

Assessing the Short-Term Effects on Output of Changes in Federal Fiscal Policies



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By Congressional Budget Office

Createspace, United States, 2014. Paperback. Book Condition: New. 279 x 216 mm. Language: English . Brand New Book ***** Print on Demand *****.Changes in federal fiscal policies-which can take the form of changes in federal spending, taxes, or both- can have both short-term and long-term effects on the economy. In the short term, the economy's output can deviate from its potential level (a level that corresponds to a high rate of use of labor and capital) in response to changes in demand for goods and services by consumers, businesses, governments, and foreigners. Tax cuts and increases in government spending can boost demand, which encourages businesses to gear up production and hire more workers than they otherwise would; tax increases and spending cuts can reduce demand, which has the opposite effects. In the long term, the key determinant of output is the economy's potential to produce goods and services-which depends on the size and quality of the labor force, on the stock of productive capital, and on the efficiency with which labor and capital are used to produce goods and services. Changes in taxes and spending affect potential output primarily by affecting the amount of public saving and the incentives...



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