

## The trade deficit

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Several days ago I was researching our country's trade deficit. I came across the transcript of a talk made by Daniel Griswold of the Cato Institute entitled "Trade Deficit Myths." As I read the piece my mind was turned to mush. I had a pre-conceived notion about our deficit with other nations and his thoughts gave me a totally reverse perspective. He said, "The U.S. trade deficit is the result of a net inflow of capital to the United States from the rest of the world. We have become a net importer of capital because Americans do not save enough to finance all the available investment opportunities in our economy." You may want to look this up and read it for yourself.

I had to read that piece several times because I immediately thought it must be April Fools day. But, this conservative think tank's guru went on to make a rational case for his premise. In the end I came to understand his thoughts, but I believe he is looking at this backward ... or I am.

The reason for my original interest in the U.S. trade deficit was to compare it to the annual U.S. budget deficit. It had occurred to me that the national debt rises each year by a considerable amount because we are spending far more than we take in through taxation. The Congress and president seem to have no real problem with this whereas I have thought it is a plan destined for catastrophic collapse.

Here is what I put together before reading the Griswold piece. Looking at the yearly data since 2000, we have accumulated a trade deficit through year end 2015 of \$8.549 trillion. Of course there existed some trade deficit prior to the year 2000, but I thought 16 years was enough for a side-by-side comparison. So, over the same period, our Congress has borrowed \$8.480 trillion more than they have legitimately received in tax revenues. Now, to me, that looks very suspicious. My conclusion was the Congress is using the U.S. Treasury as a piggy bank while the Treasury printed money to keep the bank filled up. Well, actually, they sold Treasury Notes to bring in cash to put into the piggy bank. So, the debt rises each year. It seemed to me we were exporting our debt to balance both accounts.

As with most economics, it depends on how you look at it. According to Mr. Griswold, the problem is too few American citizens are buying the Treasury Notes that are available for them to purchase. So, our foreign trade partners are stepping in and sucking up all of those wonderful investment opportunities. Conversely, I believed we were exporting our inflation buying all sorts of foreign goods and the trade deficit existed because we imported far more than we exported. Thus, in order to balance our trade we sold Treasury Notes to repatriate the capital. Somehow it had never occurred to me the problem was too few Americans buying the debt.

Daniel Griswold is a noted economist, and I am not. But his talk used some interesting facts to sell his concept. One fact stated that America's industrial production has actually increased by 24 percent while we have been building this huge deficit in trade. But, if we apply rational math to this fact, our growth is just 1.2 percent per year while China has grown at well over 9 percent. So, not only have we exported our inflation, but we have exported our production capacity with it. Isn't this a large piece of what the recent election was really about?

Since 2000, we have experienced a rise in GDP of under 2 percent per year. That includes both Republican and Democrat presidents, senates and congresses. Nothing seems to change and everyone in Washington appears to like the status quo. The problem as I see it is the present system works. We export our jobs to foreign interests, they sell us cheap goods at a greater rate than we sell them our goods, the deficit is made up with increasing national debt which is owed to those same foreign interests. American jobs suffer, but we have cheap stuff. Guess who is not included in this equation? The American people! We are merely consumers who make this all possible. We buy the cheap stuff and the system runs on auto-pilot.

Daniel Griswold is 100 percent correct, but is this good for America? The real question is, "How do we change this mess?" A better question is, "Do we want to change it?" Hillary Clinton received the majority of the popular vote while Donald Trump won the Electoral College vote. It is obvious to me that America is confused about the future direction of our country, and rightfully so. Draining the swamp sounds good, until you analyze what America must do to drain it. First, we will need an environmental impact study for the alligators' habitat.