

From “The Big Disconnect”

By PAUL KRUGMAN 9/1/06

- ... some pundits out there lecturing people about **how great the economy is**. ... although **G.D.P. growth has been pretty good** for the last few years, **most workers have seen their wages lag behind inflation and their benefits deteriorate**.
- The **disconnect between overall economic growth and the growing squeeze on many working Americans** ...
- The **stagnation of real wages** - wages adjusted for inflation - ... have been declining since the 1970's, ...

Krugman (cont'd)

- **Why ...? ... what we see today is the result of a quarter-century of policies that have systematically reduced workers' bargaining power. ...**
- **The big disconnect, in other words, provides as good an argument as you could possibly want for a smart, bold populism. All we need now are some smart, bold populist politicians.**

A Conservative Responded:

- This is **spoken like a true liberal**. **PAUL KRUGMAN** is **clearly a bias toward unions and government mandated wages levels and benefits**. **Everything needed to establish Socialism and contrary to the market economy that has made America the envy of the world and the place for real opportunity. ...**

Conservative Response (cont'd)

- **... we went into the global economy and worldwide the number of people that were willing to get paid less to do the less skilled jobs increased. Rather than letting go of those jobs that can be done cheaper overseas and increasing one's skills to be more valuable to the new generation of employers, the unions have tried to hang on. Like a leech with no real concern for their host, this behavior has killed many of the (union) companies by demanding more for their work than what it was worth on the global marketplace. ...**

Conservative Response (cont'd)

- **The sooner that our unions accept their fate, ... the sooner our workers will let go of the past and prepare themselves for the coming baby boom driven worker shortage. Employees must look to improve their value and take care of themselves, ... Those that will let go of the past and learn or retrain to provide real value (talent and skills) to employers will be rewarded with higher wages because the supply is less than demand. Really just economics 101.**
- **Just some random thoughts :-)**

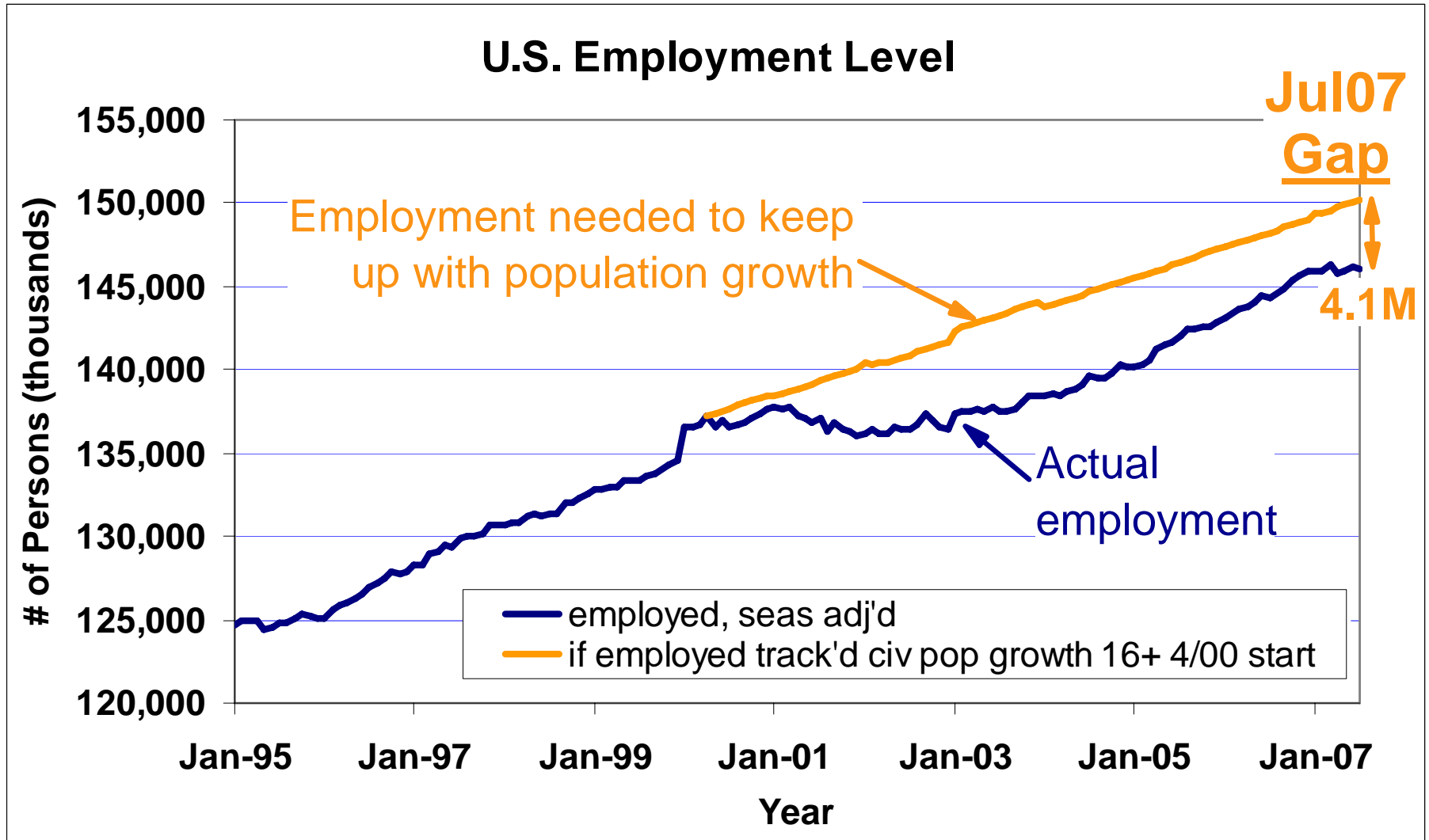
Definitions of populist:

- **populist: "an advocate of democratic principles."**
- **populist: "an advocate of the rights and interests of ordinary people, e.g. in politics or the arts."**
- **Populism: "the political doctrine that supports the rights and powers of the common people in their struggle with the privileged elite."**
- **The support of the privileged elite against the interests of the "common people" has been the continuing goal of conservatives:**

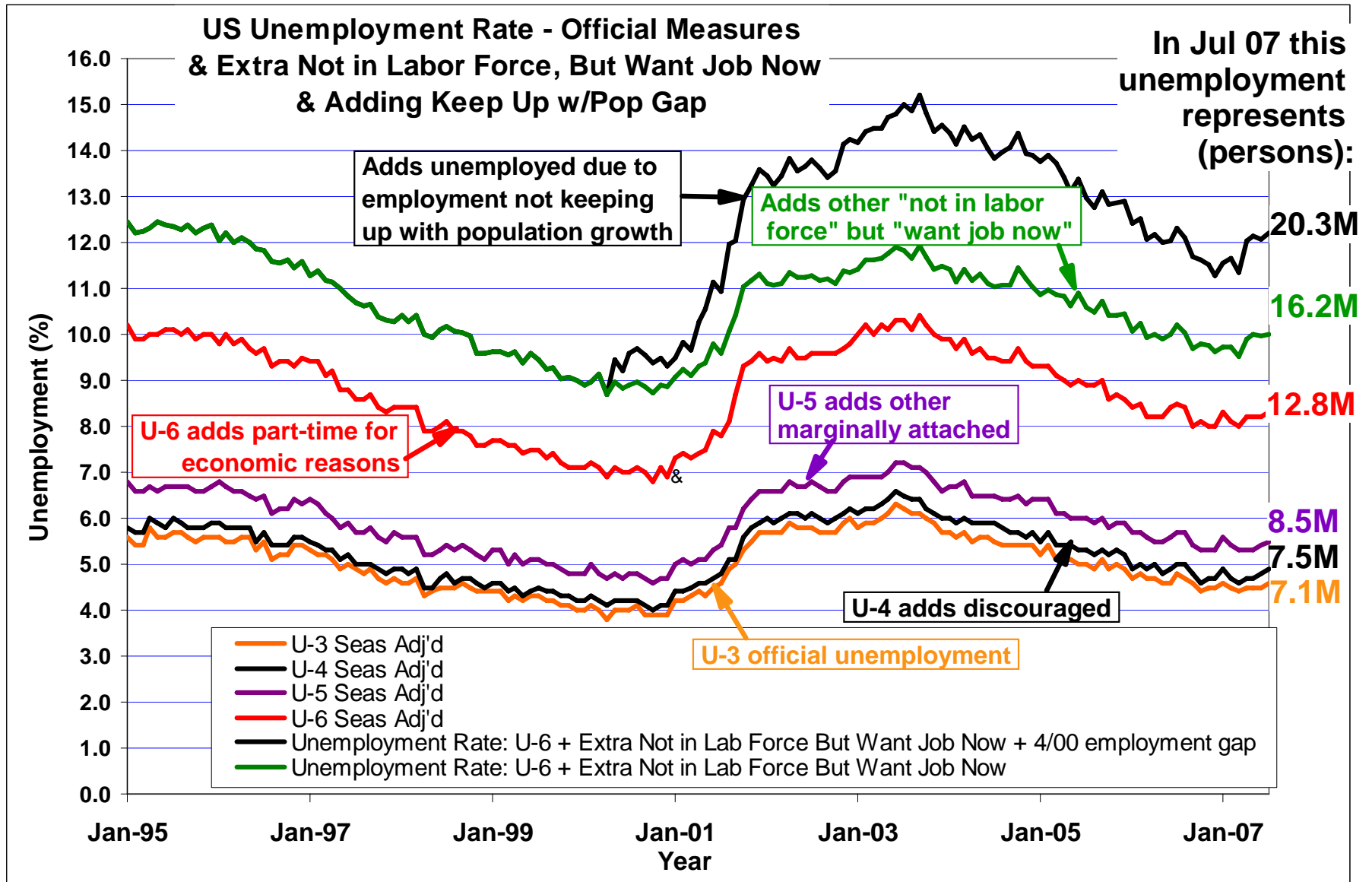
What Conservatives Believe

- If our world indeed is ordered in accordance with a divine idea, we ought to be cautious in our tinkering with the structure of society; for though it may be God's will that we serve as his instruments of alteration, we need first to satisfy our consciences on that point. Again, Burke states that a universal equality among men exists; but it is the equality of Christianity, moral equality, or, more precisely, equality in the ultimate judgment of God; equality of any other sort we are foolish, even impious, to covet.
 - *The Conservative Mind from Burke to Eliot* by Russell Kirk, 1953, p. 34

