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America's Proper Share of World Productive Capacity

This essay does not use any statistic but it does use some simple arithmetic at the beginning, and it uses made-up examples to get points across. In this essay, I ignore all considerations of nature, environment, and global climate change.

TWO POINTS OF VIEW

(A) On the one hand, many economists, business people, and politicians say that world economic growth is good and eventually will benefit all nations, including the United States as a whole, and almost every American individually. In the end, without too long to wait, we each and all will get richer and happier, even when other nations prosper while we do not, and even when other nations prosper but we decline temporarily.

(B) On the other hand, regardless of what experts say, Americans do not feel that life is better. Nothing is made here. The good jobs are all gone to other countries. Incomes have not go up in real terms of what wages can buy. People are nastier. America needs to get the manufacturing and the jobs back to set things right.

Who is more correct?

(A) Most economists and business people, and many politicians, say when the world economy grows, America's share might get smaller, but America's total amount of wealth, especially wealth per person, does not get smaller, and, in fact, gets bigger. Each person has more wealth even if America's share of world wealth gets smaller.

Suppose a pie consists 10 slices, in two groups of 5 people each, groups A and B, for a total of 10 people or ten slices. Each person has 10 dollars, for a total of 100 dollars. America is group A; the rest of the developed world other than America is group B; America has 50 dollars; and each American has 10 dollars. Now add 10 more people to the pie, each with 5 dollars. Now there are 20 people altogether, each with 10 dollars, giving 200 dollars in total. America still has 50 dollars and each American still has 10 dollars. America's share is $50/200 = 0.25$. America's share has gone down from one-half (0.5) to one-quarter (0.25) but the wealth per American has remained the same at 10 dollars. Nobody should worry.

Even better: Start with the same pie; America is group A; and each American has 10 dollars. As before, America's share to begin is $50/100 = 0.5$. Now add 10 more people, each with 10 dollars. In this better

case, each person in group A (America) and group B (rest of the developed world) jumps in wealth from 10 dollars apiece to 12 dollars apiece. Now America has 60 dollars total and group B has 60 dollars total. Now the total wealth in the pie is 220 dollars (12 times 10 [= 120] for groups A and B, plus 10 times 10 [= 100] for the added 10 people). America's share is now $60/220 = 6/22 = .35$. The wealth per American is 12 dollars. America's share still went down but its wealth per person went up so Americans are even better off.

People who advocate free trade and general economic growth in the world say this second better case is more typical of what really happens. Over the long run, likely they are right - with some hard warnings, as I note along the way in this essay.

(B) Not only has America's share of total world wealth gone down since about 1970, but Americans feel that life eroded with the decline. While statisticians say that America as a whole is wealthier, and each American is wealthier on average, it doesn't feel that way. More of our income goes to school, housing, medicine, cars, fuel, special classes for kids, phones, taxes, and keeping up with the neighbors. More people are out of work. More people have bad jobs instead of good jobs. People feel competitive and nasty. Manufacturing left America. Nothing is made in America anymore, and, when the industrial jobs went, prosperity and the good American way of life went with them. The so-called "service" jobs that were supposed to be better and make us richer either have not shown up or were bad jobs when they did show up.

If we are to get back good jobs and good feelings, we have to get back manufacturing. To do that, we have to increase America's share of world wealth. To increase America's share of the world economy, we have to get more manufacturing back. Share of the world economy and manufacturing go together, and we cannot have one without the other.

Only if we have a bigger share of manufacturing can we have enough wealth to solve our own problems of bad jobs, unemployment, racism, sexism, etc. We cannot solve these problems using only the current resources that we have.

America is the biggest world power, the dominant military in the world, and the world's police officer – whether we like it or not. To maintain all this, we need a solid economic base, more than we have now. For a solid economic base, we need a big military, and we need to use our big military to solve world problems. It all comes together. To keep our power and protect ourselves, we need more of the world's economy than we have now. In particular, we need manufacturing back.

So, many working and professional people, and other economists, politicians, and business people, insist we grow America's economy, especially manufacturing, and take a larger share in the world economy, even if we hurt other players in the world, so that America has the wealth it needs for world power and to solve domestic problems.

CONFUSIONS

Both these views are distorted by some wrong beliefs:

-Not only people who advocate free trade, but most Americans, left and right, believe that, with added wealth (from any source, including manufacturing but not limited to manufacturing, America can solve automatically all its domestic problems of unemployment, bad jobs, racism, sexism, etc. More wealth solves everything. "A rising tide floats all boats; a bigger pie gives everybody a piece, and a big enough piece". With more wealth from natural growth of the world economy, from a bigger share of the world economy whether the world economy grows or not, from making our economy to grow, or more manufacturing, we can automatically cure all domestic problems over employment, racism, sexism, etc. All this is wrong.

-Only more wealth solves problems. It is not possible to solve our current problems with our current wealth. It is not possible to solve our problems with better policy and execution. It is not possible to solve our problems by realistically facing up to them. It is not possible to solve our problems if we only pull together to more efficiently use what we already have or if we only compete more ferociously over what we already have. We can solve all our problems automatically with more wealth and only with more wealth. For that, for most people, we need more manufacturing.

-Internal problems of unemployment, bad jobs, racism, sexism, etc. cannot be solved automatically by more wealth alone. More wealth alone does not automatically solve all problems. These problems are endemic to modern capitalism regardless of how rich a nation is. No matter how much wealth we had, we would still have about 5% real (structural) unemployment even among people who have skills, have good attitudes, and really want to work. We would have a lot of bad jobs. We would have people who are not smart enough to hold a good job in a modern economy. We would have all the social problems that go along with employment problems. A bigger pie still has bad slices. More wealth can help up to a point but not beyond. Nations such as America need to think how to deal with these problems with the wealth we have right now. To deal with these problems does not mean to throw money or to create state clients out of people or business firms. (Vast wealth might solve all the problems but that is not a realistic scenario.)

