Debate Brief · Universal Free Trade

Resolved: the U.S. federal government should adopt a policy of unilateral free trade.*

"Our only defense against the cheap production, low wages and low standard of living which exist abroad, and our only method of maintaining our own standards, is through a protective tariff. We need protection as a national policy, to be applied wherever it is required."
—Calvin Coolidge, "The Republican Case," The Saturday Evening Post, September 10, 1932

"The United States and Japan are also working to improve our economic relationship based on the principles of fairness and reciprocity. We are currently negotiating a bilateral trade agreement that would benefit both of our economies. Our goal is to reduce our trade deficit with Japan, remove trade barriers, and barriers of all kinds, so that U.S. exports will really have a fair and very profound footing. Just over one week ago, U.S. beef gained full access to Japanese markets for the first time since 2003."
—President Donald Trump, Remarks by the President, May 27, 2019

"It is hopeless to expect a change by an international agreement. If a country thinks that more free trade is to its own advantage, then it may always open its frontiers."
—Ludwig von Mises, The Disintegration of the International Division of Labor, 1938

* About the resolution: The intended definition of unilateral free trade is a policy in which a government opens its country to free trade without requiring or waiting for other countries to reciprocate.

ABOUT THE COOLIDGE FOUNDATION

The Calvin Coolidge Presidential Foundation is the official foundation dedicated to preserving and promoting the legacy of America's 30th president, Calvin Coolidge, who served in office from August 1923 to March 1929. These values include civility, bipartisanship, and restraint in government, including wise budgeting. The Foundation was formed in 1960 by a group of Coolidge enthusiasts, including John Coolidge, the president's son. It maintains offices at the president's birthplace in Plymouth Notch, Vermont, and in Washington, D.C. The Foundation seeks to increase Americans' understanding of President Coolidge and the values he promoted.

This debate brief written and compiled by:
Calvin Coolidge Presidential Foundation
P.O. Box 97
Plymouth, VT 05056

BACKGROUND

What is trade? Why do people do it? For millennia humans have traded—from furs and hides, to food and tools and countless other items. Only within the past few hundred years, however, have thinkers begun to understand more deeply what trade is and why it leads to such widespread prosperity. In 1776, the Scottish enlightenment figure Adam Smith moved the nascent field of economics forward greatly with the publication of his treatise, *An Inquiry in the Nature and Causes of the Wealth of Nations*. Among other things, he wrote about how individuals—whether due to differences in skill, resources, geography, or other factors—have comparative advantages in producing goods. These advantages mean that it can make more sense for people to specialize in producing certain goods and then trade with others, than for people to live in a self-subsistent manner, making for themselves everything they need.

Free trade for Smith was an obvious good, however he recognized the temptation that individuals, groups, and even entire countries would have in "tweaking" the rules governing trade so as to extract *extra* benefits. These arrangements he was less fond of. Quoting Smith:

> "In every country it always is and must be the interest of the great body of the people to buy whatever they want of those who sell it cheapest. The proposition is so very manifest that it seems ridiculous to take any pains to prove it; nor could it ever have been called in question had not the interested sophistry of merchants and manufacturers confounded the common sense of mankind. … As it is the interest of the freemen of a corporation to hinder the rest of the inhabitants from employing any workmen but themselves, so it is the interest of the merchants and manufacturers of every country to secure to themselves the monopoly of the home market."[1]

Today, the vast majority of economists today still agree that trade benefits everyone involved,[2] but true to Smith's concern, many countries nevertheless adopt policies to protect their own domestic merchants and manufacturers from foreign competition. Some governments worry that without tariffs on products imported from other countries, domestic producers will not be competitive with foreign producers. Some governments find trade tariffs to be an easy source of revenue, and rationalize that if other countries are taxing their exporters, then there is no reason not to reciprocate. Many countries make special deals with other countries to relax certain tariffs on certain goods, leading to a labyrinthine system of exceptions.

To break through the gridlock of mutual taxation, some economists argue for unilateral free trade, i.e., instituting a policy of no trade tariffs—*even for countries who do not open their borders in return*. They argue that free trade is beneficial, even if it is not reciprocated, and that taking the lead on adopting unilateral free trade could encourage other countries to follow suit. In this debate, we ask: could adopting a policy of unilateral free trade be a viable way forward?

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[1] Smith, Adam. *An Inquiry in the Nature and Causes of the Wealth of Nations*. Chapter 3. (1776)

[2] IGM Forum. Chicago Booth School. November 11, 2014. http://www.igmchicago.org/surveys/fast-track-authority

THE COOLIDGE CONNECTION

Political positions have a habit of changing over time. Whereas today we tend to associate free trade views most closely with certain branches of the Republican and Libertarian parties, in Coolidge's time (i.e., the 1920s), the Republicans were the political party that favored protectionism and tariffs. Their opponents, the Democrats, favored freer trade. Coolidge stayed loyal to his party.

