

China's Economic Strategy Is Not Determined by Judges.

by William E. Jackman, PhD, September 2026

This essay is posted in the Economics section at

<https://jackmanstatistics.com/commentary.html>

Contents

1. Our economic predicament (emergency) in 2026, p. 2
2. The Economic Challenge We Face in 2026, p. 5
3. The Status Quo has not been working for us., p. 6
4. Tariffs, a Necessary but Insufficient First Step.
Tariffs must be part of a National Economic Strategy., p. 6
5. Judges impede the development of U.S. economic strategy., p. 8
6. The Supreme Court is effectively determining U.S. economic policy., P. 9
7. China's economic strategy is not determined by judges., p. 10
8. China is a less litigious nation than the United States., p. 11
9. Further Discussion of Tariffs, p. 15
10. The modern, contrarian view of 19th century tariffs, p. 19
11. Details on the 1870 U.S. tariffs on British steel, p. 20
12. In 2026, the main trade deficit issue America faces is not British steel,
but imports of non-food, consumer goods., p. 21
13. In 2025, imports of capital goods shot up due to
surging investments in AI Infrastructure., p. 22
14. Is AI going to help the U.S. reduce our untenable trade deficit? p. 23
15. Consumer goods are the main driver of our overall goods trade deficit., p.24
16. Will tariffs that worked for steel work for microwave ovens? p. 24
17. The United States needs a National Economic Strategy, p. 27
18. Consumer goods manufacturing industries our CEOs have left us., p. 28
19. American EV makers in the 21st century are like American steelmakers in the 19th
century., p. 29
20. Conclusions: An Economic Crisis. We must do something., p. 36

This essay is an extension of my January 2026 essay

"Tariffs, a Necessary but Insufficient First Step"

Posted at <https://jackmanstatistics.com/commentary.html>

Even most Americans who oppose President Trump's tariffs agree that the United States is in a serious economic predicament (emergency).

Do our Supreme Court Justices agree?

1. Our economic predicament (emergency) in 2026

- Fifty consecutive years of growing negative balances in international trade
 - Eroded industrial capacity
 - Borrowing to maintain our standard of living
 - Untenable National Debt
 - Jeopardized Credit Rating
-
- **Our “golden” anniversary of deficits in international trade.**
In 2025, the United States marked its **50th** anniversary (its **golden** anniversary) of deficits in international trade. **The U.S. has bought more than we sold in international trade for 50 consecutive years, starting in 1976.** A business that incurred consecutive annual losses, i.e., annual expenditures exceeding annual revenues, would go bankrupt and be out-of-business in a few years. But the U.S. government can keep going by borrowing (mainly by selling Treasuries), at the cost, however, of driving up our national debt.

Astounding growth in our fifty years of international trade deficits.

US trade deficit in **2025** was \$901.5 billion but was just 9.2 billion in **1976**. **So, our trade deficit in 2025 is 98 times what it was in 1976.**

$\$901.5 \text{ billion} / 9.2 \text{ billion} = 97.98$

- **Eroded industrial capacity:** The United States no longer has the industrial capacity* to make a wide array of consumer goods, so Americans buy imported consumer goods.
- **Borrowing to maintain our standard of living:** **Because we spend more than we make** (we import much more than we export), America borrows to maintain our standard of living. We do this mainly by borrowing from foreign nations and investors by selling them **U.S Treasuries** which are essentially loans from investors to the government,

promising repayment with interest. The total value of U.S. Treasuries outstanding was around **\$38.45 trillion**, as of mid-January 2026. (Note: The total value of U.S. Treasury securities outstanding is approximately equal to the total U.S. public debt outstanding, as the national debt is almost entirely composed of these issued securities.)

As of early September 2026, total U.S. public debt outstanding reached approximately **\$40.08 trillion**. So, total U.S. public debt rose **1.63 trillion (\$40.08 trillion - \$38.45 trillion)** in a bit less than nine months (4.2% in nine months or **5.6%** on an annualized basis).

