Answer on Question #38085 – Economics - Macroeconomics

Singapore has a saving rate that is roughly three times greater than that of the United States. Its greater saving rate has been one reason why the Singapore economy has grown faster than the U.S. economy. Suppose that if the United States increased its saving rate to, say, twice the Singapore level, U.S. growth would surpass the Singapore rate. Would that be a good idea?

Consumption is very important in the U.S., as it covers a big part of its GDP. The increase in savings is good for the economy, but if it rises sharply, there may be negative effects of it in the short run, the GDP may even decrease. So, such increase would be good, if this change is not so fast and sharp.