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## **THE U.S. TRADE DEFICIT CAUSED THE RECESSION AND THE FINANCIAL CRISIS**

*By Jack Davis*

Even the most optimistic among us must now realize that the United States is in a recession, but if we all had good paying jobs we would not be in a recession.

We have lost 4 million manufacturing jobs since October 2002. There are now over 10 million Americans out of work.

The recession and financial crisis has been caused by the transfer of jobs and our wealth to foreign countries. First we lost our jobs, and then our wealth.

Trade deficits kill domestic jobs. Our trade deficit is now 2 billion dollars a day. Two billion dollars a day in imports is 700 billion dollars a year.

Today, one billion dollars of manufactured imports equals 13,000 jobs lost. Therefore 9 million jobs lost.

Over the past 20 years, our trade deficit totals about 5 trillion dollars. Not coincidentally, our government also owes foreign countries 5 trillion dollars.

And behind all of these numbers, the percentages and statistics, there are real people. Americans are struggling to pay their bills, keep their homes, and secure their retirement. We now buy products from overseas that we used to manufacture here, and we wonder what happened to our jobs?

It doesn't have to be this way. If we all had good paying jobs, we could pay our mortgages. If we paid our mortgages the banks would not have a liquidity problem and we would not have the financial crisis on Wall Street. Rather than more of the same, we must start manufacturing and selling more than we are borrowing and buying.

We didn't get here all at once. There have been many mistakes made by many smart people. But we are not going to tax our way out of this recession, or borrow our way out of this recession, or even bail our way out of this recession. We are going to have to work our way out of this recession to become a wealthy country again.

Federal, state and local elected officials still don't understand the cause of the recession and financial crisis. The current federal solution is just more of the same - spend more of our tax dollars. We were given a high price tag without much of a plan and now we learn that not only is there no oversight of the rushed bailout package, but the lobbyists are already working the system and bending the rules to get their clients our tax dollars.

Our tax dollars are used to bail out banks, insurance companies, and now, the auto industry, but nothing is done to change the policies that got us here in the first place. It would be cheaper, smarter, and in the long run, more profitable to create jobs and put Americans back to work.

The past two Presidents have experimented with so called free trade deals that have been anything but free. They opened our market to foreign producers without protecting our jobs and industries from predatory trade.

Free trade is just another economist theory that has been a failure in practice: the NAFTA, CAFTA and WTO agreements have destroyed mining, farming, and manufacturing and have transferred our wealth-producing capacity to foreign countries.

Robert Cassidy, the chief U.S. trade negotiator who negotiated China's entry into the World Trade Organization, now says the deal has not worked to the benefit of the U.S. economy and its workers.

Warren Buffet believes that over the long term, running large and persistent trade imbalances will be problematic for the United States.

Both Buffet and Cassidy are right. And the cold, hard facts now make it plain to see for everyone.

The job losses are now no longer just in manufacturing. Managers, bankers, stock brokers, insurance agents, all types of jobs in retail and wholesale are gone. Over 10 million workers are out of jobs, more are under employed, and it will get worse.

The U.S. housing market has lost 5 trillion dollars in value. Millions of Americans have lost their homes, millions are behind in payments and others are paying mortgages that are higher than the present value of their home.

Americans with savings, pensions or retirement plans in stocks and interest paying investments, have lost over 10 trillion dollars in value.

The financial crisis has destroyed several of the largest investment banks and insurance companies. The Federal Reserve has loaned 2 trillion dollars of your tax money and has not been disclosed how it was spent.

The big three auto companies are bleeding cash, heading for bankruptcy, and are now begging for a bailout.

Locally, tax revenues to city, county, state and federal governments have all decreased.

These governments have record deficits from loss of tax revenue on wages, social security, medicare and medicaid, sales taxes, real estate taxes, capital gains and others.

Cuts in government employment, health care, education, social security, etc. will be next, unless we pursue a path of balanced trade and put Americans back to work.

We are borrowing 2 billion dollars a day from foreign countries to buy their exports. Within a year, another 700 billion dollars, the size of the bailout package, will be in foreign countries.

Bailouts are necessary because of these bad policies, but as large as they are, they are only a band-aid on a cancer.

We have become a nation of consumers of foreign products and borrowers of foreign money. That's the bad news – but the good news is that we can fix it ourselves.

For a nation to be strong and wealthy it must grow, dig and manufacture. This is all we have to do. These are the only activities that produce wealth.

Borrowing money, printing money, buying companies or products or services, does not create wealth, it only delays the day of reckoning that now approaches.

The federal government's free trade policies in the NAFTA, CAFTA and WTO agreements has destroyed jobs and transferred our wealth (money) to foreign countries. This has caused the recession and the financial crisis.

These trade agreements left our industries and farms helpless. Foreign countries attacked them with predatory trade policies.

Predatory trade promotes exports and discourages imports. They keep wages low, rebate value added taxes on their exports, and charge value added taxes on imports. They provide domestic industries with local tax incentives and offer special financing and charge tariffs on imports. They target specific industries to monopolize.

But most importantly - they keep the value of their currency low in comparison to the U.S. dollar.

No. No. No U.S. company manufacturing in the U.S. can compete and this is why we have lost jobs and complete industries to foreign competition and why we are in a recession.

It is not hopeless. This is what we must do: We must continue to trade, but it must be balanced trade.

Balanced trade means if a country desires to sell products to the U.S. they are required by agreement to buy an equal dollar amount of products or services from the United States.

If they don't buy an equal amount of products, a trade balancing tariff (tax) will be applied to their products that we import.

Owners and managers at U.S. companies and factories will then recognize the possibility of domestic growth in business and profits. They will then hire and invest in plants and equipment in America.

For too long, the American worker has been competing on an unfair and uneven playing field. The U.S. government's free trade policies have caused the recession and financial crisis by sapping our wealth, killing our jobs, and shrinking our markets.

I am passionate about protecting our workers, our families and our children's future but I cannot talk to enough people, give enough speeches or get articles printed in enough papers.

What we need is a movement. Do you see or feel a threat to your future and your children's future?

Will you help? Will you convince others to convince others to convince others that our government's free trade policies have caused the recession and the financial crisis?

We need a main street, grass roots movement to change Washington's free trade policies.

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