DOWNLOAD PDF FISCAL POLICIES IN FEDERAL STATES

Chapter 1 : Fiscal Federalism Initiative | The Pew Charitable Trusts

This title was first published in Investigating the impact of federal structure on fiscal policy-making in four country cases, this book answers the question as to what extent federal structures hinder or, on the contrary, enhance a state's decision and co-ordination capacity in the field of fiscal policy.

Download data In the fourth quarter of , state tax revenue collectively swelled to a new high of 9. That was up from 7. After nearly two years of weak tax revenue growth, many states reported robust gains for the end of last year as Congress prepared to pass the Tax Cuts and Jobs Act. An unusually large number of statesâ€"15â€"saw revenue spike by at least 10 percent in the fourth quarter of compared with the same period a year earlier. Some growth was driven by taxpayer behavior, resulting in a one-time revenue bump. Taxpayersâ€"especially high-income earnersâ€"had an incentive to accelerate the timing of payments to states before a long-standing tax break was cut back under the tax law passed last year. But the growth spurt may be short-lived. States can expect weaker growth in the first quarter of , according to the Nelson A. Rockefeller Institute of Government. As states come out of a period of exceptionally slow revenue growth, the volatile revenue pattern ahead poses a new challenge. The latest results mean that the 50 states combined had the equivalent of 9. Total state tax revenue has rebounded more slowly after the recession than it did after any of the three previous downturns. But trends have varied widely by state. In nine of the 34 states in which collections had recovered from their recession losses by the fourth quarter of , tax revenueâ€"and thus purchasing powerâ€"was more than 15 percent higher than at its peak before or during the recession. Conversely, collections were down 15 percent or more in two of the 16 states in which tax revenue was still below peak. As states regain fiscal ground lost in the recession, policymakers face pressure to catch up on investments and spending postponed because of the downturn. That may be more difficult in states where tax revenue remains below its previous peak. But even a return to peak levels can leave states with little extra to make up for cuts in federal aid or to pay for costs associated with population increases, growth in Medicaid enrollment, deferred needs, and accumulated debts. Nine states posted tax revenue rebounds of 15 percent or more: North Dakota remained the leader among all states in tax revenue growth since the recession, although its collections have dropped dramatically since the plunge in oil prices. At the end of that year, receipts hit a high of Oregon and Colorado This means the state collected only about 12 percent as much in inflation-adjusted tax dollars as it did at its short-lived peak in , when a new state oil tax coincided with record-high crude prices. Without personal income or general sales taxes, Alaska is highly dependent on oil-related severance tax revenue, which began falling even before worldwide crude prices declined in as its oil production waned. Just one additional state was down more than 15 percent from its previous peak: As energy prices picked up somewhat, tax revenue declines seen since tapered off in eight states that depend on fossil fuel production: Louisiana also raised sales, cigarette, and alcohol taxes in All major tax streams recorded stronger gains, including sales taxes, which have consistently trailed the growth seen in past economic expansions. The largest gains were in personal income tax collections, in part because of taxpayer behavior in response to the federal tax changes passed at the end of the year. Additional gains in some states came from payments that hedge fund managers made on earnings required to be returned from offshore accounts by the end of