

Setting Our Country Right: Trade Policy that Works for America

I am honored to be here with you at the National Conservatism conference. Thank you for having me.

Conservatism Historically Prioritizes Domestic Production

Getting international trade policy right is fundamental to Conservatism. You might think that is an overstatement, and I suppose you could be forgiven if you were to look at the trade policy of self-proclaimed conservatives over the last three decades.

Back in 2003 or 2013, international trade did not figure prominently in discussions about conservatism. Where it was a topic of discussion, it consisted of virtue-signaling comments about promoting economic freedom and exporting market economics to China, India, and other countries. Indeed, when George W. Bush was running for President, he proclaimed his broad agreement with President Clinton on totally liberalized trade, particularly with China. Then-Candidate Bush was effusive, saying:

“The case for trade is not just monetary, but moral, not just a matter of commerce, but a matter of conviction. Economic freedom creates habits of liberty. And habits of liberty create expectations of democracy.

...

I believe that trade serves the deepest interests of our country and advances the hopes of the Chinese people for a freer society. Our greatest export is not food or movies or even airplanes. Our greatest export is freedom. The people of China stand ready to receive it.”

We could be tempted to say in retrospect that this sentiment was quaint, but in reality, it was very damaging to our country and the conservative cause. So-called free trade has not brought democracy to China or anywhere else, nor has it led to peace. Bush’s hubris in attempting to bring democracy to Iraq was matched only by his expectation of bringing market economics to China – both quixotic misadventures that were incredibly harmful to our country, economy, and culture. I can say that, as someone who served in Iraq and deals with China every day.

As it turns out, George Bush’s alignment with Bill Clinton on free trade was an anomaly. Throughout American history, the usual conservative position was clear. The 1992 presidential election is known for Ross Perot’s insurgent campaign, which rightly focused on preventing the debacle that became NAFTA. President Reagan often praised trade, but his pragmatism prevailed when he imposed tariffs (and threatened to impose tariffs) on Japanese imports. President Nixon is famous for imposing a global tariff of 10% because increasing imports were preventing us from keeping enough hard currency in the country. And Teddy Roosevelt made his views on international trade very clear, commenting in 1895 as follows:

“Thank God I am not a free trader. In this country pernicious indulgence in the doctrine of free trade seems inevitably to produce fatty degeneration of the moral fiber.”

As Teddy Roosevelt described, an over-reliance on so-called free trade undermines production and creates a debtor society. It’s a lay away program using our children’s inheritance as the payment. There is nothing conservative about that at all.

I will talk in more detail about the history of the conservative movement and international trade policy, but I wanted to set up this contrast at the outset. The goal of trade policy should not be to make the most trade deals or drive efficiency at all costs. It should be to support American workers and families — to support a conservative society.

As conservatives, it has been drilled into us to lament that politics is downstream from culture.

But consider: culture itself is downstream from economics.

If we want a conservative culture we need to create a conservative economic system.

The Production Economy and American Tradition

What we need to create is a Production Economy.

What do I mean by this? A Production Economy is oriented around production rather than consumption as an end in itself. Such an economy emphasizes a large middle class that makes and grows rather than a small elite that extracts, reallocates, and squanders.

America became great because for most of our history we had a Production Economy.

In the beginning, our Founders debated vigorously the economic order of the new Nation. They knew that just like they had carefully crafted our system of government to promote our values and safeguard our liberties, it was also necessary to set the contours of a domestic economic system which would do the same. This required careful attention to international trade. The Constitution specifically set out authority for the new government to “regulate commerce with foreign nations.” Liberal international trade was not the default setting. The founders knew that other nations should not automatically benefit from free access to our market.

The debates between Thomas Jefferson’s nation of farmers and Alexander Hamilton’s nation of manufacturers resulted in a practical compromise: we would be both. Whether through toil on the land or labor in the factory, we would be a nation of Producers.

