

Don't Let Policymakers Lose Track of Reality

By Everett Gross / 2004

For the love of money...

When people see everything in terms of money, they can make some pretty big mistakes. Everett Gross points out some of these dangers, especially the danger of assuming that something doesn't exist simply because it doesn't show up in the government's set of account books.

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"The love of money is the root of all evil..." or however it is worded in your copy. How many times has it entered your conversations, in or out of Sunday School? And in the discussions, more than one possible meaning pops up. Let us discuss those and see if we can come up with some more.

First (let me try to state it your way if I can), if I love my money more than I love something else, I forfeit much happiness. I might even be an evil person. Being a little bit frugal is OK, but I must not be too frugal if it is my turn to pick up the check.

Second, people who hire people should pay them more than they ask, and people who work for people should be willing to work for less than they are offered. A corollary of this is that a store should charge less and the store is not entitled to a markup and the store man is not entitled to take any money home to support his family. Profit is evil.

Third, some people in olden (and not so olden) times have blamed the use of money for social and economic problems. Only barter should be used for exchanging goods and services. Even today, I have read about a "community" within a city attempting something like that. The members have made up a script assigning a numerical value to each thing or service which they anticipate exchanging among themselves. Then, you see, those numbers do not get counted when figuring income taxes. Pretty sharp idea, no?

The fourth one makes a lot more sense to me: If you are looking for the cause of an established and entrenched evil, look for the money trail. There may be an exception or two that was not known thousands of years ago when wise people came up with the expression.

The fifth is the one I see more meaning in than any of the others. I cannot say why it occurred to me; I have not heard it from anyone else. The meaning that I see grows out of the well-known fact that there are two distinct ways of analyzing the economy: the product analysis and the money analysis.

Simple peons like me use the word "analysis" to mean looking at the parts of something to try to figure out what is or is not wrong with it.

In the case of the economy, you might notice that in many typical transactions, Mr. A gives Mr. B something that has been produced (a product). And Mr. B gives Mr. A some money. So some people try to analyze what is happening in a nation (or nations) by tracing mostly how much money changes hands. That is the money analysis.

Others try to talk, mostly about how products (and non-products such as land) change hands. That is the product analysis. Gathering the figures is a formidable task in either case. And trying to do both in the same analysis is tougher yet, so Most people try to stay close to one or the other.

The economics study club that I favor tries to hold the product analysis. We think that the money analysis yields some very weird results. This short article can mention only a few:

- * The year's so-called prosperity (GDP) is measured by the amount of money that changes hands. It often counts as gain what most of us would consider loss. One example is the money paid to people for repairing damage from vandalism.

- * Another example is the many attempts to correct the suffering of some group by inflicting unjust damage on another group. The prime example is the juggling of the credit supply by tinkering with the bank borrowing rate.

- * Maybe even worse is the entire so-called Social Security system. As long as the effects on production and distribution are totally left out of the reasoning, the remedies attempted so far have allowed the price structure to adjust so that the gap between rich and poor is growing greater instead of smaller.

The methods of obtaining the funds for old age relief cost the total economy more than the old people get. But that cost is in the form of production which does not occur. Where do you find a bookkeeping entry to show what does not occur?