

December 11, 2024

## Re: Joint Opposition to Tariffs Imposed Without Congressional Approval and Support for Free Market Economics

Dear Member of Congress,

We, the undersigned organizations, representing millions of American taxpayers and consumers, urge you to reclaim congressional authority over import taxes. As supporters of free markets, we recognize that, all else being equal, the laws of economics that make free exchange within the U.S. an engine of prosperity also make international free trade an economic boon to Americans. Global trade is not a zero-sum activity. Both countries become richer from the exchange.

The Constitution clearly vests tariff powers in Congress — not the president. Therefore, we urge Congress to restore its control over tariff policy by passing legislation during the lame duck session. Positive examples include *S. 5066*, the *No Taxation Without Representation Act*, introduced by Sen. Rand Paul (R-Ky.), *S. 1060*, the *Global Trade Accountability Act*, introduced by Sen. Mike Lee (R-Utah), or *H.R. 10181*, the *Prevent Tariff Abuse Act*, introduced by Reps. Suzan DelBene (D-Wash.) and Don Beyer (D-Va.).<sup>[1][2][3]</sup>

President-elect Trump was elected with a mandate to reverse the heavy-handed policies that, under Joe Biden, curtailed Americans' economic freedoms and made Americans less prosperous. President-elect Trump understands clearly that the Biden administration's commitment to big government and central planning interfered with American businesses' ability to make the most of their creativity, talents, and opportunities. His support of tariffs is the outlier in his larger economic agenda, whose tenets — such as tax reform, energy production, deregulation, and government efficiency — will help unleash American prosperity.

Tariffs provide concentrated benefits to protected industries, while dispersing far more harms among related industries and American consumers. With his focus on energy production and deregulation, President Trump has an opportunity to produce a roaring economy. However, high tariffs — particularly if rates of 25–50 percent are applied to major trading partners such as China or Mexico — would continue the Biden legacy of artificially high prices paid by Americans. This is not what Americans voted for.

We understand that Mr. Trump is motivated by a noble desire to increase the competitiveness of American businesses. But the supposed benefits of protectionism are overstated and generally do not surpass the harms done. A fundamental lesson of economics is that government interventions often do not work as planned, instead introducing unforeseen distortions and costs, which leave businesses and consumers worse off. Tariffs provide a case study in such unintended consequences.

**Tariffs are, on net, economically destructive.** First, from a larger perspective, the Tax Foundation reports that “the Trump-Biden tariffs will reduce long-run GDP by 0.2 percent, the capital stock by 0.1 percent, and employment by 142,000 full-time equivalent jobs.”<sup>[4]</sup> On tariffed goods, this amounted to meaningful price increases for American families. According to the Congressional Budget Office, Trump-era tariffs induced higher prices and lower output that amounted in 2020 to a cost of \$1,277 per household.<sup>[5]</sup>

Looking closer, it is fair to ask how protectionism affects the manufacturing sector, the sector tariffs are often instituted to benefit. The evidence suggests that whatever benefits received by protected businesses within the sector were far outweighed by the harms inflicted on the sector as a whole. Mr. Trump's “steel and aluminum tariffs...created a few metals-producers' jobs — 1,000 in steel and 1,300 in aluminum,” write Phil Gramm and Donald J. Boudreaux.<sup>[6]</sup> “Using Federal Reserve data, Kadee Russ of the University of California, Davis and Lydia Cox of Harvard estimated that these tariffs destroyed about 75,000 manufacturing jobs,” they add. Whatever satisfaction is rightfully felt from the fact that 2,300 hardworking Americans were able to find good, honest work in steel and aluminum must be tempered by knowledge that each job came at the cost of 32 others in disadvantaged industries.

