

America Needs a Divorce

by [disrael](#)

Sun Jul 05, 2009 at 09:06:34 AM PDT



When we first got married we thought we needed cheap labor. Now, with so many unemployed, we definitely don't. Yes its true, that currently, we still need foreign oil but many of our major trading partners like China and Japan don't have any oil to give us. When we first got married we thought we needed competition and diversity. But back in 1970 we had a population of 200 million and a white male dominated society. Now we have a population of 300 million and a much more heterogeneous culture.

But the real problem is, that after almost 40 years, your love is destroying us. Sure we are calling it a "financial" crisis to keep up appearances but its really a crisis caused by a deficit in the trade bedroom.

That enormous trade deficit caused a build up of cash in China and Japan and in order to serve the interest payments on that cash we had to keep very low interest rates. And those very low interest rates caused [this](#)

the average loan balance began at almost \$223,000. But in the liquidation sale, the property sold for \$144,000 less, on average. Perhaps no other single figure shows how wildly the mortgage mania pumped up home prices.

[disrael's diary](#) :: ::

And there is the soaring income inequality in China and America. All that cheap labor caused a break down in the normal American relationship between people who do real work and those who do not. Caused America to become a nation of bankers, lawyers and real estate agents. Japan had its "lost decade" and if we are honest America has had, in terms of employment and the stock market, its lost decade also - [1999 - 2009](#).

In short its not working. But you already [knew that](#)

"Chinese assets are very safe," Geithner said in response to a question after a speech at Peking University, where he studied Chinese as a student in the 1980s.

His answer drew loud laughter from his student audience, reflecting scepticism in China about the wisdom of a developing country accumulating a vast stockpile of foreign reserves instead of spending the money to raise living standards at home.

The question is not [if we should divorce](#)

This Monday, the U.S. International Trade Commission, in a 4-2 vote, recommended the imposition of punitive duties on Chinese-made tires. This "Section 421" case now goes to the desk of President Obama. If he gives his OK and the special duties go into effect, some foresee a trade war with China. One analyst, Daniel Ikenson of the Cato Institute in Washington, called the case "High Noon for U.S. Trade Policy."

For one thing, economies around the world are delinking. In March, the normally optimistic World Bank said global economic output will contract this year for the first time since World War II, and that international trade will decline the most it has in 80 years. Globalization, which once seemed irresistible, is going into reverse.

Menu

[Home](#)

[Diaries](#)

[dKosopedia](#)

[Search](#)

[Create account](#)

[Login](#)

[Lose Your Password?](#)

disrael's Blogroll

[Peak oil](#)

Advertising

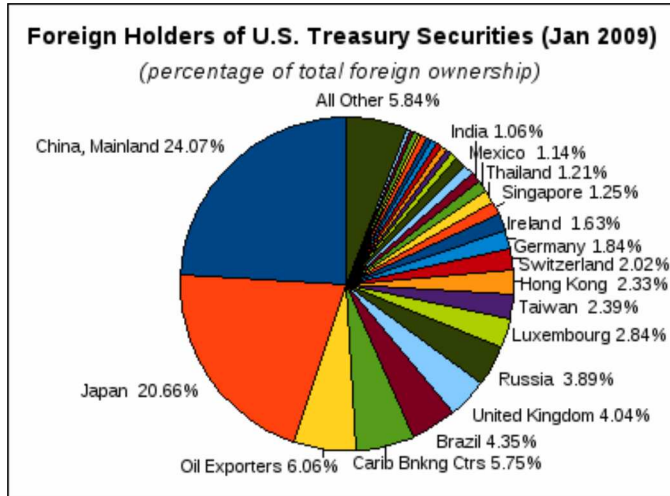
Premium Ad

[Advertise here!](#)

but how. See even though we both know a divorce would be for the best its really not clear how I will **make the payments**

US Gross Debt as % of GDP

1970	37.6
1980	33.3
1990	55.9
2000	58
2005	64.6
2007	65.5
2008	74.6
3rd Quarter of 2009	82.5



This and not some bizarre "psychological" element that full of shit David Brooks was **impressed by** is what is holding us together

The agent provocateur was Niall Ferguson of Harvard. China and the U.S., he argued, used to have a symbiotic relationship and formed a tightly integrated unit that he calls Chimerica.

In this unit, China did the making, and the United States did the buying. China did the saving, while the U.S. did the spending. Between 1995 and 2005, the U.S. savings rate declined from about 5 percent to zero, while the Chinese savings rate rose from 30 percent to nearly 45 percent.

