



Will Free Trade Boost the Economy?

“Free trade” is a surprisingly controversial topic across the political spectrum, though it shouldn’t be. On the political left, free trade is viewed as being hostile to American workers, something that depresses wages, particularly of the unskilled. On the political right, the argument is less about trade and more about the fine print of the agreement itself, which is seen as crimping U.S. sovereignty.

But what none of the special interest groups seem to appreciate is the way that free trade has massively enriched our lives and improved our standard of living. Sure, we see the unemployed former factory worker, but what we don’t see — or don’t realize — are the “what ifs.” If we hadn’t benefitted from the economics of free trade, the prices of everything we buy would be significantly higher, meaning we would be doing a lot less shopping.

I bring this up because you are about to see a lot more about free trade in the news in the months ahead. President Obama has two very ambitious goals for his second term — he wants a Trans Pacific Partnership trade agreement between the U.S. and our major trading partners, along the Pacific Rim in Asia, South American and Australia; and an as-yet-to-be-named trade agreement between the U.S. and the E.U.

While he hasn’t always been the friendliest toward trade and business, we should wish our president the best in these endeavors. In an era of slow growth and failed government stimulus measures, we need the durable, legitimate growth that free trade can bring.

But before we get too excited, we need to be realistic. Yes, free trade will give our economy a much-needed shot in the arm, and it will lay the foundations for a healthier economy in the decades ahead. But free trade will do nothing — and I mean *nothing* — to address our single biggest challenge: the aging of the Baby Boomers.

As a generation, the Baby Boomers — which are the biggest and richest generation in history — have passed their peak spending years and are now focused more heavily on paying down their debts and saving for a retirement that is coming faster than many would like.

There is really nothing we can do about this. What they are doing makes sense; they are at a stage of life where large purchases made with credit are rare. They already own the largest home they will ever own and have already furnished it.

Their children — the Echo Boomers — are on the upward spending slope and will spend more as a generation every year for multiple decades. But they are simply not earning and spending enough at this point to compensate for their retrenching parents.

So, we have good news and bad news. I'll hit the bad news first: Baby-Boomer retrenchment is an economic problem that has no solution, other than time. It's something we simply have to wait through.

But the good news is that the Echo Boomers will really start to make a difference toward the beginning of the next decade. In the meantime, our leaders look to be inching towards better long-term free trade and growth policies. Every little bit helps!

Sincerely,

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