STILL 'SAVING THE NATION' TWELVE YEARS ON ?

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Australia's aging population, and the fiscal consequences of mass retirement, is the central justification for current proposals to further reform superannuation. This 'demographic time-bomb' provides the Coalition Government with the opportunity to call for employees to work longer, while the ALP Opposition considers it a justification to increase the superannuation contribution to 15%.

Underlying the current crop of policy suggestions is the original macroeconomic justification for implementing the compulsory superannuation system – raising national savings[1]. Recently Paul Keating reminded us of this, when he argued there was a wider national benefit than simply adequate retirement income levels.

> A further 6% of compulsory savings would not only dramatically improve retirement incomes, it would also substantially lift national savings, for capital formation and dealing with the current account deficit (Keating, 2004).

The call to increase savings has been a unifying theme of the last twenty years of macroeconomic policy, and continues to underpin the current

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1 'Saving' and 'savings' are terms that have caused a great deal of confusion for economists. The confusion mirrors the theoretical debates about how the category of saving should be defined. This paper relies on *the Oxford Dictionary of Economics* definition: "saving is a flow; savings refers to stocks of assets and ways of holding them" (Black, 2002).

concerns about the aging population. Questions about the adequacy of Australia's national saving developed out of so-called 'twin deficits thesis' which posited that lifting public sector savings (i.e. cutting public spending) would reduce the expanding current account deficit. The flaws in the 'twin deficits' response are well known and, not surprisingly, it failed to increase aggregate savings. Faced with that, and with further problems created by high interest rates, the policy to increase savings focused on private sector saving levels.

In the early 1990s, against the backdrop of the introduction of compulsory superannuation legislation, the Fitzgerald *Inquiry into National Saving* (1993) highlighted the 'deficiency' of domestic saving, using international comparisons with high-saving economies. FitzGerald established compulsory superannuation as the solution to deficient levels of saving. Mass retirements potentially mean increased public pension payments (decreased public sector savings) and a reduction in private sector saving, as retirees consume and no longer earn. In macroeconomic terms the scenario results in an increasing current account deficit. National savings falls relative to domestic investment, leading to an inflow of foreign capital. Superannuation is said to boost national savings, offsetting this aging tendency and bringing domestic growth benefits such as lower interest rates and more widely available funds for investment[2]. The argument that constructs superannuation as a panacea for a decline in national savings essentially posits that cross border capital flows are generated by the age structure of a national population.

The central premise of compulsory superannuation was that only forced saving could increase national savings. Forced saving for retirement would increase national savings, by forcing lower income workers, who previously did not save due to inadequate income, to save. The aggregate increase would therefore come, not from tax-preferred substitution between assets (into superannuation) for higher income workers, but from these lower income workers, making sacrifices out of current income.

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2 Assuming that national interest rates can be divorced from trends in international interest rates.

So, twelve years on from the introduction of compulsory superannuation, has Australia's national savings increased? Did a critical macroeconomic benefit eventuate? This paper argues that compulsory superannuation has not increased national savings and is unlikely to do so into the future. This outcome arises from the interaction between an old problem of how saving is defined and the relatively newer process of globalisation. The global mobility of capital means that, not only is saving internationally mobile, but so too are the categories of income and consumption. If this international movement of saving is systemic then balance of payments accounting will struggle to consistently 'offset' these international flows 'in between' the categories that define saving. This is especially the case because the mediators of superannuation savings in Australia are global financial institutions (or industry funds whose asset allocation is managed by global financial institutions) that use these pension assets in their global accumulation strategies.

Compulsory superannuation may be able to target saving but, in the context of these substitution effects and the fact that capital is globally mobile, can it necessarily control the location of savings? We cannot presume that national savings is a 'natural' domestic pool. If this is the case, then the macroeconomic benefit evaporates into a hollow national accounting exercise, a distraction from the main issue which is that pensions have been privatised, leaving 'individuals' personally responsible for their old age.

