

Tax Reform

The Economic Secret Weapon

Glenn Hubbard

Facilitating Economic Growth in the United States

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What Is 'Tax Reform'?

- Some definitions: rates, base, goals
- 'Income' versus 'Consumption' tax reform
- Some practical variants

Why Do Economists Talk So Much About Tax Reform?

- Willie Sutton comes to mind
- New thoughts: investment, entrepreneurship, who bears the corporate tax
- Dealing with business taxation (politically most likely) *requires* fundamental tax reform

Is Tax Reform A \$50 Bill On The Floor?

- Not really: Transition issues
- Not really: Interest groups
- Not really: Not everyone hates complexity

More On That \$50 Bill On The Floor?

- Disagreement over ‘distribution’ and ‘distributional analysis’
- Disagreement about ‘behavioral responses’
- Disagreement about ‘politics’: Bowles-Simpson versus Romney

Why Is This Conversation Here To Stay?

- 16th Amendment centennial as a moment of reflection
- Size matters: efficiency and growth
- Necessary dependence of big governments on consumption taxation

Where Does This Leave Us?

- Tax reform is inevitable
- Hybrid model is likely
- Economists have more work to do to help political process

