
Can the American Economy Be Resurrected?

By Paul Craig Roberts, 27 August 2019

“Lenin said that capitalists would sell the Communists the rope to hang them. But as matters turned out, capitalists let China sell them the labour that served to hang American capitalism.”
— Michael Hudson

I was surprised to be given credit by readers for Trump ordering American corporations out of China and to bring the jobs back to the American workers that the corporations had abandoned. American economists, financial media, and Washington policymakers had never paid any attention to my analysis of US economic decline in terms of globalism and the offshoring of US jobs and technology, and I thought readers hadn't either. Many readers tell me that economics is over their heads. My economic articles are the least read on my website.

I was again surprised when foreign media, including Press TV in far distant Iran, immediately contacted me requesting an interview about my influence on the White House. What does it all mean?

First, I will say that it is possible that someone showed Trump my latest column (<https://www.paulcraigroberts.org/2019/08/21/what-globalism-did-was-to-transfer-the-us-economy-to-china/>), and that the light switched on. But it is also possible that Trump ordering the corporations home is just an escalation in his threats and reflects not his understanding but the impotence of tariffs to correct the lack of good jobs for Americans and the decline in their real incomes.

However, in the event a light went on in the White House, and that Trump might be shown how to proceed in bringing the offshored jobs back to America where they belong, I will address the issue. If nothing else, perhaps at some distant time historians of economic thought will write that only Paul Craig Roberts and Michael Hudson had a clue about the collapse of US economic power.

To recap before we move forward. When the Soviet Union unexpectedly and suddenly collapsed, China and India gave up on socialism and opened their economies to Western capital. The Soviet Union did not collapse because Reagan won the cold war, a goal that Reagan disavowed, but because hardline elements in the Communist Party leadership were concerned that Gorbachev was careless in trusting the Americans and was retreating from the Soviet Empire too cavalierly. To halt the dissolution of the empire that protected Russia from land invasion, the hardline Communists placed President Gorbachev under house arrest. It was this that initiated the collapse that left Yeltsin, a Washington puppet, in charge as Washington dismantled the Soviet Union and proceeded to steal, together with Israel, Russia's resources.

The conclusion reached by India and China, the countries with the largest populations, was that socialism leads to collapse, but capitalism leads to riches. For the first time the vast under-employed labor resources of the world's two most populous countries were available for foreign exploitation. The labor could be exploited, that is, paid less than its contribution to output, because an immense over-supply of labor existed in the labor market. The excess supply

of labour meant that that a work force could be hired for far less than it contributed to the corporation's earnings.

Corporate CEOs and directors—and Wall Street—noticed this opportunity to increase profits. The first corporations that rushed into China were disappointed, and the word went out that the opportunity wasn't as good as it looked. But China worked to make offshored production a lucrative adventure, and manufacturing jobs left the US by the droves. The consequence was that the US Middle Class shrunk, and with it the tax base of states and cities. America ceased to prosper, but the economic hurt was covered up with fake inflation, employment, and GDP growth reports, and Federal Reserve printing of massive amounts of money that propped up the prices of financial assets and real estate.

When the hurt became harder to hide, China was blamed for hurting American workers by exporting too much to America. The people blaming China did not bother to look at the percentage of imports from China that consisted of Apple computers and iPhones, Nike shoes, Levi Strauss jeans, etc. The offshored production of US firms constitutes a large percentage of imports. Goods and services produced by US firms offshore count as imports when they are brought back to the US to sell.

In other words the “Chinese import problem” was in fact the offshored production of US firms brought back to sell to Americans who no longer were involved in the production of the goods and services and, therefore, did not have any income from the production of what they purchased. In contrast, the offshoring corporate shareholders were rolling in money.

India benefited from receiving US IT and software engineering jobs, which could be performed anywhere and the work product sent over the Internet. Indian education and English language skills made it easy for US tech firms to use work visas to bypass US university graduates.

What resulted over the last quarter century was the dismantling of the supply chains and labor force that supported American manufacturing and industry. The once booming factories and industrial sites are closed and run down or converted into condos or apartments. If Trump can bring the US corporations home, where do they go?

The offshoring era wasn't a six-month economic recession. It was years when skilled and experienced labor aged and died, and no new entrants learned the skills and work discipline. Today China is a fully developed manufacturing and industrial economy. The United States is not.

For the US corporations to come back home, they have to leave a developed economy in China for a semi-developed or undeveloped one in the US. If they are compelled to do this all at once, they will lose their production in China before they can recreate the plant and equipment, work force, supply chains, and transportation systems essential to renew the US as a manufacturing and industrial power. If you look at the payroll jobs reports, it has been many years since the US created manufacturing and industrial jobs.

A quarter century of capitalist flight from the American work force has left the United States similar to India a half century ago, a country whose jobs consist mainly of lowly paid domestic service jobs. The absence of liveable jobs is why so many Americans aged 24-34 cannot live

an independent existence and live at home with parents or grandparents. It is why university graduates cannot repay their student loans and have been turned into debt slaves.

In order to bring American corporations home from China, this is what Trump has to do. The transition has to be gradual. The corporations can only phase out their offshored production in China as they can recreate the necessary conditions for producing in the US. The process is, in effect, like bringing development to an undeveloped economy.

Trump, that is, the US government, will have to compensate the corporations for the enormous increase in their labor (and regulatory, liability, etc.) costs associated with again producing for US markets with US labor by changing the way the corporations' income is taxed. Companies that produce for their domestic market with domestic labor would have a low tax rate. Companies that produce abroad with foreign labor for their US market would have a high tax rate. The difference in the tax rates can be calculated to offset the labor cost differential. Companies that produce abroad for sale abroad would not be affected.

If Trump orders US corporations out of China before they can reconstruct the conditions for manufacturing and industry in the US, the firms will be without sales and revenues and fail.

