд і оцінку функціонування програм, включених до бюджету кожної установи. Крім того, порушення сформованого циклу роботи ускладнює планування і запуск майбутніх проектів і вимагає від фахівців додатково часу на перегляд планів роботи кожного разу, коли змінюються бюджетні призначення. Крім цього, багато податкових зборів не збираються під час зупинки роботи уряду. Визначено, що шляхом шантажу і погроз, та інших заходів приймаються різні рішення при здійсненні бюджетної політики, що зачіпають соціальні, політичні та економічні питання.

В ході дослідження використовувалися методи хронологічного аналізу перебігу бюджетного процесу, зупинки роботи уряду і вимушених відпусток співробітників. Визначено зв'язок прийнятих рішень з бюджетним процесом і роботою обох палат Конгресу. Порівняльний аналіз з подібними зупинками роботи уряду в інших країнах свідчить, що цілком допустимо рішення проблем фінансової політики без зупинки роботи уряду і без відправлення співробітників у вимушені відпустки. Завдяки цьому забезпечується можливість якісно управляти практичними питаннями здійснення фінансової політики. У порівнянні з більш агресивними методами, демократичні процедури нормальної організації бюджетного процесу дозволяють здійснювати узгоджену політику по утворенню і використанню бюджетних коштів без руйнівних наслідків для економіки.

Ключові слова: здійснення бюджетної політики, зупинка роботи уряду, організація бюджетного процесу, фінансова політика.

1. Introduction

Recently, in various countries of the world, including the United States, in the implementation of financial policies for the sake of making or not making (vetoing) certain decisions, government activity will stop. In modern economic and social conditions, the coordinated work of the country's top leadership and the highest legislative body of the state is an important element in the implementation of financial policies in the system of functioning of the budget system. The extent to which this work is coordinated depends on the normal course of the budget process in the state.

The interruption of the USA government's work and the dispatch of employees on forced leave, which have become so frequent in recent years, impede the normal course of the budget process, complicate the solution of economic issues and cause tension in the social sphere.

A coherent policy on education and the use of budget funds favors the normal course of economic and budgetary activities in the country.

Therefore, the study of the shutdown of the government as an integral part of the state fiscal policy is relevant.

2. The object of research and its technological audit

The object of research is the management of practical issues of the implementation of fiscal policy in the functioning of the budget system of different countries.

When implementing various budget process procedures, various budget management tools are used:

- legal ones: veto, coordination, legislative adjustments, etc.;
- economic – changes in sources and directions of budget funds, reserves, etc.

Therefore, one of the most problematic places is the study of various aspects of the implementation of coordinated fiscal policy.

3. The aim and objectives of research

The aim of research is studying the stages of the budget process in developed countries and making volitional adjustments to this process. To achieve the aim of research the following scientific objectives are defined:

1. Conduct an analysis of the implementation of the stopping of the work of the USA government and forced leave employees.

2. Establish the main reasons for stopping the government.

3. Determine the organizational basis for stopping the work of the government.

4. Compare the causes and consequences of volitional adjustments to the budget process in other countries.

4. Research of existing solutions of the problem

Analysis of scientific sources on the selected topic shows a wide range of opinions of the authors.

The author of [1] describes in detail the process of government closure, indicates the causes of these moments and their consequences, but in his work these moments are not linked to the budget cycle procedure.

Among the main directions of solving this problem, identified in the resources of the world scientific periodicals, can be singled out [2, 3], the authors highlight the causes and consequences of the shutdown. There are many fiscal rules, obligations, procedures and methods of budget management that allow you to organize and carry out work on an agreed policy on the education of the used budget funds. However, there are subjective psychological approaches to making state decisions: whims, ambitions, stubbornness, charismatic self-confidence, unwillingness to agree.

There are also subjective political approaches: pre-election promises, party differences, flirting with voters, with the goal of securing their votes with a desire to show their strength [2, 3]. Therefore it is necessary to make completely different, anomalous, destructive decisions.

