

Tax and Fiscal Policy: Short-Run and Long-Run Issues

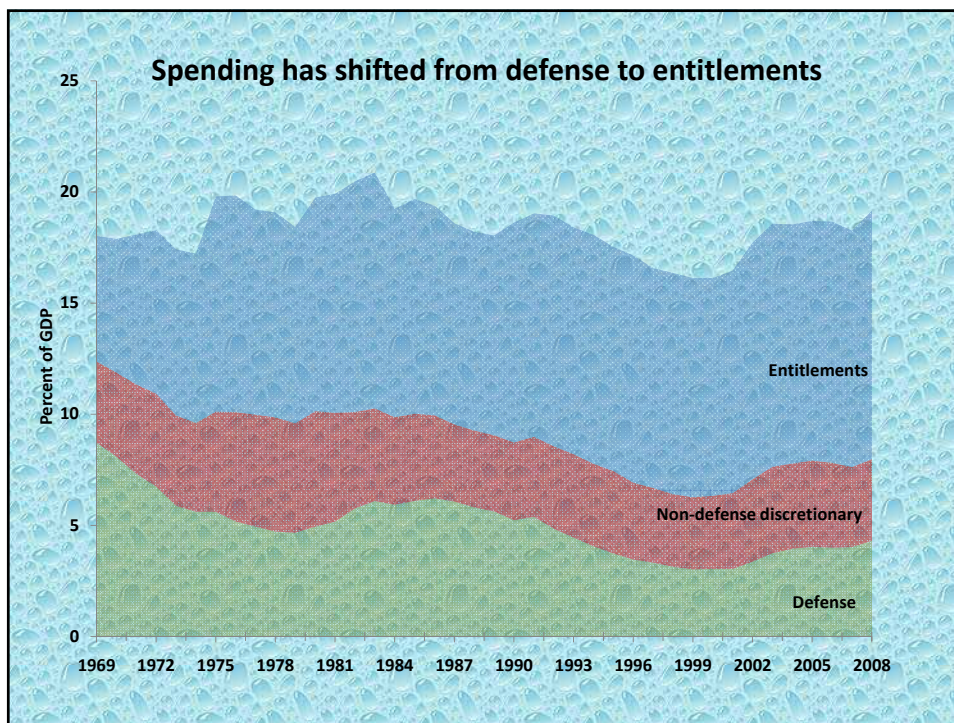
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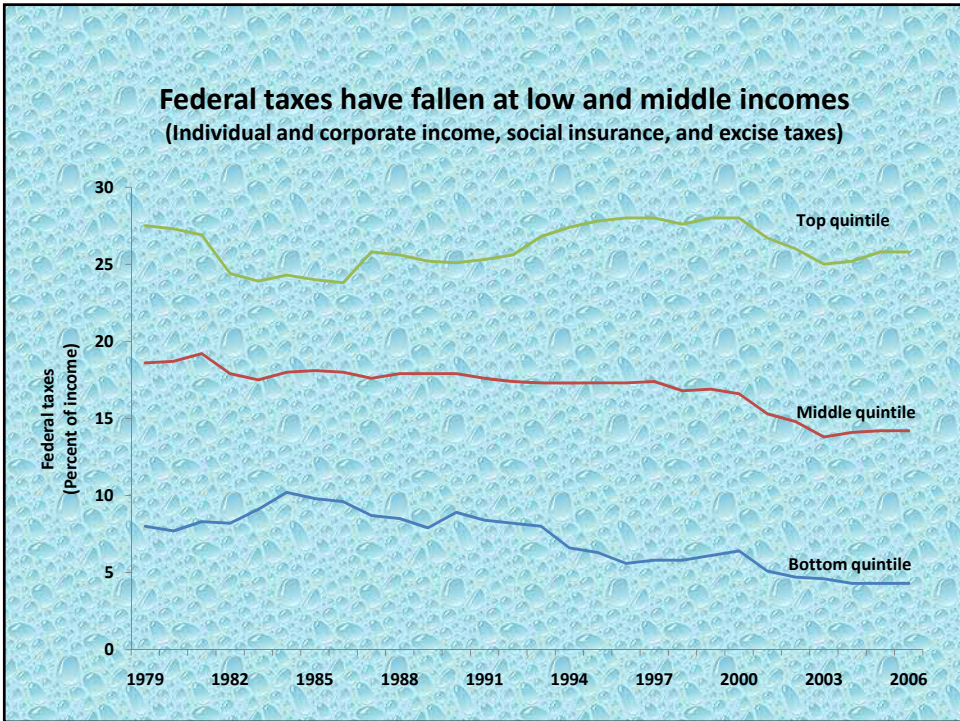
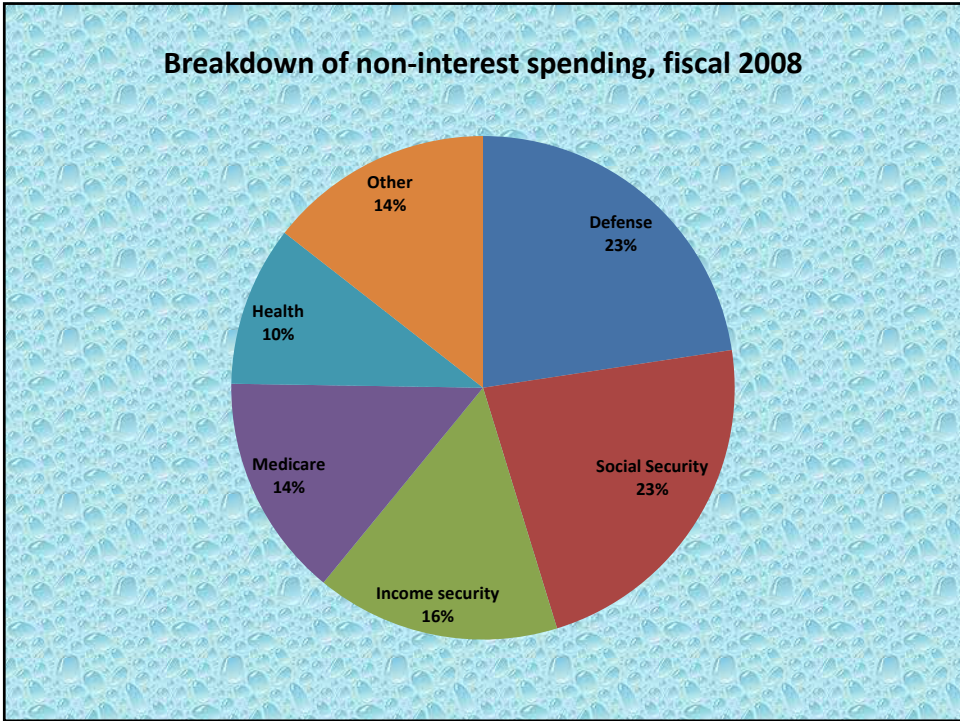
Outline

