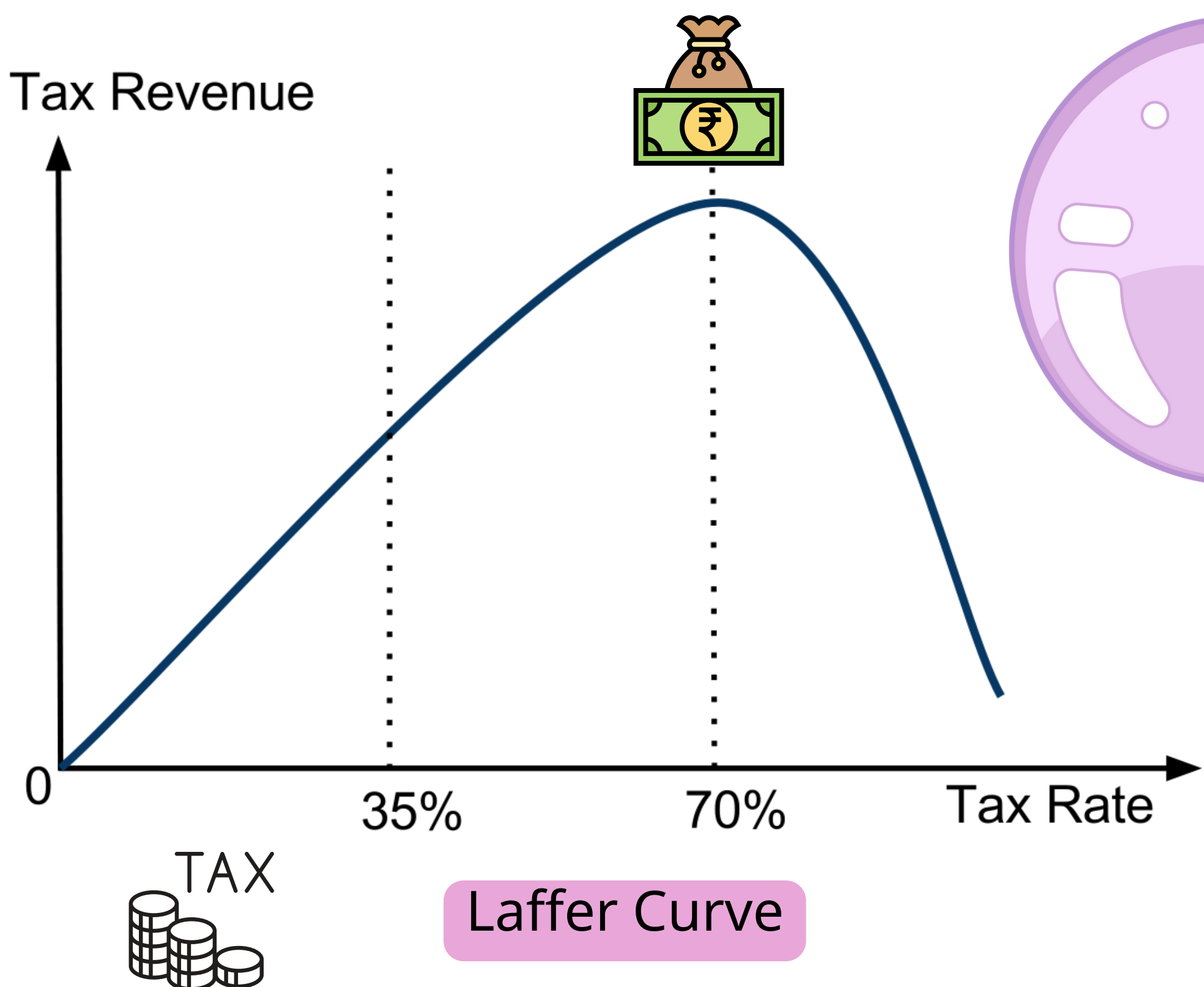


LAFFER CURVE

The Laffer Curve is a curve given by Arthur Laffer in 1974 that illustrates the relationship between tax rate and the government revenue.



The curve shows an optimal point (here 70 % tax rate) maximizes the government's revenue, and if the tax rate goes beyond that, the revenue will decrease.

Limitation of Laffer Curve

- Single tax rate assumption vs. multiple tax types
- Other factors affecting revenue ignored
- No empirical evidence for optimal tax rate or curve shape