

# **Economics 200 Portfolio**

by

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## **Reflective Essay:**

There is an enigma to the study of economics: while it seems simplistic in design, weighing costs and benefits to find solutions to macro-level problems, economics is also very personal. This was a great surprise I found in this class.

Consider poverty and public assistance, an issue many disagree on. While government websites can spew out statistics and policy solutions, and textbooks can define the reasons behind poverty and draw nice curves showing the distribution of income in various nations, it still comes down to people and families. What possibilities await one family who can be lifted from impoverished conditions, and what possibilities await a country whose future livelihood depends in part on the children within that impoverished family? Federal and state budgets are another conflicting matter: what child will go to class hungry when government cuts school breakfast programs, or whose car will need tire replacements when budgets fail to appropriate enough to maintain roads? Can we really put a price on a child's life for the issuance of airbags in cars, and who will determine the price tag, the parent or someone sitting behind a desk at an insurance company? Individuals are grossly affected by studies in economics.

To examine policy at a macro-level can be awesome: the natural balances found in such things as wage equilibriums and how many pizzas Dominos should be making, appears to be as forceful as any natural occurrence. To make policy at a macro-level, on the other hand, must be some sort of hell reserved for politicians: knowing that every dollar one appropriates, every trade treaty one signs, and every pre-decided maximum penalty for crimes committed can have an enormous impact on just one individual is a terrible responsibility. It is an awesome power, and not one that lets people sleep peacefully at night.

I am yet undecided whether I enjoyed this class. If ignorance is bliss then I am in agony, for I might have received less of a fright watching old "Tales from the Crypt" reruns. Happy or not, my appreciation for the study of economics has grown considerably, as I used to believe it was a subject found only in the business section of newspapers, rather than a tool used in many areas of life. Criminal activity, for example, is moral issue, but one that finds its roots in cost/ benefit analysis, for if we raised the costs would the activity be deemed profitable? Or on the flipside, if we pull the morality out of the equation, what would the benefits be? Policy isn't always about money spent and results from that spending, but can also be where we as a society, at a given time, desire control over certain behaviors.

One of the greatest conclusions I have come to, in completing this class, is that government is not always a good thing. Yes, it serves some purpose and offers some services that would not else be available, but the costs to which government extracts for their services is far too high. As noted previously, policy making is an awesome power, blend that idea of power with billions of dollars, a tablespoon of moral ideals and a pinch of elitism and policy makers start believing they're playing God. Theological arguments aside, there are two main difference: One, God knows His outcomes before His actions—Government does not have that ability, and never will; two, when Government intervenes, their actions typically produce some unintended results. Government makes too many value-based judgments, although ideas of value are often defined by us, the voters. It is not good economic policy to spend tax dollars to save family farms, but we do because we find security in memories of summers at Grandpa's farm and gawking at ponies at a roadside fence during Sunday afternoon trips. It is not good economic policy to levy high taxes on imported steel, yet we do because we uphold American union organizations as a great pastime, second only to baseball. Morals and ideas of value do not mesh with economics, yet Government tries to blend the two.

With that idea arises a new question: whose perspective should be followed in regards to policy making? From Governmental economic advisors, to steel workers, to welfare recipients, there are far too many sides of an issue to find compromises, and people's perspectives are far too unstable. When I take off my Student Hat, and place on my head my Church Hat, there is an innate pro-life perspective, even though my Student Hat tells me that the costs of illegalizing abortion is far greater than any personal benefit I might extract from such policy. When a worker in Washington takes off their Government Hat and visits an elderly Aunt in a nursing home, their perspective on the costs of Medicaid and Social Security might be minimized when they see first-hand the benefits of these programs. If one person cannot always decide whether the costs of a societal issue outweigh the benefits one reaps from it, how on earth can 535 Congressional members plus an Executive office-holder do so?

Finding solutions and analyzing information in print can be an enormous task itself with all the data we have ready for viewing on the Internet. However, too much of this information is contradictory, and even within Government sites there are discrepancies that must be hunted down, such as the spending of the Social Security surplus for 2003 and a true figure on what war with Iraq might cost. Furthermore, the dollar figures in Government spending are simply too high to fathom: visualizing a trillion dollars is like staring at an abstract painting, you can look at it, but you cannot always see the form and structure it takes.

Economics shouldn't be abstract, but a simple study of resources and the best possible way to use them. However, first it must be decided when it is best to allow markets to find their own natural equilibriums and when it is best to ask for Government intervention.

## Reaction Paper:

### The Vegetable Garden: Increasing Productivity of Available Resources

Eons and eons ago, when I was young, my sadistic parents contrived the perfect deterrence method to keep myself and two siblings away from the TV and out of trouble over summer vacation: The Vegetable Garden. On the last day of school, while other children were preparing for swim lessons, beach outings, and trips to the Grand Canyon, we were sharpening hoes and counting seed packets. Corn, tomatoes, carrots, peas, squash, strawberries and green beans enveloped our very lives over summer breaks, and each new season brought louder groans and grumbles than the previous.

