



It's time to reset our western economic thinking...

Based on the stir created by my new book *Take Back Manufacturing* I have been asked to outline what is wrong with our western G7 economies.

The current situation...

All our western economies exhibit the same malaise...

Slow growth, flatlining GDP per capita and low productivity.

Many have housing bubbles with much of the national capital stored in private real estate.

Many of these nations are trapped in massive and painful levels of immigration that is deemed necessary to offset an aging population and low productivity.

The governments at all levels, the local the corporations, and the population, are collectively in a high debt mode with recently rising interest rates making the servicing of all this debt a huge issue that makes it a struggle to maintain the western living standards with the standing social contracts of pensions, health care, welfare, defence and the costs of coping with a recent health pandemic.

All of this has curtailed the sort of public investment that once powered growth with any governments that choose to prioritize fiscal prudence forced to run down their already decaying infrastructure and public assets to keep taxes down and maintain budgets.

These nations are also contemplating a further expensive journey toward Climate NetZero, and other multilateral promises that are clearly going to be very unaffordable in such an economic situation.

Global free trade?

All these economies have one thing in common that has caused this malaise... they had all enthusiastically embraced global free trade that many experts are now deeming a huge and ongoing wealth transfer problem.

This has allowed massive imports and the significant loss of any trade balance and the near destruction of their value adding industries with capacity to provide for their citizens needs being outsourced to emerging economies.

All the above issues and outcomes can be linked to this massive mistake in following this flawed economic thinking of mature economies becoming post industrialized societies!!

Global free trade although it has greatly assisted the emergence of these third world economies and brought some global citizens out of poverty, it has been extremely unkind to the middle class in the western mature economies.

In many ways it has been instrumental in adversely damaging the future sustainability of the economies of the western nations.

It has made our economies and prosperity far less sustainable and weakened our national sovereignty, security, and sensitivity to swings in our economic demand.

It has also made us dependent for a range of essential products and services to global actors that may not always have our best interests in mind.

The concept of a new world order or being dependent on the concept of the global village, or any other form of internationalism, Cosmopolitanism or globalism is now fast evaporating as a realistic geo-political approach.

So, as global trade, security and safety declines its clear that long supply chains supporting a globalized economy will be much more difficult and unsustainable. This will further encourage deglobalization and the move toward the regionalization of supply chains and local trade blocs.

The fix...

It will demand the need to take back manufacturing within localized trade blocs to create far more balanced and stable national economies with regional trade blocs that are highly sustainable.

The nation-state organized into these localized trade blocs must be the economic operating unit for some time to come.

This will ensure a nation can have a prosperous, healthy, equitable, and secure society. In this manner it can provide a meaningful cultural environment and an optimum level of opportunity to flourish for all its citizens.

Leading economists are now suggesting a major reorientation toward an economic-policy framework that is rooted in production, work, and localism instead of finance, consumerism, and globalism. This is exactly the solution I have described in my book *Take Back Manufacturing* and in this article.

And as already said, its clear that for most of the Western nations that a significant amount of the prosperity issues and national economic solutions are common.

The future...

So.... what do we do about this going forward?

First, we must stop listening to traditional economic thinking where economists keep spending all their energy comparing these western economies to each other, and keep focusing on symptoms, and because of conceptual free trade dogma they keep avoiding talking about the root cause or the cure. This glass half empty or half full argument will not get us anywhere... what we need to do is change the size and shape of the glass!

So...first ...lets all admit that It's been a disastrous way to run an economy. Global free trade has allowed a huge wealth transfer gradient with a massive trade imbalance with uncontrolled imports that have generated a reduction in local industrial capability. This has lowered productivity that has forced the need for more immigration to maintain even an existing level of capacity that created even more productivity loss and stress on an already ailing infrastructure. This also further displaced the value adding use and retention of capital and has resulted in a huge lack of future economic sustainability, with a significant hit on national prosperity.

New Government

Next, we need to vote governments into power that are prepared to rethink the real meaning of nationhood and the welfare of its citizens and be more concerned about "how they are doing" and less about "who we are" and stop worrying so much about global multilateral commitments and distractions.

This government must be prepared to strongly prioritize and NOT do certain things that are less important and focus much more on doing the important things. So, it must learn to not worry about pleasing the minorities over the needs of the majority.... It must be prepared to always "do the right thing."

Local trade-blocs

Then, each western nation must come to understand that long global supply chains are going to be both geo-politically risky and mostly higher cost, and that fully capitalized and productive localized trade will be the best course of action for national prosperity. This means they must focus on making their local trade bloc (e.g.: EU and USMCA) a true economic domain for mutual participation and investment to meet sustainability and prosperity goals.

These trade blocs must ensure both economic self sufficiency to maintain prosperity and also avoid economic insecurity due to geopolitical threats.

It will require they build back local capacity to cope with the reshoring of their supply base. This will gain back national productivity and prosperity by making growing and mining as much as practical of what they consume, with as much of their natural resources as possible.

