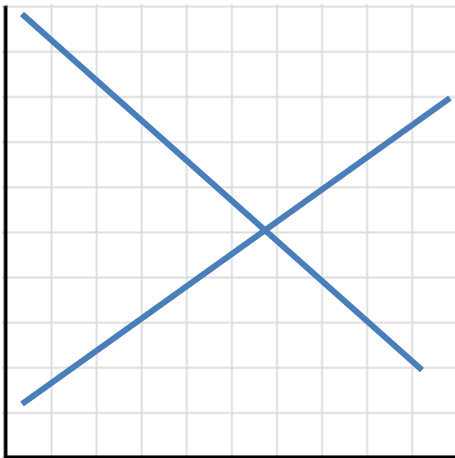


CONCEPT: LAFFER CURVE

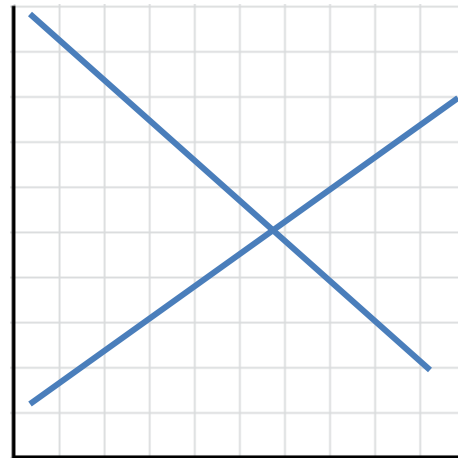
- A larger tax does not necessarily lead to higher tax revenue

☐ When the size of the tax increases, the quantity exchanged _____

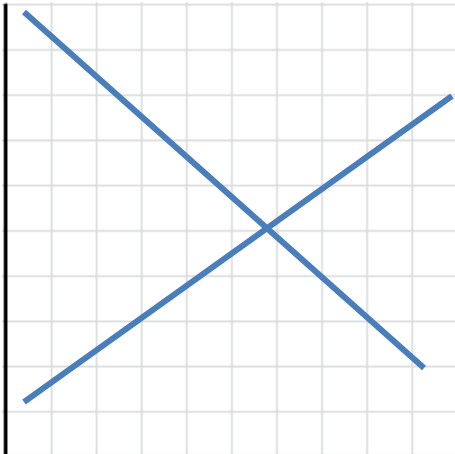
Small Tax



Medium Tax



Large Tax



Laffer Curve



- The **Laffer Curve** depicts the relationship between the size of a tax and the amount of tax revenue

☐ Arthur Laffer, creator of the Laffer curve, suggested that the USA is already on the downward-slope of the curve:

☐ This implies that larger taxes would have multiple negative effects:

- Less _____

- Less _____