

Economic Newsletter for the New Millennium

September 9, 2011

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MORE BAD NEWS: THE U. S. TRADE DEFICIT WORSENS, BUT WHICH REGIONS AND STATES ARE LEADING THE RETREAT?

The trade deficit occurs when we import more goods and services from other nations than we export to them. The technical name for the trade balance is the Balance on Merchandise and services Accounts.

Deficits, as we are experiencing, depress the overall level of economic activity and make recovery even more difficult. A trade surplus would stimulate the economy. Why so?

Imports depress the level of economic activity because they demand other nations' goods and services thus lessening the demand for domestically produced merchandise (also called goods) and services. Exports on the other hand do the opposite, they add to the domestic demand and increase total demand (the more formal name for total demand in macroeconomic theory is aggregate demand) for domestically produced goods or merchandise and services. Since currently we have been experiencing a trade deficit, an excess of imports over exports, our international trade position depresses the level of economic activity and slows the recovery and could help cause a 'double dip' recession. The Great Depression of the 1930s experienced such a double dip in 1937.

Imports are not all bad. If we **import** those goods and services in which we have what economists call a **comparative disadvantage** and **export** those in which we have a **comparative advantage**, we can experience a higher

standard of living on average or per capita basis. However, policies of nations often favor industries in which they have a comparative disadvantage and prevent the importation of those goods and services as their trading partners do the same thing. Political pressures and a variety of economic motives cause these inefficient aberrations thus lowering the average or per capita standard of living of a nation. Protective tariffs on imports, export subsidies and intervening in foreign exchange markets, are some of the policies resulting in 'UNFAIR TRADE'.

Over several centuries, as small political units were combining into nations, an economic doctrine developed in conjunction with nation building. It was called mercantilism in England. In France a similar doctrine was called [Colbertism](#) and in Germany, [Cameratism](#). A surplus in the trade or merchandise and services balance in those days was called a favorable trade balance. The excess of exports over imports often meant that gold or gold coins were the means of settling the balance with the gold flowing into the nation with the surplus. This was a means of financing the building up of the strength of the budding nation as it could buy mercenaries, such as Hessians for England as they conquered and occupied colonial America.

Today, a similar modernized doctrine version of these policies exists in nations like China and Korea as well as Japan and Germany in the post-WWII era. For want of a beer name it is usually referred to as Neo-mercantilism. The goal is to keep a tight economy at home and export any surplus products not consumed domestically. China has done this by pegging their currency well below the equilibrium level. In the Post WWII era, the IMF fixed exchange rate system, included pegs for the Japanese Yen and German Mark at dollar prices well below their equilibrium levels. The resulting trade deficits of Japan and Germany with the U.S. were a major cause of the "miracles" of returning these economies to peacetime expansion.

From our Newsletter...

2010 Volume Issue 1
September 23, 2010

[HERE WE GO AGAIN](#) - The broken CD (record) routine...before it was Japan and Germany eating our lunch, now it is China

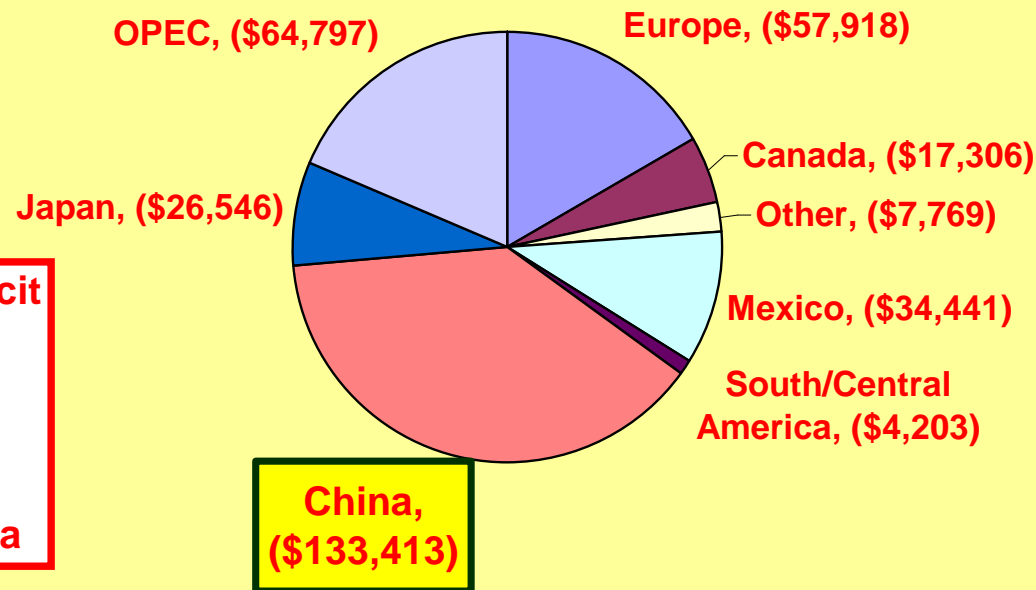
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Balance of Goods (\$346,393 million)

Not Seasonally Adjusted

U.S. International Trade in Goods through June 2011

U.S. Dept of Commerce: U.S. BEA and U.S. Census Bureau



39% of the Deficit in the Trade Balance in Goods is attributable to trade with China

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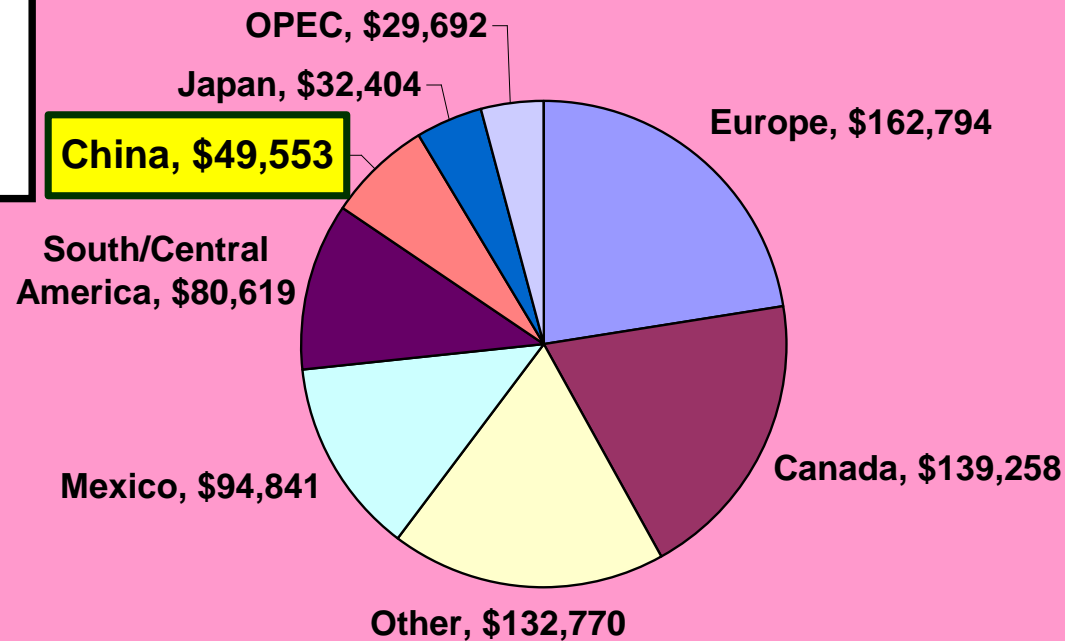
Exports (Total \$721,931 million)

