

Re: Refuting supply-side economics

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royls_at_telus.net

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On Sun, 26 Sep 2004 18:52:12 GMT, William F Hummel
<wfhummel@comcast.net> wrote:

>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. Interest
>on government bonds is simply the cost of deferring the tax payment to
>cover government spending.*

That is obvious self-contradiction. If there is a cost of payment
deferral, the costs of immediate and deferred payment can't be equal.

>>*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!*

Yes!

>*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.*

That is just an artifact of the current arrangements. If the central
bank was subject to the same political constraints as the tax system,
it would be a very blunt tool, too. In any case, it would be a
trivial matter for the Treasury to reverse its monetary control
mechanism and administer the money supply by lending rather than
borrowing, thus collecting interest from productive entrepreneurs
rather than paying it to idle rentiers.

sci.econ: Re: Refuting supply-side economics

- >Furthermore for a given
- >tax code and tax rate schedule, revenues vary significantly from month
- >to month and year to year.

That is true for some types of taxes, but not all.

- >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.

Nonsense. The same kind of control could be exercised by lending as by borrowing, but with the added benefit of collecting rather than paying interest.

-- Roy L