

Re: LVT dustup over at AngryBear

Source: <http://sci.tech--archive.net/Archive/sci.econ/2005-08/msg00101.html>

- *From:* William F Hummel <wfhummel@xxxxxxxxxxx>
 - *Date:* Mon, 08 Aug 2005 14:32:51 -0700
-

On 8 Aug 2005 13:36:21 -0700, "Negloid" <negloid@xxxxxxxxxxx> wrote:

>
>William F Hummel wrote:
>> On 8 Aug 2005 10:07:31 -0700, "Negloid" <negloid@xxxxxxxxxxx> wrote:
>>>
>>>William F Hummel wrote:
>>>> On 5 Aug 2005 09:41:19 -0700, "Negloid" <negloid@xxxxxxxxxxx> wrote:
>>>>>
>>>>>William F Hummel wrote:
>>>>>> On Sun, 31 Jul 2005 19:27:16 GMT, Folsom Inmate <nomail@xxxxxxxx>
>>>>>> wrote:
>>>>>>
>>>>>>> I thoroughly agree. Supply side theory is based on the false belief
>>>>>>> that economic growth is dependent on the investments of the wealthy.
>>>>>>> Accordingly, taxes should not bear too heavily on those in high income
>>>>>>> group. In truth there is an enormous pool of funds comprising the
>>>>>>> savings of the broad middle class -- pension funds, mutual funds,
>>>>>>> insurance companies, finance companies, and so forth. They are all
>>>>>>> seeking good investment opportunities. Furthermore, banks can issue
>>>>>>> credit money limited only by a multiple of their own capital. No
>>>>>>> recessions since WW2 can be traced to a shortage of investment funds.
>>>>>>>
>>>>>>>How did you arrive at this conclusion?
>>>>>>>
>>>>>>> Which conclusion? There are several statements in the paragraph.
>>>>>>>
>>>>>>>In the last sentence.
>>>>>>>
>>>>>>> I think you are conflating a lack of funds to invest on the one hand
>>>>>>> with not investing on the other.
>>>>>>>
>>>>>>>Let me approach this from a different perspective. Do you believe that
>>>>>>>recessions since WW2 can be traced to a shortage of demand? Or are you
>>>>>>>saying that neither have an effect and neither supply-side nor
>>>>>>>"demand-side" policy would improve economic performance?

Recessions are best explained by business cycle theory. I believe recessions can be exacerbated by a shortage of effective demand which

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can arise in various ways, especially a reduction in disposable (after-tax) income on the broad middle income sector. I definitely do not believe that providing more after-tax income to the wealthy and the upper income bracket would improve economic performance, if that is what you mean by supply-side.

>

>> >But you are ignoring the cause of the recessions in the '70s and
>> >instead looking at the causes of the inflation in the '70s. During an
>> >inflationary period, you would be hard pressed to prove that a recession
>> >was caused by a lack of demand, no? So if it wasn't a lack of capital
>> >investment that caused the economic slowdown, what did cause the
>> >economic slowdowns?

>>

>> I think I just answered your question.

>

>Well not quite. See my previous question for clarification.

>

>> A lack of capital investment

>> does not automatically imply the lack of investable funds.

>

>So recessions can be traced to dropping capital investment, but they

>cannot be traced to dropping investible funds?

No, dropping capital investment is a result, not a cause of recessions. Further, I doubt that there has been a shortage of investable funds since WW2. Remember that banks are also a source of investable funds, and they can create deposits limited only by the capital adequacy requirement.

>

>> >> >> The maximum rate should never again be set as high as it once was, but

>> >> >> I think the tax burden should be shifted towards the upper income end.

>> >> >> For the past couple of decades, there has been little or no growth in

>> >> >> real purchasing power in the lower 4 quintiles

>> >> >

>> >> >How do you arrive at this conclusion?

>> >> >

>> >> >2003 real incomes (latest figure I found on Census.gov):

>> >> >Bottom Q.: \$17,984

>> >> >Second Q.: \$34,000

>> >> >Third Q.: \$54,453

>> >> >Fourth Q.: \$86,867

>> >> >

>> >> >...versus 1983 incomes (2 decades previous):

>> >> >Bottom Q.: \$15,769

>> >> >Second Q.: \$29,388

>> >> >Third Q.: \$45,061

>> >> >Fourth Q.: \$68,154

>> >> >

>> >> >That's a 14% increase over 2 decades in real incomes for the bottom

>> >> >quintile. For the third quintile, (the ever important middle class?),

>> >> >the increase was 20%.

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>> >> >

>> >> ><http://www.census.gov/hhes/income/histinc/h01ar.html>

>> >>

>> >> It depends on whose figures you want to believe. Here is what Prof.

>> >> Robert H Frank of Cornell presents at

>> >> <http://www.inequality.org/franknov2.html>

>> >>

>> >> Quintile 1978 1988 1998

>> >> Bottom 20 percent \$13,103 \$12,256 \$12,526

>> >> Second 20 percent 28,415 28,541 29,482

>> >> Middle 20 percent 42,667 44,414 46,662

>> >> Fourth 20 percent 58,786 63,785 68,430

>> >> Top 20 percent 99,754 117,035 140,846

>> >>

>> >> I think these numbers are pretty consistent with my statement about

>> >> little or no growth in real purchasing power, at least for the lowest

>> >> three quintiles.

>> >>

>> >I got mine from the Census—he claims he did as well. You can go look

>> >mine up if you want though, that's the difference. He just links

>> >census.gov and I cannot find the data he presented anywhere in there.

>> >Here is the exact page I got mine from:

>> >

>> ><http://www.census.gov/hhes/income/histinc/h01ar.html>

>> >

>> >Even if you take his date periods, using these data, you will still

>> >note that incomes in the bottom quintiles increased over the time

>> >period. If he is supposedly adjusting for inflation understatement by

>> >the CPI, that would be quite interesting since your other source

>> >indicates that inflation, if anything, is overstated.

>>

>> The real income of the lowest quintile actually decreased over that

>> 20-year period.

>

>Only by his data, which I am questioning. The data I presented show

>positive growth in all quintiles over both the 83–03 period I presented

>as well as the 78–98 period he chose. My data are linked and easily

>verified. I was unable to verify his data. I checked around the

>Census site and I just don't see where he is getting the numbers. I

>don't know what the difference is between what he presented and what I

>presented and I would like to know what it is before I accept it as

>truth. Until then, it appears to me that real income for the lowest

>quintile has done just fine in the past few decades.

>

>Perhaps his data are based on mean or median income for each quintile

>and mine are based on the limits of each quintile. Perhaps his data

>exclude certain groups of people. Perhaps he used his own inflation

>rate to deflate the incomes. Perhaps he is a bald-faced liar. Perhaps

>he made a mistake. Perhaps *I* made a mistake.

>

>The problem is that I have no way to tell because all this guy did was

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>link census.gov. Can you verify his claims on census.gov?

I really don't care that much. The important point is that the wealth gap has been skewed badly and needs to be corrected by a more progressive income tax structure.

• **Follow-Ups:**

- ◆ **Re: LVT dustup over at AngryBear**
◇ From: The Trucker
- ◆ **Re: LVT dustup over at AngryBear**
◇ From: Negloid

• **References:**

- ◆ **Re: LVT dustup over at AngryBear**
◇ From: ruetheday@xxxxxxxxxxx
- ◆ **Re: LVT dustup over at AngryBear**
◇ From: Folsom Inmate
- ◆ **Re: LVT dustup over at AngryBear**
◇ From: William F Hummel
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