Not Seasonally Adjusted

U.S. International Trade in Goods through June 2011

U.S. Dept of Commerce: U.S. BEA and U.S. Census Bureau

From January
2011 - June
2011
7% of US
exports go to
China



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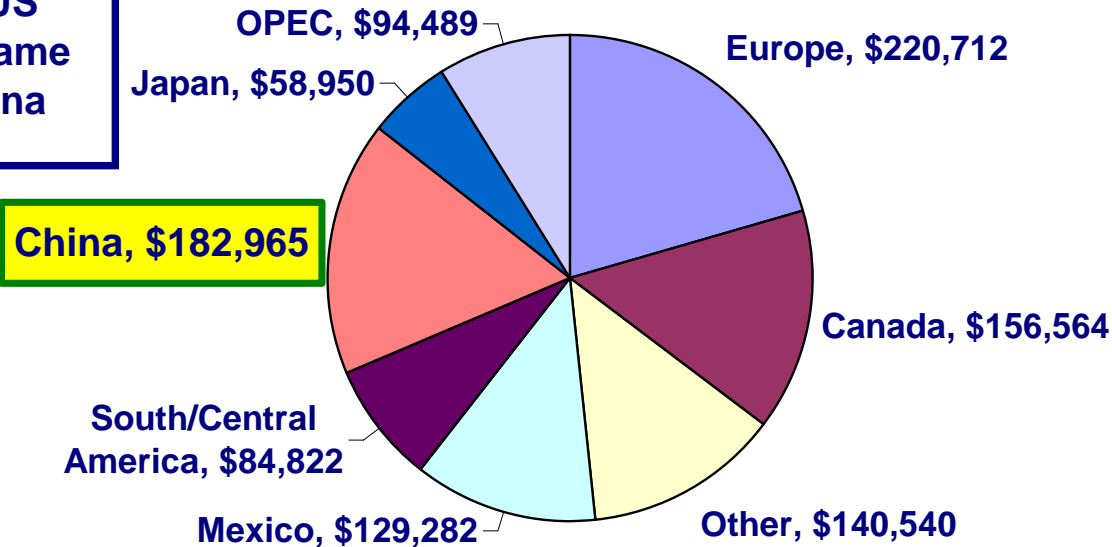
Imports (Total \$1,068,324 million)

Not Seasonally Adjusted

U.S. International Trade in Goods through June 2011

U.S. Dept of Commerce: U.S. BEA and U.S. Census Bureau

From January
2011 - June 2011
17% of US
imports came
from China



For a more in depth analysis, please review our past articles on this topic in our previous postings...

Why 25+ Years of Trade Deficits?

A tale of High Real Risk-adjusted Interest Rates and the Appreciating/Depreciating Dollar (Jan 12, 2011)

<http://www.econnewsletter.com/46701/42101.html>

U.S. Balance of Payments and the Greatest Puppet Show on Earth: China; the Oil Cartel(s); and Energy and the Environment (March 30, 2011)

<http://www.econnewsletter.com/73901/52701.html>

The Laffer Curve and the J-Curve are Analytically like Two Peas in a Pod (December 2, 2010)

<http://www.econnewsletter.com/73901/3585.html>

U.S. Trade Deficit: Good, Bad, or Irrelevant? (October 10, 2003)

<http://byrned.faculty.udmercy.edu/2003%20Volume,%20Issue%203/balofp ayart.htm>

We now drill down on the top ten states that have contributed the most to the Balance of Goods (or Merchandise) portion of the trade deficit.

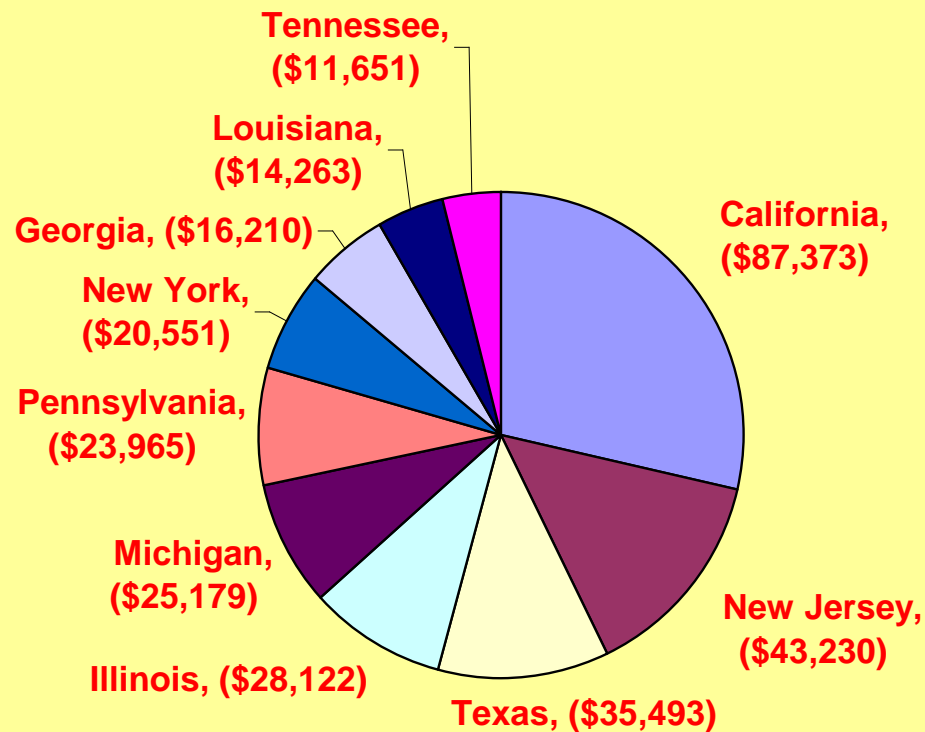
The Balance on Goods or Merchandise Account is considered below. It is part of the Trade or Merchandise and Services Balance along with the Services Balance. The Services Account is a very confusing mixture and has a variety of so called 'drivers'. The Services Account includes such things as transportation and tourism and the repatriation of income on past international investments (not the investments themselves as they appear in the Long-term and Short-term Capital Accounts).

10 Ten States with Largest Deficits - Balance on Goods

Not Seasonally Adjusted

U.S. International Trade in Goods through June 2011

U.S. Dept of Commerce: U.S. BEA and U.S. Census Bureau



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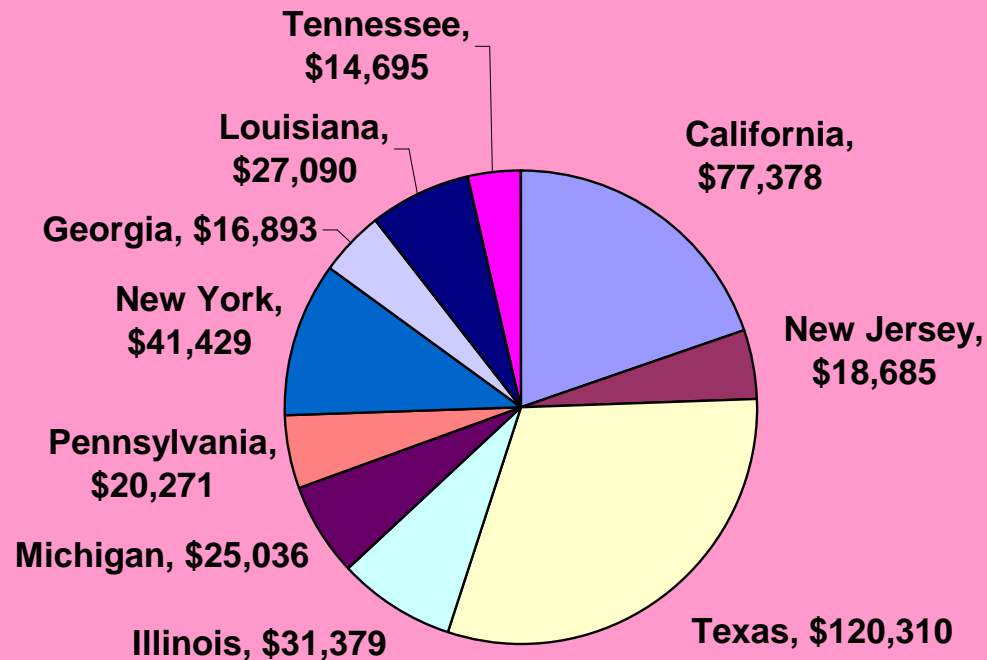
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Exports (Total \$721,931 million)

