"*Jobs*" . . . *the* Solution

Solving our "job-loss", and illegal alien problems

America is facing three major problems that are seen by most people as separate problems, yet in reality they are tied together economically.

Three major problems we face

1) The U.S. trade deficit and the related loss of U.S. jobs.

2) The illegal alien problem with Mexico

3) The Federal Budget deficit

The trade deficit is essentially caused by the vast differences in manufacturing costs between U.S. manufacturers and those in Asia and India. As more of the products sold in the U.S. are made in Asia naturally less are produced in the U.S., causing the loss of U.S. manufacturing jobs. As these good paying jobs are lost and the synergistic effects of a domestic manufacturing base (see page 2) are thus lost, the tax revenues for the government are greatly reduced. In addition to this, the demand for government unemployment benefits increases thus making the budget deficit almost a certainty.

The illegal alien problem with Mexico results from the U.S. trade deficit with Mexico. Today, the final-product manufacturers of Mexico are enjoying a $30 billion trade surplus with the U.S. This $30 billion trade surplus can only exist if the *value produced* in Mexico exceeds the *value consumed* by $30 billion. In other words the workers of Mexico are being forced (through low wages) to consume $30 billion *less* than they produce each year. By crossing the Rio Grand illegally they can become part of an economy where the workers of America are consuming $600 billion *more* than they produce as evidenced by the U.S. trade deficit. Again we have a serious problem caused by our trade deficit.

If *balanced trade* could be achieved with Mexico, production and consumption in Mexico would be forced to be *equal* thus creating a dynamic and growing middle class (See the "Law of Balanced Activity" on page 3). Given this, the majority of illegal aliens would most likely choose, on their own, to return to Mexico and the "illegal invasion" would essentially end other than for the drug dealers and terrorists.

It should be evident that if we could solve our nation's trade deficit problem, i.e. somehow achieve *balanced trade,* that we would be well on our way to solving all three of the major problems listed at the beginning of this essay. This of course assumes that Congress could somehow restrain itself from spending the new-found revenues.

As much as we may desire *balanced trade* it is not about to happen as long as our nation's focus for trade policy is *free trade*. The free-market forces, unleashed by *free trade,* are actually the very things that are driving our nation's trade deficit in the opposite direction i.e. towards larger and larger trade deficits. It should be obvious to all that to ever achieve *balanced trade* we will first have to forget the failed concept of *free trade* and focus on a new trade policy that can bring our nation's trade into balance. (See page 4)

How to increase tax revenues to balance the Fed. budget.

Manufacturing Synergy

The synergistic effects of a domestically based manufacturing economy

In recent years there has been much discussion about the U.S. making a transition from a manufacturing based economy over to a service based economy. In most instances the predominant point of view seems to be that such a shift in the U.S. economy will be of little consequence. As consumers, it is quite easy to look at all of the extremely low cost products being imported from China and think that the direction our economy is heading is really very good.

However if we put forth the effort to look beyond this consumption binge we are on (i.e. consuming over $600 billion more than we produce) we will discover a rather different situation. To simplify this overview let us assume that the U.S. has *no* international trade and thus all of the products sold in the U.S. are produced in the U.S. We can picture the U.S. as being made up of thousands of economic communities which are geographic areas within which people live and commute to work and go shopping.

In each of these economic communities very likely over ninety-eight percent of the products sold are *not* produced in that economic community. Thus as the retail stores and service centers sell products out of their inventory they will need to order more products from their out-of-town suppliers. As these new products arrive the retailers and service centers will have to send money out of their economic community to pay for these new products. This money then becomes the monetary "fuel" for their supplier's local economic community.

The suppliers (i.e. manufacturers) use this money to pay their workers their net pay *plus* the related payroll taxes. These workers then go out to the stores in their local economic community to purchase their personal needs. This in turn provides the money that the stores need to pay their employees their net pay *plus* the related payroll taxes. All of these consumers in this supplier's local economic community will be buying products produced in other economic communities around the U.S. which in turn will be providing the monetary "fuel" to keep those economic communities functioning on a healthy basis. Remember, this includes paying all of the synergistically increased payroll tax revenues.

As you can see there is a very synergistic effect when a nation's economy can be built on a domestic manufacturing base. It is the manufacturers that are the principal providers of the monetary "fuel" that is needed to keep an economy functioning. The more healthy a country's manufacturers can be the greater will be their ability to increase their out-put and quality which then becomes the basis for an increasing standard of living and that nation's ability to defend its freedom.

If *balanced trade* is introduced to this country's economy the manufacturing jobs lost to imports would be offset by an equal number of jobs involved in producing the products for export. Thus the synergism described in the "*no-trade"* example above would still be functioning. However when a nation experiences a massive trade deficit, as the U.S. is today, this synergism is lost.

When the retail stores in the first economic community mentioned above begin to order their new products from overseas the money to pay for these products is sent to their overseas suppliers. As a result, all of the synergistic effects of manufacturing begin to take place in the supplier's country. and the U.S. economy, *and* government tax revenues lose the powerful economic benefits that result from the synergism of a domestic manufacturing base.

