

The Imploding US Economy, or the Economic Stimulus Package as Canary in the Coal Mine

by Stephen Elliott-Buckley - Tuesday, April 29, 2008

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Roughly 20 years ago I was writing about how the Canada-US Free Trade Agreement was like handcuffing ourselves to a drowning man.

I've watch the American Empire defeat the Soviet Evil Empire. I've watch it champion Fukuyama's end of history, neoliberal globalization and outsourcing, and the rise of soft fascism in the w.Caesar era.

I remember as a kid watching Chinese acrobats on TV. One of the coolest things was the plate spinning where a person would put a dinner plate on top of a stick and spin it, then do another until there were many plates all spinning. The trick was to keep them spinning so none would crash to the ground. Then, I suppose, the trick was to stop them all without any breaking either.

This is the American economy. Well, it's the global economy really.

After 9/11, w.Caesar told everyone to go out and shop. An insane national directive in a time of existential crisis, but when you think about what it takes to maintain the American economy, that was exactly the right advice.

But let's look at a few things:

- early in his presidency w.Caesar tried to get the Chinese to increase the value of what Americans believed to be their artificially deflated currency
- when the Chinese refused, oddly, the US currency started tanking; it's now essentially on par with the Canadian dollar
- America has an unmanageable and increasing trade deficit with China and others
- American consumers are addicted to cheap Chinese goods, which creates the trade imbalance because the Chinese are not addicted to whatever it is that America produces these days [if you haven't yet seen the movie *Other People's Money* you need to watch it so you can enjoy the poignancy of Gregory Peck's speech at the end about how America doesn't actually make anything anymore]
- the Chinese government invests its surplus US cash back into 90-day US treasury bills, essentially enabling the US currency to remain as solvent as it is; 35 years ago, the Saudis invested their petrodollars in US real estate and corporations
- one day coming up, the Chinese will stop rolling over its newly cashed-out T-bills into the next series of T-bills because the 300 million Chinese who make up the middle class of their market economy [unlike the half a billion impoverished rural folk who enable that middle class to exist] will be able to do more business with Brazil, Venezuela, Russia and India [with its growing middle class], so who needs to keep American consumers able to buy cheap Chinese products

anymore; this will thrust America into a depression that the Chinese will likely be able to just side-step

- there are only 300 million Americans [in total]
- the American middle class [the consumers of cheap Chinese products] is declining fast
- the sub-prime mortgage implosion is indicative of the malaise of over-extended credit

So what does the US Congress do in all this? They run around faster trying to keep the plates spinning a little bit more. Echoes of "go shopping" abound as in classic neoliberal fashion, the US government defunds itself a little more by sending out a \$150 billion economic stimulus package approved in February.

This package gives most Americans around \$300 or more each to go shopping. This money comes from tax revenue, thereby making government smaller. It is essentially a tax cut which people will hopefully spend on [WiiFit](#) or something equally criminally stupid instead of paying off some 19-29% credit card debt. How do you spell usury anyway?

This is desperation, ladies and gentleman. This is the macro-economic equivalent to the sweat whipping of your brow as you run around the stage ever faster trying to keep the plates from crashing to the ground.

But the stimulus package isn't really the canary in the coal mine. We're well past that. The canary was the US real estate bubble, or maybe even NAFTA.

This package, though, is a desperate move 8 months before an election to keep the recession from turning into a Recession or d/Depression.

It's also a cynical method of pursuing neoliberal government downsizing at the expense of hundreds of millions of Americans who are going to be up to even more debt, needing more storage lockers for their consumer purchases they can't fit in their homes, and more vulnerable to insolvency--like their nation's economy--when the plates slow down and hit the ground.

And instead of the government pulling a Keynesian move by investing in infrastructure projects with the massive multiplier effects of robust economic spinoff in communities, it bleeds its collective wealth a little bit more.

And Canada, being handcuffed to this drowning man, will suffer as well since over 80% of our exports go to America. And while NAFTA requires Canada to never reduce the percentage of oil and gas, this imploding economic context may be what it takes to cancel NAFTA. It takes a letter of a couple sentences in length announcing our intention to bail on it, or parts of it 6 months from the date of the letter.

Keep your eyes peeled. Listen for the sound of plates smashing. Get resilient.