last year, according to the Rockefeller Institute. Just six states saw drops in inflation-adjusted tax dollars in the fourth quarter of , the fewest since the second quarter of Despite the unusually strong performance at the end of last year, state tax revenueâ€"like the U. Throughout much of and , collections were stymied in certain states by sagging energy and crop prices, and nationwide by weak wage growth. More broadly, consumer spending has been migrating toward services and online purchases that are less likely to be taxed. Looking ahead, the federal tax cut passed in December incorporates a range of changes to federal tax exemptions, deductions, and credits that could carry over and trigger changes in state tax collections. Some states have altered their tax codes in response to federal action. Trends since the recession Over the past 10 years, the number of states that have regained their tax revenue levels has risen and fallen, reflecting volatility in state tax collections as well as tax policy changes. Nationally, tax revenue recovered from its losses in mid, after accounting for inflation. But individual state results have differed dramatically depending on economic conditions, population changes, and tax policy choices since the recession. In , North Dakota was the first state to surpass its recession-era peak, followed by Vermont, then Arkansas and New York by mid Tax receipts were above peak in 16 states at the end of ; 22 states at the end of ; 22 states at the end of ; 28 states at the end of ; 31 states at the end of ; and 34 states at the end of The most recent state to recover was Arizona, at the end of last year. State policymakers also have contributed to revenue trends, enacting tax cuts in states such as North Dakota and Texas and hikes in states such as Louisiana and Washington. According to the National Association of State Budget Officers , states in the past three fiscal years have enacted more tax increases than cuts overall, while doing the opposite in fiscal years and Without adjusting for inflation, state tax revenue was Unadjusted figures do not take into account changes in the price of goods and services. Adjusting for inflation is just one way to evaluate state tax revenue growth. Different insights would be gained by tracking revenue relative to population growth or state economic output. Analysis by Barb Rosewicz and Daniel Newman. Click here for a printable version of this analysis. Quarterly revenue is adjusted for inflation and smoothed using a four-quarter moving average. Tax revenue in Michigan and New Hampshire actually peaked before Note that quarters are labeled by calendar, not fiscal, year. The data include revenue effects of legislative tax changes, so revenue increases or decreases may not be attributable solely to the economy. Results for Florida, Illinois, and Virginia reflect several years of newly revised data from the Nelson A. Data may change further in future updates pending revisions by the U. Census Bureau and the Rockefeller Institute. Rockefeller Institute of Government , which includes adjustments and corrections the institute made to the U. Data are adjusted for inflation using the U. Data are drawn from the U. Census Bureau, as adjusted by the Nelson A. Rockefeller Institute of Government to account for missing or imputed Census Bureau values. Pew adjusted for inflation using the U. Total tax revenue reflects taxes, and licensing and compulsory fees collected by states. The Census Bureau defines taxes as all compulsory contributions exacted by a government for public purposes, except for retirement and social insurance assessments and unemployment compensation taxes. State governments report data for more than 25 types of taxes including personal income, sales, corporate income, motor fuel sales, motor vehicle license, and severance taxes. For more details on the definition of tax revenue, see the methodology from the Census Bureau.

