

The “Slippery Slope”

America’s “Debt-Death Spiral”

What it is, how to get out of it, and create millions of new Jobs

The “Pre-Trade-Deficit” Economy

About 40 years ago, in our “pre-trade-deficit” days, most everything sold in America was made in America. As a result, retail’s restocking orders were sent to manufacturers “in” America. This provided millions of manufacturing jobs. This payroll money was spent in the employee’s home town. Each \$1.00 of manufacturing wage then circulated and became an additional \$3.00 in wages in the local retail and service sectors. Thus the original \$1.00 in manufacturing wage, because of the “money multiplier” effect, became approximately \$4.00 in spendable and taxable wages in this town before retail sent the money “out” of town to buy more products to sell.

We had a “manufacturing based” economy that did not require any government stimulus money to keep it going. Government was a passive participant, and the U.S. economy was healthy. Our economy was self-sufficient and essentially in “perpetual motion”.

“Free Trade” Begins

About 40 years ago our GOP leaders began promoting “free trade” policies. Because of the vast differences in manufacturing costs around the world, free trade has become a serious burden “riding on the back” of capitalism in the U.S. It has caused millions of jobs to be sent overseas. Free trade is *the* basic cause of our depressed economy.

With this heavy burden, U.S. capitalism can not survive. Just look at the ever growing trade deficit we’ve seen over the last thirty years. Today, a typical product that we manufacture in our U.S. factories and sell for \$100, can be made in China, on a similar “minimum profit basis”, for around \$28. The result of this cost differential is that the “orders” and the “jobs” go to China. Remember, “jobs” always follow the “orders”.

Manufacturing Payroll - the “Economic-Fuel”

Manufacturing brings money “in” to their local economic communities from around the world. The payroll portion of this money becomes the “economic-fuel” for that local economic community. We have lost over 8 million U.S. manufacturing jobs over the last 25 years. This lost payroll money had been the “economic-fuel” for our economy. It has been replaced by government deficit spending, and as a result, we now have a “government-funded” economy.

Cutting Spending

Most people agree that spending must be cut. And by “spending cuts” we’re not talking about cuts in the growth rate of spending, but real cuts in last year’s over-spending. All of the proposed spending growth should be thrown out, and only then can we begin talking about real spending cuts.

However, now that we have a “government-funded” economy, real cuts in spending will seriously depress our economy even further. This could put even more people out of work,

further reduce tax revenues, and increase unemployment costs. As a result, these spending cuts could actually produce no reduction in the budget deficit, and perhaps even increase it.

An Important Basic Principle

We need to get away from government deficit spending being the “economic-fuel” for our economy and get back to a “manufacturing-payroll-funded” economy.

A “Pro-Growth” Solution

We believe that this “economic-fuel” problem can be solved using a simple trade policy concept that Japan used following WW II. This policy would permit the U.S. to unilaterally eliminate all tariffs, give U.S. manufacturers a level playing field, create millions of new jobs, greatly increase tax revenues, and force China to want to buy more exports from the U.S. All of this could be accomplished without the need for any QE’s or government stimulus money.

As manufacturing payroll is phased back “in”, we could then eliminate an equivalent amount of government deficit spending without any further depressing of our economy. A real pro-growth solution. Our proposed “pro-growth” solution is presented in the three videos available on our website, www.newhopeforamerica.org , and briefly explained below.

3 Minute Video: Why we have a Government-Funded Economy

This 3 minute video explains, very simply, how an economy functions, and why we now have a “government-funded” economy. Because of this, we will continue needing more and more “Quantitative Easing” money (QE’s) since this government-funding has become “economic-fuel” for our economy. Also as our national debt keeps rapidly rising, the cost to service that debt keeps growing, again requiring ever larger QE’s. This will continue us on the **“debt-death” spiral** that we’re on until the dollar and our economy totally crash.

(2) 13 Minute Videos: the “Problem” and the “Pro-Growth” Solution”

We need to get off of this “debt-death” spiral and the only way that this can be done is with a pro-growth solution that can bring the “orders” back to manufacturers in the U.S.. In contrast, the GOP’s “spending-cuts” solution, as important as it is, is still an anti-growth solution .

The new trade policy proposed in these videos would permit the U.S. to unilaterally eliminate all tariffs, revive our manufacturing base, create millions of new jobs, increase U.S. exports, and greatly increase income tax revenues, all done without the need for any government stimulus money.

Our Challenge

We seriously need to get away from our current “how to create more jobs” thinking over to “how to bring the “orders” back to the manufacturers *in* America”. Do this and we would have millions of new manufacturing jobs, and a booming economy.