109TH
CONGRESS

Congress of the United States
Joint Economic Committee
Democrats

804 HART SENATE OFFICE
BUILDING
WASHINGTON, DC 20510-6602
202-224-0372
FAX 202-224-5568
www.jec.senate.gov/democrats

For Immediate Release
February 10, 2005

Contact: Nan Gibson
202-224-0377

TRADE DEFICIT HITS RECORD HIGH IN 2004
Reckless Bush Administration Budget Deficits Driving Up Trade Deficit

Washington, D.C. – The trade deficit for the entire year of 2004 was $617.7 billion, a new record and $121.2 billion more than the 2003 deficit of $496.5 billion, according to data released today by the U.S. Department of Commerce. The trade deficit of $56.4 billion in December remained near the record level of $59.3 billion set in November.

"The staggering U.S. trade deficit is a symptom of the reckless fiscal policies of the Bush Administration," said **Sen. Jack Reed** (D-RI), Democratic member of the **Joint Economic Committee**. "The Bush Administration's huge federal budget deficits encourage us as a nation to spend more than we earn and to pay for our excess imports with IOUs. If foreigners stop accepting our IOUs, we will face a sharp drop in the dollar, greater inflation, a sharp rise in interest rates, and ultimately a weaker economy. Either way, the American public is the loser."

The data released today measure U.S. international trade in goods and services. In 2004, the United States had a goods deficit of $666.2 billion and a services surplus of $48.5 billion.

Trade practices here and abroad and the relative strengths of the U.S. and foreign economies affect the trade balance with particular countries and regions, but most economists believe that the overall U.S. trade deficit mainly reflects the fact that as a nation we consume more than we earn and we pay for our excess imports with foreign borrowing.

The large federal budget deficits of the past few years have encouraged spending on consumption and drained our national saving. Thus far, foreigners have been willing to sell us goods and accept Treasury securities or acquire private assets in return. But if they decide they no longer want to keep doing this, there is likely to be a sharp depreciation of the dollar, greater domestic inflation, and a sharp rise in interest rates that will discourage domestic investment.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

– end –