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## Rush Interviews Dr. Arthur Laffer

August 4, 2009

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### BEGIN TRANSCRIPT

RUSH: We welcome to our program Dr. Arthur Laffer, ladies and gentlemen, who has prepared a research paper on the Obama health care plan. I've admired your work, Dr. Laffer, ever since I first heard of you back in the late seventies, early eighties. It's great to have you here.

LAFFER: Well, thank you very much, Rush. It's a pleasure.

RUSH: By the way, I want to share something with you. You may not know this, but you are partially responsible for Obama becoming a community organizer, from chapter 7, page 54 of his book, *Dreams from My Father*: "There wasn't much detail to the idea of community organizer. I didn't know anybody making a living that way. When classmates in college asked me just what it was that a community organizer did, I couldn't answer them directly instead I'd pronounce on the need for change, change in the White House where Reagan and his minions were carrying on their dirty deeds."



LAFFER: (chuckling)

RUSH: You were a minion doing dirty deeds.

LAFFER: A minion? Minion, minion! Oh, my gosh!

RUSH: (laughs)

LAFFER: I don't know if you remember, Rush, but I was on your show in studio in Sacramento, California, many, many years ago.

RUSH: Oh, that's right. You know, you're exactly right.

LAFFER: You impressed me enormously then as well as today.

RUSH: Well, I thank you very much for that. It's mutual, then. I have a summary here of your findings. Let me just run through a couple bullet points and then you can take it and expand on this. "The current proposals being discussed in Washington, House and Senate, would raise the total federal government expenditures by 5.6% more than otherwise, adding \$285.6 billion there are to the deficit in 2019, would increase national health care spenders by an additional 8.9%. After all this, it would still leave 30 million Americans uninsured." Fill in the blanks here for us.

LAFFER: Well, you know, it's a fairly straightforward thing. Without going through the specific numbers -- although I'd be more than happy to do that -- you know, whenever you separate people from the purchases they make... If you walked into a store and weren't told what anything cost and you could pick out whatever you wanted free, you're going to be squanders you're going to buy things that are way too expensive that your don't want. I mean, one of the ways controlling costs is making people responsible for their own money, for their own expenditures and that is exactly what this program does not do. It makes the separation between the patient and the doctor and health services further and further removed, and takes away all control of costs. And, frankly, as P. J. O'Rourke put it, he said, "If you think health care is expensive now, just wait 'til you see how much it costs when it's free," and that's exactly what we're doing here.

RUSH: You're an economist, accomplished economist, and you obviously you did a lot of research here. One of my bugaboos is, in a political sense, is that when somebody like an Obama or any Democrat proposes something massive like this, the premise -- which is, we have to health care reform -- is automatically accepted and we start analyzing the numbers and say, "That's too much here; it's too much there." Do you get into the motivation for people who are behind this monster? Does that interest you at all, why they do it?

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LAFFER: Well, it interests me, but it's not in this paper. That's not our purpose. As you say, I'm an economist. I worry about the costs of the program, which are going to be a lot more than anyone else suggests. I'm worried about the access and the availability of the services of the health care, and I'm worried the quality of it. I mean, that's what economists really worry about. In this program, it's a real problem.

RUSH: Well, your first point about separating people from the cost of things is right on the money. It started 50 years ago with Medicaid and Medicare, and it's just expanded, and now --

LAFFER: Huge.

RUSH: -- people consider it a right that their employer has to provide for them. But, Dr. Laffer, your research is going to add to what people have already learned on their own by reading what's in the House bill, and they're outraged by it. Do you think that your research paper has an opportunity to stop this?

LAFFER: Well, I hope it provides the information and the fodder, basically, to really make it a lot better, if not stopping it. I mean, I'd love to see it stopped. You know, our health care system has things that can improve it a lot. But it's not broken. It provides great health care for many people, and frankly I think this type of reform and especially in the direction I think these people are going, for having a single-payer, I think it's really the wrong direction for America to go. I think it will really add costs and provide a lower quality product.

RUSH: Now, you have in your paper a lot of solutions that make health care more available, make it better without destroying what's already good in the system. What are some of those?

LAFFER: Well, you know, some of the obvious ones that I think are really big: I mean, I think health care providers who aren't doctors, allowing them to do things they're competent to do and not prohibiting them from doing it -- nurses and other health care technicians -- shots and other things, and prescribing low-level medicines and that type of stuff. I think tort reform is another one, Rush, that really is a huge increase in costs. I mean, the insurance costs a doctor has just for practicing medicine and how that feeds through in expenses, it's amazing. All of these things. There are lots of things we can do to make our system better.