Not Seasonally Adjusted

U.S. International Trade in Goods through June 2011

U.S. Dept of Commerce: U.S. BEA and U.S. Census Bureau

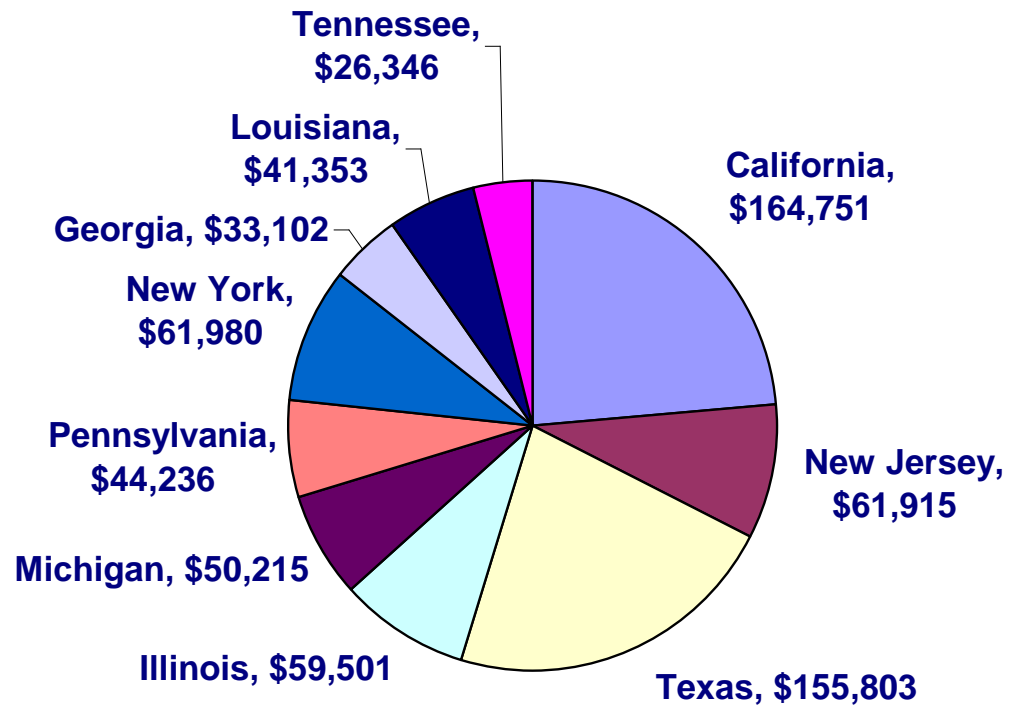


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Imports (Total \$1,068,324 million)
Not Seasonally Adjusted
U.S. International Trade in Goods through June 2011
U.S. Dept of Commerce: U.S. BEA and U.S. Census Bureau



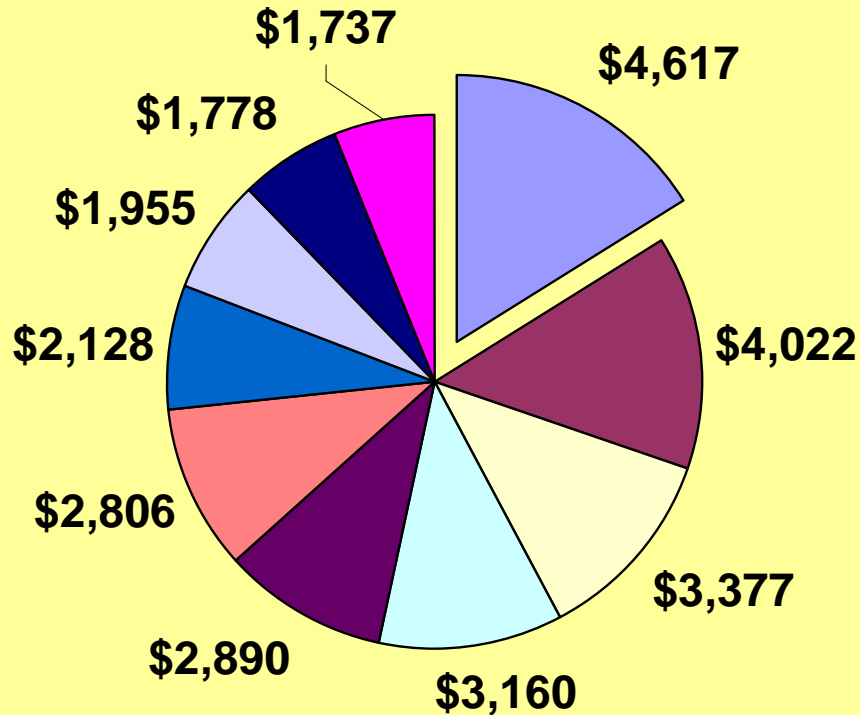
Drilling down even further on California, New Jersey and Texas for the 2010 calendar year, we can see some details on the composition of the exports and imports.

Top 10 Exports California by Commodity Code (2010)

Millions Dollars

U.S. Department of Commerce, U.S. Census Bureau

Total Exports California 2010 = \$143.2 billion



- 1) CRUDE OIL FROM PETROLEUM AND BITUMINOUS MINERALS
- 2) PASS VEH SPK-IG INT COM RCPR P ENG >1500 NOV 3M CC
- 3) PASS VEH SPK-IG INT COM RCPR P ENG > 3000 CC
- 4) PORT DIGTL AUTOMATIC DATA PROCESS MACH NOT > 10 KG
- 5) RECEPTION APPARATUS FOR TELEVISION, COLOR, NESOI
- 6) PARTS & ACCESSORIES FOR ADP MACHINES & UNITS
- 7) MACH FOR RECP/CONVR/TRANS/REGN OF VOICE/IMAGE/DATA
- 8) AUTOMATIC DATA PROCESSING STORAGE UNITS, N.E.S.O.I
- 9) PTS & ACC OF PRINTERS, COPIERS AND FAX MACH, NESOI
- 10) PHONES FOR CELLULAR NTWKS OR FOR OTH WIRELESS NTWK

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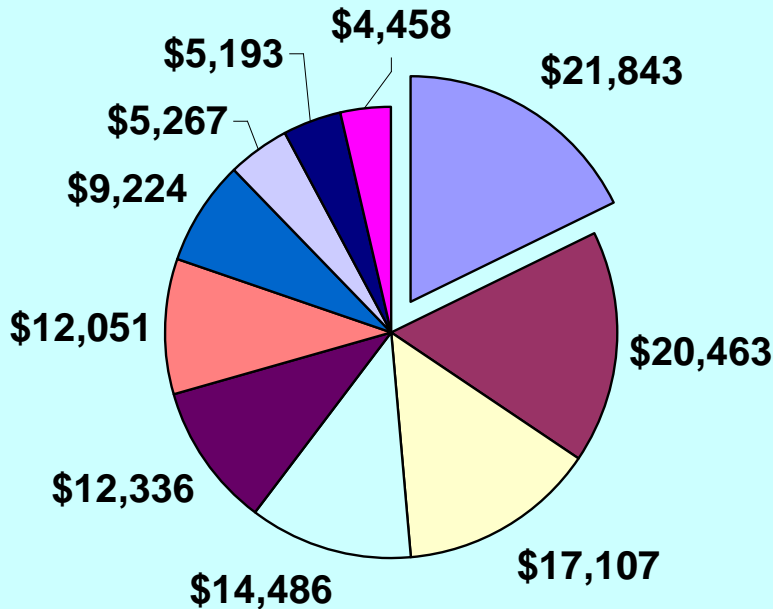
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Top 10 Imports California by Commodity Code (2010)