-From after World War Two up to about 1975, America was in an odd unrealistic position in the world economy. America was the only industrialized manufacturing nation in the world, and America had the world's first industrialized agriculture. As a result, America almost had good jobs for everyone, and our social problems diminished too. Since then, the world situation has gotten more normal and realistic. Other countries caught up, and America has taken a realistic smaller share of the bigger world economy. At the same time, total wealth in America did grow and average wealth in America did increase. Along with other countries catching up, America felt higher rates of bad employment and unemployment, and the social problems that come with them. Despite the contrast between the two eras, Americans do not think of the 1950s and 1960s as a prosperous unusual time but as the normal condition of America. They want to go back to unrealistic prosperity based on an unrealistic temporary situation.

In particular, Americans think the manufacturing advantage that America had from about 1946 through 1975, compared to the rest of the world, is normal, America deserves it, and we should be able to have it all the time. If we don't have it, that is because the rest of the world is cheating us, and our politicians are inept, corrupt, or are too much "in bed" with foreign business to do anything. America needs good factory jobs, deserves good factory jobs, should have good factory jobs, and the good factory jobs are "out there" but we can't get them. Other countries cheat us.

Americans think we can solve all problems automatically if we go back. Americans think we could solve all problems automatically if only we had all those missing factory jobs. But we can't go back and we couldn't solve all our problems automatically even if we did. We have to deal with conditions as they really are now, as they became after about 1975 and again after 2006.

(I know about recessions in the period 1945 to 1970, real rates of unemployment then, and the plight of Blacks and other disadvantaged groups. That does not change the general misperception Americans have of the "glory days" or the advantage held by America.)

-More average wealth does not mean that everybody is better off or even that most people are better off. Averages can mislead. If cost goes up along with wealth, then added wealth doesn't help much. If added wealth has to cover greater basic expenses for food, education, housing, medical care, dental care, transportation, and taxes, then people are not better off. If added wealth goes mostly to people who already have wealth, the rich, then people are not better off. The rich have to use their added wealth to benefit everybody, and that is not the case often enough. Even with more average wealth, we can have more unemployment and bad jobs, and fewer good jobs. Even with more average wealth, the poor and middle class can decline in economic power and security if they have to spend more on school, doctors, houses, cars, sales tax, and all taxes. Unless we can control some prices, we will not be better off with increasing average wealth. Unless we can be sure that increased wealth in the hands of the rich helps everybody, we will not be better off with more average wealth.

WHAT TO DO

These points are only a sketch. I go into a few more details at the end of this essay and more details in other essays.

-Accept facts: some unemployment and bad employment (bad jobs) are intrinsic to modern capitalism; unemployment and bad employment fuel social problems such as racism and sexism; we have to do something about them given our present wealth without thinking more wealth automatically makes them go away; many people now are not smart enough to get a good job in modern capitalism; we have to help people without perpetuating a client class of entitlement slaves and business firms on welfare.

-Do not try to grab a bigger share of the world economy by forcing more manufacturing to come back to the United States or by forcing more manufacturing to develop here.

-Instead, allow more manufacturing to come back to American naturally or to grow here naturally by removing obstacles to manufacturing in the United States. The chief obstacle is the high cost of labor. Mostly that is not the fault of labor but of other increasing costs in the United States.

-Reduce the cost of living by reducing the costs of medical care, education, housing, and transportation. I explain in other essays how to do this. It can be done without state subsidies or state interference in the markets. Change the tax system so it is fairer and so taxes are lower. Do not use price controls ever.

-Stop intruding in the economy to make it grow. Stop forced growth through tax plans such as reduced taxes on rich people. Stop corporate welfare.

-Reform the tax laws to remove all subsidies (even for buying a house), tax breaks, incentives, research incentives, and loopholes. Make taxes as consistent and fair as possible across socio-economic classes (wealth and income classes). Levy taxes on business firms (corporations and small business) at a rate that they will actually pay, and is almost fair, about 15% to 20%. Remove all subsidies to all business firms (corporate welfare) including preferential treatment for small business.

-Allow the United States to find its own proper "natural" share of the world economy. Don't try to force a larger share for the United States so as to solve unemployment or make America wealthy to support a large military.

-Reduce military spending somewhat. This advice does not necessarily mean reduce the military much, but, instead, reduce military spending. It can be done safely.

BRIEF SUMMARY

-The above actions will not totally solve problems of unemployment and bad employment. We still will have unemployed people and people in bad jobs. It is not clear how much the steps above will reduce the problems but not enough so that we can ignore them. We still need good policy directed at these problems. We are not likely to get that.

-The rate of unemployment in America likely would stay at least 5% even as other countries develop and take their share of the world economy, and America's share gets smaller. Of course, bad policies can increase unemployment while good policies can decrease it regardless of what happens on the world stage.

-The issue of bad jobs is harder to untangle. Jobs that used to pay well enough before are bad jobs now. Many new jobs (that might have been good enough jobs in the past) are bad jobs now. The fact that the ratio of bad jobs (to all jobs) in America has gone up since America began to merge into the developed world economy in the 1970s is no accident. People in America now get paid about as much for similar work as do people all over the world: a doctor makes a good income while a janitor makes a poor one.

A “run of the mill” job in the world, such as a janitor, simple factory worker, or fast food worker, does not make much anywhere in the world and so now does not make much in America.

-The jobs that do pay well now, such as engineer and health care worker, require not only training but also native intelligence. You have to be smart enough and well-trained enough. Many Americans do not have the training or native intelligence to get these jobs and can only get “run of the mill” low-paying jobs. This is true of many people in all countries around the world. They are doomed to bad jobs too.

-The fact that many Americans now cannot qualify for good jobs came about partly because America lost its privileged place in the world economy but that is not the fault of the world economy, America, labor leaders, or politicians. It is just a fact. Privileges have to end. We have to accept that Americans are not smarter, better trained, or deserving than other peoples around the world. We have not dealt with the change well, and that is the fault of labor leaders and politicians.

-It is not clear if more jobs will become bad jobs in the future. I think, in 2015, we are seeing about the steady conditions that will prevail for several decades into the future. We can reduce the number of bad jobs (make jobs better) but we can't make every job a good job. For reasons that I can't go into here, America might enter another decade or so of comparative prosperity in the 2020s, and that might lessen the ratio of bad jobs. But we should not count on that, or think of that as normal either.

