

Notes

INTRODUCTION

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2. *CBS News*, “Greenspan Defends Low Interest Rates: Former Federal Reserve Chairman Talks To Lesley Stahl About Subprime Mortgage Melt-down,” September 16, 2007, http://www.cbsnews.com/stories/2007/09/13/60minutes/main3257567_page2.shtml
3. United States-China Economic and Security Review Commission, *2007 Report to Congress Executive Summary* (November 2007), 4, http://www.uscc.gov/annual_report/2008/executive_summary.pdf
4. Joshua Aizenman and Jaewoo Lee, “Financial Versus Monetary Mercantilism - Long-run View of Large International Reserves Holding” (NBER Working Paper No. 12718, December 2006), <http://www.nber.org/papers/w12718>.
5. Alan Greenspan, *The Age of Turbulence* (NY: Penguin Press, 2007), 346.

CHAPTER 1

1. David Ricardo, *The Principles of Political Economy and Taxation* (London: J.M. Dent & Sons, 1911), 81.
2. Paul Krugman, “Is Free Trade Passé?” *Journal of Economic Perspectives* 1 (1987).
3. The initial statement of the strategic trade argument was by James A. Brander and Barbara J. Spencer, “Export Subsidies and International Market Share Rivalry,” *Journal of International Economics* 18 (February 1985): 83-100. The article had about 900 citations in Google Scholar by June 2007.
4. For instance, by subsidizing Airbus, Europeans were able to increase competition in passenger airline production, driving prices down (which benefits European consumers among others). The subsidy also allowed Europe to capture a larger share of the aircraft market. For a more extended example, see Krugman “Is Free Trade Passé?”
5. Krugman, “Is Free Trade Passé?”
6. Krugman, “Is Free Trade Passé?”
7. Heng-Fu Zou, “Dynamic Analysis of the Viner Model of Mercantilism,” *Journal of International Money and Finance* 16 (1997).
8. Zou, “Dynamic Analysis of the Viner Model of Mercantilism”: 637-651.
9. For instance, Martin C. McGuire and Hiroshi Ohta, “Implicit Mercantilism, Oligopoly and Trade,” *Review of International Economics* 13 (2005): 165-184, find that:

After the domestic cost structure is sufficiently close to the world price – or the world price is sufficiently high – the consumer in the mercantilist society actually benefits from sale of exports below domestic AC. For then foreign sales covers more and more fixed costs. Absorption of excess profit by new entrants increases domestic sales and, therefore, reduces domestic prices to the benefit of the domestic consumer. (p. 179-80)

In other words, by expanding the scale of the domestic market, the export-favoritism of modern mercantilism can at times lead to better consumer as well as producer outcomes in the mercantilist country.

10. David Collie, "Profit-Shifting Export Subsidies and the Sustainability of Free Trade," *Scottish Journal of Political Economy* 40 (1993): 408-419.
11. See Giovanni Maggi, "Strategic Trade Policies with Endogenous Mode of Competition," *The American Economic Review* 86 (1996): 237-258, and Nolan H. Millera and Amit Pazgalb, "Strategic Trade and Delegated Competition," *Journal of International Economics* 66 (2005): 215– 231.
12. See for example: Catherine L. Mann, *Is the U.S. Trade Deficit Sustainable?* (Washington, DC: Institute for International Economics, 1999).
13. BIS 77th Annual Report (June 24, 2007), 141, <http://www.bis.org/publ/arpdf/ar2007e.htm>.
14. We were not able to locate data for our trade balance with China in services for the years from 1996 through 1998. As a result, the data for China portrayed in the table for the years from 1996 through 1998 does not include the trade balance in services, just the trade balance in goods. The discrepancy, however, is probably small. In 1999, our trade deficit in goods with China was \$68.8 billion while our trade deficit in both goods and services was \$67.4 billion.
15. Robert A. Blecker., "The Economic Consequences of Dollar Appreciation for U.S. Manufacturing Investment: A Time Series Analysis," *International Review of Applied Economics*, 21 (2007): 491-517. Blecker's Equation 1.5 of Table 2 found that five factors predicted manufacturing investment rate in the United States from 1973 through 2004 with a very close fit (adjusted $r^2=.893$). Those five factors were (1) real long term interest rate as defined by Moody's Aaa corporate bond rate minus the GDP deflator, (2) the exchange rate for the dollar as measured by the Federal Reserve's comprehensive 'broad' index of the real value of the dollar, (3) the investment rate of the previous year, (4) the GDP growth rate, and (5) cash flow as measured by undistributed profits plus depreciation allowances. This was his closest fitting equation that included long-term interest rate as one of the variables. He was able to achieve a slightly closer fit when he substituted a broader measure than interest rates for the cost of capital goods.
16. Robert A. Blecker, "Economy at Risk: The Growing U.S. Trade Deficit,"