"Economics 101"

The Law of Balanced Activity

(One of the most powerful economic laws controlling the development of nations)

In cases where a nation has "*no"* international trade" or has "*balanced trade*" :

> *"Workers must be paid enough and product prices must be low enough that the economy can function. When this is done, the value produced and the value consumed will be equal."*

In terms of consumer goods; in a nation *without* any international trade, obviously consumers can not buy more than what has been produced. Also manufacturers can not produce more than what is being purchased other than creating a temporary inventory "bulge". Production and consumption will thus be equal.

When international trade is introduced that is *balanced trade*, the value of production that exceeds consumption (i.e. the amount exported) is offset by an equal value of imports thus raising consumption up to be equal to the value produced.

In both of these cases, (i.e. *no* trade and *balanced* trade), as that nation's manufacturers make progress by investing in better machines, tooling, and product design so their workers can produce more value per worker; they must pay their workers more so that consumption can rise to equal the new higher values produced. Thus as the manufacturing capability of that nation rises so too will the standard of living for the workers of that nation.

Unbalanced trade however, breaks this "Law of Balanced Activity", thus the manufacturers of the trade-surplus nations no longer have to pay their workers enough to be able to buy the same value that they produce. Instead, wages are kept excessively low and a large percentage of that nation's production can be shipped to the U.S. where it can easily be sold at a much higher price. The value of that nation's trade surplus, *minus* the cost of parts and material, winds up "in-the-pockets" of the final-product manufacturers and the government of that trade-surplus nation.

These final-product manufacturing companies of the trade-surplus nations are obviously owned by businessmen of that country, but today more and more of these business owners are U.S. business-men. Together they are becoming very rich "on-the-backs" of the poor workers of the trade-surplus countries.

Taking a look at the U.S. side (i.e. the trade deficit side), we find a nation that is selling-off the ownership of it's capital assets to these foreign manufacturers to pay for the trade-deficit goods we receive. We have become a wealth-consuming nation.

In 2012 the U.S. will likely consume over $600 Billion *more* than it produces which was the value of our trade deficit. This luxury living that we enjoy so much is being produced *on-the-backs* of the poor workers in the trade-surplus counties. The culprit in this immoral situation is the U.S .Federal Government which is allowing the manufacturers of the trade-surplus countries to break the "Law of Balanced Activity" by allowing *unbalanced* trade to exist between our trading-partner nations. The basic cause of this is our free trade policies.

Trade... the problem and the solution

Very few people have had the chance to run a manufacturing business and to see first hand exactly how the low-cost ($2.00/hr) foreign competition is making it almost impossible for U.S. manufacturers to survive. I'd like you to imagine that you have invested a lifetime of work in building up your manufacturing business and find yourself now facing the following situation.

The problem:

Your U.S. customers have found that the only way for them to have competitive prices is to send their re-stocking orders to your low-cost competitors in China.

As long as your customers have the right (because of free trade) to import types of parts that they ***don't*** make (i.e. what you produce), they will be *forced* to buy their needed products from your foreign competitors in order to try to keep their selling prices competitive. As a result you either go out of business or send your jobs to China.

If our nation's trade policy required that U.S. businesses could *only* import the type of products that they ***do*** make, then your customers would no longer be able to import the type of products that *you* produce.

The Solution:

U.S. businesses can only import the types of products that they actually ***do*** *manufacture . . .*

and . . .

each manufacturer's import percentage of their own sales would be limited to the current import penetration of that particular product market.

The import percentage *freeze* needs to be done so that the U.S. manufacturers do not import 100% of their sales. Also this prevents any further loss of U.S. manufacturing jobs.

Today's so-called U.S. manufacturers, that have already sent *all* of their production jobs overseas, would be given a few years to once again begin manufacturing the required domestic percentage of their sales in the U.S.

With this new concept for trade policy, all U.S. manufacturers would be *included* in the import-economy rather than being *left-out* as so many are today. U.S. manufacturers would also be able to invest for the future and keep their jobs *in* the U.S. rather than continually sending more and more jobs overseas every year as *free trade* is forcing them to do today.

After allowing a couple years for adjusting to the new policy, we could begin to gradually reduce the allowed import percentage to cause a measured transition to ***balanced trade***.

Once this new trade policy concept is implemented, foreign manufacturers would no longer be able to take sales away from manufacturers in the U.S.. We would have created the much sought after "level playing field" for the manufacturers of America, and we would be able to unilaterally *eliminate* all present and future U.S. tariffs.

To find out more about this interesting new trade policy concept, contact The New Hope for America Foundation. We have material available that will explain how this new concept can solve our job-loss problem, plus show how this new concept can solve much of our *illegal alien* problem with Mexico, and go a long way towards solving our Federal budget deficit problem.

See our website, "newhopeforamerica.org" for an effective solution.

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