The current debates that we hear today about which countries to favor in our trade policy and by how much recall the period in which Calvin Coolidge lived. In the 1920s and early 1930s, fights over the merits of free trade versus the merits of protectionism occurred daily on Capitol Hill. The Democrats, led by Cordell Hull, were the free traders. The Republicans, meanwhile, inherited some of their political principles from figures as far back as Alexander Hamilton, who supported protectionism and relied on tariffs to fund America's new financial system (the South, led by Thomas Jefferson and his supporters sought freer trade).[3] With no income tax and no Internal Revenue Service for more than a century after America's founding, tariffs were the method of choice for raising the revenue needed to run the government.

Just before Coolidge came into office, Congress passed, and President Harding signed, a large tariff, Fordney-McCumber.[4] Just after Coolidge left office Congress passed, and President Hoover signed, a larger tariff, Smoot-Hawley. Many economists argue that Smoot-Hawley was one of the most significant causes of the Great Depression. President Franklin D. Roosevelt agreed to a trade deal that encouraged trade in the 1930s, reversing the protectionist trend.

Coolidge's support of tariffs was vehemently disliked by European officials. Loaded with debt from World War I, Europeans were angered that the U.S. would impose heavy tariffs that made it tough for Europe to pay off its obligations. But the U.S. sustained its 1920s tariffs, in part guided by Coolidge's belief that paying high wages in the U.S. would keep workers content and make them less likely to strike or revolt, as they were doing in Europe and in Russia.

[3] Hendrickson, John. "Grand Old Protectionists: Calvin Coolidge and the Full Dinner Pail" Calvin Coolidge Presidential Foundation. November 19, 2014

[4] Ibid.

KEY TERMS

Import – A good or service that is brought from a foreign country and sold domestically.

Export – A good or service that is produced domestically and sold in a foreign country.

Tariff – A tax that the government levies on imports. All else equal, tariffs make imported goods and services more expensive relative to domestically produced goods and services. There are two main reasons why a government might implement a tariff: 1) to raise revenue, and 2) to protect domestic businesses from competition abroad.

Balance of Trade – The difference in the value of a country's imports and the values of its exports is known as the country's balance of trade.

Trade Surplus – When the value of a country's exports exceeds the value of its imports, it is said to have a trade surplus.

Trade Deficit – When the value of a country's imports exceeds it's the value of its exports, the country is said to have a trade deficit. It is important to remember that although the term "deficit" generally carries a negative connotation and the term "surplus" carries a positive one, trade deficits and surpluses are not necessarily good nor bad.

Free Trade – Government policies or sets of policies that do not impose restrictions on international exchange with other countries and their citizens. Free trade allows for the free exchange of goods and services across international borders.

Protectionism – Government policies that impose restrictions on international exchange with other countries. A tariff is an example of a protectionist policy. The aim of protectionism is to offer an advantage to domestic firms by increasing the cost of goods and services produced by foreign firms and sold in a domestic market.

Division of Labor – Division of labor is the separation of tasks within an economic system such that firms or individuals specialize in the means of production for which they are especially skillful. The division of labor is important in the discussion of trade because trade encourages division of labor. Without trade individuals would have to be completely self-sufficient. When trade exists, individuals are able to focus on producing the things that they can produce for the lowest cost and trade for the things that are relatively more costly for them to produce, but that they still might want or need.

Trade War – Refers to a situation in which two or more countries impose or raise tariffs on each other in retaliation to previously imposed or increased tariffs. This increases the cost of imports for both countries and discourages consumption of foreign goods and services.

Unilateral Trade Agreement – A unilateral trade agreement is a policy toward trade that a nation adopts without input or agreement from other countries. Unilateral free trade is an example of this type of policy. A country that adopts a policy of unilateral free trade places essentially no tariffs on imports, regardless of what policies other countries adopt.

Multilateral Trade Policy – A multilateral trade policy is when two or more nations agree to remove trade restrictions on each other in order to reap the benefits of freer trade between each other. NAFTA and USMCA are both examples of multilateral trade policies.

Gains from Trade – Gains from trade exist when the value of a good or service, bought by a consumer, equals or exceeds the cost of production of that good. When this is true, both the consumer and producer are better off from trade occurring and gains from trade are said to be positive. Economic theory suggests that when a voluntary market transaction occurs there are always gains from trade. If there were not, then the parties would not make the transaction.

Opportunity Cost – The opportunity cost of an activity is the loss of value associated with foregoing the next best alternative. While this definition may sound confusing, the basic logic is simple: since time is limited, for every decision we make to do one thing means we are forgoing countless other opportunities. When a firm explicitly decides to produce cars, it is also deciding not to produce busses, trucks, trains, airplanes, etc. The lost opportunity of producing busses, trucks, trains or airplanes is called "opportunity cost."

Comparative Advantage – Another concept that relates to division of labor is comparative advantage. An individual or firm that can produce a good or service for a lower cost relative to other firms has a comparative advantage in the production of that good or service. Having a comparative advantage in a certain means of production does not mean that the producer is necessarily the very best at it, only that they can produce it for the lowest opportunity cost. Opportunity cost and comparative advantage are important in the discussion of trade because trade allows individuals and firms to take advantage of their comparative advantages.