- (Statement presented at AFL-CIO/USBIC Conference Trade Summit 2006: Crisis and Opportunity, July 12, 2006), 2, <http://www.american.edu/cas/econ/faculty/blecker/TD0706.pdf>.
17. Dan R. Mastromarco, "U.S. International Tax Reform? Define 'Reform' for Me" *Tax Notes International* (August 7, 2006): 485, <http://www.fairtax.org/PDF/USInternationalTaxReform-Mastromarco-8-7-06.pdf>
 18. US Department of Labor, Bureau of Labor Statistics, Office of Productivity and Technology, *Comparative Civilian Labor Force Statistics, Ten Countries, 1960-2006* (March 19, 2007), <http://www.bls.gov/fls/lfcompendium.pdf>.
 19. Erica L. Groshen, Bart Hobijn, and Margaret M. McConnell, "U.S. Jobs Gained and Lost Through Trade: A Net Measure," *Current Issues in Economics and Finance* 11 (2005), http://www.newyorkfed.org/research/current_issues/ci11-8.pdf.
 20. Paul Krugman, "Is Free Trade Passe," *Journal of Economic Perspectives* 1 (1987), reviews the early literature incorporating increasing returns into international trade theory. The introduction of increasing returns demolishes the simple comparative advantage argument for free trade, by creating special if difficult to identify circumstances in which export subsidies and other "strategic trade" (e.g. mercantilist) policies increase the welfare of the country implementing them. See also J.A. Brander and B.J. Spencer, "Export Subsidies and International Market Share Rivalry," *Journal of International Economics* 18 (1985).
 21. Ben S. Bernanke, "The Level of Economic Well Being" (remarks by Chairman Ben S. Bernanke before the Greater Omaha Chamber of Commerce in Omaha, Nebraska, February 6, 2007), <http://www.federalreserve.gov/BoardDocs/Speeches/2007/20070206/default.htm>.
 22. Helen Thompson, "Debt and Power: The United States' Debt in Historical Perspective," *International Relations* 21 (2007): 305–323.
 23. Paul Krugman, "Will There Be a Dollar Crisis?" *Economic Policy* (July 2007): 435–467.

CHAPTER 2

1. Warren E. Buffett & Carol J. Loomis, "America's Growing Trade Deficit is Selling the Nation Out from Under Us. Here's a way to Fix the Problem -- And We Need to Do It Now," *Fortune*, November 10, 2003, http://money.cnn.com/magazines/fortune/fortune_archive/2003/11/10/352872/index.htm.
2. The data for 1975-1984 can be found in *Flow of Funds Accounts of the United States: Annual Flows and Outstandings 1975-1984*, <http://www.federalreserve.gov/Releases/z1/current/annuals/a1975-1984.pdf>. The

data for 1985-1994 can be found in *Flow of Funds Accounts of the United States: Annual Flows and Outstandings 1985-1994*, <http://www.federalreserve.gov/Releases/z1/current/annuals/a1985-1994.pdf>.