Chapter 2 : The Fed - Monetary Policy

Get this from a library! Fiscal policies in federal states. [Dietmar Braun] -- "This title was first published in Investigating the impact of federal structure on fiscal policy-making in four country cases, this book answers the question as to what extent federal.

Share Loading the player Here we look at how fiscal policy works, how it must be monitored and how its implementation may affect different people in an economy. Before the Great Depression , which lasted from Oct. Following World War II, it was determined that the government had to take a proactive role in the economy to regulate unemployment, business cycles , inflation and the cost of money. By using a mix of monetary and fiscal policies depending on the political orientations and the philosophies of those in power at a particular time, one policy may dominate over another , governments can control economic phenomena. Also known as Keynesian economics , this theory basically states that governments can influence macroeconomic productivity levels by increasing or decreasing tax levels and public spending. This is because an increase in the amount of money in the economy, followed by an increase in consumer demand, can result in a decrease in the value of money -- meaning that it would take more money to buy something that has not changed in value. Unemployment levels are up, consumer spending is down, and businesses are not making substantial profits. By paying for such services, the government creates jobs and wages that are in turn pumped into the economy. Pumping money into the economy by decreasing taxation and increasing government spending is also known as " pump priming. With more money in the economy and less taxes to pay, consumer demand for goods and services increases. This, in turn, rekindles businesses and turns the cycle around from stagnant to active. If, however, there are no reins on this process, the increase in economic productivity can cross over a very fine line and lead to too much money in the market. This excess in supply decreases the value of money while pushing up prices because of the increase in demand for consumer products. Hence, inflation exceeds the reasonable level. If not closely monitored, the line between a productive economy and one that is infected by inflation can be easily blurred. In such a situation, a government can use fiscal policy to increase taxes to suck money out of the economy. Fiscal policy could also dictate a decrease in government spending and thereby decrease the money in circulation. Of course, the possible negative effects of such a policy, in the long run, could be a sluggish economy and high unemployment levels. Nonetheless, the process continues as the government uses its fiscal policy to fine-tune spending and taxation levels, with the goal of evening out the business cycles. Who Does Fiscal Policy Affect? Unfortunately, the effects of any fiscal policy are not the same for everyone. Depending on the political orientations and goals of the policymakers, a tax cut could affect only the middle class, which is typically the largest economic group. In times of economic decline and rising taxation, it is this same group that may have to pay more taxes than the wealthier upper class. Similarly, when a government decides to adjust its spending, its policy may affect only a specific group of people. A decision to build a new bridge, for example, will give work and more income to hundreds of construction workers. A decision to spend money on building a new space shuttle, on the other hand, benefits only a small, specialized pool of experts, which would not do much to increase aggregate employment levels. That said, the markets also react to fiscal policy. Stocks rose on Dec. Estimates vary depending on assumptions about how much economic growth the law will spur. The law also retains the current structure of seven individual income tax brackets, but in most cases it lowers the rates: The Bottom Line One of the biggest obstacles facing policymakers is deciding how much involvement the government should have in the economy. Indeed, there have been various degrees of interference by the government over the years. But for the most part, it is accepted that a degree of government involvement is necessary to sustain a vibrant economy, on which the economic well-being of the population depends. Trading Center Want to learn how to invest? Get a free 10 week email series that will teach you how to start investing. Delivered twice a week, straight to your inbox.

Chapter 3 : Fiscal vs Monetary Policy

Fiscal policy is considered any changes the government makes to the national budget in order to influence a nation's economy. The approach to economic policy in the United States was rather laissez-faire until the Great Depression.

