Some Links

by Don Boudreaux on April 12, 2011

in Balance of Payments,Myths and Fallacies,Regulation,Taxes,Trade,Video,Work

Dan Griswold's latest, data-rich study on the U.S. trade deficit is a must-read. Here's the abstract:

A nearly universal consensus prevails that the goal of U.S. trade policy should be to promote exports over imports, and that rising imports and trade deficits are bad for economic growth and employment.

The consensus creed is based on a misunderstanding of how U.S. gross domestic product is calculated. Imports are not a "subtraction" from GDP. They are merely removed from the final calculation of GDP because they are not a part of domestic production.

Contrary to the prevailing view, imports are not a "leakage" of demand abroad. In the annual U.S. balance of payments, all transactions balance. The net outflow of dollars to purchase imports over exports are offset each year by a net inflow of foreign capital to purchase U.S. assets. This capital surplus stimulates the U.S. economy while boosting our productive capacity.

An examination of the past 30 years of U.S. economic performance offers no evidence that a rising level of imports or growing trade deficits have negatively affected the U.S. economy. In fact, since 1980, the U.S. economy has grown more than three times faster during periods when the trade deficit was expanding as a share of GDP compared to periods when it was contracting. Stock market appreciation, manufacturing output, and job growth were all significantly more robust during periods of expanding imports and trade deficits.

The goal of U.S. trade policy should not be to promote exports at the expense of imports, but to maximize the freedom of Americans to trade goods, services, and assets in the global marketplace.

Speaking of trade deficits, in this video, Dan Mitchell exposes an IRS proposal that, if implemented, would certainly reduced America's trade deficit – and, in doing so, make Americans poorer.

Writing in today's *Wall Street Journal*, Carrie Lukas offers evidence against the proposition that women are paid less in the U.S. economy than are comparably productive men. Here's a key passage:

Recent studies have shown that the wage gap shrinks—or even reverses—when relevant factors are taken into account and comparisons are made between men and women in similar circumstances. In a 2010 study of single, childless urban workers between the ages of 22 and 30, the research firm Reach Advisors found that women earned an average of 8% more than their male counterparts. Given that women are outpacing men in educational attainment, and that our economy is increasingly geared toward knowledge-based jobs, it makes sense that women's earnings are going up compared to men's.

And more speaking of: speaking of comparing men's to women's pay, consider these data offered by Carpe Diem's Mark Perry.

All Marylanders should toast this policy change! (HT Daniel Kuehn)

Atlas Shrugged hits theaters on Friday! Here's the *New York Post*'s Kyle Smith's take on this movie. I saw it a few weeks ago and thoroughly enjoyed it.