
Posted to the Gilder forum - March 18, 2001

Wealth and Money

Sandy:

I think you are confusing wealth with money. Although we express wealth in terms of dollars -- money, wealth is not money. Money is a convenience we created to be able to trade easily, to remove the obstacles to trade inherent in barter. Both wealth and money are created and destroyed. Banks create money when they lend out their deposits. When that happens, the ledgers grow on the asset and on the liability side and no net change of wealth happens and there is no transfer of wealth either. Now you buy one dollar worth of fish in the market and sell it for two in the suburbs and spend 50 cents on gas and whatever. You have created 50 cents of net worth for yourself and the money supply has not changed. You repeat this a few times creating more wealth and not changing the money supply and you become rich. Then you return the loan to the bank. You have just destroyed some money but wealth has not changed.

Also, the aggregate wealth is of no particular use to you, it's like window shopping, you see the candy in the window but you cannot eat the stuff! The only use of aggregate wealth is the fact that life tends to be better in a rich society than in a poor one. Remember what one of the founding fathers said: "The search for individual happiness brings about collective happiness" or something to the effect. This is something that American Liberals don't want to understand. They want to play God. They should just get out of the way and let each of us seek our own happiness. Yes, there is room for charity but if your read your bible carefully, charity does not mean handouts, it means love.

Denny

"Demand creates queues. Supply gets rid of them."

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