-Just because America is generally wealthy and generally wealthier than most other countries does not mean that everybody in America can be well off or have a good job. The world does not work like this. The general wealth of America does not overcome the fact that Americans are not better trained and smarter than other peoples of the world. See my other essays.

-We have to accept that America cannot own world manufacturing and world factory jobs, and that, even with more manufacturing, America will not have enough employment and good jobs to make everybody happy. America will have enough unemployment and bad jobs to make a lot of people unhappy. We have to deal with this situation.

If you fully understand the argument so far, you can stop reading. Unless you already know quite a bit of economics, then likely you can benefit from the rest of the essay.

TWO KINDS OF MARKETS

We need to know what markets are like.

(1) “Zero Sum Game”. Think of the market for soft drinks or the market for beer. Suppose a new soft drink comes on the market. The new soft drink does not expand the total market by leading people to drink more. Rather, the new soft drink competes for “market share” with the big brands, store brands, cheap drinks, and niche drinks. If the new soft drink does “hit”, it will take away market share from the

other drinks. If it takes share away from the big two (Coke and Pepsi), they will fight back, mostly with advertising. Where one grows, another shrinks; where one shrinks, another grows.

This is the way many people think of the world economy and of many markets. If China grows, other countries must shrink, including the United States. If Europe grows, Japan shrinks. If Europe shrinks, Korea expands such as with markets for small electronic goods. There is only a limited amount of world economy, and we have to get as much of it as we can.

Part of this idea is that the world economy will not get larger or smaller if only one nation takes a large share of the world economy or dominates the world economy entirely. The market is the same if one nation owns it or if fifty nations share it. How many nations are in the world economy doesn't matter. This part of the idea is wrong. While this effect might be true of the soft drink or beer markets, it is not true of the world economy. If one nation took a large share of the world economy, the whole world economy would shrink as a result, and the prize of that one dominant nation would shrink as well. The whole world economy and the prize of the dominant nation would shrink a lot. I return to this issue in a section below marked with an asterisk.

(2) "Positive Sum Game". Now think of the markets for computers, cell phones, digital cameras, flat-screen TVs, and similar gizmos. Developing these gadgets did not shrink the economy. Developing these gadgets expanded the whole economy. Not only did the gadgets create jobs among people who make and sell them, these gadgets allowed a secondary wave of job and wealth creation among people such as programmers, store clerks, students, book keepers, librarians, every office in the world, etc. In the beginning of this expansion, if one business firm or nation worked to capture a share of the market, that effort did not seriously undermine the chances of other firms and nations, and did not shrink the total market.

The people that encourage us to enter the world economy and not to worry about jobs, manufacturing, and America's share have this second effect in mind.

While this effect is typical of new inventions it is not necessarily the case with all markets and is not the case even with inventions when old. Digital cameras destroyed the market for old film cameras. People do take more pictures now, so the whole photography market did grow, but that did not save the old film camera market. When computers were young, many firms wrote operating systems, but, in the end there could be only one – Microsoft Windows. Now, any firm that tries to enter the OS market would face a life-and-death battle. Nobody tries. The same is true of Internet browsers – people under thirty years old hardly recall Netscape although it once dominated the market, and only a few people use Fire Fox. Anyone who has signed a contract with a cell phone provider knows how much they care about market share and locking you in. Now that almost everyone has a cell phone, when one service provider gains a customer, another provider loses the customer.

It can work both ways. When cars first started their expansion in the early 1900s, they destroyed the horse industry and almost destroyed railroads. Then they started a chain reaction that made the whole

US economy larger and stronger. Each car bought, no matter from what maker, expanded the total car market and the total economy. Buying a car from one maker did not really deprive another maker of a sale, and there were many makers. Then later yet, when almost everybody owned a car, the market settled into a few makers; the market did not expand much from year to year; and, when a person buys a car from one maker, another maker loses a customer.

(3) “Ideal free fair market”. Ideal free fair markets of economic theory don’t exist, and economists know they don’t exist. They serve as a reference, like the bull’s eye of a dartboard or the stake in a game of horse shoes. It is enough to come close. For this essay, an ideal free fair market is much like market (2), the “positive sum game” but with better features. Here I use the term “wealth” to include technical stuff such as “utility” and “welfare”. As long as everybody plays fair, any development by anybody can never reduce wealth for anybody. Usually an increase in wealth by anybody leads to an increase in wealth for everybody, even if not equally. The differences in “not equally” don’t matter. Everyone has a good job. Development by any nation does not undermine the jobs in any other nation. Development by any one nation usually leads to better jobs everywhere, even if not equally. Wealth tends to equalize between people of comparable ability and between nations of comparable development and ability. When people advocate free trade, they hope the world economy behaves enough like an ideal free fair market so that it behaves consistently like market (2).

WHICH MARKET DOES THE WORLD FOLLOW?

Is the world economy more like (1) or (2)? If one aggressive expanding economy such as China enters the world economy, do shares for everybody else shrink or does the whole economy expand so that everybody is better off? If one aggressive expanding economy such as China captures a large share of the world economy, is everybody better off?

Of course, the answer is in between. Expansion by any one nation comes in three phases. The phases are like a mix of (1) and (2) above. The world economy begins with something like (1), goes through a phase like (2), and ends again in something like (1) but better off than before.

First, in the short run, the aggressive production-and-marketing of one country can shrink the world economy for other countries, as automobiles shrunk the market for railroads, and the development of petroleum processing shrunk the market for coal. Aggressive production-and-marketing by one country can eliminate markets from some countries as the development of the British textile industry almost destroyed the textile industry in India, and the development of world industries in shoes and textiles destroyed the American textile and shoe industries. People feel the world is getting smaller because, for them, it is, at least temporarily.

Second, the short run passes, and the whole world benefits from the better efficiency and cheaper goods of the newly developed country or newly expanded industry, much as people praise China for its lower prices that lead to a higher standard of living everywhere. When America first developed, the already-developed world of England, France, and Germany disliked cheap American goods, but, after

enough time, cheap American goods allowed those countries to shift production to higher technology and to advance their own economies. The whole world eventually benefitted.

