Negative Brief: Inflation Tariff Reduction

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AFF Plan cuts tariffs to "fight inflation." It's misguided because tariffs have nothing to do with causing inflation, and long term would make things worse.

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Negative: Cutting Tariffs to Fight Inflation

HARMS / SIGNIFICANCE

1. Tariffs don't raise US consumer prices

Cost of US consumer goods isn't raised by tariffs and can't be lowered by reducing tariffs.

Bill Parks 2022. (*founded NRS Inc., an Idaho-based sporting goods manufacturer*) 7 June 2022 BOSTON HERALD "Parks: TV pundits peddle misguided cure for inflation" (accessed 2 Dec 2022) https://www.bostonherald.com/2022/06/07/bhr-l-parks-oped-0607/

It used to be that “everyone’s a critic.” But these days, everyone is an armchair economist. Right now, every TV pundit believes he or she has the solution for America’s high inflation rate. And some are urging an end to U.S. tariffs on China in order to curtail higher prices. But they’re missing the bigger picture. Cutting tariffs won’t meaningfully affect consumer prices. Instead, it will simply hurt working Americans in the long run. CNN’s Fareed Zakaria offers a perfect example. He believes that repealing tariffs will reduce inflation. His assumption is that tariffs invariably raise prices — since they’re a “tax” on goods. To make his point, Zakaria says that, if the cost of an imported good rises due to tariffs, then domestic manufacturers will also raise prices — simply because they can — to exploit any possible profit. That’s nonsense. America’s manufacturers have long since pared expenses to the bone in order to compete with China’s heavily subsidized production. Zakaria cites automobiles as an example — but he should know that Ford and GM have already offshored much of their production to cut costs. And so, in a tight economy, domestic manufacturers won’t raise prices. They can’t, because they’re already struggling just to maintain market share.

2. Microscopic impact. Even if tariffs do raise consumer prices, the impact is microscopic

Link: Tariffs cost $51 billion in a $16.5 trillion economy

Derek Scissors 2021 (Senior Fellow, American Enterprise Institute) 6 Dec 2021 "China Tariffs Don’t Matter to Inflation" (accessed 2 Dec 2022) https://www.aei.org/foreign-and-defense-policy/china-tariffs-dont-matter-to-inflation/

Regarding the $51 billion tariff cost to consumers, US personal consumption expenditure this year will be about [$16.5 trillion](https://fred.stlouisfed.org/series/PCE). Addressing consumer burden through China tariffs is equivalent to telling a family spending $500 per week on food that you’re going to cut their costs by $1.55. That’s not a random amount; it’s how important China tariffs are.

Now: Do the math. It's 0.31%

51 billion divided by 16.5 trillion works out to 0.31% impact. If every tariff were eliminated and every dollar of every tariff were passed on to consumers, or saved by this plan, the net impact would be less than one-third of a percent. This plan is so microscopic in its impact that it isn't worth an hour and a half of our time to debate it and a Negative ballot is warranted on this alone.

SOLVENCY

1. Alternate causes of inflation. Tariff policies won't solve

Gasoline prices spiked due to the war in Ukraine. Tariffs have nothing to do with it

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Focusing on tariffs is misguided. The “Trump tariffs” in question were imposed four years ago — and aren’t the culprit for current inflation. Instead, prices in the United States are rising due to more obvious, real-world concerns. First, gas prices have soared since Russia’s invasion of Ukraine. And when fuel costs go up, prices for consumer goods go up, too.

300% increase in the money supply is the cause of inflation

Derek Scissors 2021 (Senior Fellow, American Enterprise Institute) 6 Dec 2021 "China Tariffs Don’t Matter to Inflation" (accessed 2 Dec 2022) https://www.aei.org/foreign-and-defense-policy/china-tariffs-dont-matter-to-inflation/

It’s odder when people don’t mention American monetary policy. In April 2020, narrow money stock M1 was [$4.77 trillion](https://fred.stlouisfed.org/series/M1SL). In April 2021, it was $18.9 trillion, nearly a 300 percent increase. Six months after that, we have inflation pressure — who’d have guessed? It’s the egg I had for breakfast that’s upsetting my stomach tonight, not the three large pizzas I had for lunch.

