

THE ECONOMY & YOU

Value of Investment

Today we have a puzzle for you. Suppose you wanted to know how much investment took place in your country last year; or what is the value of the investment that took place over the last 5 years? How would you go about finding that out?

Some of you might be saying, I'd ask the bank, or that's the job of the Statistics Office. And so it is. But in fact, no one would know the figures with certainty – not the banks, not the statistics offices. In order to have that information, every business must report its piece of the whole puzzle. Although these questions have been asked, the answers are not enough to piece the puzzle together accurately.

Estimates are made of course, but as you know, the more solid the information on which you base an estimate, the better the estimate you make. This is an area for a lot of work to be done in the future.

But estimating investment is not a mere game. It is an important area of knowledge about our economies that we cannot be precise about at present. And ignorance is not bliss, contrary to popular sayings.

A businessman many think of investing as putting money into something new – new factories, new machinery, new equipment. It is putting in money now for greater returns in the future. Economists think of investment in this way too. But they must focus on a fundamental aspect of investment, which is that it involves a trade-off between two alternatives to use the resource for immediate consumption, or to use the resources to build and expand the future.

In plain terms: “shall I give up something now, so that I or my children can have more later?”

We all face this decision at some time in our lives. We face it as individuals, as businesses, and of course as a country as a whole. This is the fundamental aspect of **INVESTMENT**.

So it is agreed: we have to invest if we are to grow and develop as a country. But, that’s not the end of it. For you may say: But there is a lot of investment going on around us – hotels, restaurants, roads, telephone cables. And this raises some other questions. Is it enough? And how much of this came from our giving up a little now in order to have more in the future?

Economists would express it this way: How much of this investment comes from “domestic savings”? You may say that we already know that most of our investment is financed from abroad. True; but we still need to know how well we are doing in this area. Are we contributing gradually more and more through domestic savings – our own sacrifices – or is it less and less?

We need to know more about what makes our countries tick. The answers to the questions - How much is invested annually, and How that investment is financed, are very important parts of the puzzle. But to get that information, it is necessary to ask the investors themselves, both in the public and private sectors. Much of this information is obtained in the national accounts surveys conducted annually by the statistics departments.

We began with a question, and we end with several: Are you one of the investors?
Do you fill out the forms accurately? Can you help fit the pieces of the puzzle
together?