

US fiscal policy 'too stimulative': business economists

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Most US business economists surveyed said the \$1.5 trillion tax cuts which Congress approved in December have made fiscal policy "too stimulative" and most say it will balloon the budget deficit

Following approval of the massive US tax cut, a majority of economists now say fiscal policy is adding too much fuel to the world's largest economy, according to a survey published Monday.

The National Association for Business Economics said its semi-annual survey showed most of its members also say the [tax cuts](#) would swell budget deficits in the longer term.

According to the survey, 52 percent of NABE members said the sweeping \$1.5 trillion tax cuts enacted in December were "too stimulative," and 61 percent said it would cause the budget deficit to surge.

The result was a pronounced shift from six months ago, when survey respondents said fiscal policies were "about right."

"The panel expects near-term boosts in economic

growth but is less optimistic about longer-term results," NABE survey chair Jim Diffley said.

Virtually all NABE survey respondents believed the tax cuts would boost growth by 0.25 to 0.49 percentage points next year.

Spending legislation adopted this year in Congress is due to raise outlays for defense significantly. White House deficit forecasts now surpass even those of the Congressional Budget Office.

With an estimated \$666 billion deficit last year, or 3.5 percent of GDP, the [budget](#) gap should swell to nearly a \$1 trillion, or 4.7 percent of GDP, by next year.

Two thirds of NABE members viewed changes to the US corporate tax regime, which saw the top tax rate for businesses fall to 21 percent from 35 percent, as "far better" or "somewhat better."

But about half said changes to individual tax rates as "worse than before."

Meanwhile, survey respondents voiced support for the Federal Reserve's current policy of steadily hiking interest rates to head off an anticipated rise in inflation, with 64 percent saying the strategy was "about right."

A sizeable majority, or 59 percent, believed economic policy should do more to mitigate climate change, while 36 percent said economic policy should not be used toward this end.

Nearly 80 percent, however, said economic policy should do more to combat income inequality.

Within this group, 56 percent believed education for low-skilled workers would be the most effective policy, while about a quarter said a more progressive [federal income tax](#) system was the best tool.

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