No link to inflation: 1) Lots of other causes 2) Things going up in price weren't hit by tariffs 3) Tariff costs aren't passed to consumers

Mara Lee 2022 (journalist) 1 Sept 2022 " Panel Debates Tariff Policy's Influence on Inflation" (accessed 2 Dec 2022) https://internationaltradetoday.com/news/2022/09/01/Panel-Debates-Tariff-Policys-Influence-on-Inflation-2209010053

Michael Stumo, CEO of Coalition for a Prosperous America, disputed the very premise that the tariffs contribute to inflation. He said that inflation didn't jump in 2018, when they went on, and that inflation in the wake of COVID has been a worldwide phenomenon. He said U.S. inflation is driven by increased costs for fuel, energy, housing, chips in new autos, and used cars, and said none of those are hit by Trump tariffs. Stumo also argued that not all of the tariffs have been passed on to consumers, that some have been eaten by Chinese producers, and some by companies that have had to cut margins to hold prices down as their input costs increase.

2. No reduction in consumer prices post-plan

Importers would not reduce their prices if tariffs went down. They'd just pocket the savings themselves

Bill Parks 2022. (*founded NRS Inc., an Idaho-based sporting goods manufacturer*) 7 June 2022 BOSTON HERALD "Parks: TV pundits peddle misguided cure for inflation" (accessed 2 Dec 2022) https://www.bostonherald.com/2022/06/07/bhr-l-parks-oped-0607/

Zakaria also believes that reducing tariffs will mean importers passing along their savings to consumers. That would be nice — the idea that importers would use a tariff reduction to lower their prices. But the real world doesn’t work that way. No business has ever willingly given its profits back to consumers. I mention this as someone who founded a sporting goods company in 1972. We’ve been buying from foreign vendors for more than 40 years — and also selling to customers in more than 50 countries. From practical experience, I can say that cutting tariffs will simply result in more money for importers, rather than a reduction in prices.

DISADVANTAGES

1. Inflation gets worse #1: Because the AFF plan distracts us from real solutions

Link: Talking about tariffs as a cause or cure for inflation is a distraction by politicians trying to avoid blame for it

Derek Scissors 2021 (Senior Fellow, American Enterprise Institute) 6 Dec 2021 "China Tariffs Don’t Matter to Inflation" (accessed 2 Dec 2022) https://www.aei.org/foreign-and-defense-policy/china-tariffs-dont-matter-to-inflation/

Second, the small set of businesses affected by tariffs are arguing their case, as they should. Their voice is amplified by free traders who see tariffs as a dangerous step, even if very small, and by politicians deflecting blame for inflation.

Link: The real solution is higher interest rates

Prof. John B. Taylor 2022 (prof. of economics at Stanford Univ.) quoted by Melissa De Witte 6 Sept 2022 "What causes inflation? Stanford scholar explains" (accessed 2 Dec 2022) https://news.stanford.edu/2022/09/06/what-causes-inflation/

The biggest misunderstanding is that people do not realize that monetary policy is a major cause of the increase in inflation. The Federal Reserve has kept its interest rate – the federal fund rate – much lower than in other recent years. It is even lower, at 2.33% than the inflation rate, which is over 7 or 8%. We have not seen such a large discrepancy since the 1970s when inflation also picked up. This extra low-interest rate, which is due to monetary policy, has been a key reason for the higher inflation rate.

Impact: Turn the Affirmative harms

If we think we're solving the problem, or even greatly contributing to solving it, by doing the AFF plan, it will make the problem worse by distracting policymakers from the real solution. It validates politicians' false claims that tariffs are causing inflation and gives them an excuse not to do real solutions. It postpones doing the real solution and whatever the impact of the Affirmative harms, it continues longer with an AFF ballot.