The consequences of the government's work stoppages and forced vacation of employees are changes and adjustments to legislation, political and economic life, and other phenomena of public life in the United States and other countries. They are caused by artificially created economic and political problems and difficulties [2, 3].

And the work [4] is devoted to the consideration of the economic consequences of government shutdowns, without ties of these outages to the activities of both branches of Congress.

The study of the causes and consequences of the implementation of a coherent policy on education and the use of budgetary funds is devoted to the work of many scholars and publicists. These works are often described with an emotional tinge to the emerging moments of fiscal policy in tense moments in the life of different countries. In work [5] it is indicated that the president is limited in the use of presidential resources.

The authors of [6] considered changes in tax and budget expenditures, but without analyzing these problems with government shutdowns.

However, a number of authors point out that it would not be bad if we got rid of the majority of politicians and three-quarters of public servants, too small a government is better than too large [7].

Everything is pretty stable, partly because Spain provides significant powers to its 17 regional governments. They continued to provide healthcare, education, and other pillars of daily life [7].

Other authors have pointed out that in Belgium the debt crisis can occur and affect the whole of Europe. This did not happen [8].

The author of [9] reviewed 589 days of the life of Belgium without a government, but without analyzing the financial consequences of this stop.

The author of [10] reviewed the episode of a possible shutdown of the Australian government, touched upon the ethical aspects of the work of the highest legislative body, but did not consider the economic consequences of the shutdown of the government and did not even indicate the date of this stop.

Thus, the results of the analysis allow to conclude that the problem is important, the ways and methods for solving it are determined, but no detailed analysis has been made.

5. Methods of research

In the course of the work, general scientific and special research methods were used:

- analysis to clarify the connection of irregularities in budget procedures with the established calendar of the budget process;
- analogies and comparisons to determine the causes and effects of temporary government shutdowns.

6. Research results

In addition, to note once again that the state and development of the political culture and functioning of the government are the basis for using and preventing painful methods of temporary suspension of the government. The shutdown of the government is a tool to reverse the impact of governance on the fiscal process.

Since USA Congress introduced the modern budget process in 1976, many federal government agencies and programs have relied on annual allocations from Congress [1]. Every year, Congress must pass and the President must sign budget legislation for the next fiscal year (FY), consisting of 12 appropriations bills, one for each Appropriations subcommittee. When the federal government's fiscal year began October 1, Congress had enacted five of the 12 appropriations bills for FY 2019 [2].

In a «shutdown», federal agencies must discontinue all non-essential discretionary functions until new funding legislation is passed and signed into law. Essential services continue to function, as do mandatory spending programs [2]. The main initiators and organizers of shutdown in the United States are presidents who conflict with Congress. There have been 22 shutdowns in the United States, which lasted almost 200 days (Table 1). As it is possible to see, there are several stages in the shutdowns history of more than 40 years:

Stage 1 – almost continuous annual shutdowns for 20 years from 1976–1996, when shutdowns occurred almost annually.

Stage 2 – the last years, when shutdowns were held for less than 10 years – for the period from 2013–2019.

In the first 20 years, shutdowns were usually associated with solving problems of budget procedures directly tied to the beginning of the fiscal year (in the United States, from October, 1 to September, 30). However, already during this period tendencies begin to appear, which with an increased destructive force are manifested at the present time. In 1997, J. Carter made 3 shutdowns for a total of 34 days with short breaks – starting from September, 30, he stopped shutdown on December, 9.