Third, eventually the world settles back into something like case (1), the “zero sum game”. The whole world economy does not expand anymore. Particular markets don’t expand much. Countries divide up markets. The division is not static. Markets fluctuate and “ownership” of markets fluctuates. People feel as if the rise of one country, business firm, or market means the decline of others. Although people are better off than they were in stage 1, they don’t feel that much better off, for reasons that I don’t go into. So, when they feel that increase in one place must mean decline in another, they feel threatened.

If the economy were a big free fair market as in economic theory, then each country would find its own proper share of wealth, and the economic expansion of any country eventually would help all countries. Unfortunately, this is not the case. The world economy is enough like the market for beer that we have to be concerned about the expansion and contraction of the shares of particular nations. We have to be concerned about America’s share.

When somebody reminded the economist John Maynard Keynes that, in the long run, everyone was better off, he said something like: “In the long run, we’re all dead”. He meant we don’t live in some future “pie in the sky” but in the here and now. We don’t pay our heating bill and grocery bill with the prosperity of fifty years from now. While it might be true that the world economy and all the developed nations in it will be better in one hundred years, people who have trouble now aren’t going to live long enough to benefit; and their children probably won’t live long enough to benefit either. People want to know what will benefit or threaten them and their children right now. In that case, if the world economy seems to be in phase (1) or phase (3), then it does little good to invoke phase (2). Politicians know this truth but often overlook it, and invoke phase (2), not because they believe in phase (2), but because they want economic change for their own reasons.

We can live for phase (2), the future in which everyone is better off, if we don’t forget that some people go through hardship along the way and some people have hard lives all the time. We can help people to find new places in the new order, if they can. We have to face the facts that (1) many people are not smart enough to find a good job in modern technologically heavy capitalism, and (2) the ratio of the not-smart-enough people is growing. We have to face the fact of endemic unemployment. We have to deal with domestic problems with the wealth we have now. We don’t have to destroy the nation to do this; we don’t have to cultivate a class of leftover loser mooches. We don’t have to let entitlement blackmail, corporate welfare, and military “pork”, bleed the country. But we do have to be honest that simple economic growth does not automatically solve all our problems for us, and that we have to deal with problems realistically.

UNHAPPY SERIES OF EVENTS FOR AMERICA

By about 1972, the rest of the world had restored its industrial capacity, and had built up enough added capacity to catch or surpass America. The rest of the world would continue building faster than America

because some nations that were not industrialized before did industrialize such as Taiwan, China, and Korea. After 1972, a series of bad events happened. Some of these events further eroded America's industrial capacity. All of these events reinforced the wrong feeling Americans had of lost glory days and the wrong feeling that factory jobs could be recovered if we only did something to stop being cheated. I only list events here; I don't explain. See other essays.

- The decline of a rational labor movement
- Bloated unrealistic union agreements with business firms
- The collapse of agreements and unions
- Increased oil (petroleum) prices
- Decline in the comparative quality of America goods; America began to make shoddy goods
- Inflation
- Increased military spending
- Growth of the "culture of dependency" and entitlement programs
- Use of the state as a surrogate father by single parents
- Change in the ratio of Social Security supporters to Social Security recipients
- Education (degree) inflation
- Inflation in the level of degrees required for employment
- Erosion of general education quality
- Increased differentiation of schools into "bad" and "good"
- Increased medical and dental costs
- Increased housing costs
- Increased transportation costs (cars, fuel, and maintenance)
- Increased state and local taxes
- Increased overall taxes
- Credit card debt
- Education debt
- Deficit spending
- Inflation
- Development of the "me" culture of "you deserve a treat – constantly"

WHAT SETS THE IDEAL PROPER SHARE OF THE WORLD ECONOMY FOR A NATION?

In an ideal free fair market, what sets the proper share for a country is much like what sets the wages for a job for individuals.

- population density (now, more people is always bad)
- land area
- culture, family structure, character, and work ethic of the country
- an educated trained reliable honest work force
- natural resources, including water, petroleum, natural gas, wood, minerals, etc.
- arable land area

- internal transportation including water, rail, and road
- self-sufficiency in agriculture, ability to export food
- degree of technology and extent of technological implementation, how much technology the average worker uses
- the extent of manufacturing of various kinds
- legal and political framework
- the extent to which profits made in the country are re-invested back in the country
- education and all training (real education, not just pieces of paper)
- pure scientific research (for developed countries, this is much more important than most people know)
- applied scientific research
- the extent to which wealth is controlled by rational institutions such as business firms
- a responsible rational large domestic financial sector that tries to invest productively within the country
- the military – this factor should not be a factor, but it is
- how well the country faces up to endemic problems such as unemployment, bad jobs, racism, and sexism, and deals with those issues practically, without creating a client class
- corporate welfare and other “mercantilist” policies; these hurt the nation and should be ended
- in the case of developing nations, their willingness to exploit some of the population so their economy can grow and benefit other parts of the population

Most of the time, most countries get about what they deserve, they get about their proper share of the world economy – omitting the discrepancy between developed (“have”) vs. under-developed (“have not”) nations that I discuss below.

By these standards, the United States likely gets about its proper share. If Americans feel that America doesn't get its proper share of manufacturing, then Americans have to look to domestic conditions that cause us to lose industrial production, and we have to correct the domestic conditions. See above. See other essays. We also need to look at domestic conditions that cause us to feel bad even if we still have industry, America is a wealthy country, and average wealth has increased. We need to look at rising costs. We could do all this but we won't do much of it because we don't want to really face issues. We prefer that politicians do something desperate to entice or force manufacturing to return. They really can't do that.

Even if America did see domestic problems and did make what changes it could so as to entice industry back, or help it grow here, that would not automatically solve all our problems. It would not make all Americans prosperous, successful, and happy. Some unemployment and bad employment are endemic to any modern capitalist economy no matter how wealthy. We need to assess which Americans might be successful and which might not, even with America getting a hefty share of manufacturing. We need to consider what to do about the fact that some Americans won't make it even though we have a huge manufacturing sector. We have to face that added layer of reality. We have to face the fact that many people are not smart enough, or will not get enough education, to get a job in an industrialized country in the new world economy. We won't do this either.