Even in their commitment to the yeoman farmer, the Jeffersonians recognized the need for industrial might to maintain our independence. Although he valued work on the land above all else, Thomas Jefferson warned against industrial dependence on foreign powers in the lead up to what became the War of 1812.

The Hamiltonians agreed. Alexander Hamilton had argued that America needed tariffs and industrial policy to promote manufacturing and allow our young country to develop without being subject to the coercive economic policy of the British Empire.

Eventually, that view was perfected by Henry Clay. His unique model, called the *American System*, combined tariffs and state support for industry with a belief in the power of a large, internal, free market. We guarded access to that internal market very carefully, particularly because other nations were not party to our country's social contract – the U.S. Constitution. Our Constitution is our most important free trade agreement.

Clay saw how European powers were flooding American shores with cheap goods created by armies of exploited workers with inputs extracted from abused colonies. As these imports crushed our young factories, Clay reminded the country that “the object of wise governments should be...to protect the industry of their own citizens against the policy of foreign powers, as to give to it the most expansive force in the production of wealth.”

Thankfully America took this advice for most of its history, and became a Production Economy *par excellence*. By World War II, Bethlehem Steel and its subsidiaries were able to produce more steel than the Axis powers combined. Could we do that now, for steel or other goods critical to our national security?

As recently as the 1980s, our leaders understood the need for America to produce. A young Donald Trump warned of deindustrialization, taking out a full-page ad in the New York Times to decry how “Japan and other nations have been taking advantage of the United States” and demanding that the government take action to “end our vast deficits.”

President Reagan took action. He imposed quotas on imports of Japanese cars, put tariffs on foreign steel and other products, and used the threat of even larger tariffs to convince the world to join the Plaza Accord in order to realign distorted exchange rates.

It is no surprise then that the libertarian Cato Institute, in 1988, called Reagan “the most protectionist president since Herbert Hoover.” The aggressive intervention worked – Japanese automakers moved their operations to the United States, creating more than 100,000 new American jobs at more than 300 new production facilities within a decade. That success continues today, with Japanese automakers continuing to rank among our largest domestic employers. Our trade deficits went down, and the erosion of our industrial base began to reverse.

Across this *longue durée*, America grew at a breakneck pace, and emerged with breathtaking prosperity.

The Trap of the Debtor Economy

However, between the early 1990s and 2016, our leaders – including those that considered themselves conservatives – forgot the lessons of our past. They abandoned a Production Economy and pursued a Debtor Economy to curry favor with big business and our trading partners.

These leaders made a series of decisions that unwound the delicate balance of our once-conservative society. We signed away our sovereignty by opening our borders to unprecedented, and nearly unlimited, flows of foreign labor, capital, goods, and services. We voluntarily dismantled our defenses, and outsourced the rules to a system overseen by a World Trade

Organization in Switzerland. U.S. trade policy was essentially implemented on autopilot by Washington bureaucrats to comply with directives from unelected judges in Geneva.

Establishment politicians and policymakers did not consider how this radical opening and global hyper-integration would affect American workers, families, and communities. They did not remember the words of President McKinley, who said: “Free trade will bring widespread discontent. It will revolutionize values.”

People like President Clinton promised that if we opened our market, then all the nations of the world would follow. They assumed that when we took down our trade barriers, other countries would reciprocate and buy a surge of American exports. And we were told that in the process the rest of the world would become like us.

This did not happen. Neoliberalism did not make the world embrace free-market economics, just like neoconservatism did not bring democracy to Iraq or Afghanistan. Instead of exporting our way out of a trade deficit we sank deeper into the hole.

We lost 5 million manufacturing jobs and over 60,000 factories as cheap goods flooded our market from countries like China. But we didn’t shift to making more valuable goods, like we were supposed to according to the economists. The communities that are the lifeblood of our conservative society did not switch from making steel to making semiconductors. In far too many cases, they went from being vibrant manufacturing ecosystems and hubs of production to concentrations of welfare, poverty, and — in many cases — widespread despair.

