THE WEEK...

ended up with a mere 41 percent of the votes. Nice to see the Left display a sense of proportion.

■ Oregon law allows physicians to assist the suicide of terminally ill patients to relieve their pain or, more commonly, to assuage their fears of being a burden or losing their dignity. When he was attorney general, John Ashcroft interpreted federal anti-drug laws to prohibit lethal prescriptions. Those laws allow drugs to be used for legitimate medical purposes, he reasoned, and poisoning is not among those purposes. The Supreme Court has now ruled that Ashcroft was wrong. By voting for assisted suicide, the people of Oregon had registered their view that killing patients is a legitimate medical act, and thus, in effect, redefined the federal law in their state. There may very well be good reasons to give states, rather than the federal government, the authority to set policy on the permissible uses of drugs and on the regulation of medicine. The six justices in the majority—the conservatives dissented—clearly thought that there were. But while their desire for Oregon to be able to go its own way is defensible, it is hard to avoid the conclusion that they let that desire distort their view of the law.

■ Last September, 11-year-old Haleigh Poutre was beaten into a coma, apparently by her adoptive mother and stepfather. Doctors said she was in a persistent vegetative state. Later that month, the Department of Social Services sought, and eventually received, a court order allowing her to be taken off of life support. A challenge to this decision made its way to the Massachusetts supreme judicial court. In its January 17 decision, the court wrote, "We, as a society, need to do more to aid children who are neglected and abused." For Haleigh, this meant allowing her to starve to death. She was not considered worth keeping alive. Then she began to improve; she began to breathe on her own and to show signs of responsiveness. We hope and pray that Haleigh recovers completely; also that our courts do.

Art Laffer, Righter than Ever

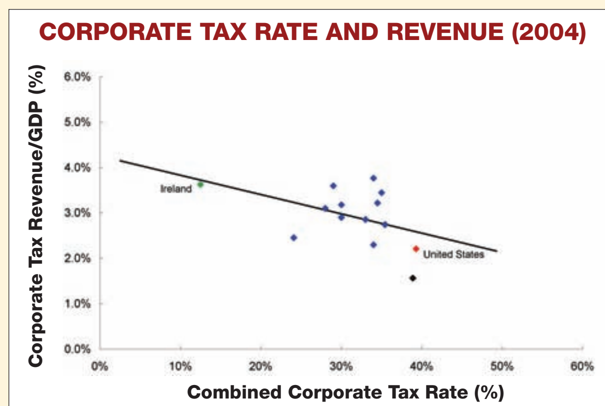
IT was the most famous dinner in the history of economics. Back in 1974, Arthur Laffer, Jude Wanniski, Dick Cheney, and Donald Rumsfeld met at the Washington Hotel, in the nation's capital. As legend has it, when the conversation turned to tax policy, Laffer drew a graph on a napkin to illustrate that higher tax rates do not always lead to higher tax revenue. At some point, higher rates kill economic activity, driving down revenue.

Wanniski expanded on Laffer's point in a 1978 article in *The Public Interest*, calling the relationship between tax rates and tax revenue the "Laffer curve." The curve became canonical to some, but others treated it as a bunch of voodoo.

It's odd that the curve caused so much controversy, given that Laffer's point is perhaps the most ancient in economics. Indeed, as Laffer himself has noted, Ibn Khaldun, the great Muslim writer, alluded to the same dynamic in his epic 14th-century work *The Muqaddimah*. And in the 1800s, French scholar Jules Dupuit made the point with such precision that many economists today refer to the "Dupuit-Laffer curve."

Perhaps the curve provokes controversy because, although its hypothetical existence is not disputed, whether it characterizes our economy at any given moment is another question. The problem appears to be that the benefits of tax cuts are gradual. Reductions in capital-gains taxes are the only cuts that indisputably have increased revenue immediately, and they may be a special case in which reductions release an avalanche of pent-up gains.

Which makes it all the more noteworthy that recent research has identified another area of taxation that clearly fits the Laffer analysis. The chart nearby illustrates this case. Each dot in the chart indicates the corporate-tax rate and the corporate-tax revenue (relative to GDP) of a given country in 2004. In the U.S., for example, the combined federal corporate tax and average local corporate tax was almost 40 percent, but with that high rate we collected revenue equal to only 2.2 percent of GDP. Ireland, on the other hand, had a corporate-tax rate of 12.5 percent and collected revenue equal to 3.6 percent of GDP.



SOURCE: OECD, OECD TAX DATABASE, TABLE II.1; OECD, REVENUE STATISTICS, 2005

Of the countries represented on the chart, the U.S. has the highest rate but collects the second-lowest amount of revenue. This suggests, as economist Kimberly Clausing recently wrote in a study for the Brookings Institution, that "the United States is likely to the right of the revenue-maximizing point on the corporate income tax Laffer curve." Countries with low rates can collect more taxes because they stimulate domestic corporate activity, and because they attract multinational corporations willing to operate wherever the tax climate is best. That's a lesson the U.S. could afford to learn.

It is positively exasperating that a Republican-controlled government has taken no steps to reduce corporate taxes. Perhaps Vice President Cheney should invite Majority Leader Frist, Speaker Hastert, and President Bush to the Washington Hotel for dinner—and supply them each with an illustrated napkin.

—KEVIN A. HASSETT