#### The Child's Perspective

However, in my youthful naivety, I did not see the true purpose behind The Vegetable Garden. What I saw was a wasted space, nearly a quarter acre which could be better served with lawn, or better yet, a big playground. Columns of vegetable types were spread so far apart, one could drive a tractor through them, as too were the spaces between plants. We kids were required to keep these huge dirt columns and rows weed-free. The vegetables themselves were of little value: tomatoes dripped with bugs so none of us would touch them; strawberries were eaten as fast as they were picked; carrot heads met their fate by the sharp end of a hoe, so no one knew where the carrots were buried; green beans—well, who eats green beans anyways! In addition, our personal cost to this endeavor was indeed extremely high, perhaps to the point of a selfless sacrifice: Three hours a day per child, which equates to nine hours daily in The Vegetable Garden, hours that could clearly be spent on important activities like swimming and playing.

At a labor cost of nine hours a day, five days a week, for the nine week period of summer break, and one quarter acre allotted for the production of vegetables, we were commanded to produce enough for one vegetable dish per night for one year; that is, 365 dishes. The formula:  $365 \text{ units} / 405 \text{ hours} = 0.9 \text{ units per hour}$ ;  $0.9 \text{ units} * 6 \text{ hours a day} = 8.1 \text{ units (vegetable dishes) produced a day}$  as our goal. Unfortunately, as was suggested previously, we came no-where close to meeting this objective; instead, we produced roughly two units(dishes) of food a day: we had corn on the cob every night, and tons of strawberries, which may not count because we ate them right away. The inability to achieve a maximum productivity of resources was, I believe, a direct result of three factors: a.) quality of labor, b.) inefficient use of capital resources, and c.) little demand for the goods being produced.

#### Quality of Labor

One reason our economy was operating inside its possible production was the quality of its labor force: three elementary school kids with little supervision, no motivation, and a severe problem with workplace conflicts (fighting) do not fare well when attempting to meet a productive goal. The solution was simple: A Monetary Incentive.

#### Use of Capital Resource

The capital resources for production were available, they were simply not being used efficiently. Hoeing a quarter acre garden, with the majority of its contents dirt rows and columns took far too long. A tractor was available to keep these areas weed free, but our employer preferred outdated methods.

#### Meeting a Demand

Another major problem with our garden was the lack of demand for the goods it was supposed to provide: no one wanted this stuff (except the strawberries), so why bother producing it! Had our garden been full of watermelon—instead of yucky green beans and peas—perhaps the benefits from it would have been greater than, or at least equal, to the cost.

These factors, in and of themselves, are sufficient reasons why our economy failed so miserably. But the largest and most damning element keeping us from increasing the productivity of the available resources was the management style used in our workplace: our suggestions on how to facilitate efficiency fell on the deaf ears of our parents. Never was there such tyranny in the workplace as there was in The Vegetable Garden.

#### The Father's Perspective

The story does not end with a note on the principles of maximizing productivity of resources, for there is another side to my tale. To my parents, the purpose of The Vegetable Garden was not necessarily to create an optimal output of a material good, but to maximize the social well-being of our family. In this perspective, our garden was a complete success, as its output was measured in subjective terms: increased understanding of a work ethic, increased ability of its members to work as a team, and a decrease in the likelihood of falling under the trap of morning cartons and afternoon soaps.

Does this mean that economic success lies—like so much of life—within the eye of the beholder?

**Haiku:**

***DEBT***

The checkbook is vast  
Yet red ink still overflows  
Debt consumes our lives.

## Position Papers:

### Our National Priorities: The Costs to Ohio

Once again Washington proved its adeptness at managing finances, this time to the tune of an \$80 billion dollar deficit in the proposed budget. Perhaps Americans have been spoiled by the surplus generated in 1998 through 2001, so much so that overspending leaves a bad taste and a lack of faith with our elected officials. On the other hand, the September 11<sup>th</sup> attacks and following war is certainly legitimate reason for Washington to fall short of balancing its budget.

Or is it? During recessions and War, the States—as a whole unit—have been able to maintain balanced budgets: from 1959 through today, state and local governments have only fell short of balancing in the years 1982, 1991, and 1992; conversely, in the same time frame, the federal branch used nothing but red ink from 1967 through 1997. Why such a discrepancy? Federal and State entities share the same goals: a healthy economy, safety for its citizens, and a well-rounded education for all students. Perhaps the value lies not in poor accounting abilities, but within the diversity of the nation's needs.

#### National Priorities

Most everyone has budgeting problems at some point in their life, and for some, those problems never seem to end: we leave school and obtain employment, and have few bills to pay. Then, we need a car to get to our jobs, insurance, gas, and cash for tire blow-outs. When we reach a certain age we get married and have kids, and then we've got new bills: diapers, doctor visits and daycare. Joe Jr. reaches his teens, and now he needs a car, as well as cash for athletic outfits, prom nights, and concert tickets. The larger a family grows the more complex its household budget is.

The Federal government resembles the family unit in many ways: the enormity and complexity of its budget reflects the needs of the nation's growth of diversity. Groups with given associations: age, race, handicaps, geography. Groups of voluntary associations: environmentalist, farmers, education advocates. Groups with economic associations: the steel industry, logging companies, airlines. These are the family members of the parental nation, and all have needs and wants in which the Federal government must try to placate.

