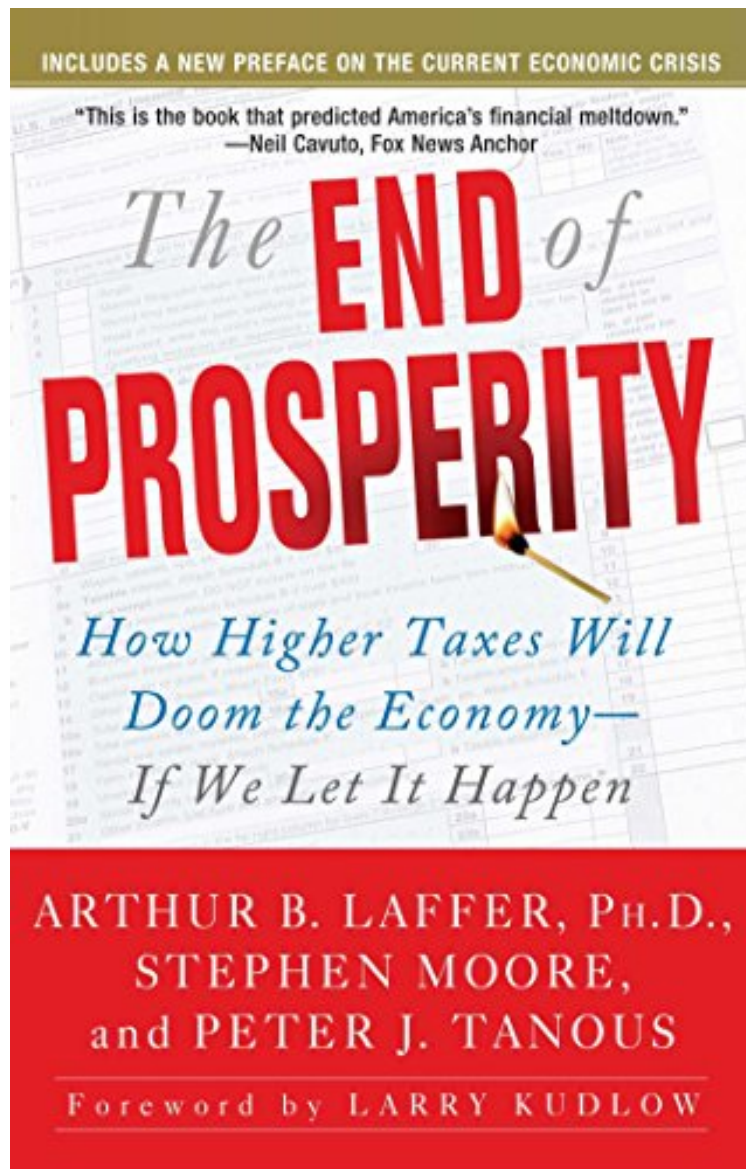


## The End of Prosperity: How Higher Taxes Will Doom the Economy--If We Let It Happen

Arthur B. Laffer, Stephen Moore, Peter Tanous  
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Arthur B. Laffer, Stephen Moore, Peter Tanous : **The End of Prosperity: How Higher Taxes Will Doom the Economy--If We Let It Happen** before purchasing it in order to gage whether or not it would be worth my time, and all praised The End of Prosperity: How Higher Taxes Will Doom the Economy--If We Let It Happen:

0 of 3 people found the following review helpful. Consolidates the language of prosperityBy Rocky ReynebeauThis is a no nonsense book. It just lays it out very clearly the risk associated with the age of redistribution. Laffer, Moore and

