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UNITED STATES DOMESTIC POLICY IN 2000-2008

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ABOUT ARTICLE

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Abstract: This article is about the domestic policy of the USA in 2001-2008. More precisely, it is about the economic policy of the US President George Bush at that time. Through this, changes in the tax system and some specific aspects will be revealed.

INTRODUCTION

The economic policy of the George W. Bush administration in 2001-2003 included a significant reduction in income taxes, The introduction of Medicare Part D in 2003, increased military spending for two wars, it is represented by the drop in housing prices and the global economic crisis, which caused the mortgage credit crisis in 2007-2008. Two crises in 2001 and 2007-2009 had a negative impact on economic performance during this period. 2001-2008, when J. Bush Jr. was president, were the worst years in eighty years in terms of economic growth in the United States.

THE MAIN RESULTS AND FINDINGS

From 2001 to 2003, the Bush administration introduced federal tax credits for all taxpayers. Other changes include: the lowest income tax rate was reduced from 15% to 10%, from 27% to 25%, from 30% to 28%, from 35% to 33% and the maximum final tax rate from 39.6% to 35%. Because the cuts were made as part of Congress's annual budget resolution, it had to include a repeal clause, shielding the bill from balancers, multiple amendments and more than 20 hours of debate. Unless Congress passes legislation to make the tax cuts permanent, they will expire after the 2010 tax year. Faced with congressional opposition to his originally proposed $1.6 trillion (over ten years) tax cuts, Bush held town hall-style public meetings across the country in 2001 to drum up public support for the proposal. Bush and some of his economic advisers have argued that unspent government funds should be returned to taxpayers. After reports of a looming economic crisis, Federal Reserve Chairman Alan Greenspan said tax cuts could work, but they would have to be offset by spending cuts.

Bush said that such tax cuts would stimulate the economy and create jobs. In the end, five Senate Democrats crossed party lines and approved a $1.35 trillion tax cut for Republicans- one of the largest cuts in US history.

2003 and subsequent reductions

On May 23, 2003, the United States Congress passed the Jobs and Growth Tax Credit Act of 2003 (JGTRRA), and President George W. Bush signed it into law five days later. Almost all breaks (individual rates, capital gains, dividends, estate tax) were supposed to end after 2010. Among other provisions, the law accelerated certain tax changes enacted under the Economic Growth and Tax Cuts Coordination Act of 2001, increased the individual alternative minimum tax exemption, and reduced taxes on dividends and capital gains. The JGTRRA continued to follow the precedent set by the 2001 EGTRRA (the same model that would follow it) while increasing the tax credit for dividends and capital gains investment income. JGTRRA accelerated the gradual decline and increase in loans to EGTRRA. The reduction in the maximum tax rate originally scheduled to take effect under EGTRRA in 2006 was retroactive to the 2003 tax year. In addition, tax credits for children were increased to the 2010 level, and the exemption from the "marriage penalty" was increased to the 2009 level. In addition, the alternative minimum tax threshold has been increased. JGTRRA increased the interest rate at which goods can be depreciated and the amount that a taxpayer can elect to expense under section 179, which allows the full amount of income to be reduced without depreciating the amount. In addition, capital gains tax has been reduced from 8%, 10% and 20% to 5% and 15%. Capital gains tax for those currently paying 5% (in this case, those in the 10% and 15% income tax brackets) was due to be abolished in 2008.

However, capital gains taxes remain at the normal income tax rate for properties less than one year old. Certain categories, such as collectibles, were taxed at existing rates with a ceiling of 28 percent. In addition, taxes on "qualified dividends" have been reduced to the level of capital gains. "Qualified dividends" include most of the income from foreign corporations, real estate investment trusts, and credit unions and banks' "dividends" at nominal interest rates.

CBO (Congressional Budget Office) estimate

The nonpartisan Congressional Budget Office has consistently reported that the Bush tax cuts (EGTRRA and JGTRRA) have failed to pay for themselves and have led to significant declines in Treasury revenues:

- CBO estimated in June 2012 that the Bush tax cuts of 2001 (EGTRRA) and 2003 (JGTRRA) increased the total debt during 2002-2011. About $1.5 trillion, excluding interest.
- The CBO estimated in January 2009 that the Bush tax cuts, if fully extended across all income levels, including interest, would add nearly $3.0 trillion to the debt between 2010 and 2019.
- In January 2009, the Central Bank estimated that the extension of the Bush tax cuts at all income levels from 2011 to 2019 would increase the annual deficit by an average of 1.7 percent of GDP and 2.0 percent of GDP in 2018 and 2019.

Comments on the Bush tax cuts

House Minority Leader Richard Gephardt said the tax cuts would not benefit the middle class enough and the wealthy would benefit unfairly. Senate Majority Leader Tom Daschle said the tax cuts were too generous for the wealthy and too expensive.

Economists, including then Finance Minister Paul O'Neill and 450 economists, ten Nobel laureates, opposed the 2003 tax cuts on the grounds that tax cuts would not stimulate growth. Some have argued that the impact of the tax cuts was as good as promised because revenues actually increased (although income tax receipts decreased), the 2001 recession ended relatively quickly, and economic growth was positive.

American economists, including the Bush administration's Council on Economic Affairs, opposed the tax cuts. In 2003, 450 economists, including ten Nobel laureates, signed the Economists' Statement against President Bush's tax cuts, which stated that “this tax cut would worsen the long-term outlook for the budget ... reduce the capacity of government. Government funds social transfers and Medicare benefits, as well as investments in schools, health, infrastructure and basic research ... [and] creates inequality in after-tax incomes”.

The Bush administration, based on the concept of the Laffer curve, argued that tax cuts worked by generating enough additional revenue from additional economic growth to lower tax rates.

Asked if the Bush tax cuts have brought in more revenue, Laffer said he didn't know. However, he argued that the tax breaks were "just right" because after the 9/11 terrorist attacks and the threat of an economic crisis, "we needed to spend on defense and economic stimulus". Income tax revenues, in dollar terms, did not regain their fiscal 2000 peak until 2006. The Congressional Budget Office (CBO) estimated that the extension of the 2001 and 2003 tax cuts (scheduled to expire in 2010) would cost the US Treasury nearly $1.8 trillion over the next decade and increase the federal deficit sharply.

CONCLUSION

This suggests that the Bush tax cuts were too regressive, but some authors, notably at the Koch-funded Tax Foundation, argue that the concept of a progressive tax should be separated from its traditional association with income distribution. Because the wealthiest people's share of income grew so much during this period, even as their tax rates fell, their share of the total tax burden increased. After tax cuts from 2003 to 2004, the share of after-tax income rose by 1%, from 12.2% in 2003 to 14.0% in 2004. At the same time, the share of tax liability for the highest income earners increased from 22.9% to 25.3%. In this way, they argue that the tax system became truly progressive between 2000 and 2004.

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