THE ROLE OF MANUFACTURING IN DETERMINING SHARE OF THE WORLD ECONOMY

I can't go into detail. This analysis does not come from Marxist "World Systems Theory" of the 1950s through 1980s, although there is overlap.

Countries that have industry (are developed), such as making cars or TVs, or have industrial agriculture, each have a big share of the world economy while countries that have only raw materials to sell or have only non-industrial agriculture each have a small share. World industry as a whole, the combined group of all industrialized countries, has a big share while non-industry as a whole has a small share. Industrial countries have a bigger share than we might expect from economic theory about ideal free fair markets while "natural" underdeveloped countries have a smaller share. How much bigger and smaller is hard to assess without going into statistics and arguments. I would guess that industrial countries have about 20% more than they should while "natural" countries have about 20% less than they should.

This discrepancy might not continue, and might not be such a big issue, except it is cumulative. Once a country is a bit industrialized, it gains more than it should ideally. Once it has that surplus, it can invest the surplus in even more industrialization. Business firms reinvest within the country. Industrial nations can build up a base that includes finance, infrastructure, science, development, and a trained disciplined reliable work force. Then the developed country has yet more capital to invest, and so on. In contrast, because "natural" countries with little industry face a disadvantage, they cannot gather capital to turn to industrial production. They are always "capital starved". Business firms that do make a profit do not reinvest in the country but send profit elsewhere. Non-industrial natural countries support cultures and societies that are not compatible with capitalism and production. They support family favoritism, cronies, and corruption. They do not foster the education and character needed for a good workforce, managers, or workers. Non-industrial natural countries have no base. Non-industrial countries can never industrialize, and are always "bleeding capital". Non-industrial natural countries can never "get over the hump". The world turns into "have" nations and "have not" nations, stays that way, and gets more that way.

This pattern of increasing separation is not the fault of industrialized nations, and is not due primarily to their conniving through politics or the military. They do connive, but that is not the main issue here. This discrepancy is part of the normal (but not ideal) economic process now. It is not understood well enough so that we know how to handle it (or at least not explained well enough).

Oil rich nations might have developed if oil revenues had been used to develop the country instead of to support politicians, the military, and the police, and to hate Israel and America. Because oil rich nations largely have not developed, they act like "have not" nations even though they could have had.

Cumulative discrepancy is one reason China wanted so much to industrialize that it put Marxist ideology on hold for a while. China needed to get over the hump, and it took whatever steps necessary to do so. Hopefully the "freeze" on Chinese Marxist ideology will be permanent but not all the ideals behind the

ideology will be lost. Japan astutely forcibly built a base in the late 1800s. India and Brazil are doing the same. Hopefully Mexico will build a base in the near future.

Because America is industrialized, we don't have to worry about America's troubles arising as a result of it being a "natural" "have not" nation. America gets a larger share of the world economy than it might in an ideal economic world but that is not different than other industrialized nations and is not the issue here. I understand that the lower classes in America are almost the same as the "have not" nations but that does not change the main gist of what I say here.

The issue is whether America gets its share, less than, or more than its share, among other industrialized nations. Is America's share "fair" compared to other industrialized nations?

On the whole, given its resources, attitudes, behaviors, and domestic policies, America has a big share of manufacturing and has its fair share of manufacturing. This conclusion will displease many people. If we want more manufacturing, or to do better job with what we have, we have to change our attitudes, acts, and policies. We should not change to grab industry but instead to make a solid reliable work force that can live well on what it makes.

Another issue is: Is America's share enough? America does not have enough to cure all problems with wealth alone automatically and it never will. We do have enough to deal with our domestic problems if we would accept and face them. Whether we have enough to deal with our domestic problems and to carry out our international duties, I address below. The simple answer is "yes". We would feel better, and have more real wealth, if we adjusted our attitudes, acts, and policies.

Other issues do arise because America is an industrialized "have" nation, in fact, America is the leader, so far, of most industrialized "have" nations. People in "have not" nations take America to represent "haves" and "take it out" on America rather than on "have" nations in general or on the world economy in general. Terrorists attack America, not China. Unhappy people from might-have-been oil rich nations attack America, not China. These issues are beyond this essay.

ASSESSING AMERICA'S SHARE OF THE WORLD ECONOMY; AMERICAN WORLD SERVICE

Simply because America is physically bigger and has more people, clearly America should have a larger share of the world economy than Mexico or France; but should it have a larger share than China, Japan, or Germany, or larger than Europe combined?

Suppose every country had exactly its natural share of the world economy as measured in terms of a currency such as dollars. Still, not every country would have the same share of each kind of market or industry. France might have a bigger share of the wine market while India had a bigger share of the metals markets. Comparing only industrialized nations, Korea might have a bigger share of the market for cars while China has a bigger share of small electronic goods. What matters is total manufacturing and finance, especially total manufacturing.

The relevant question is what share of manufacturing America has. It is hard to go into details about how much of a country's wealth is in manufacturing and how much is in other fields such as organic farming, entertainment, lotteries, etc. It is hard to go into details about how much of an industrialized country's share is in cars or electronics. So, for industrial nations, I do not worry about what kind of industry a nation has, and I take the share that an industrialized nation has in the industrialized world economy to signal its share in the total world economy. In other words, I ignore details.

What share should America have of manufacturing? See above for the factors that affect the share of a country in the world industrial economy.

The real "sticker" here is the extra services that America gives to the world such as its contributions to the United Nations, disaster relief, charities, and its service as world police officer. In economic terms, America is taking care of a lot of "externalities" and "public costs" without compensation. We could afford to do that in the past but likely can't afford to do it now. We might be able to afford again to do it in the late 2020s. Even then, even if we can afford it then, should we still do it alone given that much of the rest of the world is now developed and can contribute a share?

Should the share that America has of the world economy be affected by the services that America gives to the world? Should America have a larger share than might be indicated only according to the factors listed above?

