

Job, Jobs, Jobs and Tax Cuts: Problem Handouts



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Part 1

The following information is from excerpts from "The Washington Post" articles in the Spring of 2003.

In the last two years, the US economy has lost 2.7 million jobs—half a million since last November. The unemployment rate in April 2003 was 6%—8.8 million workers—which is an eight year high.

The Council of Economic Advisors has predicted that passage of \$550 billion tax cut will add 1 million jobs by January 2004. Economists at the Center on Budget and Policy Priorities estimate that one million of the unemployed have no unemployment benefits and by extending federal unemployment compensation benefits, jobs would be created for these workers. (May 3 and 5, 2003)

Questions for group discussion

1. What do you need to know to assess the predicted outcome of each of these two policy prescriptions?
2. What sources may assist you in formulating your answer?

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Part 2

More excerpts from the "The Washington Post" in the Spring of 2003:

Congress passed a \$350 billion tax plan on May 22nd and on May 23rd passed a spending bill for \$7.9 billion to extend unemployment benefits for an additional 13 weeks. The President signed both bills. The tax package includes a 2% reduction in the tax rates for every personal income bracket and reductions in tax rates on capital gains and dividend income. In addition, the package includes some reduction in small business taxes.

Economy.com estimates that every dollar of unemployment benefits generates \$1.73 in spending while every dollar in dividend tax reductions generates \$.09 in spending. (May 23 and 24, 2003)

The nation's jobless rate rose to 6.1% last month, the highest level in nine years, and the number of payroll jobs fell another 17,000 last month as the "jobless recovery" from the 2001 recession continues...."Help is on the way for the labor markets," said Ken Mayland, president of Clearview Economic LLC...

Would you concur with Mr. Mayland's prediction?

Questions for group discussion

1. What is your preliminary answer?
2. What information did you use to formulate this answer?
3. What additional information do you need to support your answer?