- Background
- Recent deficit surge
- Near-term issues
- Long-run imbalance

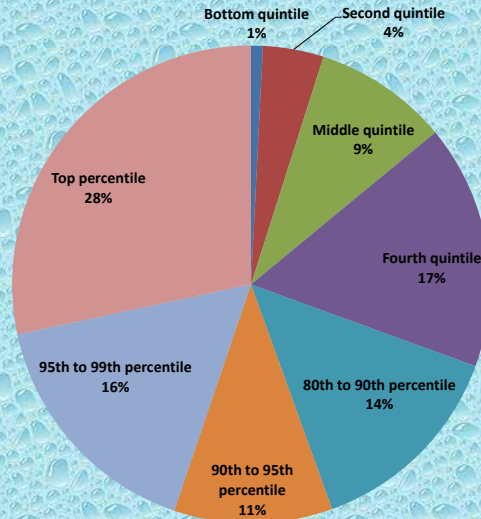
Background

- Shift from defense to entitlements
- Tax reductions at low and middle incomes



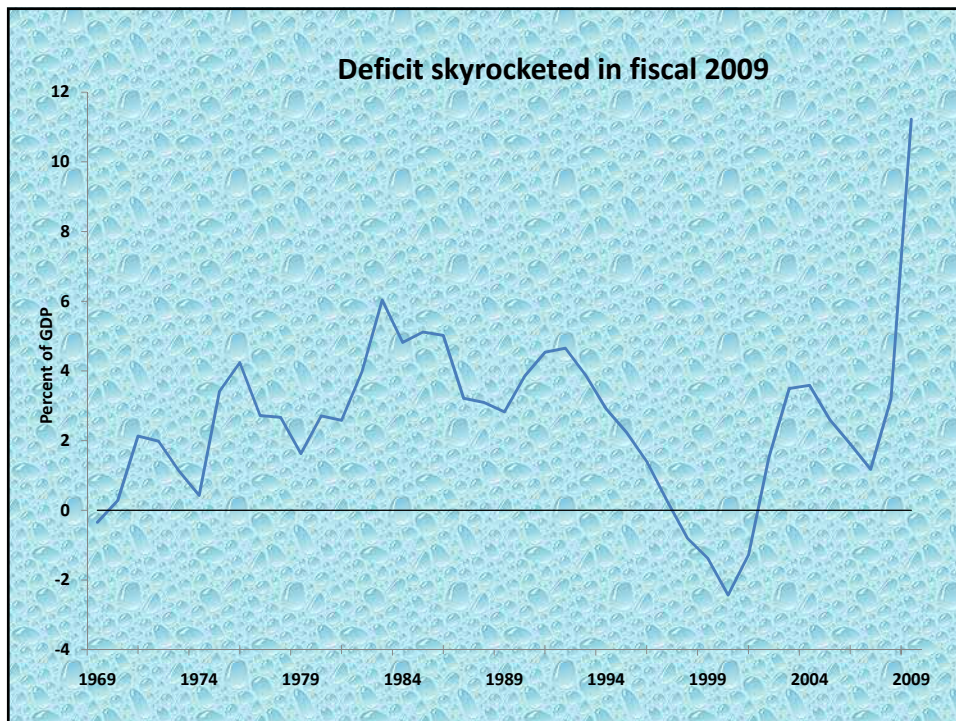
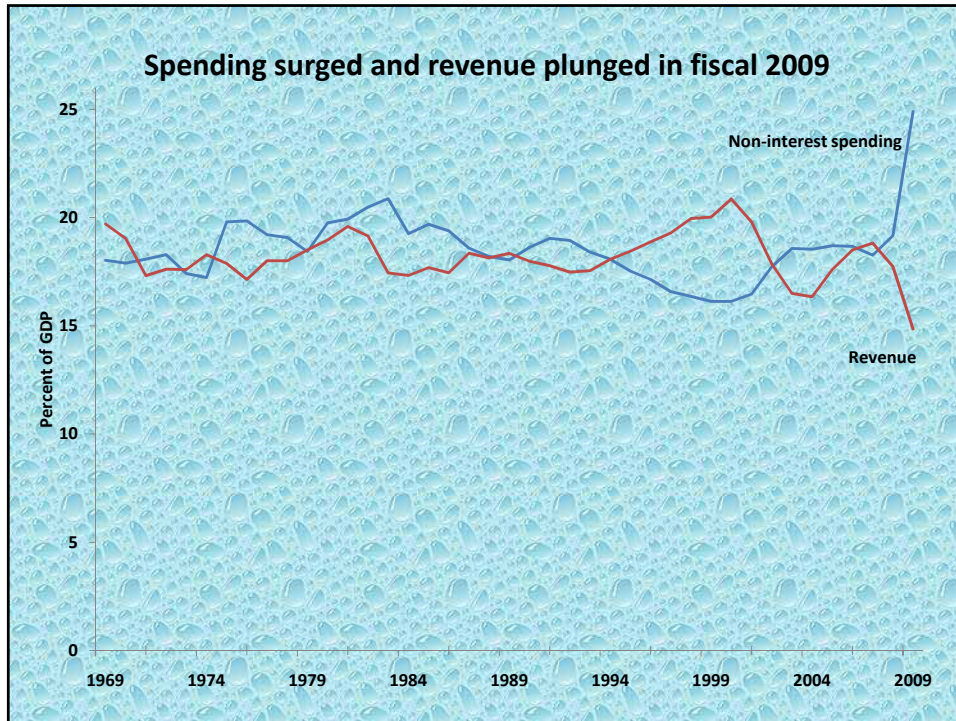


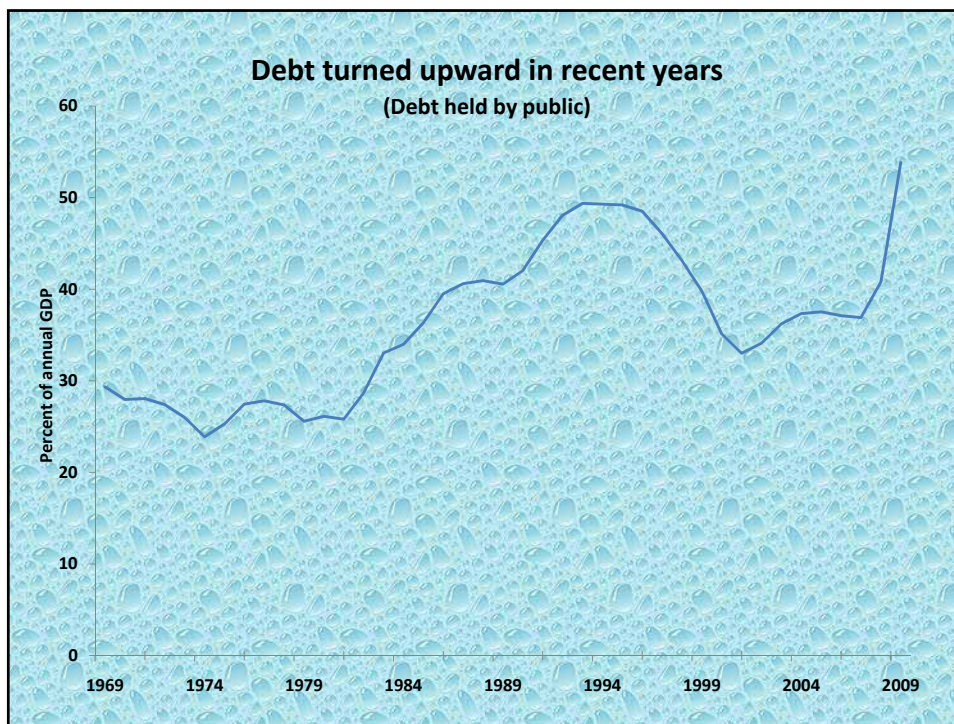
High-income groups bear most of federal tax burden (Individual and corporate income, social insurance, and excise taxes)



Recent deficit surge

- Severe recession
- Financial-sector bailout
- Stimulus package





Outlook for next decade

- Long-run fiscal imbalance starting to materialize
- Policy proposals will add to deficit