Millions Dollars

U.S. Department of Commerce, U.S. Census Bureau

Total Imports California 2010 = \$327.1 billion



- 1) CRUDE OIL FROM PETROLEUM AND BITUMINOUS MINERALS
- 2) PASS VEH SPK-IG INT COM RCPR P ENG >1500 NOV 3M CC
- 3) PASS VEH SPK-IG INT COM RCPR P ENG > 3000 CC
- 4) PORT DIGTL AUTOMATIC DATA PROCESS MACH NOT > 10 KG
- 5) RECEPTION APPARATUS FOR TELEVISION, COLOR, NESOI
- 6) PARTS & ACCESSORIES FOR ADP MACHINES & UNITS
- 7) MACH FOR RECP/CONVR/TRANS/REGN OF VOICE/IMAGE/DATA
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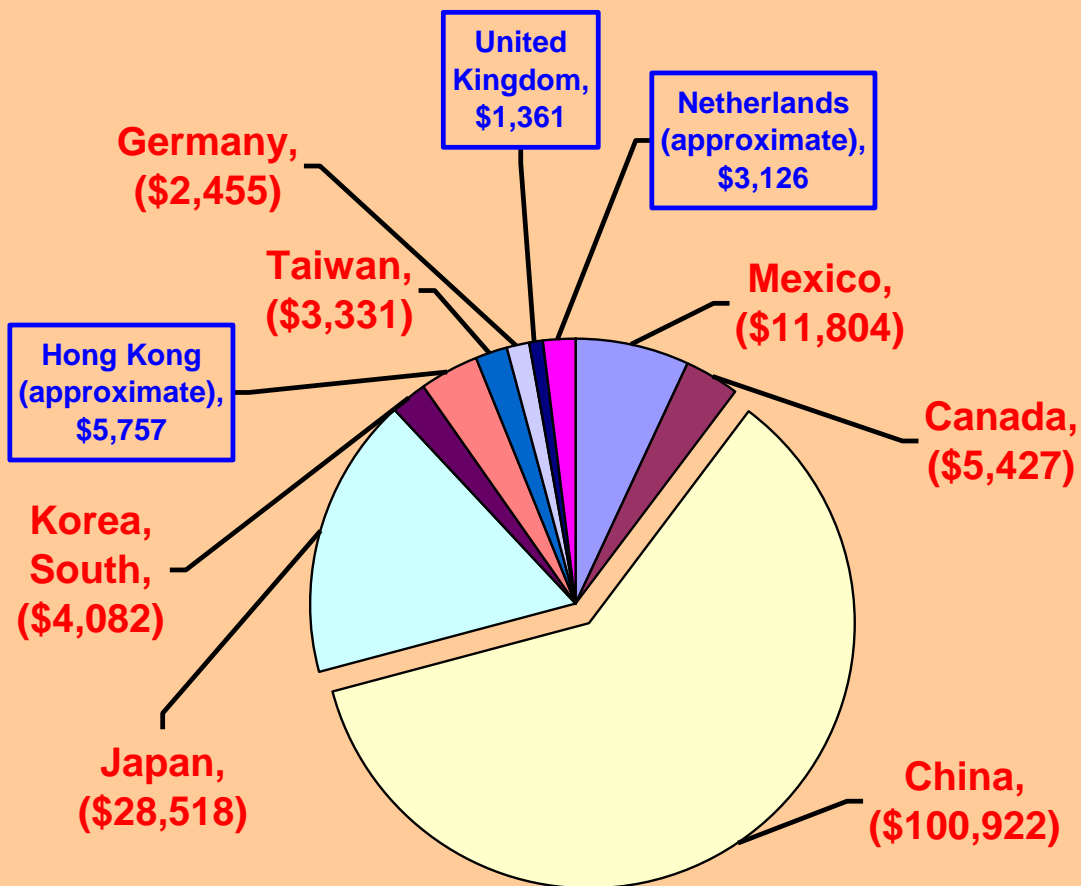
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**Top 10 Goods Balance California by Country
(2010) - based on Top Ten Exports - Imports**

Millions Dollars () = Deficit; Surplus

**U.S. Department of Commerce, U.S. Census Bureau
Total Goods Trade Deficit California 2010=\$184
billion**



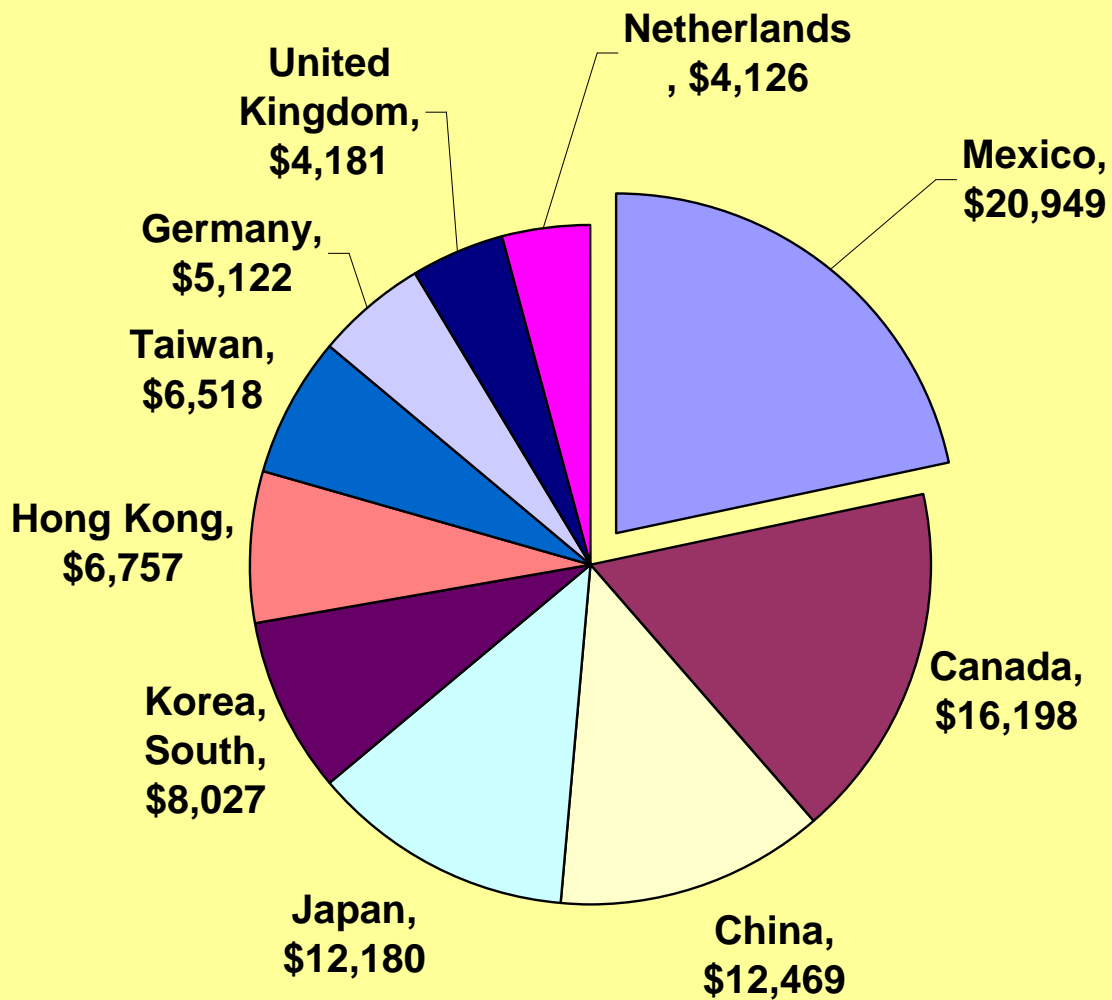
The U.S. trade deficit in goods with China in 2010 was \$273 billion . California's \$100.9 billion deficit accounted for 37% of the national trade (goods) deficit w/China. Nearly 55% of the state's total trade (goods) deficit was attributable to China.

Top 10 Exports California by Country (2010)

Millions Dollars

U.S. Department of Commerce, U.S. Census
Bureau

Total Exports California 2010 = \$143.2 billion



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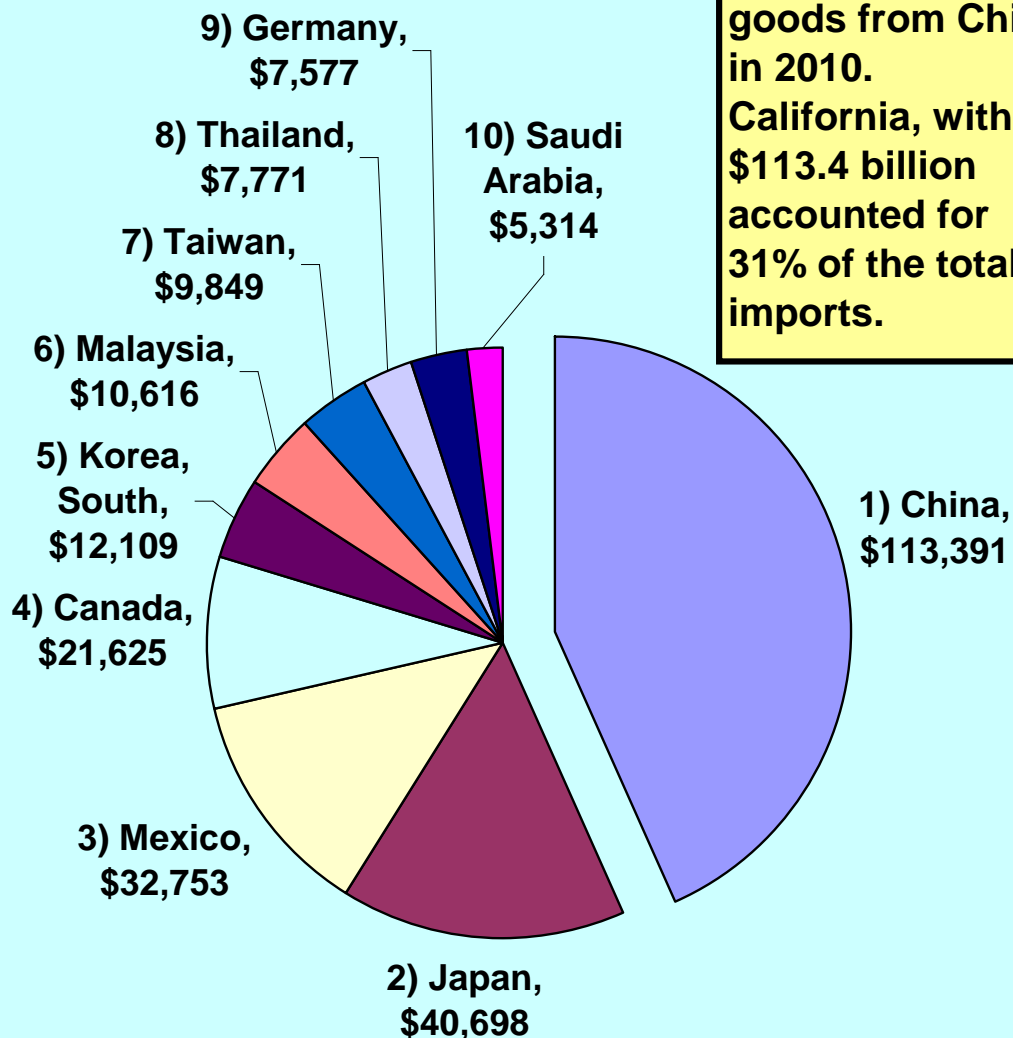
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Top 10 Imports California by Country (2010)