3. Private foreigners have to meet certain conditions in order to be exempt. Specifically the May 2004 version of IRS Publication 901 reads:

Interest. If you are a nonresident alien who receives interest that is not effectively connected with the conduct of a U.S. trade or business, you do not include the interest in income if it is paid on deposits with banks, on accounts or deposits with certain financial institutions, or on certain amounts held by insurance companies. These amounts are exempt from U.S. tax even though they are considered to be income from a U.S. source. Also exempt from U.S. tax (although considered from U.S. sources) is certain portfolio interest on obligations issued after July 18, 1984. See Publication 519 for more information. (p. 32)
4. Mitchell B. Carroll, "The Historical Development of Income Tax Treaties," in *Income Tax Treaties*, ed. Jon E. Bichel (New York: Practising Law Institute, 1978), 53.
5. Giuseppe Ammendola, *From creditor to debtor: The US Pursuit of Foreign Capital - The Case of the Repeal of the Withholding Tax* (New York: Garland Publishing, 1994), 24. The passage that we quoted in turn includes a citation of U.S. House of Representatives, 98th Congress, 2nd Session, *Tax Treatment of Interest Paid to Foreign Persons*, Hearing before the Committee on Ways and Means (Washington, D.C.: U.S. Government Printing Office, May 1, 1984), 65.
6. The date of signature and the text of all US tax treaties can be found on the IRS website at <http://www.irs.gov/businesses/international/article/0,,id=96739,00.html>.
7. Robert McCauley, "Distinguishing Global Dollar Reserves from Official Holdings in the United States," *BIS Quarterly Review*, September 2006: 65, http://www.bis.org/publ/qtrpdf/r_qt0509e.pdf.
8. U.S. House of Representatives, 238.
9. U.S. House of Representatives, 244.
10. Howard Richman and Raymond Richman, "Dubai Ports Rejection Helped US Economic Growth," *Enter Stage Right*, (March 5, 2007), <http://www.enterstageright.com/archive/articles/0307/0307dubaiportsrejec.htm>.
11. Donald T. Regan, *For the Record: From Wall Street to Washington* (New York: Harcourt Brace Javanovich, 1988).
12. Robert L. Bartley, *The Seven Fat Years: And How to do it Again* (New York: The Free Press, 1992).
13. Daniel J. Mitchell, "Clinton-Era IRS Regulation Threatens Economy and Financial Markets" (Heritage Foundation Executive Memorandum #843,

