

# ***Growing the Economy vs. Cutting Spending***

*Is there an importance to the priority we place on these ?*

Each of these concepts are extremely important yet it seems that our public thinking is focused almost entirely on cutting spending. Is this a wise thing to be doing ? We need to take a look at what happens to the other issue when we place each one of these singularly as the top priority.

## **Making “Cutting Spending” our #1 Priority**

Our government’s current drastic over-spending is causing the following potentially serious problems:

Serious inflation

Possible loss of the U.S. dollar’s status as the world’s reserve currency

High annual cost to pay interest on our debt, especially when interest rates begin to rise.

Loss of trust in the U.S. dollar internationally

Refusal of other nations to purchase any more of the U.S. debt.

Our government becomes forced to pay much higher interest rates just to get anyone to buy U.S.

T Bills causing a drastic escalation of the interest cost even on the current U.S. debt.

OPEC and other oil exporters to the U.S. no longer accept payments in U.S. dollars

Value of U.S. dollar falls drastically on the world market.

Cost of all imports, including oil, go up drastically

U.S. standard of living falls significantly

These are ten serious problems that we need to put forth all efforts to avoid, and this can only be done by eliminating our government’s budget deficits. This, you would think, gives good justification for why we should be making “budget-cutting” our top priority.

## **The Negative Side of “Cutting Spending” First**

What would happen if we were to be successful in seriously cutting spending ?

Our economy would be further depressed because we now have a “government-funded” economy.

More people out of work would reduce tax revenues and raise unemployment costs thus possibly increasing the budget deficit. It could become a race to see whether we could cut spending fast

enough to stay ahead of the increasing budget deficits. To use an old time

expression to describe this, “the aheader we go the behinder we get”

It should be apparent that with “cutting spending” as our top priority, we are trying to heal a suffering economy by increasing its’ suffering. Kind of hard to win this kind of game.

## **Making “Growing our Economy” our #1 Priority**

If we make “growing our economy” our #1 priority we would need to come up with a new “Pro-Growth” solution. Our government has been seriously working to accomplish this for the last 25 years. Many new legislative improvements have been passed by Congress over these 25 years yet our trade deficit has been continuing to increase almost every year.

An increasing trade deficit means that each year more and more products are being produced in China and less and less are being produced in the U.S. This is where our jobs have gone. How can we turn this around ?

## **Making U.S. Manufacturers Competitive**

One option is to make U.S. manufacturers sufficiently competitive that U.S. retailers would begin placing their re-stocking orders with U.S. manufacturers rather than with their current China suppliers. The problem here is that for many types of products, what is produced in the U.S. for \$100, on a minimum profit basis, can be produced in China for around \$28 on a similar minimum profit basis.

If Congress were to eliminate all taxes, all regulations, all health care costs, and have 2% subsidized loans available to U.S. manufacturers, the \$100 U.S. made product could come down to around \$68. All of these drastic moves, of course, would be impossible to implement. Also this cost reduction would not reduce the cost of the U.S. made product sufficiently to cause the U.S. manufacturer to begin getting the large increase in “orders” needed to make them hire millions of more U.S. workers.

Remember: “Jobs” do not create “Orders” but “Orders” do create “Jobs”.

Bring the “Orders” back and the “Jobs” will follow.

## **The Positive Side of “Growing the Economy”**

If we were to achieve a real pro-growth solution, what benefits would be gained ?

Millions of new jobs would be created

Unemployment costs would go down significantly

Tax revenues would go up significantly

Budget deficit would be drastically reduced even without any budget cutting

Large cuts in “entitlements” morally could be made since the newly “unpaid” people could more likely find a job amongst the millions of newly created jobs.

International trust in the U.S. dollar would go up dramatically

U.S. dollar could maintain its’ position as the world’s reserve currency

U.S. economy would be growing and strong

It would be much easier to build an efficient U.S. government, a strong military, and an “opportunity economy” with this growing economy rather than in today’s dying economy.

Trust and support for our capitalistic, free market economy would be restored.

## **A Pro-Growth Solution**

Following WW II, Japan had used a simple trade policy, the essence of which could work wonders in reviving the U.S. economy. This trade policy would basically only change who does the importing to the U.S. market. The volume of trade could initially remain the same and all current and future tariffs could be eliminated. This would be an excellent first step towards the goal of “Fair Free Trade”.

In summary: The solution is to first bring the “orders” back (the “jobs” will follow), . . .  
then cut “entitlements” & spending.

To see an effective solution to accomplish this go to our website [www.newhopeforamerica.org](http://www.newhopeforamerica.org) and check out the three videos on our “Resources” page.

**3 minute video:** shows why we now have a “government-funded” economy.

**(2) 13 minute videos:** present a unique Pro-Growth solution to bring the “orders” *and* “jobs” back to manufacturers “in” the U.S.