CALVIN COOLIDGE PRESIDENTIAL FOUNDATION

DEBATE BRIEF

Resolved: On balance, increasing tariffs on Mexico benefits the United States' economy.

SPRING 2025

Version 1

This debate brief was written and compiled by the Calvin Coolidge Presidential Foundation. The information and arguments contained herein are only for the purpose of assisting students with their preparation. This brief does not necessarily represent any position held by the Calvin Coolidge Presidential Foundation or its associates.

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BACKGROUND

NOTABLE QUOTES

"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."[1]

—Calvin Coolidge, September 10, 1932 "The Republican Case," *The Saturday Evening Post*

"I almost went down on my knees to beg Hoover to veto the asinine Hawley-Smoot Tariff. That Act intensified nationalism all over the world."[2]

—Banker Thomas Lamont, commenting on the 1930 Smoot-Hawley Tariff to a contemporary

"One other objective closely related to the problem of selling American products is to provide a tariff policy based upon economic common sense rather than upon politics, hot-air, and pull. This country during the past few years, culminating with the Hawley-Smoot Tariff in 1929, has compelled the world to build tariff fences so high that world trade is decreasing to the vanishing point... What we must do is this: revise our tariff on the basis of a reciprocal exchange of goods, allowing other nations to buy and to pay for our goods by sending us such of their goods as will not seriously throw any of our industries out of balance."[3]

—Franklin Roosevelt, April 7, 1932, Radio Address

"...[O]ur trade policy rests firmly on the foundation of free and open markets -- free trade. I, like you, recognize the inescapable conclusion that all of history has taught: The freer the flow of world trade, the stronger the tides for human progress and peace among nations."[4]

—Ronald Reagan, September 23, 1985, Remarks at a White House Meeting with Business and Trade Leaders

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[1] Coolidge, C. (1932, September 10). *The Republican case. The Saturday Evening Post.*

[2] Gordon, J. S. (2017, April 22). *The Smoot-Hawley tariff: A bad law, badly timed.* Barron's. https://www.barrons.com/articles/smoot-hawley-tariff-a-bad-law-badly-timed-1492833567

[3] Roosevelt, F. D. (1932, April 7). *Radio address from Albany, New York: "The 'Forgotten Man' speech".* The American Presidency Project. https://www.presidency.ucsb.edu/documents/radio-address-from-albany-new-york-the-forgotten-man-speech

[4] Reagan, R. (1985, September 23). *Remarks at a White House meeting with business and trade leaders.* Ronald Reagan Presidential Library & Museum. https://www.reaganlibrary.gov/archives/speech/remarks-white-house-meeting-business-and-trade-leaders

"NAFTA means jobs, American jobs and good-paying American jobs. If I didn't believe that, I wouldn't support this agreement."[5]

—Bill Clinton, September 14, 1993, Remarks at the Signing of Supplemental Agreements to NAFTA

"[T]ariffs are two things, if you look at it. Number one, it's for protection of the companies that we have here and the new companies that will move in, because we're going to have thousands of companies coming into this country. We're going to grow it like it's never grown before, and we're going to protect them when they come in because we're not going to have somebody undercut them."[6]

—Donald Trump, October 15, 2024, Economic Club of Chicago

CONTEXT AND HISTORY

President Coolidge and Tariffs

In Coolidge's time, fights over the merits of free trade and protectionism occurred daily on Capitol Hill. The Republicans were the protectionists; the Democrats, led by Cordell Hull, were the free traders. The conflicts in the 1920s echo earlier conflicts, both during the Civil War and back in the days of the Framers. Alexander Hamilton 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. There was no income tax and no Internal Revenue Service in the early days, but they did have a mighty customs house in lower Manhattan to collect the tariff revenues (today, that old customs house serves as the Museum of the American Indian).

Just before Coolidge came into office, Congress passed, and President Harding signed, a hefty tariff: Fordney-McCumber. Coolidge stayed true to his party line, advancing the Republican platform of increasing tariffs. One group especially hated Coolidge's support of tariffs: Europe. Loaded with debt from World War I, Europeans could not believe the U.S. would impose heavy tariffs, making it challenging for Europe to pay off its obligations. But the U.S. sustained its 1920s tariffs. Coolidge believed tariffs would keep wages higher in the U.S., and thereby keep workers content. Then, the workers would not strike or mount revolutions, as employees did in Europe and Russia. The evidence suggests these tariffs did not hold back the U.S. economy, which grew strongly in the heavily tariffed 1920s.

[5] Clinton, W. J. (1993, September 14). *Remarks at the signing ceremony for the supplemental agreements to the North American Free Trade Agreement*. The American Presidency Project. https://www.presidency.ucsb.edu/documents/remarks-the-signing-ceremony-for-the-supplemental-agreements-the-north-american-free-trade

[6] Trump, D. J. (2024, October 15). Interview at the Economic Club of Chicago. C-SPAN. https://www.c-span.org/program/campaign-2024/former-president-trump-interview-with-the-economic-club-of-chicago/650257.

Just after Coolidge left office, Congress passed and President Hoover signed a more significant tariff: Smoot-Hawley, also known as Hawley-Smoot. Foreign governments protested. So did domestic economists, hundreds of whom signed a letter opposing the law. Later, many of them argued that Smoot-Hawley was one of the most important causes of the Great Depression. In the 1930s, President Franklin D. Roosevelt agreed to a trade deal encouraging trade, reversing the protectionist trend.

Post-World War II to Today

The United States took the lead in establishing international economic institutions to restore global economic stability and reduce trade barriers after World War II. To oversee international monetary policy and provide essential financial assistance for reconstruction and development, America led the way at the Bretton Woods Conference of 1944, ultimately establishing the International Monetary Fund (IMF) and the World Bank. Another foundational move towards global free markets occurred with the General Agreement on Tariffs and Trade (GATT) in 1947. This multilateral framework for negotiating tariff reductions laid the foundational principles for the modern international trading system.

The following decades ushered in growing executive authority in controlling America's trade policies. The Trade Expansion Act of 1962, passed during the Kennedy administration, vested the executive branch with the authority to negotiate significant tariff reductions, leading to further GATT negotiations in 1964–1967. While in the 1960s the global movement toward more liberalized trade and reduced tariffs continued, non-tariff barriers such as quotas and subsidies emerged as stealthy protectionist tools. In 1974, President Gerald Ford signed the Trade Act, establishing "fast track" authority, allowing presidents to negotiate trade agreements without amendments, subject only to an up-or-down vote by Congress.

Few trade agreements resonate in the contemporary American psyche like the North American Free Trade Agreement (NAFTA). Implemented in 1994 after persistent efforts by Presidents George H.W. Bush and Bill Clinton, it eliminated most tariffs between the United States, Canada, and Mexico. It was part of a shift toward regional trade agreements (e.g., the Association of Southeast Asian Nations Free Trade Area).

Momentum continued. Closely following that agreement, in 1995 the World Trade Organization (WTO) supplanted GATT, offering a more robust institutional framework for global trade. The United States actively participated in negotiations to promote trade liberalization and increasingly raised issues such as intellectual property and environmental protections as part of these talks. China's accession to the World Trade Organization (WTO) in 2001 ushered in a comprehensive new period of Sino-American relations, not to mention a remarkable period of industrialization and economic growth.

The History of Mexico's Tariff Policy Towards the U.S.

At the beginning of the 20th century, tariffs in Mexico were primarily used as a source of government revenue, accounting for nearly 50% of federal income, fueled by the import boom linked to railroad expansion. After the Mexican Revolution, tariff policy shifted toward protecting the industrial sector and boosting "infant industries." This approach consolidated after World War II, inspired the prevailing ideas of the Economic Commission for Latin America, which argued for the adoption of an import-substitution model to boost internal growth, similar to other developing countries.

During the 1970s and 1980s, the oil and debt crises forced Mexico to gradually abandon this model, and adopt a more market-oriented approach emphasizing trade liberalization. Between 1982 and 1990, measures such as tariff reductions, the elimination of non-tariff barriers, and import permits were introduced. By 1984, import controls were significantly reduced. In 1986, Mexico joined the General Agreement of Tariffs and Trade (which later became the World Trade Organization), committing to a maximum tariff of 50% *ad valorem*, with further reductions negotiated during the Uruguay Round, leaving certain manufactured products with tariffs at 50%.

This shift marked Mexico's transition towards an open and trade-driven economy. As most of Mexico's trade is with the U.S., both imports and exports began to grow at significant rates, while disruption and displacements occurred in fields such as textiles, manufacturing, and agriculture.

Prior to NAFTA, Mexico's tariffs remained higher than those of the United States. In 1993, before NAFTA was signed, over 50% of Mexican imports entered the U.S. duty-free under the U.S. Generalized System of Preferences, while the remaining imports faced an average tariff of just 2%. By contrast, Mexico imposed an average tariff of 10% on U.S. products, highlighting the disparities in trade barriers before the agreement.

The Status Quo: Debating Tariffs and Trade-Offs

For over three decades, Americans have lived in a world of *multilateral* free trade, where countries agree to lift tariffs or other barriers in exchange for breaks from other nations. But in the olden days, some economists argued for *unilateral* free trade, that is, opening borders to all goods, even goods from countries that do not open their borders. While many praise the significant liberalization of trade relations, it also incited debates regarding trade deficits and job losses in U.S. manufacturing. In response to these challenges, the United States has periodically adjusted its trade policies to balance the benefits of free trade with the protection of domestic industries.

A near-perfect example of the success of free trade is Walmart. Many Americans consider Walmart a wonder.

