



HOW COMPETITIVE IS THE UNITED STATES?

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ST. LOUIS -- The United States is the world's largest exporter of goods and services. At the same time, however, it generally imports more than it exports. Is the United States falling behind or surging ahead in global competitiveness?

In "The Fixation on International Competitiveness," the lead article in the current issue of The Regional Economist, the St. Louis Fed's quarterly review of business and economic issues affecting the nation and the Eighth Federal Reserve District, Economist Kevin L. Kliesen examines global competitiveness and argues that the prospects for U.S. long-term growth are largely independent of the trade deficit.

"Some Americans believe that the United States competes with Japan in the same way General Motors competes with Chrysler, with profits and losses measured in terms of trade surpluses and deficits," says Kliesen.

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If this was true, the United States, which has run a trade deficit for 31 of the past 35 years, would be an economic basket case. Fortunately, the truth is quite the opposite.

"A country's long-term prospects depend on a climate that is conducive to job creation and productivity growth--and not a trade deficit," says Kliesen. "In this regard, the United States, which has far fewer labor market distortions and restrictions than other countries, has a distinct advantage."

Two additional articles complete the publication: "Are Economic Flexibility and Social Welfare Programs Incompatible?," by Adam M. Zaretsky, who discusses the effects social programs have had on the European and U.S. economies and "Homebuyers ARM Themselves in the Mortgage Market," by Michelle A. Clark, who discusses the benefits of and recent trends in adjustable-rate mortgages.

The Federal Reserve Bank of St. Louis has branches in Little Rock, Louisville and Memphis. It serves the Eighth Federal Reserve District, which includes all of Arkansas, eastern Missouri, southern Indiana and Illinois, western Kentucky and Tennessee, and northern Mississippi.