The Paradox of National Savings

To what extent can superannuation be expected to increase national savings? Widespread evidence is emerging that mandatory pension schemes are not raising the national savings in other countries (Holzmann, 2000). In Australia, while superannuation coverage and assets have dramatically increased, evidence on the changes to the aggregate of national savings remains, at best, mixed. Perhaps the most developed review has come from the Reserve Bank of Australia (RBA), concluding there has been no obvious increase in national saving due to substitution effects between voluntary and forced saving. In the words of the RBA's report:

> Why has there been no discernible increase in private saving arising from the expansion of compulsory superannuation? Part of the answer would seem to lie in the definition of saving. … a significant part of the asset growth in superannuation funds in the past two decades has come from capital gains, which are not included in conventional income and saving aggregates …[.]
>
> Another potential explanation for the lack of impact on private saving is that leakages from compulsory superannuation may have increased, hence explaining the relatively small run-up in net contributions… [.]
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> Another aspect of the original question concerning the impact of superannuation on private savings concerns the potential for compulsory superannuation to displace other forms of saving (Edey and Gower, 2000).

These explanations echo a series of long running economic debates about how national savings are defined and measured – i.e. what economic categories fall into and out of the definition of saving. Keynes deliberately defined saving as a shadow category based on what happened to income and consumption. Following the demise of Keynesian orthodoxy, neoclassical economists have tried to resurrect a supply-side view of savings as the basis for increasing investment and growth, while still retaining the original Keynesian definition. This policy focus on savings lifting investment, plus the continual measurement issues associated with Keynes' definition, has made savings a controversial category in economic theory and policy. It is controversial even if, at a national government policy level, the goal of increasing national savings has been adopted largely uncritically.

Its contested status can be found in a range of debates. For example:

- Some Post Keynesians (Eisner, 1988; Block, 1995) argue that economic activities defined as consumption are in fact investment. On this reading, national savings is higher than we think it is, and possibly not declining.
- Neoclassical economics, based on life cycle saving theory and the permanent income hypothesis, argues the Keynesian consumption function is over simplified (i.e. not adequately distinguishing between voluntary and involuntary saving).

- In national accounting there are also debates about how to add up national savings. Is it best thought of as a stock or a flow? Should it be a net or gross measure (to account for depreciation)? Is it best to measure national savings by adding each institutional sector's saving contribution? That is, to add the saving from households, government, and corporate sector in order to determine the aggregate level. Or is it better to use the balance of payments to define the boundaries of national saving rather than use this addition method?

The first two of these concerns involve the old question of how saving is defined and theorized. But combine these with the third issue, which involves measuring savings in a modern complex 'financialised' economy where capital markets are globally integrated, and we start to get an idea of the increased difficulties with accounting for this aggregate. Saving has always been hard to define. The problem is then exacerbated when it is recognised that income and consumption are globally mobile via trade, foreign borrowing, foreign portfolio investment, foreign direct investment and repatriated earnings. The act of estimating national savings is therefore highly problematic. It involves aggregating saving and offsetting for the international mobility of income, consumption, and saving, by households, corporations and governments.

The difficulty is recognised by the Australian Bureau of Statistics (ABS). Confronted with a growing statistical error on the balancing items for each of these institutional sector's savings contributions, it is using the balance of payments method to measure national savings (Flynn, 1993). National savings is measured as GDP less final consumption expenditure, plus net income and net current transfers from abroad. The contribution to national savings by government, households and corporations are then disaggregated (i.e. in reverse to the aggregation method). In effect, this means the balance of payments measures national savings by tracking, 'at the gate', net income and net current transfers.

The critical issue here is the ability of national accounting to systematically distinguish between foreign savings and national savings. Balance of payments accounting conventions, broadly adhered to by all nations, have rules to distinguish insiders and outsiders – i.e. whose

savings goes into which national accounts. The traditional difficulty with saving being a residual, combined with the increasing statistical discrepancies on balance of payments measures, means that the taxonomy cannot provide a clear measure.

