

The economic impact of the Christmas season

The famous phrase “Black Friday” is a polarizing term that is often associated with too-good-to-be-true deals on unnecessarily large televisions and viral internet videos of stampedes of eager shoppers. However, the term generally refers to the Friday after Thanksgiving when many businesses, especially retail stores, begin to sell mass amounts of inventory and become profitable after months of losses. (In accounting terminology, “black” means profitable as opposed to “red” when a business is in the negative). While we here at Cathedral Prep stay true to the meaning of this religious season, many economists and secularists alike claim that Christmas has become more a celebration of American capitalism than of the birth of Christ. But how big of an impact does the Christmas season really have on the United States economy?

Of the Americans who chose to spend their holiday weekend following Thanksgiving shopping, one thing is clear: they were ready to spend some money. The National Retail Federation (NRF) estimates that over the holiday weekend, the average shopper spent \$251 on gifts. Last year, holiday retail sales reached over \$655 billion, which only strengthened the general trend of growing annual holiday sales in the United States. While we remember and focus the miracle of Christ’s birth on the 25th each year, the consistent strength of the American economy is just one more of the many Christmas blessings.

Another often overlooked benefit of the holiday season is the impact it has on an import concept in economic models: consumer sentiment or outlook. Often times the actual strength of an economy is less important than how individual people feel the economy is doing. If the U.S. is in a deep recession but the American people feel all is well, it is likely that they will continue to spend money and inadvertently lift the

economy out of that recession. Jingle bells and holiday cookies tend to give everyone a little extra cheer, and the economy benefits as a result. Richard Curtin, an economist from the University of Michigan, discusses the importance of consumer sentiment in a recent data release, and also discusses the real effects of a strong economy in the Christmas season saying, "...the most important changes in early December were higher income expectations..." It seems as though this holiday season is only helping to reinforce the bull market the American economy finds itself in now.

As the origin of the term Black Friday implies, the holiday season can be important to individual businesses and even make sure they turn a yearly profit. The short period between Thanksgiving and Christmas accounts for, on average, 30 percent of all sales for retailers according to NRF. In less than a month, many big stores, such as Best Buy and Target, as well as little stores bring in almost a third of all their annual revenue. Research also points out the shifting ways in which consumers choose to purchase their Christmas gifts, with more consumers choosing to exclusively purchase goods online than exclusively in brick and mortar stores in 2017. This Christmas season is only pushing what has long been foretold by experts that the internet and technology in general would dramatically shift the nature of the economy.

Whether one is Christian or not, it is hard to ignore the economic presence the Christmas season or more broadly, the holiday season, has on the American economy. As consumers begin to drastically increase their spending attempting to express their love for their family and friends, many businesses give thanks for another year of profitability. While we may be grateful for the salvation promised with the birth of Christ, we can also be thankful for a bit of economic prosperity.

Addressing the issue of America's aging infrastructure

Over the past few years, the issue of America's aging infrastructure has floated in and out of the national conversation. However, experts are becoming increasingly concerned over the condition and degradation of America's roads, bridges, and water infrastructure which includes sewers, storm drains, and canals. In fact, in their 2017 "Infrastructure Report Card", the American Society of Civil Engineers gave the United States' infrastructure a D+ grade. In 2013, Transportation for America rated Pennsylvania the state with the poorest infrastructure, citing that one in four bridges is considered "structurally deficient" with roughly 19 million people driving over these bridges each day. America undoubtedly has an infrastructure problem which poses a growing safety risk each day it goes unaddressed.

What would a movement to fix America's countrywide problem look like and why has nothing been done up until this point? Any revamping of the nation's infrastructure would inevitably start with the federal government, but details have been scarcely discussed despite some popularity in the topic in the last election cycle. However, one thing is for certain; it would be expensive. Based on estimates from the Federal Highway Administration, simply fixing substandard bridges today would cost over \$75 billion. This number also fails to consider the vast number of bridges that are expected to become deficient in the coming years, as well as the cost of every other form of infrastructure, from power lines to dams, that needs restored or replaced in the United States. At a

minimum, a complete remedy to this national crisis would cost hundreds of billions of dollars. With the federal deficit now over \$20 trillion and only growing, it is difficult to find the necessary funding to needed to repair the nation's highways and waterways.