Millions Dollars

U.S. Department of Commerce, U.S. Census
Bureau

Total Imports California 2010 = \$327.1 billion



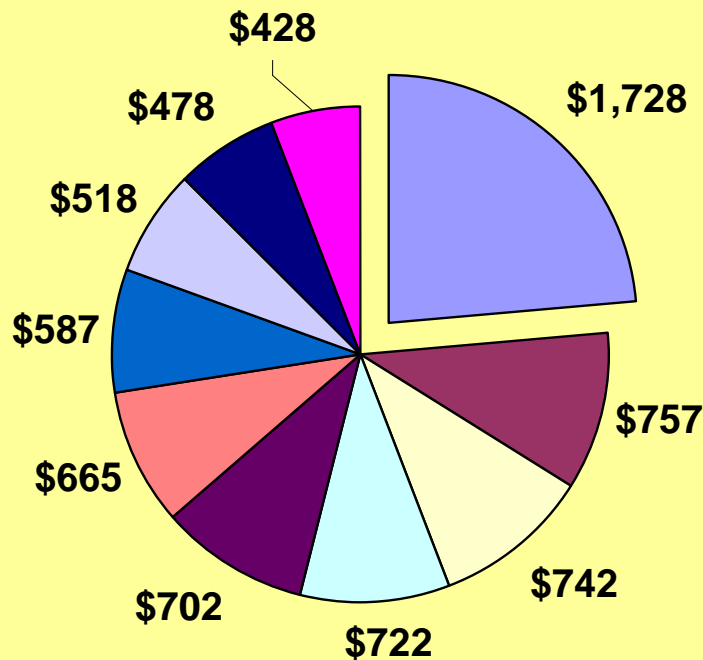
The U.S. imported \$365 billion in goods from China in 2010. California, with \$113.4 billion accounted for 31% of the total imports.

Top 10 Exports New Jersey by Commodity Code (2010)

Millions Dollars

U.S. Department of Commerce, U.S. Census Bureau

Total Exports NJ 2010 = \$32.1 billion



- CRUDE OIL FROM PETROLEUM AND BITUMINOUS MINERALS
- LIGHT OILS & PREP (NOT CRUDE) FROM PETROL & BITUM
- PASS VEH SPK-IG INT COM RCPR P ENG > 3000 CC
- PASS VEH SPK-IG INT COM RCPR P ENG >1500 NOV 3M CC
- OIL (NOT CRUDE) FROM PETROL & BITUM MINERAL ETC.
- MEDICAMENTS NESOI, MEASURED DOSES, RETAIL PK NESOI
- PORT DIGTL AUTOMATIC DATA PROCESS MACH NOT > 10 KG
- PLATINUM, UNWROUGHT OR POWDER
- COCOA BEANS, WHOLE OR BROKEN, RAW OR ROASTED
- SWEATERS, PULLOVERS ETC, KNIT ETC, COTTON

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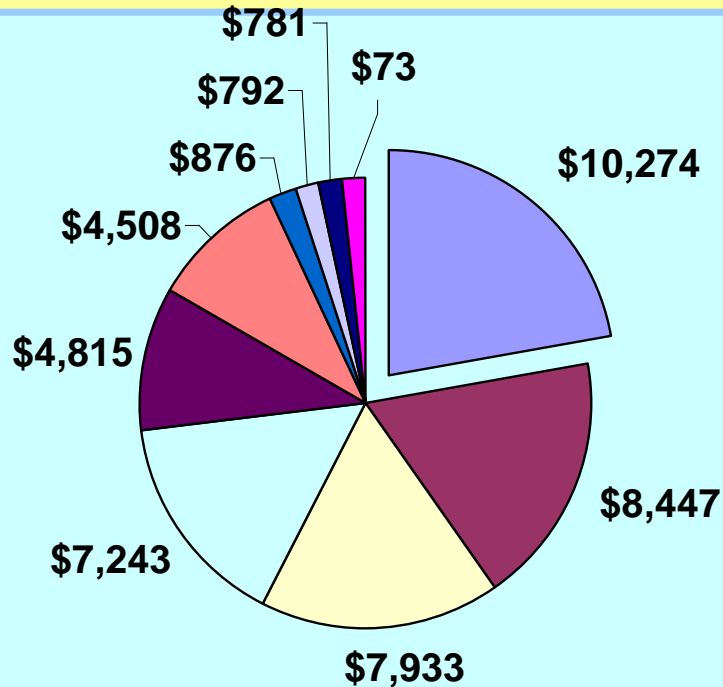
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**Top 10 Imports New Jersey Commodity Code
(2010)**

Millions Dollars

U.S. Department of Commerce, U.S. Census Bureau
Total Imports NJ 2010 = \$108.8 billion