Table 1

Government shutdowns in the USA, 1976–2019*

No.	Year	Total days	Start day's month						President	Senate, majority leader	House of Representatives, speaker	Furloughed
			September	October	November	December	January	February				
1	1976	12	Sep 30–Oct 11	–	–	–	–	–	G. Ford (R.)	M. Mansfield (D.)	C. Albert (D.)	No
2	1977	14	Sep 30–Oct 13	–	–	–	–	–	J. Carter (D.)	R. Byrd (D.)	T. O'Neill (D.)	No
3	1977	10	–	Oct 31–Nov 9	–	–	–	–	J. Carter (D.)	R. Byrd (D.)	T. O'Neill (D.)	No
4	1977	10	–	–	Nov 30–Dec 9	–	–	–	J. Carter (D.)	R. Byrd (D.)	T. O'Neill (D.)	No
5	1978	19	Sep 30–Oct 18	–	–	–	–	–	J. Carter (D.)	R. Byrd (D.)	T. O'Neill (D.)	No
6	1979	13	Sep 30–Oct 12	–	–	–	–	–	J. Carter (D.)	R. Byrd (D.)	T. O'Neill (D.)	No
7	1980	1	–	–	–	–	–	–	J. Carter (D.)	R. Byrd (D.)	T. O'Neill (D.)	Yes
8	1981	3	–	–	Nov 20–23	–	–	–	R. Reagan (R.)	H. Baker (R.)	T. O'Neill (D.)	Yes
9	1982	3	Sep 30–Oct 2	–	–	–	–	–	R. Reagan (R.)	H. Baker (R.)	T. O'Neill (D.)	No
10	1982	5	–	–	–	Dec 17–21	–	–	R. Reagan (R.)	H. Baker (R.)	T. O'Neill (D.)	No
11	1983	4	–	–	Nov 10–14	–	–	–	R. Reagan (R.)	H. Baker (R.)	T. O'Neill (D.)	No
12	1984	4	Sep 30–Oct 3	–	–	–	–	–	R. Reagan (R.)	H. Baker (R.)	T. O'Neill (D.)	No
13	1984	3	–	Oct 3–5	–	–	–	–	R. Reagan (R.)	H. Baker (R.)	T. O'Neill (D.)	Yes
14	1986	3	–	Oct 16–18	–	–	–	–	R. Reagan (R.)	B. Dole (R.)	T. O'Neill (D.)	Yes
15	1987	3	–	–	–	Dec 18–20	–	–	R. Reagan (R.)	R. Byrd (D.)	J. Wright (D.)	No
16	1990	5	–	Oct 5–9	–	–	–	–	G. H. W. Bush (R.)	G. Mitchell (D.)	T. Foley (D.)	Yes
17	1995	7	–	–	Nov 13–11	–	–	–	B. Clinton (D.)	B. Dole (R.)	N. Gingrich (R.)	Yes
18	1995–1996	21	–	–	–	Dec 5–Jan 6	–	–	B. Clinton (D.)	B. Dole (R.)	N. Gingrich (R.)	Yes
19	2013	17	–	Oct 1–17	–	–	–	–	B. Obama (D.)	H. Reid (D.)	J. Boehner (R.)	Yes
20	2018	3	–	–	–	–	Jan 20–22	–	D. Trump (R.)	M. McConnell (R.)	P. Ryan (R.)	Yes
21	2018	1	–	–	–	–	–	Feb 9	D. Trump (R.)	M. McConnell (R.)	P. Ryan (R.)	No
22	2018–2019	35	–	–	–	Dec 22–Jan 25	–	–	D. Trump (R.)	M. McConnell (R.)	N. Pelosi (D.)	Yes
Total		196	–	–	–	–	–	–	–	–	–	–

Note: * – developed by the author on the basis of data [4]; R. – Republican; D. – Democrat

J. Carter is a record holder in shutdown – 67 days, that is, every year of his presidency was marked by a government shutdown.

Under President R. Reagan, there were 7 stops that lasted 28 days, from 1981–1987. It was in his cadenza that shutdown ceased to be tied to the beginning of the fiscal year and ended with interruptions in November–December.

Presidents G. H. W. Bush and B. Clinton respectively stopped government activities for 5 and 28 days, usually at the beginning of their presidential term. Only President G. W. Bush did not use the shutdown tool in his economic policy and in the process of forced shutdowns and then there was a break for almost 20 years.