America's world role, especially its role as police officer, allows for the prosperity of other nations, in particular Japan, Korea, and several European nations. By guarding the seas and keeping a measure of world peace, America even benefits Russia, China, ALL oil producing countries, and all exporters of bad illegal drugs. It seems those nations should share some of their prosperity with America. (In fact, they do share some prosperity by banking in America, but that is another essay.)

Should the share that America has be affected by its needs to take care of its people, to give as many Americans good jobs as it can? Why does America get allowance for this problem while other countries do not?

If America does not get an allowance that allows it to deal with its domestic issues, then its ability to help the world in other ways likely will erode (it has already). In that case, we can see an allowance for domestic issues as an indirect allowance for world service. Is this view legitimate?

Suppose America gets just its proper share of world wealth based on its manufacturing ability alone without any extra payment for services given the world. Suppose America's share is enough to cover America's services to the world without also eroding the American economy and without making its domestic problems worse. Should America and the world rest content with this situation? In this view, America deserves a bigger share but does not get a bigger share because it can take care of itself and cover its services as well. Yet is this situation fair and should it continue? From after World War Two

until about 2010, America and the world thought this was the case and it should continue whether fair or not. Since about 2010, America and the world are more worried that America cannot take care of itself and continue to provide services without a bigger-than-strictly-proper share.

Suppose we decide America should get paid directly in cash (or gold) for its extra services. How much more? Who assesses? How is America to get paid? We can't levy a tax on all the nations that benefit from our services. This is the dilemma faced by every good neighbor.

Suppose we decide America should get an extra share of the world economy as an indirect way to pay for America's services. The same questions arise. How much bigger a share? In which markets? What if the market balances change? How do we go about making sure America has a bigger share, either in general or in specific markets? I can't see any practical way to do any of this.

In the near future, after about 2025, America will become almost energy self-sufficient; America has an agricultural surplus; and America is almost industrially self-sufficient (it can make all the industrial goods that it really needs to get along and to support the military, and it can buy all those goods from itself). Even in 2025, America will still have serious domestic issues of unemployment, bad jobs, racism, sexism, etc. America likely will be able to take care of itself well enough and still cover its international services. We will return to the situation in the 1960s and early 1970s. But should we? Just because America might be able to do it all for the world – except for the domestic issues noted – should America do it all for the world? Should America do it all without being paid back? Should America get a greater share because of the services it gives the world in general?

America is caught in a bind similar to a bind faced by big business firms in stable markets, firms that rely on advertising; and in a bind similar to a good neighbor who has to do services for his-her neighbors while doing them for his-herself. Advertising does not help Coke or Pepsi much to expand its share of the soft drink market. But, if Coke or Pepsi ever stopped advertising, they would lose all their share of the market and lose everything they had worked so hard to build and keep. The same is true in many markets including cars and cell phones. I have personally seen good neighbors who went around their neighborhood picking up leaves and trash. They raked leaves that fell in their yards and in the yards of neighbors. They did this because leaves are unsightly, attract animals such as rats and termites, and are a fire hazard. Good neighbors pick up trash that bad people have thrown in their yards, the yards of neighbors, and in the street. They rake leaves and pick up trash even though their neighbors do not help, and even though their neighbors benefit for free. In part, the good neighbors do this out of the goodness of their hearts. In part they do it because no trash and no leaves benefits them, and, to get the benefit for themselves, they have to extend no trash and no leaves to their neighbors, even if they lose labor and time to help neighbors who would not help themselves. Their neighbors benefitted, and knew they benefitted, but would not help, partly from basic bad character, and partly from the further bad character of knowing they did not have to help because the good guy would do it anyway and they would benefit anyway. I learned to appreciate the good people and to despise the trash throwers and the bad lazy selfish neighbors.

America benefits from helping other people and by playing world police officer. In doing that, America creates a stable mostly peaceful world order in which commerce is ten times what it would be if nobody kept the peace. If America ever stopped helping, America would lose more than it costs to keep world peace. Now that America has begun the role of helper and office, it cannot stop. Other nations know all this, including the fact that America can't stop. So they can get their benefit, and can gain over America, by doing nothing. This is unfair, but, again, if America stopped out of spite, it would lose more than it gains by continuing.

The real salt in the wound is that, not only does America lose, but others gain compared to us. What we lose by providing security they take, and then they use it to industrialize more and to gain a big further advantage. What we lose, and they gain, they use to take away our manufacturing and to put us in even a worse spot. This is like the cumulative separation between "have" and "have not" nations but played out in a different arena.

I don't see what America can do now that it is in this bind except complain. Sometimes other nations, such as England, Germany, France, other European nations, Turkey, Japan, South Korea, and Thailand, do help out as much as they think they can. Too many nations, such as India, China, Pakistan, Russia, and Saudi Arabia, do too little.

While the average citizen in Germany, Korea, or China might not know how much he-she gains by living under the American umbrella, the leaders do. One of the bad ends to befall the world in case America can't safeguard world trade is described in the section below. Leaders do try to give back to America. But leaders cannot go against their own people or they would not be leaders long; each country has its own problems; leaders have to tend to those problems first; and so America is left carrying the bag with only modest goodwill as its reward.

Americans have an intuitive (and sometimes explicit) sense of this bind and the unfairness. Their sense adds to the feeling Americans have that America is being "screwed" to the benefit of others, especially that America is losing manufacturing and manufacturing jobs even while safeguarding other nations that are taking manufacturing and manufacturing jobs away from us. Americans feel, if we were not caught in this bind and we did not have to clean up for others, America would not lose manufacturing and jobs, and would have enough wealth to take care of all domestic problems such as with employment, racism, sexism, slums, etc. That makes Americans angry, with some justification. But there is little we can do other than what we have been doing. It is some consolation to know that, like the good neighbor, we do benefit more than we lose overall, at least so far. We can cut our overall military costs, and presence overseas, without reducing our real effectiveness.

*WORLD INDUSTRIAL MONOPOLY

This section is speculative but important. I mentioned it above as marked by an asterisk.

