

# The size and growth of us government essay

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According to the U. S. Bureau of Economic Analysis social benefits for the first half of 2011 increased by 25 billion dollars. They account for more than 45 percent of the total governmental spending and have a significant impact on the economic structures in the country. Such vast governmental expenditures are made possible through the transfer of money from the taxpayers to the recipients of the welfare, unemployment benefits etc. both on the federal and local/state level. However, recent statistics shows that despite constant investment into social benefits, poverty has not decreased. Moreover, the amount spent on social programs could have been enough simply to raise income of the poor above the poverty line. Therefore, it is necessary to reconsider current social policies in order to reduce taxpayers' burden and to target poverty more efficiently.

In their book “ Economics: Private and Public Choice” Gwartney, Stroup, Sobel, and Macpherson explain the logic behind tax tables, which allow paying less tax on first income than on the last, based on the difference between marginal ( $MTR = \text{Change in tax liability} / \text{Change in taxable income}$ ) and average tax rate ( $ATR = \text{Tax liability} / \text{Taxable income}$ ). Federal income tax is based on the progressive principle, which shifts most of the tax burden to higher income taxpayers by making people with higher income pay a larger percentage of their earnings.

However, it is possible to take advantage of the before and after tax deductions, such as education and retirement costs, in order to reduce one's income tax. Therefore, once the deductions are applied, taxpayers' tax liability is reduced, leading to an increase in their disposable income.

## **References**

Gwartney, J. D., Stroup, R. L., Sobel, R. S., & Macpherson, D. A. (2011).

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Private and Public Choice (13th ed.). Mason, OH: Southwestern.