And try it does: Mandatory spending accounts for 63% of the proposed 2003 budget—spending that the voters have legitimized by asking

the government to intervene for the benefit of social well-being. Social Security insurance, Medicaid and Medicare programs are namely transfer payments—a redistribution of resources—provided through taxes for two main reasons: (a) While private markets and charities can provide these goods, they cannot guarantee the conditions of non-exclusion and non-rivalry, and there is little faith in their stability; (b) Government can improve on the Nation's distribution of income, and serve the well-being of all, by allowing for rewards based on personal resources and at the same time reducing the terrible effects of poverty.

What of the other 37% of estimated expenditures? It is typically this discretionary spending that heavily involves many of our Nation's family members—the States, local governments, and interest groups who must vie for every penny available. Proposed at \$746.5 billion dollars for 2003, \$324.7 billion goes directly to the State and local governments in the form of 174 separate grant programs and projects. The range of programs is extremely broad and covers the needs of an array of diverse groups: School lunch programs, immigrant education, Indian housing block grants, crime victim assistance, adoption assistance, weatherization assistance, and much more.

Government intervenes in programs covered by discretionary funding for the same reasons given for mandatory expenditures: private entities cannot assure that everyone will be included, even if they cannot pay, and government can best redistribute resources in a manner that attempts to benefit social well-being. In addition, government also intervenes to solve three basic economic problems: One, since our economy is unstable, the government can maintain some semblance of balance on a macro level through policy and redistribution. For example, when farms are in danger of failing because of drought or disease, the government can stabilize that market by supplementing farmer's income and through preventive measures such as pesticide research.

Secondly, private business has little motivation to determine the social spill-over costs of production, and so government intervenes by researching and improving on the external costs and benefits as they are reflected in price. Such externalities include costs of pollution and depletion of natural resources, and benefits of education and good nutrition.

Finally, government policy and spending has been legitimized for use in attempt to control markets where producers and suppliers have too much influence over the price of their product and the price set for labor resources. Minimum wage policies and funding for education attempt to combat monopolies and exploitation of labor.

The question of efficiency in Federal government spending, particularly with discretionary funds, is one in which few people can agree: many deem Washington's reach to be too extensive, and would argue that decisions regarding distribution of resources belongs to the States. Should tax payers in

1992	1996	2000	2003
20.7%	16.2%	15.7%	17%

Ohio be responsible for Indian Housing grants in Arizona, anymore than taxpayers in Arizona be responsible for Sport Fish Restoration in Ohio? An additional concern of current government policy is the fairness of our tax system, a system where the Federal tax collected is larger than that collected by State and local entities, and where percentages taxed on income are not equal among citizens.

In determining the efficiency of our system, the responses will always be relative to distinctive groups within our nation. Those in their youth may feel they do not benefit from social programs for the aging, and would much rather keep their tax dollars. On the other hand, environmentalists may feel that the social benefit of government funding on issues of pollution is well worth the taxes they pay. Subsequently, opinions of the marginal benefits of discretionary spending will always reflect the diversity in our nation. The exception to this notion is a single discretionary expenditure, one that benefits citizens of all walks of life: Military Spending.

#### Defense Appropriations

Military spending is the second largest of all proposed outlays—both mandatory and discretionary—in the 2003 Federal Budget. President Bush has asked for \$368 billion dollars for the Department of Defense, and so far has received approval for \$355 billion. The initial response to these figures is often a resounding gasp at their enormity. However, a thoughtful analysis may prove to some that (a) there is a need for this cost, and (b) the percentage spent on defense, relative to total outlays, has actually decreased over the years.

To keep in line with paralleling the Federal government to our family unit, the budget for defense can be likened to a household's budget for living quarters: a home is protection from the environment and from unsavory human elements; similarly, the military affords protection from elements outside our

boarders. Just as the costs for maintaining protection within a home is high—new roofs and good insulation to keep out the cold, plus sturdy windows and locks to guard from thieves—so is the cost of maintaining our military.

While proposed spending for defense has been increasing in dollars since 1999, the percentage based on distribution of total outlays has been decreasing since the 1960's. The table below lists a few randomly selected years and the percentage of all appropriations received by the Department of Defense:

1969	1976	1980	1984
44.0%	23.6%	22.2%	25.9%

Current events have forced the percentage of 2003 upward, yet they are still a far cry from the percentages of past years. However, even as these figures have notably decreased, there are still legitimate concerns with the size of defense spending, one of which concerns military spending relative to that spent on other voter-preferred priorities. Education, for example, receives a fraction from the Federal Government compared with Defense spending.

In 1969, education appropriations received only 2.2% of total spending; in 1984, 1.8%; in 2000, 1.9%. Ironically, education is consistently stated as a priority of candidates running for both State and Federal offices. Yet the figures show that Washington places a much heavier need on National security. In addition, the enormity of Defense spending not only depletes funding for other priorities, but military appropriations also have a severe effect on our National debt.