While any bill from Congress aimed at fixing domestic infrastructure would be costly, some politicians are optimistic on passing such legislation. Lawmakers on both sides of the isle believe an economic stimulus plan in the form of infrastructure improvement would help spur the economy with the dramatic increase in federal spending. A similar approach was taken in 2009 under the Obama administration in response to the recession with mixed results, although the economic conditions were much different than current ones. In addition to this, people like Jim Glassman, an economist for J.P. Morgan, believe that improved roads and other forms of transportation will facilitate trade across the country. By designing and creating more efficient roads, transportation costs for many companies would fall. While you might never drive on a new bridge in California, that new tablet you ordered on Amazon might be a bit cheaper because of it.

While a dramatic increase in government spending has the potential to stimulate the economy, a mistimed bill may produce undesired effects. The last true stimulus bill seen in the United States was in 2009 to curb the deep recession. However, financial markets and the American economy in general has been performing quite well. The implementation of a stimulus plan under current economic conditions may inadvertently overheat the economy and deepen the looming recession.

Although failing to address America's obvious infrastructure issue is a real gamble, lawmakers have been focused on other matters in recent months. As many Americans are happy with the current state of the economy, pressure to keep up high economic growth may incentivize Congress to seek new ways to

sustain growth, like using government resources to revitalize the national highway system. However, it is important these representatives are conscientious of the long-term ramifications of a hasty stimulus plan.

Musical Review: Hamilton Chicago

Hamilton is a Broadway musical created by Lin Manuel Miranda about founding father Alexander Hamilton. This show made its Broadway debut in August 2015 in New York City with massive success. Critics loved the combination of history and rap music as a way to bring together various types of audiences. The show continued to perform in packed audiences and tickets were sold 6 months in advance. As a result of its massive popularity, the show extended their operations to the CIBC theater in Chicago, Illinois. I had the pleasure of traveling to Chicago and watching the show live.

Ever since I discovered the soundtrack of *Hamilton* in 2015, I was immediately hooked. This was a completely different type of rap than the mainstream. Each paragraph has meaning to the overall story. An avid listener has no choice but to listen to the entire soundtrack and simply marvel in its glory. Sadly, it seemed that all of the U.S. had jumped on the *Hamilton* train. Tickets to the show in New York rose to expensive heights and were never available. Two years later, my Mom told me how she knew the chief of operations at the new site of *Hamilton* in Chicago. It seemed like a no-brainer to jump on this opportunity.

On November 22, I was finally on my way to see *Hamilton* in

Chicago. When we arrived to the CIBC theater, I was extremely excited. The only thing that made me apprehensive for the show was whether or not this new cast could live up to fabulousness of the original cast in New York.

As soon as the curtain came up and the first song started, it was made clear that this show would most definitely exceed my expectations. At the final song, I sat there with my mind blown thinking this was the greatest show I have ever seen. I don't cry during shows or movies, but everyone else in my family does. Let's just say, my mom was gushing tears by the end of the first act.

Throughout the show, every single scene is followed by another musical number that works in one fluid motion. Rapping serves as the dialogue to the story, engaging the audience with lyrics that are both powerful yet simple. After the first act, my mom told me how she hated rap music, but "absolutely loved this." That is a testament to the show's ability to break age barriers and give everyone an impactful history lesson.

That is essentially the purpose of the show, to provide a history lesson about Alexander Hamilton, a founding father whose impact often goes forgotten. Simply listening to the soundtrack gave me an introduction, explaining his contribution to forming a national bank and why he's on the five dollar bill. My dad had no clue who Alexander Hamilton was, thinking he was a president. A main criticism of the show is that you need to know history to be able to enjoy it. Quite the contrary, a spectator simply needs to express an interest in learning about it. One could know very little about American history, and *Hamilton* could be the show that provides a framework to spark that interest.

Hamilton features a small cast of established actors who make the show come alive. Many actors play multiple parts, which adds to the impressiveness of the ability to cast dynamic actors. It is quite surreal to watch Chris De Sean Lee rap at

insane speeds as French revolutionist Lafayette and then rap battle with Hamilton as Thomas Jefferson. This is a show that requires a well-versed ensemble. They are the glue that add background and context to the play's overall plot.

