Tangential Topics (4/26/2011) Econ 310-008

Principles

- Government policies of taxes, regulation, and uncertainty cause lower growth rates in the U.S.
- Lack of a sound money as well as disrespect for property rights and the rule of law cause low growth rates in developing countries.
- Many economists are afraid of deflation.
- George Selgin wrote *Less Than Zero: The Case for a Falling Price Level in a Growing Economy*, which advocates letting prices fall at the rate of productivity growth.
- As productivity increases, goods can be produced cheaper (e.g., computers). That savings is passed on to consumers through lower prices.
- Selgin believes policies attempting to stabilize the price level can cause asset bubbles.

Growth rates example

- begin w/ $3,000 average income
- country A
    - 6% growth rate
    - 50 years later: $55,260 income
- country B
    - 2% growth rate
    - 50 years later: $8,075 income
    - 6.8x higher standard of living in A vs. B