

Can Trump Fix The Economy In 2017?

In the West Junk Information And Junk Judgment Prevail

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The Western world and that part of the world that partakes of Western explanations live in a fictional world. We see this everywhere we look—in the alleged machinations of Russia to elect Donald Trump president of the US, in claims that Saddam Hussein and his (nonexistent) weapons of mass destruction were a threat to the United States (a mushroom cloud over American cities), that Assad of Syria used chemical weapons against his own people, that Iran has a nuclear weapons program, that a few Saudi Arabians outwitted the entirety of the US, EU, and Israeli intelligence services and delivered the greatest humiliation to the “world’s only superpower” in the history of mankind, that Russia invaded Ukraine and could at any moment invade the Baltics and Poland, that the US rate of unemployment is 4.6%, that China’s trade surplus with the US is due to Chinese currency manipulation, and so on and on.

Allegedly we live in a scientific era of information, but what good can come from faulty orchestrated information? As long as fake news delivered by prostitutes serves powerful private and governmental interests, how can we know the truth about anything?

For example, consider the claim found everywhere in US government and US media statements that the massive US trade deficit with China is the result of Chinese currency manipulation, keeping the yuan underpriced relative to the US dollar.

This false claim, which is widely accepted as truth [even by Russian writers on Russian websites](#) is nonsense. China’s currency is pegged to the US dollar. It moves with the dollar. China pegged its currency to the US dollar in order to create confidence in the Chinese currency. Over the past decade China has adjusted the peg of its currency to the dollar and permitted a rise in the value of the Chinese currency from 8.1 yuan to 6.9 yuan to the US dollar. (The yuan reached a strength of 6 to the dollar, but a rising dollar was pulling up the yuan, causing China to widen the float in order to avoid undue appreciation because of the US dollar’s rise to other Asian and European currencies.)

How is a rising yuan “currency manipulation”? Don’t expect an answer from the prostitute financial media or the junk economists who comprise the neoliberal economics profession.

The function of the myth of Chinese currency manipulation is to hide from view the fact that the massive US trade deficit with China is due to US corporations offshoring their production for US markets to China. When US corporations bring goods and services produced offshore back to the US for sale, they enter as imports, thus swelling the trade deficit. The myth about currency manipulation shifts the blame from US corporations to China, while in fact it is the return of offshored production, such as Apple computers, for sale to Americans that swells the US trade deficit.

US corporations produce offshore because the much lower labor costs result in higher profits, higher stock prices for shareholders, and in performance bonuses for executives. One of the main causes for the high Dow Jones averages and the worsened income and wealth distribution in the US is the offshoring of jobs. In 2016 the richest people added \$237 billion to their wealth, while the rise in student loan, auto loan, and credit card debt combined with stagnant or declining income left ordinary Americans poorer. During the 21st century, household indebtedness has risen from about 70% of GDP to about 80%. Personal income has not risen in keeping with personal debt.

The offshoring of jobs benefits only a small number of shareholders and executives, and it imposes massive external costs on American society. Former prosperous manufacturing states are in long term depression. Median real family incomes have fallen. Real estate values in abandoned manufacturing areas have fallen. The tax base has eroded. State and local government pension systems cannot meet their obligations. The social safety net is unraveling.

To get an idea of the external costs that offshoring imposes on the American population, go online and look at the pictures of decrepit Detroit, formerly an industrial powerhouse. Schools and libraries are abandoned. Public buildings are abandoned. Factories are abandoned. Homes are abandoned. Churches are abandoned. Here is one 4 minute video:

<https://www.youtube.com/watch?v=pcTYqnL2Bgw>

And it is not only Detroit. In my book, *The Failure of Laissez Faire Capitalism* (Clarity Press, 2013), I report the 2010 US Census data. The population of Detroit, formerly America's fourth largest city, declined by 25 percent in the first decade of the 21st century. Gary, Indiana, lost 22 percent of its population. Flint, Michigan, lost 18 percent. Cleveland, Ohio lost 17 percent. Pittsburg, Pennsylvania lost 7 percent. South Bend lost 6 percent. Rochester, New York, lost 4 percent. St. Louis, Missouri, lost 20 percent. these cities were once the home of American manufacturing and industrial might.

Instead of telling the truth, the prestitute financial media and the corrupt US economics profession have hidden the massive social and external costs of jobs offshoring under the totally false claim that offshoring is good for the economy. In my book, I take to task corporate shells such as Dartmouth's Matthew Slaughter and Harvard's Michael Porter, who produced through incompetence or complicity erroneous reports of the great benefits to Americans of having their jobs given to Chinese and American cities left in ruins.