Walking its aisles, customers can find a dizzying array of tens of thousands of household products—all cheap and convenient. Walmart's variety and low prices would not have been possible without free trade.

A near-perfect example of the failure of free trade is, well, also Walmart. More accurately, consider the local stores Walmart displaced when it came to town. Those retailers and their American goods vanish as the king of the big boxes draws their old customers. Main Street mom-and-pop stores simply cannot negotiate the same prices from suppliers that a chain with more than 10,000 international locations can.[7] As Walmart and corporations like it push local stores to bankruptcy, they may drive local wages down and decrease employment.[8] Not to mention, many people enjoy buying goods from people they know.

Another illustration for and against free trade is the American auto industry. Competition from foreign automakers has destroyed hundreds of thousands of jobs and devastated cities. On the other hand, because of international trade, Americans can more easily buy cars like Audis, BMWs, Hondas, Kias, Mercedes, Toyotas, and Volkswagens. Many Americans have come to prefer foreign vehicles, as is their right. Foreign carmakers have inspired American producers, who, in response, have improved quality in hopes of effectively competing.

After decades of a more or less uninterrupted march toward trade liberalization, there has been a notable shift toward protectionist measures in the last few years. The Trump administration imposed tariffs on steel, aluminum, and Chinese goods, signaling a departure from traditional free trade policies. The Biden administration has upheld some of these tariffs, reflecting a bipartisan reevaluation of trade policy in light of contemporary economic and geopolitical challenges.

The Future of United States Trade Policies

President Trump's return to the White House may significantly change the United States' trade policy toward Mexico in the coming months. He has suggested the possibility of a 25% tariff on all imports from Mexico and Canada unless these countries undertake substantial measures to mitigate illegal immigration and drug trafficking, particularly concerning fentanyl.[9] The tariffs could disrupt the integrated supply chains meticulously developed under the United States–Mexico–Canada Agreement (USMCA), which succeeded NAFTA in 2020. For instance, the automotive industry relies extensively on cross-border trade; thus, the introduction of new tariffs could result in escalated production costs and subsequently higher prices for consumers.[10] It may jeopardize diplomatic relations as well.

[7] Walmart. (n.d.). *Location facts*. Walmart https://corporate.walmart.com/about/location-facts

[8] Goldberg, P. K., & Pavcnik, N. (2005). *The effects of the Colombian trade liberalization on urban labor markets*. (Working Paper No. 11782). National Bureau of Economic Research. https://www.nber.org/system/files/working_papers/w11782/w11782.pdf

[9] Pitas, C. (2024, November 25). *Trump vows new Canada, Mexico, China tariffs that threaten global trade*. Reuters. https://www.reuters.com/world/us/trump-promises-25-tariff-products-mexico-canada-2024-11-25/

[10] Swanson, A. (2024, November 26). *Trump's tariff threats on Mexico and Canada raise concerns in auto industry*. The New York Times. https://www.nytimes.com/2024/11/26/business/trump-tariffs-mexico-canada-cars.html

To wit, Mexico expressed significant concerns regarding the potential repercussions of the incoming Trump administration's proposed tariffs. Mexican President Claudia Sheinbaum emphasized that such measures would not effectively resolve immigration-related issues. In a peremptory move, the Mexican government has instituted temporary import tariffs, ranging from 5% to 50%, on goods including steel, aluminum, textiles, and automotive parts.[11] Such measures may increase prices for imported goods from cars to electronics, reigniting inflation and substantially harming millions of Americans' economic standing. This underscores the inherent risk of disturbing the evolving trade relationship between the United States and Mexico as our southern neighbor moves to safeguard their economic interests.

Further reciprocal actions could intensify trade tensions. This new wave of protectionist policies moves far beyond the subtler changes enacted in the USMCA. It raises significant questions concerning the future viability of the framework it renewed, which these nations designed to continue promoting free trade among the North American bloc while addressing persistent criticism of NAFTA. Even the USMCA represented some movement towards re-erecting barriers through new labor and environmental standards provisions, indicating an evolution in trade agreements that likely has only just begun.

INTERPRETING THE RESOLUTION

Topicality is very important in Coolidge debate. Debaters who go off topic will not be successful. Also important: do not make the debate about the wording of the resolution. Citizen judges seek persuasive arguments about the topic, not a clever dissection of the resolution's wording. The Foundation desires for debaters to focus on the topic's central conflicts to improve their preparation and enhance the likelihood of quality discourse.

This resolution aims to prompt debaters to examine how tariffs imposed by the United States of America on Mexico impact the United States' economy. Other countries' tariff policies, and the effects of the United States or other countries' tariff policies on residents of other countries, are beyond the scope of the debate. Note that the resolution speaks purposefully of tariffs as a whole, making no further specifications for targeting particular goods or sectors of the economy. Again, this is because the intent is to debate the net effect on the United States' economy of all tariffs it imposes on Mexico and not to debate a subset of the resolution.

Notice, too, a theme in the background and arguments contained in this brief and how it hews closely to the precise wording of the resolution, which raises the question of how tariffs impact the U.S. *economy*. The Foundation has intentionally directed this tariff debate primarily toward economic impacts instead of the geopolitical ramifications of tariff policy. Certainly, economies and the successful management of international

[11] International Trade Administration. (2024, April 26). *Mexico tax and tariff increase 2024*. U.S. Department of Commerce. https://www.trade.gov/market-intelligence/mexico-tax-and-tariff-increase-2024

relationships are inexorably linked, and debaters will find it impossible to draw a complete distinction between such impacts. The point here is simply that the Foundation will instruct judges to reward debaters who precisely address the topic. Judges, therefore, will likely view as incomplete diatribes about drug trafficking, immigration, or environmental protection that fail to unpack how those issues link specifically to the economy.

Source: Craighead, S. (Photographer). (2017, March 15). *Let us put American workers, American families, and American dreams first once again* [Photograph]. Official White House Flickr. https://www.flickr.com/photos/whitehouse45/39865669762 (Public Domain).

DEFINITIONS

Tariff: A tax that the government levies on imports. When everything else is equal, tariffs increase the cost of imported goods and services compared to those produced domestically. 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.

Import: A good or service from a foreign country sold domestically.

Export: A good or service produced domestically and sold in a foreign country.

Free Trade: Government policies or policies that do not restrict 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 or policies that restrict international exchange with other countries and their citizens. A tariff is an example of a protectionist policy. Protectionism aims 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.

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 there are always gains from trade when a voluntary market transaction occurs. If there were not, then the parties would not voluntarily enter into the trade agreement in the first place.

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

Opportunity Cost: 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, every decision to do one thing means we are forgoing countless other opportunities. When a firm explicitly decides to produce cars, it also decides not to produce buses, trucks, trains, airplanes, etc. The lost opportunity to produce buses, trucks, trains, or airplanes is called "opportunity cost."

Comparative Advantage: When an individual or firm can produce a good or service for a lower cost than other firms. Having a comparative advantage in a particular means of production does not necessarily mean the producer is the very best at it; it is only that they can produce it for the lowest opportunity cost.

Opportunity cost and comparative advantage often dominate trade discussions because, whether they realize it or not, these concepts drive the economic decision-making of individuals and firms. Comparative advantage helps make the division of labor efficient, and without trade, there could be no division of labor.

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 Deficit: When the value of a country's imports exceeds its value of exports, the country is said to have a trade deficit.

Trade Surplus: When the value of a country's exports exceeds the value of its imports, it is said to have a trade surplus. Although "deficit" generally carries a negative connotation and "surplus" carries a positive one, trade deficits and surpluses are not necessarily good or bad.

Trade War: The term "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.

NAFTA: The North American Free Trade Agreement (NAFTA) was a trade agreement among the United States, Canada, and Mexico. Implemented in 1994, it removed or phased out almost all trade barriers and tariffs between the three countries. The idea behind NAFTA was that by making trade less costly, there would be more trade, and 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. The USMCA replaced NAFTA in 2020.

USMCA: The United States-Mexico-Canada Agreement (USMCA), a free trade agreement among these countries, came into effect in 2020. As a replacement for the North American Free Trade Agreement (NAFTA), the USMCA was intended to modernize and balance North American trade by introducing environmental and labor protections, including digital trade and intellectual property stipulations, and incentivizing auto production in the U.S. Today, the USMCA is one of the largest free trade blocs in the world, with its countries accounting for 30% of global GDP.[12]

[12] S&P Global Market Intelligence. (2021, April 20). *USMCA: An enhanced framework for trade within North America.* https://www.spglobal.com/market-intelligence/en/news-insights/research/usmca-an-enhanced-framework-for-trade-within-north-america

AFFIRMATIVE

1. A tariff on imports from Mexico would reverse the outsourcing of American companies and jobs to Mexico.

Competition from Mexico has hurt U.S. companies and American workers. In Mexico, wages are well below what they are in the U.S. In 2023, the national average wage in the U.S. was $81,359, compared to only $20,090 in Mexico.[13, 14] What does this have to do with American workers? Since workers, on average, are poorer in Mexico than in the U.S., companies in Mexico can pay their workers significantly less. With lower labor costs in Mexico, companies can make products cheaply there, leading them to outsource their manufacturing operations to Mexico—meaning jobs once done in the U.S. by American workers are now done in Mexico by Mexican workers.

Take the auto industry. Automobiles are the number one import to the U.S. from Mexico. American companies like Ford have moved large parts of their manufacturing operations from cities such as Detroit to Mexico, where they can pay workers less. Manufacturers assemble the cars in Mexico and then ship the completed autos back to the U.S. for sale to American consumers. The companies make a higher profit since they do not have to pay Mexican workers as much as they would have to pay workers in the U.S. Americans simply cannot compete with wages that low, and with a free trade policy with Mexico, U.S. workers will lose their jobs.

