

# National policy report

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The various impacts that governmental policies have on the development and growth of the society is studied. The policies are analyzed basing on a few prominent economic theories like the Keynesian macroeconomic theory and Supply-Side Economics theories.

The Supply-side economics is a stream of macroeconomic that argues about the economic growth of a society, which can be possible only by creating incentives for people to produce goods and services that need to be supplied. These incentives can range from adjusting income taxes, capital gains, etc. On the other hand, the propagators of the classical Keynesian economics or demand side economics, which is also a macroeconomics subject, speak high of the possibility of economic growth when the total demand for goods and services are effectively controlled. This they say is possible by adjusting the level of government expenditures.

The Supply-side economics is used in alternation with the trickledown approach of economics, which believes that development flows from top to down as it trickles down to the bottom level. The Supply –side economics is criticised for its recommendations like reduction of the high marginal taxes as the move is believed to be more of a political strategy than economical. This is so because the reduction of marginal taxes benefits the rich more than the poor. The theory is essential based on the non-Keynesian economic thoughts and was developed in the late 1970's.

The proposal of the \$800 billion stimulus package by President Obama In2009, following the recession was the most debated and discussed policy that was called the American Recovery and Reinvestment Act of 2009. The project was aimed at triggering investment from across the world by

stimulating the prospective firms to invest in the country and there by stabilize the economy.

The major argument in these issues among economists of various schools of thought was about the ability of the government to stimulate such investments from across the globe.

The social and philosophical differences between the united states and other societies were debated throughout the period of this plan taking into concern the various prevailing economic and social theories.

The Keynesian economic theorists opposed this view, as the possibility of creating demand for the investments to be made in the country was considerably low when the economy was t an all time low. The plan that aimed at saving hundreds of jobs was considered a failure on the part of the government to handle the crises effectively and there by attempting to create demand for goods outside the country.

However, the Supply-side economists viewed this as an attempt that would motivate the producers to retain the supply of goods and services, which might in the long run contribute to the economic growth of the country.

The decision by " The Obama Administration" to allow the Bush Tax Rate Reductions to expire at the end of 2010 is a decision that would be welcomed by the Keynesian economics, who might feel that this would considerably increase the revenue inflow to the country. However, the Supply-side economists, who encourage the idea of providing incentives to people to motivate them to produce and contribute, might find this new taxing policy a strain on the theory. This is so, because if these tax cuts are allowed to expire, most working Americans will see a dramatic tax increase making it difficult for the citizens and producers who contribute to economic

growth.

The Bush taxes cut the tax rates from 40% to 35%, which might be disastrous to the United States as it is in the process of recovering from recession and economic, slow down.

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