PUTTING AMERICANS BACK TO WORK: A FUTURE WORKER'S PERSPECTIVE

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America's economic growth is our key to prosperity. In spite of a few hiccups along the way, the U.S. economy is showing some good signs of growth, with a 3.5 percent increase in the third quarter of 2016 in the Gross Domestic Product (U.S. Economy at a Glance, 2016). While I believe that the United States has potential for even more exponential growth, it will be crucial to see which aspects President Trump will prioritize in order to achieve prosperity. As an economics student, I think that Trump should first focus on creating more jobs for unemployed Americans.

How can we lower the unemployment rate? The "official" unemployment rate is only about 4.8 percent, which only considers the people who have been searching for employment for four weeks or less. The real unemployment rate, which accounts for **all** unemployed individuals, is around 10 percent. Although the unemployment rates have been gradually decreasing over the past few years, further measures should be taken to decrease the **real** unemployment rate. Generally, when a person loses his job, he is no longer able to pay taxes and debts and has less spending money. When a significant number of people are out of work, the negative effects on the economy are devastating. President Trump's plan to ramp up growth by proposing the biggest corporate tax cut since Ronald Regan's presidency is a big step in the right direction to grow jobs, as well as his plan to simplify taxes.

One of the overarching themes throughout the Trump campaign was to simplify the tax system in America, which would put money back into the pockets of American citizens. With the seven income tax brackets in the current tax system, Trump's proposal is for only three tax brackets of 12, 25, and 33 percent. Most Americans would positively benefit from this tax plan, but some people may get hurt by it as well. Some valuable tax-breaks may be thrown out, due to the simplicity of the proposed tax plan. For example, the head-of-household filing status would vanish, which may result in some single parents having to pay a higher tax rate than in the past. On the other hand, the standard tax deduction amounts would double as a result of the new proposed plan. The standard deduction jumps from $6,300 to $15,000 for singles; for married joint filers, it jumps from $12,600 to $30,000. Putting more money in the pockets of Americans opens the opportunity for overall economic growth, because basic economics teaches us that people tend to spend more on goods and services when they have more money.

The second main part to his plan is to cut the corporate tax rate from around 35 percent to nearly 15 percent. Such a dive in tax rates could potentially lead to long-term economic gain as businesses would have more cash to pay their employees more. Secondly, a lower corporate tax rate would increase the number of Americans working. Lower taxes could entice new companies to settle in the U.S., and could convince companies that have offshored some of their business to bring those parts back home.

Other countries have cut corporate taxes in order to promote growth. For example, Ireland's corporate tax rate is 12.5 percent, which is one of the lowest among development nations. Ireland's GDP growth rate in 2015 was about 26 percent compared to only 2.4 percent in the U.S. The GDP is not the only important factor to measure economic prosperity, but it serves as an accurate comparison measure on other countries. The bottom line is that cutting corporate taxes allows businesses to invest in more human capital, research, and expansion, which will lead to long-term economic growth.

The Trump administration could focus on multiple factors to better enhance the U.S. economy, but I believe that the number one factor should be the pursuit of employing as many Americans as possible. As we monitor the unemployment rate and GDP, our government should implement plans and policies that will put America in the best position possible to achieve maximum growth. Cutting taxes and simplifying the tax code would have a significant effect on increasing employment and growing our economy.

Reference

U.S. Economy at a Glance. (2016). Retrieved from Bureau of Economic Analysis: https://www.bea.gov