NAFTA – The North American Free Trade Agreement (NAFTA) is a trade agreement between the United States, Canada, and Mexico. Implemented in 1994, NAFTA removed or phased out almost all trade barriers and tariffs between the three countries. The idea behind NAFTA is that by making trade less costly, there will be more trade and that all countries would benefit. This of course opened up competition between domestic firms in all three countries and made it less costly to move production to foreign countries.

Most Favored Nation – Most Favored Nation status is when one country gives another country preferential treatment in its trade policies. This means a country enjoys better trade terms (e.g., the lowest tariffs or fewest trade barriers) from its trading partner than any other country.

AFFIRMATIVE ARGUMENTS

1. Free trade promotes prosperity. Tariffs discourage free trade and thus reduce prosperity.

When trade occurs, both trading partners are better off. To help illustrate this, imagine a world without trade. Every person (or at least every family unit) would have to be totally self-sufficient, with people making all of their own things, ranging from shoes and clothes to their own homes and cars. We are long past the point where people have the technical know-how to attempt such a thing—if there ever was such a time to begin with. In a functioning economy with specialization (i.e., division of labor), individuals can focus on what they are naturally good at and trade for goods and services which are costly for them to produce themselves.

The same logic applies to countries. If the U.S. is particularly good at providing financial services, it should not devote its time and resources to making cars. American citizens still need cars however, so these should be imported from a country where it is less costly to produce them. Likewise, the other country should devote more of its resources towards manufacturing cars and use more American financial services to whatever extent it can. This is good both for American *and* for the other country.[5]

Tariffs by definition raise the cost of transactions, hurting the prosperity of both trade partners. With relatively few exceptions, such as countries with political instability or major resource limitations, free trade encourages growth and increases GDP per capita.[6] Countries with the least restrictive tariff policies have three times greater GDP than countries with the most restrictive tariff policies (see Appendix B). Hong Kong, Macau, Singapore, and New Zealand have very low trade barriers and are fabulously rich due to trade.

On average, countries that impose lower tariffs are more prosperous than countries that impose higher tariffs. Out of a sample of 120 countries, the countries with the least restrictive tariff policies, on average, also had the highest per capita GDP and per capita incomes.[7] Of those 120 countries, the 40 with least restrictive tariffs had average GDP per capita of $23,590. Yet GDP per capita was only $7,630 for the 40 countries with the most restrictive tariffs–a level that is not even one-third the level of the countries with low tariff restrictions. The story is the same for per capita income, with an average of $21,274 for the top third and $7,292 for the bottom. Clearly, free trade plays an important role in making both countries and individuals more productive and thus prosperous.

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[5] Ricardo, David. *On the Principles of Political Economy and Taxation*. London, 1817.

[6] Lambrechts, J., Erin, M., & Rule, N. (2012). Does free trade result in higher GDP per capita: An International Perspective. Deakin Papers on International Business Economics, 5, 12-29. doi:https://doi.org/10.21153/dpibe2012vol5no0art53

[7] "Economic Freedom of the World: 2018 Annual Report" Fraser Institute. September 25, 2018. https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2018-annual-report

2. Even if other countries don't remove their tariffs, American consumers would be better off under unilateral free trade because products will be cheaper.

Levying tariffs on imported goods increases costs to producers, but these do not get paid by the producers—they get passed along to American consumers in the form of higher prices. Although tariffs may provide a narrow, short-term benefit to specific U.S. companies who would otherwise have to compete with the lower priced goods from abroad, they indisputably raise prices for American consumers in general. The benefits go to a very small, concentrated group of firms while the rest of America's consumer base is negatively affected.

To see why tariffs hurt consumers, consider an example. Imagine that both Mexican and American firms produce avocados, but Mexican firms can produce avocados at a lower cost due to geographical and labor-related factors. With no tariff on Mexican avocados in place, Mexican firms are able to sell their avocados for a lower price in U.S. markets. This is great for Americans who love avocados because they can purchase them for a lower price. American avocado producers who do not like having to compete with the cheaper Mexican avocados might lobby the U.S. government for a tariff on avocados imported from Mexico so that after the tariff the prices between the two are more similar. However, this is not achieved by making U.S. avocados cheaper—it is achieved by making Mexican avocados more expensive. The relatively small number American avocado firms and their workers would likely benefit, but American consumers would likely be hurt because they would now have to pay higher prices for avocados than they otherwise would if there were no tariffs. By removing all tariffs on imports, the American consumer benefits.

3. Unilateral free trade would help make American companies more competitive on the world market, since companies in the U.S. rely on raw materials from other countries to make their finished products.

Much of the trade that occurs between the U.S. and other countries is part of a larger production chain. Consider the assembly of a car. It requires plastics, electronics, and parts that might come from China, Japan, Germany, and other trade partners. A tariff greatly increases the costs of this sort of cooperation and makes American companies, who employ American workers, less efficient. Decreased efficiency could put those jobs in jeopardy.

