Discretionary fiscal policy

Economics

The effect of time lags in discretionary fiscal policy in the economic growth and development by the congress and the president captures a broad economic phenomenon. A discretionary fiscal policy is the level of legislative parameters which are used as action policies for providing stimulus for the effect of control of economic recession. However, the most adequate system of recession control using discretionary fiscal policy relate to an estimation of the most adequate time period with which such recession period is to operate in so as to provide the most lucrative legislative tools.

(http://www. cbo. gov/ftpdocs/89xx/doc8916/MainText. 4. 1. shtml) However, a problem exists in estimating the most appropriate economic periods between the upswings and the downswings which the congress and the president is to apply such policies. Since discretionary tools are only used to wave out the problem founded by economy in recession, the relevant stimulus which is a applied for such control are only time constrained and functional if the estimated states of recession is still in occupation.

However, a problem mounts on when other various economic shocks which cause time differential hits the economy leading to subjective sub-optimal controls by the discretionary fiscal policies. Since, the status of the economy is difficult to access in terms of its length/p and the states of capacity and economic implication, the use of discretionary fiscal policy would therefore become difficult. (http://www. cbo. gov/ftpdocs/89xx/doc8916/MainText. 4. 1. shtml) Either, time lags are sensitive variables in defining the scope of economic stability.

Generally, time lags may cause preferential economic instability where such tools used to overcome their effects become negatively implicating. Either, economic recession is purely a bad state which would even compromise economic stability. At recession, the state of GDP in terms of aggregate supply and also aggregate demand are usually not at equilibrium. When the tools for economic recession become counteractive, the state economic stability is therefore compromised. Misappropriated time lags lead to disequilibria in the economic markets.

Reference

Options for Responding to Short-Term Economic Weakness. Retrieved on 11th March 2008 form, http://www. cbo. gov/ftpdocs/89xx/doc8916/MainText. 4. 1. shtml