ED 6: Laffer Curve

**Best Uses:**

* Laffer shows an optimal target tax rate for fiscal policy
* Laffer highlights disincentive effect if taxes are too high e.g. r2/B shown on Laffer curve below
* Laffer curve highlights one option for government direct tax policy but he ignores the impact on the provision of merit and public goods.
* Lower taxes is only likely to be possihle with a lower welfare state, lower transfer payments with less merit and public goods

