

## **Uncle Ernie's Answer**

We hear dire predictions all the time about the economic condition of our country. We are so dependent on China to buy our debt, that if the Asian nation ever gets angry at us because of our foreign policy, they can throw our country into a disastrous depression. If the Chinese and other foreigners decide that our interest rates are not high enough, they will simply invest elsewhere and our interest rates will go through the roof. This is not an impossible scenario.

The Chinese and others have already been making noise about the fact that they can obtain better interest rates on their money in other markets. As any investor knows, there are interest rates on bonds that are higher in other countries, and the stock markets are doing better in most other countries. There are those who will say that this can never happen because the Chinese need our good will since we are spending ourselves into oblivion and they are making all the products. The problem with this hope and prayer of those in the Republican Party who are now running our economic life is that the Chinese will find other markets. The largest market in the world is the Chinese own domestic market. As the Chinese people begin to make more money and their situation improves, their own consumers will make many of the items which they sell. Other countries have also become consumers of Chinese products.

What is more likely to happen, is that the Chinese will simply demand that we edge up our interest rates in order to be more competitive with other countries while they expand their seller's base to other nations in the world. They are in the best possible situation, and we are in the worst. This balance of trade situation, together with our out-of-control deficit spending, is a sure disaster for the next generation. These forces, combined with our obligations to baby boomers, is more than any nation can afford. Our leadership has not even begun to confront these problems.

Aside from fiscal responsibility, the only other way that we can be saved is if those who are working for 30 cents a day in China start to demand better wages. This is not likely to happen, since China and other major producers simply repress their people. While the Bush administration talks big about democracy, it seems to be very selective as to where it wants democracy. The Bush administration can hardly demand democracy from China, or they will cut our economic throat. Iraq and Iran have already tried to do this with oil, with the administration impotently talking about alternative energy sources while doing nothing to hurt their oil industry friends.

Here is what Uncle Ernie says. Simply don't sign any free trade agreements or favorable trade agreements with countries that do not permit free organization of labor unions. Sounds like a great idea, and it certainly would work. We would then not have to monitor how much other countries pay their employees, and we would not be imposing a true tariff system. The only problem with this is that many of our trading partners would become angry, since they have no intention of permitting free trade and

simply want to flood our country with foreign-made goods. Free trade is good for international businesses that can make money selling manufactured goods from foreign countries and convincing American consumers to spend on credit. For everyone else, free trade is the Sword of Damocles hanging over our necks.

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