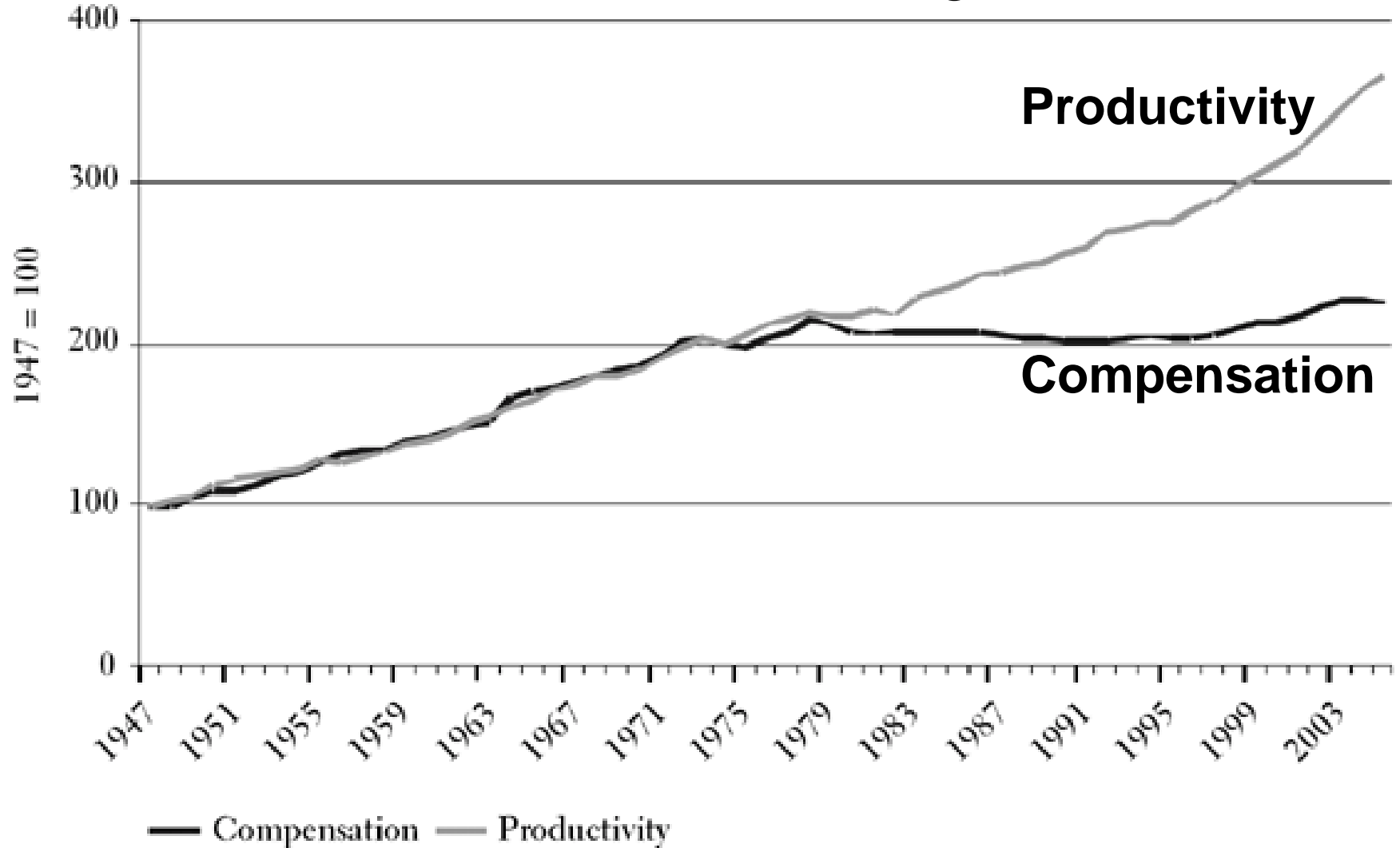
US Employment Level, Actual & Needed



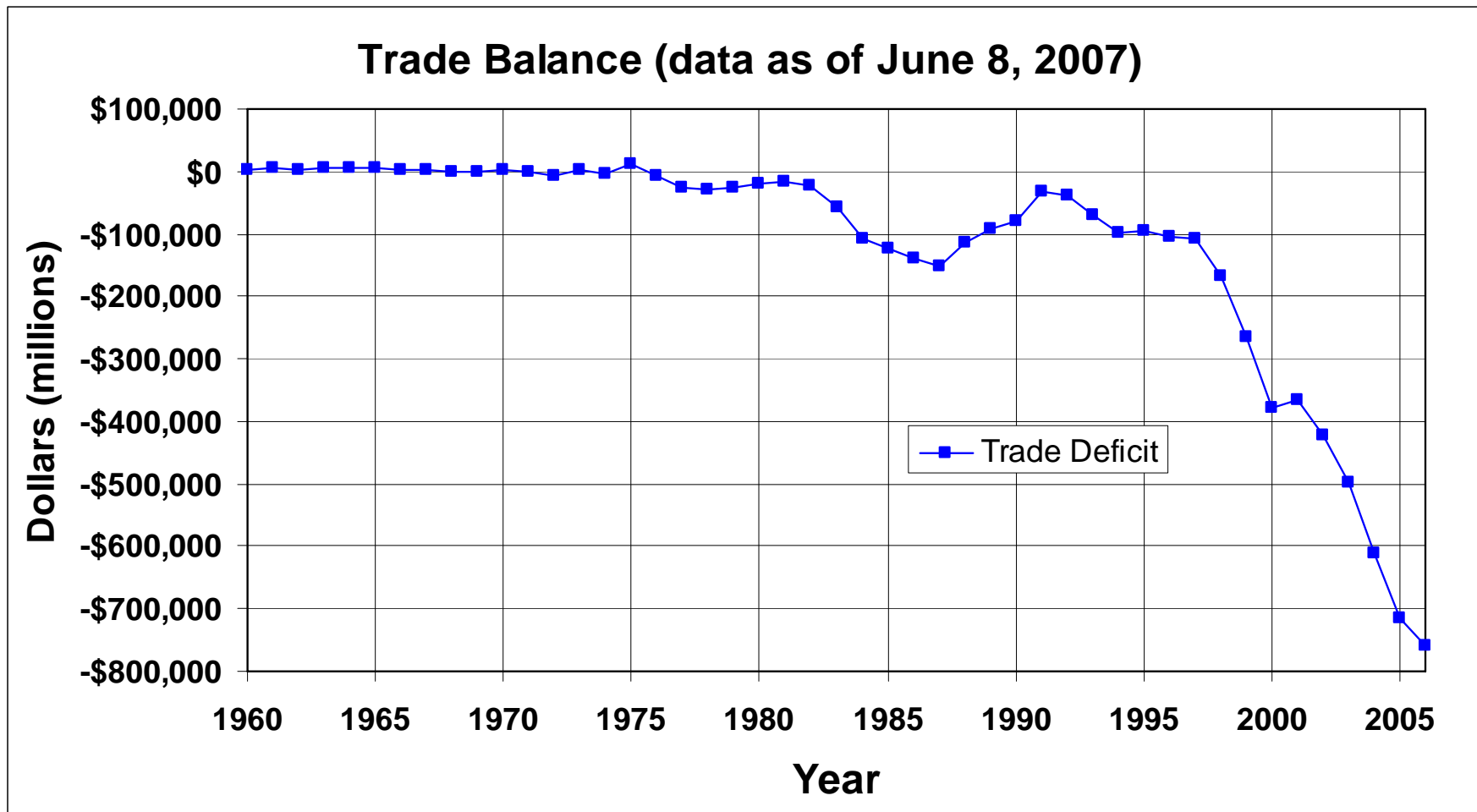
US Unemployment - Official Measures + Considered "Not in labor