

Saving is sin, and spending is virtue...

by [Amit](#) on December 12th 2009

Japanese save a lot. They do not spend much. Also Japan exports far more than it imports. Has an annual trade surplus of over 100 billions. Yet Japanese economy is considered weak, even collapsing. Americans spend, save little. Also US imports more than it exports. Has an annual trade deficit of over \$800 billion. Yet, the American economy is considered strong and trusted to get stronger. But where from do Americans get money to spend? They borrow from Japan, China and even India. Virtually others save for the US to spend. Global savings are mostly invested in US, in dollars. India itself keeps its foreign currency assets of over \$100 billions in US securities. China has sunk over \$600 billion in US securities. Japan's stakes in US securities is in trillions. Result: The US has taken over \$5 trillion from the world. So, as the world saves for the US, Americans spend freely. Today, to keep the US consumption going, that is for the US economy to work, other countries have to remit \$180 billion every quarter, which is \$2 billion a day, to the US! A Chinese economist asked a neat question. Who has invested more, US in China, or China in US? The US has invested in China less than half of what China has invested in US. The same is the case with India. We have invested in US over \$100 billion. But the US has invested less than \$20 billion in India. Why the world is after US? The secret lies in the American spending, that they hardly save. In fact they use their credit cards to spend their future income. That the US spends is what makes it attractive to export to the US. So US imports more than what it exports year after year. The result: The world is dependent on US consumption for its growth. By its deepening culture of consumption, the US has habituated the world to feed on US consumption. But as the US needs money to finance its consumption, the world provides the money. It's like a shopkeeper providing the money to a customer so that the customer keeps buying from the shop. If the customer will not buy, the shop won't have business, unless the shopkeeper funds him. The US is like the lucky customer. And the world is like the helpless shopkeeper financier. Who is America's biggest shopkeeper financier? Japan of course. Yet it's Japan which is regarded as weak. Modern economists complain that Japanese do not spend, so they do not grow. To force the Japanese to spend, the Japanese government exerted itself, reduced the savings rates, even charged the savers. Even then the Japanese did not spend (habits don't change, even with taxes, do they?). Their traditional postal savings alone is over \$1.2 trillions, about three times the Indian GDP. Thus, savings, far from being the strength of Japan, has become its pain. Hence, what is the lesson? That is, a nation cannot grow unless the people spend, not save. Not just spend, but borrow and spend. Dr. Jagdish Bhagwati, the famous Indian-born economist in the US, told Manmohan Singh that Indians wastefully save. Ask them to spend, on imported cars and, seriously, even on cosmetics! This will put India on a growth curve. This is one of the reason for MNC's coming down to India, seeing the consumer spending. "Saving is sin, and spending is virtue." But before you follow this neo economics, get some fools to save so that you can borrow from them and spend!!!