



July 2010

How to improve any economy

ECONOMY is defined as the result of production, distribution and consumption of goods and services. This, in turn, is affected by interest rates, unemployment, personal investment, globalization, deficits spending, etc. The Britannica concise encyclopedia defines economics as a social science that analyzes and describes the consequences of choices made concerning scarce productive resources. Economics is the study of how individuals and societies choose to employ those resources, what goods and services will be produced, how they will be produced, and how they will be distributed among the members of society.

Let's look at China's economy. It is the third largest in the world, after the USA and Japan, with a Gross Domestic Product (GDP) of almost 5 trillion dollars. Their economy is based primarily agriculture and industry which employs more than 70% of their labor force. China's example should be followed in order to make any country in the world prosper.

My theory is this: Economies are based in production (agriculture), distribution (industry), and consumption and labor force. Goods and services are the result of agriculture, industry and labor force. We have to acknowledge that every good produced is the result of agricultural production. I know this because every consumer good that we see, such as automobiles, houses, refrigerators, airplanes, etc. are all made from materials that comes from the ground (agriculture) giving the industry the opportunity to manufacture. Exports as well as imports cause the GDP of any country to grow. And now we get to Consumption (Labor force) that will consume the product created, not only within the producing country, but around the world, thereby making the producing country more prosperous. This has made China the great economy in today's world. You may say that the USA has aided China through agreements, but China had the foundation to sustain itself. In order to build you need a foundation which is how one continues to grow. Agriculture is the foundation of every economy as long it is the largest employer in conjunction with manufacturing, we can then allow us to depend more on us and less on others.

Every time that we outsource, our GDP shrinks, and another country' grows, which is something we should avoid as it causes the quality of our products to diminish. I want to add that in situations such as the financial crisis we now face, our country and people suffers due to diminished liquidity. This in turn, means more currency printing and more inflation, less goods, less product, less distribution, and eventually less consumption and labor force, changing the landscape of our economy leaving room for a socialist government. Bailout and stimulus ensue, adding more dependency on the government and less capitalism. We need to stimulate manufacturing which is accomplished by stimulating agriculture.

There you have it. I believe that we need to return to rural employment to stimulate manufacturing. Perhaps then our country will have more money to pay down our national debt so that our grandchildren may enjoy what our grandfathers used to have. And maybe we also have a solution for the 12 million illegal immigrants in this country as most of them come from the Mexico's countryside and most of them are farmers. Something to consider- of course, *after* the border is secured.

Have a good profitable day!

Julio E. Bonfante
Chairman & CEO