Statistical attribution of savings to nations becomes arbitrary where transnational corporations are pervasive and personal savings are lodged with internationally integrated savings institutions such as pension funds, it cannot be otherwise. Individuals and corporations have an ambiguous national attachment and consequently so too does their savings. The savings of News Corporation, for instance, are officially Australian savings. However, considering that over ninety per cent of News Corporation assets and profit comes from outside Australia, at what point can we say this is Australian savings? Only by virtue of the fact that News Corporation's head office is located in Adelaide has it been counted to national savings in Australia. Next year, when News Corporation has shifted its head office to the United States, its savings will be reclassified as American savings.

International Capital Mobility and the National Saving Agenda

While the distinction between national savings and foreign savings is arbitrary, this does not make it false. Simply, we need to see these national accounting rules for distinguishing insider's from outsider's savings as an interpretation, rather than an objective measurement. Social theorists (Murphy and Rojas de Ferro, 1995) argue that systems of objective measurement, like national accounts, are 'regimes of representation', i.e. a way of presenting evidence through a lens that shapes the results into a particular image. It is an image that problematises some issues (national savings) and not others (old age poverty).

Bryan and Rafferty (1999) have shown that national accounting interpretations of globalisation marshal the evidence into a representation that has a certain logical consistency. National accounting practice represents globalisation as a international flow of economic resources

between discrete nations. Economic activity flows into and out of nations, ever increasing, but never challenging national economic borders. In this world of discrete nations trading, borrowing and lending from each other, the nationality of saving flows is never questioned. The savings are intimately connected with a particular nation and national economy.

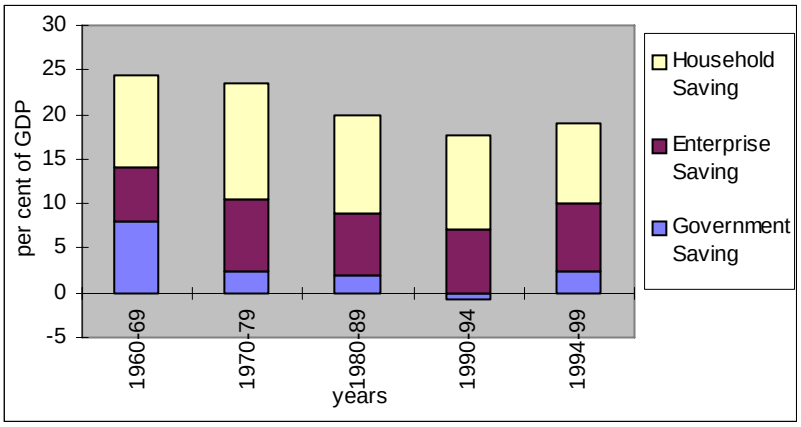
This spatiality of savings has rarely been questioned in economic theory. Nation and saving have been inseparable since Keynes defined saving and helped to establish the national accounting conventions that now measure it (Patinkin 1983). The definition of savings as a national aggregate reflected Keynes' view that accumulation was primarily national (with international transactions as a supplement to national economic activity) (Radice, 1988). So saving occurred within a national economy, its natural 'home-bias' constructed ontologically prior to any discussion about international flows of saving. The close association of savings and national aggregates is best illustrated by the fact that there is no measure for international savings in UN national accounting standards. International flows of saving are more than an exception; they simply do not exist. Once saving leaves its country of origin it ceases to be saving and instead changes form - into foreign direct or portfolio investment, foreign borrowing or lending, consumption of imports, or export income.

