

## The US is crying out for Donald Trump's economic tonic

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This man will restart the US economy CREDIT: JIM WATSON/AFP/GETTY

Starting on January 20 2017, the United States will be a very different place to the one it has been for decades. [President Donald Trump](#), who is an unconventional Republican, will control the Senate (52 Republicans to 48 Democrats); the House of Representatives (241 Republicans to 194 Democrats); 34 Republican Governors (out of 50) and the largest Republican control of the state legislatures ever. He could well appoint three new Supreme Court Justices and reform monetary policy from A to Z as well.

In 2009 when President Obama took office, the political world in Washington was the opposite. Times have changed.

The defining issue in the US (and everywhere else) is the economy. America has had the single [worst recovery in the past 70 years](#) and there's little improvement in sight. Government over the past eight years has doubled down on stimulus spending, taxes on the rich, regulations, dirigiste low interest rate monetary policies and failed trade initiatives. Unfortunately, these policies do work – but in the opposite directions to the ones their proponents hoped. Somehow most western governments have conflated helping the poor with hurting the rich. We've found out once again the hard lesson – that if governments tax those who work and pay those who don't work, there will be lots of people not working.

Stimulus spending, meanwhile, is analogous to asking a poor man to spend himself into wealth. It just doesn't happen. And then again, whoever heard of an economy that's been taxed into prosperity? Not I.

Government-mandated low interest rates guarantee that no one will lend either to risky borrowers or to working-class homebuyers, and low interest rates will also destroy the lives of retirees and pensioners. And then there are trading blocs like the European Union, where the likes of Ireland are joined at the hip with countries they don't trade with and held at a distance from countries they do trade with (such as the US and the United Kingdom).

Recognising that the future is more difficult to forecast than the past, I believe the new administration in the United States will reduce the corporate tax rate from 35 per cent (the highest in the OECD) to 15 per cent (the 3rd lowest); replace depreciation schedules with 100 per cent expensing of capital purchases in the year of purchase for tax purposes; eliminate the estate tax and repeal ObamaCare and replace it with common-sense health care savings accounts.

[Tax legislation will also proceed to reduce personal income tax rates](#), undo many executive orders that over-regulate our economy, increase needed infrastructure projects, negotiate fairer trade agreements and increase economic efficiencies in government purchases.

The nicest part of America's checks and balances on government is that the House and the Senate will provide wonderful guidance to the administration and vice versa. The resultant policies will be first class, and I believe these policies will be supported on a bipartisan basis, just as they were when Reagan was president.

In other words, the US economy will be treated for what it is – a company that for 16 years has been run into the ground by out-of-touch demagogues and, as a result, is now in need of capital spending, incentive plans for workers and price cuts for consumers (taxpayers). Then the imprimatur needs to be polished and we'll make America great again.

As for Britain, I couldn't be more pleased with Brexit. The EU as it is currently constituted is nothing but a massive government monopoly on all powers of the state. The old phrase has never been truer: when politicians of all stripes collaborate and governments cooperate, they do so to exploit the citizenry. Nowhere is competition more needed than it is among governments.

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In the United States we have 50 states whose governments are competing every day in every way for businesses, jobs, good schools and the proper provision of public services. It's wonderful. When a good idea is well implemented and is put in place by one state government, elections force other states to follow suit. And these 50 states still have a common currency and totally free trade.

Competition among governments works; the EU doesn't. Who is Jean-Claude Juncker after all? I've never met anyone who has ever voted for him. [He, Christine Lagarde, et al are beholden to no one](#). This isn't my notion of democracy.

There's a lot of similarity between Brexit, Matteo Renzi's resignation in Italy, the vote in Austria, the politics in France, Greece, and the election of Donald Trump in the US. The best description for what is happening in America – one that went viral during the election, but is certainly true – is that the mainstream press and politicians take Trump literally but not seriously, while the electorate takes Trump seriously but not literally. It's going to be a fun ride.

***Arthur Laffer was an advisor to President Ronald Reagan***