One study from the National Bureau of Economic Research found that the United States uses substantially more imported goods in the production of our exports than other advanced economies. In fact, 12.4% of the valued added in the production of American exports comes from goods that were imported to the U.S., compared to the world average of 4%. In other words over 12% of the value of goods exported from America came from goods that were first imported to America as components of finished products that are then exported after refinement or assemblage. It is worth noting, many of these imported input goods themselves first originated in the United States.

4. Adopting a policy of unilateral free trade could inspire other countries to lift their tariffs on American goods.

If the U.S. were to adopt a policy of unilateral free trade, other countries might follow suit and also open up their borders. This is the converse of what we sometimes see when one country imposes a new tariff and other countries retaliate by imposing new tariffs. With unilateral free trade, instead of getting a "vicious circle" we could get a "virtuous circle" of trade liberalization around the world.

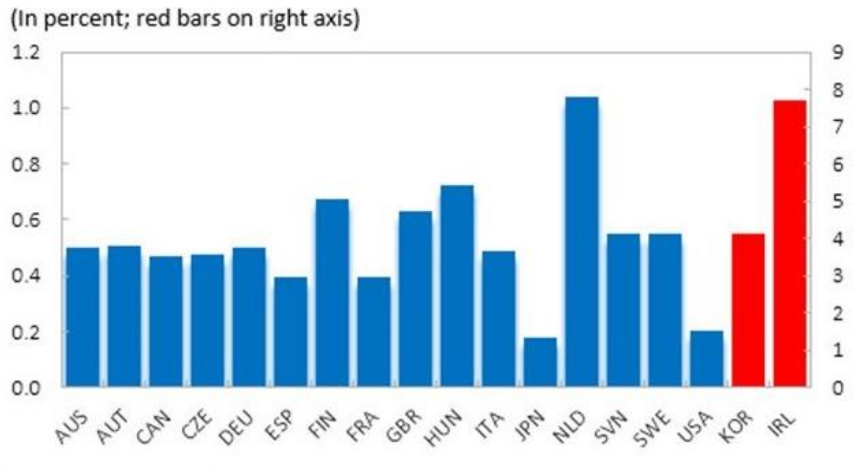
Just as tariffs hurts all countries, the lifting of tariffs can benefit all countries. Nobel Prize-winning economist Milton Freedman in his classic book, *Capitalism and Freedom* argued in favor of unilateral free trade thusly:

> "Given that we should move to free-trade, how should we do so? The method that we have tried to adopt is reciprocal negotiation of tariff reductions with other countries. This seems to me a wrong procedure. In the first place, it ensures a slow pace. He moves fastest who moves alone. In the second place, it fosters an erroneous view of the basic problem. It makes it appear as if tariffs help the country imposing them but hurt other countries, as if when we reduce a tariff we give up something good and should get something in return in the form of a reduction in the tariffs imposed by other countries. In truth, the situation is quite different. Our tariffs hurt us as well as other countries. We would be benefited by dispensing with our tariffs even if other countries did not. We would of course be benefited even more if they reduce theirs but our benefiting does not require that they reduce tariffs. Self-interests coincide and do not conflict."[8]

In Friedman's view, we should not require reciprocal benefits from our trade partners such as China, Mexico, and Europe. If we wish to be seen as a leader, we should "set the pace" and let others follow. Indeed because trade gains are not a zero-sum game, all countries can employ this logic and receive gains from eliminating tariffs (see Figure 1).

[8] Friedman, Milton. *Capitalism and Freedom*. (1962)

Figure 1. Potential Productivity Gains from Eliminating Remaining Tariff Barriers



Source: Dabla-Norris and Duval. "How Lowering Trade Barriers Can Revive Global Productivity and Growth" International Monetary Fund. June 20, 2016

5. Unilateral free trade would be good for America's jobs and wages.

Advocates of tariffs often argue that tariffs protect domestic jobs, but the reverse is true. Consider the steel tariffs that President Trump claims will protect American makers of steel. Although those tariffs might offer some narrow benefit to steelmakers, they hurt workers who work for companies that make things out of that steel. Economist Veronique de Rugy explains:

> "Claiming that [President Trump's steel tariffs] protect a vital industry and its 140,000 workers, tariff supporters never mention how much harder they make things for the 6.5 million manufacturing workers in steel-consuming industries. Add to that number all of us who consume goods made of steel, and you get an even larger figure."[9]

There are many more people who work in industries that are negatively affected by a steel tariff than who work in the steel industry itself. Tariffs on imported steel could cause a company that uses steel to make automobiles, bridge girders, or commercial kitchen ventilation systems to move its production overseas or lay off American workers to save on manufacturing costs. Viewed in this light, free trade policies such as unilateral free trade are the true worker-friendly policies because they do not put barriers in the way of economic activity.

6. Unilateral free trade defends against cronyism and promotes innovation.

Tariffs encourage domestic consumers to keep their business in the United States, since tariffs increase the cost of buying from international competitors. This gives domestic companies an

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[9] De Rugy, Veronique. "Why the U.S. Should Drop All Tariffs." *New York Times*. June 20, 2018.

enormous incentive to lobby governments to impose protectionist policies, and rewards "cronyism," which is when the government arbitrarily favors certain companies or industries over others.