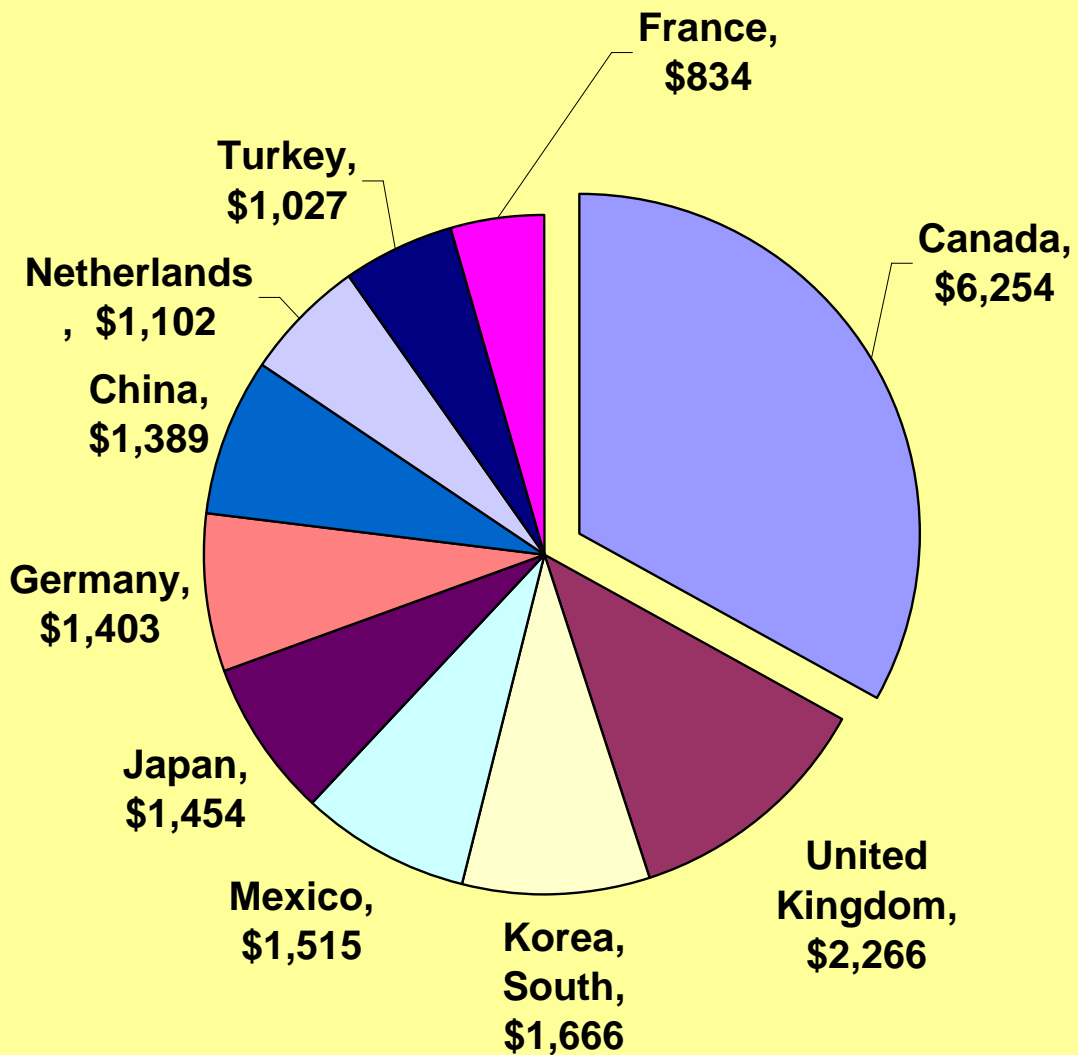
- CRUDE OIL FROM PETROLEUM AND BITUMINOUS MINERALS
- LIGHT OILS & PREP (NOT CRUDE) FROM PETROL & BITUM
- PASS VEH SPK-IG INT COM RCPR P ENG > 3000 CC
- PASS VEH SPK-IG INT COM RCPR P ENG >1500 NOV 3M CC
- OIL (NOT CRUDE) FROM PETROL & BITUM MINERAL ETC.
- MEDICAMENTS NESOI, MEASURED DOSES, RETAIL PK NESOI
- PORT DIGTL AUTOMATIC DATA PROCESS MACH NOT > 10 KG
- PLATINUM, UNWROUGHT OR POWDER
- COCOA BEANS, WHOLE OR BROKEN, RAW OR ROASTED
- SWEATERS, PULLOVERS ETC, KNIT ETC, COTTON

Top 10 Exports New Jersey by Country 2010

Millions Dollars

U.S. Department of Commerce, U.S. Census
Bureau

Total Exports NJ 2010 = \$32.1 billion



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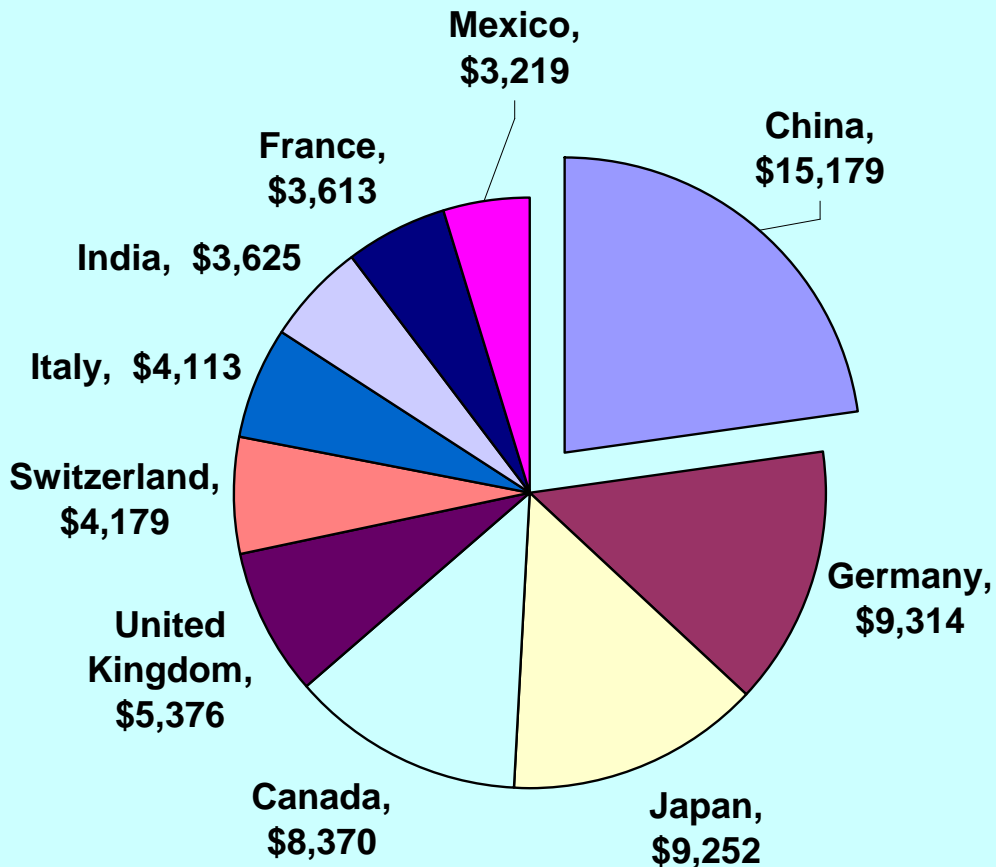
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Top 10 Imports New Jersey by Country 2010

Millions Dollars

U.S. Department of Commerce, U.S. Census
Bureau

Total Imports NJ 2010 = \$108.8 billion



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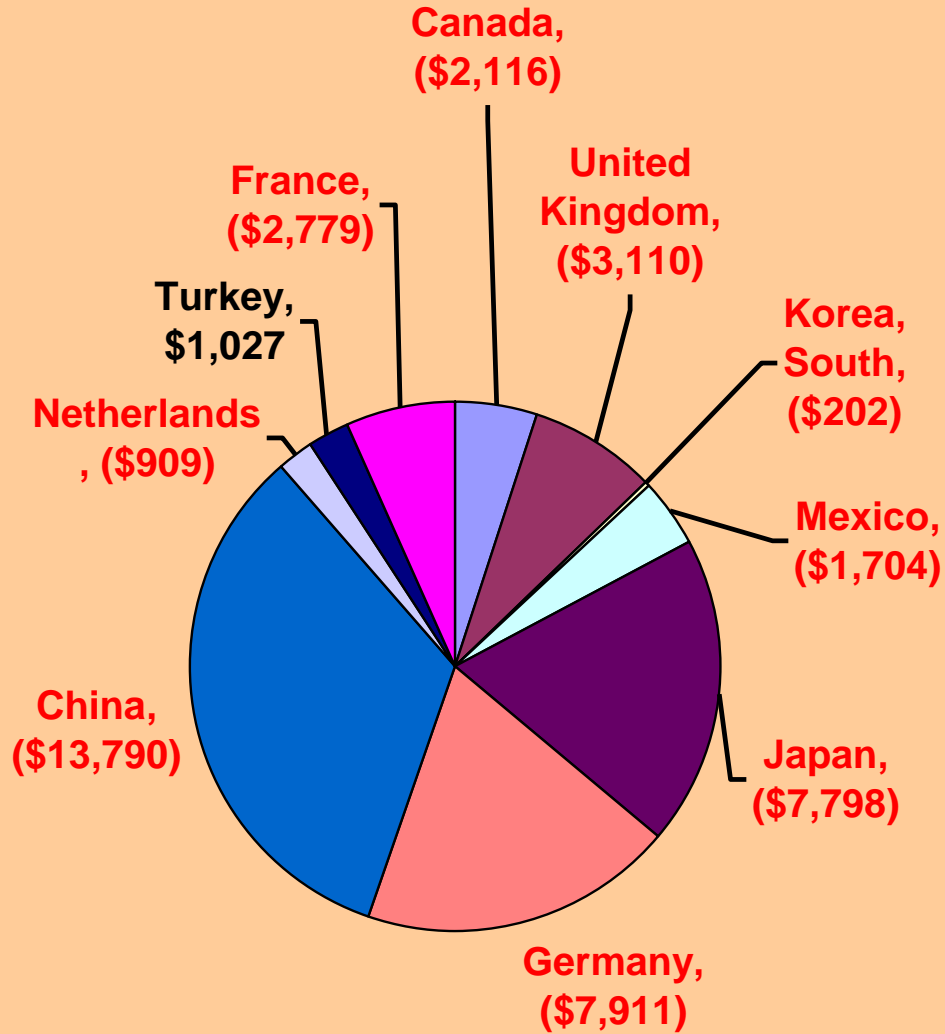
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**Top 10 Goods Balance New Jersey by Country
(2010) - based on Top Ten Exports - Imports**

