Free to Grow

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Real GDP per Capita
Real GDP per Capita – Growth Slowdown

- Despite recent growth spurt, long term growth slowdown remains
Unemployment rate

▶ “Supply” not “demand.”
Growth options

The graph shows the projected $1000 GDP Per Capita from 2020 to 2070 under different growth options.

- 1% growth rate
- 2% growth rate
- 3% growth rate
- 4% growth rate

The x-axis represents the date, starting from 2020 to 2070, and the y-axis represents the GDP Per Capita in thousands of dollars.
Growth options

Date
2020 2030 2040 2050 2060 2070 2080 2090 2100

$1000 GDP Per Capita

4%
3%
2%
1%

1%
2%
3%
4%

0 100 200 300 400 500 600 700 800 900 1000

0 200 400 600 800 1000 1200

Date
2020 2030 2040 2050 2060 2070 2080 2090 2100
## World Bank Ease of Doing Business Rankings

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Global Rank</th>
<th>Starting a Business</th>
<th>Construction Permits</th>
<th>Getting Electricity</th>
<th>Registering Property</th>
<th>Getting Credit</th>
<th>Protecting Minority Investors</th>
<th>Paying Taxes</th>
<th>Trading across Borders</th>
<th>Enforcing Contracts</th>
<th>Resolving Insolvency</th>
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Policies

- Health.
- Banking.
- Regulation. (Including carbon)
- Taxes.
- Social programs.
- Trade.
- State and local.
  - Occupational licensing.
  - Zoning and building restrictions
Taxes vs. Tax Rates

- Progressive tax w. deductions/exemptions
  100% marginal
- Flat tax, 50% marginal
- Head tax, 0% marginal

Diagram showing:
- Tax axis
- Income axis
- Lines representing different tax systems
Disincentives

Take-home Income

Benefits phase out

Progressive taxes phase in

$0k

$50k

$100k

Income

$50k
Economics & policy; principles:

▶ “Incentive economics.”
▶ Understand source of disfunction:
  ▶ Old lady and the fly patches.
  ▶ Cross subsidies (kill competition).
  ▶ Fixing prices / inhibit competition to transfer income.
  ▶ Socks and mom debates.
▶ Rules not decisions.
▶ If you’re going to do it, let’s do it efficiently (and publicly).
▶ Taxing and spending is better than the alternative.
▶ Massive simplification of our public life.
Politics:

- Ideas do matter.
- Polarization? Winner take all. Rules.
- Grand bargain coalition: “I'm giving up mine, so I'll be sure you give up yours!”
- If not... self-inflicted self destruction, le déluge
More

“The Grumpy Economist” Blog

johncochrane.blogspot.com

Webpage

faculty.chicagobooth.edu/john.cochrane/research/news.htm

(Google John Cochrane)