

# Understanding economics

[Economics](#)



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From as long as I could remember Taxes have always been apart of our daily lives. Taxes can often be a big burden for most, they can also be a help and used for many other functions. If it was not for taxation our roads, public buildings would be a complete mess. Our emergency services such as, law enforcement, EMT, and Fire/rescue thrive off of tax dollars, many of our healthcare offices also use tax payers money to stay open. The taxing process from distribution to collecting them has people on the fence with different point of views.

In this paper I will be discussing the questions raised about taxation. What happens to net personal income when the government raises taxes? When the government raises taxes, it will decrease your net personal income. As the government raises taxes, most people's net personal income will decrease, which means that their disposable income decreases as well.

When this happens people tend to spend less money only to avoid going into debt, which will soon affect the market's income because they are no longer buying goods and services with their disposable income.

This problem will eventually lead to a decrease in total tax revenue as the gross incomes of the population can drop. When the government lowers taxes? When the government lowers taxes people feel more comfortable with spending more of their money. Lower taxes allow the population to buy more goods and services because they know that their money will go a long way. The lowering of taxes along with a controlled government over looking spending will have a fast and positive effect on the economy. People spending more money will not only stimulate the economy, but will eventually lead to more jobs.

Lower taxes equals' happy people and a better economy. How is GDP affected by higher taxes and Lower taxes? The Gross domestic product (GDP) is affected when the government brings in more taxes than they spend, reducing disposable income and slowing the growth of the economy. That is when Fiscal policy comes into place causing some type of stabilization to the economy along with higher taxes. According to E-how, " Tax cuts mean more disposable income for individuals and more retained earnings for businesses. The impact on the GDP depends on what individuals and businesses do with the extra cash.

If households buy more goods and businesses increase hiring and capital equipment purchases, the GDP will increase. A reduction in taxes also means less revenue for the government at all levels, which generally leads to lower government spending, higher deficits or both ( eHow. com, 2012). " What other economic factors are affected when taxes are raised or lowered, and how are they affected? Other economic factors that are affected by the rise and falling of taxes are, sales tax, healthcare, and major government programs.

When sales tax is raised it puts a financial strain on employers and individuals, and will result in job loss. Healthcare services thrive off of the rise in taxes and when taxes fall they suffer tremendously. Low income families depend on these services and without the proper funds. Government programs are affected when revenue result in increased taxes. When this happens, these government funded programs has to increase their budgets. Once funds start coming in slowly then these programs such as, military, FBI,

Medicare, Medicaid, , and social security, once taxes are increased these programs are able to maintain.

“ In fiscal year 2009, state governments spent 40 percent of their budgets on K-12 and higher education and 26 percent of their budgets on social programs such as Medicaid, transportation, corrections and public assistance. Funding for the following programs increase as tax revenues increase (eHow. com, 2012). ” Should the government increase tax rates on everyone as a way to equalize incomes and wealth? No, the government should not raise taxes on everyone, only for those who are extremely wealthy like Earvin ‘ Magic’ Johnson, who is worth \$700 million.

The middle class are going to suffer from the tax increase. This is a political problem that will cause more headaches for everyone and will probably end with the middle class paying more in taxes. Now we know that taxes will make or break things in this nation, and will cause a lot of debates amongst government officials. Taxes will be around forever and we have to get use them changing, I have discussed the questions about the taxing process and I hope you will take something from it.