

A Balanced Budget and the Trade Deficit

There is an important question having to do with the relationship between the budget deficit and the trade deficit that no one seems to be talking about.

A Balanced Budget

The GOP is working to reduce our government's budget deficit with the hope of eventually getting to a balanced budget. This is basically a very good goal because it will put an end to the growth of our national debt, and help to strengthen the dollar internationally, however the GOP is overlooking an additional very important factor.

The Big "Drain-Hole"

No one is looking at our monstrous \$600 billion trade deficit that is "draining" \$600 billion out of our economy each year. It is common sense that unless we replace that lost \$600 billion each year with a corresponding \$600 billion increase in our money supply, that our economy will eventually run completely out of money. Of course this increase in money supply will have the unwanted negative impact of increasing our national debt.

Our Government-Funded Economy

A balanced budget, i.e. money-in equals money-out, does not provide the increase in the money supply that is needed to replace the \$600 billion trade-deficit dollars we're sending overseas each year. In other words, if we want to keep our economy going, we must have a budget-deficit at least as large as the trade-deficit so we don't run out of money. What we are essentially saying is that we have a "government-funded" economy. If we only reduce the deficit spending without eliminating the "drain-hole" of our trade deficits, we will be de-funding the economy which will cause additional jobs to be lost.

Solve the Trade Deficit First

What we really need to do first is to solve the trade deficit problem by bringing the "orders" and "jobs" back to the manufacturers in America. Then as the trade deficit problem is solved, the new private sector manufacturing jobs created would be available to replace the jobs lost by the subsequent budget-cutting.

Please check out the videos on our website www.newhopeforamerica.org to see how this can be done.