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Trade Deficits, Mental Deficits, and Moral Deficits

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Abstract. This article describes the psychology of the trade deficit as a political Issue in the United States of America (USA).

In the USA, some politicians currently inveigh against trade deficits as a dire threat to US power--much as Kryptonite might be to the comic book character Superman. Yet the case mitigating against this position is strong. (1) Although the 1997 trade deficit in absolute terms will be the largest in US history, so will more face-valid, positive indicators such as gross domestic product and labor incomes. (2) The trade deficit has actually declined since the late 1980s as a percentage of the US economy. (3) A significant minority of the trade deficit actually involves transactions among components of US multinational corporations. (4) Increases in the trade deficit with some countries are often accompanied by decreases in the deficit with others. (5) US trade deficits often involve exports of high value-added products produced by employees with high wages in high-productivity industries and imports of raw materials and labor-intensive products. (6) Trade deficits often entail the import of products that cost US consumers less than similar products of US producers. (7) The very increase in imports versus exports entailed in trade deficits suggests that the US economy is growing and can support this disparity. (8) The policy of impeding imports to save US jobs often costs much more per job than just paying out lost salaries to those who have lost their jobs due to international competition. (9) Impeding imports until US competitors develop and implement environmental and labor standards congruent with those of the US often is promulgated in a manner that cannot be implemented by the most well-meaning of governments.

So, why does the Issue of trade deficits as dire threat persist? (1) Some politicians and their constituents don't understand the basics of international economics. (2) Some politicians and their constituents don't understand the basics of economics--e.g., believing that they themselves have never been in debt by mislabeling or misperceiving the essence of a home mortgage. (3) Some politicians are using the trade-deficit Issue as a stalking horse for the advocacy of a general disengagement from the world, a new isolationism in the wake of the end of the Cold War. (4) Some politicians are unscrupulously employing the trade deficit Issue to seek political power--even as they understand the economic Issues. (5) Some politicians are in the throes of the unconscious--e.g., psychodynamic conflict epitomized by splitting phenomena--that prevent a rational consideration of economic Issues and consequences that would otherwise be understood if intelligence could somehow be separated from personality and motivation. (6) Some politicians are unduly constituted by personality traits and styles--e.g., intolerance of ambiguity, authoritarianism--that generate the same bottom-line effects as in (5) above.

Trade deficits constitute the political Issue. Mental and moral deficits the therapeutic Issue. Leadership for the collective welfare the biggest deficit of all. (This analysis does not obviate the need for careful evaluation of extreme increases in foreign exports and decreases in foreign imports that may result from fiscal and financial mismanagement and consequential capital market shortfalls in countries such as Thailand, Indonesia, the Philippines, South Korea, and Japan. (See Baughn, C., & Yaprak, A. (1996). Economic nationalism: conceptual and empirical development. *Political Psychology*, 17, 759-778; Rosenberg, S.W. (1995). Against neoclassical political economy: A political psychological critique.

International Bulletin of Political Psychology

Political Psychology, 16, 99-136; Theodoulou, S. (1996). Construing economic and political reality. *Journal of Economic Psychology*, 17, 499-516; Tyson, L. (November 24, 1997). Trade deficits won't ruin us. *The New York Times*, <http://www.nytimes.com>.) (Keywords: Causal Attributes, Politics, Trade Deficits)