

Distributional effects of government spending and taxation

Palgrave Macmillan - Economic growth and income distribution implications of public spending and tax decisions in: *Society and Economy* Volume 42 Issue 4 (2020)

	Monetary Policy	Fiscal Policy
Tool	Interest rates	Tax and government spending
Effect	Cost of borrowing/mortgages	Budget deficit
Distribution	Higher interest rates hit homeowners but benefit savers	Depends which taxes you raise
Exchange rate	Higher interest rates cause appreciation	No effect on exchange rate
Supply-side	Limited impact	Higher taxes may affect incentives to work
Politics	Monetary policy set by independent Central Bank	Changing tax and government spending highly political
Liquidity trap	Cuts in interest rates may not work in liquidity trap	Fiscal policy advised in very deep recessions

Description: -

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Mexico -- Politics and government -- 1988-2000.
Mexico -- Politics and government -- 1970-1988.
Political psychology.
Fiscal policy -- United States
Finance, Public -- United States
Distributive justice -- United States
Income distribution -- United States
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Notes: Includes bibliographical references and indexes
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Tags: #Distributional #Effects #of #the #2001 #and #2003 #Tax #Cuts: #How #Do #Financing #and #Behavioral #Responses #Matter?

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Distributional effects

Before publishing your Articles on this site, please read the following pages: 1. Although the question whether a particular benefit is deferred income or a transfer also pertains to other components of public spending such as contributory health spending, disability benefits, and unemployment compensation, the assumption made about pensions significantly affects the order of magnitude of fiscal redistribution, especially in countries with a high proportion of retirees and generous contributory pensions.

Distributional effects

However, scaling-up is not done mechanically e.

The distributional effects of climate policies

Effects on the deficit and spending All four groups ignore the effects of financing a tax cut, be it through reductions in current outlays, higher deficits, or higher debt which eventually will require future tax increases or reductions in spending to repay. Although any government tax or transfer might generate behavioral changes, social security is special in the sense that it is a lifelong contract between a working individual and society. A second limitation of fiscal incidence analysis as we know it, is that benefits from government services are valued at average government cost.

What criticisms are levied against standard distributional analysis?

Differences in the conceptual framework, underlying theoretical assumptions, and empirical implementation can all significantly affect the results of these analyses.

The Distributional Effects of Government Spending and Taxation

Income is either consumed currently or saved for future consumption. If the income demand of an individual taxpayer is inelastic, a cut in income consequent upon the imposition of taxes will induce him to work more and to save more so that the lost income is at least partially recovered.

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