The foreign opening did not really happen. Some countries reduced some tariffs, to be sure, but they just switched to non-tariff barriers to accumulate surpluses and wealth at the expense of regular Americans and the working class. They crafted regulations that made it nearly impossible for American goods to enter their market, conditioned sales in their countries on American companies moving production, intellectual property, and know-how there, and manipulated their currency to gain an unfair advantage.

But they also doubled down on precisely the things that made their societies different from ours. Americans had fought for high wages and labor rights that allowed them to support their families and buy the products they were making. Americans had rallied to preserve their environment, so their children could hunt in preserved forests and swim in pristine lakes and streams. Employers had to find a way to make an honest buck without dumping poisons or abusing their workers — and in exchange those workers helped them build innovative products that were sold in countless thriving communities across the country. That was part of the unwritten compact that allowed us to have a conservative society.

Yet, other countries chose — for reasons of history, culture, or pure greed — to play by different rules. Their workers were desperate and exploited and their environment choked with refuse. There is a Great Pacific Garbage Patch floating in the middle of the Pacific Ocean that is made up of plastic and trash flowing into the sea from Asian rivers. Companies operating in places like that could naturally make things cheaper than companies that had to play by our rules. I’m not here to advocate for extensive regulation, but we have basic standards that cannot be traded away. This arbitrage was repackaged by “very serious people” at our universities and media as a

natural “comparative advantage.” And one by one, our factories shut down under the weight of this so-called competition.

Now, even though our policymakers were making all of the wrong decisions, the truly conservative position continued to be championed, even though it was not embraced in Washington. The names Pat Buchanan and Ross Perot are familiar to you – they warned about the excesses of free trade. A young Deputy U.S. Trade Representative named Bob Lighthizer left the Reagan Administration and spent the 1990s as a voice in the wilderness warning against China, the World Trade Organization, and the outsourcing of American productive capacity. He, of course, later became the United States Trade Representative in President Trump’s first term and helped execute President Trump’s vision of transitioning back to a Production Economy.

Even though employment generally rebounded by the 2010s in the regions that had been hit hardest by the initial import surge, the new jobs were primarily in low-wage service work. And the people taking the new jobs were not the ones who had lost their old jobs.

I am not spouting polemics – there are data and credible studies showing this from people who may not agree with my politics. Native born black and white workers without a college education experienced permanent employment declines. Those workers in Michigan did not leave to find better jobs elsewhere or become home health nurses in Arizona. Instead, they got stuck, fell out of the workforce, and — far too often — became depressed, addicted to drugs like Fentanyl, and got sick. Our disability rolls swelled, and once-prosperous communities got poorer, more precarious, and less stable.

We went from being a nation of producers to a country of debtors. Our government borrowed to fund ever-growing entitlement spending and welfare. People loaded up on debt to keep up their lifestyles as wages decoupled from productivity and economic growth. Foreigners were happy to extend the credit. We specialized in allocating capital for a fee rather than generating it, and we financed our own decline. Like Esau in the book of Genesis, we traded our birthright and its long-term promise for the instant gratification of a mess of pottage.

Fueled by welfare and foreign credit, the show went on. But society began to erode. The heartland became a rust belt. The streets became less safe. Our divides seemed to get sharper. People reverted into tribes, and latched onto ever thinner slices of their identity to define themselves. The stock market went up, large multinational corporations reaped greater profits, and the richest Americans became even better off.

Companies ignored trade deficits because they were making money on both sides of the border, while for normal people the trade deficit manifested as factories moving from Wisconsin to Mexico or Asia. Indeed, the rest of America felt itself sliding into a permanent, hopeless, underclass.

I understand how too many of our young people lost their faith in an environment like that. It is not hard to see why divisive ideologies specializing in victimization took off in a culture of alienation.

Pursuing a Conservative International Trade Policy

So how do we correct course, take our country back, and encourage a Production Economy that can sustain American greatness? And what role does our trade policy play in that project?