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<sup>1</sup> <https://www.congress.gov/bill/118th-congress/senate-bill/5066/text?s=1&r=3>;

<sup>2</sup> <https://www.congress.gov/bill/118th-congress/senate-bill/1060/text>

<sup>3</sup> <https://www.congress.gov/bill/118th-congress/house-bill/10181/text>

<sup>4</sup> <https://taxfoundation.org/research/all/federal/tariffs/>

<sup>5</sup> [https://www.wsj.com/opinion/about-trumps-reciprocal-tariffs-he-wants-to-raise-taxes-and-thinks-im-the-stupid-one-5dc3c56c?mod=hp\\_opin\\_pos\\_3#cxrecs\\_s](https://www.wsj.com/opinion/about-trumps-reciprocal-tariffs-he-wants-to-raise-taxes-and-thinks-im-the-stupid-one-5dc3c56c?mod=hp_opin_pos_3#cxrecs_s)

<sup>6</sup> <https://www.wsj.com/articles/tariffs-arent-worth-the-cost-trump-aluminum-steel-producers-inputs-trade-9273b46f>

**Tariffs will not reverse the U.S. Trade Deficit.** The fact is that balances of trade are determined primarily not by tariff rates, but by macroeconomic factors.<sup>[7]</sup> In fact, the Trump-Biden tariffs have increased the U.S. trade deficit, which, from 2017 to 2023, rose from \$517 billion to \$785 billion.<sup>[8]</sup> However, we urge you to remember that trade deficits, despite being a boogeyman for some, are not necessarily economically harmful.<sup>[9]</sup>

**Tariffs will not extract concessions from China.** In 2020, Chinese negotiators signed the vaunted “Phase One Agreement,” which was supposed to have benefited American interests. But Beijing has not kept its word, making the agreement largely ineffectual. The 2022 National Trade Estimate Report on Foreign Trade Barriers from U.S. Trade Representative Katherine Tai states:<sup>[10]</sup>

While China followed through in implementing some provisions of the Phase One Agreement, it has not yet implemented some of the more significant commitments and fell far short of implementing its commitments to purchase U.S. goods and services in 2020 and 2021. It is clear that this Agreement has not led to fundamental changes to China’s state-led, non-market trade regime and their harmful impact on the U.S. economy and U.S. workers and businesses.

Unfortunately, tariffs fail to promote American interests abroad, and further restrictions placed on our friends and allies, many of whom share our concerns about China, are especially misguided. Other, better tools must be found.

**Tariffs subject American farmers and other exporters to foreign retaliation.** According to the U.S. Department of Agriculture, previous tariffs cost farmers and ranchers billions of dollars.<sup>[11]</sup>

There’s a larger constitutional issue at play here. The president’s immense powers to set tariff rates fly in the face of the Constitution’s clear vesting of such powers in Congress.<sup>[12]</sup> This is a clear violation of numerous foundational principles upon which our system is based, including the notion that the legislature – the people’s branch – ought to control taxing and spending. Of course, negotiating trade deals with other countries involves the powers of the presidency, but the framers would not have intended such negotiations to occur without congressional input and assent.

To restore constitutional balance, we urge Congress to enact laws enshrining these principles such as the *No Taxation Without Representation Act*, the *Global Trade Accountability Act*, or the *Prevent Tariff Abuse Act*. This will preserve the flexibility that comes with presidential engagement by placing Congress back in the driver’s seat, as the Framers intended.

We urge President-elect Trump and the Republican majorities in each chamber of Congress to reject tariffs and focus instead on pursuing the kinds of policies that proved so effective in his first term, such as tax reform, energy production, deregulation, and government efficiency.

Sincerely,

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<sup>7</sup> <https://www.wsj.com/articles/trade-deficit-tariffs-cass-economics-industry-fc9fd0c7>

<sup>8</sup> <https://reason.com/2024/06/19/trump-said-tariffs-would-reduce-the-trade-deficit-instead-it-grew/>

<sup>9</sup> <https://www.cato.org/publications/trade-balance-winning-trade#how-then-should-we-judge-trade-deficit>

<sup>10</sup> [https://ustr.gov/sites/default/files/2022 National Trade Estimate Report on Foreign Trade Barriers.pdf](https://ustr.gov/sites/default/files/2022%20National%20Trade%20Estimate%20Report%20on%20Foreign%20Trade%20Barriers.pdf)

<sup>11</sup> <https://www.ers.usda.gov/publications/pub-details/?pubid=102979>

<sup>12</sup> <https://constitution.congress.gov/browse/article-1/section-8/clause-1/>

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