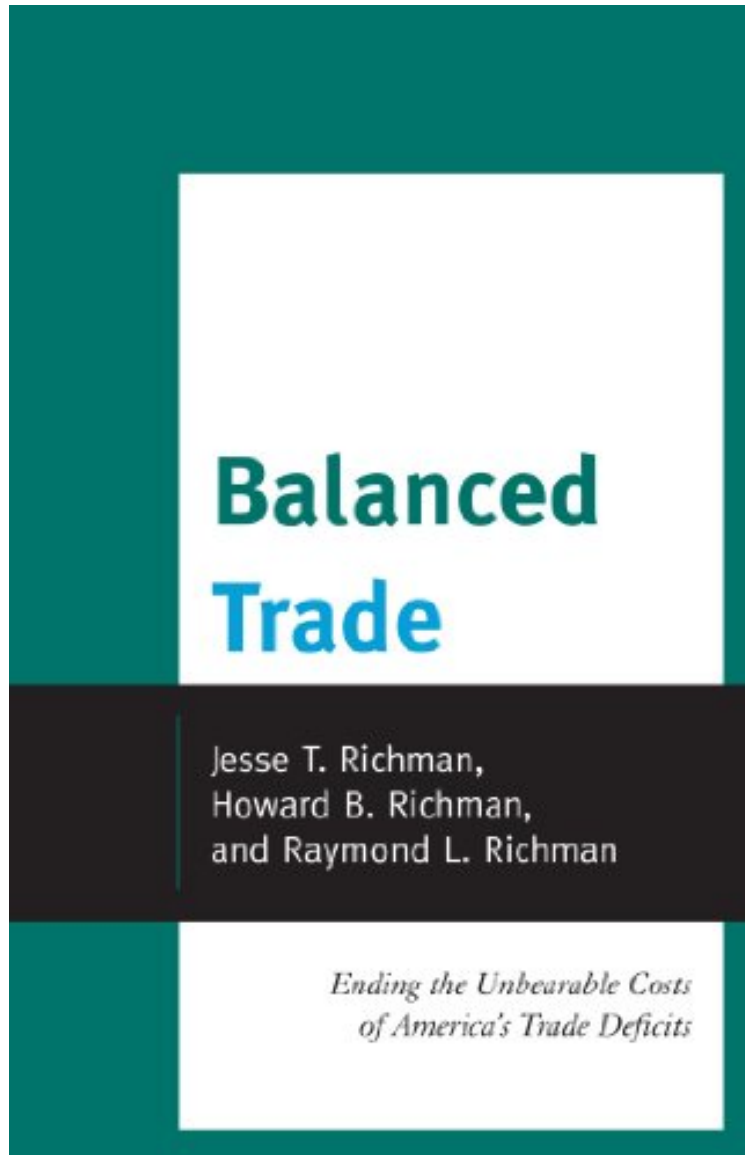


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Balanced Trade: Ending the Unbearable Costs of America's Trade Deficits

Jesse Richman, Howard Richman, Raymond Richman
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Jesse Richman, Howard Richman, Raymond Richman : *Balanced Trade: Ending the Unbearable Costs of America's Trade Deficits* before purchasing it in order to gage whether or not it would be worth my time, and all praised *Balanced Trade: Ending the Unbearable Costs of America's Trade Deficits*:

6 of 6 people found the following review helpful. Why and How to Push For Balanced Trade That Would Bring Back our Manufacturing JobsBy Bruce BishopThis excellent little book is well researched and well written. It makes the

