

2012 Traverse City Economic Club Essay Finalists

1st Place – Evan Chalker

Essay Number 68

Buckley Community Schools - Senior

Manufacturing Technology Academy (MTA)

Mr. Tim Wheatley – instructor

2nd Place – Joy Martinez

Essay Number 72

Elk Rapids High School – Senior

Mrs. Teri Reisig – instructor

3rd Place – DJ Byard

Essay Number 58

Manufacturing Technology Academy (MTA) - Senior

Mr. Tim Wheatley - instructor

Building a Sustainable Economy

The United States is currently over 15 trillion dollars in debt. A debt this large is simply unsustainable. If I was the President, my main focus would be on reducing the debt and encouraging production in the private sector. I would do this by cutting spending, reducing taxes, and limiting regulation.

Federal spending is out of control in America. According to the website *usdebtclock.org* we are spending over a trillion dollars more than we are bringing in through taxes. This deficit spending is driving us further in debt. To solve this problem, we will have to make cuts, even large, unpleasant cuts in some cases.

Medicare and Medicaid account for nearly one fourth of all government spending. While it is important that we preserve these entitlement programs, we must find a way to reform them. Possible cuts to Medicare include raising the eligibility age from age 65 to 67 or 68. This would mean less participants in the program. Another way to cover the costs of Medicare would be to charge more for premiums.

We must also look to cut our spending on defense. One way we could do this is by reducing our involvement around the world. This means being involved only in affairs that are pertinent to our national security. The U.S. currently has bases in Japan and Germany; these countries are wealthy enough to defend themselves. Reducing military personnel in developed countries like these would save billions of dollars. All of these measures would face stiff political opposition, but they must be considered.

Just 12 years ago the U.S. was spending about 300 billion dollars a year on Medicare and Medicaid. Today, we are spending over 800 billion dollars. We are spending nearly 700 billion dollars a year on defense, compared to just over 400 billion

dollars in 2004. We are headed in the wrong direction, spending more and more each year when we should be spending less and less, or at the very least, reducing the rate of increased spending.

One way the U.S. gets money to pay for its deficit spending is by borrowing from other countries, most commonly, China and Japan. Our debt to China alone is about \$1.2 trillion dollars and this number is rising as interest accumulates. We spend 74 million dollars a day in interest payments on our debt to China. This is not a stable position to be in. As long as we owe them money, we are at their mercy to a certain extent.

In order for the U.S. to attain a sustainable economy, I would create an environment where businesses and citizens are comfortable enough to invest. If potential investors aren't confident in the future of the U.S. economy, they simply won't invest in it. We must also be careful not to penalize production, instead we must encourage it. After all, it is production, not government spending that creates wealth for a nation, thereby increasing the standard of living of its citizens.

The most common forms of penalizing production are taxes and regulation. Both of these are necessary evils, but their implementation must never be viewed as means to help the economy. Having too high of a tax rate can discourage entrepreneurs from entering the market. It can also discourage current businesses from producing more to satisfy consumer demand due to reduced marginal profit. Therefore, I would lower tax rates to encourage investment and increase production.

Government spending is frequently found in the form of subsidies, stimulus, or bailouts. In effect, these are taxes. While they may seem like ways to boost the economy, in reality, the government is simply taking away consumers' purchasing power in order to

fund ventures that they wouldn't have chosen themselves. When the government decides to bailout a certain business, it has to get that money from taxpayers. This measure may successfully keep the business alive, but it makes the nation poorer as a whole. If the business would have been allowed to fail, the resources and employment they were using would have gone to more profitable, and therefore, more efficient purposes. In addition, consumers would have less purchasing power than before. Giving people the freedom to spend their money as they choose is the most efficient way to allocate limited resources. The fallacy comes from looking at only the tangible, positive effects and not the unseen, negative effects. As President, I would never implement taxes in an effort to boost the economy because it simply doesn't work. It only decreases the standard of living for a nation.

In addition to limiting tax rates, I would simplify the tax code. It costs businesses billions of dollars each year to comply as they are forced to hire tax preparers, lawyers, and accountants to help them file. According to *forbes.com*, Americans spend over 6 billion hours a year preparing their taxes. Much of this time equates to lost productivity.

