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CONSEJO EDITORIAL

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INSIGHTS ON THE ECONOMY

RESUMEN DE LA CONFERENCIA DE ARTHUR B. LAFFER

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Crítica a la charla

Explosiva y entretenida conferencia de un convencido republicano liberal que, aceptando el rol del Estado, prefiere el impulso natural de la iniciativa privada y ve a los impuestos como mecanismos eficaces de gestión de la nación siempre y cuando se diseñen bien, algo que, en su opinión, no ocurre en la actualidad. Laffer es muy vehemente en sus opiniones y las defiende en un escenario global. Posiblemente los españoles le debamos más de lo que pensamos a este economista americano porque fue su curva de Laffer la que inspiró a Rodrigo Rato la política de bajada de impuestos que permitió el impulso económico de la nación entre los años 1996-2004. Pueden encontrar más información sobre la curva de Laffer en un post de Rafael Pampillón:

http://economy.blogs.ie.edu/archives/2007/06/curva_de_laffer.php

Resumen de la charla

"Politics is where economics is applied"

"United States has the most polarized political environment I have seen in generations"

"There is no stimulus to stimulus spending"

"Good economics is scalable"

"All taxes are bad"

- I am going to talk to you about politics. In fact, my field is called "political economics".
- Obama was recently re-elected, the republicans did not control the Senate but kept control of the House. It is the same picture as 4 years ago: Democratic president and Senate, Republican House. If you look at the US today, there has been no decision made regarding what economic policy to follow.
 - In the US there are hardly any unions. Reagan dismissed the air traffic controllers and since then unions in the private sector have declined to zero. In the public sector the Unions are very strong. However in recent years there has been a huge movement against the Unions.
 - Michigan (and Wisconsin) is the heart of the Unions in the States (through United Auto-workers). In 2012 Obama won in that State but the constitutional amendment that would have obliged all workers to join a Union failed.
- Six states in the US are moving in the Obama direction (Vermont, Connecticut, Maryland, Illinois, Minnesota, and California): higher taxes, more government, more involvement. Thirty states are moving in the opposite direction.
- It is the most polarized political environment I have seen in generations. For instance, take Obamacare (nationalized health), no Republican would vote for it, and no Democrat would vote against it.

- To my way of thinking, it is truly wonderful. If all parties agree, voters have no choice.
- Political differences have become material.
- Paulson's bill was 400 words long granting the Secretary of the Treasury 700 billion dollars of discretionary authority to save America. When people make decisions, either panicked or drunk, the consequences are rarely attractive.
- Later on we have had further stimulus in the form of deficit. If we sum up the stimuli, we count around 4.5 trillion US dollars. To give you a sense of how much it is, US GDP 15 trillion dollars.
- Let me give you the view in favor of the fiscal stimulus. Larry Summers said that if you give a person 600 dollars, he would spend more than he would have spent if he had not received it. Spending will cascade. It will supplement aggregate demand. This is the keynesian logic that dominates US thinking today. Romer and Bernstein worked on a paper with that same logic in 2009: they translated the stimulus in a descent in unemployment.
- Summers is right in his logic. But it is not the whole truth. It is the first chapter of a three chapter book.
- The second chapter is the following. The government does no create resources, it distributes resources. For every dollar given to the American, there is a dollar taken away by the Administration again. The tax receiver is stimulated, but the tax payer is distimulated. The two elements offset each other.
 - If the price of apples rises, apple growers will be wealthier, will have higher incomes and spend more. But it is equally true that apple consumers will be poorer and will spend less. The income effects offset each other. There is no stimulus to stimulus spending.
- Good economics is scalable. It works for a 100 people and for 100 million too. In a two person world, you can actually understand the economics. The stimulus in a two-person world clearly makes no sense.
- Government spending is taxation, pure and simple.
- The third chapter is terrifying. The substitution effects accumulate: the person who produces the resources that are now being taxed is disincentivized to work more so he works less because he receives less per unit of work. The recipient, on the other hand, receives without work... so he is incentivized to work less.
- The second and third chapters are the other view to the story. So I have portrayed the two views today regarding stimulus.

- The UK did something similar recently by increasing the taxes to the richest. They lost 4, 5 million in revenues, the number of tributing millionaires dropped from 16,000 to 6,000. And now they are angry with the rich people for not paying taxes.
- Whenever we raise taxes in the US, revenues from the top 1% of the income owners go down. Whenever we drop taxes, they go up (as a share of GDP). It should not surprise you.
- Rich people can hire tax income specialists, and congressmen, and senators...
- There is a very high income tax in California and a very low income tax in Tennessee... Rich people change their location.
- Warren Buffett today is worth 50 billion dollars. He is the second wealthiest American today. If I showed you his balance sheet, in the asset side we would find "Berkshire Hathaway", his company. All his wealth is in the form of unrealized capital gains. The tax rate is zero in unrealized capital gains. In 2010 Buffett wrote a letter to the New York Times saying he had a lower tax rate than her secretary. His taxable income was 14 millions dollars... but according to Forbes his wealth increased by 10 billion dollars in 2010... Rich people can get around taxes. That is why raising taxes on them does not work. The government will be frustrated if it does that.
- Obamacare. All insurance plans work the same: you pay upfront and then you receive the product below cost. Obamacare works this way: they pay and you get the product below cost. Why should we subsidize one product over others?
- There is a simple way to take care of an economy:
 - Low rate flat tax. Period. We should get rid of all federal taxes except the sin taxes (their purpose is to change behavior not obtain revenue – for instance, smoking). In their stead, a flat rate tax on value added and on gross unadjusted income. I propose them to be at 12%. You would not even have to file a tax return.
 - Government spending restraint. The government has a very important function to do: roads, education, justice, defense... Government spending stops at exactly the point where the marginal cost of one additional dollar of taxes is a little bit less of the last dollar of additional spending.
 - Sound money. A stable value of the dollar, and sound monetary policy.
 - Free trade. It is a win-win situation. It is David Ricardo (who used Spain's and England's cloth and wine example).
 - Regulatory reform.

Vídeo de la charla

<http://www.youtube.com/watch?v=IPhGhw69dNs>

Sobre el ponente

Arthur Betz Laffer es un conocido economista americano, famoso por haber creado “la curva de Laffer”, según la cual hay un punto de presión fiscal a partir del cual los ingresos derivados de los impuestos empiezan a disminuir. Conocido republicano, fue miembro del consejo de política económica de Estados Unidos bajo el mandato de Reagan y es autor de varios libros. Habla inglés, francés y alemán.

Notas como conferenciante

- Habla de pie, desde el atril.
- Muy cómodo en el escenario, para un economista es un gran contador de historias.
- Muy dinámico como conferenciante, y entretenido.

Transparency Vow

El autor de este resumen no conoce al ponente. El autor de este resumen conoce al organizador del acto (la Fundación) y ha sido becado de la Fundación Rafael del Pino.

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DESTINADO A – Know Square

SOBRE – Resumen-crítica de la conferencia “Insights on the Economy”

PONENTES – Arthur B. Laffer

ORGANIZADOR – Fundación Rafael del Pino

DÓNDE – Auditorio de la Fundación Rafael del Pino

ASISTENTES – 300 personas

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