The question is raised whether Trump can order US firms to leave China and return home. There are two reasons Trump's order might be simply rhetoric. One is that the corporations are content with their existing profits that flow from low cost labor and have no intention of losing the cost savings. US global corporations have the wealth to interfere in US elections and elections in every country in which they have a presence. If Trump goes against the global corporations, he will not receive their campaign funds. His opponent will instead.

Trump can make the argument that the offshoring deal only worked for the corporations, not for the American people. "Free market" economists gave assurances that better jobs would take the place of the manufacturing jobs moved offshore and that offshore production would pay back to the US consumer in lower prices more than the loss of wages from the offshored jobs. This was not the case. Have any of you experienced lower prices of Nike shoes, Levi jeans, Apple computers and iPhones? The corporations did not deliver on the free market promise. They lowered their costs but kept the prices up. Not a single one of the better jobs materialized. Trump will need these arguments to put the corporations on the defensive.

The second reason is that Trump is alleged not to have the power to order US corporations to leave China and to return to their American work force, whatever is left of it. At one time this was probably the case. In 1952 President Truman nationalized the the American steel industry in order to prevent a strike that would have stopped steel production during the Korean War. The Supreme Court ruled against Truman. But today after the extraordinary accumulation of powers in the presidency from the Clinton, George W. Bush, and Obama regimes, and the powers given by Congress to the executive branch to fight "the war on terror," the president today can rule by executive order.

Trump has cited the 1977 International Emergency Economic Powers Act as law empowering him to order US firms home from China. He has many additional powers. A president who has the power to detain in violation of habeas corpus US citizens indefinitely without evidence presented to a court, and who can order the execution of US citizens on suspicion alone without due process of law, can order whatever he wants.

Based on the powers created by Republicans during the George W. Bush Regime and Democrats during the Obama Regime, President Trump has the power to arrest CEOs and boards of directors that have offshored production on the grounds that they are conspiring with China to steal American jobs and to drive the United States down into the ranks of Third World Countries. A far better case could be made for this than for the absurd Russiagate story that was used to stop Trump from normalizing relations with Russia.

To insure that he has the deep state's support, all Trump has to do is to remind the US military/security complex that the United States cannot continue to produce the weapon systems necessary to remain as the world's hegemon unless it can reestablish its manufacturing and industrial capability. Andrei Martyanov in his new book, *The Real Revolution in Military Affairs* (<https://www.claritypress.com/product/the-real-revolution-in-military-affairs/>) proves that in decisive weapons systems and force integration, the US is completely outclassed by the Russians, and in some respects by the Chinese. Indeed, it is not clear that the US is capable of defeating Iran in conventional war. The parts of many US weapons systems are produced abroad, which raises the question of supply during times of war. With the backing of the deep state, Trump can order the corporations home.

For years John Whitehead and I have stressed that Washington is creating a dictatorship. If the deep state is on Trump's side, he becomes a dictator who can dispense with elections and dispense with his opposition. To be clear, not only can Trump do this, but any future president can. The only question is who will be the target? White people? Offshoring corporations who have ruined America for their own profits? Russia? China? Iran?

No, I haven't gone off the deep end. I am describing for you the extrapolation of the implications of what we are witnessing and living. An American President elected by Americans dispossessed of their jobs and their livelihoods by greed-driven US corporations and faced with unlimited illegal immigration to drive down the wages of the lowly paid jobs that still exist, an American President who, like Ronald Reagan, declared peaceful intentions toward Russia in order to reduce the likelihood of a nuclear war that would destroy all life on Earth—it is this President who is under attack.

Why is the President who wants to restore American jobs and reduce the threat of nuclear war so vehemently opposed by the American prostitute media, the liberal/progressive/left, the Democratic Party, and millions of otherwise doomed Americans? The only reason such an absurd attack on Trump could take place is that the military/security complex was behind it. Otherwise, a president with all the powers that have been accumulated in the presidency over the past quarter century could have arrested his opponents and held them in indefinite detention. Even President Lincoln could do this to 300 Northern newspaper editors during the War of Northern Aggression. Lincoln even exiled a US Congressman who was critical of Lincoln's invasion of the Confederacy.

Trump is correct that if the US is to remain a world power, it is necessary to restore manufacturing and industrial capability. If the US is to absorb the massive number of third world peoples it has admitted, it is necessary to restore middle class jobs and the ladders of upward mobility.

The way Trump should proceed is to explain to the corporations that they have inflated their profits in the near term at the cost of destroying consumer purchasing power, and thereby their sales, in the longer term. Americans whose real incomes are not rising do not have the

discretionary purchasing power with which to purchase the goods and services that provide revenues to US corporations. Of course, the CEOs and directors are not here in the longer run, and they might not care. But a president can make it a patriotic issue and put them on the spot.

Next Trump needs to work with the corporations to alter the way they are taxed and to recreate the conditions necessary to restore manufacturing in the US. This is not a simple task. It requires cooperation, not conflict.

In the meantime immigration must be put on hold as there is no economy to absorb the immigrants, and Washington needs to stop its wars. The associated costs, debt, and risks are far greater than the benefits. If the US does not reverse its course, it will end up an undeveloped country. This is a far greater threat to us than alleged dictators and alleged terrorist-supporting states in the Middle East.

Here is my 8 minute, 44 second interview with Press TV:

https://www.presstv.com/Detail/2019/08/24/604362/Trump-US-China-trade-war-Paul-Craig-Roberts?fbclid=IwAR01gfNoDWVKxmTftqg_kyu2-O5cLIXEZ5kLrsDrY-xQJCUbtZ8K82PISyQ

<https://www.paulcraigroberts.org/2019/08/26/can-the-american-economy-be-resurrected/>