RUSH: HSAs, health savings accounts have been killed.

LAFFER: Yes, HSAs is another good example quarterback there you go.

RUSH: Expressly struck, however, from both houses, the House and the Senate. The HSAs are going to be gone --

LAFFER: Yeah.

RUSH: -- precisely because they do give power and control to the patient.

LAFFER: Sure, and it gives you the power of your own money. It's money that you put in there. I mean, you know, individual ownership of insurance policies, that's an obvious one. The HSAs, as you say, are clear. You know, interstate purchasing of insurance, that's another one that can easily be done. There are lots of other ones that are in there that really will make the system a lot better. But making it the post office or the Department of Motor Vehicles, or making doctors employees of government really doesn't make it better. Honest.

RUSH: Let me move to the general economy if I can for just a second.

LAFFER: Sure. Of course. I love it.

RUSH: We saw the news yesterday: tax receipts, corporate and personal, near record lows since 1930s.

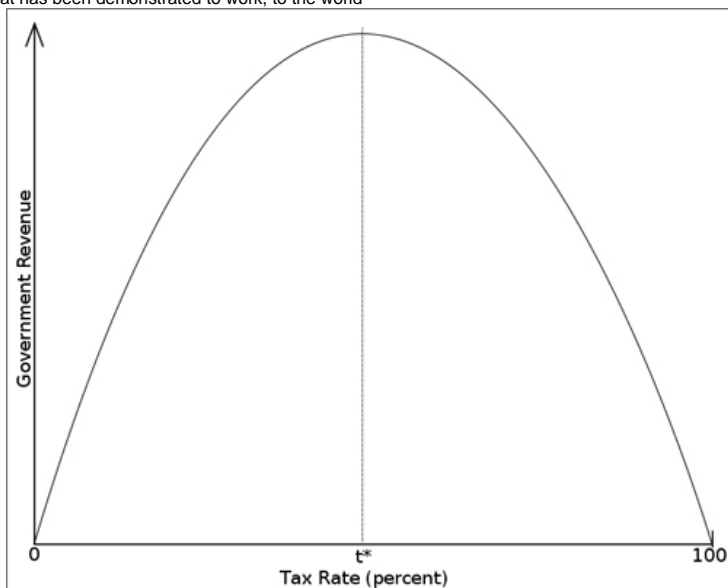
LAFFER: Surprise, surprise. (chuckles)

RUSH: Well, this is a personal question. You're the author of the Laffer curve. The principle that to a certain point lowering marginal tax rates stimulates economic activity and generates more revenue to the Treasury has been proven twice: Kennedy and Reagan. It has been -- well, and, Bush. Bush 43. It has been proven three times. Does it frustrate you personally that something you know works, that has been demonstrated to work, to the world --

LAFFER: Yeah.

RUSH: -- is constantly attacked and tried to be overturned?

LAFFER: Yeah, but it's silly. Because everyone knows that you can overcharge for something and collect less money and everyone knows you can undercharge for it and collect less money. You know, there is a pricing mechanism there and taxes are no different. Just let's take the health care one here, Rush. You know, the president wanted to put a 5.4% surcharge on millionaires, thinking he'd collect more money. That's about the dumbest idea I've ever heard. If you raise taxes on those people, you're going to get a lot less people; and they're going to figure ways around it, and you're going to collect a lot less money.



RUSH: Dr. Laffer, this gets to a question, a point that really, really bugs me. You just said it's stupid. Anybody with any economic literacy has to conclude by now -- and many knew before it was implemented -- that the whole stimulus theory was bound to fail. It had no chance.

LAFFER: Totally! It's never worked! Whenever you get something for nothing, check (chuckles), because you're probably not getting it.

RUSH: So I'm back to motivation. I'm back, and this may be an area you might not want to get into but I'm going to chance the question.

LAFFER: Sure, go ahead.

RUSH: I don't believe they're stupid. I think it's being done purposely for a reason. Nobody is this stupid. Not with the history of the world and the history of this country, within 20 years as a guide. There's a blueprint how to get an economy going again. It's called: Get out of the way of the American people and incentivize them.

LAFFER: Yes.

