Name

Professor name

Subject

July 18, 2019

Are you stimulated yet?

The article identifies ways in which fiscal policy can address business cycles including limitations. The Recovery Reinvestment Act (2009) was an important step taken by the policy for overcoming financial crisis. Stimulus packages are involve high spending of the state and low taxes. Stimulus package leads to higher debt on thee government because it suggests tax cuts (Pek & Mcglade, 2008).

If current taxes are reduced by lump sump rebate consumer’s response will depend on the time period. This is because the rebating the tax will cause customers to look at the stimulus packages. Rebate tax indicates tax cut through payroll so the response of the consumer is based on utility. If tax cut leads to high utility, consumers are more likely to find the policy in their favor. However if the tax reduction does not contribute to utility, consumer will not consider it useful. The tax cut does not contribute to thee welfare of consumers if it leads to high future debt.

Raising taxes is in interest of the government because it allow them to control debt. Reduction in tax is linked to debt increase that also undermines government spending.

A younger worker with several young children is more likely to think if the tax cut in current state is a true reduction this is because he has to raise children who will face national debt burden in the future. He knows that debt in future will affect the future of children and next generations. A retired worker is less likely to think about the tax cut as true cut because he is retiring and has fewer years to live. He will be happy to enjoy the tax cuts and neglect future debt burden.

Work Cited

Pek, A., & Mcglade, J. (2008). *Stimulated!: Habits to Spark Your Creative Genius at Work.* Greenleaf Book Group.