#### The Debt

As of October 10, 2002, the U.S. National Debt Clock reached over six trillion dollars, and continues to rise. A good proportion of this debt is held by the public and borrowed through savings bonds, and the interest paid on the debt is considered a mandatory expenditure. While it is safe to say that debt is not a good thing, it is created for legitimate reasons: namely, budget deficits due to war, natural disasters, recessions, and capital investments. Of these four items, it appears that War has the most adverse effect on the debt.

From the year 1940 to the year 1945 the National debt increased five times over: from \$50.7 billion to \$260.1 billion dollars. The reasoning is clear: World War II cost an enormous amount of money. The debt nearly doubled within the years of 1990 through 2002, with thanks to two wars as well as other factors. If the United States is to war against

Iraq, it has been estimated that the cost could exceed \$100 billion dollars, which doesn't bode well for future projections of the National Debt.

In many households, it is very easy to pull out a credit card when ends aren't meeting, and Washington is no exception to this idea. However, there are other options available: one, to raise taxes; two, to create more money; three, simply to stay within a balanced budget. Since raising taxes and printing more money can have negative economic impacts on the nation, it is perhaps the third option that proposes the best possibility. Certainly, the \$181 billion dollars that will be spent this year for interest payments on the debt may never reduce in size, but can be kept from enlarging if the Federal Government were to require balanced budgets or to put a ceiling on the National debt.

Stopping Federal borrowing will not only keep the debt from growing, but will also leave lenders more dollars for individuals and private businesses to borrow, thus increasing investment in the economy. Secondly, the less spent on the debt's interest payment is more allowed for State and local programs. The State of Ohio, which recently emptied

its rainy day fund to balance its own budget, could certainly use any help to its own kitty.

#### Ohio

Ohioans contribute roughly 3.6% of total Federal individual income taxes, adding about \$36.2 billion to the estimated 2003 National pot. Of this, \$13.4 billion—37%—would be figured into the Federal discretionary expenditures, and then pooled back into Ohio through program grants and projects. The President's 2003 proposed budget calls for a return of Ohioan funds in the amount of \$11.8 billion dollars. The difference of \$1.6 billion is kept by Washington.

The State of Ohio has an approved budget of only \$1.9 billion dollars, an amount nearly equal to that is kept in Washington. Furthermore, in contrast to Federal spending, Ohio must maintain a balanced budget, raising taxes and cutting expenditures if necessary. These cuts could certainly be offset if Ohio were able to keep more of its share; instead, those extra monies pay for highways in Montana, farm supplements in North Dakota, and may be used for war in Iraq.

## **Social Security in the Future**

My fellow Ohioans, as I look about the arena today I see a wide array of people of all ages, and I understand that the diversity of age brings with it a diversity of priorities in regards to government policy. Educational priorities, for example, may differ among people here, with the youth concerned with state college funding, and those of you with children concerned for funding policies in our elementary and secondary education system. Likewise, the economy has affected all of you in different ways: some of you here worry if you'll be able to obtain employment after college, while others in this room worry about the stability of your jobs. The crisis looming over Social Security is no different: it will affect all of you in some way or another if a solution is not found. But I believe that, working together, we can find a solution that will benefit all Ohioans.

Washington has not failed to notice its citizen's concerns about Social Security; however, it has failed to act on them. We cannot afford to push this problem onto the next generation, as our federal government has done for so long, and neither can we afford to listen to the band aid solutions my opponent has put forth.

Social Security is often misunderstood: it is not a human services program, or state welfare, but an entitlement program: if you or your spouse pays in over the course of your working years, you will receive benefits. However, unlike a saving account, today's worker is supplying benefits to yesterday's working force—those who are now retired. And those retirees paid throughout their working years the benefits to aged people at the time. The two programs under Social Security: Old Age and Survivors Insurance, and Disability Insurance, provide an income to millions of Americans who worked hard for much of their life, and for many—18%—it is the only source of income. Currently, there are 27.3 million retired persons collecting from the fund along with 4.6 million disabled workers, and the dependants and survivors of these workers add an additional 12 million recipients.

Unfortunately, while the Social Security program has worked reasonably well since it began in the 1930's and current spending has been less than annual receipts, it has been estimated that in about 17 years, the opposite will be true—benefits will be greater than the amount coming in. With this, the OASDI Trust will be completely exhausted by the year 2041, so those of you who retire in 2042 will not see benefits, even if you've paid in your whole working life! Now, my many continue to place the fault of this on the retiring "baby boomer" population; but the fact is, all 76 million of you have paid in more than your fair share. You are due those benefits, as well as the annual cost-of-living adjustments. To reduce the current benefit amount is preposterous, especially when the benefit amounts are small as it is: the average payment for retirees is only \$765 a month, and the benefit for a widowed mother or father with two children is only \$1500 a month. These figures are small indeed for what it cost to survive! If I am elected, I will fight against a reduction in benefits for those baby boomers that have worked hard and paid into the plan their whole life.

It is the youth in this room that perhaps are at the most risk for losing benefits, and some in Washington propose investing trust fund assets in stocks, which may see a higher rate of return. But I say to you: who will have control of the stocks? You or Washington? This is a poor idea indeed, as the market is too unreliable and this plan will only improve the lifestyles of those who need it the least—the suits on Wall Street!