It is convenient to think of the business cycle as having three phases. The first phase is expansion when the economy is growing along its long term trends in employment, output, and income. But at some point the economy will overheat, and suffer rising prices and interest rates, until it reaches a turning point -- a peak -- and turn downward into a recession the second phase. Recessions are usually brief six to nine months and are marked by falling employment, output, income, prices, and interest rates. Most significantly, recessions are marked by rising unemployment. The economy will hit a bottom point -- a trough -- and rebound into a recovery the third phase. The recovery will enjoy rising employment, output, and income while unemployment will fall. The recovery will gradually slow down as the economy once again assumes its long term growth trends, and the recovery will transform into an expansion. Under a communist system, there is no business cycle since all economic activities are controlled by the central planners. Indeed, this lack of a business cycle is often cited as an advantage of a command economy. Both socialist and fascist economies have a mix of market and command sectors. Again, the command sector in these economies will not have a business cycle -- while the market sector will display a cyclical activity. In a full market economy -- like the United States -- the nation can suffer extreme swings in the level of economic activity. The economic policies used by the government to smooth out the extreme swings of the business cycle are called contracyclical or stabilization policies, and are based on the theories of John Maynard Keynes. Writing in the Great Depression , Keynes argued that the business cycle was due to extreme swings in the total demand for goods and services. The total demand in an economy from households, business, and government is called aggregate demand. Contracyclical policy is increasing aggregate demand in recessions and decreasing aggregate demand in overheated expansions. In a market economy or market sector the government has two types of economic policies to control aggregate demand -- fiscal policy and monetary policy. When these policies are used to stimulate the economy during a recession, it is said that the government is pursuing expansionary economic policies. And when they are used to contract the economy during an overheated expansion, it is said that the government is pursuing contractionary economic policies. In a recession, an expansionary fiscal policy involves lowering taxes and increasing government spending. In an overheated expansion, a contractionary fiscal policy requires higher taxes and reduced spending. According to Keynes, a recession requires deficit spending while an overheated expansion requires a budget surplus. The first way this can be done is through the federal budget process. However, this process takes so long -- 12 to 18 months -- that it is difficult to match discretionary fiscal policy with the business cycle. The expansionary Kennedy tax cut of and later the contractionary Ford tax increase of hit the economy just when the opposite contracyclical policy was needed. As a result, the federal government will only use discretionary fiscal policy in a severe recession, such as and In both cases, the federal government resorted to a large fiscal stimulus â€" tax cuts in and increased spending in Both policies created large deficits, which is the appropriate stabilization policy during a severe downturn. A second type of fiscal policy is built into the structure of federal taxes and spending. This is referred to as "nondiscretionary fiscal policy" or more commonly as "automatic stabilizers". The progressive income tax the major source of federal revenue and the welfare system both act to increase aggregate demand in recessions, and to decrease aggregate demand in overheated expansions. These automatic changes in spending and taxes will generate a deficit in recessions and a surplus in overheated expansions. The size of these automatic changes can be quite large. In the recession the deficit stimulus due to the automatic stabilizers was much larger than the stimulus created by the legislative changes in taxes and spending discretionary fiscal policy. Monetary policy is under the control of the Federal Reserve System our central bank and is completely discretionary. It is the changes in interest rates and money supply to expand or contract aggregate demand. In a recession, the Fed will lower interest rates and increase the money supply. In an overheated expansion, the Fed will raise interest rates and decrease the money supply. The policy changes can be done immediately, although the impact on aggregate demand can take several months. Monetary policy has become the major form of discretionary contracyclical policy used by the federal government. A source of conflict is that the Fed is independent and is not under the direct control of either the President or the Congress. This independence of monetary policy is considered to be an important advantage compared to fiscal policy. Note that expansionary monetary policy is commonly called "easy money" while contractionary monetary policy is called "tight money". Other terms are also used.

