minsky

Tariff for Revenue

Two deficits, which are legacies from the Reagan era need to be corrected before the United States can once again achieve full prosperity. One Reagan legacy is a Federal revenue system that does not raise sufficient funds for the government that a modern society needs. Another Reagan legacy is the deficits of the United States balance of payments. The addition of a Tariff for Revenue to our revenue system will offset some of these two debilitating legacies of the 1980's.

A tariff for revenue cannot be an exclusionary tariff such as that which the Clinton administration proposed for luxury Japanese cars in the silly exercise about access of American Automobile dealers and part makers to the Japanese market.

It will level the playing field between United States and foreign producers in the United States market.

A measure which will aid on both the the internal and the international deficit of the United States is to introduce once again into our revenue system a tariff that is designed not to exclude foreign goods and services but to maximize the government revenues from a non discriminatory same rate tariff on all imports.

Value added tax, existence of a partial VAT in the employers contribution to social security.

Kantor and I expect the Clinton administration lost their nerve in the confrontation with Japan and retreated to the acceptance of Japanese promises that markets will be opened. But the japanese economy is founded upon good old mercantilist lines which views a strong positive balance of payments, which leads to an acquisition of income earning assets that are validated by incomes "earned" in a foreign economy either through wages, profits or taxes, as a good thing.

Whereas we in the United States base our foreign economic policies on theorems derived in an abstract goods only model, a model which blithely ignores the existence of problems of employment, the variability of the ratio of achieved income to potential income, and financial interrelations among nations, our trading and financial partners base their foreign economic policies upon a more realistic view in which net export surpluses well as net asset incomes from abroad are good things for a national
economy. Japan's economic policy is based upon being rich is better than being poor and therefore a net asset position in the United States is a good thing.

The guiding principles for the foreign economic policy of the United States has to be whether it is good for the employment and the incomes of the American people. It is fashionable for pundits and professors to extoll the virtues of free trade. But the arguments in favor of free trade assume that full employment is sustained in both the surplus and the deficit economy throughout the adjustment process and that the surplus country cannot accumulate anything of true value, i.e. assets which increase their future flows of incomes because they are claims upon the flows of income in their trading partner.

The United States is now holds the the World championship in the net asset position of foreigners in the United States economy: the total foreign asset position in instruments whose contractual terms can only be met out of income flows in the United States economy. A portion of wage profit and tax incomes in the United States are ultimately paid to the owners of the assets, real or financial, in other countries.