So where do we go with Social Security? The imperative is to give the baby boomer generation their due, and yet assure the youth that they will maintain the independence Social Security allows for in their retirement and

assurance of help if they have a severe disability. One issue is the age of retirement: people are healthier and living longer than ever before, so it stands to reason the age of full retirement benefits should rise. Secondly, we should be placing higher restrictions on those who collect disability. While Disability Insurance does decrease reliance on other social programs, many with minor disabilities have come to rely on it too heavily, when instead we should have job training in areas where their impairments can be worked around.

In addition, you'll hear a lot from Washington about different tax increases to offset this crisis: increasing the payroll tax from the current 12.4% to 14.27%, taxing Social Security like a private pension, and increasing the amount of earnings subject to payroll tax. However, tax increases often have an unintended effect, as if leaves workers with less disposable income, and ultimately the economy may suffer. I propose, then, that instead of asking America's workers for more, we should require the Federal government to spend less in other areas, and place that savings into the Trust fund. In 2002, Federal spending for Defense will be around \$336 billion dollars, and Social security spending \$456 billion. I find it outrageous that the government spends nearly the same amount on their smart bombs and military toys as they do talking care of America's disabled and retirees.

If having the government overspending in areas of less importance than our elderly isn't bad enough, they have also exempted themselves from the Social Security plan! Many state and local workers are not required to pay into the system, thus reducing the amount coming in to the Trust fund. If you have to pay into it, then quite simply, so should they!

This program has helped millions of Americans stay independent in their golden years. Let's keep it alive, if not for yourself, then for your children and grandchildren.

## **Letter to the Editor:**

USA Today  
And J.C. Reehers:

I am writing in response to J.C. Reehers comment “Working Americans are tired of subsidizing laziness. Bush’s welfare reform recognizes that fact”, printed in your newspaper in April of this year. At first I was angered at the comment, but upon reflection I am rather pleased that it was printed, for ignorant statements, such as those made by Reehers, are perfect opportunities to inform the public of the true nature of poverty and the impoverished.

I am one of those lazy couch potatoes whose bread is paid for by hard working Americans. However, since I am a minor and still in high school, I am not required to meet TANF work requirements, since my “job” is to stay in school and receive a decent education. I am not alone in my plight, but just one of 11.8 million American children who live in poverty and receive assistance from Federal and State institutions. Shall I trade in my books, pencils and paper for a spatula and french-fry tongs, English Literature for McDonalds’ menus, or math lessons for Idiot-Proof -Picture Cash Registers?

I would gladly give up secondary education and enter the workforce if it would result in some benefit; however, it doesn’t benefit anyone, not me and not you. Those of us who are juveniles, and required by law to be in school, represent roughly a third of all Americans living in poverty and a total of 16% of all children in the United States. That’s 16% of your future: 16% of future economic growth, 16% of future taxpayers, and 16% of America’s future workforce. Instead of thinking me “lazy”, consider what I am doing to assure America’s future livelihood. Poverty costs all of us: it raises crime rates, increases the likelihood of poor health, and predisposes the youth toward slow development and delinquency. Society has found that, save winning the lottery, education is the best way to keep people off welfare. Clearly, keeping my books and pencils has the greatest value to society.

What of the other two- thirds living in poverty? I’ve discussed the youth, who society has delegated an unpaid job—to stay in school, the other extreme is the elderly. This group represents nearly 10% of all those living in poverty. Here again, society has deemed many as unemployable because of their age and ability. Yet, I would hardly define this group as “lazy”, as many have raised children, participated in America’s workforce, and were even willing to sacrifice their lives as they served in wars.

After considering the youth and elderly, almost 18 million economically disadvantaged adults, aged 18 to 64 are left. The largest proportion of this group is single mothers, and their ability to earn a decent living can drastically effect the welfare of their family, both children and aged relatives. Many cannot work due to health or disabilities, some cannot find good, reasonably priced child care, particularly if they have young children, and others must stay home to care for ill or disabled family members. However, many do find employment: The vast majority of impoverished children live in households where at least one parent is working, but are their earnings sufficient to support a family? \$5.15 on hour barely puts food on the table.

There are several factors that can play a huge role in keeping a family in disadvantaged positions, and even the hardest working American can find his or herself faltering and unable to pay the bills. For starters, the health of the Nation’s economy: Will I be able to find work when I leave high school? Can the unemployed, laid off by a faltering company, quickly find another means of employment? It is doubtful, for we are no longer a nation needing

brawn and stamina: we don't produce much in terms of industrial goods, neither are we a nation exploiting natural resources; instead, American jobs today require ingenuity, critical thinking, and determination. In other words, today's job market is looking for people with an education beyond what is given in high school.

Unfortunately, education is not a top priority to the Federal government. In 2001 Washington allocated little to schooling: Secondary education received only \$9.1 billion, Student Financial Aid \$10.6 billion, and Vocational and Adult Education a mere \$1.8 billion. Compare this to the Department of Defense's 2001 budget authority: \$296.6 billion! Those who want to make federal policy keep insisting on how key education is to the Nation's welfare, yet when budget time hits, they rarely put their money where their mouth is!