U.S. tariffs on foreign sugar are a prime example. There is a relatively small number of sugar producers in the United States, and they are fantastically profitable because—thanks to sugar tariffs—they do not have to compete very hard with cheaper sugar producers outside the country. A small number of producers in Florida and Louisiana benefit at the expense of consumers who must pay more than twice the world price of sugar.[10]

Furthermore, in unfairly benefiting the protected businessmen and businesswomen, tariffs also stifle the normal incentives to innovate. Whereas companies that are not protected must constantly find ways to improve and innovate in order to stay competitive, protected companies can stagnate for decades and not experience any negative consequences.

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[10] Perry, Mark. "Protectionist sugar policy cost Americans $3 billion in 2012" American Enterprise Institute. February 14, 2013. http://www.aei.org/publication/protectionist-sugar-policy-cost-americans-3-billion-in-2012/

NEGATIVE ARGUMENTS

1. Unilateral free trade will expedite the outsourcing of jobs out of the United States, into poorer parts of the world.

In 2017, the average World per capita income was $8,804 compared to $51,485 in the United States.

Source: World Bank, 2018

U.S. companies and American workers have been hurt by global competition. Average incomes in the United States are far higher than the world average. According to the World Bank, in 2017, the average World per capita income was $8,804 compared to $51,485 in the United States.[11]

What does this have to do with American workers? Since workers in other countries are on average significantly poorer compared to workers in the U.S., companies operating outside of the United States can often pay their workers significantly less. With lower labor costs in around the world, products can be made more cheaply there and companies can make greater profits. And $8,804 per capita income is just the average, which means that approximately half of the countries in the world have lower per capita incomes. American workers cannot compete with wages that low.

Therefore, companies have outsourced their manufacturing operations to countries like China and Mexico, meaning jobs that were once done in the U.S. by American workers are now done in Mexico and China by Mexican and Chinese workers. With a policy of unilateral free trade, the race to the bottom will be on, and American workers will lose their jobs.

The U.S. trade deficit highlights the extent of this problem. Data from the U.S.Census Bureau shows that in 2018, exports of goods and services from the U.S. to other countries totaled $2.5 trillion. Meanwhile, imports of goods and services from other countries were higher, totaling $3.1 trillion.[12] This gap between U.S. exports and imports, known as the trade deficit, means the U.S. bought $622 billion more from other countries than other countries bought from the U.S. in 2018. Clearly, we need more restricted trade so that the savings from outsourcing cheap labor are erased and companies opt to hire American workers at a living wage.

2. American workers have suffered from low wages for many years. Unilateral free trade will make them suffer more.

International trade deals suppress American wages and take American jobs. Since 1993, when NAFTA went into effect, the wages of a large portion of American workers have been stagnant.

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[11] Adjusted net national income per capita. The World Bank. https://data.worldbank.org/indicator/NY.ADJ.NNTY.PC.CD (Accessed May 27, 2019)

[12] Adjusted U.S. international trade in goods and services. United States Census Bureau. https://www.census.gov/foreign-trade/Press-Release/current_press_release/index.html

Over this entire period, 1993 to 2016, median wages for full-time American workers (over the age of 16) grew a mere 9% beyond inflation (see Figure 2). As you can see from the nearby chart, in many years, wages actually shrank. Wages more recently have been even more disappointing. From 2009 to 2016, median inflation-adjusted wages grew less than 1% total.

Figure 2. Median Weekly Earnings for Full-Time U.S. Workers Age 16+

Year	Median usual weekly real earnings (Constant 1982 U.S. Dollars)	Yearly Percent Growth
1993	$318	
1994	$315	-1%
1995	$314	0%
1996	$313	0%
1997	$314	0%
1998	$322	3%
1999	$330	2%
2000	$334	1%
2001	$337	1%
2002	$338	0%
2003	$337	0%
2004	$338	0%
2005	$333	-1%
2006	$333	0%
2007	$335	1%
2008	$335	0%
2009	$345	3%
2010	$342	-1%
2011	$336	-2%
2012	$335	0%
2013	$333	-1%
2014	$334	0%
2015	$341	2%
2016	$347	2%

Source: Federal Reserve Bank of St. Louis, February 2017

A tariff on imported Mexican goods will make American-made goods competitive in U.S. markets again, increasing the demand for American workers and protecting their wages.

Several studies have shown the harmful impacts of international trade on American workers. The National Bureau of Economic Research found that China's rapid industrial growth and increased imports into the U.S. from 1991 to 2007 had a significantly negative impact on

American workers in competing industries. Over this period, American workers experienced "lower cumulative earnings, weakly lower cumulative employment, lower earnings per year worked, and greater reliance on Social Security Disability Insurance."[13]

Another study by the National Bureau of Economic Research found detrimental wage impacts from Chinese competition. The study found that a "10% increase in occupational exposure to import competition is associated with nearly a 3% decline in real wages for workers."[14] This means that a 10% increase in Chinese goods imported to the U.S. leads to a 3% decline in the wages of the workers working in the same industries in America. At a time when American workers are suffering, a tariff is highly justified and would be a boost to the U.S. economy.