The textile and apparel industries, like the auto industry, have been adversely affected by production shifts to Mexico. In the seven years immediately following NAFTA's ratification, American workers lost 83,258 jobs in this sector.[15] In 2018 Public Citizen remarked, "Many of the U.S. workers who used to make these goods—many in union factories—could only find new jobs that paid much less. Companies' profits exploded, while U.S. workers lost jobs and faced declining wages, fueling increasing income inequality."[16]

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[13] Statista. (n.d.). *Annual mean wages and salary per employee in the U.S.* https://www.statista.com/statistics/243842/annual-mean-wages-and-salary-per-employee-in-the-us/

[14] Statista. (n.d.). Average annual wage in Mexico from 2000 to 2021. https://www.statista.com/statistics/812354/mexico-average-annual-wage/

[15] Economic Policy Institute. (2001, April 10). The impact of NAFTA on U.S. workers: A state-by-state analysis. Economic Policy Institute. https://www.epi.org/publication/briefingpapers_nafta01_impactstates/

[16] Public Citizen. (2018, February). NAFTA: Trade deficit, job losses, and wage impacts. Public Citizen. Retrieved January 15, 2025, from https://www.citizen.org/wp-content/uploads/nafta_factsheet_deficit_jobs_wages_feb_2018_final.pdf

The U.S. trade deficit with Mexico suggests this outsourcing is happening more broadly, even beyond the automobile and textile industries. Data from the Office of the U.S. Trade Representative show that 2022 exports of goods and services from the U.S. to Mexico totaled an estimated $362.0 billion. Meanwhile, imports of goods and services from Mexico to the U.S. were higher, totaling $493.1 billion. This gap between U.S. exports and imports, known as the trade deficit, means the U.S. bought $131.1 billion more from Mexico than Mexico bought from the U.S. in 2022.[17] We need more restricted trade to diminish incentives for outsourcing to cheap labor. That is the only way to shift incentives that will lead companies to hire American workers at a living wage.

KEY FACT: Wages in Mexico are well below those in the U.S. In 2023, the national average wage in the U.S. was $81,359, compared to only $20,090 in Mexico. Companies that outsource to Mexico can and do pay their workers significantly less.

2. American workers have suffered from low wages for many years and need the help a tariff could provide.

International trade deals suppress American wages and take American jobs. Workers in industries most affected by increasing imports saw their wages grow at a much slower rate than those in sectors not exposed to such competition. This slowdown in wage growth is explained by the economic pressure U.S. employers face when competing with countries with lower labor standards and wages. As companies shift production to countries with cheaper labor, they reduce their reliance on American workers. The Economic Policy Institute quantifies that, in 2010 alone, "The U.S. trade deficit with Mexico displaced a total of 682,900 U.S. jobs."[18]

For those lucky enough to keep their jobs, the situation is still bleak as raises fail to keep pace with the rising cost of living. Since 1993, when NAFTA went into effect, the wages of many American workers have been stagnant. Over this entire period, from 1993 to 2023, median wages for full-time American workers (over the age of 16) grew a mere 15% beyond inflation. Wage growth has been even more disappointing in recent years. From 2017 to 2023, median inflation-adjusted wages rose only 4% in total.[19]

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

[17] Office of the United States Trade Representative. (n.d.). *Mexico | United States Trade Representative*. https://ustr.gov/countries-regions/americas/mexico

[18] Scott, R. E. (2011, February 15). *The Mexico trade deficit costs jobs in every state*. Economic Policy Institute. https://www.epi.org/publication/mexico_trade_deficit_costs_job_in_every_state/

[19] Federal Reserve Bank of St. Louis. (n.d.). *Employed full time: Median usual weekly real earnings: Wage and salary workers: 16 years and over*. FRED. https://fred.stlouisfed.org/

KEY FACT: Since 1993, when NAFTA went into effect, the wages of many American workers have been stagnant. From 2017 to 2023, median inflation-adjusted wages rose only 4%.

harmful impacts of international trade on American workers. The Economic Policy Institute found Mexico's industrial growth and increased imports to the U.S. from 1993 to 2004 significantly harmed American workers in competing industries.[20] Over this period, "U.S. trade deficits with Mexico and Canada ... displaced production that supported approximately one million U.S. jobs, ... translat[ing] into lower average wages as workers moved into lower paying sectors of the economy."[21]

A study from *The Review of Economics and Statistics* specifically isolated the effects of reducing tariffs on Mexican goods under NAFTA, finding that tariff reductions were associated with substantial wage losses, particularly for blue-collar workers. At a time when American workers are suffering, a tariff is highly justified and would boost the U.S. economy.

3. Tariffs on Mexico generate needed revenue for the U.S. Federal government.

The federal government could use the revenue generated from tariffs on Mexico to invest in new programs or pay down the national debt. A tariff, like any tax, raises revenue for the government. In fact, before the introduction of the income tax in the U.S. in 1913 (upon adoption of the 16th Amendment), the tariff was a leading source of revenue for the federal government. Today, the income tax provides nearly 50 percent of total federal revenues.[22] Meanwhile, tariff revenue is much more negligible. It is not unreasonable to increase tariffs to provide more revenue for our government, as was the case in the past.

If the U.S. increased tariffs on imports from Mexico, it could spend the resulting revenues on policy initiatives to strengthen the American economy. Increased federal government investments in areas like health, education, and infrastructure could boost economic growth in the U.S. and benefit all Americans. Using tariff revenues to pay the national debt would also help the U.S. economy. The Congressional Budget Office (CBO) reports outstanding federal debt currently stands around $36.2 trillion, or the equivalent of more than $106,000 for every person in the U.S.[23] That's a staggering level of debt and is more than $6 trillion greater than the total

[20] Scott, R. E., Salas, C., & Campbell, B. (2006, September 28). *Revisiting NAFTA: Still not working for North America's workers* (EPI Briefing Paper No. 173). Economic Policy Institute. https://files.epi.org/page/-/old/briefingpapers/173/bp173.pdf

[21] De La Cruz, J., & Riker, D. (2014, June). *The impact of NAFTA on U.S. labor markets* (Office of Economics Working Paper No. 2014-06A). U.S. International Trade Commission. https://www.usitc.gov/publications/332/ec201406a.pdf

[22] Center on Budget and Policy Priorities. (2016, March 4). *Policy basics: Where do federal tax revenues come from?* http://www.cbpp.org/research/policy-basics-where-do-federal-tax-revenues-come-from

[23] U.S. Department of the Treasury. (n.d.). *Debt to the penny*. Fiscal Data. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/debt-to-the-penny

annual output of the U.S. economy.[24] And things could still get yet worse: The CBO projects that over the next 10 years (2024-2034), if current federal policies are left unchanged, the gross federal debt will have climbed to $56.8 trillion, the equivalent of around $167,000 per American.[25]

KEY FACT: The Congressional Budget Office (CBO) reports that the outstanding federal debt currently stands at around $36.2 trillion, or more than $106,000 for every person in the U.S. A tariff could generate revenues to pay down the debt and free the economy to grow.

Such a large debt matters to this debate resolution because a tariff could provide revenues to at least begin paying down the debt and freeing the economy to grow. Debt drags economic growth. Economists, most famously Kenneth Rogoff and Carmen Reinhart, have shown statistically that debt-strapped countries tend to suffer from lower economic growth.[26] Additionally, Milton Friedman spoke of his "permanent income hypothesis," which states people make economic decisions based not on their current income but on their longer-term expectations.

Furthermore, tariffs may be a more practical option for increasing revenue than other, more harmful options for taxation, as not all taxes are created equal. Economists generally believe some types of taxes are more detrimental to economic growth than others. The income tax and corporate income tax are awful for economic growth. After all, taxing workers' incomes makes them less likely to want to work more since they cannot keep as much of the fruits of their labor. Whereas the income tax discourages people from working, the tariff would encourage Americans *to work more.* This is so because the tariff protects against foreign competition, thus making their operations more profitable. Does it not make more sense to tax something we want to discourage (competition from Mexico) rather than things essential for economic growth? The U.S. should increase tariffs on Mexico and use that money to increase revenue while pursuing tax reductions in other areas that will minimize the negative impact of more harmful taxes like income and corporate taxes.