case for why a continuing trade deficit is destroying our economy and offers some viable solutions to restore balanced trade. The classical economists who were in favor of free trade assumed that it would be balanced trade. They believed, further, that if trade got out of balance, market forces would automatically bring about a correction. China has figured out how to take advantage of our noble intentions to circumvent these market forces to their benefit. Many of our economists have been slow to pick up on this cheating by China, and cling bitterly to their mantra of "free trade." China is using mercantilism to cheat on our "free trade" agreement. They are investing their surplus dollars to buy our assets, such as Smithfield Foods, thus taking our jobs, our customers and our technology. The great British economist John Maynard Keynes pointed out how destructive chronic trade deficits were to the deficit country. Unfortunately, our politicians only heard his comments in favor of deficit spending, which they found much easier to implement. One of our own great economists, Ralph Gomery, has warned that "Long term trade deficits are the road to economic suicide." In recent decades, economists were pushing the "wonderfulness" and the inevitability of globalization. They saw little need to save manufacturing. Thomas Friedman of the New York Times was pushing the idea that we could export "innovation" instead of manufactured goods. This overlooked the fact that innovation is largely tied to manufacturing. Two groups benefited from the free trade agreements with China: 1. Multinational corporations who built plants in China to capitalize on their cheap labor. 2. The financial institutions that financed these investments. Both of our political parties are beholden to these two groups for campaign funding. "Neither major political party today offers anything approximating a sound position on international trade." Richman, p57. Democrats are split between those who support labor unions and the "progressives" who are cheering for Communist China. They pretend to be moving on currency manipulation. The House would pass a "currency manipulation" bill, then the Senate would table it. Then the Senate would pass a bill, knowing that the House would table it. Republicans are stuck on "free trade" as a way to advance capitalism. Also, Republicans are beholden to the multinational corporations for campaign funding. China's "market capitalism," controlled by the Chinese Communist Party (CCP) is NOT lifting all boats. They are allowing about 20% of the people to become middle class, and a few entrepreneurs to become very wealthy. Many, if not most, of these entrepreneurs are members of the CCP. The Federal Reserve, which could have and should have helped to reduce our trade deficit, has been either ineffective or harmful to the situation. This is explained in detail in the book. Under "Solutions," the Richmans explain the benefits of balanced trade and the difficulties of restoring it. They explain the Buffett model of import certificates to restore balanced trade as a viable plan, with some advantages and some disadvantages. They explain the pros and cons of various tariffs and taxes, including the Value Added Tax; outright restrictions on imports, and currency interventions. Finally, the Richmans offer their own new solution — a scaled tariff — and build a convincing case for that approach. Their best analogy is that "Trying to stimulate an economy with large trade deficits is like trying to pump up a flat tire without first fixing the leak." (p112) Their work is well supported with end notes and eight pages of references. Overall, they have done an excellent job of advancing the need for and ways to bring about balanced trade. As they point out, balanced free trade should benefit both trading partners, and can "grow forever," benefiting both partners forever. There are some implications that were not addressed by the book. If balanced trade were to actually be adopted by Congress as an issue to address, the following problems would immediately surface: 1. The scaled tariff (or any of the other solutions) would cause higher prices, which many Americans would scream about. The jobs brought home would show up much later and would not be visible to the majority of Americans. 2. Politicians would exploit these higher prices, screaming "corporate welfare." 3. Because China has a huge surplus of cheap labor, they could easily absorb (the proposed) 35% tariff. Few, if any, U.S. manufacturing firms would be able to compete with the cheap labor in China unless the tariff was much higher. 4. To make matters worse, our manufacturing infrastructure and our knowledge base are mostly gone. Our equipment is rusted and obsolete and our factories are falling down. If there are manufacturing sectors that could easily ramp up production, these should be identified so that planning can begin. 5. Whereas the Chinese government has been supportive of manufacturing, our government has played an adversarial role toward manufacturing for decades. The continued ramping up of regulations helped to drive manufacturing OUT of this country. That would have to change dramatically before U.S. companies would risk getting back into manufacturing here.

1 of 1 people found the following review helpful. How to save America By Michael Marks A book that lays out the problem with "free trade" and then gives the solutions on how America can fix it. Before free trade America was #1 in manufacturing, #1 in education, #1 in wealth....now we are #36 in education, #3 in wealth, ?? in manufacturing, our middle class is gone. 9 of the 10 tallest buildings in the world are in Asia, most miles of high speed train, Asia, 10x faster internet than the US, 35% real wage growth 12 years in a row...Asia...#1 education system...China. Wake up America!

1 of 5 people found the following review helpful. ... than to stimulate at all costs --- I would love to read this book By Michael Wilson As a true Keynesian being not a member of the current Neo-Keynesian movement who distorts almost everything Keynes has ever said other than to stimulate at all costs --- I would love to read this book. That said ... the authors must not believe in their own message. Instead of placing a reasonable price upon their book - they evidently are only interested in creating a storm within the confined walls of Ivy League Halls - for who else could afford such a price? If they indeed

believe in their own message - then they would believe that the market would too and thus price it so.

How should a principled nation which believes in the benefits of mutually beneficial trade respond to the predations of mercantilist trading partners and imbalanced trade? Many argue that the response should be to do little or nothing. Balanced Trade argues that achieving the full benefits of international trade requires an effective response. Although trade deficits provide short-term gains in consumption, these are combined with long-term losses in consumption, innovation, investment, employment and power. Furthermore, market mechanisms do not correct trade imbalances that result from mercantilism, nor do they compensate for the long term shift in production and consumption towards the mercantilist. Balancing trade can make important short run and long run contributions to economic stability and prosperity. In America today, despite the growing evidence that imbalanced free trade is not working, many American economists remain adamant in their promotion of free trade. They are also quick to label actions taken to balance trade as protectionism. The political system has also failed to effectively address the problem of imbalanced trade, and the Federal Reserve has often exacerbated rather than addressed the challenge. We show that the classical economic arguments against mercantilism do not justify doing nothing. Effectively responding to imbalanced trade and mercantilism requires careful selection of strategy in order to achieve multiple objectives: balancing trade while maintaining the benefits of international trade, avoiding unnecessary inefficiencies, and maintaining compliance with international law. One of the best options is the Scaled Tariff. By targeting countries with which the United States has a large current account deficit, the Scaled Tariff would efficiently, legally, and effectively balance trade. It would be applied to all imported goods from trade surplus countries that have had a sizable trade surplus with the United States over the most recent four economic quarters. The tariff rate would be designed to take in a portion (e.g. 50%) of the bilateral trade deficit (goods plus services) as revenue. No particular product is protected; the scaled tariff simply changes the terms of trade between the two countries, much as currency devaluation would change the terms of trade with all countries.

Balanced Trade: Ending the Unbearable Costs of America's Trade Deficits addresses the problems caused by this country's unbalanced trade in a straightforward and hard-hitting way. The book describes the significant negative impact of unbalanced trade on the U.S. economy and the many possible steps that can be taken to move the country back to a productive trade regime. (Ralph Gomory, New York University) About the Author Jesse Richman is associate professor of political science at Old Dominion University. Howard Richman holds a PhD from the University of Pittsburgh and is research associate at the Ideal Taxes Association. Raymond Richman is professor emeritus of public and international affairs at the University of Pittsburgh.