



FREE TRADE AND COMMERCE

Trade is foundational to a free society. It connects people, fosters cooperation, and generates wealth and opportunity. Free trade with free nations gives Americans access to products that can't be produced as cheaply here and expands markets for U.S. firms. When lawmakers inhibit free trade with free nations, they limit consumers' access to affordable products and make it harder for domestic businesses to sell their products abroad. America's politicians have increasingly abandoned the principles of free trade under the misguided notion that blocking commerce would protect jobs.

Most economic activity involves foreign trade in some way, even activities occurring entirely within America's borders. A mom shopping at a Dallas grocery store may buy bananas imported from Costa Rica and coffee from Ethiopia. A Detroit factory worker may assemble vehicles that will be sold in Canada using parts from Mexico. An Idaho carpenter building a deck may use Canadian lumber and Korean nails. A Florida doctor may prescribe a medicine that was developed jointly in American and Swiss labs and manufactured in Germany using active ingredients sourced from seven other countries.

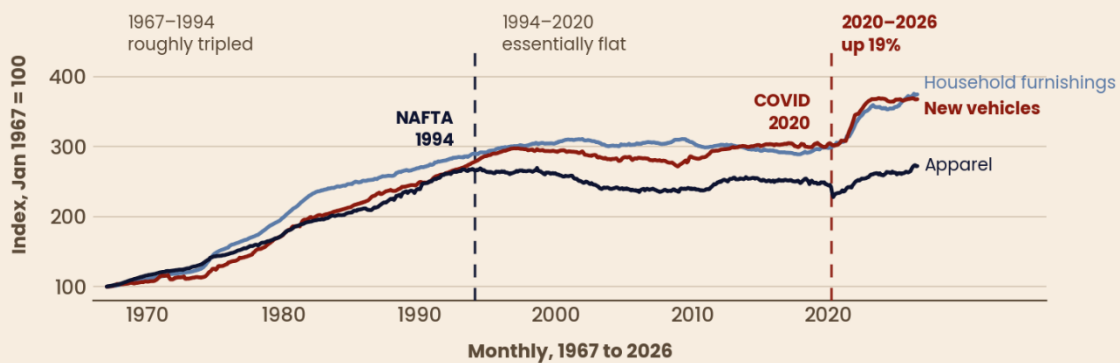
Americans have relied on foreign trade from the time of the nation's founding. Even before U.S. independence, the Pilgrims traded extensively with the American Indian tribes, as well as the merchants arriving periodically on vessels from the Old World. Trade was so important that Britain's tight control of American trade helped spark the American Revolution and its interference in U.S. trade and impressment of sailors on U.S. merchant vessels spurred the War of 1812 a few decades later.

As transportation costs have fallen and communications have improved, the potential gains from trade have only increased. American companies are stronger when they aren't limited to buying and selling in U.S. markets. Unnecessary barriers to trade with friendly nations—including tariffs (taxes on imports), quotas (limits on quantities of imported goods), domestic content requirements, and bans on foreign competition—hurt America's competitiveness. While a few companies and industries may benefit from the government making it harder for Americans to buy from or sell to people in other friendly nations, they do so at the expense (literally) of most of the rest of the country. Instead of running away from global competition, America should embrace competition and trade as the path to a stronger economy, more resilient companies, and a more affordable future.



Prices of these consumer goods tripled pre-NAFTA, then were mostly flat until COVID

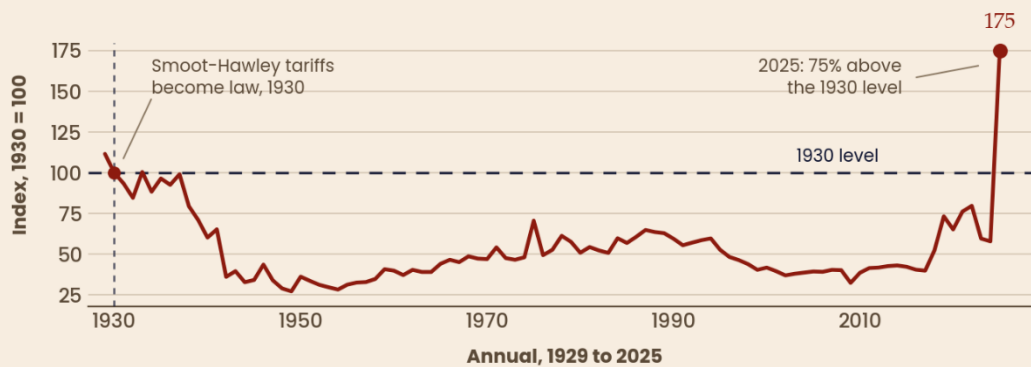
Consumer prices for traded goods, January 1967 = 100



Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: New Vehicles (CUSR0000SETA01), Apparel (CPIAPPSL), and Household Furnishings and Operations (CUSR0000SAH3) — via FRED, indexed to January 1967 = 100. NAFTA took effect January 1, 1994; the COVID marker is March 2020. Indexes are nominal.

Tariffs now take a larger share of the economy than Smoot-Hawley did

Customs duties as a share of GDP, indexed to 1930 = 100



Source: U.S. Bureau of Economic Analysis, Federal Government Current Tax Receipts: Customs Duties, and Gross Domestic Product — via FRED. Customs duties as a % of GDP, indexed so that 1930 = 100. The chart measures tariff revenue relative to the economy, not the average tariff rate.