4. Tariffs on Mexico strengthen communities in the United States.

A growing movement believes shopping locally is preferable to buying goods produced far from one's hometown. There may be good economic reasons to buy locally. One reason is that, when 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

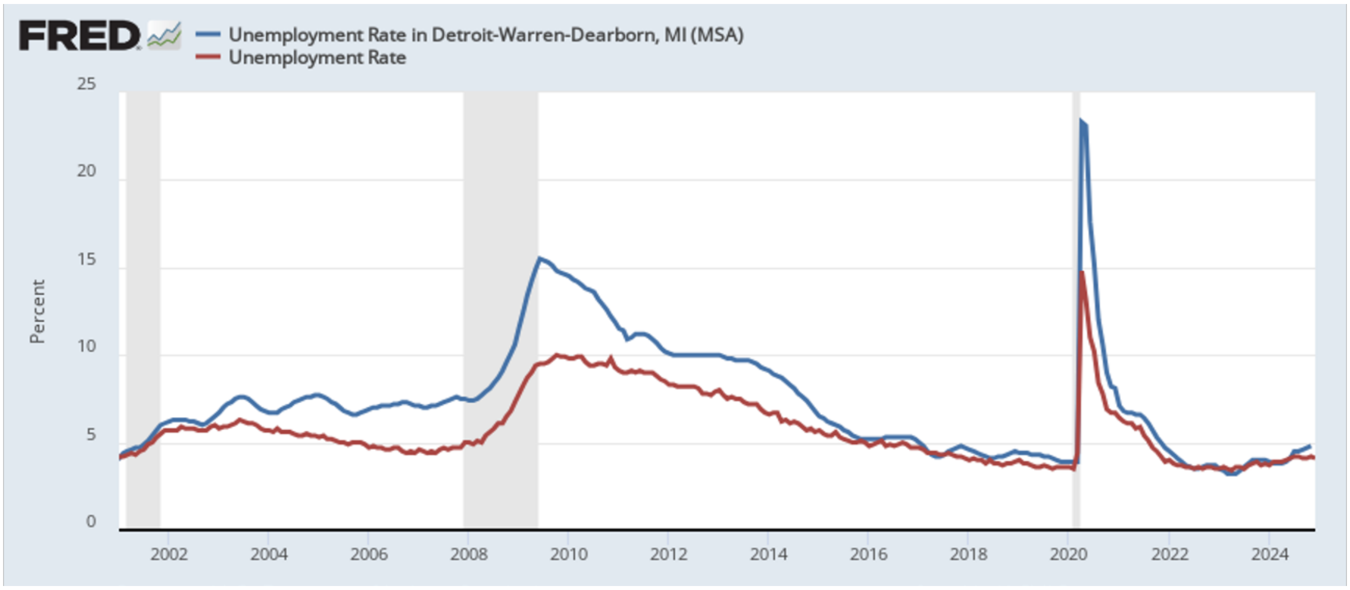
[24] Federal Reserve Bank of St. Louis. (n.d.). *Gross Domestic Product (GDP).*https://fred.stlouisfed.org/series/GDP

[25] Congressional Budget Office. (2023). *The budget and economic outlook: 2023 to 2033.* https://www.cbo.gov/publication/60419#:~:text=3%20The%20increase%20in%20federal,see%20Table%201%2D3

[26] Reinhart, C. M., & Rogoff, K. S. (2010). *Growth in a time of debt* (Working paper No. 15639). National Bureau of Economic Research. http://www.nber.org/papers/w15639.pdf

Mexico, Detroit and cities like it suffer 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. During this same period, Detroit's population has shrunk. A city like Detroit could use the help of a tariff.

Annual Unemployment Rate, Detroit vs. U.S. Average, 2001-2024



Source of Data: U.S. Bureau of Labor Statistics
Source of Image: Federal Reserve Bank of St. Louis. (n.d.). FRED Economic Data. Federal Reserve Bank of St. Louis. https://fred.stlouisfed.org

The protectionist rationale is that by discouraging domestic citizens from purchasing imports, individuals 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 them.

Another reason buying locally is advantageous is related to trust. The quality of the goods or services is paramount to the buyer in any transaction. Yet the seller almost always has much more information about the product's quality 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 is. Buying locally tends to mean you know the seller better, meaning customers are more likely to trust them to sell you something of high quality. Trust is essential to a thriving economy and community.

This sort of local commerce has always served as a vital meeting point—indeed, humans have been trading with each other for all of recorded history. Communities thrive when residents engage with one another, and shopping locally bolsters the economy, fosters a sense of belonging, and develops mutual reliance. The trust built in these exchanges extends beyond individual transactions, creating a network of relationships that reinforces social cohesion. Political philosophers have marveled at the exceptional strength of this phenomenon in America, including Alexis De Tocqueville, who wrote, "Americans of all ages, of all conditions, of all minds, constantly unite. Not only do they have commercial and industrial associations in which they all take part, but also they have a thousand other kinds."[27] Social capital, though, is in free fall in many middle- and working-class communities.[28] Participation in community associations decreased.[29] In areas with high concentrations of workers affected by job losses, poverty levels and addiction rates surged, while marriage and fertility rates declined.[30] While tariffs alone will not address the myriad problems facing the regions and towns in America experiencing such decline, they can help to build stronger, more connected communities through local commerce.

5. Tariffs force Mexico to stem the flow of illegal drugs like fentanyl into the United States.

Illicit drug use constitutes one of the gravest public health crises in our country today, with fentanyl in particular being "the deadliest drug threat the United States has ever faced."[31] In 2023 alone, there were almost 108,000 overdose deaths, with more than 81,000 of these deaths resulting from synthetic opioids like fentanyl.[32] To put this staggering loss of life into perspective, the number of U.S. opioid deaths from 2021-2023 exceeds the total of U.S. casualties from World War I, the Vietnam War, and the Korean War combined.[33]

[27] De Tocqueville, A. (2003). Democracy in America (Vol. 10). Regnery Publishing. (Original work published 1835).

[28] Mulholland, R. (2024, October 23). A trade strategy for the post-neoliberal world. Center for American Progress. https://www.americanprogress.org/article/a-trade-strategy-for-the-post-neoliberal-world/

[29] Diemer, A. (2023). Divided we fall? The effect of manufacturing decline on the social capital of US communities. Journal of Regional Science, 64(1), 80–107. https://doi.org/10.1111/jors.12664

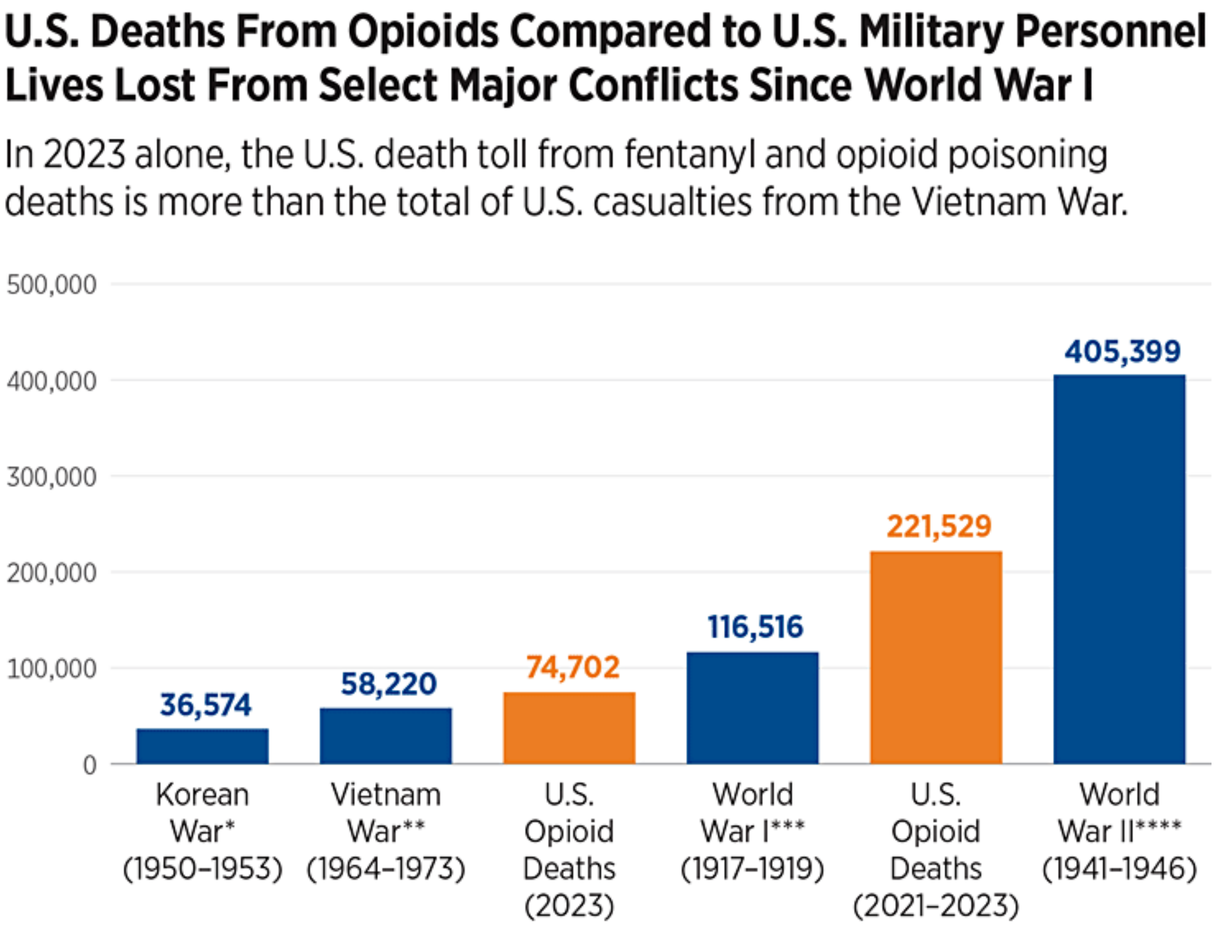
[30] Bonifai, N. W., Rudra, N., Ludema, R., & Jensen, J. B. (2024, September 12). America is fighting the wrong trade war. Foreign Affairs. https://www.foreignaffairs.com/united-states/america-fighting-wrong-trade-war

[31] Drug Enforcement Administration. (2024). *2024 National Drug Threat Assessment*. https://www.dea.gov/sites/default/files/2024-07/2024%20NDTA-updated%207.5.2024.pdf

[32] Centers for Disease Control and Prevention. (2024). *NCHS press release: May 15, 2024*. https://www.cdc.gov/nchs/pressroom/nchs_press_releases/2024/20240515.htm

