Sequestration

Originally a legal term referring generally to the act of valuable property being taken into custody by an agent of the court and locked away for safekeeping, usually to prevent the property from being disposed of or abused before a dispute over its ownership can be resolved. But the term has been adapted by Congress in more recent years to describe a new fiscal policy procedure originally provided for in the Gramm-Rudman-Hollings Deficit Reduction Act of 1985 -- an effort to reform Congressional voting procedures so as to make the size of the Federal government's budget deficit a matter of conscious choice rather than simply the arithmetical outcome of a decentralized appropriations process in which no one ever looked at the cumulative results until it was too late to change them. If the dozen or so appropriation bills passed separately by Congress provide for total government spending in excess of the limits Congress earlier laid down for itself in the annual Budget Resolution, and if Congress cannot agree on ways to cut back the total (or does not pass a new, higher Budget Resolution), then an "automatic" form of spending cutback takes place. This automatic spending cut is what is called "sequestration."

Under sequestration, an amount of money equal to the difference between the cap set in the Budget Resolution and the amount actually appropriated is "sequestered" by the Treasury and not handed over to the agencies to which it was originally appropriated by Congress. In theory, every agency has the same percentage of its appropriation withheld in order to take back the excessive spending on an "across the board" basis. However, Congress has chosen to exempt certain very large programs from the sequestration process (for example, Social Security and certain parts of the Defense budget), and the number of exempted programs has tended to increase over time -- which means that sequestration would have to take back gigantic shares of the budgets of the remaining programs in order to achieve the total cutbacks required, virtually crippling the activities of the unexempted programs.

The prospect of sequestration has thus come to seem so catastrophic that Congress so far has been unwilling actually to let it happen. Instead, Congress has repeatedly chosen simply to raise the Budget Resolution spending caps upward toward the end of the legislative session in order to match the actual totals already appropriated, thus
largely wiping out the incentives that the reformed budget procedures were expected to provide for Congress to get better control of the budget deficit.

See also: impoundment, budget deficit, fiscal policy, appropriation bill

A

Absolute advantage
Acquittal
Agency problem
Aggregate demand
Aggregate supply
Allocation
Anarchism
Appropriation bill
Aristocracy
Authorization bill
Autocracy

B

Banking
Barriers to entry
Barter
Bill, appropriation
Bill, authorization
Black market
Budget
Budget deficit
Budget surplus
Bureaucracy
Bureaucratic politics
Business cycle

C

Cabinet
Capital
Capitalism
Captured agency
Cartel
Ceteris paribus
Checks and balances
Civil rights/civil liberties
Commerce clause
Common law
Communism
Comparative advantage
Competition
Complementary goods
Confederation
Conservatism
Constituent
Contract
Conviction
Corporation
Cost
Cost, opportunity
Coup d'etat