Tanous do a tremendous job of laying out how fundamental economics work. Tax what you want less of - thus, tax the rich and we will get less of what they do best - create jobs and wealth. We seem to hate the rich in this country and yet I know of no job that was ever created by a poor person.. The End of Prosperity defines the issues of the day and lays out the reasoning behind the Laffer Curve very clearly. This is an easy read and way better to read than Adam Smith's Wealth of Nations - but it comes to the same basic conclusions. History repeats itself over and over again. The challenge is to query whether jobs are created by well meaning bureaucrats and a government with a goal of fairness or by risk taking entrepreneurs. It is plain, according to Laffer and Moore, that a less intrusive government creates an environment of job creation and an oppressive government shuts it all down. I can't say that this book advances ones knowledge on the subject but it does consolidate the language of prosperity. I enjoyed it very much - it is helpful to refresh our memories once in a while as to what made this county the most prosperous in the world. In the final analysis - this is a very nice book. 2 of 5 people found the following review helpful. Very good but disappointing ending. By M. Levine. The authors make an excellent case for supply side economics. They use facts in the form of easy to understand charts and tables, not subjective arguments. I also became a believer in a flat tax. I was a little disappointed in the final chapter where they were supposedly going to give you investment advice on how to deal with a 70's type economy. All they did was give you investing 101, and didn't get into alternatives such as inverse etf's, options, and other alternative investments. I realize that giving specific investment recommendations can be a slippery slope, but I expected more. The book is worth reading, especially if you feel as I do that it's 1977 all over again, which is not a good thing. 4 of 8 people found the following review helpful. They did NOT say "end of the world"; only "end of prosperity". By G. Stelzenmuller. Fortunately for us readers, the authors did not use such a doomsday title. From the viewpoint of a US citizen, though, end-of-prosperity is ugly enough. These three authors, quite famous academic-grade finance/economic people, did do a superb job of spelling out their points in very clear language. For readers who have had to slog and struggle through "regular" works on economic systems, you will understand how important this is in choosing another book on the topic! The style of "Prosperity" is not only clear and simple, the topics of each chapter can almost stand on their own, and may very well have done so over past years for various essays and papers. Lest anyone reading this review shudder at the thought of "essay" and "papers," be assured that all the text is written with good humor, and the thoughts flow freely one to the next. At the end, the reader will most assuredly understand clearly the arguments of supply-side economics, and see the backup information justifying their conclusions. Above all, they wish to convince the reader that there are well-defined policies which lead to national economic growth, and those which have proven never to work. Obviously the goal is avoid the ones which have never worked. Personal favorite chapters: Ch 4, "Honey, We Shrunk the Economy - the 1970s," Ch 6, "What Bill Clinton Could Teach Barack Obama," Ch 8, on how the good Gov Schwarzenegger ran California down, and Ch 13, which explains the flat tax option. As other reviewers have stated, that last chapter could be skipped: what to invest in for "troubled times" ahead. One senses that they are really out of their depth here. None of their business anyway! Good book - buy, or borrow from your library.

Arthur Laffer -- the father of supply-side economics and a member of President Reagan's Economic Policy Advisory Board -- joins economist Stephen Moore of The Wall Street Journal editorial board and investment advisor Peter J. Tanous to send Americans an urgent message: We risk losing the exceptional standard of living that has made us the envy of the rest of the world if the pro-growth policies of the last twenty-five years are reversed by a new president. Since the early 1980s, the United States has experienced a wave of prosperity almost unprecedented in history in terms of wealth creation, new jobs, and improved living standards for all. Under the leadership of Presidents Ronald Reagan and Bill Clinton, Americans changed the incentive structure on taxes, inflation, and regulation, and as a result the economy roared back to life after the anti-growth, high-inflation 1970s. Now the rest of the world is following the American economic growth model of lower tax rates, more economic freedom, and sound money. Paradoxically, one country is moving away from these growth policies and putting its prosperity at risk -- America. On the eve of a critical presidential election, Laffer, Moore, and Tanous provide the factual information every American needs in order to understand exactly how we achieved the prosperity many people have come to take for granted, and explain how the policies of Democrats Barack Obama, Hillary Clinton, and Nancy Pelosi can cause America to lose its status as the world's growth and job creation machine. The End of Prosperity is essential reading for all Americans who value our nation's free enterprise system and high standard of living, and want to know how to protect their own investments in the coming storm.