President Bush has determined that broken homes, those with only one parent, is another leading cause of poverty, and however much this appears to be a value-based judgment, there is some merit to the idea. Of course it's harder to support a family on one income, and married couples can rely on each other when one is laid off or ill. However, perhaps marriage wouldn't be necessary if women were paid an equal wage for equal work, instead of making on average 70% of their male counterpart's pay.

And perhaps two-parent families wouldn't be so crucial if the non-custodial parent met their financial obligations!

The Children's Defense Fund reports some staggering statistics with regards to child support: only one in four children in single parent households receive any child support, and the poverty rate for families not receiving the support they are due is an incredibly high 36%. If a single Mom were to work full-time at just above minimum wage, the added income of fully collected support payments may be enough to lift her family above the poverty threshold. Marriage or no marriage, it still takes two to support a family. Both parents owe it to me to see to my well-being, and if tax funds are needed to offset uncollected obligations, then the person who owes the support should be penalized, not the recipient.

Complaining about taxes and where it is spent is an American pastime, and that which is given to social programs is not exempt, but taking care of the needy and disadvantaged is not a new concept, and neither is the kindergarten-taught philosophy of sharing. While the size of income inequality in the United States has been reduced since the 1930's, there is still a huge gap: According to the Department of Commerce's 2001 statistics, America's poorest 20% make only 3.5% of all income, where our Nation's wealthiest 20% take home over 50%! This top fifth may have worked hard to achieve such high incomes, but they have always shared their wealth, whether as tithes to their church, which in turn passed it along to the poor, or as direct charity. Furthermore, whether we call such distribution of wealth tax policy or we call it charity, it has been condoned by the Holy Bible, by Plato, and by the policy makers in our Capital as being just and beneficial to the whole Society: seeing to the needs of others can reduce crime and increase the health and quality of America's workforce.

I hope that, in my tirade, I have shown to Reehers that defining those who require economic assistance as "lazy" is fallacy; instead, we are often put into circumstances beyond our control, and we are required to give back to the community. People collecting assistance, under TANF rules, must currently participate in school, job training, subsidized and unsubsidized work, or community service. President Bush merely proposes to increase the work hours from the required 30 per week to 40 per week. This rise does stay in line with President Clinton's annual increases, but can the economy, just leaving a recession, support this increase? President Bush also proposes

policy changes to benefit married couples who need a helping hand, and has reintroduced funding for Abstinence Education programs in an attempt to curb out-of-wedlock births. However, value judgments such as these often don't mesh with public policy: being divorced or having a child when you are not married is not illegal, so why should Government stamp its disapproval in policy?

Current social programs benefit many: those with some income can receive assistance in non-cash forms like food stamps, housing, day care, and Medicaid. Perhaps the greatest aid comes from the Earned Income Tax Credit, which is often sufficient aid to lift working Americans out of poverty levels. The reason for such a variety of assistance is clear: it is meant to be temporary, it is meant to relieve problems associated with poverty, such as poor health, as well as giving people the ability to enter the workforce.

America provides assistance because economic situations are never set in stone. It is a situation that I aspire to leave upon graduating from high school, but it is also a situation that you, Reeher, may one day find yourself in.

## **The “War on Drugs”: Who Are We Battling?**

It's no wonder that certain substances are kept illegal, for our Criminal Justice systems benefit from keeping it so.

In 1984, President Reagan mandated that all assets seized in drug related investigations be shared between federal, state, and local law agencies. Previous to this mandate, there was only one drug arrest for every 25 non-drug arrests. Post mandate, one drug arrest for every 2.2 non-drug arrests: an 875% increase in drug arrests.

There's a circular pattern here: Law enforcement receives income from drug activities, spends it on investigating drug activities, and then receives more from arrests on those activities! Meanwhile, property crime is rising and American citizens can't walk the streets at night for fear of being robbed or mugged. From the year 2000 to 2001 motor vehicle theft increased 5.7%, robbery 3.7%, and burglary 2.9%. In addition, our courts and prisons are so overloaded with drug offenders that other crimes are receiving lesser sentences! Where are our priorities?

The United States of America locks up more people than any other nation in the world: prisons are big business here, providing jobs and income for many families who also benefit from drug activities: In Federal prisons alone, 59.6% of inmates are there for drug offences, while only 5.5% are in for property crimes and 2.7% for violent crimes. It takes a considerable amount of tax funding to put drug users behind bars, for the entire Criminal Justice system is huge: Police protection and investigation, the courts and legal fees in trying cases, and the costs of corrections, be it through prison, probation, or rehabilitation centers. From January through November of 2002, Federal and State entities have spent \$35 billion in the “War on Drugs”.