On this basis, it is easy to see why macroeconomic interpretations of the health of a national economy have become closely associated with this aggregate level of savings. The close association between a national economy and national savings make it a critical domestic economic aggregate. By the mid 1990s, policy makers in Treasury and the RBA, following the current account deficit and foreign debt scares, saw increased national savings levels as the key to Australia being competitive in international capital markets and keeping foreign debt sustainable. Falling national savings was not an immediate 'problem', but one lying latent for future generations as Australia's workforce ages. On this reasoning the key to future success, or at least not going backwards, was a higher saving rate. Increasing national savings came to be seen as essential for defining, and expanding, the boundaries of

Australian capital markets at a time when capital markets were becoming globally integrated.

Not surprisingly, when it came time to target national savings, the actual policy considered 'effective' implicitly recognised the realities of international capital mobility. After all, debates about which policies work and which do not work in a global economy are debates about economic sovereignty. Compulsory superannuation collects the savings of households and frees up government resources from future expenditure on pensions. Saving undertaken in these two institutional sectors is potentially less internationally mobile than corporate saving (associated with companies like Newscorp). Because they are more 'national', and therefore more easily located statistically, they are targeted as the source of national saving.

Figure 1: Trends in National Savings by Sectoral Contribution for selected periods



Source: Andersen and Gruen (1995: 20); Update: ABS Cat 5204.0

The 1993 FitzGerald *Inquiry into National Savings* made an important contribution in this regard, arguing that the compulsory superannuation measure was best equipped to increase the savings level. On the basis of

the similar evidence presented in the report, as is shown here in Figure 1,[3] FitzGerald argued for corporate saving to be exempted from direct targeting by any government sponsored national saving policy. Because corporate saving fluctuated with business profitability, FitzGerald felt that policies to increase corporate profits were all that was necessary. Meanwhile, FitzGerald's styled evidence suggested that households and government were the main culprits for the decrease in national savings. This finding reinforced the importance of mandatory superannuation, as it cut government spending and increased retirement saving.

Compulsion was the method chosen because it also increased government savings, whereas tax concessions would have decreased government revenue (i.e. offset increases to national savings levels that might have come from households). Compulsion was also important because wages as a percentage of GDP had decreased during this period, reducing the capacity for households to save.[4] With the share of household income decreasing, only a mandatory superannuation scheme was going to increase national savings.

Concerns about national savings and the policy of compulsory superannuation represent attempts to grapple with the implications of increasing global economic integration. The aim is to tap the saving of households and governments because this saving may be more internationally immobile. National governments and households are 'nationally-based' after all. This seems to be a theme, not only of FtizGerald, but also of 'open economy macroeconomics', by which modern economists attempt to understand globalisation (see BIS, 1998). Modeling of international capital flows suggests that the age structure of

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3 Figure 1 shows that government saving decreased from around 8 per cent of GDP in the 1960s to less than 5 percent over the 1970s and 1980s. In the first half of the 1990s government saving was negative, although it recovered to around 4 per cent of GDP in the later half of the 1990s. Household saving also declined, from 15 per cent of GDP in the 1970s to 10 per cent of GDP in the 1990s. Enterprise (corporate) saving has tended to vary with the proportion of the profit share (Commonwealth Budget Statements 1994/95: 2-48). It ranged between 4 and 7 per cent of GDP

4 From 1972 to 1998 real wages as a share of GDP fell from 64% to 56%, at the same time household saving decreased from 12% to 7% (ABS Cat 5204.0 & 5206.0).

a national workforce now determines the direction of cross border flows of capital with other countries. Because workers are generally internationally immobile their saving should determine national savings levels. The retirement savings system is therefore placed at the forefront of national policy engagement with global financial integration.

While the FitzGerald formula implicitly recognises global capital mobility in this way, that does that not necessary mean the strategy is coherent. The FitzGerald approach presumes there is a national pool of savings to be targeted by superannuation policy, but the analysis challenges this notion. If a national savings pool cannot be presumed then the idea that savings levels are low misdiagnoses a problem. That has further implications for the policy solution. If national accounting misconceives the category in the context of global economic integration, then compulsory superannuation may not be able to find a national element of this savings to target. Moreover, even if the most national element of saving can be targeted, raising household saving might prove difficult.