Overall, watching *Hamilton* live was a surreal experience that had me mesmerized throughout. Although tickets are expensive, the show is well worth it. *Hamilton* is a once in a lifetime experience, a marvel of a show that makes history quite enjoyable.

Student Profile: Ryan Rzepecki

Junior Ryan Rzepecki is one of the writers for *The Rambler* and a dedicated student at Cathedral Prep. Ryan also happens to work at Sara's Restaurant in the summer time. One of the reasons why Ryan chose to work at Sara's was his love for the restaurant and its food. His favorite food from Sara's is the hot dog. Ryan also loves desserts from Sara's, particularly the hot fudge sundae. Although he does love dessert, he only eats it in moderation, not after every meal.

Ryan describes his job as being moderately difficult. Although he does work with friends such as junior students Robert Wierbinski and Isaac Holder, the restaurant is often busy and the workload can be borderline overwhelming. But this doesn't stop him from enjoying his job.

"It's a good job. It's close to my house and gives me some money. It keeps me out of the house during the summer," Ryan said.

Ryan believes, however, that the restaurant should only be open in the summer. In his opinion, if Sara's was open the whole year, the diner would lose its special vibe that comes with it being open only in the summer.

When asked where Sara's gets their ingredients from, Ryan said that the food was bought locally. Ryan also said that during the work season, the workplace is perfectly staffed and the work is divided equally. Finally, his final opinion on Sara's is that it is the best restaurant in Erie.

"It's a family friendly environment," Ryan said, "You want to go there; you want to feel like family. It should feel like home; it should be a good time. You're there for the family. You're cooking for people. You know your friends are there, showing people hospitality."

Student Profile: Daanish Bhatti

Although Cathedral Prep may not be able to boast the largest debate program around, it certainly has brought out the best in many of its students, such as Daanish Bhatti. What started out as being a surprising schedule change became a unique passion for Daanish.

On the second day of his sophomore year, Daanish's parents switched his schedule without him knowing. The outlying class that Daanish was then forced to take was debate. At first, he hated it. "My first debate was actually against McDowell's varsity team, and me and my partner were clueless and ended up getting crushed. So, after that being my first real experience, I really didn't like it and couldn't wait to get

out of the class," he said.

The interesting aspect in all of this, as Daanish explained, was that he usually doesn't struggle that much in anything, despite it being a brand new concept to him. He embraced the challenge, and the more time and effort he poured into it, he not only saw brightening results, but a newfound passion.

Prep has returned three debate coaches (who happen to be Prep alumni) in order to mentor the current debaters along with Mr. Pituch, who is still ultimately the head of the program. Daanish spoke of his coaching, saying, "They know what it's like to graduate from the school and translate their debate skills to other facets of the world. So, being able to talk to them about that sort of stuff is really cool."

Another favorite aspect of debate for Daanish is traveling. He loves being able to compete in all different parts of the country, such as Michigan and Kentucky, to visit prominent universities, and to experience more memories with his teammates right by his side.

Another great memory Daanish had was Debate Camp at Northwestern University. He said he met some of the smartest, most intelligent people he's ever gotten a chance to know. In addition to just meeting them, he actually had the opportunity to even catch up with some of them at different tournaments throughout the country. This speaks to how universal and valued debate is. Daanish's largest accomplishment to date was being ranked as part of the top 32 teams of the CFL's (Catholic Forensic League) national tournament.

Along with many others, Daanish believes the skills he's developed through debate will further his academic prowess in college and prepare him better for his career. "Being able to speak and speak fast, having the ability to read and comprehend information quickly, and even simply having persuasion techniques will all be beneficial in whatever field

I decide to go into.” Daanish went on to say, “I’m not saying that sports aren’t important, as I participate in track and field myself, but I feel comfortable saying that you will gain more successful skills from debate than any sport you could possibly be involved in.” Daanish has his mind set on long-term goals and is doing everything in his power to prepare himself for the real world.