force, want job now" + plus gap not keeping up w/Pop Growth



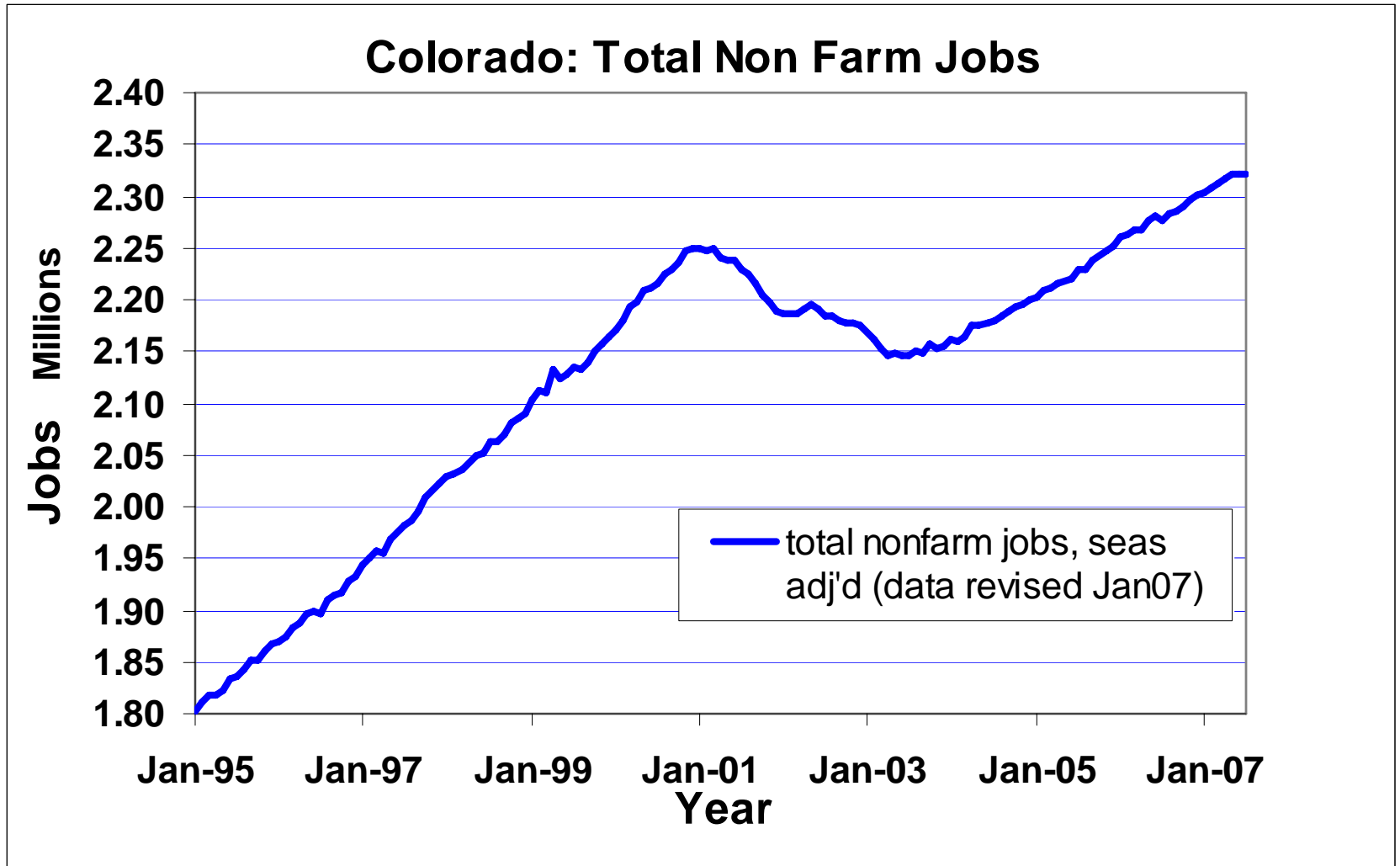
Had Compensation kept pace with Productivity, it would have been 68% higher in 2004