Finding the National Element of Savings in Household Savings?

The initial optimism displayed by Treasury's own retirement incomes modeling (RIM) group was extraordinary, considering the long established difficulties with measuring saving. Table 1 shows the RIM group's predicted impact of the Superannuation Guarantee Contribution on national savings as a percentage of GDP. In its first year superannuation contributions were expected to increase national savings by 0.4 percent of GDP, following a slight reduction to public savings. By 1999-2000 the total contribution was predicted to raise savings by 1.2 per cent. By 2019-20, when Australia's aging population is expected to be of most concern, superannuation contributions are supposed to increase national savings by 3.6%. Considering that the majority of the increase was to come from retirement savings, any review of the trends needs to assess why household savings have not increased in practice.

Table 1: The Superannuation Guarantee's Impact on National Savings

Year	Contribution to National Savings as % GDP		
	Public Saving	Private Saving	National Saving
1992-93	-0.03	0.5	0.4
1995-96	-0.05	0.9	0.9
1999-00	-0.18	1.4	1.2
2004-05	-0.31	2.6	2.3
2009-10	-0.37	3.2	2.8
2014-15	-0.39	3.5	3.1
2019-20	-0.35	3.9	3.6

Source: Gallagher (1997, cited in Bateman *et al*, 2001:205)

Connelly and Kohlar (2004) argue that superannuation contributions have not been fully offsetting declines in net household savings. In particular, households are scaling back voluntary saving to offset superannuation contributions (Bateman, *et al*, 2001). Identifying those mechanisms that are leading to this substitution effect is not straightforward and the subject of significant debate (Department of Treasury, 1999). The mechanisms seem to involve a number of factors: (1) increasingly more household wealth is held in housing (55% of total household wealth); (2) housing is treated as both consumption and saving; and (3) unincorporated enterprises, whose saving was traditionally attributed to the household sector, are becoming incorporated enterprises (increasing corporate saving and reducing household saving). The first two points are related: households are spending more on housing in anticipation that retirement will be taken care of by superannuation.

With so much household wealth tied up in owner-occupier housing, it is crucial to determine which parts of housing expenditure should be treated as consumption and saving. It is an issue that is subject to controversy. Is it housing consumption expenditure or the acquisition of an asset? (ABS, 2003; ABS, 1987).

Broadly, some part of housing associated with the repayment of the principal of a mortgage is treated as saving, while interest payments are treated as service costs (for housing consumption). The situation is further complicated by the fact that most households' saving behaviour anticipates asset appreciation of the house to add to household wealth, even through national accounts do not count asset price changes in their measure of disposable income (ABS, 2003). Household debt as a proportion of disposable income has increased from 40% in 1982 to over 120% in 2002 (RBA 2003:4). Rising house prices relative to incomes have been the critical factor, because the ratio of household debt to assets has remained more stable over the same period – rising from 8% to 16% of household assets (RBA, 2003:5). Indeed, Connelly and Kohlar (2004) found households have increasingly been consuming out of capital gains, funded by increases in household debt. Household saving (if it is not in superannuation) is now embodied in the asset value of the house, with loan repayments being an alternative form of forced saving.

This is a very different form of saving than Keynes had envisaged in his definition and one that the ABS considers significant enough to review its treatment of capital gains (ABS, 2003). How national income accountants choose to regard housing as consumption or saving can have a dramatic affect on calculations of household savings levels. Indeed, in the US a re-estimation of household saving, where the majority of own-occupier housing was defined as saving, almost eliminated the decline in US saving in the 1980s (Block, 1995).

In explaining why superannuation has not increased household saving, the old issue of how saving is defined and measured plays an important role. When we add the newer issue, that this household saving is globally mobile, then an even stronger conclusion follows. The relationship between globalisation and mandatory national saving schemes may mean this national element of this saving cannot be found. Saving can indeed be targeted by national policy, but the saving so generated cannot be captured nationally. With income, consumption and saving all globally mobile, can these savings be 'Australian' savings in anything more than a definitional sense?

