

3. Budget crisis and Budget Day

3.1 Budget crisis

A budget crisis is an informal name for a situation in which the legislative and the executive in a presidential system deadlock and are unable to pass a budget. In presidential systems, the legislature has the power to pass a budget, but the executive often has a veto in which there are insufficient votes in the legislature to override. If no emergency provisions are made for the government's budget, a budget crisis may develop into a government shutdown in which the government temporarily suspends non-essential services until a budget is passed.

Unlike parliamentary systems, where a loss of supply would trigger the immediate fall of the government, a budget crisis can often lead to an extended stand-off. At the federal level in the United States, a crisis can often be averted by a continuing resolution which appropriates funding at the same level as the previous budget.

A budget crisis can also occur if the legislative branch has a constitutionally mandated dissolution or suspension date and the budget hasn't been passed up to that point. The term "budget crisis" could be used for situation then executive branch is freezing certain funds (impoundment) despite directions of the law on annual budget already passed by parliament.

Politically, a budget crisis may develop in a situation of disagreement between state and civil society. Constitutional economics is a field of economics and constitutionalism which describes and analyzes the specific interrelationships between constitutional issues and functioning of the economy including budget process. The standards of constitutional economics when used during annual budget planning, as well as the latter's transparency to the society, are of the primary guiding importance to the implementation of the rule of law. Also, the availability of an effective court system, to be used by the civil society in situations of unfair government spending and executive impoundment of any previously authorized appropriations, becomes a key element for the success of any influential civil society.

Examples

3.1.1 United States federal government shutdown of 1995 and 1996

A particularly severe budget crisis occurred in the United States in November 1995, when the House of Representatives under Speaker Newt Gingrich and the

administration of President Bill Clinton quarrelled over apportionments. The failure of the House and Clinton to pass a continuing budget resolution to apportion temporary funds forced a closure of most non-essential United States government offices for several weeks.

3.1.2 United States federal government shutdown of 2013

History repeated for the United States in 2013. It again occurred with a Democrat President - President Barack Obama. The Republican House boycotted the budget in order to protest the Obamacare legislation. The failure of the House to pass a continuing budget resolution forced a closure of most non-essential United States government offices for several weeks in October 2013

3.1.3 Uses in popular culture

In the episode "Shutdown" of The West Wing, a budget crisis situation like the 1995-1996 federal government shutdown was depicted when Josiah Bartlet and Republican Speaker of the House Haffley disagree over budget cuts and shuts down the government for a number of days.

3.2 Budget Day

Budget Day is the day that a government presents its budget to a legislature for approval, typically in a ceremonial fashion. It only exists in some countries of the world.

3.2.1 India

The Union Budget of India, referred to as the Annual Financial Statement in Article 112 of the Constitution of India, is the annual budget of the Republic of India, presented each year on the last working day of February by the Finance Minister of India in Parliament. The budget, which is presented by means of the Financial Bill and the Appropriation bill has to be passed by the House before it can come into effect on 1 April, the start of India's financial year.

3.2.1.1 Pre-liberalisation

The first Union budget of independent India was presented by R. K. Shanmukham Chetty on 26 November 1947.

The Union budgets for the fiscal years 1959–61 to 1963–64, inclusive of the interim budget for 1962–63, were presented by Morarji Desai. On 29 February in 1964 and 1968, he became the only finance minister to present the Union budget on his birthday. Vyas presented budgets that included five annual budgets, an interim budget during his first stint and one interim budget and three final budgets in his second tenure when he was both the Finance Minister and Deputy Prime Minister of India.

After desai's resignation, Indira Gandhi, the then Prime Minister of India, took over the Ministry of Finance to become the only woman to hold the post of the finance minister.

Pranab Mukherjee, the first Rajya Sabha member to hold the Finance portfolio, presented the annual budgets for 1982–83, 1983–84 and 1984–85.

Rajiv Gandhi presented the budget for 1987–89 after V P Singh quit his government, and in the process became only the third Prime Minister to present a budget after his mother and grandfather.

N. D. Tiwary presented the budget for 1988–89, S B Chavan for 1989–90, while Madhu Dandawate presented the Union budget for 1990–91.

Dr. Manmohan Singh became the Finance Minister but presented the interim budget for 1991–92 as elections were forced.

Due to political developments, early elections were held in May 1991 following which the Indian National Congress returned to political power and Manmohan Singh, the Finance Minister, presented the budget for 1991–92.

3.2.1.2 Post-liberalization

Manmohan Singh, in his next annual budgets from 1992–93, opened the economy, encouraged foreign investments and reduced peak import duty from 300 plus percent to 50 percent.

