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Supply-Side Economics: Is It Dead?

SUPPLY-SIDE economics, also referred to as "Reaganomics," is a buzz term in political circles. It is widely used but is not generally understood, at least not by the same definition.

From Robert H. Kriebie, chairman of Locktite Corp. in Connecticut, I received a reprint from the November issue of *The American Spectator*. It contains a 12-page symposium headlined: "Is Supply-Side Economics Dead?"

Responses to that question were obtained from 20 economists, professors, political writers and others who would seem to be in position to understand and explain the controversial subject. Here are a few quotations that may be helpful to us ordinary voters:

Martin Anderson, senior fellow at Hoover Institution: "The essence of supply-side economics is that marginal tax rates have a powerful effect on people's work effort and hence on the amount of taxable revenue that they produce. The size

of that effect depends on what marginal tax rate you start with, how much you reduce it, and how long you wait for the results."

Tom Bethell, *American Spectator's* Washington Correspondent: "Supply-side economics says that if you increase the return on effort and reduce the return on leisure then people will increase their work and reduce their leisure."

Malcolm S. Forbes Jr., president, *Forbes* magazine: "Supply-side economics boils down to one thing: incentive — making it worthwhile for people to produce more, to innovate more, to save more. It is simply a new name for old principles that have worked well in the past."

Rep. Jack Kemp (R-NY): "In one sense, we are all supply-siders now. No one any longer can seriously doubt that when you tax something you get less of it, and that when you subsidize something you get more of it."

Arthur B. Laffer, professor, University of Southern California:

"When socially useful actions are taxed and socially undesirable activities are subsidized beyond what is natural, behavior will be altered so as to diminish the socially useful and expand the socially undesirable."

Robert W. Poole Jr., editor-in-chief, *Reason* magazine: "The basic premise of supply-side economics is that incentives matter. Government has gotten so large and intrusive that it has killed off incentives."

Jude Wanniski, president, *Polyeconomics Inc.*: "Supply-side economics is one of the two fundamental branches of economic theory, the other being demand-side economics. Both have always existed and both will exist forever."

Walter E. Williams, professor, George Mason University: "So all the supply-siders are saying is that government policies have an effect on people's willingness to supply things."

So there, now you understand supply-economics, too!