[33] Walton, R. (2023). *Holding China and Mexico accountable for America's fentanyl crisis*. The Heritage Foundation. https://www.heritage.org/china/report/holding-china-and-mexico-accountable-americas-fentanyl-crisis

In addition, researchers predict approximately 700,000 Americans will die from opioid overdoses between 2016 and 2025, with 80% of these deaths from illicit opioid usage.[34]



Source: Harkins, R. (2023, November 7). Holding China and Mexico accountable for America's fentanyl crisis. The Heritage Foundation. https://www.heritage.org/china/report/holding-china-and-mexico-accountable-americas-fentanyl-crisis

Outside of the devastating toll on American lives, fentanyl and other opioids also impose massive losses on the U.S. economy, with costs coming in the form of health care services, substance abuse treatment, criminal justice proceedings, lost productivity, reduced quality of life, and the value of life lost.[35] Furthermore, Princeton economist Alan Kreuger estimates the opioid epidemic caused 43% of the decrease in men's labor

[34] Chen, Q., Larochelle, M. R., Weaver, D. T., Lietz, A. P., Mueller, P. P., Mercaldo, S., Wakeman, S. E., Freedberg, K. A., Raphel, T. J., Knudsen, A. B., Pandharipande, P. V., & Chhatwal, J. (2019). Prevention of Prescription Opioid Misuse and Projected Overdose Deaths in the United States. *JAMA network open*, *2*(2), e187621. https://doi.org/10.1001/jamanetworkopen.2018.7621

[35] Florence, C., Luo, F., & Rice, K. (2021). The economic burden of opioid use disorder and fatal opioid overdose in the United States, 2017. *Drug and alcohol dependence*, *218*, 108350. https://doi.org/10.1016/j.drugalcdep.2020.108350

force participation from 1999 to 2015.[36] As a result of these cumulative effects, in 2017 the combined cost of opioid use disorder and fatal opioid overdoses was $1.021 trillion, which equates to more than 3% of the gross domestic product of the United States (See Appendix B).[37] Given the enormous negative effects of drug usage on our citizens' lives and economic well-being, combatting this epidemic is one of our nation's top priorities.

The flow of illegal drugs across the U.S.-Mexico border fuels much of the drug crisis in the United States. Indeed, since 2019, Mexico has replaced China as the primary source of fentanyl trafficked into the U.S.[38] Specifically, the Sinaloa and Jalisco cartels "dictate the flow of nearly all illicit drugs into the United States."[39] These cartels operate vast criminal networks, using precursor chemicals from China to produce massive quantities of drugs in clandestine laboratories before smuggling them into the United States. An especially troubling trend has been the growth of pharmacies that sell fentanyl-laced pills that resemble genuine drug tablets available without a prescription. Although these pharmacies often operate in plain sight of the Mexican government, it has done little to shut them down. In general, by refusing to crack down on criminal groups that produce fentanyl, the Mexican government has failed to adequately cooperate with U.S. efforts aimed at countering the illicit drug crisis.[40]

In response, President Trump suggested implementing a 25% tariff on all Mexican imports to compel the Mexican government to cooperate. The President-Elect explicitly stated he would lift the proposed tariff once the flood of drugs into our country from Mexico ceased.[41] While critics argue tariffs are an ineffective way to target drug trafficking, there is some reason to think President Trump's assessment is correct. First, Mexico is heavily reliant on trade with the U.S., with 80% of its exports going to U.S. markets.[42] Consequently, increased tariffs would create a strong economic incentive for the Mexican government to cooperate with U.S. drug enforcement efforts. Second, tariffs could lead to more cargo inspections to ensure compliance, potentially

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[36] Molloy, R., & Smith, C. L. (2021). *How the opioid epidemic has affected the U.S. labor force, county by county.* Brookings Institution. https://www.brookings.edu/articles/how-the-opioid-epidemic-has-affected-the-u-s-labor-force-county-by-county/

[37] Florence, C., Luo, F., & Rice, K. (2021). The economic burden of opioid use disorder and fatal opioid overdose in the United States, 2017. *Drug and alcohol dependence*, *218*, 108350. https://doi.org/10.1016/j.drugalcdep.2020.108350; U.S. Bureau of Economic Analysis. (2024, December 19). *Gross domestic product (third estimate), corporate profits (revised estimate), and GDP by industry, third quarter 2024*. U.S. Department of Commerce. https://www.bea.gov/news/2024/gross-domestic-product-third-estimate-corporate-profits-revised-estimate-and-gdp-1

[38] Congressional Research Service. (2024, December 19). *Illicit fentanyl and Mexico's role.* https://crsreports.congress.gov/product/pdf/IF/IF10400

[39] Drug Enforcement Administration. (2024). *2024 National Drug Threat Assessment.* U.S. Department of Justice. https://www.dea.gov/sites/default/files/2024-07/2024%20NDTA-updated%207.5.2024.pdf

[40] Ballew, M., & Henkin, N. (2023, July 19). *Addressing Mexico's role in the U.S. fentanyl epidemic*. Brookings Institution. https://www.brookings.edu/articles/addressing-mexicos-role-in-the-us-fentanyl-epidemic/

[41] Trump, D. J. (2024, November 25). *[Post on Truth Social].* Truth Social. https://truthsocial.com/@realDonaldTrump/posts/113546215051155542

[42] Congressional Research Service. (2024, June 6). *U.S.-Mexico trade relations.* https://sgp.fas.org/crs/row/IF11175.pdf

offering greater opportunity for the seizure of illicit drugs crossing the border.[43] This is especially significant because, although 90% of fentanyl seizures occur at ports of entry, "a significant percentage of vehicles and cargo... go unchecked."[44] As such, increasing tariffs on Mexico could be an effective tool for addressing the drug crisis in the U.S.

Source: U.S. Customs and Border Protection. (2024, March 5). *CBP: America's front line against fentanyl* [Photograph]. CBP Frontline Magazine. https://www.cbp.gov/frontline/cbp-america-s-front-line-against-fentanyl (Public Domain).

6. Tariffs force Mexico to stem the flow of illegal immigrants into the United States.

Before the 2024 presidential election, a Harvard CAPS-Harris poll found immigration was the top concern of potential voters, with 35% of respondents listing it as their top policy concern. Additionally, 64% of those polled stated conditions at the border were getting worse, while 68% said the government should take measures to make it more difficult to enter the U.S. illegally.[45] It is not difficult to see why this issue resonates

[43] Flexport. (2024, May 22). *The shifting landscape of U.S.-China trade tariffs: An important update for U.S. businesses.* Flexport. https://www.flexport.com/blog/the-shifting-landscape-of-u-s-china-trade-tariffs-an-important-update-for-us/

[44] Ballew, M., & Henkin, N. (2023, July 19). *Addressing Mexico's role in the U.S. fentanyl epidemic.* Brookings Institution. https://www.brookings.edu/articles/addressing-mexicos-role-in-the-us-fentanyl-epidemic/

[45] Miller, R. (2024, January 22). *Immigration overtakes inflation as top voter concern: Poll.* The Hill. https://thehill.com/homenews/campaign/4422273-immigration-overtakes-inflation-top-voter-concern-poll/

with so many Americans, as large-scale illegal immigration undermines citizens' trust in the rule of law. To maintain its status as a sovereign nation, the U.S. government must more effectively secure its order to prevent unlawful crossings.

More relevantly for the resolution, current levels of illegal immigration lead to significant financial costs, with the bill largely being footed by American taxpayers. Federation for American Immigration Reform calculates the net cost of illegal immigration into the U.S. was a whopping $150.7 billion at the start of 2023.[46] This estimate comes from subtracting the $32 billion that illegal immigrants pay in taxes from the $182 billion that they receive in government benefits.[47] These benefits come in the form of the services, like roads, police, and fire protection they obtain as members of American communities, as well as from the full range of government welfare and medical benefits their U.S.-born children are eligible to receive.

Much of the negative impact unauthorized immigrants exert on the economy is due to their low levels of education, as around 40% of adult illegal immigrants do not have a high school degree, compared to 6% of the native-born adult population. The result is that illegal immigrants receive two dollars in government benefits for every dollar they contribute in taxes, placing a considerable burden on U.S. citizens.[48]

Total Economic Impact of Illegal Immigration

Source: Hanson, G. (2023, June 5). The fiscal burden of illegal immigration on United States taxpayers. Federation for American Immigration Reform. https://www.fairus.org/issue/publications-resources/fiscal-burden-illegal-immigration-united-states-taxpayers-2023

[46] Federation for American Immigration Reform. (2023, March 8). *The fiscal burden of illegal immigration on United States taxpayers.* https://www.fairus.org/issue/publications-resources/fiscal-burden-illegal-immigration-united-states-taxpayers-2023

[47] Rector, R. (2023, September 13). *Testimony before the Senate Budget Committee on the fiscal impact of illegal immigration.* U.S. Senate Committee on the Budget. https://www.budget.senate.gov/imo/media/doc/rector_testimony_913.pdf

[48] Rector, R. (2023, September 13). *Testimony before the Senate Budget Committee on the fiscal impact of illegal immigration.* U.S. Senate Committee on the Budget. https://www.budget.senate.gov/imo/media/doc/rector_testimony_913.pdf

Alongside these concerns over the rule of law and the financial costs, high rates of unauthorized immigration also run the risk of increasing crime and reducing social cohesion. Despite these wide-ranging negative effects, the illegal immigrant population increased during President Biden's first few years in office, with 4.5 million undocumented immigrants entering the country between January 2021 and March 2023. This puts the total number of illegal immigrants in our country at somewhere between 12.5 and 14 million, with a substantial portion of them entering through the U.S.-Mexico border.[49]

As with the issue of illegal drugs coming into our country from Mexico, President Trump proposed a 25% tariff on Mexican goods to create an economic incentive for the Mexican government to address the border crisis. While Mexican President Claudia Sheinbaum has stated Mexico is already doing enough to address the "migration phenomenon," recent history indicates tariffs may compel her government to take further measures.[50] In 2019, for example, Trump first threatened to impose a 25% tariff on Mexico unless the government bolstered its efforts to curb the flow of migrants across the border. In response, "Mexico buckled to Trump's pressure and deployed thousands of National Guard members to contain the migration wave."[51] This suggests increasing tariffs on Mexico might effectively reduce illegal immigration into the United States.