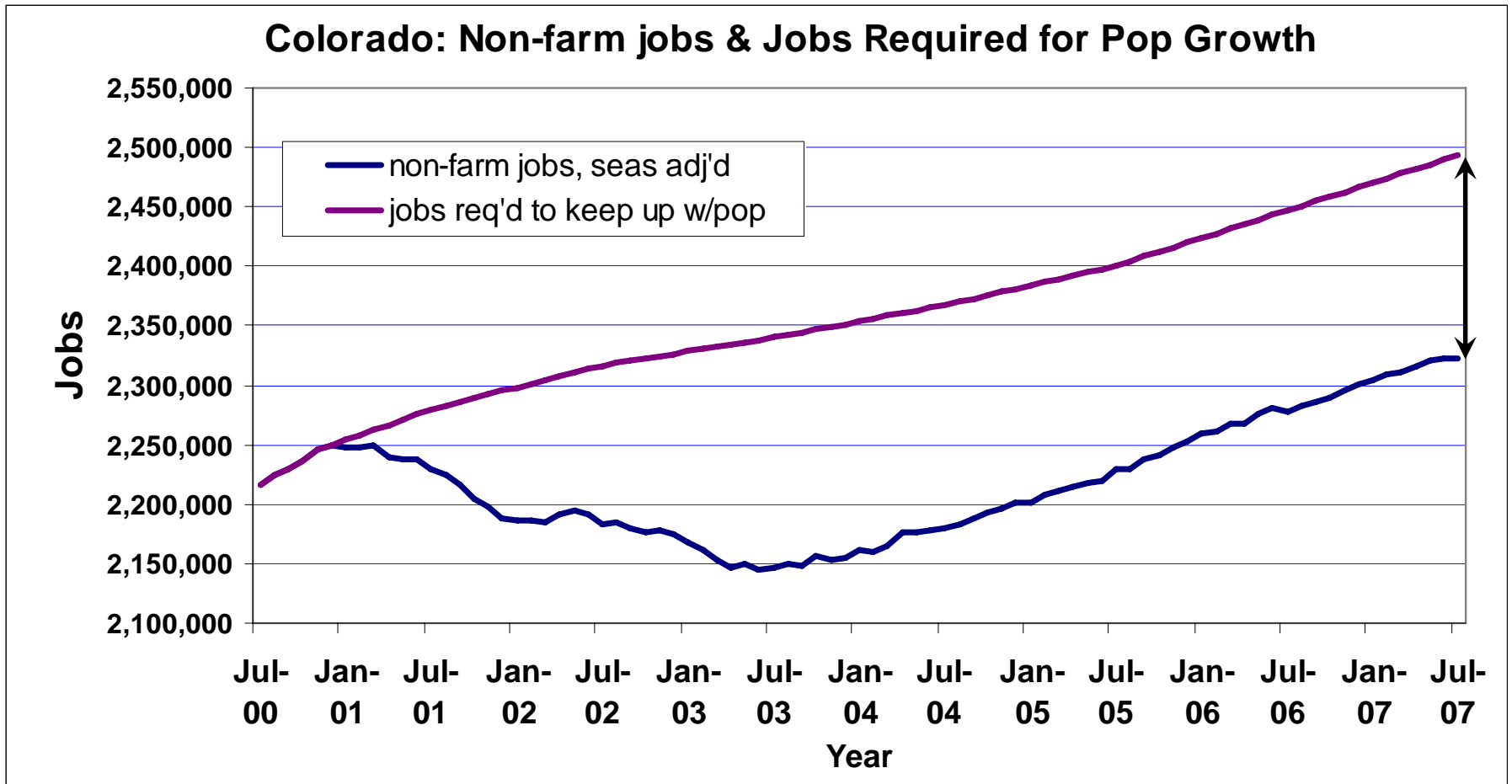
U.S. Trade Balance is Growing Exponentially



