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So why are the Chinese saving so much? [1]

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I think we all know that China, or perhaps the Chinese, havs/have a mindbogglingly high savings rate. Something around 50% of GP as compared to our own few paltry percent. Don Boudreaux does a wonderful little piece of intellectual judo in explaining the implication of this [3]:

> If Haltom?s claim is correct, the high household savings in China today is evidence that government provision of welfare substitutes to some extent not only for private provision generally, but also for provision at the level of the household. People are neither as personally irresponsible nor as incapable of planning for and providing individually for their own needs as many today ? ?Progressives? and some conservatives alike ? presume them to be.

Just to lay this out again in all its elegant simplicity.

We currently have a welfare system that provides unemployment pay, health care, pensions and so on. We also have a very low savings rate. That's fine, it just is that way. But when the cold hearted and callous like myself suggest that perhaps we might want to reduce some aspects of that welfare state the cry goes up, but bit, what will people do? There will be no pensions, the old will starve in the streets, there will be no health care, there will be a disaster!

And the answer is that we can actually see what happens when there is not that welfare state. It will be as it is in China. People will, in the absence of a decent welfare system, save their own money in order to provide those highly desirable services to themselves. As, actually, the British working classes did in great numbers through the friendly and provident societies before there was a welfare state.

This is not to say that private savings to provide these things is better than taxation provision of them. Nor that it is worse. And it's entirely possible to argue for a blended system (I certainly would argue for tax financing of catastrophic medical care for example). My point here is simply to show that there really are viable alternative systems: the proof being that such alternative systems do in fact exist.

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