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14. Andrew F. Quinlan, "The IRS vs. Foreign Investment" (National Center for Policy Analysis Brief Analysis No. 43, 2003), <http://www.ncpa.org/pub/ba/ba431>.
 15. Stephn J. Entin, "Proposed IRS Regulation a Threat to Foreign Investment, U.S. Banks, the Dollar, and the Economy" (IRET Congressional Advisory No. 142, 2002), www.iret.org, Downloaded on June 11, 2007.
 16. Lawrence Goulder, "Implications of Introducing U.S. Withholding Taxes on Foreigners' Interest Income" in *Tax Policy and the Economy*, ed. Lawrence H. Summers (Cambridge, MA: MIT Press, 1990).
 17. Eswar S. Prasad, Raghuram G. Rajan, and Arvind Subramanian, "Foreign Capital and Economic Growth" (NBER Working Paper No. 13619, November 2007): 31
 18. Ben S. Bernanke, "The Global Saving Glut and the U.S. Current Account Deficit" (Sandbridge Lecture, Virginia Association of Economics, Richmond VA, April 14, 2005), <http://www.federalreserve.gov/boarddocs/speeches/2005/200503102/default.htm>.
 19. George Wehrfritz, "China's Wealth Woes," *Newsweek International*, Sept. 4, 2006, <http://peoplesgeography.com/2006/08/30/chinas-wealth-woes/>.
 20. Milton Friedman, "Rx for Japan: Back to the Future," *The Wall Street Journal*, Dec. 17, 1997, <http://online.wsj.com/article/SB882308822323941500.html>.
 21. Richard Duncan, *The Dollar Crisis: Causes Consequences Cures Revised and Updated* (Singapore: John Wiley & Sons, 2005), 222.
 22. These data come from the International Monetary Fund's World Economic Outlook Database which can be found online at <http://www.imf.org/external/pubs/ft/weo/2007/02/weodata/index.aspx>.
 23. Hans Genburg et. al., *Official Reserves and Currency Management in Asia: Myth, Reality and the Future* (International Center for Monetary and Banking Studies, 2005), 8.
 24. Peter Morici, "Dr. Morici: US Current Account Deficit widens in Third Quarter - Foreign Governments bankrolling US Consumers," *Finfacts Ireland*, December 18, 2006, http://www.finfacts.com/irelandbusinessnews/publish/printer_1000article_10008496.shtml
 25. Robert McCauley, "Distinguishing Global Dollar Reserves from Official Holdings in the United States," *BIS Quarterly Review*, September 2006: 58, http://www.bis.org/publ/qtrpdf/r_qt0509e.pdf. According to a preliminary estimate from the BEA (see <http://www.bea.gov/newsreleases/international/intinv/intinvnewsrelease.htm>), foreign official reserves in the United States totaled \$2.5 trillion at the end of 2006. According to our extrapolation from the IMF COFER database, foreign dollar reserves totaled about \$3.2 trillion at the end of 2006 (see note 28 to this chapter). Thus, the BEA estimate was about 78% of the actual total at the end of 2006.

26. Ben S. Bernanke, "Global Imbalances: Recent Developments and Prospects" (Bundesbank Lecture, Berlin, Germany, September 11, 2007), <http://www.federalreserve.gov/newsevents/speech/bernanke20070911a.htm>.
27. Bernanke, "Global Imbalances", note 10.
28. According to the International Monetary Fund COFER database, those foreign governments who reported the allocation of their reserves in 2001 had \$1,120 billion in dollars which was 71% of their total reserves. Those governments who did not allocate reserves had \$483 billion in reserves. We extrapolate that about 71% of the \$483 billion of unallocated reserves were dollars. In 2006 foreign governments reported \$2,151 billion in dollars which was 65% of their total allocated reserves. There were \$1,705 billions in unallocated reserves. Thus we extrapolate that about 65% of the unallocated reserves were dollars. Specifically, from the end of 2001 to the end of 2006, we estimate that foreign government dollar reserves increased from \$1,436 billion to \$3,211 billion, an increase of \$1,775 billion.
29. The fact that China doesn't report the allocation of its reserves to the IMF is evident from the close parallels between the growth in China's reported reserves and the growth in the IMF's reported unallocated reserves. See Brad Setzer's blog entry from June 9, 2007, for a chart illustrating this observation (<http://rs.rgemonitor.com/blog/setzer/202810>). The report that China had \$1.066 trillion in currency reserves at the end of 2006 comes from Forbes Magazine's online market feeds. See the following webpage: <http://www.forbes.com/markets/feeds/afx/2007/03/06/afx3491447.html>. One published estimate is that "roughly three-fourths" of Chinese foreign exchange reserves were in dollars in early 2006. See Peter S. Goodman, "China Set to Reduce Exposure to Dollar: Move Would Probably Push Currency Down," *Washington Post* (January 10, 2006), http://www.washingtonpost.com/wp-dyn/content/article/2006/01/09/AR2006010901042_pf.html.
30. Alan Ahearne, William R. Cline, Kyung Tae Lee, Yung Chul Park, Jean Pisani-Ferry, and John Williamson, "Global Imbalances: Time for Action" (Policy Brief PB07-4, Peterson Institute for International Economics, March 2007), <http://www.petersoninstitute.org/publications/interstitial.cfm?ResearchID=720>.
31. Bernanke, "Global Imbalances".
32. Ronald I. McKinnon, "The East Asian Dollar Standard" (Position paper for ANEPR conference, Tokyo, January 2004), 7, <http://www.rieti.go.jp/cn/events/04011601/pdf/mckinnon.pdf>.
33. David Backus, Espen Henriksen, Frederic Lambert, and Chris Telmer, "Current Account Fact and Fiction." (Paper presented at the annual meeting of the American Economic Association, Boston, January 6-8, 2006), http://www.aeaweb.org/annual_mtg_papers/2006/0108_1300_0101.pdf.
34. The source for foreign dollar reserves is the International Monetary Fund's COFER database with the assumption that the same percentage of

