

Prosperity for Americans

How an Economy Works

Within each economic community in America, in most cases, we have manufacturers shipping product “out” and bringing money “in”. The retailers in each community do the exact opposite, i.e. they bring product “in” and send money “out” to pay for the goods they received. When both sides of this economic community, i.e. manufacturing and retail, have a healthy environment to do business in we can have a prosperous America.

How can we measure the health of our economy in light of this “manufacturing/retail” relationship? The simplest way is to compare “orders” received by the manufacturers against the restocking “orders” placed by the retailers. If this comparison is fairly well balanced we have a healthy economic environment. This relationship remains critical even when we introduce international trade into the “game” of business.

When we have international trade, this important “manufacturing/retail” relationship can remain balanced *only* when we have balanced trade internationally. When we have a large trade deficit as we do today, we find that the great loss of “orders” received by manufacturers in the U.S. is causing a large reduction in the money coming “in” to the economic communities of America. This is causing a severe recession in the U.S. economy.

Stimulus Money

Our Federal Government is trying to compensate for this loss in manufacturing dollars coming “in” to each economic community by adding stimulus dollars to the economy. Our economy has thus become a “government-funded” economy. The problem here is that very soon after these dollars are added to the economy, the people receiving these dollars spend this money at the stores. These stores then send this money to China to pay for more goods to restock their shelves. This results in even more stimulus money being needed just to replace the “lost” trade deficit dollars and to keep the economy going.

The Rich and the Poor

Today we find America’s middle class disappearing and the wealthy becoming even more wealthy. Why is this happening? America’s middle class has been, for the most part, the working class. They have been the ones doing the physical work in the trades and in manufacturing. Millions of these jobs have been sent to China and other low-waged nations. While these middle class people are now out of work, the rich business owners are benefiting from the higher profits now possible because of their lower manufacturing costs.

These rich business leaders are often accused of being “greedy”, which some very well could be, but the main reason for them sending their manufacturing jobs to China is that free trade forces them to do this. It’s all part of the game of competition in business. Customers shop for the best

value at the lowest price. With the extremely low manufacturing wages in China, most U.S. manufacturers can not produce their products at a competitive price. Thus stores in the U.S. are forced to place their restocking “orders” with manufacturers in China.

As long as we allow free trade to force the manufacturers in the U.S. to have to compete with the low-waged manufacturers of Asia we will continue to see the “orders” for manufactured goods being sent to these low-waged countries. The result . . . a depressed economy needing a continual input of “budget-deficit” stimulus dollars to avoid a total collapse of the economy.

A Note of Caution

As much as we want to see an end to “deficit spending” this “pretend” money is actually needed to replace the trade-deficit dollars sent overseas each year. We actually need budget deficits each year equal in size to that year’s trade deficit so our consumer economy doesn’t run out of money.

The spending cuts that appear so critical to eliminating the budget deficits will actually be detrimental to our economy. The spending cuts will cause a serious reduction in the government funding of our economy which will cause a further deepening of the recession. This in turn will cause a further reduction in tax revenues. It is possible that the tax revenue reduction could exceed the spending cuts which would then result in an even larger budget deficit. A rather unanticipated consequence for those promoting budget cuts as their #1 solution for our hurting economy.

More “Orders” from More Exports

Some say that we can create the needed new jobs by increasing exports. This sounds good but there is a serious flaw in this thinking. If U.S. manufacturers are losing the game here at home where our products have *no* ocean freight burden and our foreign competitors *do* have this freight burden, how can we expect to “win” the game overseas where the burden of ocean freight is reversed ?

The Solution

If we want to get our economy going again we will have to concentrate on getting the store’s restocking “orders” to be sent to manufacturers in America rather than to China. Without this significant increase in “orders” the manufacturers in America will be unable to provide the millions of new jobs that our nation needs.

Please check out our website, www.newhopeforamerica.org, to see a proven free-market solution to this problem. A solution that would permit the U.S. to unilaterally eliminate all tariffs, create a level playing field for manufacturers in the U.S., and increase exports, as we bring our manufacturing jobs back home.