President B. Obama at the end of the first term cadenza shutdown for 17 days after the start of the fiscal year. President D. Trump began his cadence immediately with shutdown, which he spent for 39 days – that is only 2 times less than President J. Carter almost 40 years ago. But there is no doubt that he will use this tool repeatedly and long during its period of government.

The leaders of the majority in the Senate during this time were Democrat R. Byrd (1977–1980, 1987), Republicans H. Baker (1981–1984), B. Dole (1986, 1995–1996),

M. McConell (2018–2019) and others. Speakers of the House of Representatives over the years shutdown was Democrat T. O'Neill (1976–1986), Republicans N. Gingrich (1995–1996), P. Rayan (2018) and others. As can be seen, Speaker of the House of Representatives is Democrat T. O'Neill participated in more shutdown than any US president.

Party membership in the top US leadership was manifested by the following agreed decisions – there are only 2 periods when the government's suspension was taken by the president, in the hands of party members of which there were both branches of Congress. Under Democrat J. Carter, all 6 shutdowns were implemented under conditions of one-party leadership over all branches of legislative power. With Republican D. Trump, this possibility was only when organizing 2 shutdown in 2018. The remaining 14 shutdowns were conducted in a multi-party environment, that is, the multi-party forces unanimously used shutdown as a tool to solve their problems.

The most painful effect of shutdown is furloughed.

As it is known, until now in the USA from 22 shutdown painful furloughed were produced 10 times, and without furloughed – 12 times, and with the same duration –

98 days each, that is, equally. If the most cruel and destructive shutdown with a furloughed in the first 20 years took only 33 days, then in the last 8 years it took 55 days, that is, the destructiveness of the furloughed increases (Table 2). According to the authors of [5], presidential resources are found within the executive's discretion to set the final allocations of vaguely worded congressional regulations and appropriations. An abuse of this discretionary power, however, may lead congress to tighten mandates thereby endogenizing presidential resources. The president is therefore constrained in his use of presidential resources.

The destructive experience of power impact on the course of the budget process in order to achieve political goals has been gained in other countries.

In particular, in Spain for about 300 days in 2015–2016, the state lived without an elected national government. Spain's leaders warned that having no government would mean chaos and deprivation. Instead, more than anything, the crisis seems to have offered a glimpse of life if politicians simply stepped out of the way. For many here, it has not been all that bad.

Table 2

Party's Influence on Furloughed during Government shutdowns in the USA, 1976–2019*

Indicator	President		Senate		House of Representatives	
	R.	D.	R.	D.	R.	D.
All shutdowns						
Total (22)	13	9	12	10	5	17
Support for party members of the President	–	–	10	7	2	6
No support for party members of the President	–	–	2	3	3	11
Shutdowns with furloughed						
Total (10)	6	4	7	3	4	6
Support for party members of the President	–	–	7	2	1	2
No support for party members of the President	–	–	–	–	3	4
Shutdowns without furloughed						
Total (12)	7	5	5	7	1	11
Support for party members of the President	–	–	5	7	1	11
No support for party members of the President	–	–	–	–	–	–

Note: * – developed by the author on the basis of data [4]; R. – Republican; D. – Democrat

«Spain would be just fine if we got rid of most of the politicians and three-fourths of government employees», Rafael Navarro, 71, said inside his tiny storefront pharmacy in Madrid. Too little government is better than too much, he said [7].

Budget money flowed. Government ministries functioned. Social service recipients and civil servants were paid. But government was paralyzed in other ways. Nobody was proposed legislation, was debated international affairs or even rotating Spain's ambassadors. Funding for many infrastructure and government projects was frozen. And nationalist movements in Catalonia and the Basque region was continued to roil national politics [7].

Nine months later, many voters complain that the new parties have adopted the same cynical and corrosive poli-

tics practiced under the entrenched two-party system. For now, things are fairly stable in part because Spain grants considerable powers to its 17 regional governments. They have continued to provide health care, education and other pillars of daily life [7].

