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Powerpoint Presentation

Sample Pages

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Economics

MACROECONOMICS

United States Fiscal Policy & International Trade

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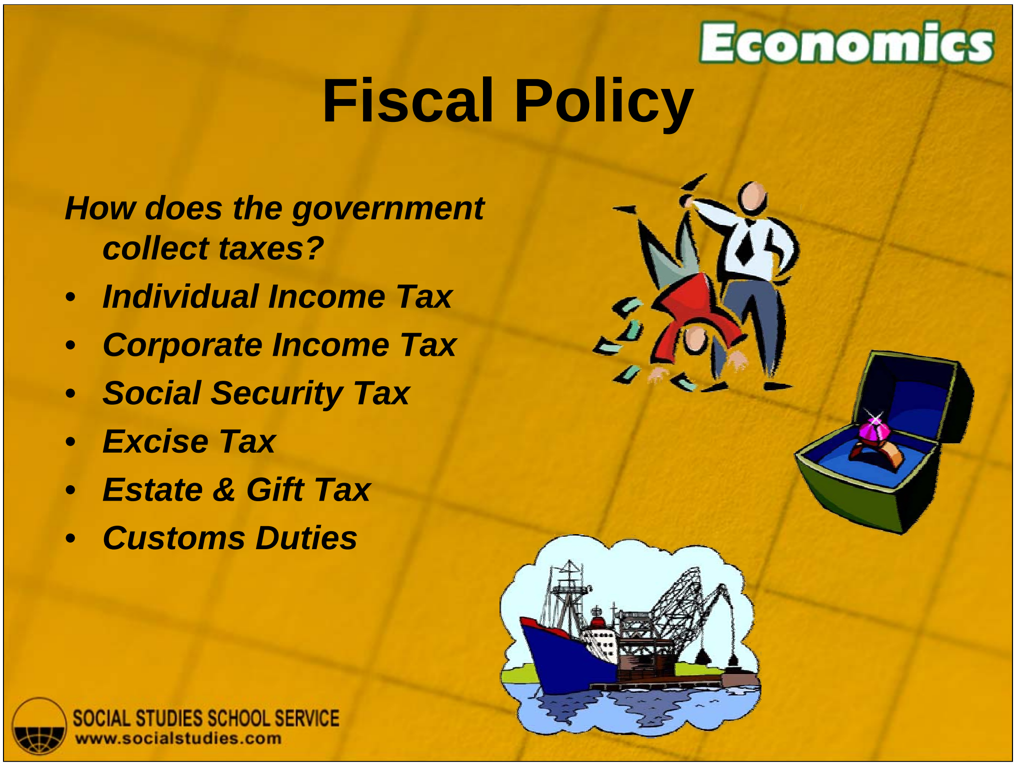
Fiscal Policy

Spending, taxing, and borrowing policies of the United States government within a twelve month period of time.

Fiscal Policy

Types of Taxes

- ***Proportional – the same % is taken no matter what the level of income***
- ***Progressive – the tax % deducted increases as the income increase***
- ***Regressive – the tax burden is heavier for those with lower incomes.***

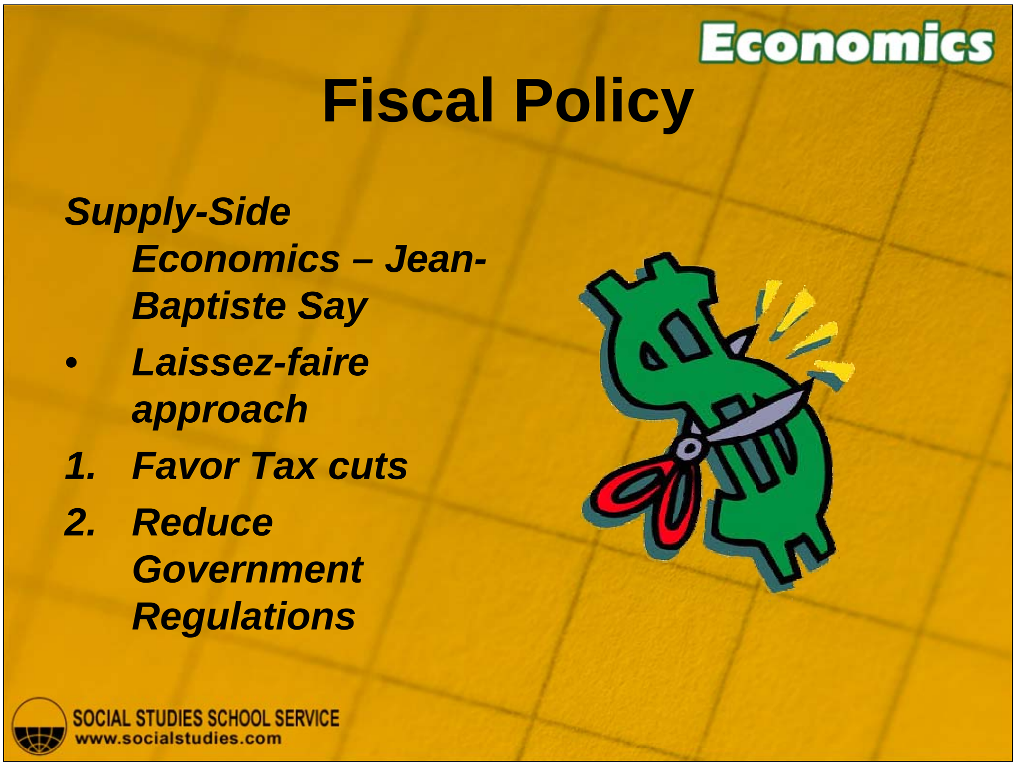


Excise Tax = taxes on luxury items such as the tobacco tax.

Estate Tax = paid on the value of a dead persons assets at the time of their death.

Gift Tax = paid on any cash gift over $10,000 or any property gift valued over $10,000

Customs Duties = taxes paid on items brought into the U.S. from other countries



Laissez-faire encourages the government to stay out of the affairs of businesses.

This approach basically believed that business cycles would take care of themselves and bad times would eventually be replaced by good times.

Fiscal Policy

- ***Problems***

1. ***To invest or not invest?***
2. ***What budget areas get cut?***

Economics

Fiscal Policy

Demand-Side Economics
– John M. Keynes

- ***Government Involvement***

1. ***Lower Unemployment***
2. ***More Spending***
3. ***More Production***

- ***Employment Act of 1946***

Employment Act of 1946 is when the U.S. government truly changed from the Laissez-faire approach and began to actively work toward intervening in the economy to keep unemployment rates low and productions rates high.

Fiscal Policy

Five Tools of Fiscal Policy

1. *Marginal Tax Rates*
2. *Tax Incentives*
3. *Government Spending*
4. *Public Transfer Payments*
5. *Progressive Income Taxes*

Fiscal Policy

Marginal Tax Rates –

1. *Lowering Taxes – increases individual & business spending power so unemployment rates decrease*
2. *Raising Taxes – decreases individual & business spending power so inflation is limited.*

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Fiscal Policy

Tax Incentive *- tax break given to businesses in hopes they will invest in new capital goods*

Government Spending

1. *Decrease Spending – results in slowing down business activity and reducing inflation*
2. *Increase Spending – reduces unemployment and increases business activity*