- unallocated as allocated reserves are in dollars (see note 28 to this chapter). The source for US Treasury and Federal Reserve foreign currency reserves is *Treasury and Federal Reserve Foreign Exchange Operations October-December 2006*. See Table 1 on page 8, <http://www.ny.frb.org/newsevents/news/markets/2007/fxq406.pdf>.
35. Amy Menafee, "Where Do We Go from Dubai?" *Business & Media Institute*, March 15, 2006, <http://www.businessandmedia.org/news/2006/news20060315.asp>.
 36. Ryan Stever, Goetz von Peter, and Christian Upper, "Highlights of International Banking and Financial Activity," *BIS Quarterly Review*, December 2006, http://www.bis.org/publ/qtrpdf/r_qt0612b.pdf.
 37. Michael M. Phillips, "World Economy in Flux as America Downshifts: Huge Trade Gap Narrows as Dollar, Housing Slide; Exporting Lobster Traps," *Wall Street Journal*, September 20, 2007.
 38. End of 2006 data for Japan and China are from <http://www.forbes.com/markets/feeds/afx/2007/03/06/afx3491447.html>. End of 2007 data for China are from "China's Foreign Exchange Holdings Top U.S. \$1.53 Trillion" (Associated Press, January 11, 2008), <http://www.iht.com/articles/ap/2008/01/11/business/AS-FIN-China-Foreign-Reserves.php>. The end of 2007 data for Japan comes from "Japan's Forex Reserves Hit Fresh All-Time High: Government" (http://economictimes.indiatimes.com/Markets/Global_Markets/Japans_forex_reserves_hit_fresh_all-time_high_Government/rssarticleshow/2688857.cms).
 39. Gabriele Parussini, "ECB, Politics, Business Spar over Euro Rate", *Dow Jones Newswires*, September 21, 2007, <http://www.fxstreet.com/news/forex-news/article.aspx?StoryId=ab3e9dc1-0c21-492b-8b8b-0950f6fb58d1>
 40. Ambrose Evans-Pritchard, "China Threatens 'Nuclear Option' of dollar sales," *Telegraph.co.uk*, Aug. 10, 2007, <http://www.telegraph.co.uk/money/main.jhtml;jsessionid=4OBX2LCBNMQ3BQFIQMFSFF4AVCBQOIV0?xml=/money/2007/08/07/bcnchina107a.xml>
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 42. Mulloy, Patrick A., "Testimony Before the Senate Committee on Banking, Housing & Urban Affairs Hearing on 'Sovereign Wealth Acquisitions and other Foreign Government Investments in the U.S.: Assessing the Economic and National Security Implications. (November 14, 2007), http://banking.senate.gov/_files/111407_Mulloy.pdf