2. Inflation gets worse #2: Because of increased import dependence

Lack of tariffs = higher import dependence = higher inflation

Dr. Amanda Mayoral 2022 (PhD; economist with Coalition for a Prosperous America) 26 Aug 2022 "Import Dependence and Inflation - A Global Comparison" (accessed 2 Dec 2022) https://prosperousamerica.org/import-dependence-and-inflation-a-global-comparison/

For the U.S., the long-running process of offshoring industry and jobs has effectively limited our economy’s ability to reduce supply chain shocks and subsequent higher inflation. Our lack of tariffs and other trade measures, as well as our overvalued dollar exchange rate, have made the U.S. much more vulnerable to global shocks, resulting in some of the highest inflation rates globally during the pandemic.

"Lower prices" from cheap imports are outweighed by higher prices that happen long-term with dependence on imports

Dr. Amanda Mayoral 2022 (PhD; economist with Coalition for a Prosperous America) 26 Aug 2022 "Import Dependence and Inflation - A Global Comparison" (accessed 2 Dec 2022) https://prosperousamerica.org/import-dependence-and-inflation-a-global-comparison/

Proponents of free trade tend to focus on the price-reducing effect of lower tariffs and other trade barriers. A critical weakness in this argument however is that our increasing dependence on imports is a double-edged sword-we also become more vulnerable to inflationary spikes at the will of foreign actors or international markets. The data shows that import dependence has been correlated with inflation across time and countries. Many countries that were import dependent were more vulnerable to global supply shocks and as a result saw higher inflation during 2021. Many countries experienced painful inflation during COVID because they could not produce what they needed. The U.S. also experienced this problem because we chose to offshore many jobs and productive capacity.

Impact: Turn the Affirmative harms

Whatever impact the Affirmative says Inflation has, it gets worse if you vote AFF.

3. Lost jobs

Cutting tariffs = massive job loss to China

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However, Zakaria’s sheltered worldview allows him to believe U.S. manufacturers are readily competing with China — a country that massively subsidizes its state-owned factories and uses slave labor. Those ugly tactics are exactly why the United States imposed tariffs in the first place — to confront China’s appalling behavior. And not only does Beijing funnel billions of dollars to its manufacturers in a bid to undercut U.S. producers but it also hacks American companies and steals proprietary technology. The result is 3.7 million U.S. jobs lost to China over the last two decades. Zakaria has no answer for this. Instead, he sticks to pop-economics and demonizes anything attached to the Trump presidency. “Trump” may be a dirty word to many, but tariffs are not. Simply attaching the two words together is not a good reason to bring back the flawed trade policies that enabled China’s massive rise. The American people already know this. As recent polling makes clear, they overwhelmingly favor tariffs on China because they understand what’s at stake — the long-term security of the nation.

Negative net benefits: Reducing tariffs to fight inflation costs US manufacturing its ability to compete against unethical Chinese trade practices

Elizabeth Brotherton-Bunch 2022 (Senior Vice President for Communications at Alliance for American Manufacturing) 21 July 2022 " Revoking Tariffs Would Be “Ill Conceived and Inherently Flawed,” AAM President Scott Paul Tells ITC" (accessed 2 Dec 2022) https://www.americanmanufacturing.org/blog/revoking-tariffs-would-be-ill-conceived-and-inherently-flawed-aam-president-scott-paul-tells-itc/ (brackets in original) (ITC is the International Trade Commission. "Paul" is Alliance for American Manufacturing President Scott Paul)

While the ITC report won’t likely be released until next spring, the Biden administration is [said to be considering](https://www.politico.com/news/2022/07/05/biden-prepares-action-to-reshape-trumps-tariffs-on-china-00043845) revoking at least some of the tariffs in a [misguided] attempt to address inflation. As Paul [noted](https://www.americanmanufacturing.org/wp-content/uploads/2022/07/Scott-Paul-AAM-Public-Hearing-Testimony-USITC-Inv.-No.-332-591.pdf?eType=EmailBlastContent&eId=0fb93499-f5d9-4438-8d9a-88f7c470c82f) in his ITC testimony, even anti-tariff organizations like the Peterson Institute for International Economics reported that lifting tariffs won’t do all that much about inflation, predicting removing the tariffs “could” cut Consumer Price Index (CPI) inflation by just 0.26%. There is likely to be movement on the China front soon, as President Biden said on Wednesday that he is [likely to speak](https://www.cnbc.com/2022/07/21/biden-says-he-expects-to-speak-with-chinas-xi-in-10-days.html) with Chinese leader Xi Jinping within the next 10 days. “Lifting retaliatory measures before they induce reforms would be ill conceived and inherently flawed given China’s continued reliance on market distorting policies, acts, and practices,” Paul warned Thursday. “U.S. companies would be subjected to a flood of imports. It is of the utmost importance to the American manufacturing sector that the United States continue pressing for reforms that address China’s unreasonable and discriminatory acts, policies, and practices.”

