

Southern Party Of Georgia

Information on Tax Reform

US Trade Deficit Going The Wrong Way

While the Trade Deficit does not exactly fit in this category concerning tax reform, when coupled with increasing budget deficits it will have an impact on future tax rates. I hope that it obvious to all readers that the growth rate in the Trade Deficits can not continue forever.

This represents a steady transfer of wealth out of our country and into the hands of foreigners.

And to make matters worse we just expanded our NAFTA mentality to include Australia. So now a few more American companies can relocate a few more plants

and facilities to Australia. According to the Bush Administration these empty plants will generate more American jobs than when they were producing products.

Next after the plants are relocated and the products are no longer made here - we will have to buy Australian products and contribute to the next record Trade Deficit. The Bush Administration says that this is good for us. Bush says that America comes out ahead.

The fact is very simple, this is not a good thing!

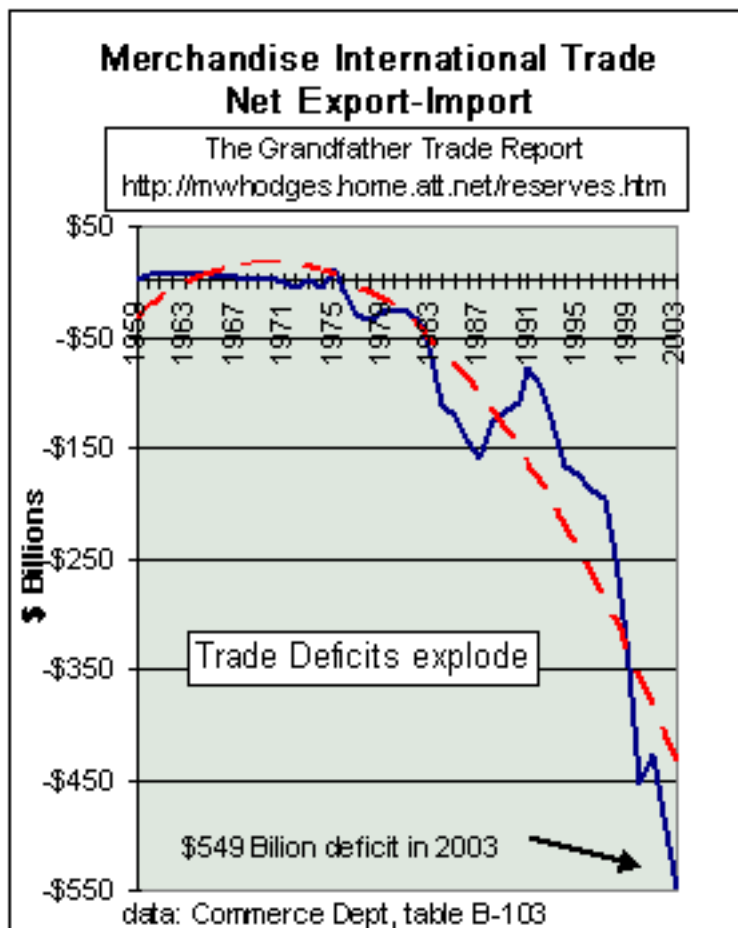
Federal Reserve Chairman Alan Greenspan said,

"We cannot depend on imported capital, that is, a current account deficit, to offset low domestic savings indefinitely."

In its August 2001 annual assessment of the world's largest economy, the International Monetary Fund (IMF) said "the yawning current account deficit raised the risk of a sharp depreciation in the U.S. currency."

On 25 July 2001 former Federal Reserve Chairman Paul Volcker told the Senate Banking Committee hearing on risks of growing balance of payment deficit, "We are a debtor nation with nil personal savings and are absorbing a significant portion of other countries savings. These huge and growing external deficits are symptoms of imbalances in the national economy and the world economy that cannot be sustained."

But you do not need to be a rocket scientist to figure this out. **You can not borrow your way out of debt.** The Democrats have earned the title "Tax & Spend." Well the



Bush Administration has been even worse, "Borrow & Spend, tax your grandchildren."

The truth is that neither the Republicans nor the Democrats are going to do anything about this problem, they are more concerned with special interests.

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US Trade Gap Explodes to Record in June

Agence France-Presse

Friday 13 August 2004

WASHINGTON (AFP) - The US trade gap exploded to a record 55.8 billion dollars in June, the sharpest deterioration in more than five years, the government said.

The shortfall mushroomed 19.1 percent, the biggest one-month rise since February 1999, to a seasonally adjusted 55.8 billion dollars, the Commerce Department said.

The trade gap shattered the previous record deficit in April of 48.2 billion dollars, and appeared to put the country on the path to an unprecedented annual deficit.

"The trade deficit soared to simply incomprehensible heights in June," said Naroff Economic Advisors president Joel Naroff.

"If we believe the Commerce Department, the trade deficit is running well above 600 billion dollars on an annualized basis," he said. The shortfall was "so far off the radar screen that it constitutes a sneak attack."

Naroff questioned the data.

"What, did foreigners go on strike and decide they didnt want to buy US goods anymore? Did the economies around the world suddenly collapse?" he asked.

Exports crumbled 4.2 billion dollars, or 4.3 percent, to 92.8 billion dollars, the steepest decline since the September 11, 2001 terrorist attacks, the Commerce Department said.

Foreign demand weakened for US-made capital goods, industrial supplies, foods, motor vehicles and consumer goods.

"It is just a phenomenal deterioration for one month in the trade balance," said BMO Financial Group senior economist Sal Guatieri. "There was broad-based weakness in export growth, which is a little disconcerting because it could mean that because of higher energy costs the global economy has softened a little," Guatieri said.

Imports, however, climbed 4.7 billion dollars, or 3.3 percent, to 148.6 billion dollars.

Americans snapped up foreign-made industrial supplies, capital goods and consumer items, showing strong underlying US domestic demand, especially among businesses, he said.

The dollar slumped on the news, tumbling to 110.605 yen from 111.715 just before the release. The euro took immediate advantage, rising to 1.2331 dollars from 1.2224.

Democratic presidential challenger John Kerry 's campaign seized on the data as a sign of economic mismanagement by President George W. Bush , who faces an election November 2.

"In the face of yet another report indicating a record trade deficit, the evidence is building that this administration hasnt come close to doing enough to enforce trade agreements and fight for jobs here at home," Kerry spokesman Phil Singer said in a statement.

A breakdown of the raw trade figures showed:

-- The deficit with China expanded 17 percent from the previous month to a record 14.2 billion dollars.

-- The US deficit with Japan widened 14 percent to 6.3 billion dollars.

-- With the European Union , the trade gap grew 35 percent to 10.6 billion dollars.

-- The deficit with the Organization of Petroleum Exporting Countries (OPEC) grew 10 percent to a record 6.2 billion dollars.

The US deficit could force the government to downgrade its initial estimate of 3.0 percent economic growth in the second quarter of the year, Guatieri said.

But the news was unlikely to sway the Federal Reserve from a program of raising the short-term interest rate, he said.

On Tuesday, policymakers raised the federal funds target rate, which banks charge each other overnight, to 1.5 percent from 1.25 percent in a gradual effort to end the lowest rates in nearly 50 years.

"Outside employment, most numbers for July have suggested a fairly good bounce back in activity and that suggests the Fed will continue extending the tightening cycle in September," Guatieri said.

A separate report provided further comfort to the Federal Reserve, indicating price pressures may be easing.

Producer prices -- a measure of inflation at the wholesale level -- gained 0.1 percent in the month to July, and were up 4.0 over the past year, the Labor Department said.

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