Source: Aguilar, J. C. (2018, May 31). *A man works in a steel distribution factory in Monterrey in northern Mexico*. [Photograph]. Getty Images. (Accessed through licensing agreement with Canva).

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[49] Rector, R. (2023, September 13). *Testimony before the Senate Budget Committee on the fiscal impact of illegal immigration.* U.S. Senate Committee on the Budget. https://www.budget.senate.gov/imo/media/doc/rector_testimony_913.pdf

[50] Smith, J. (2024, November 28). *Trump and Mexico president discuss tariffs and border immigration issues.* CBS News. Retrieved January 15, 2025, from https://www.cbsnews.com/news/trump-mexico-president-tariffs-border-immigration/

[51] Parker, L. (2024, November 27). *Mexico, Trump tariffs, and cartels: An evolving challenge.* The Wall Street Journal. https://www.wsj.com/world/americas/mexico-trump-tariffs-cartels-7aeb7f83

NEGATIVE

1. Tariffs on Mexico discourage trade, reducing 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 self-sufficient, with people making everything they own, from shoes and clothes to their homes and cars. We are long past the point where people have the technical expertise to attempt such a thing—if there ever was such a time. 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 that are too difficult or costly 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 resources to manufacturing cars and use more American financial services to whatever extent it can. This allows each country to take advantage of its respective comparative advantages, which benefits each of the parties involved in the transaction.[52] This theory posits free trade results in economic gains and increased production for all participating countries. In contrast, tariffs by definition raise the cost of transactions, hurting the prosperity of both trade partners.

The empirical evidence bears this out, as, with relatively few exceptions, free trade encourages economic growth, productivity, and wages. Indeed, economists from the *Deakin Papers on International Business Economics* concluded free trade is necessary for increasing GDP per capita. Hong Kong, Macau, Singapore, and New Zealand are examples of countries with very low trade barriers that have become fabulously rich due to trade.

[52] Ricardo, D. (1817). *On the principles of political economy and taxation*. John Murray. https://archive.org/details/principlespolit00ricauoft

Sources of Data: The Heritage Foundation's "2018 Index of Economic Freedom" (left). World Bank (right).
Source of Image: Tyrell, P. (2018, March 22). Tariffs were killing New Zealand's economy. Free trade turned it around. The Heritage Foundation. https://www.heritage.org/trade/commentary/tariffs-were-killing-new-zealands-economy-free-trade-turned-it-around

On average, countries with lower tariffs are more prosperous than those with 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. Of those 120 countries, the 40 with the least restrictive tariffs had an 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 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.[53] Clearly, free trade is essential in making both countries and individuals more productive and prosperous.

2. Tariffs on Mexico significantly raise prices for American consumers.

Tariffs increase production costs, or at least a portion of them, which suppliers pass along to American consumers through higher prices. While tariffs on Mexico may benefit some specific U.S. workers, they are indisputably costly for American consumers (i.e., the entire domestic population of the U.S.). Therefore, a

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

tariff has very concentrated benefits for a small number of individuals, but a much larger group is negatively impacted (i.e., America's entire consumer base).

To see why tariffs hurt consumers, consider an example. Imagine 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, Mexican firms can sell them 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 competing with cheaper Mexican avocados might lobby the U.S. government for a tariff on avocados imported from Mexico so that the prices between the two will be more similar after the tariff. However, the U.S. does not achieve this by making domestically produced U.S. avocados cheaper, but, rather, by making Mexican avocados more expensive. The relatively small number of 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.

As of 2022, the U.S. imported more goods and services from Mexico than from all other countries except China. In that, the U.S. imported $454.8 billion in goods and $37.3 billion in services from Mexico.[54] The nature of these goods is critical. Among the top import categories are vehicles ($130 billion), agricultural products ($46 billion), and mineral fuels ($25 billion).[55] In fact, as of 2023, Mexico is our largest supplier of agricultural products.[56] Americans have a high demand for these products and benefit from being able to get them at cheaper prices. Transportation, food, and fuel are not obscure commodities few Americans use. They are essential goods that we use in our everyday lives. A tariff on Mexico will significantly raise the prices of these items and may make them too expensive for some Americans. In particular, a tariff on Mexico would disproportionately harm low-income consumers who spend much of their income on necessities like food, fuel, and transportation.

KEY FACT: As of 2022, the U.S. imported $46 billion in agricultural products from Mexico, our largest supplier. A tariff on Mexico would significantly raise the prices of these items. Combined with the 22% inflation in grocery prices over the last four years, tariffs would make many agricultural goods too expensive for some Americans.

Inflation is already a primary concern of American citizens, with 52% of polled voters ranking the economy as an "extremely

[54] Office of the United States Trade Representative. (n.d.). *Countries and regions.* U.S. Trade Representative. https://ustr.gov/countries-regions

[55] Trading Economics. (n.d.). *United States imports from Mexico.* https://tradingeconomics.com/united-states/imports/mexico

[56] U.S. Department of Agriculture, Economic Research Service. (n.d.). *Countries and regions.* U.S. Department of Agriculture. https://www.ers.usda.gov/topics/international-markets-us-trade/countries-regions

important" influence on their vote for president, the highest level since the Great Recession.[57] The data backs up these concerns, with grocery prices rising by 22% and housing prices by 28% in the last four years.[58] Overall, the current annual inflation rate is 2.9%, well above the 2% target set by the Federal Reserve.[59] Tariffs would only compound this problem, as tariffs will unambiguously raise prices for American consumers. A report issued by the Congressional Budget Office found that Trump's proposed tariffs would increase inflation by an entire percentage point by 2026, costing families an additional $1,560 per year.[60] Our country quite literally cannot afford these skyrocketing costs.

3. Since companies in the U.S. rely on goods from Mexico for their finished products, a tariff would hurt American companies.

Many goods traded between the U.S. and Mexico are part of a larger production chain. For example, consider the assembly of a car. It requires steel, which might be produced and shaped into car parts in the U.S., then sent to Mexico to be assembled into vehicles, and then sent back to the U.S. to be sold. Tariffs would disrupt these production chains between the United States and Mexico, making it more costly for corporations from both countries to trade. In response to tariffs, companies can attempt to protect their supply chains by either increasing prices to consumers, absorbing costs and thus decreasing profitability, or altering the structure of their supply chains.[61] Each option would have significant negative implications for the U.S. economy and make American companies less efficient.

KEY FACT: Tariffs would disrupt production chains between the United States and Mexico, making it more costly for corporations from both countries to trade. Many major Mexican exports to the United States include inputs used to make finished products upon arrival. Data from the Bureau of Economic Analysis show that some 11.1% of the value of American exports comes from goods first imported to the U.S.

Many of the major Mexican exports to the United States include inputs used to make finished products in the U.S. Examples of these kinds of intermediary goods include machinery, nuclear reactors, and boilers ($91.4

[57] Gallup. (2024, January 9). *Economy remains most important issue for 2024 presidential vote*. Gallup News. https://news.gallup.com/poll/651719/economy-important-issue-2024-presidential-vote.aspx

[58] Rugaber, C. S. (2024, October 31). *Economy and inflation weigh heavily on voters ahead of election. The Washington Post.* https://www.washingtonpost.com/business/2024/10/31/economy-election-inflation-voters/

[59] Bankrate. (n.d.). *Latest inflation statistics*. Bankrate. https://www.bankrate.com/banking/federal-reserve/latest-inflation-statistics/

[60] Congressional Budget Office. (2024, December). *The economic effects of tariffs*. https://www.cbo.gov/system/files/2024-12/61112-Tariffs.pdf

[61] PricewaterhouseCoopers. (2024, September). *Mexico tariff regime changes affect U.S. companies with manufacturing operations in Mexico*. PwC. https://www.pwc.com/us/en/services/tax/library/mx-tariff-regime-changes-affect-us-cos-with-mfg-ops-in-mx.html

billion); electronic equipment ($85.5 billion); and optical, photo, technical, and medical apparatuses ($20.9 billion).[62] Currently, the companies buying these intermediary goods employ millions of American workers. They would pay a tariff each time they imported the needed parts from Mexican suppliers. This would be a significant new cost to American firms: after all, data from the Bureau of Economic Analysis show that some 11.1% of the value of American exports comes from goods first imported to the U.S.[63] In other words, more than 11% of the value of goods exported from America came from goods first imported to America as components of finished products that are then exported after refinement or assembly. Tariffs significantly increase the costs of this conversion of imports to exports and make American companies employing American workers less efficient. Decreased efficiency could put these jobs in jeopardy.

