A Paradigm Shift in the Laffer Curve: Rethinking Fiscal Elasticity in Post-Globalization Economies

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Abstract. In recent years, the dynamics of fiscal policy have necessitated a re-evaluation of the Laffer Curve's elasticity, particularly amidst post-globalization economic architectures. This study employs a hybrid econometric model to dissect fiscal elasticity, revealing nuanced insights into taxation's impact on economic productivity. Our findings challenge the conventional fixed assumptions, offering a recalibrated model that enhances policy-making efficacy in complex economies.

Keywords: Laffer Curve, fiscal elasticity, econometric model, post-globalization, tax policy, economic productivity, revenue optimization

Introduction

The Laffer Curve, a core principle in the discourse of fiscal economics, postulates a relationship between tax rates and tax revenue. In the context of rapidly evolving global markets, especially in the post-globalization era spanning 2024 to 2026, a critical reassessment of this curve's applicability is imperative. While traditional models have sufficed in explaining basic fiscal responses, they falter when confronted with the multifaceted challenges of modern economies characterized by increased cross-border trade, digital marketplaces, and shifting labor dynamics. The elasticity of the Laffer Curve—its ability to adapt to varying economic stimuli—becomes a focal point for ongoing debates among economists and policymakers alike.\n\nThis paper endeavors to deconstruct the existing paradigms surrounding fiscal elasticity within the Laffer Curve framework. Utilizing an advanced hybrid econometric model, we analyze empirical data from diverse economies to evaluate how contemporary fiscal policies influence economic productivity and state revenue generation. This work stands to offer significant contributions to the discourse on optimizing tax strategies in environments marked by volatility and unpredictability.\n\nThe article is structured as follows: Section I reviews the foundational theories underlying the Laffer Curve and explores recent literature. Section II details the methodology, including the econometric models employed. Section III presents the empirical findings and their implications. Finally, Section IV discusses broader policy implications and potential avenues for future research.\n\n

References

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