

Grasping Reality with Both Hands

The weblog
of Brad DeLong. Since 1999.
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Krugman: KrugmanToday: Why the 2017 Tax Cut Did Not Work—Noted

This is very much worth watching—very much subscribing for:

Paul Krugman: KrugmanToday—Why the 2017 Tax Cut Did Not Work

2020-10-08 <<https://www.krugmantoday.com/october-2020>>

Paul here is actually much... kinder on the Republican economists who were claiming that the 2017 tax cut would boost investment spending in America by \$800 billion a year, boost economic growth by 0.4%-points per year, and quite possibly pay for itself.

Paul seems to say that they simply have not kept up with recent research, and do not know recent discoveries about the limits and forms of international capital mobility, and about how it is not business but structures investment that is income elastic.

But these are all things that I knew when I got into this business back in 1980. So I say: NAAAAHHHH!!!!

Why didn't the tax cut work?

Paul Krugman

Why didn't business investment surge?

1. Defects in the design of the tax cut (GILTI)
2. International capital mobility is overrated
3. Business investment not very sensitive to cost of capital
4. Trade war

"As one of the world's best known and most acclaimed economists, Paul speaks on the leading issues of the day affecting the world economy. An insightful, outspoken Op-Ed columnist for the New York Times, he is a passionate and articulate speaker, with a gift for relating global economic events to his audiences, and committed to speaking the truth as he sees it in the most compelling terms. His twice-weekly Op-Ed pieces for the New York Times model the depth of insight and the unflinchingly outspoken style he brings to his speeches.

"In addition to the Nobel Prize, Krugman's work in economics has earned him broad acclaim from the economic press and several prestigious awards, including the John Bates Clark medal from the American Economic Association for his work in international trade and finance. He is recognized worldwide as a leader in the fields of economic geography and the role of increasing returns in shaping international trade.

"Paul Krugman is a Professor of Economics and Distinguished Scholar at the Graduate Center's Luxembourg Income Study Center at City University of New York (CUNY). Previously, he was professor of economics at Princeton University..."

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