I think Royal Crown is still an independent soft drink maker, not owned by one of the big two. Suppose RC took over the entire soft drink market and drove everybody else out of business. What would befall the soft drink market? It would shrink by about 5% to 15% for reasons that I don't have to go into here (it would become more "structured", in economic terms, and so shrink). It would not disappear. People would still drink a lot of cola, lime beverage, and root beer even if it were 20% more expensive. The small shrinkage of the soft drink market would not lead to much more shrinkage in the overall economy.

This is not the case with the world economy or for any large market within it. Recall that the spread of cars in America made the whole economy expand. Suppose we suddenly destroyed all cars, trucks, and buses, and forced Americans to use railroads, boats, and wagons again. The economy would shrink so much that it would nearly collapse. If you have studied economics, the shrinkage is like expansion in the banking industry as a result of fractional reserves but in reverse. It is like what happens in a very big depression.

This is what can happen to the world economy in case one country controls too much of the economy or controls one-or-a-few big markets such as for metals or electronics. Not only would the first market (say electronics) shrink, but then the whole economy would shrink following that, and the second shrinkage would be much more than the first.

Economies work in linked cycles, feedback cycles. A makes and sells to B; B makes and sells to A. B can only buy from A because B sells to A; A can only buy from B because A sells to B. If we remove A, then A has nobody to buy from. A cannot buy everything it once made for itself and to sell to B too. At best, only one half the economy survives. Now imagine it is not just A and B but also C, D, E, F, G, H, I, and J, for 10 members in all. A takes over the whole economy. Now B, C, D, E, F, G, H, I and J have nothing to sell to each other or to A so they can't buy anything from A. The economy does not only shrink by half but by nine-tenths. The real world is not this drastic but it can be nearly this drastic, as in the Great Depression of the 1930s and the Great Recession after 2006.

Now think of the whole world economy. China takes over the whole world economy. It makes all that everybody could want to buy, and makes it cheaper. If all the rest of the world had a way to pay for the now-cheaper Chinese goods, then everybody would be better off. But the rest of the world does not make anything, so it doesn't sell anything, so it doesn't have anything, so it doesn't have any way to pay China for Chinese goods even if the Chinese goods are cheap. When China makes anything, it has to buy all the units of that thing. China has to buy all it makes. China makes far less for its domestic market than it used to make for the world market. Even the Chinese are much worse off.

This might sound like a joke but it is not. Right now, not ten years from now, any one of the several big regions has the ability to make every manufactured good, and provide nearly all services such as making computer programs, that are needed for the whole world. China alone could make everything that the whole world wants. North America alone (the United States, Canada, and Mexico) could easily do the same. Europe alone could do it. Japan and Korea together could do it. China, Korea, and Japan could

do it without yawning. In about twenty years, India might be able to do it. If Brazil can lead a coalition in South and Central America, then in 2030 or so, South and Central America might be able to do it.

If any one region does this, the entire economy will collapse, and everyone will suffer including the one dominant region. Even if one region threatens to do this, or one region expands too quickly, the whole world will get so “jumpy” that the entire world economy suffers. There cannot be only one dominant player in the world economy, not China, and not even America. Economic productivity and power have to be shared among many players.

If several regions already have this capacity, then why don't they do it? To some extent, they are bound by common sense and good will. They know what will happen. But, on the whole, particular players are not usually held back by good will. Mostly no one region can dominate because the all regions compete all the time. Sometimes one region gets ahead for a while, as China did, but then other regions catch up and the first region falls back a little, as appeared to be happening after 2014. Ironically, the desire to get ahead makes sure that no one nation really dominates.

Competition might seem annoying, and it can cause bad domestic problems in regions that fall behind as did the United States from 1970 until 2014, but, in fact, competition keeps the system going, makes sure that no one region dominates, and makes sure any particular region always gets about its proper share of the world economy and the world industrialized economy. The system is far from perfect or fair but does have at least this much to recommend it.

Americans sense this situation. It makes them jumpy because, from 1970 to 2014, America did not have a firm grasp on its share of the world economy, and so was not likely to become the one big nation but more likely to become a left out loser. As powerful as America was, it still was only one of the players, not the single dominant, and not even always the most powerful among the small group of powerful players. If we think our domestic problems are bad now, we got a glimpse of what they would be like if China did dominate the world economy. We cannot have one single dominant player, not even us. America must share power with other nations. America has to trust other nation although other nations already are taking advantage of America in some ways. Not many Americans can put this feeling into words but they still feel it, and it adds to the issues described above. We might feel more secure if we thought our politicians knew all these issues and had some idea what to do - not to make America like the imagined unreal paradise of 1962 but to keep a big enough share of the world economy to keep on top of domestic and foreign problems. We do not have much confidence in our politicians and so our economic woes are enlarged.

A LESS DRAMATIC BUT MORE WORRISOME SCENARIO

(3)“Threatened expansion game”. This section introduces another kind of market arrangement, adding to the market arrangements of “zero sum game” and “positive sum game” described above.

No country is likely to dominate the world economy so much that the world economy collapses but it is useful to go through that scenario for what comes here. Countries do aggressively try to expand their share of the world economy, as business firms try to increase market share. Countries can succeed by using strong tactics. In expanding their share, sometimes countries also expand the total pie in the long run, as when they develop efficient manufacturing, but often they just take more of the pie themselves and leave other countries with less. I do not explain what methods countries use to expand their share.

I also don't explain why countries want a bigger share except for one reason: a bigger share reduces domestic unemployment enough to make the citizens happier, turns some bad jobs into better-paying jobs, and, when new jobs open up, helps new jobs to more likely be good jobs. A bigger share makes people inside the country feel better.

Assume there are only so many good jobs in the world at once. Getting more good jobs for one country makes fewer good jobs in other countries. It makes more unemployment and more bad jobs in other places. It makes the people of other countries unhappier. This is what happened in the United States when the U.S. lost its privileged place after about 1975.

This increase in employment problems within America as other countries grab a bigger share of the world economy is more of a worry than that some other country such as China will totally dominate the world economy. When China, India, or Brazil, push for a big share of the world economy, and especially when China pushes for world dominance, it means America suffers more unemployment and bad jobs.

