

Let's Schmooze

Other issues of *Let's Schmooze* can be found on the web at www.heirling.com

The National Economy

In the good ole days, this planet was a nice big place where one could go off and do one's own thing without being concerned about how it might impact others. And, likewise, one didn't have to be concerned about "what" another person was doing halfway around the globe . . . it was just too far to matter.

In the good ole days.

Boy, has this place shrunk! Now it's the "butterfly effect" everywhere. Now everybody affects everybody else. Global warming, pollution, over-population. You name it ~ "it" doesn't respect national boundaries. Just like those big corporations we talked about last time . . . no consideration for national boundaries anymore.

And therein lies the rub. Our U.S. economy no longer functions in a vacuum. It impacts the rest of the world's population, and vicey-versy, it is affected by what's going on overseas. Profoundly affected. That's a new wrinkle on the ironing board. We're not used to being affected by other economies around the globe. We've been kind of spoiled by being big, and having huge oceans on either side.

When another developing country industrializes, especially one the size of China, the effect is felt all over this now small world, and immense as our own economy is, we are impacted as we have never been impacted before. We find ourselves competing with China and other countries from everything from resources to jobs to factory productions to trading partners. It's a real slugfest, & we're getting bloodied. Our trade deficit is the financial "thermometer" that measures this losing battle.

China is out-selling us all over the world. It is out-bidding us for raw resources. It has the factories (and the jobs), and it makes the sales. China sells us much more than we sell it, and our trade deficit is getting bigger and bigger. A few years ago China bought a piece of IBM, the PC division. Ever imagine that?

And of course, with China making more of the sales and the profits, we are making less of them. Less sales. Ergo, less profits.

That's where it gets ugly. A major source of revenue to our government is in the form of taxes on wages and domestic corporate profits. As wages and domestic corporate profits sink, so does government revenue. And bingo, there's our looming budget deficit.

It's going to be a fight to the finish. Big global trading blocs are forming all over the globe. And the goal is simple: (1) make stuff, thereby (2) providing good jobs to the locals, and (3) sell the stuff to other countries. Everybody is playing that game as hard as they can. The winner gets (1) the good paying jobs, (2) the trade surpluses, and (3) the budget surpluses. It's not a battle for the weak of heart. Rules are off! Anything goes!

Historically, America has been known for its "Yankee Ingenuity." We really need to open a big can of that now. Right now! Where IS that can of Yankee Ingenuity ???

~ *'til we meet again* ~