RUSH: This is the exact opposite. We're losing five to 600,000 jobs every month. Consumer spending was up 0.4% but incomes are down 1.3%. Nothing is working. There is no rescue. There is no recovery. And they're talking about doubling down on this. And I, for one -- as someone who understands how wrong this is and dangerous -- don't understand why it is being continued.



LAFFER: Well, I'm not really sure, but if you've ever been to the university with fellow professors, I mean they may be able to manipulate a Feynman diagram or invert a matrix over a Banach space, but they don't know how to pay their lunch bill and they can't tie their shoes. And what you see here are these types of mistakes are classic professorial mistakes, lawyer mistakes. They think that if you change a law, Rush, all of a sudden things are working in that direction. It's not true. And they have no idea of the real world. They've never made a bad trade. They've never suffered the humility of their own ideas being wrong. Because in their classroom their ideas are always right, and that's the trouble with this administration, that they really don't have a clue.

RUSH: Well, you're being generous.

LAFFER: I am. I like the people very much. I know a number of them very well. They're good friends.

RUSH: All right. Does Lawrence Summers have a clue?

LAFFER: I don't think he has a clue. He may be the one that you're right on, by the way. (chuckles) The other one's Jared Bernstein. I know him very well. He's a great guy, an honest man. I think he's wrong, but he's a great guy. Christina Romer, she's terrific. Her research before has been great.

RUSH: Yeah. See? Christina Romer is an acolyte of you!

LAFFER: Yeah, but she's great on that stuff. And she's just sitting there now in the position where she has to mouth the party line, which is very sad. I watched Austan Goolsbee defend Obama's firing of the chairman of the board of GM. Hello! That's not what a president of the United States is supposed to do, Rush, but that's they were doing, and the economist was justifying it. "Well, we're a big shareholder now, and..." We? (chuckles) Oh, my goodness. It's crazy, isn't it?

RUSH: It is. Well, it's crazy and dangerous, because, you know, when you start attaching motive to this... I'll grant you that they're professorial and academically stupid, ignorant. But something about this is so bad and so wrong, and when you look at something that this bad, there are people going to benefit from it and when you look at who, then you say, "Okay, how?

LAFFER: But who benefits from this? See, I don't see who benefits from these types of classic mistakes unless you take a power-hungry dictator.

RUSH: Well...

LAFFER: Would Kim Jong-il do this? I mean, seriously.

RUSH: He has done it! His people are eating dogs. They're starving to death.

LAFFER: (laughs)

RUSH: They're doing it in Venezuela. It's the history of the world.

LAFFER: Chavez is a pretty bad guy. There are not many worse than Chavez.

RUSH: The history of the world is this.

LAFFER: I guess it is.

RUSH: This is why the United States is such an exception. And if you have a guy who for whatever reason is a chip on his shoulder about how immoral and unjust this country was... I'll tell you what I think. To put it in economic terms, I think that the objective of Barack Obama is -- via redistribution -- to return the nation's wealth to its, quote, unquote, "rightful owners."

LAFFER: But, you know, he's destroying it for the poor, for minorities, for the disenfranchised.

RUSH: Yeah, but he's --

LAFFER: No one's doing better with 9.5% unemployment, and the participation rates the average hours the average wages the quality of jobs is declining like a submarine sinks.

RUSH: Well, let me posit a theory. If your number one signature issue is health care and you want it because with it you'll be able to regulate every aspect of every American's life --

LAFFER: That's true.

RUSH: -- what better event could you have than massive unemployment and people losing their health insurance, clamoring for more, clamoring for their health care because they're scared to death they're going to get sick. I think there's a lot of fraud and deceit that accompanies the professorial stupidity.

LAFFER: Well, there is a lot of that. It's hubris, I mean, is what it really is --

RUSH: Yeah.

LAFFER: -- and their inability to admit their wrong because frankly they don't have to bear the consequences of their own hubris and their own mistakes. That's the problem.

RUSH: That's a good point. Dr. Laffer, this is great to talk to you again.

LAFFER: Oh, Rush, it's wonderful talking to you. You're doing a great job. Thank you very much.

RUSH: You're going to present this paper at two o'clock this afternoon right?

LAFFER: I sure am.

RUSH: All right. Well, we'll have an eye on it. Where are you doing that, in New York?

LAFFER: I'm in New York, yes.

RUSH: Well, good luck, and thanks very much for your time.

LAFFER: Thank you very much, Rush.

RUSH: Dr. Art Laffer.

END TRANSCRIPT

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