As far as advice goes, Daanish urges current and future students to get involved with debate and to stay involved. However, he offers one important and hard-to-grasp tip for many: be prepared to lose. He says that debate is an acquired technique that takes time and patience in order to excel in. In fact, Daanish says that it wasn’t until this year that he began actually feeling confident in the debate room.

Mr. William Pituch, head of the Debate program, spoke of Daanish’s debate career saying, “Daanish joined the program as a sophomore [and] made some huge strides over the last year and over this summer. He attended institutes at Northwestern the last two summers. He is a hard worker and immerses himself in the material. He is extremely knowledgeable on the topics. He has been an excellent teacher for the younger debaters, getting them prepared, focused, and excited about learning how to debate at a nationally competitive level.”

In Daanish’s opinion, the main reason people tend to stray from speech/debate programs is because they don’t want to do *more* school outside of school, essentially. Debate requires a large amount concentration and research that people just aren’t willing to give a chance. Daanish sure was, though, and his only regret was that he didn’t start soon enough. He now teaches the debate class and has found his new love. So what are you waiting for? Consider taking a debate class in the future, it may be just what you are looking for.

Student Profile: Alex Welz



When the curtains roll back, the lights shine the brightest, and the roles are the most important, center stage is where you will find senior Alex Welz. His unprecedented rise to the top of the Prep-Villa theatrical program has been nothing but captivating, and his acting skills are nothing short of impressive.

Alex reignited his theatrical career at the end of his sophomore year here at Cathedral Prep. He spent his freshman and sophomore years playing basketball for the Ramblers, but after he decided to no longer pursue his passion for basketball, he resumed his acting career. "I have done shows for my grade school in seventh and eighth grade. I enjoyed them, but never took them all that seriously," said Alex. "It was really my parents, Father Mike [DeMartinis], and some of my friends who were already in the program that got me back into it."

The Prep-Villa theatrical program had found a gem it didn't know it had, and were quick to polish it. "It's so easy to work with Alex," said director Father Mike DeMartinis. "He has the talent, works hard, and demands the best out of himself and those around him each performance." It didn't take long for Alex to get the recognition he deserved. In the production of *Footloose*, the program saw one of its largest auditions in history with more than one hundred students vying for a role.

In this fun-filled drama Alex landed the part of trashy boyfriend, Chuck Cranston. "This role was a lot of fun. It was the perfect part for me to secure and gave me a lot of confidence moving forward."

While many of the productions put on by Alex and his cast members are fun, like *Peter and the Star Catcher* and Dominic Montefiori's *Let's Talk*, some works look to convey something much more. When Alex played the lead as Atticus Finch in *To Kill A Mockingbird* they gave the crowd a true message. "When we perform, we can use the crowd as motivation, but during *To Kill A Mockingbird* you could see the emotions in the crowd, and that's something I'll never forget." When you make an audience vulnerable, you can make them think differently than they may have before. "If I can make just one person leave feeling different, or giving them something to smile about, I can't ask for anything more."



It truly takes a balance of skill, and showmanship to bring a crowd to its feet or to tears, and these are just a few of the qualities Alex has brought to his performances. "I know I have a lot of talent, but working hard has benefited me the most. Talent got me here, but it's my

attention to detail that has been the roots of my success." His successes are not celebrated alone as he accredits his cast members for his performances. "The trust I have on stage is unparalleled to anything I've experienced in sports. When something goes wrong, you can just improvise and reset. In a show, you have to trust your movements and echo those of everyone on stage, and that's why we practice so much, so the crowd doesn't know when something's gone haywire."

Alex's cool and collected demeanor sets the tone not only for himself, but others, and he thrives in the limelight. If you

were to watch him, you wouldn't believe he could ever have any self doubt. "Confidence is something I struggled with for awhile," commented Alex. Like many famous actors, self-doubt is all just a part of showbiz," But acting has given me the confidence I can translate into multiple aspects of my life."

It has taken a very short amount of time for Alex to gain his impressive repertoire, but even a shorter time to find his true love, being on stage. "Some of my best high school memories come from the plays. I've met so many great people and learned some great life lessons." This has convinced Alex to start planning on continuing his acting career on the collegiate level come the fall of 2018. "College is where you can really get noticed, and it will be a perfect way for me to meet new people and help me pay for my degree."

