



# Harry's Take

August 5, 2025

## We're Larger and Richer: Why Shouldn't We Have Trade Deficits?

I'm traveling today, so a brief, but important issue. If I was trading with a neighbor and I was richer than they were, wouldn't I likely buy more from them than they would from me? So, why is there such a big issue about trade deficits?

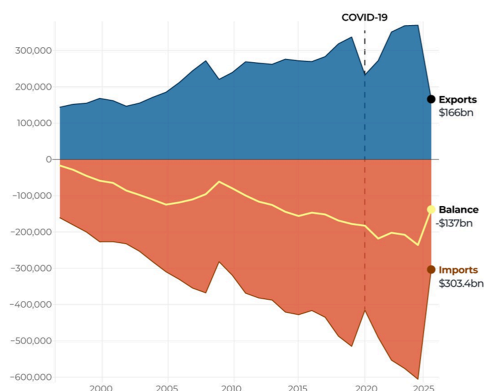
Our GDP in the U.S. is \$29.2T, the entire EU is only \$18.6T. We're 57% larger now! China, the second largest country in GDP, is \$18.7T in U.S. dollars, very similar in size to the EU. Japan has now shrunk to a mere \$4.0T. And this chart shows that our trade deficit with the EU is already shrinking rapidly anyway from a peak just over \$200B recently to \$137B. It tends to be self-correcting like everything else in the "Invisible Hand" of free market capitalism.

## US Trade Deficit with EU Narrowing Already: Why Such a Big Deal?

ECONOMY

### US goods trade with the EU

As of May 2025, the United States imported goods worth \$303.4bn from the European Union and exported goods worth \$166bn, resulting in a trade deficit of \$137bn.



Source: Census.gov | July 27, 2025

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Our exports to the EU have fallen recently from around \$370B down to \$166B. Our imports from them have similarly fallen about half from just over \$600B to \$303B. Hence, extremes tend to be self-balancing as is the central principle of free market capitalism.

We're still the largest, most productive nation in the world. Why shouldn't we be able to afford to buy more from our smaller competitors with lower average incomes to boot?

**Why are trade deficits that tend to be self-correcting partly through freely changing currency exchange rates, which are also part of the free market system... be such a big issue?**

Harry

Got a question or comment? You can reach us at [info@hsdent.com](mailto:info@hsdent.com).

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