

“Economic-Fuel”

Some years ago the University of Illinois had done a study and found that each \$1.00 of manufacturing payroll that is brought into a local economic community, becomes over \$3.00 in local retail, service, and supplier wages, before retail sends it “out” to buy more products to sell.

Thus \$1.00 of manufacturing wage becomes over \$4.00 in total spendable and taxable wages in that community. Take the \$1.00 away and we lose \$4.00 in spendable and taxable wages.

Because of this “jobs-multiplying” effect of manufacturing payroll dollars brought “into” a town by a local manufacturer, manufacturing payroll can be seen as the basic “economic-fuel” for that town. By extension this “economic-fuel” principle applies to our entire economy. Remember, manufacturers bring the money “in” and retail sends the money “out”, while local businesses in that town “circulate” the money.

Now, having lost over 8 million manufacturing jobs since President Reagan’s time in office, we have lost a large part of this very important “economic-fuel” input. These “incoming” manufacturing payroll dollars have been replaced by government “deficit-spending” dollars. We thus now have a “government-funded” economy.

Instead of the manufacturing employee going out and starting the economic cycle by spending his paycheck, we now have that person going out and spending his check from the government. The money from these government checks circulate in a similar manner as the manufacturing payroll dollars did, thus each \$1.00 becomes over \$4.00 in spendable and taxable wages.

As a result, cutting \$100 billion in government spending (i.e. checks to people) could result in a loss of \$400 billion spendable and taxable wages in the economy. The “jobs-multiplying” effect is the same whether it be manufacturing payroll dollars or government spending dollars that are the start of the “economic-cycle”. Thus the taxes lost from the resulting loss of \$400 billion in wages could equal the \$100 billion in spending cuts netting no reduction in the budget deficit.

It comes down to making a choice. Do we want to fund our economy with the real “economic-fuel” of manufacturing payroll dollars making a balanced budget possible, or do we want to continue deficit spending to provide a “counterfeit” economic-fuel for our economy. As long as we continue going the “counterfeit” economic-fuel route we will need to continue with never ending QE cycles. Its a choice waiting for our leaders to make. Who’s going to take the lead ?

If we want a real solution that could eventually eliminate the need for deficit spending, we will have to come up with a way to bring the “orders” back to the manufacturers in America. When the “orders” come back to the manufacturers “in” America, the “jobs” and “payroll” will follow. “Jobs” always follow the “orders”, never the other way around !!!

To see where the “orders” and “jobs” are going today, just go to any store and look for the “where made” labels. You’ll be hard pressed to find a “Made in the USA” label. Please see “www.newhopeforamerica.org” for a new concept on how to solve this serious problem.