Free to Grow

John H. Cochrane

Hoover Institution, Stanford University
Real gross domestic product per capita

Source: US. Bureau of Economic Analysis
research.stlouisfed.org
Real gross domestic product per capita

Source: US. Bureau of Economic Analysis
research.stlouisfed.org
## World Bank Ease of Doing Business Rankings

<table>
<thead>
<tr>
<th>Economy</th>
<th>Ease of Doing Business Rank</th>
<th>Starting a Business</th>
<th>Dealing with Construction Permits</th>
<th>Getting Electricity</th>
<th>Registering Property</th>
<th>Getting Credit</th>
<th>Protecting Minority Investors</th>
<th>Paying Taxes</th>
<th>Trading Across Borders</th>
<th>Enforcing Contracts</th>
<th>Resolving Insolvency</th>
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Policies

- Health.
- Finance
- Regulation. (Including carbon)
- Taxes.
- Social programs.
- State and local.
Taxes vs. Tax Rates

- Progressive tax w. deductions/exemptions 100% marginal
- Flat tax, 50% marginal
- Head tax, 0% marginal
Disincentives

Benefits phase out

Progressive taxes phase in

Take-home Income

$50k

$0k

$50k $100k Income
Economics; principles:

- “Incentive economics.”
- The little old lady and the fly.
- Cross subsidies (kill competition)
- Fixing prices / inhibit competition to transfer income
- Rules not decisions.
- If you’re going to do it do it efficiently (and publicly).
- Taxing and spending isn’t so bad.
Politics:

- Ideas do matter.
- Polarization? Winner take all. Rules.
- Grand bargain coalition: “I'm giving up mine, so I'll be sure you give up yours!”
- If not... self-inflicted self destruction, le déuge