Throughout its history the US has suffered from public lies, but not until the Clinton, George W. Bush, and Obama regimes did lies become so ubiquitous that truth disappeared.

Consider the November jobs report. We were told that the unemployment rate has fallen to 4.6% and that 178,000 new US jobs were created in November. The recovery is on course, etc. But what are the real facts?

The unemployment rate does not include discouraged workers who have been unable to find employment and have ceased job hunting, which is expensive, exhausting and demoralizing. In other words, unemployed people are being pushed into the discouraged category faster than they can find jobs. That is the explanation for the low official unemployment rate. Moreover, this reported low rate of unemployment is inconsistent with the declining labor force participation rate. When jobs are available, people enter the work

force in order to take advantage of the employment opportunities, and the labor force participation rate rises.

The reporting by the financial press adds to the deception. We are given the number of 178,000 new jobs in November. And that is it. However, the data released by the Bureau of Labor Statistics shows many problematic aspects of the data. For example, only 9,000 of the claimed 178,000 jobs are full time jobs (defined as 35 hours or more per week). October saw a loss of 103,000 full time jobs from September, and September had 5,000 fewer full time jobs than August. No one explains how an economy losing full time jobs is in recovery.

The age distribution of the November new jobs is disturbing. 77,000 of the jobs went to those 55 and over. Only 4,000 jobs went to the household forming ages of 25-34.

The marital status distribution of the jobs is also troubling. In November there were 95,000 fewer employed married men with spouse present and 74,000 fewer employed married women with spouse present than in October. In October there were 331,000 fewer married men and 87,000 fewer married women employed than in September.

One can conclude from these large differences month to month that the official statistics are not good, which might well be the case. For example, as I have stressed in my reports on the monthly payroll employment releases, there is always a large number of new jobs for waitresses and bartenders. Yet restaurant traffic has declined for 9 consecutive months. Why do restaurants hire more employees as traffic declines?

As John Williams (shadowstats.com) has informed us, the monthly payroll jobs claims might consist entirely of add-ons from estimates from a flawed birth/death model and manipulations of seasonal adjustments. In other words, the reported new jobs might only be statistical illusions.

John Williams also emphasizes that the claimed real GDP growth numbers might be entirely the products of the under-measurement of inflation. Some years ago the inflation measures were "reformed" in order to cheat those on Social Security out of cost-of-living adjustments. In place of a weighted index that calculated the cost of a constant standard of living, substitution was introduced. In the reformed index, if the price of an item in the index rises, a lower-priced item is substituted in its place, thus negating the inflationary impact of the price rise. Also, price rises are defined away as "quality improvements." Clearly, this is an index designed to under report rising prices.

The bottom line is that the recovery allegedly underway since June 2009 might be a statistical illusion produced by a flawed measure of inflation.

What can Americans expect from the economy in 2017? First, some perspective. The defeat of stagflation by President Reagan's supply-side policy gave the Clinton regime a good economy. The improved US economy was not entirely a good thing, because it masked the adverse consequences of jobs offshoring that began in earnest after the Soviet collapse in 1991.

The Soviet collapse encouraged the change in attitude of the Indian and Chinese governments toward foreign capital. Wall Street and big box retailers such as Walmart forced the relocation of much of US manufacturing to China, to be followed after the rise of the high speed Internet by offshoring professional skill jobs such as software engineering to

India. These relocations of US economic activity to foreign locations hollowed out the US economy and reduced the job opportunities for Americans.

The growth of real median family income ceased. Without increases in consumer spending to drive the economy, the Federal Reserve substituted a growth in consumer debt for the missing growth in real median family income. But the growth of consumer debt is limited by the lack of growth in consumer income. Thus, an economy dependent on debt expansion is limited in its ability to expand. Unlike the federal government, the American people cannot print money with which to pay their bills.

Alone among those contending for political office, president-elect Trump has fingered jobs offshoring as a blow to the American people and the US economy. It remains to be seen what he can do about it, as jobs offshoring serves the interests of the global corporations and their shareholders.

For many years now the monthly payroll jobs reports show the US descending into Third World status, with the vast bulk of the claimed new jobs in lowly paid, non-tradeable domestic services. The BLS 10-year job projections show few new jobs that require a university degree. If high value-added, high productivity middle class jobs cannot be brought back to the US, the American economic future is one of continuing decline into Third World status.