CHAPTER 3

1. Paul Krugman, "The East Is in the Red: A Balanced view of China's Trade,"

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2. Paul Krugman, *Pop Internationalism* (Cambridge, MA, MIT Press, 1996): vii.
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4. United States-China Economic and Security Review Commission, “2007 Report to Congress Executive Summary” (November 2007), 3, http://www.uscc.gov/annual_report/2008/executive_summary.pdf. Hereafter referred to as USCESRC.
5. Quoted from China’s State Council in USCESRC, 3.
6. Krugman, *Pop Internationalism*, 10.
7. See Paul Krugman, “Making Sense of the Competitiveness Debate,” *Oxford Review of Economic Policy* 12 (1996): 17-25. It is Krugman who seems unaware that when trade is unbalanced, indeed one country, the one with a trade surplus benefits at the expense of the deficit country.
8. Paul Krugman and Maurice Obstfeld, *International Economics: Theory and Policy* 5th Edition (Glenview, IL: Little, Brown, 2000).
9. Paul Krugman, *The Age of Diminished Expectations: U.S. Economic Policy in the 1990s* (Cambridge MA: The MIT Press, 1990): 92.
10. Christopher J. Erceg, Luca Guerrieri, and Christopher Gust, “Expansionary Fiscal Shocks and the US Trade Deficit,” *International Finance*, 8 (2005), <http://www.blackwell-synergy.com/doi/abs/10.1111/j.1468-2362.2005.00164.x>.
11. Lester Thurow, *Fortune Favors the Bold: What We Must Do to Build a New and Lasting Global Prosperity* (New York: Harper-Collins, 2003), 253.
12. Ben S. Bernanke, “The Global Saving Glut and the U.S. Current Account Deficit” (Sandbridge Lecture, Virginia Association of Economics, Richmond VA, April 14, 2005), <http://www.federalreserve.gov/boarddocs/speeches/2005/200503102/default.htm>.
13. Brian Bremer, “Will Beijing Honor a WTO Promise?” *Business Week*, December 11, 2006.
14. USCESRC, 4.
15. Jim Trippon, “Failure of United States Economic Mission to China Leaves America as Second Fiddle Says China Stock Digest Editor” (China Stock Digest press release, December 19, 2006), <http://www.emediawire.com/releases/2006/12/emw492743.htm>.
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- (p.11) The paper concludes that a range of factors, including intervention by Asian central banks has cushioned deficit adjustment in recent years.
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 29. Buchanan, 201.
 30. Chris Woodyard, "How Can you tell which car is more American?" *USA Today*, March 22, 2007, http://www.usatoday.com/money/autos/2007-03-22-american-usat_N.htm.
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 32. The Pew Global Attitudes Project. "World Publics Welcome Global Trade –

- But not Immigration,” (47-Nation Pew Global Attitudes Survey, October 4, 2007), <http://pewglobal.org/reports/pdf/258.pdf>
33. Automotive Trade Policy Council, “U.S. Automakers Endorse Japan Currency Manipulation Act; Applaud Stabenow Legislation to Force Action Against Japanese Currency Misalignment” (March 28, 2007), <http://www.theautochannel.com/news/2007/03/28/041580.html>
 34. The text of the bill can be found online at <http://www.govtrack.us/congress/billtext.xpd?bill=s110-1607>
 35. “Key Senators Predict a China/Japan Currency Bill in 2007” (*Washington Insider*, Motor & Equipment Manufacturers Association, March 30, 2007), <http://www.mema.org/publications/articledetail.php?articleId=6703>.
 36. The International Monetary Fund Articles of Agreement can be found online at <http://www.imf.org/external/pubs/ft/aa/aa.pdf>.