Belgium's economy didn't stun anyone in that time period but it pattered along quite happily without that firm smack of government for that year and a half (2010–2011). In Belgium there should have been a government to solve problems at this level. But it's not true that direct management of the economy is one of those things. Not that we should expect the governments or policy makers to agree with us. If the idea generally caught on then we might start to ponder whether we need quite so much governance or policy making or governors and policy makers. And that would never do, would it? [3].

As this two examples show, not having a government might even be beneficial as it reduces the number of things that governments do to prevent the economy tootling along.

But day-to-day affairs of the country were tended to by a temporary government run by a former prime minister, while the two main political parties fought over everything «from Flemish collaboration during the Second World War to allegations of francophone cultural imperialism seeking to impose the Gallic language in Flanders», according in [8]. The differences are so deep that many expect that Belgium at some point will split into two separate countries.

The temporary government did not make big decisions regarding budget (though money still flowed as before), the national debt, foreign policy and defense, leading some to worry that a debt crisis could occur and affect all of Europe. It didn't happen [9].

The nation of 25 million has experienced its equivalent of a government budget impasse only once, in 1975, and it left Australia's political system in turmoil for years. When the country's political leaders couldn't agree on a new budget, Queen Elizabeth II's Australian representative simply stepped in and dismissed Australia's prime minister and then dissolved Parliament when its members complained [10].

A comparative analysis of the indices of democracy in 2018 (Table 3) shows that the United States is in 25th place, the index of their political culture is lower than in Australia.

Table 3

Democracy index 2018 in the USA, Spain, Belgium and Australia*

Indicator	USA	Spain	Belgium	Australia
Rank	25	19	31	9
Political culture	7.5	7.50	6.88	8.75
Functioning of government	7.14	7.14	8.93	8.93
Regime type	Flawed democracy	Full democracy	Flawed democracy	Full democracy

Note: * – developed by the author on the basis of data [11]

The index of the functioning of the government in USA and Spain is the lowest of the four countries in question using shutdown and furloughed. Thus, measures to improve the coordinated work of the country's top leadership and government, including in the area of fiscal policy, are very relevant in the United States.

7. SWOT analysis of research results

Strengths. In the study are shown, that need to implement a coherent policy on education and the use of budgetary funds. These activities without the implementation of the destructive threat of stopping the work of the government and forced vacations of employees can improve the final result of the functioning of the fiscal system.

Weaknesses. The analysis of the execution of the budget process showed that there are risk factors associated with the implementation of these measures. For example, the risks of a coordinated policy include the unreadiness of society, the state, and the economy to make consensus concessions in order to achieve a normal, constructive fiscal process.

Opportunities. Direction of further exploration (research):

- analysis of the economic and political causes and consequences of shutdown;
- analysis of the ways and instruments of public influence in the United States and other countries on their leadership in order to force them to take more loyal and sparing fiscal, economic and political measures to achieve their political goals;
- study of changes in democratic processes to improve the work of government and administration.

Threats. The proposed approaches are not the way to avoid costs and losses in general through the influence of various types of risks. Among other things, there are subjective factors of the external environment, historical experience, traditions, ambitions. The situation is complicated by the fact that not all threats can be pre-determined and minimized.

8. Conclusions

1. In the study show that shutdown in the United States and other countries is an initiative initiated by top management to suspend government activities for various purposes. As it is possible to see, shutdown is a tool to reverse the impact of management on the budget process.

2. It is revealed that the main reasons for shutdown are:

- whims;
- ambitions;
- stubbornness;
- campaign promises;
- party differences;
- flirting with voters, with the goal of securing their votes with a desire to show their strength;
- charismatic self-confidence;
- unwillingness to make an agreement, etc.

3. It is determined that the basis of shutdown are:

- legislative acts of the budget process;
- economic life;
- political structure and political activity;
- rule of their implementation;
- work on their adjustment and change, etc.

