

April 6, 2020

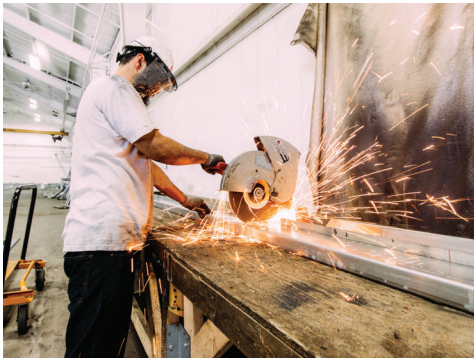
## After the Virus: The Importance of Savings

By David L. Littmann

### Summary

Policymakers and others should consider ways to keep the economy strong.

Main text word count: 738



A powerful economy can help the U.S. meet its challenges.

Americans, at this time, are riveted on containment and conquest of the COVID-19 coronavirus. This constitutes a sensible priority and necessary transition before taking the offensive against an even larger threat. Yet increasing portions of our population are focusing also on the longer-term, far more virulent adversary: Can a nation running \$26 trillion in accumulated debt, atop a total of \$122 trillion in unfunded liabilities, survive?

Citizens are gradually learning the nature of debt impairment: uncontrolled acceleration of annual spending that exceeds all creation of income and assets. The United States is not alone in having ignored this mortal error. Debt impairment has hobbled states and nations across 40 centuries of recorded history.

“Man your battle stations” is the appropriate call to confront the spread of this coronavirus. It is both a defensive and offensive command. At present, it enlists the cooperation of citizens to vanquish an enemy virus by sheltering in place, while, simultaneously, rushing quality medical supplies, health care personnel and scientists to those fronts where the enemy has broken through. They are deploying our finest “ground troops” as reinforcements to treat and cure the afflicted.

As the curve of new cases decelerates and then bends downward, however, America needs to return to its traditional battle stations, namely its workstations. This is an essential facet of our strategic response, because it is the sole option for generating the daily flow of private sector income and public sector revenues that will fortify the key factor for prosecuting our coming challenges and ensuring our future. That key factor is savings.

Savings is the nest egg that insures against the rainy day and affords us choices when faced with unforeseen crises, such as natural disasters, forced retirements, wartime exigencies and pandemics.

At its core, saving embodies the virtues of foresight and thrift, discipline and independence, growth and philanthropy. Economists have known for centuries that the ultimate trend rate of economic growth for a nation, state or community correlates very highly with the trend rate of saving by households and firms. Likewise, the ability of a county, state or nation to prosper by attracting and retaining productive in-migration corresponds largely to prudent budgeting and borrowing.

These are trying times that demand the expertise and cooperation of both government and the private sector. Thankfully, administrative leadership, direction and cooperation at many levels are engaged to blunt immediate threats and losses posed by the worldwide pandemic and market pandemonium. These reactions have been swift and creative, aligning with the best in our history.

However, a disabled economy would cause difficulties that eclipse our efforts in battling the coronavirus. Social unrest, physical debilitation and loss of life are byproducts of prolonged economic downturns.

It is imperative that we now examine ways in which we can ease the full-fledged shutdown of our mighty U.S. economic engine after this lockdown period. Consumer and producer confidence, domestic and abroad, will be leveraged downward to a chaotic extent if we forgo the opportunity to intelligently return productivity to the vast regions in America that lie beyond lingering hotspots of infection. This must occur soon in order to avoid making viruses, now and later, the ally of permanent economic destruction.

The Federal Reserve continues to create monetary liquidity for which there is no corresponding output. Fiscal policy already has become unrecognizable in terms of its handicapping financial futures for many generations of Americans yet to be born. This pattern of profligacy and fiscal irresponsibility must end. Furthermore, we cannot permit opportunistic politicians to seek such crises as another chance to make spending promises to some constituents and place even greater tax and inflation burdens on others.

If we are to counter these forces for economic and financial despondency, then it is essential that America's productive workers and taxpayers demand greater spending restraints and priorities for themselves and even more so for elected officials. The real war must be waged now if we are to emerge victorious on all fronts.

Yes, there is an ongoing war against COVID-19 and on diseases still to come. What gives us renewed hope and confidence that we will win these perpetual battles is our competitive market economy and healthy financial systems provide wealth, talent, diversity, flexibility and motivation to prosecute and learn from our victories. But in the future, our greatest partner in transmitting this winning scenario to the world of the future remains that golden egg of "saving for a rainy day."

#####

**David L. Littmann is the senior economist for the Mackinac Center for Public Policy**, a research and educational institute headquartered in Midland, Michigan. Permission to reprint in whole or in part is hereby granted, provided that the author and the Mackinac Center are properly cited.

**It is imperative that we now examine ways in which we can ease the full-fledged shutdown of our mighty U.S. economic engine after this lockdown period.**

#### Attention Editors and Producers

Viewpoint commentaries are provided for reprint in newspapers and other publications. Authors are available for print or broadcast interviews. Electronic text is available for this Viewpoint at [mackinac.org/pubs/viewpoints](http://mackinac.org/pubs/viewpoints).

Please contact:

**Holly Wetzel**  
Communications Coordinator  
989-698-1927  
[wetzel@mackinac.org](mailto:wetzel@mackinac.org)

140 West Main Street  
P.O. Box 568  
Midland, Mich. 48640

[Mackinac.org](http://Mackinac.org)  
[Facebook.com/MackinacCenter](https://Facebook.com/MackinacCenter)  
[Twitter.com/MackinacCenter](https://Twitter.com/MackinacCenter)