After elections in 1996, a non-Congress ministry assumed office. Hence the final budget for 1996–97 was presented by P. Chidambaram, who then belonged to Tamil Maanila Congress.

Following a constitutional crisis when the I. K. Gujral Ministry was on its way out, a special session of Parliament was convened just to pass Chidambaram's 1997–98 budget. This budget was passed without a debate.

After the general elections in March 1998 that led to the Bharatiya Janata Party forming the central government, Yashwant Sinha, the then Finance Minister in this government, presented the interim and final budgets for 1998–99.

After general elections in 1999, Sinha again became the finance minister and presented four annual budgets from 1999–2000 to 2002–2003. Due to elections in May 2004, an interim budget was presented by Jaswant Singh.

3.2.1.3 Time of budget announcement

Until the year 2000, the Union Budget was announced at 5 pm on the last working day of the month of February. This practice was inherited from the Colonial Era, when the British Parliament would pass the budget in the noon followed by India in the evening of the day.

It was Mr. Yashwant Sinha, the then Finance Minister of India in the NDA government (led by BJP) of Atal Bihari Vajpayee, who changed the ritual by announcing the 2001 Union Budget at 11 am.

3.2.3 Hong Kong

In Hong Kong the Financial Secretary introduces the appropriations bill for first reading a few weeks before the beginning of a fiscal year on 1 April, with a speech to move the motion for first reading of the bill. In 2002 the tradition for the Secretary for the Treasury to deliver a spending announcement was abolished. The budget day typically falls on a Wednesday in early March, but since 2000 it has been moved to a Wednesday in late February. A resolution for temporary appropriations is usually moved, since the third reading of the appropriations bill usually takes place after 1 April.

3.2.4 Ireland

In Ireland, Budget Day is the annual statement to the Dáil by the Minister for Finance, made in the first week of December. It sets out the budgetary targets for the following year and consists of (i) a Financial Statement to the Dáil, (ii) Budgetary Measures (a list of budgetary changes detailing the cost/yield of same), (iii) Budget Statistics and Tables and (iv) various financial resolutions.[citation needed]

The day itself is very similar to Budget Day in the United Kingdom. In the early afternoon, the Minister for Finance will normally hold a photocall in the car park of Leinster House, with the traditional budget briefcase (in recent years, a floppy disk or CD-ROM purportedly containing the contents of the Budget speech has often been used instead). At 15:45, the Minister for Finance presents the budget speech in Dáil Éireann. The speech, which lasts approximately one hour, is normally carried live on Raidió Teilifís Éireann radio and television. The speech contains the main taxation and other fiscal measures to be employed over the next calendar year. The Opposition Front Bench spokesperson on Finance normally replies to the Budget speech first, followed by the spokespersons on finance of other opposition parties. A vote on supply normally takes place before midnight on the night of the budget, with changes to excise duties on alcohol, tobacco, and petrol taking place from midnight. Most other measures are spelt out in greater detail in the Finance Bill which is introduced in the Oireachtas following the budget, eventually becoming the Finance Act.

3.2.5 United Kingdom

In the United Kingdom, Budget Day is the day that the Chancellor of the Exchequer delivers the Budget, first privately to the Budget Cabinet and then publicly in a speech to the House of Commons. It is always aligned with the fiscal year, which itself in the UK is still aligned with the Julian Calendar. Nowadays, Budget Day occurs on a Wednesday in March, before the start of the new fiscal year, although in the early 20th century it was delivered in April, after the start of the fiscal year. The only exception to this timing came from 1993 to 1996, when Budget Day was shifted from spring to autumn.

Chancellors have had varying opinions on Budget Day. Nigel Lawson wrote, in his memoirs, that it is "best described as an enjoyable ordeal". Harold Macmillan, in explaining his surprise at being appointed Chancellor, said that he thought Budget Day to be "rather like a school Speech Day: a bit of a bore, but there it is".

3.2.5.1 Preparation

The Chancellor, Treasury ministers, and officials will have been working on the Budget some time in advance of Budget Day. Geoffrey Howe initiated the tradition of a weekend meeting, for all Treasury ministers and officials, outside of London

and some time in advance of Budget Day, for discussing the Budget. This meeting is now a customary part of the annual Budget preparations.

3.2.5.2 Presentation to the Monarch

The monarch is the first person to be told of the Budget. Queen Elizabeth II has customarily invited the Chancellor to dinner the day before Budget Day, where she is given an outline of the Budget.