"Frankly, I think supply-side economics is snake oil. But you should know how three of its smartest proponents try to defend it in this influential and important book." -- Robert Reich. About the Author. Arthur B. Laffer, Ph.D. is the founder and chairman of Laffer Associates, an economic research and consulting firm. A member of President Reagan's Economic Policy Advisory Board for both of his two terms, he invented the Laffer Curve and triggered a world-wide tax-cutting movement in the 1980s. Dr. Laffer received a B.A. in economics from Yale University and received a MBA and Ph.D. in economics from Stanford University. Stephen Moore, an economist and policy

analyst who founded and served as president of the Club for Growth from 1999 to 2004, is a member of the Editorial Board of The Wall Street Journal and a Senior Economics Writer at The Journal. Peter J. Tanous, President and a director of Lynx Investment Advisory, is the author of numerous books about finance and investing, including Investment Gurus. Excerpt. copy; Reprinted by permission. All rights reserved. 1 The Gathering Economic Storm On the hope of our free nation rests the hope of all free nations. -- John F. Kennedy America: What Went Right It was difficult for the three of us to write a book titled The End of Prosperity. We're not doom and gloom people; we're natural optimists. And we're not part of the trendy set of intellectuals who like to trash our nation, blame America first for all the world's problems, or worst of all, predict with glee America's downfall as some kind of punishment for our alleged past environmental crimes, racism, financial mismanagement, greed, overconsumption, imperialism, or whatever the latest chic attack on the United States is. By contrast, we do believe in the idea of American exceptionalism and that this nation is, in the words of our hero Ronald Reagan, "a shining city on a hill." The Gipper said it eloquently in his 1980 speech at the Republican National Convention in Detroit when he proclaimed that it was "divine providence that placed this land -- this island of freedom here as a refuge for all those people in the world who yearn to breathe freely." 1 Yes, we certainly agree. We're also well aware that American skeptics who have written over the last two or three decades about the end of the United States' economic might have gotten the story 180 degrees wrong. There've been dozens of wrongheaded books, many which became best sellers, from America: What Went Wrong? (Bartlett and Steele), to Bankruptcy 1995: The Coming Collapse of America and How to Stop It (Figgie and Swanson), to The Great Depression of 1990 (Ravi Batra), to The Rise and Fall of the Great Powers (Paul Kennedy), to The Day of Reckoning: The Consequences of American Economic Policy Under Reagan (Benjamin Friedman), all forecasting America's impending economic collapse. So much gloom. These pessimists were about as right as the record producers who turned down a contract with the Beatles in 1962 because in their famous assessment, "guitar groups are on the way out," 2 or the venture capitalists who rolled with laughter over the idea of a computer in every home, and then told Bill Gates to go take a hike. Many of today's leading liberals who are advising Barack Obama and the Democrats in Congress are the same people who predicted in the late 1980s that Japan, with its sophisticated government-managed industrial policy economy, would take over the world in the 1990s and the early twenty-first century. Yes, those predictions were made at the early stages of one of the greatest and longest financial collapses in world history. Lester Thurow wrote after the Berlin Wall came down: "The Cold War is over. Japan won." 3 The Nikkei Index stood at 38,000 in 1989 and fell to below 8,000 in 2003, an 80 percent decline. 4 So in the 1990s while the U.S. stock market more than doubled, the Japanese stocks fell by about half. Where the declinists on the left foresaw America's demise in the eighties and nineties and predicted a future that looked like the grim portrait of cities in movies like Blade Runner and Batman, we forecast growth and a cornucopia of financial opportunity and a coming burst of prosperity. We believed that Ronald Reagan had the right prescription for the malaise of the 1970s. Reagan focused like a guided missile on the big problems that had come to cripple the U.S. economy: rampant inflation, high tax rates, a crushing regulatory burden, and runaway government spending. Call the Reagan economic agenda Reaganomics, supply-side economics, or free market economics -- critics can even keep on calling it Voodoo or "trickle down" economics -- but what is undeniable is that the economy surged in the 1980s and 1990s as if injected with performance-enhancing steroids. Movin' On Up Anyone who followed the declinists' advice about selling America short lost a lot of money. After the Reagan tax cuts and the conquering of inflation in the early 1980s America's net worth -- or what we call America, Inc. -- climbed in real terms from \$25 trillion in 1980 to \$57 trillion in 2007. 5 More wealth was created in the United States over the past twenty-five years than in the previous two hundred years. The economy in real terms is almost twice as large today as it was in the late 1970s. Or consider these income gains: -Between 2001 and 2007 alone the number of Americans with a net worth of more than \$1 million quadrupled from 2.1 million to 8.9 million, according to TNS Financial Services. - In 1967 only one in 25 families earned an income of \$100,000 or more in real income (in 2004 dollars), whereas now, almost one in four families do. The percentage of families with an income of more than \$75,000 a year has more than tripled from 9 percent to almost 33 percent from 1967 to 2005. - The percentage of families in all of the income groups between \$5,000 and \$50,000 has dropped by nineteen percentage points since 1967. These figures confirm what we believe to be the most stunning economic accomplishment in America over the past quarter century: the trend of upward economic mobility in America. A poor family in 1979 was more likely to be rich by the early 1990s than to still be poor. 7 This is the sign, not of a caste economic system, but of a meritocracy where people get ahead through hard work, saving, and smart investing. And moving up the ladder is the rule, not the exception, in America today. There's a wonderful new video on Reason.tv called "Living Large" that can be viewed on YouTube. In it, comedian Drew Carey goes to a lake in California where people are relaxing on \$80,000 twenty-seven-foot boats and goofing around on \$25,000 jet skis that they have hitched to their \$40,000 SUVs. Mr. Carey asks these boat owners what they do for a living. As it turns out, they aren't hedge fund managers. One is a gardener, another a truck driver, another an auto mechanic, and another a cop. Today most of the poor own things that once were considered luxuries, such as washing machines, clothes dryers, refrigerators, microwaves, color TV sets, air conditioning, stereos, cell phones, and at least one car. Table 1-1 shows that, amazingly, a larger percentage of poor families own these consumer items today than the middle class did in

