

State of the union



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The President of the United States made his annual state of the Union address on Tuesday, February 12, 2013. In his speech, President Obama outlined his priorities for legislative action and plans for the Americans while addressing a joint session of the Congress. He called for an increase in the minimum wage and expenditure on infrastructure. He further addressed the climate change and argued that the budget deficit could be plugged through a mix of tax (Spanvideo). He also called on the Congress to address the issue of gun control and gun misuse in America, while paying his respects to the several victims of recent gun violence.

One economic issue that President Obama mentioned but conflicted is a reduction of the budget deficit through a mix of tax. The Democrats' preposition on the economic issue is an alteration of the tax code that will raise \$110 billion. This encompasses increases in tax rates and cuts to fund spending by the end of the current year. The proposal of the Democrats outlines establishment of a 30% lower tax rate on earnings above \$1 million (higher tax rates on the rich). According to the Democrats, this would raise approximately \$54 billion in the next 10 years. The government will be able to receive \$1 billion more by taxing tar sands oil to pay for oil-spill cleanups, as well as by re-establishing the business tax on moving equipment overseas. The remaining \$55 billion would come from \$27.5 billion in both defense and farm-subsidy cuts (Spanvideo).

The Republicans, on the other hand, do not support this proposal given that they refuse to accept the new taxes that affect the defense and domestic programs. The Republicans argue that the proposal is not a solution to the budget deficit reduction problem that the US has been trying to solve in the

past two years. They also see the proposal as a political stunt; and will, therefore, not vote for it.

The party that I agree with on this topic is the Democratic Party. This is because, as it is currently, the U. S has a large budget deficit to a tune of \$1.4 trillion. It has been projected that the budget deficit will be \$901 billion in 2013. Although this is still high, it is less than the budget deficits of the last three years. This only proves that budget deficit reduction through mix tax is one way that can make a difference in America's budget (Spanvideo).

In addition, I do support the proposal because buudget deficit reduction through cuts and hiking taxes approach is a well balanced move that seeks to steer clear of wide-ranging budget cuts that would, otherwise, hurt children, adults and workers. The approach ensures that investments in education, national defense, and health care remain on course. The Republicans are not seeing the need to stop shielding tax loopholes that help very few people at the expense of the majority middle and working class American citizens. Democrats have proposed an approach that shifts the tax burden to the rich while protecting the transport system, education program and defense forces.

In conclusion, as much as the US is the world's best customer and has countries like China ready to lend money, the debt will get too high, and the Chinese will start demanding back their cash. If there will be no intervention, then a repeat of the Euro zone debt crisis is in the offing. As much as the mix tax and spending cuts proposed by the Democrats is not perfect and with its disadvantages, it is a good start for the US and is much better than doing

nothing at all. To maintain sustainability of the US as a nation, a reduction in budget deficit will see US finance itself internally, with little or no overseas borrowing.