



Part III: In Terms of Policy Making, Solutions & Evaluations

There are many costs to an economy if it has a sustained difference in inequality, and we can usually find some of these traits in countries with high Gini Index: It causes social problems. As inequality rises, it is logical to assume that there would be more use of abuse, violence, and drugs, threatening the safety of neighborhoods and countries. Inequality can reduce economic growth. In the early stages of development, inequality is beneficial for economic growth since physical capital returns are higher than human capital. In the later stages of development, inequality reduces economic growth due to credit constraints as the importance of human capital increases. Inequality causes conspicuous consumption, which is the purchase of goods or services for the specific purpose of displaying one's wealth. Apart from these, there are certainly other moral reasons why equity is of interest to policymakers despite the utilitarian view that it has costs. For example, a society may view equality as an objective in and of itself because of equity's intrinsic moral importance and its intimate link with society's perception of fairness and social justice.

Moreover, policies that promote equity can have a salutary effect on social cohesion and reduce political conflicts. Here are some potential solutions to Inequality brought up by economists:

Progressive Income Tax System. For example, while pre-tax income

inequality in France is roughly the same as it is in the US, Post-tax inequality in France is roughly 20% lower.

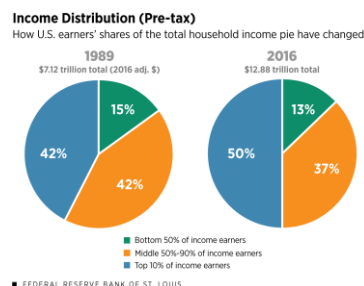
Inheritance taxes can reduce the amount of wealth that a single family can amass over generations. E.g., Germany and many other European countries have inheritance or estate taxes. Transfers. And there is empirical evidence that supports the view that the expenditure side of the budget offers better opportunities than the tax side for redistributing incomes.

Health and Education spending. Through expenditures on health and education, governments influence the formation and distribution of human capital. Thus public investment in equitable human capital formation can be an efficient route to reducing income inequality over the long term. Greater investment in human capital encourage economic growth, which has been shown to alleviate poverty over the long term.

However, there are also many counterarguments, and some

Keynes believed that efforts to fight income inequality hinder economic growth. High levels of spending on inequality-reducing programs may not be compatible with a sustainable macroeconomic framework. He views inequality helps to accumulate capital which therefore helps economic growth. "In fact, it was precisely the inequality of the distribution of wealth which made possible those vast accumulations of fixed wealth and of capital improvements which distinguished that age from all others."—*The Economic Consequences of the Peace*.

Equity-oriented policies will constrain efficiency and therefore economic growth.



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possible drawbacks if the government intervenes in wealth distribution, here are some evaluations of equity-oriented policies:

Economics of the Vaping Industry

We have seen marked rises in the number of people vaping, or using e-cigarettes recently, but what are the economics behind this societal trend?

Firstly, the vape sector has generated enormous amounts of revenue; the global market is expected to be worth about \$22.6 billion in 2020 and is expected to expand at a rate of 30.6% from 2023 to 2030. Sales of vaping equipment, e-liquids, and other related goods are included in this revenue. Additionally, as the vape industry has expanded, more employment have been created in the production, distribution, marketing, and retail sectors.

Moreover, by levying taxes on the sale of vaping goods, governments all over the world have benefited from the vape sector. Vaping items, for instance, are charged state and municipal sales taxes in the US, as well as excise taxes in some states. In 2021, it is estimated that the vaping industry directly contributed to £1,325m in turnover, £401m added from gross value and created 8,215 FTE jobs. Furthermore, by offering an alternative to smoking, the vape sector has impacted the traditional tobacco industry.

Cigarette sales have decreased as a result, which may have long-term negative effects on the tobacco industry and allied industries. The long-term health effects of vaping, however, are not entirely understood, and there is worry about the possibility of higher healthcare expenses linked to illnesses tied to vaping. This could have economic effects on health care systems and insurance companies, such as the NHS. According to certain studies, teens who vape are more likely to smoke cigarettes than those who don't vape. It also demonstrates how vaping can impact brain growth and how it contributes to addiction.

The workforce may not live as long or may be less productive due to poor health brought on by vaping, which will have long-term negative repercussions on an economy and prevent growth, which in my opinion constitutes sufficient reason to extensively research the potential health implications