The short answer might just be to say tariffs. Tariffs play a key role, but one word on the subject would be unsatisfying. Instead, I will give you three words — sovereignty, solidarity, and balance.

I'll explain each in turn.

Sovereignty

None of what we are talking about would be possible without our sovereignty. How can we have a conservative economy, conservative culture, or conservative politics if we don't have a sovereign country that controls its own destiny?

Sovereignty is a mix of autonomy and resilience.

Our autonomy is what protects our unique system of government. In America, the people decide the great issues of the nation — not foreign powers or international bureaucrats. This includes having an autonomous trade policy, and our trade policy must put America First.

But until President Trump's first election, this was considered blasphemy by the prophets of the Washington Consensus on globalization.

For years, the Appellate Body at the World Trade Organization nullified every American attempt to protect its workers and guard against the rise of China. Over multiple decades, foreign interests and their U.S. allies have undermined America's efforts to ensure our goods are treated fairly.

For example, jurisdictions with hefty Value Added Taxes, like the European Union, rebate them for exports. This gives an advantage to their producers abroad. The United States does not do this. This is because every time the United States attempted to give our producers an export advantage, like every other country does for their producers, judges in Geneva ruled our policy a breach of international trade rules. After losing time and again, by the early 2000s leaders in Washington gave up, stopped pursuing competitive parity for our exports, and made peace with America Last.

We should be furious about this! How could the most powerful country in the history of the world meekly accept an arrangement where the people making and growing things in America got fewer benefits than those making and growing things abroad?

In the first term, President Trump shut down the Appellate Body so that it couldn't continue to chip away at our sovereignty. Today, when people ask me about the WTO, I tell them: we have them right where we want them.

Sovereignty also means resilience. A country which relies on its adversaries for all of its medicine, critical minerals, and semiconductors cannot be said to be fully independent.

Take rare-earth magnets, a technology that was invented and initially developed in America. In the 1990s, a Chinese company offered to buy Magnequench, an Indiana company which produced the rare-earth magnets supplying U.S. auto companies and the defense industrial base. The United States government raised national security concerns at the time, but frustratingly said those concerns were not significant enough to stop the transaction. U.S. policymakers agreed that China could have America's rare earth magnet supply chain as long as they kept the factory in America for five years.

You know how this story ends. At the five-year mark, China picked up the factory, laid off the American workers, and moved the whole operation across the Pacific. And now, since April, China has been trying to choke the global supply of those same magnets that are vital to our industrial base. We are taking action to address this risk, including through direct government investment in MP Materials to accelerate rare earth production. It has never been more urgent to develop a Production Economy. We will not allow this to happen again.

President Trump's efforts to reshore manufacturing are motivated by the same spirit that caused him to stop the activist lawyers at the WTO — America needs its sovereignty back if we are going to be Great Again.

Solidarity

Sovereignty gives us the policy space necessary to promote national solidarity. As a member of the Church of Jesus Christ of Latter-Day Saints, I know how sovereignty and solidarity go hand in hand. Pressured and persecuted, the early Church was built on a combination of faith in God and the virtues of self-reliance.

To protect themselves in those early days in Utah, Brigham Young encouraged "every one of the Latter-Day Saints, male and female, [to] decree in their hearts that they will buy of nobody else but their own faithful brethren, who will do good with the money they will thus obtain." Writing to General Thomas Kane in 1869, a non-member who supported the church, Young made the following point regarding the international trade debate of the day:

"Eastern Senators need fear no opposition from us to a Protective Tariff, on the contrary, it is one of the very measures we would most desire. The development of Home Industry is of the first importance whether to the Commonwealth at large or to this Territory, & every measure that will protect it from foreign competition demands our hearty support."

This philosophy manifested itself in local cooperatives and textile mills. Today, members of the Church are known for strong families and our commitment to community.

An atomized nation can't long endure. People of all religions, races, creeds, and lines of work need to appreciate again that we are one people working together to prove the benefits of self-government.

