

Fallacy of Composition in Economics

Wisconsin weakened labor unions and lowered wages, which caused businesses to relocate to Wisconsin, away from states that had stronger labor unions and higher wages. So it would seem that lowering wages is an excellent strategy for attracting investment. If every state in the US were to do this, then they all would see an influx of investment and improved economic conditions.

When countries devalue their currency, they make their exported products cheaper, which therefore augments the level of exports and increases employment levels. This is obviously a good thing, especially during a recession when there is significant unemployment. Therefore all countries should adopt this strategy of devaluing their currencies, and they will enjoy augmented employment levels as a result.

When countries adopt austerity measures, which lower their living standards, they attract liquid capital investment from overseas, which strengthens their economic position and lays the groundwork for improved economic conditions. Therefore all countries should implement austerity, in order to achieve this influx of capital.