3. Under a policy of unilateral free trade, the Federal Government will receive no revenue from tariffs. With a national debt of over $22 trillion, this is no time to be restricting our revenue sources—especially revenue sources from outside the U.S.

A tariff is a tax that raises revenue for the government. This is a key source of funds that can be used to pay down the national debt or put toward other spending. In fact, prior to the introduction of the income tax in the U.S. in 1913 (upon adoption of the 16th Amendment), the tariff was a main source of revenue for the federal government. Today the income tax provides nearly 50 percent of total federal revenues, and tariffs much less.[15] By rejecting the idea of unilateral free trade and embracing a shift back to tariff-based revenue sources, we could improve our national finances.

Using tariff revenues to begin paying down the national debt would also help the U.S. economy. According to the Congressional Budget Office (CBO), total outstanding federal debt currently stands around $22 trillion, or the equivalent of over $60,000 for every person in the U.S.[16] That is a staggering level of debt and is at least $2 trillion greater than the total annual output of the U.S. economy. And things could still get yet worse: The CBO projects that over the next 10 years (2017-2026), if current federal policies are left unchanged, total federal debt will have climbed to $28.2 trillion,[17] the equivalent of around $80,000 per American.

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[13] Autor, David H., David Dorn, Gordon Hanson, and Jae Song. TRADE ADJUSTMENT: WORKER LEVEL EVIDENCE. National Bureau of Economic Research, n.d. Web. 15 Feb. 2017.
[14] Ebenstein, Avraham, Ann Harrison, and Margaret McMillan. Why Are American Workers Getting Poorer? China, Trade, and Offshoring*. National Bureau of Economic Research, Dec. 2014. Web. 15 Feb. 2017.
[15] "Policy Basics: Where Do Federal Tax Revenues Come From?" Center on Budget and Policy Priorities, 4 Mar. 2016. February 2017. http://www.cbpp.org/research/policy-basics-where-do-federal-tax-revenues-come-from.
[16] Total Public Debt Outstanding. United States Treasury. https://treasurydirect.gov/NP/debt/current (Accessed May 31, 2019)
[17] An Update to the Budget and Economic Outlook: 2016 to 2026. Rep. Washington: Congressional Budget Office,

Such a large debt matters to this debate resolution because debt is a drag on economic growth. Economists, most famously Kenneth Rogoff and Carmen Reinhart, have shown statistically that debt-strapped countries tend to suffer from lower economic growth.[18] This makes much sense. Milton Friedman spoke of his "permanent income hypothesis,"[19] by which people make economic decisions not based on their current income, but rather based on their longer-term expectations. A tariff could provide revenues to at least begin paying down the debt and freeing the economy to grow.

4. A policy of unilateral free trade would hurt our relations with friendly nations and extend unearned benefits to nations with whom we are unfriendly.

By definition, unilateral free trade does not distinguish between different trade partners. Long-standing allies and friends of the United States such as the United Kingdom, Canada, France, and Israel are treated the same as countries with whom we have diplomatic tensions and quarrels. Adopting a one-size-fits-all trade policy could be seen by our allies as unjust and could hurt our diplomatic relations. By the same token, extending such a large benefit to our foes could be seen as a sign of weakness towards them, and could reduce the United States's economic bargaining power.

A policy of unilateral free trade does not allow the country that adopts it to impose retaliatory tariffs. If China places a 10% tariff on American soybean exports, it hardly seems fair that America should prevent itself from countering with a 10% tariff of its own on Chinese steel. Moreover, if China knows that it can impose tariffs with no consequences, what is stopping it from doing so? While these concerns may be justified on some level, they are not relevant from the American consumer's perspective. By putting a 10% tariff on American soybean exports, China hurts American producers and Chinese consumers, but the tariff does not affect American consumers. It is only when the United States places a tariff on Chinese exports coming into the United States that the American consumer is harmed from higher prices. Remember that in an advanced economy there are always far more general consumers than there are producers of a specific industry.

2016. Web. <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51908-2016_Outlook_Update_OneCol.pdf>.

[18] Reinhart, Carmen M., and Kenneth S. Rogoff. Growth in a Time of Debt. Working paper no. 15639. Cambridge: National Bureau of Economic Research, 2010. Web. <http://www.nber.org/papers/w15639.pdf>.

[19] Friedman, Milton. "Chapter III: The Permanent Income Hypothesis." A Theory of the Consumption Function. Princeton: Princeton UP, 1957. 20-37. National Bureau of Economic Research. Web. <http://www.nber.org/chapters/c4405.pdf>.