Trade is neither good nor bad. It is just a means to an end, and not an end in itself. We cannot choose to pursue a model of completely open trade and let the economy run on autopilot regardless of the consequences. We need to choose the society that we want, and the trade

policy needs to create an economy that supports that. Trade should be in service of something greater. Keeping manufacturing at home builds national solidarity, then, because we recognize that the price we pay for our products isn't just lining the pocket of some multinational corporation. Instead, it is invested back in our communities.

Our current economic model pits producers against consumers. A country where the benefit of the buyer comes at the expense of the worker will descend into degradation. This is why George Washington wore an American-made suit at his inauguration. It's why we steward taxpayer dollars with Buy American laws. It is why people are upset when I tell them that nearly all the American flags they see waving in our streets are actually made in China.

In Abraham Lincoln's view public policy needed to promote a "harmony of interests" where increased manufacturing productivity led to rising wages and improved outcomes for all Americans. It is no coincidence that Lincoln banished slavery and demanded tariffs in the same breath.

Balance

Lastly, the roots of a conservative economy — a Production Economy — are found in the notion of balance.

America consumes a lot. In fact, our disproportionate consumption power is one of the attributes that makes our economy fairly resilient and gives us tremendous leverage in trade negotiations.

Our weakness is not consumption *per se*, but that so much of what we consume is produced abroad. The result is every year we give 1.2 trillion of our dollars to our trading partners. That's how large our trade deficit was in 2024. Now, many of those dollars come back. But they often come back as speculation and debt, or the acquisition of U.S. assets, not productive or greenfield investment. We are selling away our children's stake in the future of our economy for cheap stuff and executive pay days.

Our addiction to imports contributes to the indebtedness of our country. It is not sustainable. This is why President Trump has taken action to reduce government spending and imposed tariffs and made deals to tackle the national emergency caused by our enormous trade deficit.

This has already led to results. We have made deals with trade partners that cover 40% of our trade. These are not trade deals in the traditional sense, where we eliminate tariffs on both sides. Those countries are accepting higher tariffs on their products while lowering their own tariff and non-tariff barriers. They are dismantling labor and environmental arbitrages, investing in new U.S. plants, purchasing billions of dollars of American goods, and aligning with us on economic and national security.

We made history at the Turnberry Resort in Scotland, where the European Union acknowledged the legitimacy of our concerns, and we joined together to lay the foundation for a new trade order based on fair and balanced trade that supports national sovereignty. It will take more time to build out the resulting Turnberry System, formalize its rules, and expand it to cover the rest of

our important trade partners. But we are making unprecedented progress at breathtaking speed. By producing more, we can bring our economy — and that of the world — into balance.

Path Forward

By taking action quickly in his second term, President Trump is building a production economy that will support the fundamentals of our conservative society.

When I say a conservative society, I don't necessarily mean one that always votes for Republicans — though I hope so. What I mean is a society that cares about family, the elderly, and the sick. One that respects the dignity of all people and supports communities. A society that values an individual's relationship with God.

Our job is to make a conservative society possible. We have to make sure our economy supports that goal.

I know many conservatives like to persuade by reference to thought experiments or Greek philosophers. I'm not really an intellectual in that vein. As with so much of President Trump's agenda, achieving a Production Economy is really just about common sense.

Who has ever taken their country back by giving it away? No one.

So, I ask you to join our project. Let us give our country the economy we once had — and deserve again. Buy American clothes, cars, and computer chips! Invest your money in American industry! If you are bold enough, go start that industry yourself!

Americans did not elect anyone in Geneva, Brussels, or Beijing to tax our firms, regulate our industries, or set our economic policy. Americans elect their own leaders, so that assembled in Congress, the White House, or State Capitols across the country they can make those decisions for themselves. That is the work of a free and independent people. It is the work that I help support as the U.S. Trade Representative. And it is the work that will set our country right.

Thank you for joining me.