

The Trade War Dashboard

Does a trade deficit mean the US is being cheated?

Part 1: If trade deficits are bad, why do the most successful economies have one?

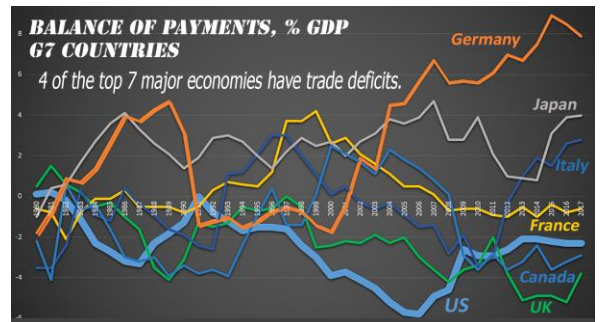
Most high income countries, including the US, have trade deficits. Advanced economies are more likely to have a trade deficit than low income countries. That doesn't sound like trade deficits are bad for a country.

Amidst all the debate on trade is a critical underlying assumption that **TRADE DEFICITS ARE BAD!**

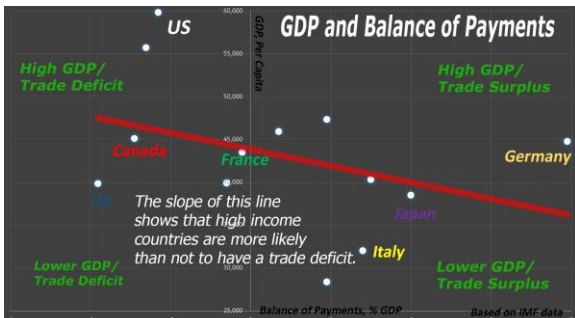
Yet there is plenty of evidence to suggest that this is not necessarily correct. The data indicates that the more successful an economy is, the more likely it is for that economy to have a trade deficit. In fact, lower income countries are actually more likely to a trade surplus than higher income countries. At the very least it suggests that assessing a trade balance might be more complex than it seems. Instead of saying a trade deficit is definitely bad, maybe there are more factors to be considered.



The US has the highest per capita GDP of any major economy and a trade deficit.



Four of the seven most prosperous major economies (G7) have trade deficits.

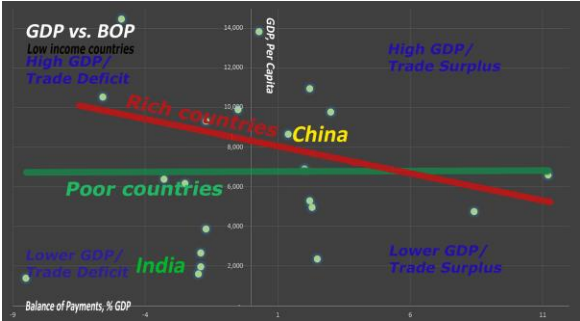


Advanced economies are more likely to have a trade deficit

Plotting per capita GDP and trade balance among the top 20 economies, the slope of this line shows that prosperous economies are more like than not to have trade deficits

In this series of articles and infographics, we review basic data to determine if trade deficits are always bad and what other factors might cause them. If a trade deficit is a problem, we certainly don't want to blame it on the wrong factor.

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Low income countries have more trade surpluses

This graph plots per capita GDP to trade balance for low income countries. The green line is the trend line for those countries. The red line is for advanced economies. The different slope shows that low income countries are actually more like than high income countries to have a trade surplus.



Only 15% of the people in the world live in a high income country. Most remain largely impoverished.