As his high school acting career is coming to an end, he has no regret on his decision to immerse into the theatrical program. "This has been the best choice I've made in high school. I highly encourage anyone to come out for the plays. We have football state champions to members of the debate team. The only regret I've ever heard is not starting sooner." Alex also added, "My favorite aspect of theater is that I am able to meet the audience in the same place through only our imaginations, the set, and the space in between us. It can be so powerful and moving."

Student Profile: Alec Thomas



Alec Thomas is well known for his talent in the swimming pool. Since freshman year, he has competed in various swim meets for Prep's varsity team. His ability has brought in Division I offers from various schools all over the country. With all this recognition, many people are astounded to learn that Alec also competes and excels at another sport, tennis.

Alec has been playing tennis since he was three years old. His mom, a former division one tennis player for Duquesne University, introduced him to the sport. "One of my earliest memories is my Mom tying a tennis ball from our garage, then handing me a kick-start tennis racquet." As a result, tennis has always been a big part of his life.

Throughout his years, Alec approached tennis as a break from swimming year round. "It's something that I really enjoy, and it gives me a mental break to get my hunger back for swimming." By being a two-sport athlete, tennis has been a huge contribution to Alec's mindset as an overall competitor. "The biggest thing I have learned from tennis is that you're never out of it." This mentality has allowed him to win D-10 tennis matches and also break countless swimming records. "There have been moments where I've had to dig deep and find a completely new level."



As someone whose main sport is not tennis, Alec's game-plan is specialized just for him. "I approach a tennis match different from swimming. My main goal is to make my opponent as

uncomfortable as possible.” This gives him a strategic mental edge over his opponents.



Currently, Alec’s biggest influence has been Prep tennis coach Pat Grab. Grab was the person who influenced him to go to Prep. “Going to Prep was not very enticing for my family. I was supposed to swim for Mercyhurst,” he recalled. Grab introduced Alec to what it meant

to be surrounded by people who wanted to win just as much as he did. Prep enticed Alec to be part of something greater than himself, being able to represent an established sports program but also forge his own path. “Pat has helped me in all facets of my life. He’s fully involved in my development as an athlete.”

Being on the tennis team has given Alec long lasting relationships throughout his four years at Prep. He remarked, “I’m great friends with everyone on the tennis team.” The way he looks at it is through two sides of being a good teammate, being a supporter and a leader. As a supporter, Alec will be the loudest guy in the stands when cheering on his teammates. As a leader, he’s responsible for holding everyone accountable. “If someone messes up, I’ll let them know.”

Although tennis is an individual sport, Alec cherishes its team aspect. “It feels good to play for a school that I’ve grown to love, knowing that my teammates have my back is a great feeling.” For the younger guys, “I want them to know that failure is going to happen. It’s all about what you make of it. Going through failure only makes winning that much better.”

This year, Alec already has his sights set on a state championship for both doubles and singles. “I’m trying to work

hard on being a good doubles partner.” This is his last year, and he expects to make the best of it. Expect big things from Alec Thomas not only in the pool but also on the court.

Student Profile: Keegan Welka

Keegan Welka is currently a junior at Cathedral Prep. One of Keegan’s favorite things to do is to go snowboarding. Before he started snowboarding he used to ski. Keegan made the transition from skiing to snowboarding back in his 8th grade year. His friends were the biggest impact on him going from skiing to snowboarding.

Keegan is a part of the ski club at Prep and goes snowboarding at the Peek’n Peak resort almost every Friday during the winter. Other than the Peak he said that he’s been snowboarding at Seven Springs, Holiday Valley, and went on the Vermont skiing trip for Prep. When asked about his favorite part about snowboarding he said, “Being able to go out and snowboard with his friend is definitely the best part.” Although Keegan has not been in any snowboarding competitions he said, “One day I would definitely like to get to that point to be in a competition.”

When Keegan first started snowboarding he did take some lessons throughout his first year to get the basics down. Keegan is still working hard to improve on his snowboarding skills. He said, “Right now I’m trying to focus on my tricks, and to be fearless about it because the worst thing you can do when approaching tricks is to be timid.” He stated, “I probably go snowboarding around 20 times per year.” Keegan is also very into watching the X-Games and looks up to the snowboarders that participate in it.

