

Economic critique

Business



The United States of America is one of the freest economies and countries in the World with a versatile population and people whose expectations, demand and needs vary from time to time. It is the expectation of the citizens of America that the federal government would reduce the tax levied on products and services which are of basic importance to the society. This stems from the fact that the rich who are the owners of factors of productions and businesses are levied a higher tax as compared to their poorer counterparts. Thus, when the rich are exposed to a higher tax rate and condition, they would also increase the prices of goods and services so as to cover for the increase in tax. In principle, they would push the excess or extra tax to the customers and buyers of their products and services. Conventionally, the increase in prices due to increased taxation implies that the level of goods demanded would reduce since the people would not be in any position to buy. The law of equilibrium demands that for the markets or economy to clear, then demand ought to be equal to supply of goods or services. If the demand would reduce then the supply would also reduce in equal proportion.

Part II

In the recent past, the Obama administration and the government at large has been pushing for a change in the fiscal policy relating to reduction in general taxes levied to the people especially those of the poor classes. This move or fiscal move is expansionary in nature. This is the situation where the government seeks to reduce the level of taxes that is levied to people especially the poor people in move aimed at cushioning them against the hard economic times of the current day and age. John Keynes as a pioneer economist and thinker advocated for the expansionary policy where the <https://assignbuster.com/economic-critique/>

government reduces the taxes levied on the citizens to cushion them during inflation or times of economic anomie. In the field of economics, this expansionary move is taken and aimed at reducing the budget surplus and get the economy back to recovery path.

On the contrary, the classical view is slightly different relative to the above position and stance. The classical economists are of the opinion that the expansionary moves and policies are completely unnecessary and would create an unnecessary disturbance on the economy. This is so because the classical economists believe that there are necessary and appropriate mechanisms in the market or economy which would correct and clear the market and economy on their own. This is to say that the market has mechanism to correct any inflation or disturbance of the economy without the interference of the expansionary policies.

Conclusion

The above essay has articulated that there several approaches and measures taken by the government to try to balance and correct the economy and return it to usual or normal level. The government under Obama has taken efforts to reduce taxes levied to the poor an expansionary policy which is supported by the Keynesians but disputed by the classical economists.