

Re: Refuting supply-side economics

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From: Mark Monson (m_monson_at_ztech.com)

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"William F Hummel" <wfhummel@comcast.net> wrote in message
news:f11el01h99hhig6kvtr0gp83igbj60a5pi@4ax.com...

> On Sat, 25 Sep 2004 17:30:32 -0400, "Mark Monson" <m_monson@ztech.com>

> wrote:

>

> >In the case of the government borrowing money at interest, this scheme is

> >unproductive for taxpayers because all the things the government spends this
money

> >on come from the produce of the nation. Taxpayers receive more benefit from
their

> >tax dollars when all tax dollars are exchanged for government goods and services

> >rather than part of the taxes being used to pay interest on public debt.

>

> Taxing or borrowing represent equal cost to the tax payers.

But not equal benefits. With taxation alone, all the goods the government purchase
are in

theory going for purposes of mutual benefit. With borrowing, the interest payments
definitely benefit only bond holders at the expense of tax payers.

Interest

> on government bonds is simply the cost of deferring the tax payment to

> cover government spending.

As you correctly state above, costs to taxpayers are the same whether borrowing or
taxing. Since taxpayers are not allowed to defer payment of interest, benefits
received are reduced in the public debt system.

In either case, the public gets the same

> amount of NET (after interest) government spending , whether the

> result of that spending is good or bad.

???

Public goods and services are certainly increased in the case where all
revenues are collected via taxation rather than in the case where 14% of public
contributions to government are spent on interest.

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- >
- > *>The bond holder as bond holder is the privileged recipient of tax dollars without*
- > *>giving anything of value to taxpayers in return.*
- >
- > *No. The taxpayers receive value in whatever the government spends the*
- > *money on, just the same as the bond holders (most of whom are tax*
- > *payers). I've explained this in some detail in another post.*

You have yet to explain how taxpayers are served by the private goods consumed through bond interest.

- >
- > *>Expenditures over revenue can be made up by the government spending base money*
- > *into*
- > *>circulation, later corrected through taxation so as to avoid inflation.*
- >
- > *No! Taxes would be a very blunt tool for controlling the base money*
- > *supply. The tax code is a political football and can only be changed*
- > *with great difficulty and much time delay.*

The necessary reforms include taxation.

In another post I'll submit some ideas for a new monetary/fiscal system.

MM

Furthermore for a given

- > *tax code and tax rate schedule, revenues vary significantly from month*
- > *to month and year to year.*
- >
- > *The government now spends about 2,300 billion a year while bank*
- > *reserves total only about 60 billion. To avoid unacceptable*
- > *fluctuations in the overnight interest rate, bank reserves must be*
- > *continuously controlled. This requires close cooperation between the*
- > *Treasury and the Fed. The Treasury borrows every week as required to*
- > *recapture its spending, and the Fed adds or drains small amounts for*
- > *fine control. Your concept would create serious problems for the*
- > *economy in general and business in particular.*
- >