Why is government taxation such a contentious issue?

Gross Pay

Total

Net Income

Today's learning objective:

cary
es.

By the end of class, I will be able to define Fiscal Policy and differentiate discretionary from non-discretionary Fiscal Policy.

exec & legisl
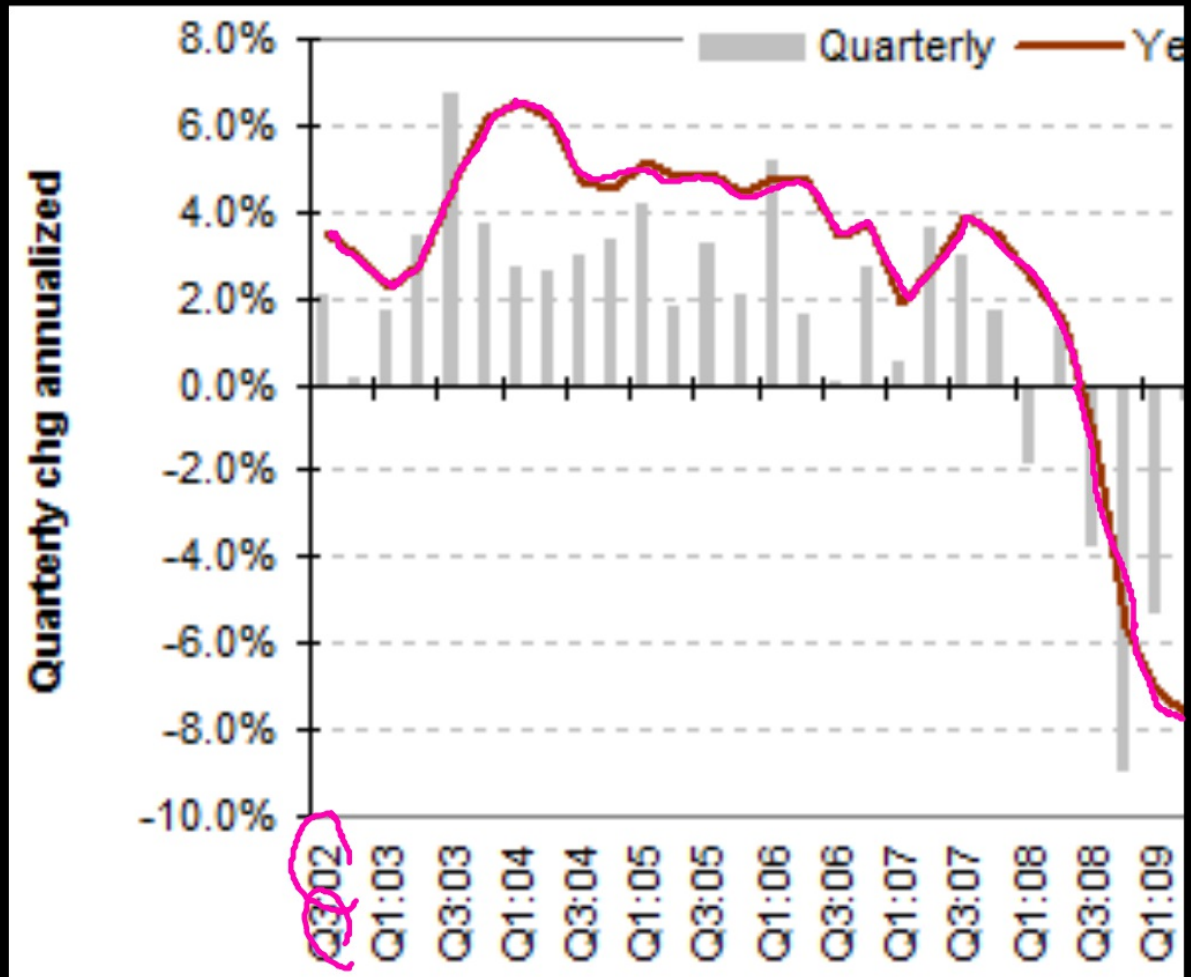
Today's language objective:

Discretionary. *choice*
Non-discretionary. *automatic stabilizers*
Fiscal Policy
Laffer Curve

We just sang Auld Lang Syne *NYE* to celebrate a momentous 2008, and things are looking dicey.

$GDP = C + I + G + X$

GDP growth

Unemployment rate

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	4.7	4.8	4.7	4.7	4.6	4.6	4.7	4.7	4.5	4.4	4.5	4.4
2007	4.6	4.5	4.4	4.5	4.4	4.6	4.7	4.6	4.7	4.7	4.7	5.0
2008	5.0	4.9	5.1	5.0	5.4	5.6	5.8	6.1	6.1	6.5	6.8	7.3
2009	7.8	8.3	8.7	9.0	9.4	9.5	9.5	9.6	9.8	10.0	9.9	9.9

Newly-elected president Barack Obama is worried. Little does he know that he has YOU to rescue the economy.