It appears that Americans have decided that substance use is a major problem in our society, but do many really understand the cost of keeping up this endeavor? There are actual measured costs, like the thousands of dollars needed annually to keep one prisoner, and then there costs that are not so easy to measure: One, the resources needed to capture and try substance offenders reduces the resources available for other crimes; two, illegal items are not reported and taxed, which lowers governments available funds and causes inaccuracy in the nation's given GDP; three, the Food & Drug Administration and the Better Business Bureau can't control or report on the quality of the substances, which can leave suppliers open to cut products with dangerous additives. These substances, as illegal, cost Americans quite a bit; at the same time, kept illegal, the suppliers are seeing a great profit: They don't have to pay taxes, and when law enforcement reduces their profits by increasing the quantity of detection and quality of penalties, drug suppliers can simply respond by increasing price. Crime does pay: until one is caught, and even then, with our courts and prisons so overloaded, harsh punishments may be minimized.

The benefits to society are contradictory: yes, making certain substances illegal can lead to healthier and happier families, but so can education, and spending for the War on Drugs deters from that which can be spent on our schools. Furthermore, illegalizing an activity breeds more crime: would pushers and suppliers require weapons if their business were legitimate? We can hardly control the crime activity as it is, and as no society can afford to wipe out all crime, certainly we can concentrate on more violent and disturbing activities.

How can we convince Americans that keeping substances like marijuana illegal is not to their benefit? Asking policy makers and voters to reduce penalties is not the answer, but will only increase crime surrounding the

illegal drug market as supplier's implicit costs decline. I propose legalization, but the change should be incremental as not to alarm the public, as well as giving Americans time to adjust to the change and to see on their own how legalization can benefit society. To begin promoting this idea, it is imperative that we stop labeling substances as "drugs": Cigarettes and coffee are not referred to as drugs, although they both contain addictive substances, and alcohol too is rarely referred to as a "drug". The word simply contains a negative connotation that alarms the public. Secondly, it is important to note a constitutional dilemma with illegalization, for the original laws on substance use, the Harrison Act and Marijuana Tax Act of 1937, were created to require licenses to sell these products, not to prohibit them. The Federal government cannot decide for people what they can put in their own bodies; if they could, then alcohol prohibition would not of been rescinded and every McDonalds and Burger King Store in the country would be in a load of trouble.

There are some negative consequences to legalization, as it is recognized that, like abortion and alcohol use, the supply of products would increase as the risks associated with supply decline, and the use of products would increase as the supply increases. We should expect to see a reduction in price for the buyer as supply increases, however, through taxation the price tag could be kept high to discourage use, as is the case with tobacco. Heavy taxes might also damper a minor's ability to purchase the product, and as is with tobacco and alcohol, heavy penalties should be assessed on suppliers who sell to juveniles. Another slight problem is an increase in DUI offences, which like alcohol consumption, can be offset by heavy penalties for those who drive while under the influences of these substances.

The positive consequences far outweigh the negative: less overall crime as suppliers can now run a legitimate business, decreases in Criminal Justice expenditures—leaving more funds available for education and other national priorities—or simply a reallocation of funding within the Criminal Justice arena, and increases to Federal and State receipts as heavy taxes are placed on these substances. Finally, Americans—whether they use these products or not—will be satisfied that their civil liberties are intact.

## **Economics-in-the-News Journal**

### **Economic Journal #1**

“White House plan could give boost to outsourcing”

USA Today:

[http://www.usatoday.com/money/economy/employment/2002-11-17-outsourcing\\_x.htm](http://www.usatoday.com/money/economy/employment/2002-11-17-outsourcing_x.htm)

12/3/2002

Concept:

Combating unemployment: what can Government do in policy?

Summary:

In the article “White House plan”, Stephanie Armour and Del Jones of USA Today report the Bush administration’s plan to outsource as many as 850,000 government jobs, seeking to push them into private companies and corporations. This is apparently done through outsourcing firms, who themselves need an economic boost. Only positive effects are given, some of which are cost savings, as the outsourcing firms look for good and efficient practices; economic boosts to those companies that already work with the federal government; lastly, the article states that most workers keep their jobs, their only change is which employer they are with.

How might I be affected?:

The number one effect here is cost-efficiency in government, which can equate to a number of possibilities: less taxes (doubtful), more funds given to the Defense Department (very probable), or more services, such as road repair, higher education spending, or Social Service programs. While kudos can be given to the White House for looking to save money, I think the larger question is where will the savings be spent?

Other comments:

If this is as cost-efficient move as the article deems it to be, why has outsourcing not been used more frequently? Government should be the purchaser of services, instead of supplying its own, which will allow the market for these services to find its equilibrium.

### **Economic Journal #2**

“Employers assist workers with funding for homes”

USA Today

[http://usatoday.com/money/perfi/housing/2002-12-01-househelp\\_x.htm](http://usatoday.com/money/perfi/housing/2002-12-01-househelp_x.htm)

12/3/2002

Concept:

Employers opt for housing assistance as an incentive to bring in qualified workers.

Summary:

Even though the unemployment rate is high and companies are curtailing many benefits, there appears to be some businesses that need qualified employees, so much so that they are offering assistance in purchasing homes in the form of down payments and forgivable loans. Fannie Mae has helped 270 companies with housing programs this year, up considerably from the past.

USA Today is reporting that affordable housing is critical to employees and employers, for housing costs are extremely high in many larger cities. In addition to help with buying homes, companies are also aiding in relocation costs and cost-of-living differences between geographical areas.

