# SUPPLY SIDE ECONOMICS

Disputes about causes go on and on. The standard school economists (with whom I disagree) are divided almost every way, but few principal fads hold sway at any one time.

More times than not, the leading fad carries the advice to politicians to inflate the money supply, often by the aid of ploys and guises. Always, at the same time, a voice or two in the wilderness is making some warning cries.

During the 1930's, J. M. Keynes rose to fame with his description of demand and supply, and how at that time they were out of balance with each other. Even though it was well known that total production was at a miserable low, (except possibly for some farm crops), it was felt that the problem lay in a general lack of demand; suppliers really could supply if only there were enough people who could buy.

The Keynes theory resurrected, dusted off, and dressed up an ancient emergency measure of running up a deficit in bad times with the hope of paying it off in good times. It just seems those good years for erasing the deficit have not come yet.

Supply side theory is no newer than demand side theory, but until about the last decade, the standard school economists had not thought that supply was any problem. Apparently, each person, in his role as a consumer, felt he could buy all he needed if only he could, in his role as seller of goods or services, get good enough connections with demanders.

Demand siders kept pumping money into the system and each shot seemed to help a little for a short while. When prices settled at their new higher level, the amount of total distress seemed to return to what it was before the shot of money. They then decided it was necessary to maintain a rate of increase of the money supply to keep unemployment down. They never did agree on a suitable explanation of why people could not just produce goods and services for exchange among themselves without an ever-increasing amount of money being fed into the system. As more and more people got government relief, the line needing relief seemed to get longer. To shorten the story, demand siders were not succeeding. The load on the people paying the bill was getting too heavy.

In about the last decade, a few of the standard school economists (who might be correct once in a blue moon) began to suspect all was not right among suppliers. In case your knee jerked just then, I hasten to assure you that I am neither a supply sider nor a demand sider in the common meanings of the terms.

A monetary strategy grew out of the supply siders' thinking:

A tight control of the money supply, allied with tax cuts and reduced spending, was supposed to boost investment, create new jobs, slash the rate of inflation, and establish a new foundation for sustained economic growth..

Due to my laziness, I did not get into print before the 1980 elections to predict the failure of the supply side strategy as outlined by the candidates. I only did my predicting verbally over the downtown coffee table and no one there remembers it.

On the face of it, supply side economics ought to work. By cutting taxes, corporations and consumers are left with larger net incomes with which to buy more capital and durable goods. This in turn should hire more help and do what the demand siders dreamed of.

Then why doesn't it work? The reason both strategies fail is that both leave the original cause of the distress largely untouched except by accident. And even that accident has a better than even chance of being unfavorable. Just any old tax cut has the same effect as just any old spending program: it leaves more money in the system for people to spend on just any old thing including some very anti-productive forms of speculation.

Probably the most anti-productive form is bare land speculation. If goods and services do not keep pace with the amount of money circulating, the result is high prices, high interest rates, high unemployment, low purchasing power, inadequate public services and whatever problems grow directly and indirectly out of these.