Colorado +72,700 Jobs since Dec 00



But Jobs Gap to Keep Up with Population Growth = 171,260 jobs

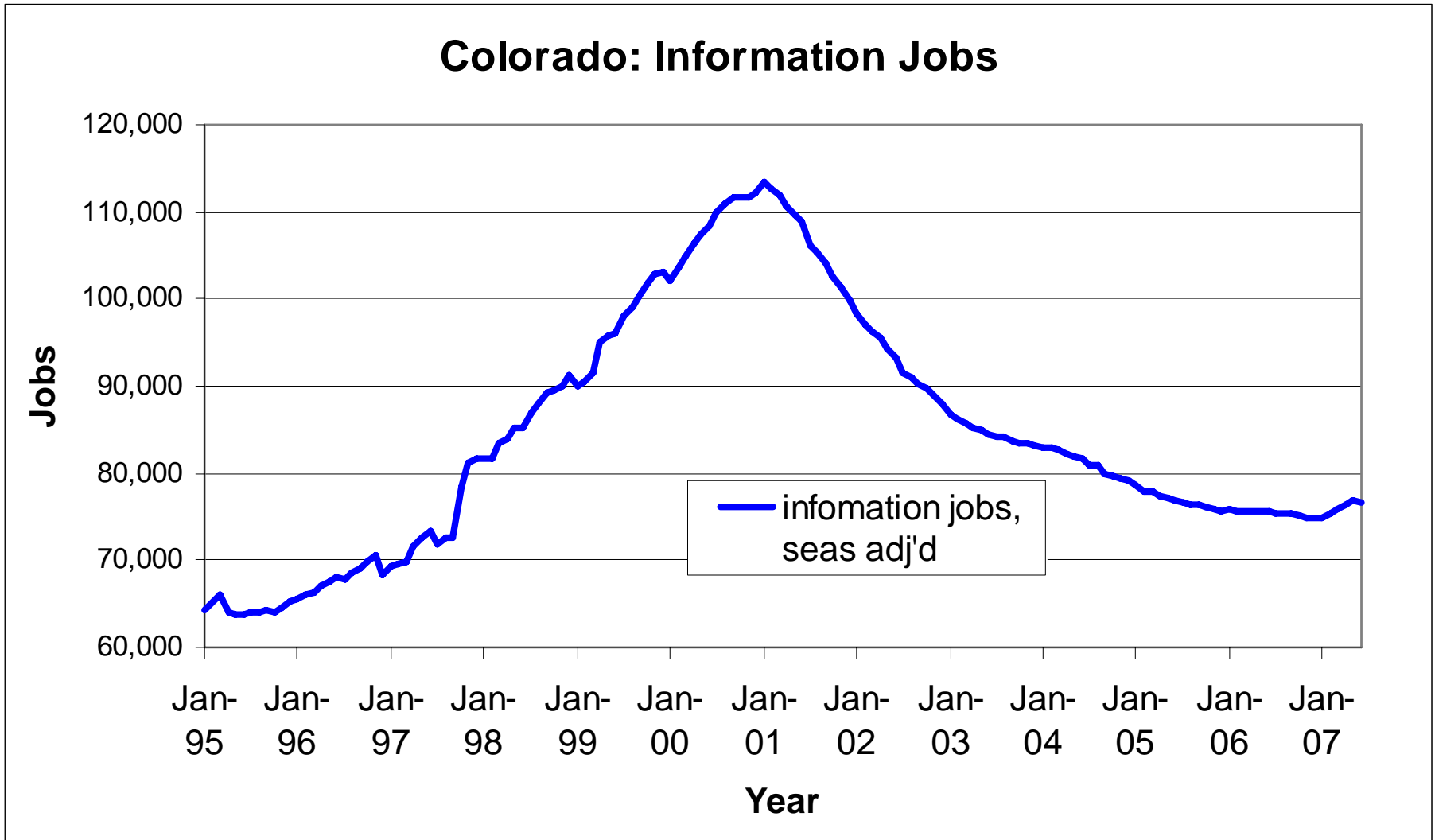


Mfg lost: -44,100 Jobs since Jan 01

- 46,600 since Apr 98

