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Some Links

by Don Boudreaux on [July 21, 2011](#)

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The final version of Casey Mulligan's important new paper is published; it appears in [the hot-off-the-press issue of the *B.E. Journal of Macroeconomics*](#). (An earlier version – the one I read – is [here](#).) The abstract:

Factor supply increases (depresses) output for many of the same reasons that the government spending multiplier might be less (greater) than one. Data from three 2008-9 recession episodes—the labor supply shifts associated with the seasonal cycle, the 2009 federal minimum wage hike, and the collapse of residential construction spending—clearly show that markets absorb an increased supply of factors of production by increasing output. The findings contradict the “[paradox of toil](#)” and suggest that government purchases and marginal tax rates reduce private consumption, even during the recession [link added].

Speaking of the weaknesses of Keynesian ‘economics,’ [in today's *Wall Street Journal*](#) Stanford University economist John Taylor writes:

Big government has proved to be a clumsy manager, and it did not stop with monetary and fiscal policy. Since President Obama took office, we've added on complex regulatory interventions in health care (the Patient Protection and Affordable Care Act) and finance (the Dodd-Frank Wall Street Reform and Consumer Protection Act). The unintended consequences of these laws are already raising health-care costs and deterring new investment and risk-taking.

If these government interventions are the economic problem, then the solution is to unwind them. Some lament that with the high debt and bloated Fed balance sheet, we have run out of monetary and fiscal ammunition, but this may be a blessing in disguise. The way forward is not more spending, greater debt and continued zero-interest rates, but spending control and a return to free-market principles.

[Cato's Sallie James makes a powerful case for ending the species of corporate welfare that is the Export-Import Bank of the United States.](#)

[EconLog's David Henderson reports on yet more of his e-debate with proud protectionist Ian Fletcher.](#)

[Carpe Diem's Mark Perry documents another instance of private markets doing what textbooks and popular notions hold can be done only by government: supplying unemployment insurance. \(Markets earlier made headway into this business, only to be thwarted by, among other politicians, F.D.R. - that supposed great champion of working, and out-of-work, Americans.\)](#)

[Dirk Mateer and Frank Stephenson explain how to use film clips to better convey to students the lessons of public-choice economics.](#)

[Bob Higgs on the debt-ceiling tussle.](#)

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4

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Kendall July 21, 2011 at 8:22 am

“marginal tax rates reduce private consumption”

The only tax proposal I know of with a marginal rate of zero is the FairTax.

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Don Boudreaux July 21, 2011 at 8:26 am

It is a poorly worded abstract; it should be read to mean “higher marginal tax rates.”

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indianajim July 21, 2011 at 9:15 am

Posted Higgs and Taylor’s pieces to my Facebook friends to read: Thanks for posting them here!

[Reply](#)



Justin P July 21, 2011 at 9:16 am

“The way forward is not more spending, greater debt and continued zero-interest rates, but spending control and a return to free-market principles.”

How long before Taylor is demonized by De Long and PK?

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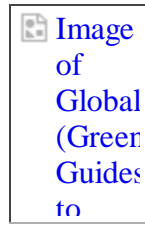
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