

# [Article reviews](https://assignbuster.com/article-reviews/)

[Business](https://assignbuster.com/essay-subjects/business/), [Industries](https://assignbuster.com/essay-subjects/business/industries/)

Article Reviews The article, Taxes Boost State Coffers, offers a comprehensive discussion regarding the various avenues that have led to the increased level of state taxes.

In the introduction, the author attributes this growth to an increase in the amount of income and sales taxes received from consumers. However, the growth is not equal in all states with some being faced with little growth and consequently the need to acquire budget cuts. Only forty-one states have realized the 6. 9 percentage growth mark which when upheld will surpass the economic growth that was realized in the 2006 period. Dougherty points out that economists have attributed these rising levels of income tax to job creation, higher profitability margins in business organizations and financial markets rebounds (Dougherty, 2011). In actuality, the author notes that all states have acquired a level of tax growth yet 2008 recessionary pressures have had a negative effect on the economy requiring a massive amount of finances to boost the economy back to its normal state. However, the biggest challenge that faces the US economy concerns achieving growth in the 2012 financial period as most of the resources have been employed into re-adjusting the economy into the recovery period. Taxation is primarily the main source of state incomes as precisely noted within the article.

State tax comprises of income tax is a percentage calculated on salaries and wages earned, while sales taxes are levied on the prices of goods and services. An increase in the income taxes by 10. 7% (Dougherty, 2011) with the knowledge that the percentage applied remained constant throughout the trading periods can only be explained by a decrease in the unemployment level resulting into more workers in the labor market.

The increase would therefore be the total sum of the tax charged to new employees’ income. For companies to acquire more employees, it means that current production levels are low and hence creating the demand for more labor or else existing labor would be overworked. Increased production automatically results into higher profits only when the resources are effectually employed and operating in their full capacity. During recession and recovery periods, economic resources are usually operating at a less than full capacity, thereby explaining the problem facing most business organizations. Labor acquired tends to be oversupplied resulting to lower profit margins. This economic situation has negative effects on businesses in terms of resource allocation and as noted towards the end of the publication, it requires stern strategies like a reduction of workers. This will lead to lower costs and ultimately higher profits (Rima, 2009). Recession is overcome by an expansionary monetary policy that ensures an increase in the economic money supply, which in our case was provided by the federal stimulus package.

With the 2012 financial period looming in this economic situation, unless the recovery process grow faster, more inefficiencies and severe cut back strategies will be required. From a subjective perspective, the US economy requires a steady stream of money supply to support the economy until it acquires a level of self-sustenance. Government proposals and requirements are majorly funded by the individual consumers and business organizations with the rest of the budget being funded under deficit financing with loans acquired from financers like the World Band or the International Monetary Fund. Loans may be used to offset the financial requirement but note that this will automatically increase the national debt. National debts are serviced by revenues collected in form of taxes from the consumers and therefore this will require an increase for taxes. Alternatively, tax levels may be increased by using a higher percentage on personal income and company revenues. Although the consumers will be burdened by this tax increase, it would be a cheaper financing avenue as the loan will be subjected to interest payments and therefore increasing the cost of acquired capital. The article, Boom’s Home-Ownership Gains Lost, is an objective analysis regarding the real estate industry and adverse effects it has noted since the mortgage crisis triggered by the housing bust.

Current ownership levels stand at 66. 5 percent from the initial 69. 2 percent. Economists hold that the latter percent that is a reflection of high ownership can be traced back to the ease of credit and mortgage availability as supported by the boom phase of the economy. Projections have revealed that the rate is expected to fall to 65% if the recession is not checked. The author notes that that percent decrease in home ownership in qualitative terms equals to the sum of homeowners that had been accrued between the periods 2000 and 2007 (Wotapka, 2011). The growth that had been realized within the same period had been 0. 8 percent yet the loss has surpassed this by 0.

5 percent. The article states that the source of this housing problem was the sub-prime mortgage that required higher serving ratios and ultimately the recession. However, the problem has consequently brought a proportionate increase in rental structures as alternative places of residence upon the loss of home ownership. Like all businesses, the real estate industry is controlled by the supply and demand forces. Initially during the boom, all productive factors were working at an efficient rate that made the cost of credit very cheap and this created demand for the houses. Credit is acquired in form of mortgages from various commercial banks and this credit is in form of a closed loan (Rima, 2009).

Closed loan require that the loan owners should state in writing what the finances will be invested in. The property mentioned is therefore used by the bank as the collateral such that, failure to complete the loan clearance mandates the band to repossess the mentioned property for sale so that the money may be recovered. Using this in the given situation, as recession set in infusing inefficiencies in the economy and precisely in the housing industry, the demand for houses started falling. Recession is also marked with inflationary forces attributed to slowed economic conditions and therefore the money value will decrease. The reduction in home ownership is therefore is because of the banks recouping back the stated property due to lack of loan servicing. As the cost of home ownership tends to become relatively expensive, the demand too also reduces due to lack of affordability. Note that, goods are broadly categorized as either being complementary of substitutes.

Examples of complementary goods include a car and fuel since none can work without the other. However, the types of fuel brands available in the market can be though of as substitute goods since, if the rate of leaded fuel goes up, car owners can use cheaper fuel like diesel or unleaded fuel (Rima, 2009). With the housing industry, the rental and individually owned houses are types of substitute goods such that, when one becomes relatively expensive, consumers shift their spending patterns and consequently the demand for the other good rises. This explains the phenomenon noted by the author where the demand for rental houses has increased by 1.

3 percent. This demand surge necessitates the supply of rental apartments as noted by the increase in the construction levels that target ninety-five rental structures by the end of 2012. From a subjective perspective, the demand for mortgages and home-owned structures will continue to fall within the recessionary period. With a ready market brewing up for rental apartments, I would recommend investing companies to indulge into meeting the created demand since only within a long-term period can the issue be solved. The fall in the currency value as influenced by inflation will still make mortgaged be very costly. Therefore, just like the stock markets, investing within rental structures now will be very profitable, with the initial phase covering abnormal profits caused by housing shortages that in turn pushes the rental value. As more entrants join the market, the profits will reduce until a normal profitability level is acquired. By this time, the investor will have earned much in returns.

References: Dougherty, C. (2011). Taxes Boost State Coffers. The Wall Street Journal. Retrieved from http://online. wsj. com/article/SB10001424052748704254304576116501352537700. html? mod= WSJ\_economy\_LeftTopHighlights Rima, I.

H. (2009). Development of economic analysis.

Florence, KY: Taylor & Francis. Wotapka, D. (2011). Boom’s Home-Ownership Gains Lost. The Wall Street Journal.

Retrieved from http://online. wsj. com/article/SB10001424052748704254304576116402472968150. html? mod= WSJ\_economy\_LeftTopHighlights