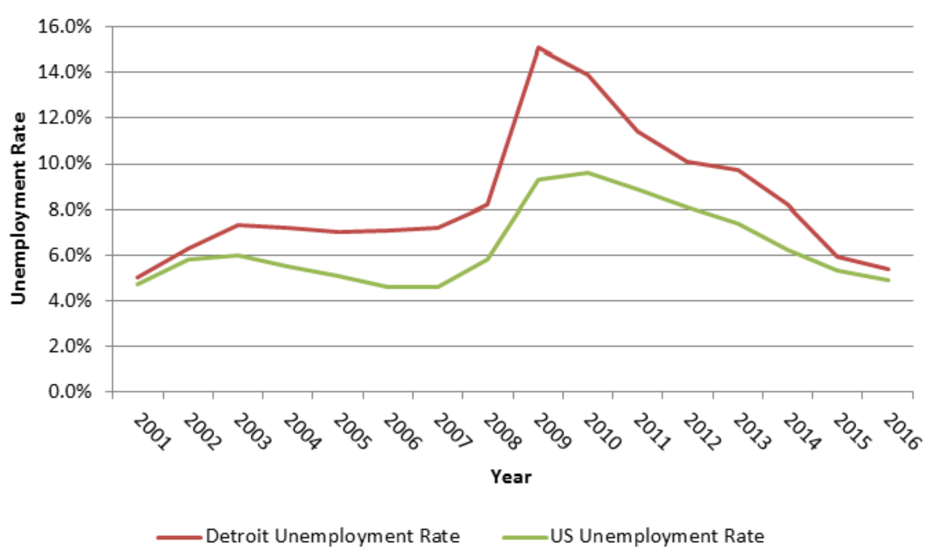
To summarize, bilateral and multilateral trade deals are better than unilateral trade deals because they allow us to deal with different countries with more justice and precision. With a bilateral or multilateral approach, countries that impose egregious trade restrictions on the U.S. or are unfriendly in other ways can be treated in the way that they deserve.

5. Unilateral free trade will discourage Americans from buying goods and services from their local communities.

A growing movement believes that shopping locally is preferable to buying goods that are produced far from one's own hometown. There may be good economic reasons to buy locally. One reason is that by buying locally, you are helping sustain the jobs of people in the U.S.

The experience of Detroit is a good example. Detroit was once a thriving and prosperous city. However, now that much of the auto manufacturing industry has moved to Mexico, Detroit and cities like it are suffering because workers in those cities no longer have good paying jobs. Indeed, every year since 2001, the unemployment rate in Detroit has surpassed the U.S. unemployment rate (see Figure 3). During this same period, Detroit's population has shrunk. A city like Detroit could really use the help of a tariff.

Figure 3. Annual Unemployment Rate, Detroit vs. U.S. Average, 2001-2016



Source: Federal Reserve Bank of St. Louis, FRED Database.

By discouraging domestic citizens from purchasing imports, the protectionist rationale is that citizens will instead spend their money on goods produced domestically—which for many goods and services means produced locally or regionally. With a higher demand for domestic goods and services, there may be higher wages and more jobs in the domestic industries that produce those goods and services.

Finally, buying locally is advantageous as it relates to trust. The quality of the good or service being purchased is of paramount importance to the buyer in any transaction. Yet the seller almost always has much more information about the quality of the product being sold than the buyer. The seller also has an incentive to use his information advantage to deceive the buyer into thinking the good is of a higher value than it really is. Buying locally tends to mean you know the seller better. That means you're more likely to trust them to sell you something of high quality. Trust is very important to a successful economy.

6. Unilateral free trade might be fine for some commodities, but it is a bad for "infant industries."

Even if a policy of unilateral free trade offers some benefits in areas where the U.S. has large, mature companies that can compete against foreign producers, that does not necessarily mean that it is good in all industries. Some companies are too new, too young, and do not yet have the economies of scale in order to be able to compete.[20] Without some level of protection for them while they grow, they will not be able to attract enough business to succeed. They will chronically have higher per-unit production costs and will constantly lose businesses and bids to foreign competitors.

Many great and influential thinkers have defended tariffs on the basis of the need to protect infant industries, including Alexander Hamilton, a hero of America's founding, and John Stuart Mill, one of the most influential philosophers in 19th century Britain. Economists have pointed out that infant industry protection has been used at one time or another by almost all of the world's wealthiest and most powerful countries.[21]

[20] "Global Champion: The Case for Unilateral Free Trade." Policy Exchange. February, 2018. https://policyexchange.org.uk/wp-content/uploads/2018/02/Unilateral-Free-Trade.pdf
[21] Chang, Ha-Joon (2002.) Kicking Away the Ladder: Development Strategy in Historical Perspective. London: Anthem Press.

