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The consumer failed to deliver last year! [1]

Written by **Sam Bowman** [2] | Thursday 15 December 2011

This week I have been reading*The Consumer Failed to Deliver Last Year and Other Fables* [3], a short (33-page) monograph of essays by Terry Arthur, who has written for [4] the ASI [5] on occasion [6]. The monograph itself was originally published in 1993, but its timeliness has earned it a new edition, published by LCF Research. It's an engaging, enjoyable read, and very ably dismisses some of the myths that pass for received wisdom in most people's understanding of economics and investment.

Terry's great ability is to use simple, step-by-step reasoning to expose bad, confused ideas for what they are. On the idea that interest rates are simply the price of money (which implies that the government can manage them without many problems), he is gentle but brutal. Would you swap 10 packets of cornflakes for 20 tomorrow? Probably. Would you swap 10 packets for 20 in fifty years time? Probably not, if you like cornflakes. You have an internal weighing scales that, in choosing how many extra packets you would want to forgo having them right now, determines your time preference for cornflakes.

Time preference is a hugely important concept in economics, and one that I would wager very few economics journalists are aware of, let alone being able to explain as clearly as Terry. Why is this concept so important? Because, as Terry explains, ignoring it leads to state money printing which drives booms and, inevitably, busts.

The underlying lesson throughout is the sensible and very Austrian view that saving, not spending, is what makes us richer. The latter half of the monograph deals with investment, applying this sort of thinking to what people should actually do with their money. Is risk-taking the only way to reward? Bearing time-preference in mind, there's no reason that that should be the case. Bears (like me) will appreciate the clear-sighted, fundamentals-focused approach Terry takes. It's a very good read, and well worth a look. It's available from Amazon now [3].

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