Making the choice to snowboard instead of ski is a choice Keegan has no regrets about. "I couldn't be happier with my decision," Keegan stated when asked if he made the right choice to start focusing on snowboarding over skiing. Keegan is looking forward to another great snowboarding season this upcoming winter and hopes to develop even more skills and tricks.

Why does college have to break the bank?

Perhaps one of the scariest and most important decisions anyone has to make in their lifetime is what to do with themselves after high school. For many young adults, especially here at Prep, attending college is the assumed answer, but this begs a much more complex question: which



one? The U.S. Department of Education formally lists over 3,000 four-year institutions high school seniors have to choose from, making their decision, at a minimum, overwhelming. On top of this, the cost of attending these schools seems hardly affordable, as many schools have over \$40,000 annual price tags, while the average American household brings in just under \$60,000 per year. According to the National Center for Education Statistics, the cost of a four-year diploma has risen by 376 percent since 1984. But why has receiving just an undergraduate degree become so expensive over the last 32 years?

While there are certainly a number of factors that have led such high costs for a diploma, one of the biggest has been the focus on campus amenities. A paper from the National Bureau of Economic Research (NBER) suggests that schools are devoting larger and larger amounts of money into non-academic projects, such as recreation centers, sports teams, and other luxuries. Did your first choice school just put in a \$100 million basketball court? You are most likely directly paying for it. This trend is especially present in schools less focused on their academic reputation and more on showing off the beauty or aesthetic attraction of their campus. Schools are tending to brag more about the size of their football stadium than their graduate job placement percent, and the home pages of college websites show Olympic-sized swimming pools while photos of classrooms are several clicks away. This sudden focus on non-academic spending is likely a consequence of a shift in how students view attending college. Instead of strictly being a means to obtaining a better career, attending a university is seen as a four-year, overnight country club or five-star resort and spa. More research by NBER only confirms this loss of focus on academic performance, as dropout rates are only going up. Students are increasingly choosing schools based on football rankings and recreational basketball rather than job opportunities, and as a result, colleges will only charge more and more to improve their teams and gymnasiums.



Another major contributor to the dramatic rise in tuition is government issued student loans. While providing lower interest rates to give more students opportunities to receive a higher education, it has brought with it huge downside. A

separate study conducted by NBER points to the increase in the number of loans issued to students as well as a raising of limits on how much can be borrowed. As the government

continuously gives more and more money away, universities realize students are willing to use all of the money they received towards college, so it is only rational for colleges to keep raising tuition costs. Because of this, the Pew Research Center now estimates student loan debt to be over \$1.3 trillion. This crisis is only becoming worse, but as voter demographics from the United States Elections Project shows, college age voter turnout is significantly lower than any other age group, giving congressional representatives little reason to address the issue. There appears to be no obvious solution to this enormous issue. Although some have called for massive debt forgiveness from the federal government, this would likely have economic ramifications much worse than the current crisis.

As college becomes more and more expensive, many high school students are justifiably discouraged about their future opportunities. While college can be quite costly, a diploma from a university is becoming increasingly necessary to ensure economic stability, and it appears that the benefits of having the right degree still outweigh the extreme costs of tuition. However, students must continue to make important choices about where to attend or if they should even attend college at all, a decision that will have an immense influence on the rest of their lives.