Considering the constraints on the consumer, a large share of corporate profits has come from labor cost savings from jobs offshoring. For corporations such as Apple, whose products are almost entirely produced in Chinese factories, there are no more profits to be secured from jobs offshoring. To keep the profits flowing, Apple plans to replace the inexpensive Chinese labor with robots, which do not have to be paid any wage. What better shows the disconnect between capital and labor than to robotize Chinese factories in the face of an excess supply of labor?

Paul Samuelson's economic textbook taught the fallacy of composition, what is good for the individual might not be good for the group. The Keynesian economists applied this to savings. Saving is good for the individual, but if aggregate saving exceeds investment, aggregate demand falls, pulling down income, employment, and saving.

This is the case with jobs offshoring. It can increase profits for the firm, but in the aggregate it decreases aggregate income of the population and limits sales growth. What jobs offshoring does in this respect will be done in spades by robotics.

When I read economists and financial prostitutes glorifying the cost savings of robotics, I wonder where their mind is or if they have one. Robots don't purchase housing, home furnishings and appliances, cars, food, clothing, vacations, entertainment. When robots have the jobs, where do humans get the incomes with which to purchase the products produced by robots?

This unexamined question has extraordinary implications for property rights and the social organization of society. Ralph Gomory told me a few years ago that a handful of people hold the robotic patents. Therefore, in a robotized world, the distribution of income and wealth would be concentrated in the hands of a few dozen people. Indeed, would there be any income or wealth of any magnitude? The only way humans could survive would be to again become self-sufficient farmers with no monetary income to purchase products made by

robots. As few would be able to purchase products made by robots, there would be no source for income and wealth for the patent holders.

I am convinced that if robotics is going to supplant human labor, the patents will have to be socialized, and income distributed on a relatively equal basis throughout society.

So, can Trump fix the economy in 2017?

There can be no fix unless the ladders of upward mobility that made the US an opportunity society can be put back in place. This will require bringing home the offshored middle class jobs or, assuming that new high value-added jobs could somehow be created, preventing the new jobs from being moved offshore.

There is a way to do this: Base the corporate tax rate on the geographical location where corporations add value to their product. If corporations add value domestically with US labor, the tax rate would be low. If the value is added abroad, the tax rate would be high. The tax rate can be adjusted to offset the benefits of lower costs abroad.

Despite the progaganda about globalism and free trade, the US economy was built on protection, and its strength was the domestic market. US prosperity was never dependent on exports. And as the US dollar is the world reserve currency, the US doesn't need exports in order to pay for its imports. This is why the US can tolerate the trade deficits caused by jobs offshoring.

Globalism is a concoction by the neoliberal junk economists in complicity with the big banks, Wall Street, and multinational corporations. Globalism is a disguise for the exploitation of the many in behalf of the few. The alleged benefits of globalism were used to justify the offshoring of jobs and to enrich corporate executives and shareholders.

It is the domestic economy that is important, not the global economy. The suffering population in flyover America finally learned this lesson and elected Trump.

Can Trump script "The Escape From Globalism?" He could lose the fight. Globalism has been institutionalized. The large corporations that have offshored their production for US markets would oppose moves against jobs offshoring. So would all their shills in the economics profession and financial media. I don't know the extent to which globalism has taken root in people's minds in Asia, Africa, and South America, but in Europe—even some in Putin's Russia—people are brainwashed in the belief that they can't exit globalism without paying a large economic price.

Consider, for example, the Greeks. For the sake of the balance sheets of a handful of northern European (and perhaps US) banks, the Greek and Portuguese peoples have been forced into extreme austerity, resulting in such high unemployment and plummeting living standards that women have been forced into prostitution in order to survive. This totally unnecessary outcome has occurred because the Greek and Portuguese peoples and governments are so brainwashed that they believe they cannot survive as independent countries without globalism and the entry to globalism provided by EU membership. In the UK 45% of the population suffers from the same misconception.

Globalism is the latest technique by which capitalism loots and destroys. In the Western world it is the working and middle classes that are looted of their jobs and careers. In Asia, Africa, and Latin America self-sufficient farming communities are looted of their land and

forced into monoculture as laborers who produce an export crop. Countries formerly self-sufficient in food become dependent on food imports, and their currency, which carries that burden, is subject to endless speculation and manipulation.

Was it universal ignorance or bribes that compelled governments everywhere to ransom their populations to globalism?

