

Cultural factors db

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President Obama has passed quite a wide range of tax relief for small business and working families. This is because they are the drivers of economic growth. However, in doing so; the Obama's administration had to ask high class families to do their fair share and putting an end to special civil liberties and loopholes that profit those who require them the least. In terms of government spending; in 2011, the president signed a bipartisan compromise that was to reduce government spending by \$1 trillion over the next decade. This will reduce discretionary spending to the lowest level ever attained. Apart from \$1 trillion reduction in spending, government agencies have managed to identify over 580 proposals that will streamline federal regulations and hence reduce regulatory costs. The President also introduced a Buffett Rule: a principle of tax fairness that requires everybody to pay their fair share by ensuring that no household making over \$1 million annually pays a smaller share of in their income in taxes more than that paid by middle class families.

US fiscal policy

The growth of government since 1930's has seen a steady increase in government spending. In 1930, the government spending was about 3.3% of the country's GDP. This figure increased steadily to 44% in 1944 before falling back to 11.6% in 1948. Since then, the figure has been on the rise. In 1998, the federal budget reported its first surplus of \$69 billion. In 1999, the surplus rose to \$125 billion and again to \$246 billion. In 2005 fiscal year, the budget shrinks because of a sharp increase in tax revenue. However, in 2007, the budget reduced to \$161 billion. The congressional budget office projects that, the federal deficit for 2009 fiscal will spike a drastically to an

exceptional \$1.2 trillion, or 8.3% of the GDP. This new budget is opted to set the US with a record-breaking deficit of about \$1.56 trillion in 2010. The US fiscal policy is expansionary in nature in that it focused in increasing the budget to stimulate the economy (Mühleisen & Towe, 2004). The American consumers play a greater role in fiscal policies. Fiscal policies mainly focus in taxation in stimulating the economy. The tax system as proposed by President Obama ensures that the high class consumers are taxed more than the middle class consumers. Therefore, before making any fiscal policy is made, then consumer's interest has to put into consideration before they will be affected directly or/and indirectly. Over the past five years the influence of consumers on fiscal policies has been rather constant. This is because the tax system in the US has been rather constant for the past 5 years (Mühleisen & Towe, 2004).

References

Mühleisen, M., & Towe, C. (2004). U. S. fiscal policies and priorities for long-run sustainability. Washington, DC.