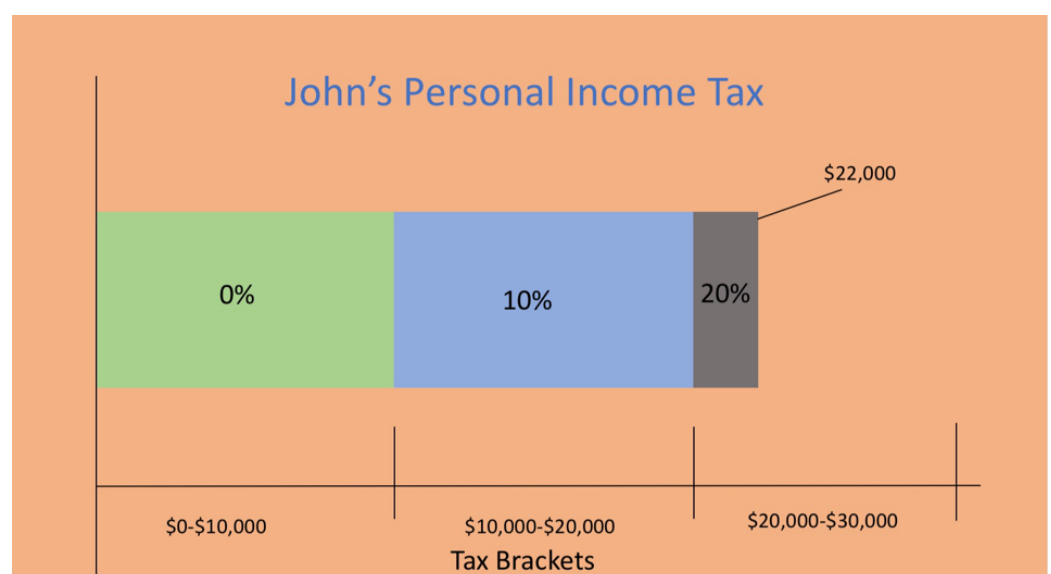
This article was created by the Cathedral Prep Economics Club. Our mission is to create school awareness and spark interest in real world economic principles by breaking down relevant events within the economy. We are always open to committed and interested new members. If this sounds appealing to you, please contact Mr. Pituch for more information.

What's the deal with tax reform?

With both the House and Senate returning from their summer recess just two weeks ago, their top priority already appears to be tax reform. Following a failed attempt at passing legislation that would modify the Affordable Care Act, or Obamacare, the Republican controlled Congress has quite the incentive to deliver on one of their top platform promise, as their credibility is on the line while voters begin to question their competency as the 2018 midterm approaches.

A poll out of the Pew Research Center shows that 72% of Americans are bothered by the complexity of the tax code while 80% do not believe corporations pay their fair share of taxes. Since the beginning of the most recent election cycle, President Trump, as well as the Republican Party as a whole, has been promising a simplification of the tax code that would include both cuts for the middle class as well as a lowering of the corporate income tax while simultaneously eliminating loopholes. But what would such a bill look like?

The U.S. tax code currently sits at over 74,000 pages, and it is no wonder firms such as H&R Block thrive by



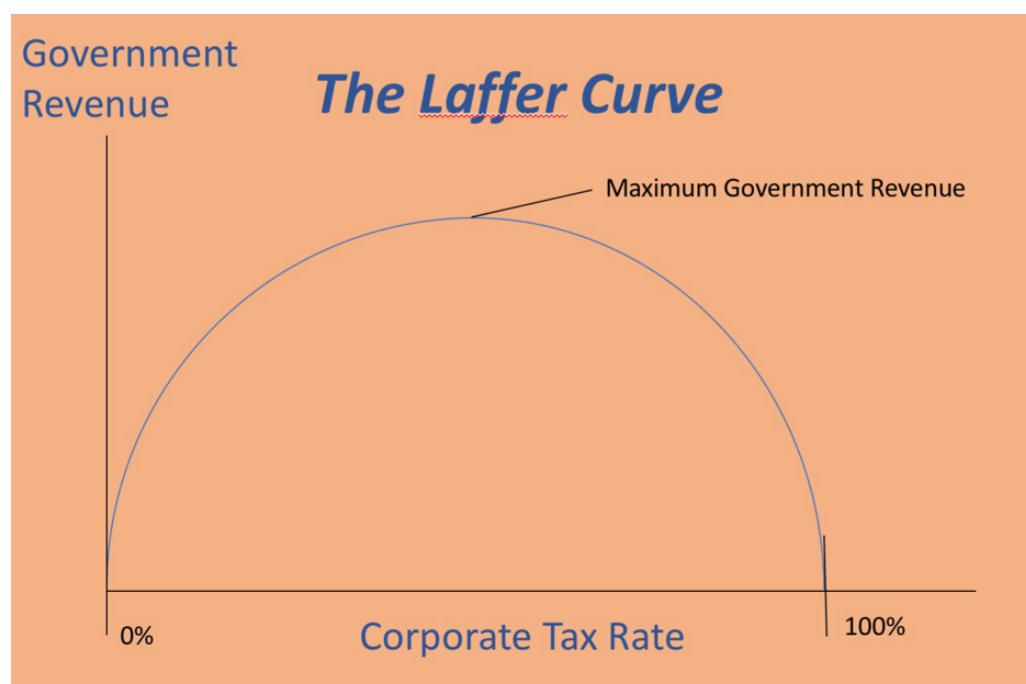
navigating it. Individual tax rates are presently split up into seven distinct tax brackets, but under Trump's vague proposal, this number would shrink to three, including