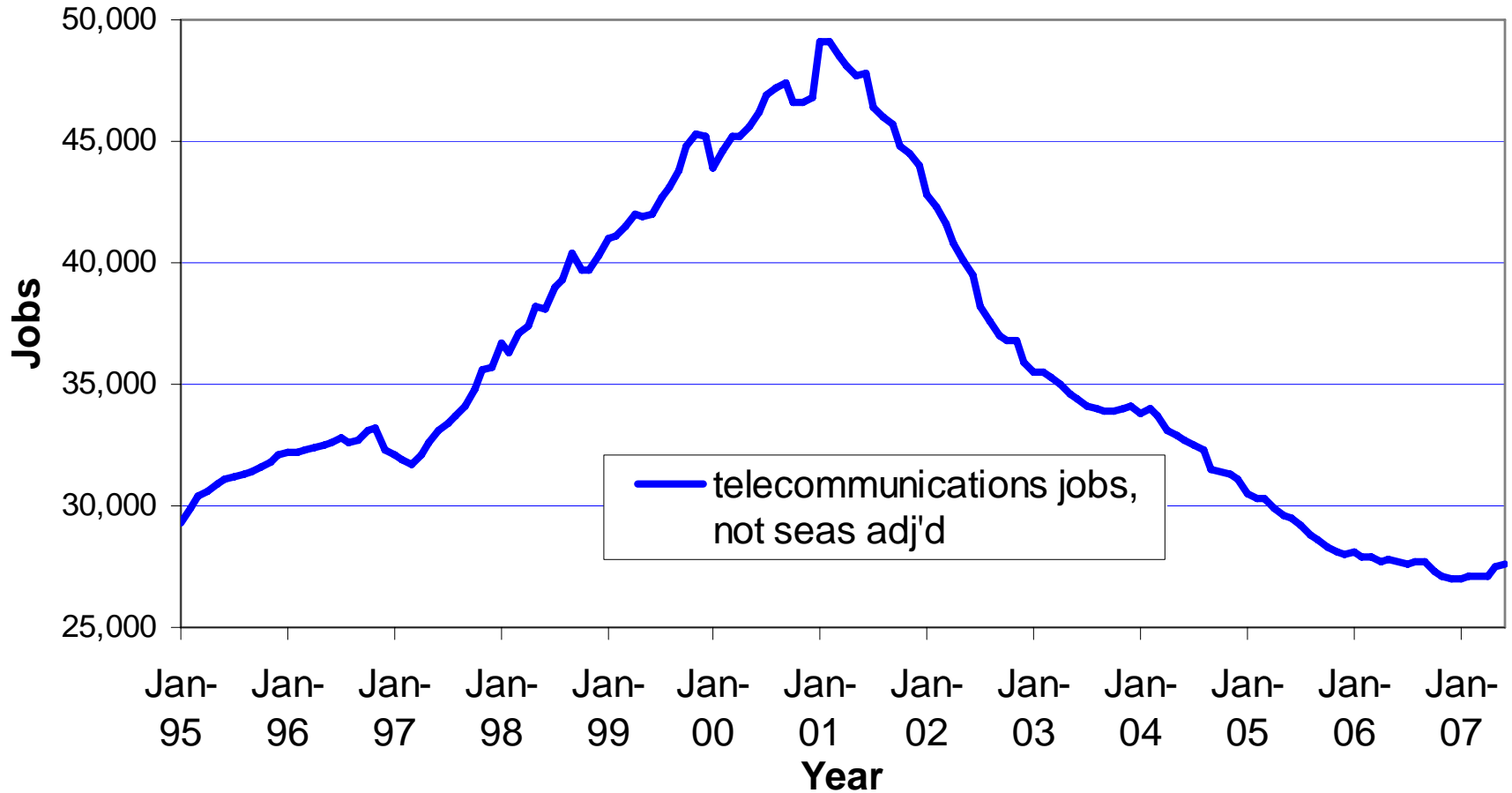


IT lost: - 37,100 Jobs since Jan 01

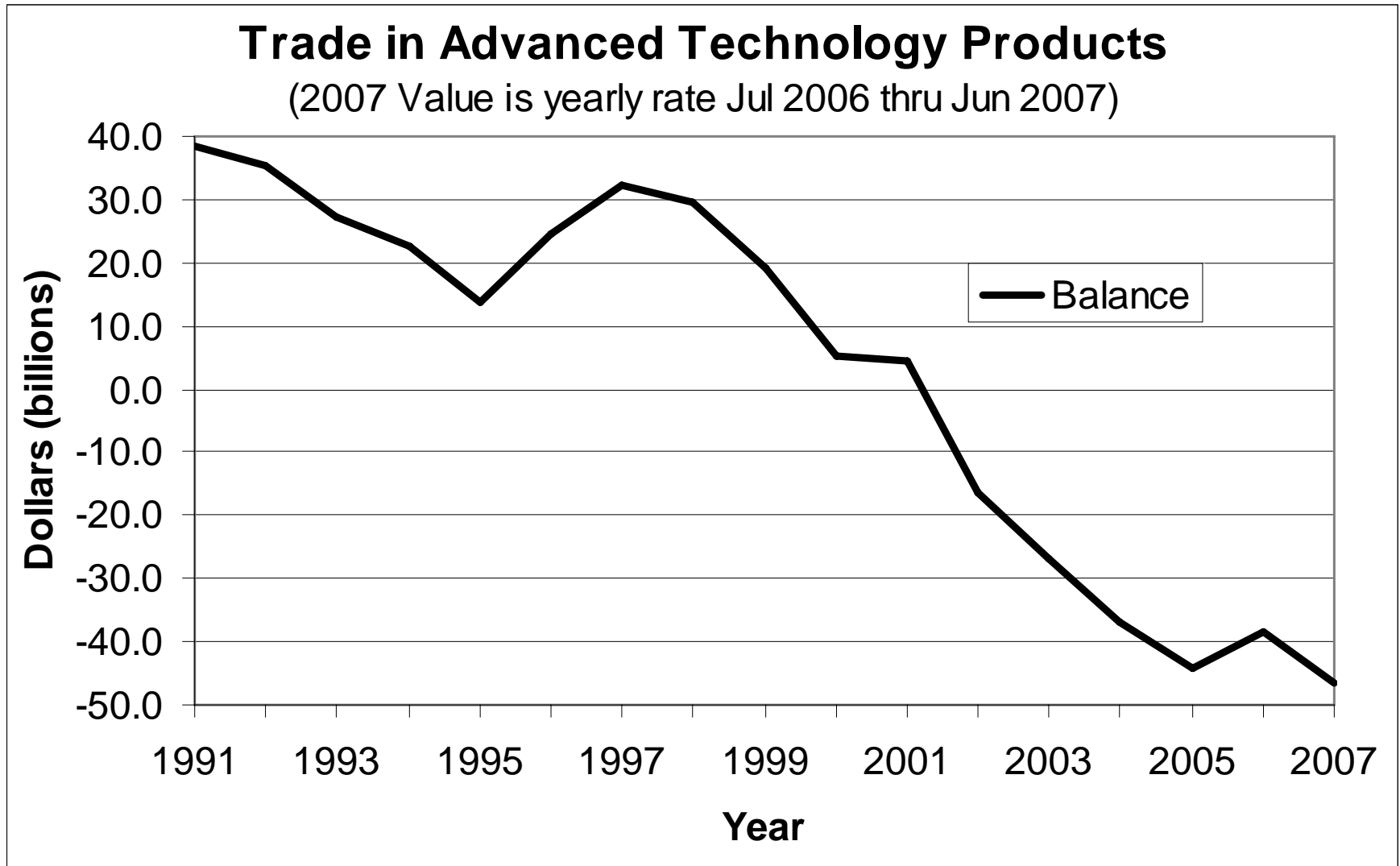


Telecom lost: - 21,500 Jobs since Jan 01 (included in IT)