3.2.5.3 Presentation to the Cabinet

The Budget is presented to the Cabinet before being presented to Parliament. Formally, the Cabinet has power to amend the Budget. In practice, however, this is made impossible by the fact that the Budget Cabinet meets on the very morning of Budget Day itself, far too late for any but very minor changes to be effected. The Budget is presented to the Cabinet largely as a *fait accompli* by the Chancellor, the various junior Treasury ministers, and the Prime Minister (in the rôle of the First Lord of the Treasury).

This swiftness is justified on the grounds of secrecy. It is considered essential the budget details not leak before the Chancellor's public speech. (In 1936, James Henry Thomas famously leaked Budget details after the Budget Cabinet, which at the time was being held five days before Budget Day, which had been until that point the traditional period between the Budget Cabinet and Budget Day itself.) Little objection has apparently been raised by the Cabinet to this. The only times that the Budget Cabinet has raised objections causing last-minute amendment to the Budget have been:

1945

Hugh Dalton removed a proposal to change the tax on fuel oil.

1951

Hugh Gaitskell responded to Cabinet pressure and abandoned his plans for a differential fuel tax.

1962

Cabinet persuaded Selwyn Lloyd to announce the early abolition of the tax on home owner-occupiers.

1981

The so-called "wets" in the Cabinet persuaded Geoffrey Howe to increase the state pension in line with inflation, which he had not wanted to do. (Margaret Thatcher recorded in her memoirs that "[t]he dissenters in the Cabinet ... had been stunned by the budget when they learnt its contents".)

3.2.5.4 The Chancellor's Speech and debate

The Chancellor's Speech in the House is given immediately after what is usually a somewhat lacklustre Prime Minister's Question Time, it being largely overshadowed by what is seen as the main Parliamentary event of the day, now usually around 12:30 but previously about 15:30. Nigel Lawson reports that after the press photocall at 15:15, where like all chancellors he would hold the red dispatch box, purportedly containing the budget speech,^{N1} aloft; he used to spend time in his room, just behind the Speaker's chair, collecting his thoughts, before entering the house at 15:25, usually to the sound of "a roar from the Government benches".

It has varied in length over the years. Macmillan remarked that he "would try not to prolong the agony", and once opined of the speech that he did not think it "necessary to start with the usual long review of the events of the last financial year".

It is also a parliamentary tradition that whilst making the Budget Speech the Chancellor may drink whatever he or she wishes, including alcohol which is otherwise forbidden. Past Chancellors have opted for: whisky (Kenneth Clarke), gin and tonic (Geoffrey Howe), brandy and water (Benjamin Disraeli), spritzer (Nigel Lawson) and sherry and beaten egg (William Ewart Gladstone). The current Chancellor, George Osborne, as well as his two Labour predecessors Alistair Darling and Gordon Brown, have opted for water.

The Speech is followed by a debate, which can last for several days. In theory, the report and the financial proposals that the Chancellor sets out in the speech are immediately considered and debated by the House, with the Chancellor in attendance to respond to arguments and, occasionally, to amend proposals. Young reports one Member of Parliament observing that Chancellors customarily "keep up their sleeves one or two million pounds which they propose to give away in concessions during the course of the Finance Bill debates".

In practice, practical concerns dictate otherwise. Nigel Lawson reports, "[as] soon as MPs realise that the tax announcements are over they dash out of the Chamber to get their copies of the Financial Statement and Budget Report — the 'Red Book'".

Similarly, there is a rush by the news services to report Budget items. Young observed in the 1960s that newspapers were "on the street, within minutes it seemed, bringing the glad tidings: TUPPENCE OFF BEER. INCOME TAX DOWN.". Since Parliament has been televised, TV news services have broadcast the Chancellor's speech live, as a "Budget special".

3.2.5.5 Evening broadcast

Since 1952, the Chancellor has, in the evening of Budget Day, made a television party political broadcast about the budget. Similar broadcasts are made, in response, by representatives of the major Opposition parties. All broadcasts are arranged through the normal Parliamentary processes for arranging party election broadcasts.

3.2.5.6 Aftermath

The Finance Bill proper is only itself presented to Parliament some time after Budget Day, and is debated for days or even weeks afterwards. It is common for the bill to be passed, becoming the Finance Act, some time in late July. The Act back-dates its provisions, so that they take effect either from Budget Day itself or from the start of the fiscal year.

3.3 In the United States

The United States does not have a Budget Day. Instead the legislation that establishes the federal government's budget originates in the Congress, although the executive branch traditionally makes a proposal in advance.