

Free essay about entitlement spending in historical perspective

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HOW HAS THE COMPOSITION OF GOVERNMENT SPENDING CHANGED SINCE THE 1960'S? SUPPORT YOUR ANSWER WITH EXAMPLES FROM THE ARTICLE.

During the 1960s, nearly a third of the entire government expenditure accrued to the development of various forms of capital within the economy. Currently, nearly half of the share of that federal spending goes to capital development. According to a report by Third Way, the prediction is that spending in public spending may reach just 5 percent of federal government spending in the next few decades. In 1962, the expenditure on investments was 2.5 times the amount spent on investments (Taylor 1). On the contrary, spending on entitlements is thrice the amount spent on investment because of the Great Inversion. The trend may accelerate within the next few years because of the rate of retirement of Baby Boomers. The rate of growth of their benefits may be faster than wages and inflation.

HOW DOES THIS SHIFT IN THE PATTERN OF GOVERNMENT SPENDING AFFECT THE REAL ECONOMIC BURDEN OF THE NATIONAL DEBT?

The shift in government spending increases the economic burden of national debt. The economic results from the incident of crowding out. Since the government is spending more on consumption, it relies on public debt to finance other sectors of the economy (Shojai 1). The debt reduces spending meant for investment, which reduces the rate of economic growth. Future generations may suffer because the government is not spending the debt on capital investments and the borrowed funds most come from other nations.

Therefore, the economy may not be able to accommodate all the people within the population, based on per capita requirements (Sachs 2). Similarly, the projects may yield a lower return that cannot meet the consumption needs of the population.

Works Cited

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