

rense.com

Soma Nation - A Threat Greater Than Terrorism

By Paul Craig Roberts
Goldmarkets.homestead.com
3-25-5

Delusion has settled over America. Washington cannot tell fact from fantasy. Neither can sycophantic media nor nothink economists.

The Bush administration is the first government in history to initiate a war based entirely on fantasy--fantasy about nonexistent "weapons of mass destruction," fantasy about nonexistent "terrorist links," fantasy about "liberating" a people from their culture, fantasy about a "cakewalk" invasion, fantasy about America's omnipotence.

Reality has yet to penetrate the Oval Office or America's "red state" consciousness. The gratuitous invasion of Iraq, the torture and the war crimes have made America despised the world over. Our once formidable alliances are shattered.

The Muslim world, which perceives America as Israel's enabler of Palestine's oppression, has uniformly turned against us.

\$300 billion--red ink to the last cent--has been wasted in a pointless war and occupation that has emboldened Islamic revolutionaries, who will be more successful than the US in changing the face of the Middle East.

Bush's invasion of Iraq has proved the limits of America's "hegemonic" military power: Eight heavily armored high tech US divisions are tied down by a few thousand lightly armed insurgents who control most of the roads and many towns and cities.

Any Iraqi collaborator with the US occupation who is foolish enough to leave the heavily fortified "Green Zone" is shot down or blown up in the streets.

Such an outcome is proclaimed a "success" by the White House, Republican politicians and a cheerleading media.

The reality is that an ignorant and blundering Bush administration has created a Shi'ite crescent from Iran to Lebanon that is revolutionizing the Middle East. The reality will not penetrate the Bush administration. Reality contradicts Bush fantasy and is "against us." Facts that don't support Bush fantasy are "liberal" and "anti-American." Truth is dismissed as anti-Bush propaganda.

It is America that has undergone regime change. The Bush administration constitutes a Jacobin revolution. Its fanatics have declared world war on political diversity. The first victim of Bush's "war on terror" is the Bill of Rights. In its place we have an incipient police state.

One might easily conclude that Bush is first among the deluded, but the more one observes economists' romance with outsourcing, the more one wonders if economists are not the most deluded of all.

Outsourcing converts domestic supplied goods and services into imports. It divorces Americans from the incomes and careers associated with the production of the goods and services that Americans consume.

That divorce is highly detrimental for Americans. As foreign labor is substituted for US labor in the production of tradable goods and services, the displaced US work force seeks employment in domestic services that cannot be outsourced. This increases the supply of labor, thus depressing wages, in those labor markets already impacted by the entry of high rates of legal and illegal immigration.

By turning domestic production into imports, outsourcing increases the trade deficit. America pays the import bill by turning over the ownership of her wealth, and the income streams that wealth produces, to foreigners. Thus, Americans not only lose jobs and careers but also the ownership of their companies, real estate, corporate and government bonds. The incomes from these lost assets pass from Americans to foreigners.

Today America's consumption and the government's budget deficits are financed by foreigners, principally Asians. There are now so many dollars in foreign hands that the willingness of foreigners to hold more is declining. For the past three years foreign central banks have been diversifying their reserve holdings away from dollars into other currencies.

The result has been to drive the value of the dollar down sharply against many other currencies. As prices adjust to the changed currency values, Americans become poorer.

When economists preach that America benefits from outsourcing, they deny all the hard facts, just as do Republicans when they proclaim "success" in Iraq. How does America benefit from a process that destroys jobs, lowers incomes, and reduces the exchange value of the dollar?

What outsourcing is doing for America is destroying entire sectors of US manufacturing, entire high tech occupations, the value of a college education, the design and innovative capabilities of the US economy, and the dollar as reserve currency. This is a lot of destruction. It goes far beyond what terrorists can inflict.

So far in the 21st century, the US has experienced a net loss of jobs. Fewer Americans are employed today than when President Bush was first inaugurated. This has not happened since the Great Depression in the 1930s.

When economists claim that the US is made better off by outsourcing, they ignore the evidence of job loss, stagnant incomes, and a collapsing dollar.

A perfect example is a recent "study" by three economists reported in the March 21 issue of Barron's. The economists used economic models to calculate the benefits to Americans of outsourcing. An economic model is comprised of assumptions about relationships. Many relationships are historical and reflect America's post-World War II economic dominance, which is no longer the reality.

The economists concluded that the benefits to Americans from outsourcing ranged from \$7,100 to \$12,900 per household.

According to the Bureau of Labor Statistics, the average hourly wages of private, nonfarm, nonsupervisory production workers produced an annual income of \$33,072

as of February 2005.

Only economists completely detached from reality could believe that American households owe such a large percentage of income to outsourcing, which is threatening them with a depreciating currency and the loss of their jobs and careers.

One of the dumbest defenses of outsourcing is the claim that history shows that America benefits from free trade. First of all, there has been precious little free trade. Economists mean that America has benefitted from trade during the decades following World War II when the rest of the world was recovering from war or smothered in socialism. It is easy to benefit from trade when you are the only economy.

Second, outsourcing is not trade; it is labor arbitrage. Outsourcing is a new phenomena birthed by the collapse of world socialism and the rise of the high speed internet. It reflects the operation not of "comparative advantage" but of "absolute advantage" --the flow of capital and technology across borders to the cheapest labor. Outsourcing is the substitution of foreign labor for domestic labor. It reduces the demand for domestic labor and drives down incomes.

The Great Depression took a terrible toll on the credibility of economists, who failed to grasp that the Federal Reserve had shrunk the supply of money by one-third. Outsourcing the American economy will take a larger toll on economists' reputations. Once the economy is outsourced, America is a third world country.

- Paul Craig Roberts was Assistant Secretary of the Treasury in the Reagan administration. He was Associate Editor of the Wall Street Journal editorial page and Contributing Editor of National Review. He is coauthor of The Tyranny of Good Intentions. He can be reached at: pcroberts@postmark.net

<http://goldmarkets.homestead.com/>

[Disclaimer](#)

[Email This Article](#)

MainPage

<http://www.rense.com>

This Site Served by TheHostPros