As members of Congress, you can pass legislation to minimize the impact of this recession. What are you going to do?

Plans:

Decrease Imports

1

INVEST IN DOMESTIC
RESOURCES & NOT
IMPORTS

Make people from foreign countries
come to America through worldwide
companies

Types of Fiscal Policy:

1) Discretionary

- Infrastructure
- Tax cuts

2) Non-discretionary

- unemp. benefits (welfare)
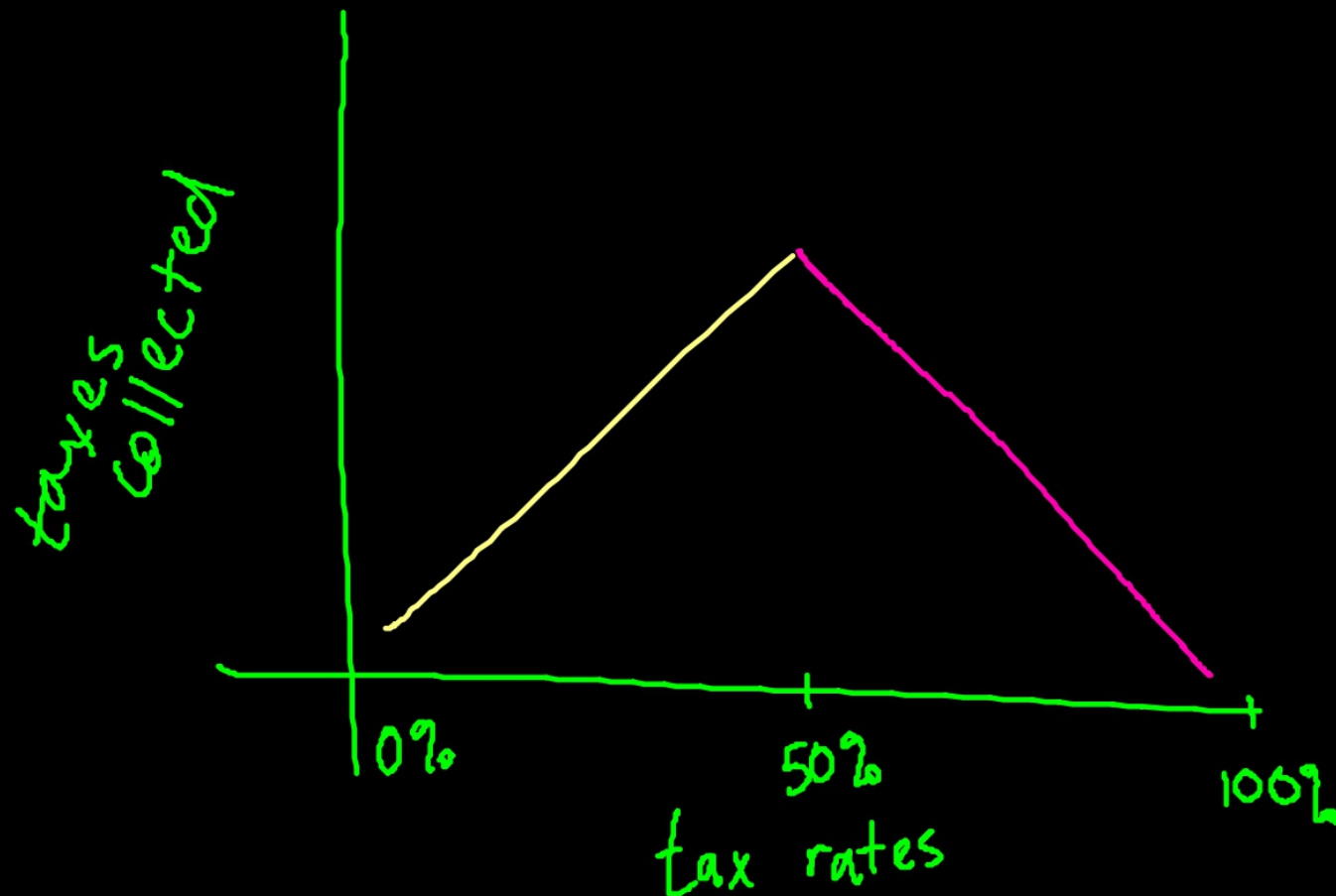- SNAP
  supplemental
  nutritional
  assistance program

Drawbacks to discretionary fiscal policy:

- latency

x <u>Ben Bernanke</u>
- buys bonds

x
Pass
Legislation

Limits to discretionary fiscal policy:

Laffer Curve

Non-discretionary fiscal policy scenario :(

auto stabilizers

lost your job

GDP ↑ bc of unemp. benefits

Non-discretionary fiscal policy scenario :)

auto stabilizer

got that promotion

inf ↑

bumped into higher tax bracket

Questions from students: