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Applying Economics to the Real-World

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Applying Economics to the Real-World

Case 1

One essential component that determines the general and inclusive performance of Americans' welfare, the economy, and the private sector is how the United States government spends money. Depicting an instance of an industry such as construction, if the government spending could be amplified in this sector, the construction industry's performance will significantly be improved, thus making the sector attractive. The quantity or amount of money the United States government spends on every citizen is the primary concept that underwrites government spending per capita (Gwartney et al., 2006). The final figure of the above concept is the results of the government's total expenditure budget divided by the total population of Americans.

In a quest to mirror some of the prevailing realities at the grassroots, the United States' government spending has had a significant shift over the past few decades. Initially, as Gwartney et al. (2006) point out, the United States government dedicated a substantial government expenditure budget to the defense. Such a decision infers that the military and other related national defense agencies received the largest piece of the pie of all the money the government spends. Nevertheless, government spending on the nation's defense has drastically reduced in the past few decades. Instead, it shifted its focus and progressively increased the amount of money dedicated to improving the average American's welfare. In particular, much spending by the United States government has been on transfer payments and health care. Additionally, bearing in mind that the United States economy thrives on specific industries that are deemed essential for the wellbeing of the nation, the government has equally spent a significant portion on subsidies meant for an assortment of these industries.

Reflecting on the past phases of the United States government spending, the past seven decades before 2003 were characterized by an upsurge in total expenditure by the government (Kroos, 2003). To be precise, in 1929, government spending accounted for ten percent of the overall economy. Nevertheless, the previous year before Kroos noted the formerly asserted expenditure; the government spending rose by thirty-five percent of its total economy. Ostensibly, this was a substantial increase, and it shows how the United States government spending has the potential to impact its whole economy. Furthermore, expenditures per capita have also been affected by the overall surge in spending by the government. Conferring to Gwartney et al. (2006), the latter spending significantly increased from 1916-2003.

The overall standards of living for an average American can dramatically be improved when the government increases its spending and associated patterns. The latter proposition is based on the understanding that the United States government has seemingly prioritized key welfare areas. These areas include health care, which directly impacts the average American's living standard as well as the quality of life. To delve deeper into the bearing of such a situation, the increased spending the government has had on the health care sector is crucial because it serves to safeguard better access to health care services by all Americans (Kroos, 2003). Hence, it is bound to affect the living standards of Americans positively. Likewise, the past few decades have seen an increase in government transfers. The latter appellation infers that Americans are directly receiving more money from the United States government. When the government resolves to give its citizens cash on the ground of government transfers, the money takes the form of unemployment benefits or even pensions (Brown, 2015). When these segments and other forms of transfers exhibit signs of a surge in amounts of money, that is an indicator that the government is giving Americans more money superficially to improve their living standards.

Reflecting on the past seven decades to 2003, a general analysis of the average American's living standard indicates that substantial changes in living standards have occurred in most Americans' lives. Besides, from 1959 to 1979, the average median household income has experienced a surge (Kroos, 2003). In the same breath, a higher disposable income has been realized by Americans. In that regard, most Americans can afford to spend their cash on leisure activities, one of the vital aspects that stimulate an economy. Similarly, more citizens in the United States can afford to procure domiciles, domestic goods, automobiles, and associated personal property, which can be utilized to determine an individual's living standard. Thus, based on previous years' data, it is possible to deduce that a positive surge in spending by the United States government and increased expenditure on Americans' welfare budget will eventually enhance the country's average American living standard (Besley & Case, 2013).

The government's money has been obtained by taxing corporate and individual populaces in America (Besley & Case, 2013). Thus, it suffices to conclude that taxation is an essential revenue source for the United States government. The government's ability to stimulate the economy through more spending depends on its aptitude to collect more coinage in the form of taxes. In contrast, the government will confront significant hurdles in realizing its maiden obligations when it cannot meet its revenue collection goals through taxation (Besley & Case, 2013).

The idea of the American democracy might be in the blink of not surviving if the United States would be caught in a situation where a significant number of Americans render very meagre or fail to pay taxes, while in tandem expending more in the form of government spending. The taxation concept dictates that the money spent by the government should come from the basket of that which it collects from folks (Besley & Case, 2013). Therefore, the

arrangement mentioned above is not sustainable in the long-run. If government spending were to increase, more funds would be needed by the same government, and more taxation will have to be conducted on its citizen to sustain such elevated levels of spending.

Besides taxing its citizens, the United States government could seek external sources to acquire debt financing (Besley & Case, 2013). However, the debt might grow to levels that the government will default as its expenditure levels are higher, and it would not be having the necessary funds from levies to repay it. Regardless of the angle of thinking one might take in such a scenario, increased government expenditure should be in line with an operative taxation strategy that will guarantee a majority of Americans pay taxes. Only by employing such an approach will government have required funds in increasing spending in critical segments counting health care. Thus, improving the living standards of most Americans (Besley & Case, 2013). Therefore, I believe government spending should be conformed to funds availability. Correspondingly, taxation by the government ought to be premised on the government budget proposals. In a nutshell, government spending and taxation should perpetually be matched. Besides, taxation levels should mirror expenditure standards.

Case 2

The idea that an individual can access housing, food, and health care as the primary aspects of basic human needs is the principal concept underscoring social security. In essence, the inkling upon which the social security concept rest is that human beings have inimitable rudimentary necessities that ought to be satisfied for an individual to achieve the least threshold of a good life. In that view, health care could be considered indispensable because it certifies that a person has the aptitude to lead a healthy life free from illnesses (Brown, 2015). Even in situations when an individual's capability to access such basic needs is compromised, programs

based on the social security concept guarantee that the individual will continuously access them (Gwartney et al., 2006). Thus, the premise above forms the typical goal of social security. For example, the productivity of an individual substantially dwindles during old age. Regardless of the decrease in productivity, social security programs will facilitate their access to these basic needs.

Subsequently, variance exists between social security and private insurance. The latter aspect is used to bolster an individual against a definite premeditated risk or danger. For instance, one may decide to subscribe to a particular insurance policy to cover themselves against the risk of losing their revenue. In that regard, private insurances focus more on risks that are projected to occur or not materialize at all, whereas social security is associated with contingencies or eventualities.

The African American community members in the United States are only eligible to access a social security program's benefits after attaining a sixty-five-year retirement age (Gwartney et al., 2006). This prerequisite shows how the country's social security system's present operation is injurious to the black community. Nonetheless, the African American community members have an average life expectancy that is substantially lower than the stipulated age for retirement. A myriad of these individuals passes away when they have lived a few years after sixty-five. In that sense, they are ordained besides being positioned to access the benefits accruing from social security programs momentarily before they expire (Gwartney et al., 2006). To make matters worse, it has been established that a significant number of blacks die before attaining the retirement age. Hence, it is highly probable there will be no chance to access social security benefits. That is despite having contributed in their entire working subsists.

Subsequently, things are different for the Hispanics and the whites in the United States. This clique exhibits a much higher life expectancy than their black counterparts. Usually, one is bound to find a majority of them living well into their eighties. Therefore, compared to the African American community members, they will have access to much more cash benefits from the nation's social security programs (Gwartney et al., 2006). As a result, the black's economic well-being is undermined by the social security system because the cash they contribute towards the program could have been utilized to enhance their lives and those who directly depend on them (Brown, 2015).

Additionally, the current system promotes inequality in income because, on average, the blacks will have inferior income as most African American community members will not have access to their benefits accumulated from the social security program. Similarly, the current system is based on the income of individuals. Hence it does not encourage income equality. The latter partiality implies that higher-income stipendiaries only see the benefits social security provides (Vallas, 2015). During the past few years, workers in the United States have experienced gigantic wage gaps. The cost of living in America is increasing, but wages are on a declining trajectory.

The ideal thing to do to restore income equality and fairness in the current social security system is to restructure it. The latter proposal is justifiable by the fact that the current system robs the African American community members of their hard-earned money, which they much require to use in various ways to enhance their overall standards of living. Suppose the system allowed the contributor's dependents through a next of kin to access the accrued funds in the face of the contributor's death; this would have been an ideal approach for promoting fairness in the social security system (Gwartney et al., 2006). To demonstrate how this approach may fair out, a

given contributor who might double as a parent might unexpectedly die, but his or her progeny should still be able to access their parent's social security benefits. We cannot downplay the fact that restriction should be imposed on the age limit a next of kin may access the funds. Adhering to this approach will safeguard that the deceased contributor's family members get access to the money and use it to progress their lives even if their primary source of income is gone. Lastly, since the proposed approach will guarantee the funds accumulated by the blacks find their way back to the community by whichever means, the proposed system is bound to create a more or even less equal level ground for whites as well as the Hispanics in the United States.

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