brackets at 10%, 25%, and 35%. However, these brackets can be deceiving. To understand how brackets work, let's imagine a man named John who makes \$22,000 a year, who lives in a country with three tax brackets: 0% for the first \$10,000, 10% for those making up to \$20,000, and 20% for those making over \$20,000. While John is making more than \$20,000, he does not pay a fifth of his income to the government. Instead, the first \$10,000 is taxed at the lowest bracket's rate of 0%, the next \$10,000 at 10%, and only \$2,000 of John's income is taxed at 20%. This puts his effective tax rate well under 20%, despite being in the top income tax bracket. While these brackets are a bit exaggerated in comparison to the actual tax brackets, John's theoretical income tax is important in understanding the concept of a graduated or progressive income tax.

However, income taxes are much more complex than this as the government allows what are referred to as deductions. Deductions essentially give portions of your income immunity from tax for various reasons, such as having student loans or mortgage payments. The conservative-backed simplification would most likely eliminate many of these deductions making the process much simpler. One of the major criticisms of the simplification of the tax code is that it would most likely give cuts to upper income earners. Kent Smetters, who served as an economic advisor under the George W. Bush administration points out that the top 10% of people in the United States pay about 60% of the income tax, so any form of tax cut will most likely be felt by top income earners. The exact details of the proposed personal income tax regulations have yet to be released and it is likely even after they are, there will be negotiations even before an attempt to pass it takes place.

The other main aspect of the GOP tax reform is a refurbishing of the corporate income tax. Currently, the U.S. corporate income tax stands at 35%, among the highest nominal rates in the developed world. However, due to various evasion

techniques employed by large corporations, the effective corporate tax rate currently stands at around 28%, in line with similar developed nations. The verbal proposal set up by President Trump and echoed by many republicans includes a lowering of the corporate tax rate to 15% while also closing loopholes that allow companies to hide money in attempts to evade taxation. The intent is to lower the corporate tax while bringing the nominal tax rate closer to the real number. Republicans say this tax decrease would spur economic growth, but whether it will and to what extent has yet to be seen.



One of the major criticisms of decreasing the corporate tax rate is that it will only increase the U.S. national debt, which currently stands at over \$20

trillion. In order to understand the relationship between the corporate tax rate and government revenue, it is helpful to look at what is known as the Laffer Curve. When the government implements a 0% tax rate, its revenue is \$0 as there is no tax base. On the other side, when the government collects a 100% tax, there is no incentive for businesses to produce anything, and there is again no government revenue. However, there is a tax rate between these two extremes where the government will collect the largest amount of money. The question is just which side of the peak are we currently on? This remains up for debate, but dramatically decreasing government revenue will push the the United States further and further into debt.

In the coming weeks, Republicans are sure to push forward a tax reformation bill, even if it falls short of passing through Congress. While the primary goal of a GOP tax goal is sure to be economic growth, the Federal Reserve is also watching the economy, and if it fears rapid inflation, interest rates might rise faster than they already are projected to. This ultimately means a tax plan meant to encourage economic growth could have an opposite effect if it is too aggressive. In addition to this, any bill must be both relatively moderate to gain widespread support and revenue neutral; it cannot increase the national deficit in order to avoid the Senate filibuster rule. With their own reputation on the line, the Republican controlled Congress surely has a tall task of writing a realistic bill, and the specifics of such bill remain to be seen.