

Discussion 8

Literature, Russian Literature



Impact of the 2009 4787 billion stimulus package The U. S \$787 billion stimulus package is a ten years master plan to jump starts the otherwise stagnant economy. The injection of these billions of dollars in the economy is definitely going to have an effect on the aggregate demand and supply. The stimulus package offers new car and first house buyers modest tax breaks, \$7500 tax credits for Americans to weatherize their homes and hybrid cars, tax credit of \$400 – \$800 for married couples, \$250 for retirees and disability, expanded earned income tax credit and child tax credit for low income families, higher education tax credit of up to \$2500, \$25 increase in weekly unemployment benefit and \$7 billion worth of broadband deployments in the rural areas (Bureau of Economic Analysis report, 2009). Demand refers to how much buyers are willing and able to buy whereas supply refers to how much producers are willing and able to deliver to the market. Buyers use their disposable income for investment and consumption. Disposable income is the amount that is left after income is taxed. The tax credit provided for by the stimulus package reduces the taxable income leading to a higher disposable income. Due to the increased disposable income, buyers increase their aggregate demand for goods and services and investments such as homes, cars, technology, good health and education. To meet the increased demand, producers increase production of the goods in question, hence increased aggregate supply. Consequently, the market equilibrium is met. For the ten years there will be observed increase in aggregate demand and supply reaching higher equilibrium points which translates to economic growth.