How might I be affected?

If potential buyers are receiving assistance in getting loans, interest rates are likely to increase as a result of the increased demand. However, I don't think the volume of aid being doled out is sufficient to be a contending factor on interest rates. Perhaps the greatest good of this article is that it gives a bit of hope to a failing economy, and lets those who are searching for work know where it may be found and assurance that, with such help as housing assistance, moving to a new locale where jobs are available is possible. All in all, I should think that the information given in this article would increase consumer confidence, a notion that would help all.

Other comments:

Housing programs are great for the Nation's youth, who may consider them when deciding on a chosen field of study or where to find secure employment, but this is a small part of our population: would those with families and hardy community ties be very likely to up and move, or change occupation, because of a housing program? Perhaps better pension plans or reliable health insurance would be a better incentive to some in society.

### **Economic Journal #3**

"Unemployment ties an eight-year high"

by Leigh Strobe

The Morning Journal: Erie-Huron County Edition

Front Page (A1)

12/7/2002

Concept:

The state of the nation currently in regards to unemployment, decreased demand in spending and borrowing, and job types that are being lost and gained.

Summary:

This lengthy article included several concepts, tied together so the reader can better understand why the unemployment rate is high.

First of all, the article gives November's unemployment rates, 6.0%— the highest in eight years. Economists were only predicting a slight increase, up to 5.8% from October's 5.7%, and obviously underestimated the time needed to recover from the last recession. 40,000 American jobs were lost in November, most of them in

factory work and retail, as well as in communication areas; while available jobs increased in service industries, namely in health care.

Secondly, the high unemployment rate and worries about job security for those who are employed runs parallel to decreased demand in buying and borrowing: November's Christmas sales were modest, at a time when economists were hoping that sales would give the retail industry a much needed boost; in addition, demand for non-revolving credit, such as car loans, has decreased, which certainly doesn't bode well for many factories.

It appears that businesses and households are a bit unsure of where the economy is heading, and prefer to keep a tight rein on spending.

How might I be affected?:

While I am not directly affected by the lag in these markets, as I am neither gainfully employed nor does my chosen field of study involve factory or retail work, I understand that I will always be indirectly affected by unemployment in the Nation. When people aren't working, less taxes overall are being paid, which means less money for schools, roads and other services. However, the lack of demand in borrowing might equate to lower interest rates available to me, which would be a boon. Unfortunately I find this last possibility doubtful, as interest rates cannot get any lower than they currently are.

Other comments:

We, as a Nation, seem to be very concerned with the unemployment rate as it is now. However, aren't these fluctuations, from high to low and back again, seen every few years? Perhaps the peaks in the unemployment rate are natural occurrences, and we shouldn't be as alarmed as we seem to be.

### **Economic Journal #4**

"Consumer confidence climbs in December"  
USA Today  
Section B, page 1  
Monday, December 16, 2002

Concept:

Consumer confidence up, wholesale inventories and wholesale sales increase.

Summary:

According to USA Today's Moneyline, the University of Michigan is reporting a December increase in consumer sentiment. In other words, consumers are slightly more optimistic about the state and future of the economy, and thus spending should increase slightly as households feel more secure in their own economic status. Spending has increased 0.4% in wholesale sales. However, wholesale inventories increased as well, although the article only gives October's stats, shown as a 0.2% increase.

How might I be affected?:

If companies are still overstocking, then I should be able to find some great post-Christmas deals. Hopefully inventories stay high until January. On the other hand, company surpluses could mean lay-offs of employees until those overstocks are gone, equating to less tax receipts and less money spent on government services.

Other comments:

Perhaps consumer confidence is increasing because people believe that the unemployment rate cannot get any worse, thus they are safe from layoffs.

### **Economic Journal #5**

“Economists not sure tax cut’s boost will come in time”

USA Today

Section B, Page 7

Monday, December 16, 2002

Concept:

The Federal Government using tax cuts to boost the economy

Summary:

President Bush is introducing a new round of tax cuts, worth about \$300 billion dispersed over ten years. It is hoped that the cuts will aid businesses in providing more jobs, give consumers more spending power, and incite investments. However, economists from the Federal Reserve and elsewhere believe that the tax cuts will not positively affect the economy in time to provide the added spending power consumers and businesses need now to booster the economy.

Furthermore, it is believed that any tax cuts provided by the Federal Government will be offset by tax increases or spending decreases in State Government, as Thirty-one states are declaring budget shortfalls.

On another note, President Bush has restructured his staff in the White House economics arena. Treasury Secretary Paul O’Neill and top economics adviser Larry Lindsey both disagreed with further tax cuts, and their posts have been replaced with John Snow and Stephan Friedman, respectively.

How might I be affected?:

Of course tax cuts would seem nice initially, but the cuts to services may not be worth the immediate spending money. On the other hand, if taxes are cut but spending does not decrease we will be faced with a higher National debt, a problem we’d like to get rid of, not make worse.

Other comments:

President Bush doesn’t appear to be listening to his own economic advisors, the people who we rely on for the strength and growth of the economy.