

Re: how to compare living standards

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- *From:* "Jim Blair" <jeb@xxxxxxx>
 - *Date:* Fri, 31 Mar 2006 15:30:50 -0600
-

"William F Hummel" <wfhummel@xxxxxxxxxxx> wrote in message news:u11r221splsdkkmbocqpal8ov8sntd9503@xxxxxxxxxxx

On Fri, 31 Mar 2006 12:13:03 -0600, "Jim Blair" <jeb@xxxxxxx> wrote:

.....

Do you think poor and low income people save and invest more than rich
and

high income people?

Irrelevant. The issue is whether reducing taxes primarily on the wealthy will increase capital formation for real investment. Don't confuse financial investment with real investment. If you increase after-tax income for the wealthy, most of it will end up spent on financial assets and drive up asset prices.

Hi,

Or do asset prices increase because the assets become more valuable?

The large middle class savings in pension funds, mutual funds, life insurance companies, etc. is far more important in supporting real investment.

jeb:

Re: how to compare living standards

Your statement above must stem from the idea that money in the stock market, mutual funds, bonds, T-bills and bank CD's does not correspond to money "invested", because you surely don't think

that

people with low incomes have more money in these than people with high incomes.

There is no shortage of funds available for investment. But there is a chronic shortage of funds available among the broad middle and lower middle class. That shows up on the demand side and is what explains the business cycle and the occasional shrinkage in the economy, otherwise known as a recession or depression.

The notion that reducing taxes on the wealthy leads to greater output is simply false.

Interesting theory. But how does it explain the fact that recessions in the US have become less frequent and less severe since Reagan pushed through his supply side tax cuts?

<http://www.kc.frb.org/publicat/econrev/PDF/4q98haim.pdf>

What data supports your claim?

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jim blair (jeblair@xxxxxxx) Madison Wisconsin USA.
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