WHERE WILL PRESIDENT GEORGE W. BUSH GO FOR HONEY ?

Now that it is confirmed that, in the event that a shooting war does break out between the US and Iraq, it would cost the US taxpayer somewhere in the neighbourhood of $US700 billion to carry on the fight for a period of about 6 months, the question arises: From where will the US Government get the money to continue the good fight?

Since US President George W. Bush has become the leader of the strongest nation of the world, the US has gone from enjoying a trade surplus to suffering a trade deficit.

One cannot blame the US President for that situation, of course, but one may lay criticism at his feet in respect of his newest proposals, inter alia, to reduce taxes for a very large segment of the taxpaying public.

Any war of the dimensions as are being suggested, now, between the US and Iraq will drain the coffers of the United States at a rate, probably not seen for the past 5 decades.

Without selling off the *'family'* jewels, one has to wonder just how long can the Government of President George W. Bush continue to tap reserves in order to finance any prolonged, or short, war.

According to the latest statistics, obtained from the US Census Bureau, Bureau of Economic Analysis (BEA), the month of November 2002 was not a very good month for the world's largest superpower.

In fact, it was another disaster, in terms of international trade.

For the 3 months, ended November 30, 2002, US exports of goods and services averaged $US82.80 billion, while US imports of goods and services averaged $US120.20 billion.

The 3-month moving average, therefore, indicated a trade deficit of $US37.50 billion.

Comparing that statistic with the 3-month moving average for the period, ended October 31, 2002, the average trade deficit was $US36.80 billion, reflecting average exports of $US82.80 billion and average imports of $US119.60 billion.

Looking only at the month of November 2002, the BEA's statistics indicate the following:

> *'Total November exports of $US83.20 billion and imports of $US123.30 billion resulted in a goods and services deficit of $US40.10 billion, $US4.90 billion more than the $US35.20 billion in October, revised. November exports were $US0.90 billion more than October exports of $US82.30 billion. November imports were $US5.80 billion more than October imports of $US117.50 billion.*
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> *'In November, the goods deficit increased $US4.80 billion from October to $US44.30 billion, and the services surplus decreased $US0.10 billion to $US4.20 billion. Exports of goods increased $US0.60 billion to $US58 billion, and imports of goods increased $US5.40 billion to $US102.30 billion. Exports of services increased to $US25.20 billion from $US24.90 billion, and imports of services increased to $US21 billion from $US20.60 billion.'*

Not a very healthy picture of the US economy, one may comment.

Without going into a deep study of the macroeconomics of the US, it is clear that the US consumers are being more and more thrifty and are purchasing more and more imported goods – because, dollar-for-dollar, these goods are seen to be better value than similar goods, produced locally.

US consumers are forsaking many products, manufactured in the US, because (a) money is tight, in any event (b) they are unsure as to whether or not they will have a job, next week, next month, or next year, and (c) many foreign-made goods are seen to be superior to their US counterparts.

The US Government cannot impose controls on the importation of most, foreign-made goods because (a) that would be inflationary and (b) it is would be contrary to international trade agreements to which the US Government is a signatory (General Agreement on Tariffs and Trade – GATT; North American Free Trade Agreement, etc).

As TARGET mentioned in last week's TARGET Intelligence Report (See Volume V, Number 10, First Report: **'THE U.S. ECONOMY: IT GETS SOFTER AND SOFTER'**), when one spends more than one earns, it is inflationary.

The most recent release of the BEA's statistics, for the month of November 2002, indicate, definitively, that the US is spending more than she is earning – without question.

With 100,000-plus US troops in the Middle East, now, with a flotilla of warships, all ready to pounce on Iraq if needs be such, the costs of maintaining this invasion-ready force have to be in excess of $US1 billion, per day.

From where will all that money come?

President George W. Bush cannot permit such a great number of men and materiel to be bivouacked in the Persian Gulf for any great length of time.

Further, on the assumption that a war between the US and Iraq lasts only 6 months, with the US spending, let us say, $US700 billion in order to become the conquering hero, what will be the recurring costs of administering Iraq after the grand victory and changing the style of government to conform to the US standard of a representative democracy?

It is, currently, estimated that the US will have to stay in Iraq for about 18 months after its conquest in order *to 'put the house, back in order.'*

At a cost of just $US200 million per day (some US ground forces and constant flights of squadrons of US Air Force war planes would, by necessity, have to be deployed in Iraq/Iraqi airspace for at least one year after occupation of the country), that would indicate an expenditure, over an 18-month period, of about $US108 billion.

The US President wants to give away tens of billions of US dollars, during the next decade or so, offering his people tax breaks while, at the same time, increasing domestic spending on such things as Homeland Security, increased medical benefits for the elderly and the mendicant, as well as increasing the tax threshold of families.

He, also, has proposed to give cash incentives to US industry to make capital investments in new plant and machinery by accelerating depreciation and amortisation on new plant and machinery.

All of the above may sound well and good and well meaning, from the moral aspect in respect of the perceived international threat, posed by the present Iraqi Regime, headed by President Saddam Hussein, to the attempts to choke the US economy so that, as in the case of a cold economic engine, it will explode into life, again, but one has to wonder: Is this a formula for bankruptcy, in the fullness of time.

Falling tax incomes and the lower purchasing power of the average Joe and Mary in the US do not suggest a dynamic economy; and, as long as US-made goods and services are unable to compete on the international marketplace, US industry cannot expand to any great degree.

Thus, it would appear that the US President's grand plan to reform the economy, or to spud a new economic well, is unlikely to be very effective over the long pull.

So, TARGET wonders: Where will the Texan go for honey?

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