Millions Dollars () = Deficit; Surplus

U.S. Department of Commerce, U.S. Census Bureau

Total Goods Trade Deficit NJ 2010=\$43.2 billion



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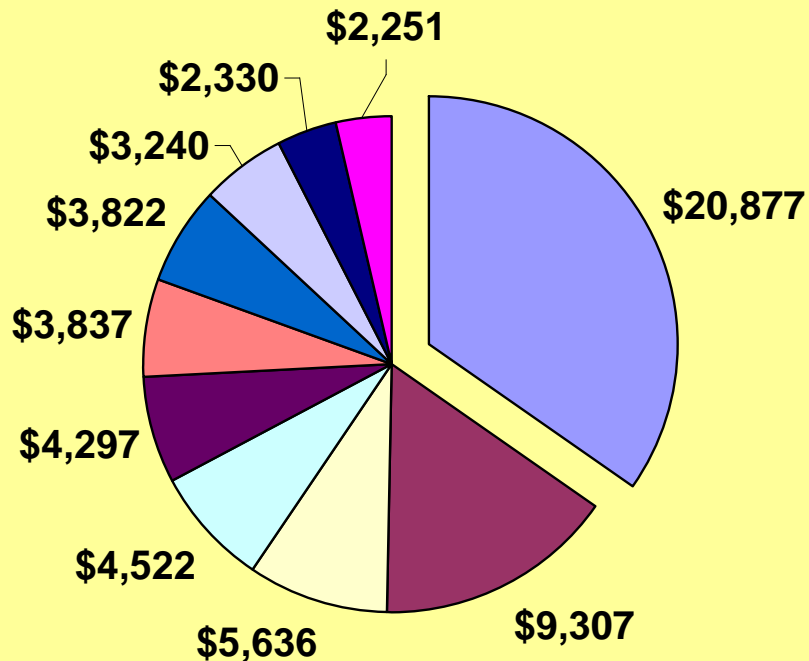
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Top 10 Exports Texas by Commodity Code (2010)

Millions Dollars

U.S. Department of Commerce, U.S. Census Bureau
Total Exports Texas 2010 = \$207.0 billion

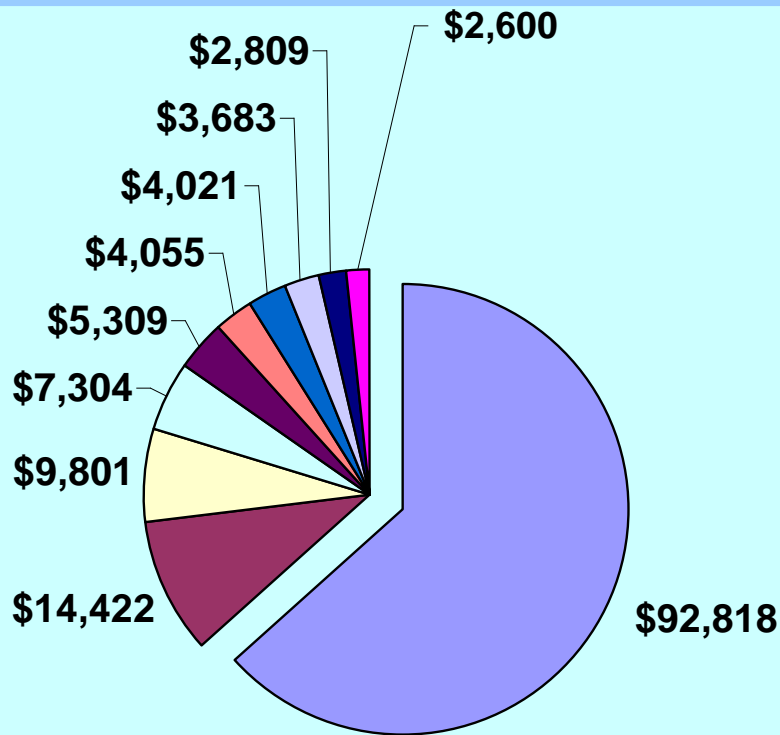


- CRUDE OIL FROM PETROLEUM AND BITUMINOUS MINERALS
- PHONES FOR CELLULAR NETWORKS OR FOR OTHER WIRELESS NETWORK
- OIL (NOT CRUDE) FROM PETROL & BITUMINOUS MINERAL ETC.
- DIGITAL PROCESSING UNITS, N.E.S.O.I.
- MACH FOR RECEPTION/CONVERSION/TRANSMISSION/REGISTRATION OF VOICE/IMAGE/DATA
- PARTS & ACCESSORIES FOR ADP MACHINES & UNITS
- RECEPTION APPARATUS FOR TELEVISION, COLOR, N.E.S.O.I.
- LIGHT OILS & PREP (NOT CRUDE) FROM PETROL & BITUMINOUS MINERAL
- PASSENGER VEHICLE SPEAKER-INTegrated COMmunication RECEPTION P ENGINES >1500 NOV 3M CC
- INSULATED WIRING SETS FOR VEHICLES SHIPS AIRCRAFT

Top 10 Imports Texas Commodity Code 2010

Millions Dollars

U.S. Department of Commerce, U.S. Census Bureau
Total Imports Texas 2010 = \$265.5 billion



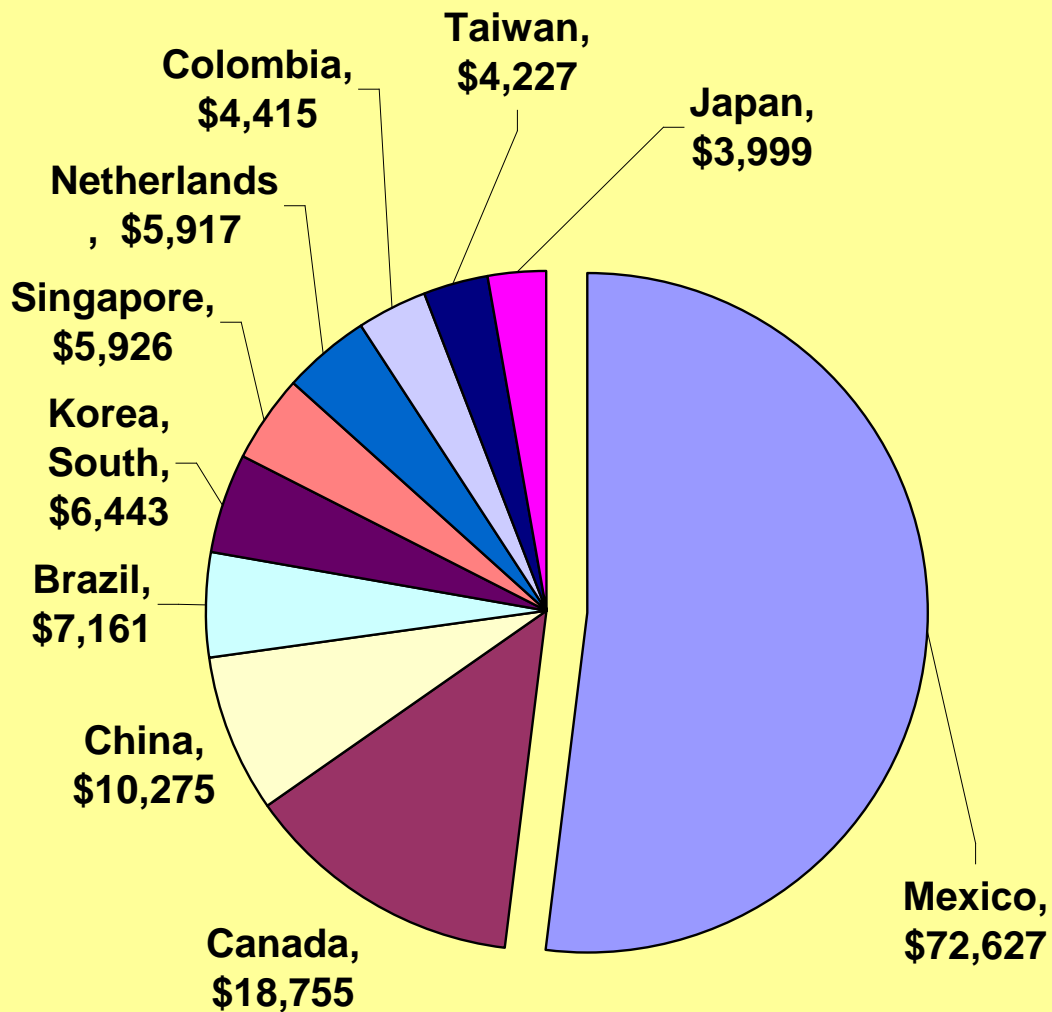
- CRUDE OIL FROM PETROLEUM AND BITUMINOUS MINERALS
- PHONES FOR CELLULAR NETWORKS OR FOR OTHER WIRELESS NETWORK
- OIL (NOT CRUDE) FROM PETROL & BITUMINOUS MINERAL ETC.
- DIGITAL PROCESSING UNITS, N.E.S.O.I.
- MACH FOR RECORDING/CONVERSION/TRANSMISSION/REGISTRATION OF VOICE/IMAGE/DATA
- PARTS & ACCESSORIES FOR ADP MACHINES & UNITS
- RECEPTION APPARATUS FOR TELEVISION, COLOR, N.E.S.O.I.
- LIGHT OILS & PREP (NOT CRUDE) FROM PETROL & BITUMINOUS
- PASSENGER VEHICLE SPEAKER-INSTALLATION COMPONENT REPAIR PARTS ENGINE >1500 NOV 3M CC
- INSULATED WIRING SETS FOR VEHICLES SHIPS AIRCRAFT

