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Analytical essays

Timothy Besley and Torsten Perssen. (2014). Why do developing countries tax so little? Journal of economic perspectives Pg 99-120.

The essay mainly revolves the aspect of tax in developing countries. The essay defines developing countries as those that have not attained the self-reliance state. Most of them always tax far much less compared to what other developed countries tax their citizens. The essay starts by looking at the manner in which taxation has been behaving over the last years. This is done by looking at eighteen countries as cases studies. The issue of taxation is the central point of focus in most countries because it is what determines the speed with which a country can develop. It is common knowledge that countries use tax to finance different development projects within their respective countries. Many people believe that the more tax a country can raise then the higher the chances of the country being able to develop faster than one that does not have such taxes. Developing countries are known to charge less tax compared to more stable countries. There are various reasons that can explain this behavior that is evident in developing countries (Besley & Perssen, 2014).

One of the reasons why developing countries always charge less tax is the fact that their GDP cannot support huge taxation like other countries. Huge taxation is only possible in countries where the majority of the people are employed and also engage in other activities that bring income to the country. In developing countries, the majority of people depend on employment and do not have any business that can bring more tax to the country. The government is not able to get taxes from every person in the economy because not all of them are employed. One of the features of developing countries is the fact that they always have high unemployment levels. It is not logical to tax people who do not have any source of income. One can only tax an individual based on the money that they bring to the economy. In case they are not in any formal employment and do not have any business then it is not possible to tax them.

Another reason why most developing countries do not tax their citizens high taxes is the economic structure of the countries. Developing countries mainly have small medium enterprises as the main source of tax. Most of the big businesses are mainly owned by foreigners. A country that does not have high GDP does not have the ability to produce a high amount of taxes. The taxes that come from such business is what governments depend on so that they are able to finance different projects within the country. Since most people do not earn according to the international standards in the developing countries, it is not possible to tax them to the same extent that it is done in other countries. Another reason why the economic structure contributes to low taxes collected from such countries is the fact that developing countries mainly depend on developed countries to finance most of the projects they run. Developing countries do not finance most of the major projects they have. They depend on aids from the developed countries so that they are able to carry out such projects.

Most governments in developing countries do not follow up to know the people that do not fulfill their duties as citizens. It is always the duty of every person in any country so that they can also gain from the development projects that are carried out in the country. It is not fair for any citizen to use resources that come as a result of taxes from other people. The major thing that one can learn from the essay is the fact that developing countries have been limiting the extent to which they can develop by not taxing enough (Besley & Perssen, 2014).

Questions

1. Is there a way that developing countries can use to increase GDP and tax without affecting the lives of citizens in a negative way?

2. How do develop countries ensure that they are able to raise enough tax for projects and salaries of civil servants?

Cristina Bodea & Masaaki Higashijima. (2007). Can the central bank restrain deficit spending? British journal of political science.

The essay is mainly concerned with the function of the central bank in different countries. In the past, most of the countries always left all the monetary policymaking to the national government. In most cases, people in government are financial experts who know what implications they make when they make certain rules in the country. Over time, different countries have started coming up with a system where all the laws that involve money within the country and made and implemented by the central bank of the country. The central bank contains financial experts who can advise the government on the best way to use the finances of the country. It is quite true that the central bank has the ability to restrain deficits. There are many ways that the central bank can use to be able to achieve this (Bodea & Higashijima, 2007).

The first function of the central bank is to control the circulation of money in the economy. The bank can also influence the interest rates charged by different banks in the economy. There are many cases when people have complained that they were not able to access money because the central bank is limiting the amount of money in circulation. If a country leaves this function to the government then it might not be well taken of. The best thing is to come up with a constitution that can always be taking care of such functions. It is only the central bank that can be trusted to perform such functions. The bank can ensure that banks do not run on deficits so that they increase interest rates to be able to cover the deficit. The best thing to do in such case is to have a central bank that can control the activities of other banks in the industry. It is the only way that countries can avoid the deficits that occur from time to time.

It is the central bank that is tasked with the duty of fighting inflation in the country. When the prices of goods go so high, many people start operating on deficits and in the long run, the whole country is in debts. The central bank can always control the rates of inflation in the country which can help in avoiding the many cases of deficits in the country. Without inflation, in the economy, there are many projects that can run without affecting the stability of the country (Bodea & Higashijima, 2007). There are times when countries spend a lot of money on projects that require a lot of money. In this case, they might end up using money meant for other projects. This is what makes most countries to end up borrowing money and this just leaves them in debts.

The central bank can also act as a financial advisor to the government. Since the only tasked they have in the government is to control the manner in which people make use of the money they have. The government sometimes does not have the right priorities when setting up government projects.

Majorly, the essay concentrates on the manner in which central banks can be of help in trying to do away with deficits in the economy. This has been done using different case studies.

Questions

1. How fast can the central bank correct the issue of deficits in an economy?

2. Can a country survive without having loans from other countries?

3.

JorgeThompson Araujo, Markus Brueckner, Mateo Clavijo, Ekaterina Vostroknutova and Konstantin M. Wacker. (2014). The growth challenge of Latin American and the Carribean. Document of the World Bank.

Different regions across the world have improved based on different scales. This essay has taken a look at the Latin American and the Caribbean regions as a result of the remarkable growth they have had since 2000. Though there are many regions that have developed since this time. The growth experienced in this region is one that requires a lot of research for one to understand. There are things that have taken place as a result of the surrounding as well as the people in the region. Some people have been suggesting that overreliance on aids and other free resources from other regions contribute to slow growth. There are many reasons that can explain the case of this region. The things that have led to fast growth can be best understood by looking at the factors that influenced the growth. The essay uses this region as a case study to find out the factors that can change the economy of a country. The factors can then be applied to other developing countries so that they can also improve in the economy (Araujo et al, 2014).

The first factor that contributed towards the growth of the region is the policies that were used with the country. Lower commodity prices enabled people to be able to afford enough commodities for themselves and also be able to save some money. Since most people were now able to save, they ended up investing in small businesses that grew as a result of the ready market. Most of the developing economies take long to realize their dreams because they depend on imports. By lowering commodity prices, governments shifted the focus of people from imported products. This made it easier for people to engage in business because the local business environments already favored their operation. This increased the GDP of the country which in turn increased amount of tax collected by the government.

Another reason that is discussed in the essay and can easily result in economic development is the exploitation of natural resources. Most of the developing countries have not yet depleted the economic resources they have. In fact, the majority of the countries that fall into this category do not have the means of converting the natural resources they have into finished products. The Latin American and Caribbean region started using their resources to create income. This way, they were also able to attract foreign investors as well as buyers from outside the country (Araujo et al, 2014).

Benchmarking also helped a great deal to achieve the status that the region currently enjoys. Most of the countries that were developing countries in 2000 are still developing countries to date. Since the region is close to Central America which is developed, they had to borrow some tactics used in production and business. This is a practice that helped them in increasing their GDP until they were able to sustain development projects in their respective countries. Most countries wish to develop but they do now always have the means to sustain the growth. The growth of an economy implies that more people are employed and can also employ others. Countries can easily achieve this by copying what the developed countries are doing.

Questions

1. Are there other ways that developing countries can use to improve their respective economies?

2. Can developing countries taker a shorter period of time to reach the level of Latin America and the Caribbean?

Works cited

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