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Spending Outruns Saving

INDIVIDUAL investors and expert economists seem to have arrived at similar conclusions, perhaps by different methods. Both seem to expect inflation to continue for another year.

A survey of about 50 leading economists by Blue Chip Economic Indicators, an Arizona financial newsletter, produced a consensus that consumer prices will rise by 5 percent in 1984. Other economists foresee increases running as high as 7 percent.

The general public probably didn't depend upon computers and charts to the same degree, but they are saving almost one-third less of their incomes than they were a couple of years ago. Strong competition among lending institutions for personal savings has kept interest rates offered high, but the proportion of disposable personal incomes saved recently fell to the lowest rate in 33 years.

The income tax cut given last year seems to have melted away like ice cubes on a hot day. Predictions that much of that 10 percent cut would go into savings have not materialized. It seems to have disappeared into family budgets instead of into savings accounts.

Prior to President Reagan's economic program, when double-digit inflation was rampant, the notion became prevalent that money should be spent quickly before inflation eroded its buying power further. This idea still may be widespread.

Personal savings of individuals exert considerable influence on the direction the economy may move, just as spending does. With some 30 million Americans holding stock shares in corporations, their buying and selling trends help to set courses for expansions or tightening up of operations in businesses and industries.

Ordinarily, from one-fifth to one-fourth of total personal savings are invested in the stock market. The proportion in bank accounts, time deposits and money market funds runs a little higher.

A comparison reported by U.S. News & World Report shows that Americans put a far smaller share of their after-tax incomes into savings than do citizens of other industrialized nations. The personal savings rate in the United States is less than half that of Japan, West Germany, France and Canada, and well below others.

Explanations include Social Security and other pensions, Medicare and insurance that help to provide security. Another is that inflation itself may be a cause, as well as a result, of fast spending. One economist said: "When people feel wealthier they spend more and save less out of current income."

U.S. News & World Report suggests another reason why personal savings are important: Uncle Sam needs to borrow them to finance the government's $200-billion-a-year deficits. That may or may not be an inducement to save, but there are other good reasons why it may be profitable for individuals to save more.