

Re: Is it possible to have trade deficits WITHOUT having a budget deficit?

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Corse it is, some countrys have done that.

2.7182818284590... <tangent1.57@xxxxxxxxxx> wrote

I would think that the two phenomena are **NOT** related at all.
Trade deficits occur when you import more than you export.
The USA happens to import close to a trillion dollars a year.
Incidentally, we run a deficit slightly lower than this.

Most people can easily understand a budget deficit, and the ramifications of a budget deficit.

They dont actually. The only real 'ramification' of a budget deficit is that the country ends up pissing the interest on that debt against the wall.

However, a trade deficit – which I can easily understand – seems to be equated with a lavish lifestyle, running up deficits, and an economy unable to save.

Wrong again. Its mostly just the result of manufacturing moving offshore in modern times.

Here are my questions:

1. How and why do people correlate a trade deficit with a low savings rate?

They aint correlated at all.

2. Is the savings rate at the consumer level or at the governmental level?

Obviously at the consumer level if there is national debt.

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3. Finally, here's a hypothetical scenario – please tell me what you think:

That its a mindlessly superficial scenario which doesnt ever happen.

The USA imports \$1B in goods/services from a country, and that country imports \$1B from the USA as well. There is neither a surplus/deficit with this country for either parties. The USA, however, imports a goods/services that the exporting country has no profits. Their net profits in doing business is 0%. However, the USA is selling something very lucrative to this nation, and the shareholders have made \$100M from the exporting of \$1B (10% profit margins).

On paper, both countries have the same trade deficit/surplus. But the Americans are in a much better predicament. Please clarify if my assessment is correct – that the USA is benefitting more from this trade relationship?