It is not being suggested that we restrict exports of raw materials or semi finished products to other nations outside our trade bloc if they require them for their own economies. But we must resist trade activities that imports massive amounts of finished products when they could be easily and productively manufactured within our own trade bloc with our local resources. What is foolish is the current situation in the USMCA of needing to support massive exports of raw resources to pay for excessive imports of finished products from so-called low-cost countries, using long and costly global supply chains, when these products could be easily manufactured as a value adding contribution to the trade bloc economy.

For North America we must focus on USMCA partnerships per industry sector that leverages on local strengths of resources, geographics, and skills, so that we build back industrial clusters that can complement the USMCA self sustainability.

Review each industrial sector.

It will require a detailed review of each industrial sector supply chains and how local resources and capacity can be harnessed through complementary investment and development.

We need industrial experts to assist our businesses run the numbers to undertake the Cost Analysis to trade-off the true costs between offshoring with long supply chains, and a reshoring option. Many recent studies have shown that for many commodities and industrial sectors the cost of producing products inside the USMCA will be far cost effective than bringing products in through the global supply chains.

North America as a trade bloc has most of the natural and human resources to maintain a prosperous trade bloc and our focus should be on developing the local strengths in this regard.

This will require the maximized leverage of natural resource wealth such as water, minerals, fossil energy and forestry to fabricate into value added products.

For western nations such as Canada rich in natural resources such as oil and gas, it will mean a firm focus on how to leverage these advantages, but it will require a strategy to ensure we add more value to these resources rather than shipping out raw resources and expecting such low value exports to pay for an over abundance of high value finished product imports.

Canada also has an abundance of forestry and the ability to support wood product capacity. This can also support the urgent need to focus on increasing housing construction and can mean the total rebirth of our wood product industries. Currently we ship raw materials (lumber) to Asia, and we get finished products such as furniture, desks, chairs, and finished building materials, doors, windows, milled building materials, trim, flooring and semifinished products, etc, etc. We need to bring these products back home and avoid the duplicitous and wasteful global trade activities and reduce the supply chain and transportation costs.

We must focus on the mining of uranium to feed the growth in much-needed nuclear power, and the mining of critical minerals to support the growth in renewable technologies to support the future North American product finishing factories.

The north-eastern region of the US and Canada which global trade turned into a rust belt can be revitalized as it has an abundance of freshwater lakes and a skilled population to feed manufacturing across many industries that require significant use of fresh water.

We must avoid over-investment in industrial areas that do not meet these local synergies such that we maximise our potential industrial strengths and not continue to support our weaknesses with citizen capital.

However, to build back national security and health-care independence we must secure local capability to provide for such products as pharmaceuticals and medical devices, as well as key modern society foundation technologies, such as electronic devices.

Financial Investment

We must do all of this with reinvigorated local capital investment in the best technologies and industrial automation and modern business systems to automate Industry and this must include Industry 4.0 and digital transformation strategies. This must competitively increase production capacity and productivity while meeting best industry practices for sustainability.

We will also need to couple the financial investment community with these national prosperity improvement goals to ensure we can fuel this transformation with focused capital investment.

We must also migrate our national capital away from its non-productive use in our housing sectors and make our manufacturing and our much-needed infrastructure projects an investment destination.

We also need to push back on the UN and WEF driven sustainability goals linked with financial measurements as this is proving to be a non-productive approach to correctly focusing capital investment.

Energy

We need complete energy independence with affordable low-cost solutions that can increase USMCA shared grid capacity so that it supports the industrial reshoring journey.

It will require a rethink of national energy system choices that supports the current powerplant and energy distribution scarcity.

We need all onshore fossil fuel needs met with local resource installations to avoid reliance on offshore sources.

Industrial Learning

This economic transformation will demand we re-invest in a citizen workforce using an Integrated Industrial Learning System. This must encourage and support the increase in citizen youth joining the industrial workforce as well as the re-development of the mature workforce. We will require an integrated learning system of education, training and work-based experience to build a highly capable Industrial workforce.

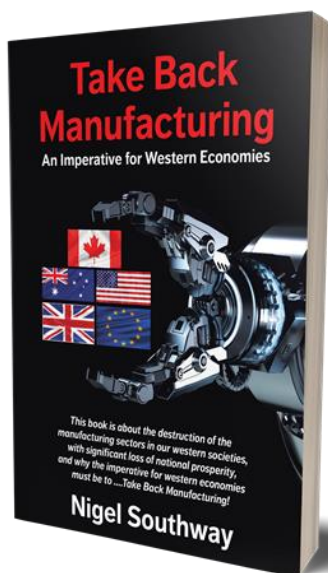
Immigration

Immigration will certainly become far less necessary due to the improvement in productivity and the adoption of new much leaner business systems and automation. Any future immigration must be refocused to become an economic benefit to the nation with any future immigrants pre-selected and pre-certified to meet this goal.

Stay within the trade-bloc.

Based on the above explanation these new western national governments must learn to avoid any global agreements, commitments, any external multilateral deals and external trade activities that may become a distraction to the success of these local trade blocs that can better support the key industries and our national prosperity goals.

This is the best choice to re-install the value of western citizenship.



More in my new book at:

www.takebackmanufacturingnigelsouthway.com