4. Outsourcing to China and de-industrialization

Link: Advocates for "cutting tariffs to help consumers" have a hidden agenda. They want to increase outsourcing of US businesses to China

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Parts of American business are less interested in sparing consumers than in returning to “normal” US-China relations. This means no barriers to moving more [supply chains to China](https://moderndiplomacy.eu/2021/06/04/how-china-still-controls-the-global-supply-chains/), to investing heavily in the PRC [without disclosing](https://www.aei.org/wp-content/uploads/2020/12/American-Funding-of-China-Is-Becoming-Dangerous.pdf?x91208&x91208) who’s getting the money, to selling [dangerous technology](https://www.washingtonpost.com/national-security/china-hypersonic-missiles-american-technology/2021/04/07/37a6b9be-96fd-11eb-b28d-bfa7bb5cb2a5_story.html). China tariffs make almost no difference to inflation and matter even less to the economy as a whole. They matter most to firms who haven’t been considering the national interest.

Impacts: Deindustrialization has multiple bad impacts on society that far outweigh

Prof. John Russo and Dr. Sherry Lee Linkon 2009 (Russo - coordinator of the Labor Studies Program at Williamson College of Business Administration, Youngstown State University. Linkon - PhD; Co-Director of the Center for Working-Class Studies at Youngstown State University) (ethical disclosure: Article is undated but internally discusses current events in 2009) "The Social Costs Of Deindustrialization" (accessed 30 Nov 2022) https://ysu.edu/center-working-class-studies/social-costs-deindustrialization

Deindustrialization undermines the social fabric of communities, states and the nation. The social costs of deindustrialization include the loss of jobs, homes and health care; reductions in the tax base, which in turn lead to cuts in necessary public services like police and fire protection; increases in crime both immediately and longterm; decaying local landscapes; increases in suicide, drug and alcohol abuse, family violence and depression; declines in nonprofits and cultural resources; and loss of faith in institutions such as government, business, unions, churches and traditional political organizations. Even when workers find new jobs or when communities succeed in bringing in new employers, these new jobs often pay less, offer fewer benefits, are less likely to provide union protections and, in many cases, are temporary, contingent or parttime. Finally, widespread job loss, especially in communities that rely on just one or two industries, undermines the community's identity and sense of competence. Deindustrialized communities too often become sites of persistent struggle, creating a cycle of failure from which it is difficult to escape.

Voting Impact: Social costs of de-industrialization will outweigh the AFF plan

Prof. John Russo and Dr. Sherry Lee Linkon 2009 (Russo - coordinator of the Labor Studies Program at Williamson College of Business Administration, Youngstown State University. Linkon - PhD; Co-Director of the Center for Working-Class Studies at Youngstown State University) (ethical disclosure: Article is undated but internally discusses current events in 2009) "The Social Costs Of Deindustrialization" (accessed 30 Nov 2022) https://ysu.edu/center-working-class-studies/social-costs-deindustrialization

Deindustrialization is not a new story. Nor does it, as some have suggested, follow the traditional historical narratives about natural economic evolution. Those who have lived in deindustrialized communities have long argued that the social costs and significance of deindustrialization are larger and more lasting than the dominant economic discourse about "creative destruction" and the fading of the old industrial economy. Deindustrialization is the direct result of corporate and governmental decisions that have not only displaced millions of American workers, but also done major harm to American communities. These injuries to our cities create social and economic costs that everyone pays.