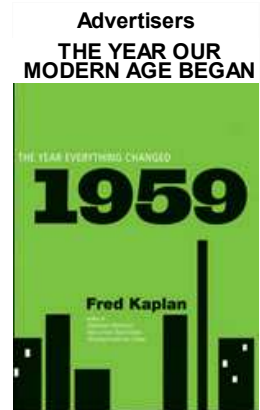
This savings diversion allowed the Chinese to plow huge amounts of capital into the U.S. and dollar-denominated assets. Cheap Chinese labor kept American inflation low. Chinese efforts to keep the renminbi from appreciating against the dollar kept our currency strong and allowed us to borrow at low interest rates.

During the first few years of the 21st century, Chimerica worked great. This unit accounted for about a quarter of the world's G.D.P. and for about half of global growth. But a marriage in which one partner does all the saving and the other partner does all the spending is not going to last.

The frictions are building and will lead to divorce, conflict and potential catastrophe. China, Ferguson argued, is now decoupling from the United States. Chinese business leaders assume that American consumers will never again go on a spending binge. The Chinese are developing an economy that relies more on internal consumption.

Good god please see the video **for yourself** - Fallows is out of his mind.

That environmental issue that Fallows vaguely refers to is the fact that Chinese manufacturing is the most CO2 intensive in the world. In the summer in China a **giant black cloud** of soot covers the sun for months on end.



In his new book **1959**, Slate columnist **FRED KAPLAN** argues that the world as we know it was born in that *pivotal year*. From the microchip, birth control pill, and the start of the jet age to new artistic and racial freedoms, the events of 1959 **set the stage** for all that has followed.

[Read more...](#)

SEIU.org Sponsored Headlines



Nebraskans Greet Sen. Johanns...And His Staff Calls the Cops.

End the war on home care
Senate HELP Committee Releases Complete Health Care Bill

Mandatory overtime a thing of the past for PA direct care workers

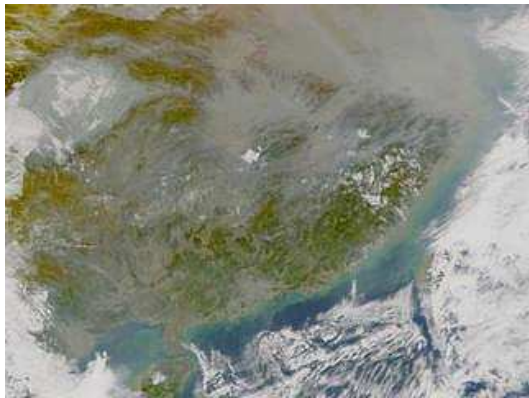
HAARM: Takin' It To The Streets
Sharing Responsibility, Ditching the Chamber

You Ask, The President Answers

Sponsored by **SEIU**

[Read more...](#)

[Advertise here](#)



Now you have to be crunchy beyond all belief to think this is the main problem with US Chinese relations but in case you are crunchy beyond all belief I mention in passing that as long as manufacturing can be sent to China the US CO2 legislation is quit literally up in smoke.

Although I don't see at this point why economists have any higher professional regard than lawyers or bankers, [here is Peter Morici](#) for those that still prefer

Ultimately, if President Obama continues to ignore the trade deficit and paint those who see this threat as protectionist, his policies to pull America out of recession and avert economic decline will fail. The economy's most fundamental structural problems are the destructive consequences of Chinese protectionism and the President's failure either to see this threat or his lack of will to address it.

In conclusion we want a divorce. If any of the DKos children have torn yourself away from Sarah Palin and Iran long enough to notice the marital difficulties, please comment on how to best end this marriage amicably.

Tags: [economy](#), [global trade](#), [China \(all tags\)](#) :: [Previous Tag Versions](#)

[View Comments](#) | 15 comments

Classifieds

No child should drown in a pool

It happens every summer. A toddler falls or jumps into an unattended pool and drowns. It's a preventable tragedy. It should never occur. There's an item called Pool Protector that is portable and light weight and sounds an alarm if a tot or a pet falls into an unsupervised pool.

Check it out at <http://www.yoursecurityandsafety.com>
No one should ever have to bear the burden of a child drowning in their pool. How much is peace of mind worth? Stop worrying about your child or grandchild.

Act now.
[Read more...](#)

Senator Barry Goldwater

For a real look at the man watch Mr. Conservative Goldwater on Goldwater on video done by his granddaughter.

[Read more...](#)

[Advertise here](#)



Now playing on
Daily Kos TV:



Despite Fox hype, turnout shrivels at July 4 teabag parties



Schumer: "Make no mistake...there will be a public option"



Flashback: "Getting to know" Sarah Palin



Palin spokeswoman: "This is a fighting move"

[More at DailyKosTV.com](#)



[Support Bloggers' Rights!](#)

Candidates

[Blue Majority Candidates](#)

 [Daily Kos homepage](#)

© Kos Media, LLC

Site content may be used for any purpose without
explicit permission unless otherwise specified.

"Kos" and "Daily Kos" are registered trademarks of Kos Media, LLC

[Privacy Policy](#)

Powered by [Scoop](#).