4. It is found that:

- absenced of a direct shutdown connection with the process of the beginning of the fiscal year;
- over the past 40 years, shutdown in the United States took place in two stages with an almost 20-year break;
- in the past 6 years, the American leadership has returned to the practice of shutdown and furloughed with even more devastating consequences;

- the most strong supporters of shutdown were Presidential Democrats J. Carter and B. Clinton. Republicans R. Reagan and D. Trump, and the presidents G. H. W. Bush, G. W. Bush and B. Obama did not use the least shutdown in foreign policy struggle;
- in the Senate the most supporters of the shutdown were majority leaders R. Byrd and H. Baker, B. Dole, and in the House of Representatives the most strong supporter of the shutdown was T. O'Neil;
- in Spain in 2015–2016 and in Belgium in 2010–2011, which used shutdown and furloughed, there were no destructive consequences in the internal life and economy. And in Australia after the financial crisis in 1975, the problem was solved in one day and to these 40 years later no longer returned.

References

1. Matthews D. Here is every previous government shutdown, why they happened and how they ended // The Washington Post. 2013. URL: https://www.washingtonpost.com/news/wonk/wp/2013/09/25/here-is-every-previous-government-shutdown-why-they-happened-and-how-they-ended/?utm_term=.eb0fb-f41c1be
2. Q&A: Everything You Should Know About Government Shutdowns // Committee for a Responsible Federal Budget. 2019. URL: <https://www.crfb.org/papers/qa-everything-you-should-know-about-government-shutdowns>
3. Worstall T. Spain Has No Government For 10 Months – Economy Grows, Unemployment Falls To 18.9 % // Forbes. 2016. URL: <https://www.forbes.com/sites/timworstall/2016/10/27/spain-has-no-government-for-10-months-economy-grows-unemployment-falls-to-18-9/#26612e69b62c>
4. Bryan B. The government shutdown is in day 35 and has shattered the record for the longest shutdown in history // Business insider. 2019. URL: <https://www.businessinsider.com/history-of-government-shutdowns-in-congress-2018-1>
5. Inman R. P. Presidential leadership and the fiscal policy: learning from Reagan's role // NBER Working Paper. 1993. No. 4395. doi: <http://doi.org/10.3386/w4395>
6. Favero C., Giavazzi F. Debt and the effects of fiscal policy // NBER Working Paper. 2007. No. 12822. doi: <http://doi.org/10.3386/w12822>
7. Minder R., Zucchini D. Spaniards, Exhausted by Politics, Warm to Life Without a Government // The New York Times. 2016. URL: <https://www.nytimes.com/2016/10/03/world/europe/spain-socialists-sanchez-rajoy.html>
8. Belgium marks a year without a government // The Telegraph. 2011. URL: <https://www.telegraph.co.uk/news/worldnews/europe/belgium/8571756/Belgium-marks-a-year-without-a-government.html>
9. Strauss V. 589 days with no elected government: What happened in Belgium // The Washington Post. 2013. URL: https://www.washingtonpost.com/news/answer-sheet/wp/2013/10/01/589-days-with-no-elected-government-what-happened-in-belgium/?utm_term=.d980eea6332c
10. Noack R. Australia tried its own government 'shutdown' in 1975. The queen's man in Sydney was not amused, and it never happened again // The Washington Post. 2018. URL: https://www.washingtonpost.com/world/2019/01/02/australia-tried-its-own-government-shutdown-queen-was-not-amused-it-never-happened-again/?utm_term=.bf07aa8ff614
11. Democracy index 2018 // The Economist. 2018. URL: https://www.eiu.com/Handlers/WhitepaperHandler.ashx?fi=Democracy_Index_2018.pdf&mode=wp&campaignid=Democracy2018

Pantelyev Vitaliy, PhD, Associate Professor, Department of Finance, Banking and Insurance, V. N. Karazin Kharkiv National University, Ukraine, e-mail: stavrauditfirm@gmail.com, ORCID: <http://orcid.org/0000-0002-9783-6212>