

## **COURSE OUTLINE**

**1. Course Number and Name:** Econ400, Supply-Side Economics: Taxation from Warren Harding to Ronald Reagan

**Credits:** Non-credit

### **2. Course Description**

Econ4000, Supply-side Economics, introduces students to the neo-classical view of the economy, as modernized and applied to public policy formulation by economists Robert Mundell, Arthur Laffer, Norman Ture, Richard Rahn and others. Supply-side Economics attempts to familiarize students with the historical context in which supply-side economics became a major force in the United States (and internationally) – in the 1970s and 1980s, the time associated with the “Reagan Revolution” in economic policy.

The course focuses on the history of taxation in the United States beginning with the Harding/Mellon tax cuts and attempts to demonstrate how the neo-classical system is derived from the basic workings of the economy, beginning with the fundamental observation that income is the reward for the production of goods and services by people who supply labor and capital services.

This historical review describes how fiscal and regulatory policies affect the economy by altering incentives to supply labor and capital inputs, and by imposing or reducing obstacles to the production of goods and services. The course examines the bad effects of the Keynesian 'demand' approach as seen in the failed presidencies of Jimmy Carter, Richard Nixon and Gerald Ford and explores appropriate uses of fiscal and monetary policies, and how to combine them to promote non-inflationary growth. It also explores the potential benefits of fundamental tax reform.

### **3. Course Goals**

This course in Supply-side Economics reviews the intellectual roots of supply-side economics, dating back to Adam Smith and Jean Baptiste Say. It discusses the growth of the supply-side movement in tax policies of the Harding Administration that contributed to 'the Roaring Twenties' and the revival of these tax policies during the Kennedy Administration and into the 1970s, when the American economy was beset by simultaneous inflation and high unemployment.

Why this “stagflation” was something that traditional Keynesian “demand-management” economics could neither explain nor cure, is an important reason for the appeal of Supply-side Economics. The course describes how supply-side economics offered a coherent analysis of the problem and the only practical way out of the economic 'malaise' of the American economy..

### **4. Course Learning Outcomes**

This course explores the intellectual origins and the practical applications of a theory that transformed economic policies in many free-market economies during the last

quarter of the 20<sup>th</sup> century. The theory still drives the design of tax structures and business regulation today. Upon completion of the course, the student will be able to:

1. Outline the history of U.S. tax policy from Harding to Reagan
2. Distinguish between aggregate federal deficits and deficits as a percentage of GDP
3. List the Economists who contributed most to Supply-side theory
4. List the elected officials who introduced Supply-side solutions
5. Evaluate the prospects for taxes and incentives with respect to capital gains and personal income taxes
6. Measure the “inflation tax” on important inputs and assets
7. Balance cuts in federal spending with tax cuts
8. Define the basic principles of a good tax system
9. Critique the argument that deficits are harmful to the economy

## **5. Course Concepts**

1. History of Taxation 1920-2002
2. The Phenomenon of Stagflation
3. The supply-side perspective on fiscal and monetary policy
4. Harding/Coolidge, JFK, and Reagan economic policies
- 5.. The "Supply-side" Founders and academic Economics
6. Real vs. unreal economic activity

## **6. Recommended Reading**

Domitrovic, Brian, *Econoclasts: The Rebels Who Sparked the Supply-Side Revolution and Restored American Prosperity*, ISI Books, 2012. ISBN: 13: 978-1610170246. \$!2.66. Kindle: \$12.99

Toomey, Patrick J., *The Road to Prosperity. How to Grow Our Economy and Revive the American Dream*. John Wiley & Sons, 2009. ISBN-13: 9780470394397. \$18.23  
Kindle: \$12.62. Nook: \$12.62.

Selected readings in Supply-side Economics Library available at:

[http://educourses.net/edu\\_libraries.cfm](http://educourses.net/edu_libraries.cfm)

## **7. Additional Resources**

The Library of Economics and Liberty <http://www.econlib.org>

Tax Foundation <http://www.taxfoundation.org>

Hoover Institution <http://www.hoover.org>