CHAPTER 4

1. James C. Cooper, “The Trade Quagmire,” *Business Week*, March 5, 2007.
2. Jon E. Bishel, “Basic Income Tax Treaty Structures” in *Income Tax Treaties*, ed. Jon E. Bishel (New York: Practicing Law Institute, 1978), 2.
3. The \$4 trillion estimate of the amount of private foreign savings earning tax-free interest due to this loophole is obtained from two sources:
 - (a) According to the US Treasury, at the end of the year 2005, foreign official institutions were estimated to have approximately \$1.8 trillion of the \$6.7 trillion of US long-term securities held by foreign investors. Thus foreign private investors had approximately \$4.9 trillion. According to the COFER database, foreign governments actually had \$2.7 trillion in reserves at the end of 2005. Thus approximately .9 trillion of the 4.9 were actually foreign government reserves placed into accounts with foreign banks and then placed by those foreign banks into tax-free US accounts.
 - (b) The most recent IRS data release of interest earned by foreign individuals is from 2000 (<http://www.irs.gov/pub/irs-soi/00frusi.pdf>). That year, when the average interest rate on 10-year US Treasury T-Notes was 6.11%, private foreigners earned \$128 billion tax exempt, indicating approximately \$2.1 trillion of savings. Since 2000, increases in foreign government savings and increases in private foreign savings have each accounted for half of the current account deficit. Since foreign government savings went up by 2.4 times from 2000 to 2006, according to estimates based upon the International Monetary Fund COFER database, private foreigners savings in the United States have also gone up 2.4 times, up to \$5.0 trillion. However, if an estimated \$1 trillion of that amount is foreign government savings placed into private banks abroad

and then placed by those banks into US accounts under the bank's name, that would leave \$4 trillion that would remain in private accounts, should those private accounts be taxed.

Our thanks to Jim Broten for help with making these estimates.

4. Robert McCauley, "Distinguishing Global Dollar Reserves from Official Holdings in the United States," *BIS Quarterly Review*, September 2006, http://www.bis.org/publ/qtrpdf/r_qt0509e.pdf.
5. Warren E. Buffett & Carol J. Loomis, "America's Growing Trade Deficit is Selling the Nation Out from Under Us. Here's a way to Fix the Problem -- And We Need to Do It Now," *Fortune*, November 10, 2003, http://money.cnn.com/magazines/fortune/fortune_archive/2003/11/10/352872/index.htm
6. Raymond L. Richman, "The Great Trade Debate," *Pittsburgh Tribune Review*, September 14, 2003, http://www.pittsburghlive.com/x/pittsburghtrib/s_154632.html.
7. Senator Byron L. Dorgan, *Take This Job and Ship It: How Corporate Greed and Brain-Dead Politics are Selling Out America* (New York: Thomas Dunne Books/St. Martin's Press, 2006), 247.
8. The text of the bill is available online at <http://www.theorator.com/bills109/s3899.html>.
9. Article XII of the Uruguay round of the GATT treaty can be found on the Internet at http://www.wto.org/English/docs_e/legal_e/articleXII.
10. Import Certificates Proposed to Shrink Trade Gap (New York Times, September 15, 2006). Summarized on the web at http://english.people.com.cn/200609/16/eng20060916_303321.html.
11. Sallie James, "A New Solution to the Trade Deficit 'Problem,'" (Posted on a Cato Institute Blog on September 15, 2006), <http://www.cato-at-liberty.org/2006/09/15/a-new-solution-to-the-trade-deficit-problem/>
12. Current information about Asian debt securities can be found at http://www.asianbondsonline.adb.org/how_to_buy_bonds/default.php. On 10/12/07 that site reported that foreign investors were not allowed to own Chinese government bonds.

CHAPTER 5

1. Nikita Khrushchev, *Krushchev Remembers*, trans. Strobe Talbott (Boston: Little, Brown and Company, 1970), 113.
2. Robert S. McIntyre, "Just Taxes & Other Options," *Less Taxing Alternatives* (March 1984): 28-29.
3. Richard Dobbs and Werner Rehm, "The Value of Share Buybacks," *McKinsey Quarterly* 3 (2005), http://www.cfo.com/printable/article.cfm/4392991/c_2984408?f=options.

4. If the tax system were changed so that owners of homes paid income tax on the rental value of the home (say 1/30 of the sales price) then we would allow shares of stock to be rolled-over into home purchases. In such a case, we would not count property taxes against the rental value of a home since buyers of real-estate buy free of the property tax, as we explain in Chapter 6.
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