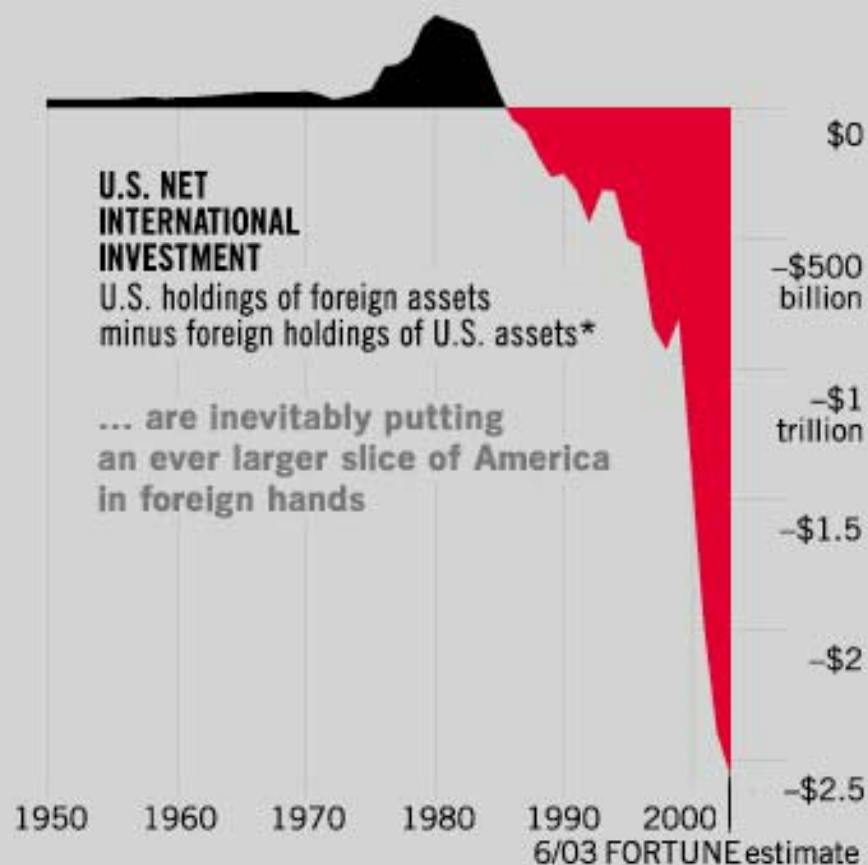
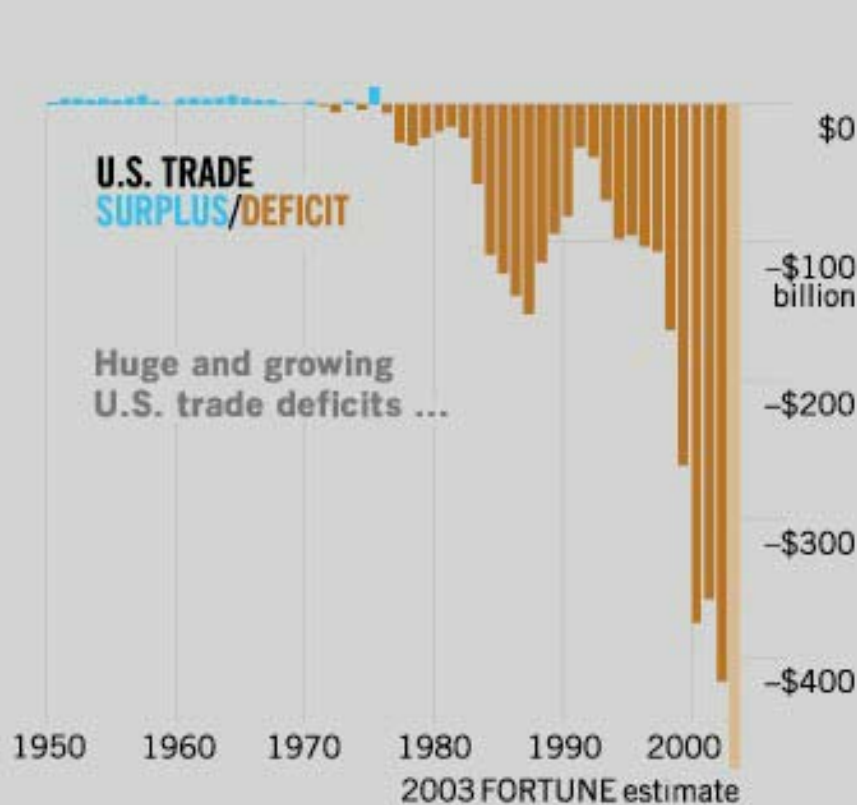
Colorado: Telecommunications Jobs



ATP +\$40B to -\$47B in 17 yrs



The Trade Debt has led to Selling Off the U.S.



*Data for 1976 and later years are not strictly comparable with pre-1976 data.

The Future

- Trade deficit exponentially increasing
- Dollar sell-off ... value drops
- Hyperinflation
- Fed raises interest rates to “fight inflation” and “protect the dollar.”
- Shut down economy ... more Job Loss
- Great Depression

The Structure of Offshoring driving an exponentially-increasing trade deficit