APPENDIX A. Applied Tariff Rate for Selected Countries

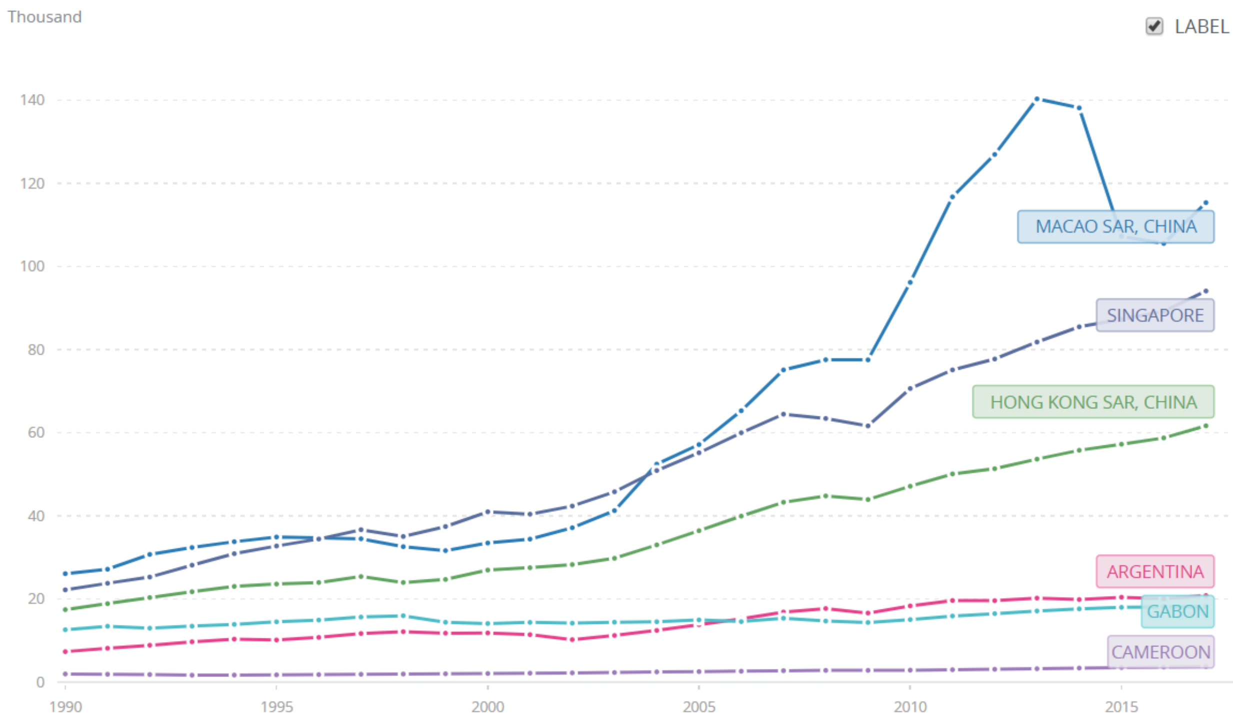
The table below ranks selected countries by their applied tariff rate (the weighted mean for all products), from highest rate to lowest. Products include imported goods, capital, and services.

Rank	Country	Tariff Rate	Year
1	Bermuda	20.85 %	2017
2	Bahamas	18.56 %	2016
3	Djibouti	17.56 %	2014
4	Gabon	16.93 %	2016
6	Chad	16.36 %	2016
11	Cameroon	12.70 %	2014
16	Kenya	12.25 %	2016
18	Sudan	11.95 %	2011
24	Nigeria	11.25 %	2016
29	Ghana	10.79 %	2016
30	Bangladesh	10.72 %	2016
38	Venezuela	10.04 %	2016
63	Argentina	7.53 %	2016
94	Saudi Arabia	4.45 %	2015
110	Philippines	3.40 %	2016
123	Japan	2.51 %	2017
132	Austria	1.79 %	2017
132	Belgium	1.79 %	2017
132	Denmark	1.79 %	2017
132	Germany	1.79 %	2017
132	Estonia	1.79 %	2017
132	Finland	1.79 %	2017
132	France	1.79 %	2017
132	Italy	1.79 %	2017
132	Netherlands	1.79 %	2017
132	Spain	1.79 %	2017
132	Sweden	1.79 %	2017
132	United Kingdom	1.79 %	2017
161	United States	1.66 %	2017
164	Canada	1.52 %	2017
168	Switzerland	1.31 %	2016
171	Australia	1.18 %	2016
179	Singapore	0.07 %	2017
180	Hong Kong	0.00 %	2016

Source: The World Bank. https://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS. Accessed May 28, 2019.

APPENDIX B. GDP Per Capita for Selected Countries (1990-2017)

The chart below shows the Gross Domestic Product (GDP) per capita for a sample of three nations with no or very low tariffs (Macao, Hong Kong, and Singapore) and three nations with high tariffs (Argentina, Gabon, and Cameroon). The currency figure depicts purchasing price parity, and is measured in current international dollars.



Source: The World Bank. International Comparison Program database. https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD. Accessed May 29, 2019.

APPENDIX C. Association of Trade Freedom and Per-Capita GDP in New Zealand

The case of New Zealand provides perhaps a clear look at what can happen in a country after reforming its trade policies. In the years spanning roughly 1987 to 1999, New Zealand instituted a series of tariff reductions on imports. In the initial wave which ran through 1992, tariffs were reduced to about 20 percent. Gradually they were further lowered to 10 percent and finally to about five percent. Today they sit at less than five percent. The chart below shows the corresponding growth in per-capita GDP during the implementation period of New Zealand's new approach to trade policy.

Sources of Data: "2018 Index of Economic Freedom" Heritage Foundation (left). World Bank (right).

Source of Image: Tyrell, Patrick. "Tariffs Were Killing New Zealand's Economy. Free Trade Turned It Around." Foundation for Economic Education. March 22, 2018.