Regulation is vital to the health of our economy. Over-regulation, however, is crippling to the economy. Many regulations, even some with the best intentions, are not helpful to the common good. They also place a costly, sometimes unnecessary, burden on businesses as they are forced to comply. We must analyze the Constitution to determine which endeavors government should regulate and which ones they should not. We must also determine the extent of this regulation. Limiting regulation is critical to helping businesses maximize production.

Eliminating 15 trillion dollars in debt is not an easy thing to do. It will take a lot of time and determination to pay off our debt, but if we have a President with the political will to lower tax rates, reduce regulations, and cut spending now, it can be done. We must allow the free market to run its course if we are to have a sustainable American economy.

Words: 973

When I was in elementary school, I loved to read those "Choose Your Own Adventure" books. The ones that start off with a scenario, and then leave it to the readers to continue their adventure on page fifty-four or thirty-seven. I would always look ahead and make sure whichever story I chose would not eventuate in my imaginative death or dismemberment. Now, eighteen and a senior in high school, I have come to the realization that much like those stories, life is an adventure comprised of surprising twists and turns that we choose ourselves. However, we do not have the luxury of reading ahead.

Oftentimes, these life altering choices can seem as crucial as deciding what college degree to pursue, or they can be simple as what time to set the alarm for tomorrow morning. But regardless of how large or small, choices determine our lifestyle as well as the course of our future. One facet of life dependent on choice is the management of personal finances. The handling of money has potential to drastically alter one's future. With this in mind, I have begun to prepare for my future financial responsibilities and I plan to make smart, effective monetary decisions for the rest of my life.

Since I turned fourteen, it was expected of me to find a job in order to put money toward wants and needs. This was page one of my financial adventure. When I lived in North Carolina, my first job was working as a barista in a local coffee shop. A couple summers later I switched to Pirate Adventures -- an interactive pirate treasure adventure for kids. Now that my family lives in Michigan, I have a respectable position at the Grand Traverse Resort as a lifeguard. Working for these very different establishments has taught me the value of money and also taught me that I need to improve how I handle the cash I earn. At first, whenever I got paid, I would get excited and spend all or most of it. I would buy expensive clothes and accessories, or even overpay for simple things like food. I quickly found out that this lifestyle drained my bank account, and that it needed to change. Fortunately, over the past few years, I have learned a difficult lesson on how to save and budget money.

A very simple, and straightforward way to manage money is to be a good steward of one's resources. It is the individual's responsibility to handle all of which he or she is given charge, just as it is the reader's responsibility to turn the page. Most of this appears to be silly, common knowledge, but very few people actually follow through. In my future career, I plan to work hard in order to be a good steward of my earnings, and also stick to a detailed budget. It is my intention to spend less than I earn so I can continue to save. With careful calculations I can determine the cost of bills, groceries, clothes, and also estimate an amount to set aside for emergencies. The rest would be saved for my children's college, my family's wants, and holidays. Being financially savvy starts with making small decisions; decisions as simple as choosing page eighty-five.

Debt is one page, however, I will not turn to in my life's adventure. For some, it does not seem like a huge issue to use credit cards or take out loans, but each little charge adds up quickly, plus interest. The numerous credit card companies that hound American consumers have sent millions into debt. While loans may be imperative to start a business or buy a house, there are ways to avoid overwhelming amounts. One must intelligently consider what he or she can afford to pay off, based on monthly expenses and needs. Credit cards should be used sparingly and for emergency situations. In addition, I also plan to take out as few student loans as possible to pay for college, and organize my finances in order to pay back all debt in a timely manner. In college, my grades will reflect my strong work ethic so I can apply for scholarships as well as work. In addition, I intend to discover ways to hold myself financially accountable and organized.

In order to have financial accountability, I have learned to document my deposits, withdrawals, and expenses. Recording every monetary detail in a ledger seems a hindrance, but having the ability to return to every transaction is a luxury. All handling of money is documented, stored, and available by simply flipping a page. In this way, I am not taken advantage of by banks,

credit card companies, or businesses. I believe in personally holding myself accountable to keep my bills organized in files and folders. This is one of the most effective ways for me to be aware of what I have paid and what I owe in order to maintain an excellent credit score and a healthy proficiency in all things financial.