Because, now, the total supply of world products could be made in any one of several big regions, it is more possible that one region can dominate the world economy enough to increase the unemployment and bad jobs in the United States and in other countries. In fact, this is what happened as first, Japan, and then China, rose to first rank in the world economy.

Economists and politicians naturally argue that loss of good jobs is a short-term effect, and the whole world economy will expand eventually precisely because one country dominates now through increased efficient production. In theory, the good jobs should come back. In traditional theory, the argument would be correct, although it overlooks the bad short-term results. For that argument to be correct, it should not be the case that any one region could produce all that the world needs and it should not be the case that any one region could significantly expand its share of the world economy using aggressive means. Instead, it should be the case that many regions are needed to produce all that the world needs, there are enough good jobs around the world for everyone who can be trained for them, and nearly everyone can be trained for the kind of good jobs that are appropriate to current technology. When one region can produce all that the world needs, there are not enough good jobs around the world, and a large ratio of the population of every country cannot be trained for today's jobs, then the argument does not hold at all well. It is not clear in present theory (that I know of) what happens when one region can produce all the world needs, there are not enough good jobs, and many people cannot be trained for good jobs. We have to go by the facts of real cases, which are: when one country rises considerably,

especially when it rises to dominance, other countries suffer more unemployment, fewer good jobs, and more bad jobs, and it seems fewer people within other countries can be trained for modern good jobs.

Because one region can produce all that the world needs, countries aggressively pursue as large a share of the world economy as they can get, and America cannot dominate the world economy as we did in the 1950s and 1960s, then America will have more unemployment and bad jobs. This outcome is not happy but it is also not unfair. We cannot cure this problem by trying to restore manufacturing through simplistic policy magic.

REPEAT WHAT TO DO

I go into more details in other essays. The points marked with a single dash (-) repeat from above. The points marked with double dashes or the "equals" sign (=) are taken from other essays.

-Accept facts: some unemployment and bad employment (bad jobs) are intrinsic to modern capitalism; unemployment and bad employment fuel social problems such as racism and sexism; we have to do something about them given our present wealth without thinking more wealth automatically makes them go away; many people now are not smart enough to get a good job in modern capitalism; we have to help people without perpetuating a client class of entitlement slaves and business firms on welfare.

-Do not try to grab a bigger share of the world economy by forcing more manufacturing to come back to the United States or by forcing more manufacturing to develop here.

-Instead, allow more manufacturing to come back to American naturally or to grow here naturally by removing obstacles to manufacturing in the United States. The chief obstacle is the high cost of labor. Mostly that is not the fault of labor but of other increasing costs in the United States.

-Reduce the cost of living by reducing the costs of medical care, education, housing, and transportation. I explain in other essays how to do this. It can be done without state subsidies or state interference in the markets. Change the tax system so it is fairer and so taxes are lower. Do not use price controls ever.

-Stop intruding in the economy to make it grow. Stop forced growth through tax plans such as reduced taxes on rich people. Stop corporate welfare.

-Reform the tax laws to remove all subsidies (even for buying a house), tax breaks, incentives, research incentives, and loopholes. Make taxes as consistent and fair as possible across socio-economic classes (wealth and income classes). Levy taxes on business firms (corporations and small business) at a rate that they will actually pay, and is almost fair, about 15% to 20%. Remove all subsidies to all business firms (corporate welfare) including preferential treatment for small business.

-Allow the United States to find its own proper “natural” share of the world economy. Don’t try to force a larger share for the United States so as to solve unemployment or make America wealthy to support a large military.

-Reduce military spending somewhat. This advice does not necessarily mean reduce the military much, but, instead, reduce military spending. It can be done safely.

=Other countries can get by with each business firm taking care of the retirement of its employees but America can’t. I don’t here explain why. Trying to run retirement programs through each employer makes it hard for America to compete. The answer is to get rid of all retirement programs run through private business firms or any unit of government other than the federal government. Subsume all retirement programs under Social Security. Business firms would only have to negotiate wages. Firms and workers would be much more flexible in adapting to changing conditions and so rebuilding industry in the United States.

=American schools no longer can guarantee graduates who are ready for work either by character or by training in specific skills. We need to get back to that without turning our schools into zombie factories. We need to make sure that every child who has a diploma has the character and skills to go along with the diploma. We especially need to do this in ethnic neighborhoods where the schools have been awful, as among Blacks and Hispanics. This can be done; and likely without spending more money than we spend already. We must make sure that every neighborhood school is worth going to so that people don’t fight, move around, and bid up the price of houses so as to get access to good schools.

=We need comprehensive tax reform.

=We must end the sales tax on food, medical items, and medical care. We should all sales tax because it hurts the poor badly.

=I write about entitlement (welfare) reform in other essays. We need to decide in advance how much we can afford regardless of apparent entitlement. We need to prioritize potential recipients on the basis of how much they deserve help, how much they need, how much they are likely to benefit society, and how much they are likely to benefit themselves. We give until the money runs out. Then we stop giving even if all the deserving people have not been helped.

=Despite what business people say, business firms can live with regulations designed to protect nature as long as the regulations do not add to uncertainty. Firms need regulations that are consistent across the whole country, are consistently enforced, are not likely to change quickly, and, when they do change, the changes can be pretty well foreseen. We can deal with global warming and deforestation if we give business firms a decent “heads up”, come up with a fair realistic plan, and stick to it.

=We can control rising house prices partly by eliminating the tax write-off for mortgage interest and by making sure that all neighborhood schools are good enough.

=In addition to controlling house prices, we also have to control medical and insurance costs. This topic is large, and I can't go into it here. It can be done but we have to accept some lifestyle changes such as not driving 85 miles per hour, not smoking, not eating crap, and getting off the couch.

=If we do all this, America will be a much better place to invest in, build workplaces in, and even build factories in. We will get back some manufacturing. We will never get back enough to automatically cure all our problems with wealth alone because the problems can't be cured with wealth alone. We might get back enough so that people relax enough to face the problems and deal with them.