

---

Dr. Su Jingxiang

---

## Dollar Fall Originates In U.S. Extravagance

*Dr. Su Jingxiang, associate professor, is vice director of the Center for Globalization Studies, China Institutes of Contemporary International Relations. He gave this presentation to the Berlin seminar on Jan. 12.*

There is a growing need for international cooperation due to the world economic problems due to the “extravagant consumption” situation in the United States. At the present time, the United States is an enormous consumer of world raw materials, goods, and capital flows. While during the past year, as the U.S. dollar has depreciated, the U.S. trade deficit with China has become an issue of contention. However, it is important to understand that China is not a wealthy nation, that it has great problems of poverty and development. The better focus of the United States would be expanding high-technology investment in China.

China has the world’s largest population, and is in urgent need of more hard infrastructure, including transport, energy, and city-building, and soft infrastructure, especially education, to develop. For this development in a globalized world,



*Dr. Su Jingxiang with Lyndon LaRouche.*

China maintains a policy of promoting multipolarity and peaceful cooperation. Economic cooperation should be promoted. This would be a productive method for developing relations with the United States. China is now striving to find new methods and patterns of development, in the context of its national reform and growing integration in the world economy. The proposal for cooperation among nations, to enhance that development, would be most welcome to China. China needs fast economic growth, because of the challenge of the huge number of young people entering the workforce every year.

China’s government knows that the greatest challenges to the nation, is not from other nations, such as the United States or Russia, but China’s own big internal problems, including the huge income gap between the cities and the countryside, where most Chinese live. China’s foreign policy is to develop friendly relations with the United States, the EU, India, Russia and other nations. For this reason, the Chinese side does not react to the “China threat” theory being promoted by some in the United States.

China is facing very rapid changes of its economy and society. Now, the influence of the U.S. and U.K. dominates economic policy, but the government does know that these “ideas” are of no great use. What is of great importance, are the “physical economy” ideas of Lyndon LaRouche.

According to statistics from the U.S. Department of Commerce, the trade deficit with China stood at US\$124 billion in 2003. U.S. foreign debt is \$3.6 trillion. The U.S. has only 5% of the world’s population, but soaks up 20% of the world’s exports, including the \$133 billion in oil they import. Canada sold US\$54 billion more than they bought from U.S., and Mexico \$41 billion more! In the opinion of some research institutions, if things develop in accordance with the trends of recent years, the U.S. trade deficit with China would reach \$330 billion in five years.

Nations do not calculate their balance of international

payments with countries one by one; but rather its trade with the entire external world. Therefore, the essence of the U.S. trade deficit “problem” with China is the overall U.S. trade deficit with the outside world. The U.S. trade deficit reflects, to some degree, its economic history as a nation. In the 100 years’ time after its founding in 1776, the United States had suffered consistent trade deficits. Beginning from 1876, as it became a real industrial power in the world, America witnessed trade surplus for the first time, and this situation continued through to 1970. Commodity trade deficit again emerged

---

---

*China is facing very rapid changes of its economy and society. Now, the influence of the U.S. and U.K. dominates economic policy, but the government does know that these “ideas” are of no great use. What is of great importance, are the “physical economy” ideas of Lyndon LaRouche.*

---

---

in the United States as of 1971 and in the ensuing 30-plus years, a trade deficit all along assumed a trend of sustained expansions. This is the same 30-year period in which U.S. industrial production has declined more and more, and it has become a huge consumer of international production.

Trade deficit is the result of the counting of balance of payments. According to the accounting principle of the balance between income and expenditure, a country must have the means of payment, if what it buys in the world market surpasses what it sells. Historically, various countries usually make up this difference with gold or silver. But in today’s world, the United States possesses a kind of privilege, which enables it to pay around \$400 billion worth of trade gap annually with U.S. dollars it issued. But this kind of privilege is only a necessary condition allowing the incessant expansion of the U.S. trade deficit; its ample conditions lie in the aspect of demand, i.e., the unlimited pursuit of extravagance.

Extravagance is a relative concept: exquisite product, splendid house, elegant environment, and even sport, art, and the vanity of nationals can all be listed in the category of extravagance, so long as the level of consumption surpasses the level of output. From the perspective of sociology, consumption is the aim of production; consumption and luxury are the real objectives which people are pursuing. The essence of trade deficit is that the total value of a country’s consumption surpasses the gross value of its production. That is to say, the American society as a whole has long been in a state of extravagance, either in quantity, or in quality or in both. In

history, what any hegemonic country, or core country pursues, is by no means the maximum welfare for the whole world, but rather is extravagance for its ruling clique and all its nationals, the United States is no exception.

Britain became a world factory in the middle of the 19th Century and was a productive society. Later, the country gradually changed toward a nonproductive society. Today, Britain’s manufacturing industry has long been lagging behind that of the United States, Germany, and Japan. The United States was also the world factory 20-30 years post World War II, but, over the past 30-plus years after the 1970s, the process of U.S. change from a productive society to a nonproductive society, has been visibly speeded up. Mr. Lyndon LaRouche has often described the economic and social processes behind this transformation of the United States. Today, America’s advantageous position in the world economy has switched over to the fields of circulation and finance. In the future, perhaps the United States may use its service trade surplus to offset its commodity trade deficit, but the United States can in no way shake off its dependence on foreign commodities. Extravagance has gone deep into the bone marrow of U.S. society, the real objective of the U.S. government’s foreign policy can only be how to maintain and further raise the extravagance level of the U.S. society as a whole for the longest possible period of time.