To illustrate this argument, consider how household saving can be globalised. It will become apparent that household saving is not

'inherently' national to begin with, because even in its formation there are multiple global dimensions at play. These include:

- international funding of household assets and securitisation;
- internationalisation of superannuation funds and asset managers; and
- internationalisation of superannuation portfolios.

Each aspect will be briefly considered in turn.

International Funding of Household Assets and Securitisation

The important point about housing being a component of household saving is that this savings is funded via mortgages. Mortgage originators and banks, borrowing largely on international capital markets, fund household mortgages. The borrowing can be directly from an international bank, or more commonly through the sale of a financial instrument like a bond or note on international capital markets. Over $130 billion AUD a month is raised on international capital markets through offshore bond sales (Battelino, 2002: 3). It is part of an increasing trend in the financial sector to move borrowing and lending activities 'off-balance sheet', to avoid prudential requirements with the central bank. The loan is effectively sourced from overseas saving, via international capital markets, and used to purchase the housing asset. The repayments on the principal of the loan represents household saving, and is therefore a contribution to national savings, but acquisition of the asset was funded from international capital! We see how the residual definition of saving breaks down and becomes even more problematic as the distinction between foreign and national savings becomes unclear.

Yet the process does not stop there. Banks and mortgage originators are now keen to get the home loans off the asset side of their balance sheet, for the same prudential reasons. They sell the home loans on their books to securitisers. A financial institution collects a series of mortgages from a variety of other financial institutions (and countries) and packages them together into an asset-backed bond (with a credit rating) on international capital markets. The securitiser sells all these mortgages as one asset-

backed bond. These asset backed bond sales on offshore markets were worth almost $50 billion AUD a month in 2002 (Battelino, 2002: 3). Mortgage repayments form the coupon on this new international bond. So, what was considered national saving has now become an internationalized bond, and that national saving has gone offshore.

Ironically, the financial institutions that are most interested in investing in securitised bonds are the other main mediators of household saving. Multinational superannuation (pension) funds invest in asset-backed bonds because they provide regular flow of foreign currency from the coupons and, being asset-backed are therefore less risky.

Internationalisation of Superannuation Funds

The internationalisation of superannuation funds began almost immediately when superannuation savings was mandated. As these funds internationalise, the spatial relations of their capital accumulation are changing. The household savings from Australia's superannuation system becomes pooled with pension savings from households across the world. The pension saving is internationalised as part of these pension funds' global accumulation strategies. That global pool is now worth over $30 trillion US (Walter, 1999).

Internationalisation of the 'Australian' superannuation sector has occurred in a number of ways:

- *'Outward' expansion.* A number of large ('Australian') multinational financial conglomerates involved in funds management moved immediately into superannuation administration, primarily in corporate and retail superannuation funds. Funds like AMP have used access to Australia's compulsory superannuation to expand into the global pension fund market.[5] Increasing industry concentration has also meant

5 AMP provides a case study of this process (Coates 2002). Between 1997 and 2001, following demutualization, AMP expanded internationally, primarily into overseas mandatory contribution pension markets such as the UK, USA, Central Europe and Asia. AMP's role in Australia's defined contribution pension system was used as

that the remaining retail and corporate superannuation funds are generally all global financial institutions, due to economies of scale.

- *'Inward' expansion.* The global pension fund industry is in the grip of a wave of mergers and acquisitions (M&As). This activity is primarily linked to entry into newly established mandatory pension fund markets. From 1986 to 1996 there were over one thousand M&As worth US $36.5 billion. Over 70% of these M&As have been concerned with access to countries that are implementing mandatory defined benefit and contribution pension systems (Walter 1999). The list of APRA accredited superannuation funds is dominated by multinational pension funds[6], indicating significant entry by multinational pension funds (see *http://www.ato.gov.au/*).
- *Functional integration.* Similarly, for the more 'local' superannuation funds, the public sector and industry funds, functional linkages to asset managers and asset consultants provide another means by which the sector is internationalised. The top ten wholesale funds managers are all multinational financial institutions and invest 72% of superannuation funds' assets (Coates, 2003:17).

