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Laffer: Obama Must Use Reaganomics to Save Economy The only way President Barack Obama can solve the nation's economic woes is to adopt "common-sense" Reaganomics, the policy's architect Arthur Laffer claims in an exclusive Newsmax interview.

Laffer said the White House called him in the spring and asked him to speak to Obama's former Council of Economic Advisors' chairman Austen Goolsbee – and he had told him exactly the same thing.

"Reaganomics would fix any economy that's in the doldrums," Laffer said. "It's not a magic sauce, it's common sense.

"You've got to get rid of all federal taxes in the extreme and replace them with a low-rate flat tax on business net sales, and on personal unadjusted gross income. That's number one.

"Number two, you have to have spending restraint. Government spending causes unemployment, it does not cure unemployment.

"Number three, you need sound money. Ben Bernanke is running the least sound monetary policy I've ever heard of," Laffer said.

"Number four you need regulations, but you don't need those regulations to go beyond the purpose at hand and create collateral damage. The regulatory policies are really way off here.

"And lastly you need free trade," Laffer said. "Foreigners produce some things better than we do and we produce some things better than foreigners. It would be foolish in the extreme if we didn't sell them those things we produce better than they do in exchange for those things they produce better than we do."

In the interview the veteran economist said Standard & Poor's was quite right in downgrading the U.S. credit rating – in fact it should have done so far earlier.

The agency had no choice and if the other agencies, Moody's and Fitch, don't do the same they won't be doing their jobs, said Laffer, who gave his name to the Laffer Curve which demonstrates that the maximum amount of government revenue does not come at the point of maximum taxes.

"If you had a company that had revenues of \$2½ million and expenses of \$4 million, with no change in sight, \$1½ million in losses each year as far as the eye can see and it had already borrowed \$10 million, what would you rate that company? I surely wouldn't rate it AAA.

"That is the U.S. situation today," Laffer said. "Taxes are about \$2½ trillion, government spending is about \$4 trillion and we have about \$10 trillion in net national debt. I don't see that as being a AAA country.

“If the S&P and the others were doing their jobs correctly, they should have downgraded a long time ago.”

Laffer said he has no doubt the country will win its top rating back, but only when economic policies are completely turned around. He said President Barack Obama’s administration’s only economic plan seemed to be to expand government ownership of the means of production.

“They have nationalized the health care industry pretty extensively. They’ve done that with home building as well. They’ve tried it with the auto industry as well. So they have moved very, very deliberately and purposefully toward extending the government ownership of the means of production.

“That to me, if you read the tealeaves, is what they are doing. It is not what they are saying they are doing, but that is what they actually are doing.

“People don’t work to pay taxes, people work to get what they can after taxes. It’s that very private incentive that motivates them to work. If you pay people not to work and tax them if they do work, don’t be surprised if you find a lot of people not working.”

Laffer said the current economic woes started to form under President George W. Bush but have been made worse by Obama’s policies.

“There’s a wedge driven between wages paid and wages received and that wedge is the tax/government spending wedge,” he said.

“That wedge has grown dramatically in the last 4 ½ years...under W and a Republican administration and...under Obama. Bipartisan ignorance has led us to this very disastrously desolate state.”

Laffer had high praise for the role the tea party has played in bringing the problem of the deficits to the fore.

“The tea party is not the problem, the tea party may well be the solution,” he said. “They are critical to the future of the country in a positive way. They are the only fiscally sound people I know out there all the time.

“I don’t know that I would go as far as they go on a lot of issues but I surely respect their movement very much.”

And he said any one of the group of Republicans vying for the party’s nomination for the White House would make “a great president.”

“Tim Pawlenty is spectacular. Newt Gingrich knows more about issues than anyone you’ve ever seen. Michele Bachmann is out-of-sight wonderful,” he said.

“Rick Perry is second to no one in this stuff. If you look at Herman Cain, he’s phenomenal.

“Oh and (Jon) Huntsman was a great governor of the state of Utah and is a phenomenally experienced intellectual competent man.

“When you look at the Republican candidates, you see a group of people who are absolutely outstanding in attributes.”

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