4. Mexico will retaliate with a counter-tariff on American goods, leading to a trade war.

If the U.S. imposes a tariff on imported goods from Mexico, the Mexican government would almost certainly retaliate with its own tariffs on American goods exported for sale in Mexico. As Mexican President Claudia Sheinbaum said in response to Trump's threat to impose 25% tariffs on Mexican goods, "One tariff would be followed by another in response, and so on until we put at risk common businesses."[64] Tariffs from Mexico on American goods are especially likely given the limited retaliatory options available to President Sheinbaum. Former Mexican President Enrique Peña Nieto employed this exact strategy to great success in 2018, launching a "surgical strike on US exports" in response to Trump's tariffs on steel and aluminum.[65]

Counter-tariffs from Mexico and the corresponding risk of a trade war would be incredibly costly for the United States, which exported $323.2 billion in goods and services to Mexico in 2023.[66] This made Mexico the United States' top trading partner, as there was $798.8 billion in total trade between the two countries.[67] Gloria Estrada, president of the Foreign Trade Committee of the Mexican Association of Public Accountants, explains that retaliatory tariffs would extend to all goods imported into Mexico from the United States, which

[62] Trading Economics. (n.d.). *Mexico exports to the United States.* https://tradingeconomics.com/mexico/exports/united-states

[63] Bureau of Economic Analysis. (2023, March 16). *Updated statistics measure foreign and domestic content embedded in U.S. exports.* U.S. Department of Commerce. https://www.bea.gov/news/blog/2023-03-16/updated-statistics-measure-foreign-and-domestic-content-embedded-us-exports#:~:text=However%2C%20these%20statistics%20can%2C%20helping%20untangle%20complex,2021%20came%20from%20inputs%20from%20other%20countries

[64] AP News. (2024, November 2026). *Mexico suggests it would impose its own tariffs to retaliate against any Trump tariffs.* Associated Press. https://apnews.com/article/mexico-tariffs-trump-retaliate-sheinbaum-fac0b0c6ee8c425a928418de7332b74a

[65] Azer, J. (2024, December 12). *Trump's tariff threats: Could Mexico survive a trade war with the U.S.?* Anadolu Agency. https://www.aa.com.tr/en/americas/trump-s-tariff-threats-could-mexico-survive-a-trade-war-with-us/3422571

[66] Trading Economics. (2025, January). *United States exports to Mexico.* https://tradingeconomics.com/united-states/exports/mexico#:~:text=United%20States%20Exports%20to%20Mexico%20was%20US%24323.23%20Billion%20during,updated%20on%20January%20of%202025

[67] Roberts, K. (2024, February 7). *2023 results are in: U.S. has new top port trade partner for export and import.* Forbes. https://www.forbes.com/sites/kenroberts/2024/02/07/2023-results-are-in-us-has-new-top-port-trade-partner-export-import/

"would not only mean setting tariffs on consumer products, but also on intermediate goods that we receive from the US."[68] This would make American companies significantly less competitive in Mexico, harming American businesses and workers. A trade war would especially damage the U.S. auto industry, as Mexico is the largest export market for U.S. automotive parts. Furthermore, American companies such as Ford and General Motors rely on Mexican manufacturing plants for production, so tariffs would significantly hinder their ability to remain cost competitive. The nonpartisan Tax Foundation reports that some seventeen different economic models, created by a range of organizations, conclude that a renewed trade war would lead to decreases in U.S. real GDP.[69]

A tariff on American exports would also disrupt the production chains between the United States and Mexico, making it more costly for corporations from both countries to trade with each other. In response to tariffs, companies can attempt to protect their supply chains by either increasing prices to consumers, absorbing costs and thus decreasing profitability, or altering the structure of their supply chains. Each of these options would have significant negative implications for the U.S. economy.[70] Based on these considerations, escalatory tariffs between the United States and Mexico would broadly harm the American economy.

KEY FACT: Mexican President Claudia Sheinbaum said in response to Trump's threat to impose 25% tariffs on Mexican goods, "One tariff would be followed by another in response, and so on until we put at risk common businesses." Tariffs from Mexico on American goods are especially likely given the limited retaliatory options.

5. Free trade is good for U.S. employment, and non-trade-related factors drive much of America's job loss and wage stagnation.

One common argument favoring tariffs is that they will prevent American jobs from being outsourced abroad. However, research indicates free trade positively affects U.S. employment growth. A 2022 report from Business Roundtable estimates trade was responsible for over 41 million American jobs, meaning one in every five jobs was related to importing and exporting goods and services. This was true across the country, as every state enjoyed positive net employment directly caused by trade. Through increased opportunities, free trade

[68] Azer, J. (2024, December 12). *Trump's tariff threats: Could Mexico survive a trade war with the U.S.?* Anadolu Agency. https://www.aa.com.tr/en/americas/trump-s-tariff-threats-could-mexico-survive-a-trade-war-with-us/3422571

[69] Morris, P. (2019, May 20). *The impact of Trump's tariffs on the economy.* Tax Foundation. https://taxfoundation.org/blog/trump-tariffs-impact-economy/

[70] PricewaterhouseCoopers. (2024, September). *Mexico tariff regime changes affect U.S. companies with manufacturing operations in Mexico.* PwC. https://www.pwc.com/us/en/services/tax/library/mx-tariff-regime-changes-affect-us-cos-with-mfg-ops-in-mx.html

has created new jobs in manufacturing and technology, helping millions of American workers earn middle-class wages.[71]

Furthermore, studies show past free trade agreements with Mexico, such as NAFTA, have had minimal negative impacts on the U.S. labor market. After NAFTA came into force in 1994, firms created millions of new jobs in the domestic economy. From 1993 to 2001, civilian employment rose from 120.3 million to 135.1 million, and the unemployment rate steadily declined. Nor was there a mass exodus of American companies to Mexico. From 1994 to 2001, American manufacturing companies invested an average of $200 billion domestically, compared to only $2.2 billion in Mexico.[72] The same holds under the USMCA, the current trade agreement with Mexico, which experts project will contribute to both employment and real GDP growth in the United States.[73]

Finally, it would be an error to assert trade has been the most important factor in job loss and wage stagnation in the U.S. Rather, new technologies and capital equipment have also displaced workers. Artificial intelligence is one such technology, with Goldman Sachs estimating possible automation of 300 million jobs worldwide and fully two-thirds of U.S. occupations.[74] Even if the U.S. were to increase tariffs on imported goods from Mexico, American workers would still have to contend with machines replacing jobs formerly done by humans. What's more, if tariffs increase the cost of labor in the U.S., the incentive to substitute humans for machines becomes even stronger. Using tariffs to try to boost wages for some workers may end up backfiring spectacularly.

6. Tariffs on Mexico jeopardize the United States-Mexico-Canada Agreement (USMCA).

The United States-Mexico-Canada Agreement, or USMCA, has clear economic benefits. In 2019, the International Trade Commission estimated that the USMCA would increase U.S. real GDP by $68.2 billion and that U.S. employment would increase by 176,000 jobs. Their model also predicted the agreement would increase U.S. exports to USMCA partners and the rest of the world, with the net result being a positive impact on all industry sectors within the U.S. economy. Experts projected American manufacturing would receive the highest percentage gains in output and employment and anticipated the service sector would experience the

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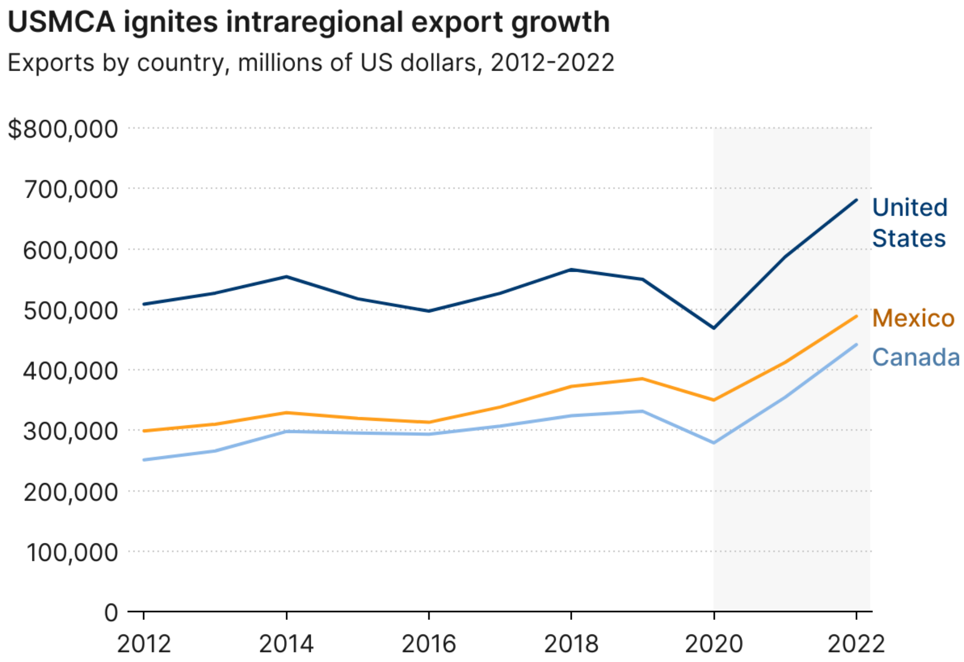
71 Business Roundtable. (2022, February). *Trade and American jobs: How trade benefits the U.S. economy.* https://s3.amazonaws.com/brt.org/Business-Roundtable_TradeandAmericanJobs2022.pdf

72 Friedman, B. (2002, December 22). *Every reasonable measure, NAFTA has been a success.* Cato Institute. https://www.cato.org/commentary/every-reasonable-measure-nafta-has-been-success

73 U.S. International Trade Commission. (2019, April). *The impact of U.S. trade policy on global trade and economic growth* (Publication No. 4889). U.S. International Trade Commission. https://www.usitc.gov/publications/332/pub4889.pdf?source=govdelivery&utm_medium=email&utm_source=govdelivery