Top 10 Exports Texas by Country 2010

Millions Dollars

U.S. Department of Commerce, U.S. Census Bureau

Total Exports Texas 2010 = \$207.0 billion



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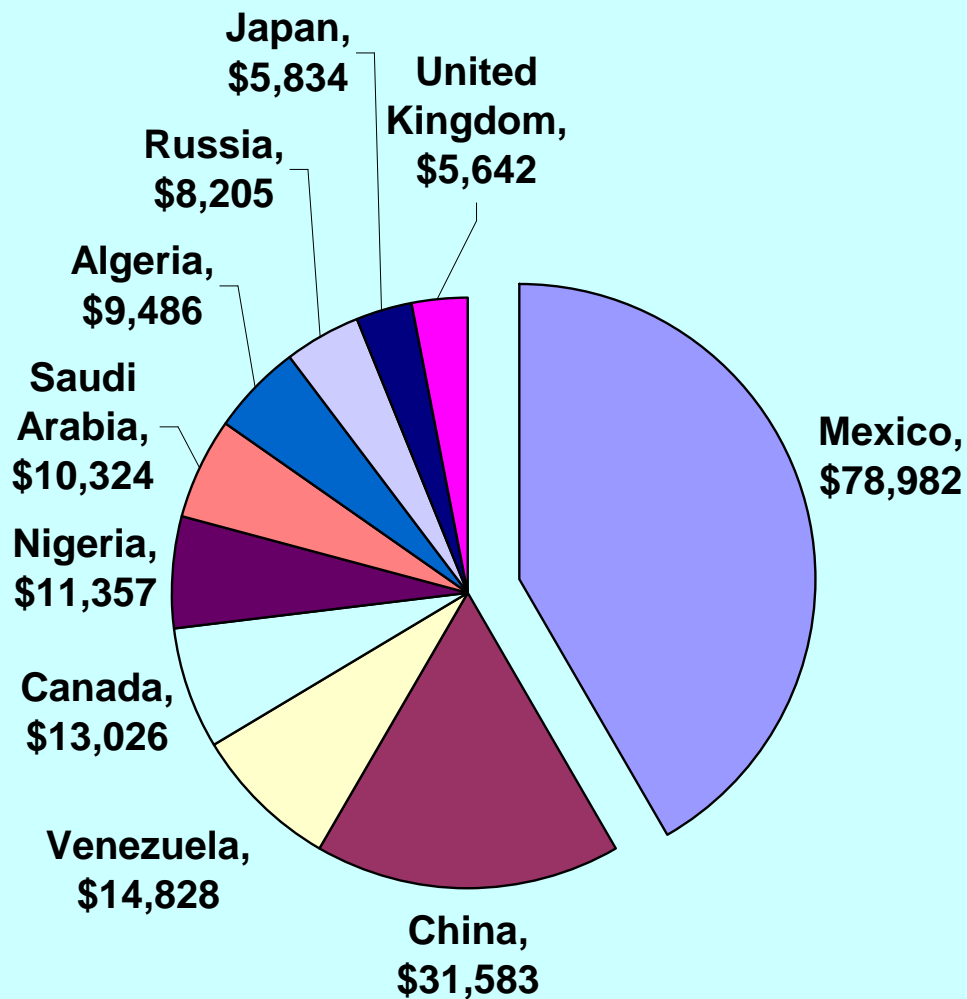
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Top 10 Imports Texas by Country 2010

Millions Dollars

U.S. Department of Commerce, U.S. Census Bureau

Total Imports Texas 2010 = \$265.5 billion



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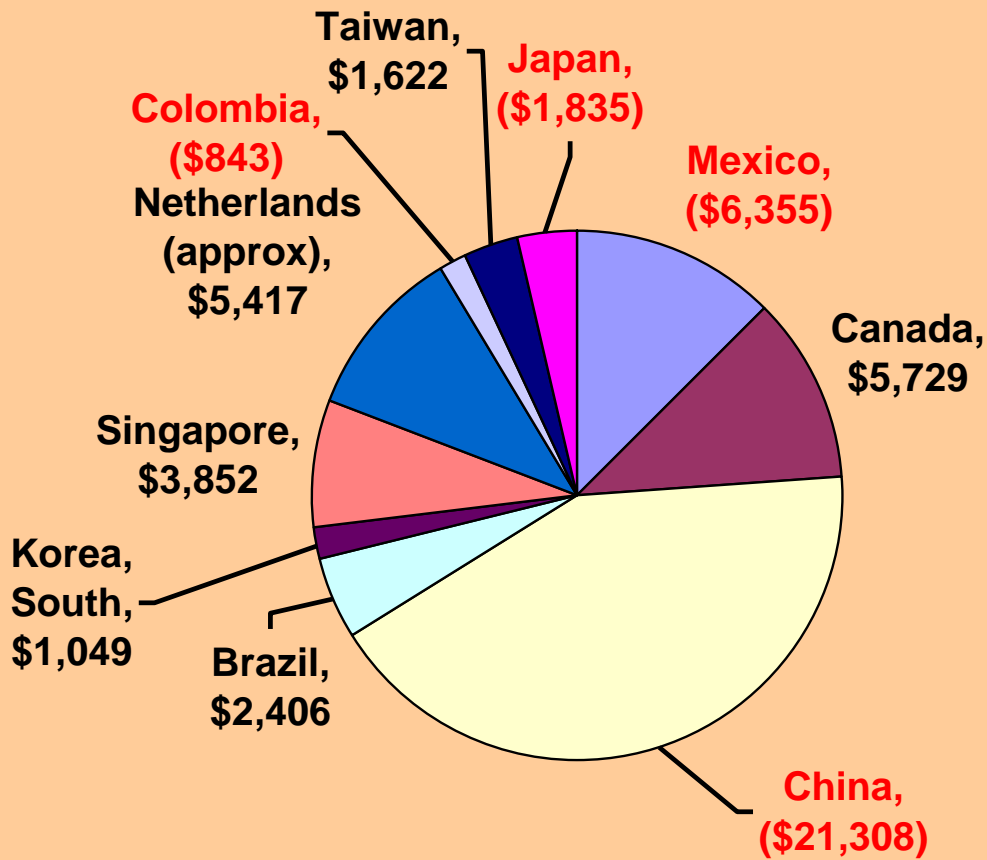
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**Top 10 Goods Balance Texas by Country (2010) -
based on Top Ten Exports - Imports**

Millions Dollars () = Deficit; Surplus

U.S. Department of Commerce, U.S. Census Bureau

Total Goods Trade Deficit Texas 2010 = \$58.5 billion



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Be sure to check out the site in coming days for data from:

Illinois, Michigan, Pennsylvania, New York, Georgia, Louisiana and Tennessee