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Chapter 4 : Fiscal policy of the United States - Wikipedia

Fiscal policy is a broad term used to refer to the tax and spending policies of the federal government. Fiscal policy decisions are determined by the Congress and the Administration; the Federal Reserve plays no role in determining fiscal policy.

It affected some countries more than others, and the effects in the US were detrimental. In , 25 percent of all workers were unemployed in America. Some tried traveling to the West to find work, also to no avail. The Great Depression showed the American population that there was a growing need for the government to manage economic affairs. The size of the federal government began rapidly expanding in the s, growing from , paid civilian employees in the late s to , employees in The budget grew substantially as well. In , federal receipts of the administrative budget were 5. These numbers were up significantly from , when federal receipts averaged 3. Another contributor to changing the role of government in the s was President Franklin Delano Roosevelt. FDR was important because of his implication of The New Deal, which was a program that would offer relief, recovery, and reform to the American nation. The reform aspect was indeed the most influential in The New Deal, for it forever changed the role of government in the U. In essence, it was the beginning of fiscal policy. It was the first time that the government took an active role in attempting to secure American individuals from unseen drastic changes in the market. Unemployment rates remained very high throughout the s. This problem diminished when the government called for many industries to convert to military production in the early s [7] in order to prepare for World War II. World War II and effects[edit] World War II forced the government to run huge deficits, or spend more than they were economically generating, in order to keep up with all of the production the US military needed. By running deficits, the economy recovered, and America rebounded from its drought of unemployment. The act declared the continuing policy and responsibility of the federal government to use all reasonable means to promote maximum not full employment, production, and purchasing power. The budget for most of the 20th century followed a pattern of deficits during wartime and economic crises, and surpluses during periods of peacetime economic expansion. In , at Bretton Woods , the US went off the gold standard allowing the dollar to float. Shortly after that, the price of oil was pegged to gold rather than the dollar by OPEC. The 70s were marked by oil shocks, recessions and inflation in the US. In fiscal year , the deficit began to shrink due to a sharp increase in tax revenue. Fiscal policy is the application of taxation and government spending to influence economic performance. The main aim of adopting fiscal policy instruments is to promote sustainable growth in the economy and reduce the poverty levels within the community. In the past, fiscal policy instruments were used solve the economic crisis such as the great recession and during the financial crisis. They are effective in jump-starting growth, supporting the financial systems, and mitigating the economic crisis on the vulnerable groups especially the low-income earners and the poor. The most commonly applied fiscal policy instruments are government spending and taxes. The government increases or reduces its budget allocation on public expenditure to ensure vital goods and services are provided to the citizens. For instance, expenditure on infrastructural projects not only increases access to more roads but also creates jobs to the public and also increases the amount money in circulation thereby spurring economic growth. On the other hand, reduction of income and value added taxes increase the amount of disposable income that individuals direct to consumption and investment expenditures. Increasing income taxes reduce disposable income while it increases the tax base for public spending. Fiscal policy instruments are effective in poverty reduction and promotion of the community living standards. Increasing public expenditure ensures that vital public goods and services are availed to the public. Moreover, it helps in creation of employment opportunities, triggering economic growth, and ensuring sustainable growth and development. Fiscal policy instruments can be used to achieve balanced growth in an economy. Federal policies are system of laws, course of actions, regulatory measures, and priorities set by the Federal government in guiding decisions on issues relating to public interest. In most cases, public policy decisions are carried out by the group of people who represent the public, different interests, and beliefs. The policies define all the actions that the Federal government take in order to address issues like security, education, unemployment, poverty reduction among others. Federal policies assist the Federal government in conducting national affairs responsibly. For instance, they inform the government on where to prioritize their funding and support in order to achieve the macroeconomic objectives. For instance, the government is charged with the responsibility of providing education, security, and healthcare. Increased funding on these key priority areas helps in improving public access to the services thereby improving the standards of living of the citizens. Assuring access to the services and sustaining their provision helps in poverty reduction. Policies like unemployment insurance ensures that citizens are insured and unemployment benefits given to eligible workers who have lost their jobs out of their control. Policies helps in cushioning the public against the eventualities in the labor market that may be due to competition or economic performance hence adversely affecting the average citizens. Federal policies cuts across all sectors in the economy and seeks to link the operations of the Federal government and State governments in achieving sustained growth and development, poverty reduction, provision of basic goods and services to the citizens. In late to early , the economy would enter a particularly bad recession as a result of high oil and food prices, and a substantial credit crisis leading to the bankruptcy and eventual federal take over of certain large and well established mortgage providers. In an attempt to fix these economic problems, the United States federal government passed a series of costly economic stimulus and bailout packages. Over subsequent years both the economy and the deficit recovered to some extent, and the government enacted several laws with significant budget impact, including the Affordable Care Act in , the Budget Control Act in , and the American Taxpayer Relief Act in If current policy remains unchanged, the CBO projects the deficit will increase to 4. In , the deficit was 9.

Chapter 5 : Fiscal Policies in Federal States : Dietmar Braun :

Investigating the impact of federal structure on fiscal policy-making in four country cases, this book answers the question as to what extent federal structures hinder or, on the contrary, enhance a state's decision and co-ordination capacity in the field of fiscal policy.

Chapter 6 : FY Budget Status

In this text the authors explore fiscal policy in a number of widely differing federal states from a theoretical perspective rather than from the neo-institutionalist point of view that prevails in.

Chapter 7 : Fiscal Policies in Federal States: 1st Edition (Hardback) - Routledge

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Chapter 8 : The Fiscal Ship

Fiscal policy is the means by which a government adjusts its spending levels and tax rates to monitor and influence a nation's economy. It is the sister strategy to monetary policy through which a.

Chapter 9 : What is Fiscal Policy? | Investopedia

The following analysis details how changes to federal law will affect state revenues and tax administration by highlighting big picture fiscal considerations, personal income tax (PIT), corporate income tax (CIT), and other notable provisions.