74 Goldman Sachs. (2023, April 5). *Generative AI could raise global GDP by 7 percent.* Goldman Sachs. https://www.goldmansachs.com/insights/articles/generative-ai-could-raise-global-gdp-by-7-percent

largest absolute increases in these metrics.[75] Their assessment has proven true in the years since, as total nominal North American trade has risen by 50% and intra-regional capital investment by 134% from the time its parties implemented the agreement.[76]



Source: Bitar, D. M., Wayne, E. A., & Meltzer, J. P. (2023, July 19). USMCA at 3: Reflecting on impact and charting the future. Brookings Institution. https://www.brookings.edu/articles/usmca-at-3-reflecting-on-impact-and-charting-the-future/

The USMCA also plays an important role in securing supply chains and reducing U.S. dependence on Chinese resources. For example, the United States, Canada, and Mexico built upon the cooperation established by the USMCA to relaunch the North American Leaders Summit, which has focused on expanding supply chain resilience for critical goods like semiconductors and critical minerals.[77] Given the importance of these resources for military applications, food, energy, technology, and industrial processes, securing a stable supply of them is paramount. China has both the means and motive to exploit this vulnerability, giving the USMCA a

[75] U.S. International Trade Commission. (2019, April). *The impact of U.S. trade policy on global trade and economic growth* (Publication No. 4889). U.S. International Trade Commission. Retrieved January 15, 2025, from https://www.usitc.gov/publications/332/pub4889.pdf?source=govdelivery&utm_medium=email&utm_source=govdelivery

[76] Northern Trust. (2024, August 2). *Reflecting on the impact of the USMCA.* Northern Trust. https://www.northerntrust.com/europe/insights-research/2024/weekly-economic-commentary/reflecting-on-the-impact-of-the-usmca#:~:text=USMCA%20has%20been%20a%20boon,according%20to%20the%20Brookings%20Institute

[77] Bitar, D. M., Wayne, E. A., & Meltzer, J. P. (2023, July 19). *USMCA at 3: Reflecting on impact and charting the future.* Brookings Institution. https://www.brookings.edu/articles/usmca-at-3-reflecting-on-impact-and-charting-the-future/

KEY FACT: In 2019, the International Trade Commission estimated that the USMCA would increase U.S. real GDP by $68.2 billion and that U.S. employment would increase by 176,000 jobs. Their assessment has proven true in the years since, as total nominal North American trade has risen by 50% and intra-regional capital investment by 134% since its parties implemented the agreement.

vital role in "mitigating the temptation and ability for China to disrupt."[78] Moreover, without the USMCA, the United States would face difficulties addressing key international challenges. Without such an agreement, other nations would be skeptical of entering into their long-term agreement, making it more challenging to address economic and security concerns with China. This imbues the USMCA with a high degree of importance for geopolitical security and the economy.

Any imposition of tariffs on Mexico would risk violating the USMCA, which is up for review in 2026. In particular, President Trump's proposed 25% tariffs on Mexican imports would likely be inconsistent with the free trade agreement. The implications of ignoring these commitments would extend far beyond relations with Mexico and China, as it would "signal globally that governments cannot rely on an agreement with Trump." This led the Brookings Institution to conclude that "tariffs will harm U.S. industry and hinder the ability of the Trump administration to address the larger geopolitical challenge presented by China."[79] By jeopardizing the USMCA, tariffs could cause significant harm to the United States' economy and national security.

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[78] Martin, B. (2023, February 28). *USMCA Forward 2023 – Chapter 1: National Security*. Brookings Institution. https://www.brookings.edu/articles/usmca-forward-2023-chapter-1-national-security/

[79] Martin, B. (2023, February 28). *USMCA Forward 2023 – Chapter 1: National Security*. Brookings Institution. https://www.brookings.edu/articles/usmca-forward-2023-chapter-1-national-security/

APPENDICES

Appendix A: Tariff Index, Selected Countries, Economic Freedom of the World Report (2024)

Note: A high "tariff index" score indicates a country has less restrictive tariffs. For example, a score of 10 for Hong Kong and Singapore means those countries have the least restrictive tariffs (i.e., the lowest tariff rates or no tariffs), and a score of 5.3 for Fiji toward the bottom of the table indicates it has fairly restrictive tariff policies.

Selected Countries	Tariff Index (2022)[80]	GDP per Capita (2023)[81]
Hong Kong	10	$50,532
Singapore	10	$84,734
Chile	9.5	$17,068
Australia	9.2	$64,821
New Zealand	9.2	$48,281
Albania	9	$8,575
United Arab Emirates	8.8	$49,041
United Kingdom	8.8	$49,464
Moldova	8.7	$6,729
China	8.5	$12,614
Israel	8.5	$52,642
Nicaragua	8.5	$2,613
Austria	8.5	$56,034
Czech Republic	8.5	$31,591
France	8.5	$44,691
Germany	8.5	$54,343
Ireland	8.5	$103,888
Luxembourg	8.5	$128,678
Portugal	8.5	$27,331
Spain	8.5	$33,509

[80] Gwartney, J., Lawson, R., Murphy, R., Mitchell, M., Grier, K., Grier, R., & Mitchell, D. (2024). *Economic Freedom of the World: 2024 Annual Report.* Fraser Institute. https://www.cato.org/sites/cato.org/files/2024-10/economic-freedom-of-the-world-2024.pdf

[81] World Bank. (n.d.). *GDP per capita (current US$)* [Data set]. https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?most_recent_value_desc=true

Selected Countries	Tariff Index (2022)[80]	GDP per Capita (2023)[81]
Germany	8.5	$54,343
El Salvador	8.3	$5,391
United States	8.3	$82,769
Mexico	8.3	$13,790
Costa Rica	8.1	$16,942
Mozambique	8.0	$623
Iceland	7.9	$79,637
Cambodia	7.9	$2,430
Japan	7.9	$33,767
Uruguay	7.8	$22,798
Ghana	7.8	$2,260
Malaysia	7.8	$11,379
Vietnam	7.6	$4,282
Brazil	7.6	$10,295
Russia	7.4	$13,817
Sri Lanka	7.4	$3,828
Canada	7.2	$53,431
Jordan	7.0	$4,456
Côte d' Ivoire	6.8	$2,531
Central African Republic	6.4	$496
Botswana	6.4	$7,820
Tunisia	6.3	$3,978
Chad	6.3	$681
Kenya	6.1	$1,952
India	5.9	$2,481
Burundi	5.7	$193
Turkey	5.4	$13,106
Fiji	5.3	$5,889
Nepal	4.8	$1,378

Appendix B: Estimated Costs of Opioid Use Disorder and Fatal Overdose, United States (2017)[82]

Note: The chart provides amounts in millions of 2017 dollars. For example, "$1,020,666" signifies $1,020,666,000,000, or $1.021 trillion.

Nonfatal Costs	Aggregate Costs (95% Prediction Interval)	Percentage of Aggregate Costs
Health Care		
Private Insurance	$12,902	1.3%
Medicare	$3,170	0.3%
Medicaid	$11,142	1.1%
Champus/VA	$1,124	0.1%
Other	$820	0.1%
Uninsured	$2,151	0.2%
Total	**$31,308**	**3.1%**
	($25,171, $37,444)	
Substance Abuse Treatment		
Federal	$844	0.1%
State and Local	$2,326	0.2%
Private	$365	0.0%
Total	**$3,534**	**0.3%**
	($3,355, $3,714)	
Criminal Justice		
Police protection	$6,209	0.6%
Legal and adjudication	$2,819	0.3%
Correctional facilities	$5,445	0.5%

[82] Florence, C., Luo, F., & Rice, K. (2021). The economic burden of opioid use disorder and fatal opioid overdose in the United States, 2017. *Drug and alcohol dependence*, *218*, 108350. https://doi.org/10.1016/j.drugalcdep.2020.108350

Nonfatal Costs	Aggregate Costs (95% Prediction Interval)	Percentage of Aggregate Costs
Property lost due to crime	$347	0.0%
Total criminal justice costs	**$14,819**	**1.5%**
	($14,181, $15,462)	
Lost Productivity		
Reduced productive time/increased disability	$23,479	2.3%
Production lost for incarcerated individuals	$7,832	0.8%
Total Lost Productivity	**$31,311**	**3.1%**
	($26,681, $35,954)	
Value of Reduced Quality of Life	**$390,003**	**38.2%**
	($337,693, $444,278)	
Total Non-Fatal Costs	**$470,975**	**46.1%**
	($417,783, $525,692)	
Fatal Costs		
Lost Productivity	$68,694	6.7%
Health Care	$260	0.0%
Value of Statistical Life Lost	$480,737	47.1%
Total Fatal Costs	**$549,691**	**53.9%**
	($544,835, $554,546)	
Total of Nonfatal and Fatal	**$1,020,666**	**100.0%**
	($967,244, $1,075,680)	

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ABOUT THE 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. Coolidge values include civility, bipartisanship, and restraint in government, including wise budgeting. The Coolidge Foundation sponsors the renowned Coolidge Scholarship and Senators program for academic merit. The Foundation has also built a national debate program, culminating in the Coolidge Cup, an invitational tournament held each July at the President's birthplace in Plymouth, Vermont. The Foundation was formed in 1960 by a group of Coolidge enthusiasts, including John Coolidge, the president's son. The Coolidge Foundation maintains offices in Plymouth, Vermont, where it works in cooperation with the Calvin Coolidge State Historic Site, and at Coolidge House in Washington, D.C.

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