1970. One of the big dividends of this technology age is how rapidly new inventions become affordable to the middle class. It took more than fifty years for electricity and radio to reach the average household, but newer inventions, such as cell phones, laptop computers, and color TVs, became affordable within a matter of a few years (see Figure 1-1). We are democratizing wealth in America, and new things that were once the exclusive purchases of the rich are now regarded by Americans of all income groups as not just necessities, but entitlements. Young people today can't even fathom a society without cell phones, iPods, laptops, DVD players, and the like. They think that to live without these things is to be living in a prehistoric age. But watch a movie from twenty years ago and you will laugh out loud seeing big clunky black machines that weighed as much as a brick, gave crackly service, and cost \$4,200. Now cell phones are about forty-two dollars -- even disposable. And the cost of making calls has dropped dramatically, too. Here's an even more amazing statistic: Americans in 2007 spent more than \$1 billion just to change the answer tune on their cell phones.<sup>9</sup> And yet Americans are still far and away the most generous citizens of the planet, giving more than \$306 billion in 2007 to charity to help others, while 60 million Americans volunteer time for nonprofits, hospitals, churches, and other causes. In the late 1990s Barbara Ehrenreich asked in the *New York Times*, "Is the Middle Class Doomed?" She then noted that "some economists have predicted that the middle class will disappear altogether, leaving the country torn, like many third world countries, between an affluent minority and throngs of the desperately poor."<sup>11</sup> Here's the truth. The purchasing power of the median-income family, that is, families at the midpoint of the income continuum, rose to \$54,061 in 2004, an \$8,228 real increase since 1980.<sup>12</sup> The middle class is not disappearing, Barbara, it is getting richer, as shown in Figure 1-2. There's no question that the poor and even the middle class face real financial challenges -- paying for health care, college tuition, making mortgage payments in a downward spiral of housing values, and filling up the gas tank at the pump. But we always have to ask the question: compared to what? Today the poor generally have access to more modern goods, services, and technologies than the middle class did in the middle of the last century. As Nobel Prize-winning economic historian Robert Fogel wrote in 2004: "In every measure that we have bearing on the standard of living...the gains of the lower classes have been far greater than those experienced by the population as a whole." A recent study by the Congressional Budget Office came to the eye-popping conclusion that from 1994 to 2004 Americans in the bottom 20 percent of income actually had the highest increase in incomes.<sup>14</sup> Yes, you read correctly: The poor got richer faster than the rich did. A subsequent study by the Treasury Department found the same thing.<sup>15</sup> When you track real families -- real people -- over time, you find that people who are poor at the start of the period you examine have the biggest subsequent gains in income. Amazingly, the richer a person is at any given point in time, the smaller the subsequent income gains. Those in the top 1 percent actually lose income over time. You won't read that in the *New York Times*, because the media treat facts like this as if they were closely guarded state secrets. And for the media, good news is practically a contradiction in terms when covering the American economy: If it's good, then it's not news. But no matter how you slice or dice the...