Importantly, the internationalisation of superannuation funds reinforces the internationalisation of superannuation assets. Qualitative global integration thereby reinforces quantitative integration.

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the springboard to overseas markets. By 1999 this overseas expansion had peaked at 60 per cent of its assets and revenue, leading to board level announcements that AMP was a global corporation. However, following its mistakes in the UK defined benefit pension market, it has scaled back overseas operations and hived off the UK subsidiary.

6 Including Aberdeen Asset Management, Skandia, Barclays, BT, Deutsche Asset Management, HSBC, Macquarie, Mercer, Merrill Lynch, Tower, Schroder, State Street, and Vanguard.

Internationalisation of Superannuation Assets

The internationalisation of Australian superannuation fund assets has been examined in detail elsewhere (Coates, 1997, 2003). Internationalisation can involve the push into overseas securities by superannuation funds, but increasingly it also takes the form of qualitative global dimensions emerging in domestic investments. These effects include:

- International securities as a proportion of total assets increasing steadily to 25 per cent of total assets (APRA, 2003).
- Globalisation of domestic securities. The largest concentration of securities is in 'Australian' equities (40 per cent of total portfolio). Examination of superannuation funds annual reports reveals a concentration of investment in a few key blue chip stocks. More importantly though, these stocks are all in multinational corporations. NewsCorp, BHP Billiton, Rio Tinto, and Lion Nathan (see Coates 2003) are all companies that hold the majority of their assets and revenue outside Australia. The international nature of these companies' operations means they share risk-return features very similar to an international security (with the exception of exchange rate risk).
- 20 per cent of portfolio is in 'domestic' interest bearing securities (bonds). As the discussion above on the securitisation of household mortgages shows, there are multiple ways for a bond to be internationalised and still be classified as a domestic bond (because it is sold on an Australian exchange). A bond sold on an Australian exchange can conceivably, for example, have its income stream paid for by South African, Thai or US home loans.

Instead of a 'home-bias' in superannuation funds investment (and national savings) we see a portfolio – wide global integration of that investment. Indeed, there are then multiple and complex ways that household savings are at once both national and foreign savings because they are globally integrated.

Conclusion

In reviewing why Australian national saving has not increased since the introduction of compulsory superannuation, it has been necessary to show that the policy concern about the low savings levels is tied to global economic integration.

The neoliberal emphasis on taking personal responsibility for one's own retirement income is a national economic policy response to globalisation. Working with Keynes' definition and accounting framework for saving, neoliberals are putting their pegs (supply-side arguments about how to raise savings levels) into Keynesian inspired accounting holes. There is some belief that national savings is still tied to domestic investment, even if in practice globalisation means they are uncoupled. There is a misconceived belief that to increase national savings is to expand sources of funding for domestic investment. A measure like compulsory superannuation that tries to halt declining household saving is an attempt to protect that relationship.

In highlighting this connection between compulsory superannuation and globalisation, we have sought to show the policy is incoherent, and that may explain why the level of national savings has not increased. The lesson is that the national element of savings cannot be easily isolated, even if it is the saving of immobile households that is targeted. This means the intimate connection between domestic savings and domestic investment no longer exists in a world of globally integrated capital markets. Global accumulation has eroded the distinction between foreign and national savings (even investment). So, a policy that tries to find the national element of saving will only locate savings for investment (not national savings for domestic investment). Unfortunately the cost of the policy exercise is a privatised retirement income system. This seems to be a theme of economic policy in the 1990s and 2000s.

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