It is not permissible for my financial knowledge to become stagnant. Through the rest of my life, I will never stop learning how to effectively manage and invest money. In order to expand my monetary comprehension I intend to attend financial seminars, read books and magazines by financial experts, and ask as many questions as possible. Working together with my future spouse, I am assured that this wisdom can be evident in my children's lives as well.

In life's novel, personal economics are simply a chapter in the adventure I have chosen for myself. All I need to do is turn the page.

Word Count: 940

Effects of Agriculture on Michigan's Economy

While Michigan and in particular, our own Traverse City region, relies on agriculture as a major component of its economy, a significant portion of the agricultural community exists only due to a steady stream of government subsidies. In light of this fact, I would make the case that we should cease subsidization of the agricultural community in order to gain a long-term sustainable contribution to our economy. As a whole in the year 2010, the Michigan agricultural community made a net profit of 1.8 million dollars, according to the USDA's Economic Research Service. Despite, what looks like a positive impact on our economy though, Michigan Farms received a total of \$204,461,735 in the form of government subsidies according to the Farm Subsidy Database. While these subsidies were received by only 41% of Michigan Farms, they are still more than 113 times the total amount of net profit generated by the entire industry.

Should government subsidies cease flowing to the agricultural community, it is probably safe to assume that roughly 41% of Michigan's agricultural economy (the farms currently receiving subsidies) would be forced to declare bankruptcy and close their operations. In the short term view of things, this collapse of a vital part of our economy would be sorely felt statewide as thousands more citizens would be out of work, and the remaining farms would be attempting to provide the same amount of product with a greatly reduced capacity for production.

Following this initial shock to our economy, food provided by the remaining farms would increase substantially in price due to the high demand now placed on the available farming resources. This increase in price would take what has long been recognized as a low income industry, and turn it into a highly profitable one.

This increase in profits would encourage and induce investments on behalf of the remaining farms that would now be able to hire additional resources, and procure farmland from the failed farms to help them cope with demand. Furthermore as agriculture came to be recognized as a viable business model, new investors would enter the market, replacing much of Michigan's lost farming capacity.

This transition from an agricultural economy that has long been recognized as an unprofitable, unsustainable business model, into a sustainable long-term asset to our economy would doubtless prove to be a painful transition. We should, however, keep mind that a sector of our economy that is able to survive only by taking money out of the other profitable portions of our economy (and dumping it into an unprofitable one), is not really an asset to our economy at all, but a liability. We subsidize the farming industry here in Michigan in full recognition of the fact that it would fail (as a business model) should we cease financial aid. We continue, though, to subsidize it based it based upon the belief that a mere 200+ million dollars is a relatively small price to pay for the industry's overall contribution to our economy, fearing (and rightly so) the painful transition that this would cause. This fear of a painful shock to our economy should be overridden by a long term goal of a truly profitable and economically efficient economy. We should be able to get past where we are now, sustained by the goal of a profitable and efficient agricultural community, one where our farmers become as big of financial contributors as our manufacturers.

Looking beyond our local agricultural community here in Michigan, the government involvement in this sector of the economy belies a greater mindset of our citizenry that trades

personal pride in accomplishment for a dependence on others. This mindset is especially sustained by the belief that the government taking money from the successful and giving it to the unsuccessful is a sustainable and legitimate function of government. It provides incentives for a generation of individuals to become used to others providing for their daily needs and has created a population that seemingly lacks any sense of personal pride or self-worth.

In addition to a revitalized and truly self-sustaining agricultural economy, I believe that, should we continue to apply this thinking to, not just agriculture, but to our economy as a whole, we would be better off and more financially stable for our actions. It would allow people who are currently under producing to recognize that they, too, have a stake in their lives, the livelihoods of our citizenry and that they provide vital contributions to our economy for which they should be proud.

Word Count: 751

Works Cited

USDA Economic Research Service, January 17, 2012, March 15, 2012,
<www.ers.usda.gov/StateFacts/MI.htm>