



The Daily Dish

# Deficits, Important and Not

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On Thursday the House voted 236 – 189 to repeal a labor rule which significantly limited states' ability to drug test those seeking unemployment benefits. The rule, passed during the latter months of the Obama Administration, allowed states to drug test those unemployment applicants who were only suitable for jobs where regular drug testing was required. The House used the Congressional Review Act (CRA) to repeal the labor rule which had been finalized in August.

Yesterday President Trump signed a Congressional Review Act (CRA) resolution to undo President Obama's Stream Protection rule. The rule was one of the most controversial rules of President Obama's tenure as it put a substantial amount of coal mining jobs at risk.

## *Eakinomics: Deficits, Important and Not*

I'm Mr. Average Joe. I'll net about \$50,000 this year, of which I'm going to tuck away \$5,000 and spend the rest at PF Chang's. I also just found a killer condo for \$100,000, so I'll put my \$5,000 down and buy it. How am I doing?

I've got a great trade surplus with my employer, a surplus of \$50,000. I run a pretty serious trade deficit with PF Chang's, net imports of \$45,000 of ahi tuna salads and red wine. And I'm also running a pretty large capital account deficit, having had to borrow \$95,000 for my \$100,000 investment in housing. These are all interesting, but the comprehensive bottom line is that I have a deficit with the rest of the world of \$95,000. This can be viewed as the gap between my income (\$50,000) and my total spending (\$145,000), but a more illuminating insight is that the overall trade deficit (-\$95,000) will be equal to the difference between how much I save (\$5,000) and how much I invest (\$100,000).

This is the important deficit — the deficit of saving from investment. It also says that the only way to close my deficit is to re-arrange things so that either my investment is lower, my saving is higher, or both. If both are unchanged, it doesn't matter if I strike a deal for a better menu with PF Chang's to affect that deficit. Or if I set a higher standard for the labor used to construct the condo involved in that deficit.

These exact same insights apply to the nation as a whole. So while there could be a lot of deficits, large and small, the one that really matters is saving and investment. Unless a plethora of bilateral trade agreements toggles aggregate saving or aggregate investment, it won't move the trade deficit. Unless an beautiful new NAFTA toggles aggregate saving or aggregate investment, it won't move the trade deficit. Unless, ..... you get the idea.