Frontline journalists, such as Chris Hedges, who have seen and reported a lot, have concluded that the fate of the world is in such few hands that act only in their narrow self-interests that only revolution can correct the imbalance between the interest of a handful of oligarchs and the mass of humanity. Hedges' position is not an easy one with which to argue.

Trump descending into the snakepit that is Washington, D.C., needs to remember what happened to President Jimmy Carter. In fact, the best thing Trump can do for his presidency is to go spend some time with Carter prior to taking office.

Carter was an outsider, a principled person, and the Washington establishment did not want him. They reduced his effectiveness by framing up his budget director and chief of staff. The same thing can happen to Trump, assuming he is able to get his appointees confirmed by the Senate, members of which are allied with the CIA against Trump.

Reaganites had a similar experience in the Reagan administration. Reagan had political experience as governor of California, the largest state, but he was an outsider to the Republican establishment, whose candidate for the presidential nomination was George H.W. Bush.

Reagan defeated Bush for the nomination, but was advised by Republicans, who remembered the Goldwater wipeout when the Rockefeller forces turned on Goldwater for not choosing the defeated Rockefeller as his VP running mate, costing Goldwater the election, to select Bush as VP. Otherwise, Reagan would find himself, like Goldwater, running against both the Democratic and Republican establishments.

Reagan's first term took place with George H.W. Bush's main operative as chief of staff of the White House. This confronted me with problems as Assistant Secretary of the Treasury for Economic Policy where I was the point man for Reagan's supply-side economic policy.

Both political party establishments are more interested in controlling the party than in doing well for the country. During President Carter's four years, the main concern of the Democratic establishment was in regaining control of the party from the forces that had sent an outsider to the White House. During Reagan's eight years, the main concern of the Republican establishment was in regaining control of the Republican party from Reaganites.

It is likely that Trump will now experience in spades what presidents Carter and Reagan experienced. The effort will be made to force him into compromises and to neuter his agenda. Ironically, this determined attack on Trump is being aided by the leftwing, progressive forces that stand to gain by Trump's standing up for the working and middle classes and for peace with Russia. Many of the liberal, progressive, leftwing websites are already soliciting donations in order to fight against Trump.

So, even when we get a president who might try to represent the interests of the American people, those who claim to speak in behalf of the people join in the oligarchs' attack on

Trump. The left side of the spectrum seems always, like the extreme rightwing side, to defer to their hatreds: Trump is a billionaire = hatred. Trump appointed an energy magnate = hatred. Trump appointed two 3-star generals = warmonger and more hatred.

The liberal, progressive, leftwing cannot get beyond their bogeymen. Of course, they might be correct. However, as I have emphasized, Trump has chosen mavericks who have gone against the establishment. Moreover, these are strong men, like Trump, which is what it takes to bring change from above. The Exxon CEO wants energy deals, not war, with Russia. Gen. Flynn is the one who exposed on TV Obama's use of ISIS to overthrow Syria against the recommendation of the Defense Intelligence Agency. Gen. Mattis is the one who challenged the effectiveness of torture.

Trump's main appointments are people who have challenged the Establishment. The usual assortment of establishment-approved appointees cannot bring change to Washington.

The liberal, progressive, left-wing should be happy at the prospect of a government on the outs with the Establishment. Instead, the liberal, progressive, left has aligned with the Establishment in opposition to Trump.

Every day I receive a half dozen requests for donations to "help us fight Donald Trump." What are these people thinking? Why do they want to fight someone that the entire US political establishment opposes? What they should first try is to gain Trump's confidence and win him to their agenda, as General Mattis did.

I cannot assure you that Trump is not another fake like Obama. But it is a mistake to begin with this assumption. Why write off in advance the only person with the courage to put his life on the line and take on the corrupt and evil Washington establishment?

Why help the Establishment defeat Trump? If Trump sells out Americans, we can turn on him then, or we can decide whether Chris Hedges is correct that only revolution can rectify the situation.

Dr. Paul Craig Roberts was Assistant Secretary of the Treasury for Economic Policy and associate editor of the Wall Street Journal. He was columnist for Business Week, Scripps Howard News Service, and Creators Syndicate. He has had many university appointments. His internet columns have attracted a worldwide following. Roberts' latest books are [The Failure of Laissez Faire Capitalism and Economic Dissolution of the West](#), [How America Was Lost](#), and [The Neoconservative Threat to World Order](#).

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