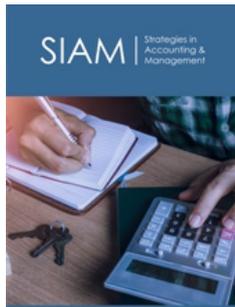


# The Economic Impact of the COVID-19 Virus and Considerations of the United States Unified Budget Act

**Paul F Gentle\***

Department of Economics, Auburn University, USA

ISSN: 2770-6648



**\*Corresponding author:** Paul F Gentle,  
Department of Economics, Auburn  
University, USA

**Submission:**  July 13, 2020

**Published:**  July 31, 2020

Volume 1 - Issue 5

**How to cite this article:** Paul F Gentle. The  
Economic Impact of the COVID-19 Virus  
and Considerations of the United States  
Unified Budget Act. *Strategies Account  
Manag.* 1(5). SIAM. 000522. 2020.  
DOI: [10.31031/SIAM.2020.01.000522](https://doi.org/10.31031/SIAM.2020.01.000522)

**Copyright@** Paul F Gentle, This article is  
distributed under the terms of the Creative  
Commons Attribution 4.0 International  
License, which permits unrestricted use  
and redistribution provided that the  
original author and source are credited.

## Abstract

The COVID-19 virus impacts many facets to American Society. Included in this article is discussion of the effects of the Unified Budget Act (UBA), in how future liabilities may not be considered enough, by political actors. This article explains the influences of COVID-19 virus on federal tax revenues, and the debt to GDP ratio.

**Keywords:** United States national debt; Unified budget act; Debt to GDP ratio; COVID-19 Virus

## Introduction

The United States is in its greatest economic downturn since the Great Depression. Tax revenues have been affected adversely and there is more spending in the federal budget. Paying for the stimulus packages and some other benefits to citizens is on the increase. Therefore, the national debt has increased more than it would have, without the presence of the COVID-19 virus. As a result, the U.S. debt to GDP ratio has increased. According to Trading Economics (2020), the debt to GDP ratio was 106.9, for the end of 2019. Estimated debt to GDP ratio is as follows: 120 for 2020, 125 for 2021, 122 for 2022. How important is the debt to GDP ratio? The consensus is that as the debt to GDP ratio increases the nominal and real interest rates, also have some pressure to increase. Of course, many other factors affect both real and nominal interest rates, such as the quantity of loanable funds available from both domestic and foreign, for holding U. S. Treasury securities and for the needs of other potential borrowers Gordon [1], Blanchard [2], Trading Economics [4].

## More Issues

In Gentle [3], some interesting facts about United States federal trust funds are explained. First of all, all balances of federal trust funds by law, must be used to hold U.S. Treasury securities. The Social Security and Medicare trust funds are important to all Americans, especially those who currently or anticipate in the future, collecting retirement or disability payments. At this time, the minimal age for retirement, in order to collect Social Security is 62. Age 65 is the minimal age for a person to be covered by Medicare. Of course, an American who is disabled derives both Medicare and Social Security, at the time the federal government determines the person is disabled. The COVID-19 virus pandemic may have resulted in more Medicare charges, as well as possibly more people going on disability. It must be pointed out that not only Social Security and Medicare trust balances are used to hold U.S. Treasury securities. Indeed all U.S. federal trust funds have to be used to hold U.S. Treasury securities. Some other trust funds include the Federal Highway fund, the Federal Airport and Airway Trust fund and many more Gentle [3].

It is important that when one reads or hears about the U.S. federal debt, Generally Accepted Accounting Principles (GAAP) standards are just not being used. Beginning with the 1969 fiscal year, the U.S implemented the Unified Budget Act (UBA). Once the UBA was implemented, all departments and agencies were considered as one large budget for purposes of determining annual deficits and surpluses. As accountants, managers and economists know, this form

of accounting does not take into consideration future liabilities for Medicare and Social Security and other federal program items Gentle [3]. The Medicare and Social Security trust funds balances have been accumulating, with some funds, being paid out. Though it is harder to predict the future on that, as America's unemployment rate has soared, due to the impact of the COVID-19 virus. Payroll taxes are important for Social Security and Medicare trust fund and when less people are working, this has a decrease from budgeted tax revenues.

### Conclusion

Gentle [3] advocated using GAAP methods in presenting the federal budget, though in that article, it was stated that the chances of that being accepted by the policy makers was remote. In practical terms, it would be extremely hard for the political leaders in Washington, D.C. to change the Unified Budget Act. Instead, what could be helpful is to also present a separate federal budget, that considers future liabilities. Theoretically, the Office on Management and Budget (OMB) and the Congressional Budget Office (CBO) could each present the traditional UBA budget and a second one that follows GAAP standards. In the future, knowing what liabilities the federal government are gives information that will only become

more important in future years. I am not advocating nor saying anything negative about any federal program spending, in this article. Instead I am just stating that it would be better for the public and the government to have additional information, including the projected magnitude of future liabilities. So, in conclusion, it is acknowledged that the UBA would be hard to revoke. Therefore, that type budget, based on the UBA, could continue to be presented. Yet another type budget which highlights future liabilities for at least thirty years into the future, should also be required to be presented by the CBO and OMB.

### References

1. Gordon RJ (2011) *Macroeconomics*. (12th edn), Pearson education Inc, USA.
2. Blanchard O, David RJ (2013) *Macroeconomics*. (6<sup>th</sup> edn), Pearson Education Inc., New York, USA.
3. Gentle PF, Terri J, Jose FZ, Tao C, Hong M (2013) Issues to consider: The federal unified budget act and the lack of following generally accepted accounting principles and implications for future liabilities. *Banks and Banking Systems* 8(4): 8-12.
4. Trading Economics (2020) *Government Debt To GDP- Forecast 2020-2022*.

For possible submissions Click below:

[Submit Article](#)