

Re: how to compare living standards

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- *From:* "Jim Blair" <jeb@xxxxxxx>
 - *Date:* Wed, 15 Mar 2006 15:25:16 -0600
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"tonyp" <tonyp@xxxxxxxxxxxx> wrote in message
<news:CKqdnX3UQZkkxoXZnZ2dneKdnZydnZ2d@xxxxxxxxxxx>

"Jim Blair" <jeb@xxxxxxx> wrote

"tonyp" <tonyp@xxxxxxxxxxxx> wrote

As a nation, we do not save enough, period.

Sounds like you agree with me that money "saved"
is mostly "invested" and that provides capital for growth:
the ability to supply more and better goods.

"Supply Side" thinking.

If we're talking about the "supply" of _money_, perhaps. But I have a
sneaking suspicion that "supply-siders" mean something different by
"supply".

Hi,

"Supply Side" is putting the emphasis on production: stress that goods must
be produced before they can be consumed. Saving is good because it results
in investment and capital. Consumption will follow. Build it and they will
come (so to speak).

Demand Side puts the emphasis on consumption. If the demand is there,
someone will supply the goods. Saving is not good because it reduces
demand. Don't worry about capital, there is always enough of that. Want it
and someone will build it (so to speak).

During the 1930's or in Japan in 1990's and maybe even now, Demand Side

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thinking might be best. But I say not in most other situations.

Money not saved is not available for investment. I'm willing to say

that

for sure. Whether money that does get saved is by definition invested ... well, that's a matter of how we define words.

If you save it in piggy bank or under a mattress, it is not invested. I say if you put it into a bank, a CD, buy stocks or bonds or mutual funds, it is invested. Either directly, or indirectly, but the end result is more capital.

??? Is money collected by FICA "saved"?
Or is it just spent by the government?
Is money put into an IRA mutual fund "invested"?
Does it provide capital for business?

You tell me. Is money collected by Intel in a public stock offering "saved"? Or is it just spent by Intel?

Intel spends the money that others "saved" by buying their stocks or bonds. I assume Intel spends that money to produce something or to find better ways to process information or to make better computer chips or whatever.

Let's not talk at cross-purposes, Jim. Business spends money to buy capital equipment, just as it spends money to buy a hot-shot CEO. The fact that money gets spent is orthogonal to the question of whether it

was

"saved" by individuals or "invested" by their mutual funds -- or their government.

What the money gets spent on is the meaningful question. If you believe that no public expenditure can possibly increase the nation's productive capacity, then naturally you favor lower taxes, period.

Not that no government expenditure is ever good, or that no private company ever makes bad investments. My claim is that in the USA today, a dollar

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spent by a private company (or a city project) is more likely to result in some good than if that same dollar were to be spent by the federal government.

...Given the current (Republican) government's spending priorities (\$40K per Iraqi, for instance) I suppose you have a point.

Yes :-)

And I don't see this distinction that WFH makes about whether a government project is "inefficient" in its management or whether it is "efficiently paying people to do nothing" or "efficiently setting up another massive disaster in New Orleans".

The question remains: would a private company or foundation or city put that money to better use?

You know that some posters on the NG think that all consumer spending is GOOD for the economy because it increases demand, and any money "saved" is bad because it does not.

"Demand Side" thinking.

"Demand" _is_ "consumer spending". Mere desire is not "demand", in economic

parlance.

Yes, we are talking about how people spend their money.

"The economy" is a means. A comfortable life is the goal. A materially comfortable life is obtained by purchasing goods and services. The whole _point_ of "the economy" is "consumption".

Yes. And the reason I "save" (invest) now is so I can spend more later.

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....Eating the seed corn is a poor way to maximize consumption on the scale of a lifetime. But it is emphatically nuts to argue, as supply-siders do, that building up ever-larger supplies of seed corn is a worthy goal _in_itself_.

— TP

That could be a problem, I agree. But in the USA today is building up ever-larger supplies of seed corn really a problem? Or is eating the seeds now more of a problem?

PS I will probably be off line for a few days. I am to be a judge in the Wisconsin science fair at Marquette U.

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