- **Untenable National debt:** Our massive trade deficit drives our national debt. When a nation has **positive** net income from international trade (i.e., it earns more than it spends in international trade), government can tax this net national income (net earnings) to provide essential services such as maintaining roads, providing local and national security services, and providing social services. However, when a nation has **negative** net income from international trade, government must borrow to provide essential services.

Annual U.S. budget

The 2025 annual U.S. budget deficit ballooned to a near-record **\$1.3 trillion** (as of April **2025**). An annual budget deficit occurs because government spending exceeds the amount of money being raised. The Congressional Budget Office projects the total annual deficit for the entire **2026** fiscal year to be approximately **\$2.1 trillion**.

So, the **annual** U.S. budget deficit is forecast **to grow a remarkable \$0.8 trillion (61.5%)** between 2026 and 2025. $(\$2.1 \text{ trillion} - \$1.3 \text{ trillion}) / \$1.3 \text{ trillion} = 0.615$

National Debt

Each **annual** budget deficit adds to the **National Debt** which is the sum of all the money borrowed over time, plus the accumulated interest owed to investors on those securities. On **August 12, 2025**, the U.S. national debt hit a milestone of **\$37 trillion**. This milestone arrived years ahead of older projections and came just months after the country crossed the \$36 trillion mark in November 2024. About

one year later (as of **September 2026**), the U.S. national debt stands at approximately **\$40.08 trillion**. It grew **\$3.08 trillion (8.3%)** in about one year, \$40.08 trillion - \$37 trillion = \$3.08 trillion, \$3.08 trillion/\$37 trillion = 0.083 or 8.3%.

- **Jeopardized Credit Rating:** There is growing evidence that our “credit rating” which enables us to keep borrowing to maintain our standard living is in jeopardy.

From Part II of my January 2026 essay, “Tariffs, a Necessary but Insufficient First Step,” p. 93, Social and Business Characteristics, Social Stability,.

“There is evidence that the United States is increasingly perceived by some as a less stable country for foreign investors due to growing political polarization, which encompasses issues like race and immigration protests, policy uncertainty, and trade tensions.”

[https://jackmanstatistics.com/documents/Tariffs_a_Necessary_but_Insufficient_First_Step_\(Jan_2026\).pdf](https://jackmanstatistics.com/documents/Tariffs_a_Necessary_but_Insufficient_First_Step_(Jan_2026).pdf)

* Diminished industrial capacity (from above). **“There's no capacity.”**

From my 2019 Labor Day essay, p. 12.

The loss of manufacturing expertise and facilities “

“A second concern about the trade deficit [in addition to our growing indebtedness itself] is the statement it makes about the competitiveness of the U.S. economy itself. By purchasing goods overseas for a long enough period, U.S. companies lose the expertise and even the factories to make those products. Just try finding a pair of shoes made in America. As the United States loses competitiveness, it outsources more jobs and its standard of living declines.”

“There’s no capacity,” says Lena Phoenix. The above comment about “finding a pair of shoes made in America” recalled to me a *New York Times* report entitled “Footwear maker seeks manufacturing options”, September 9, 2019. Lena Phoenix and her husband have a thriving footwear business they founded in their home in Colorado. They have had the manufacturing of their footwear done in China. However, President Trump’s tariffs on imported goods from China have prompted them and other footwear companies to leave China. But they have not considered moving their manufacturing to the United States. “There’s no capacity,” Phoenix said. So, instead they are considering moving it to Vietnam,

Bangladesh, Indonesia, or Kenya.

2. The Economic Challenge We Face in 2026

Clyde V. Prestowitz, an economist, is an expert on Asia and globalization and the economic competitiveness of the United States. He has written some ten books on these subjects, and I have read many of them – cover to cover. Prestowitz is the founder and President of the Economic Strategy Institute. He served as counselor to the Secretary of Commerce in the Reagan Administration.

Prestowitz views China as a profound economic and strategic challenger to the United States, detailing this in his book *The World Turned Upside Down: America, China, and the Struggle for Global Leadership*. Regarding the China challenge, Prestowitz emphasizes “that we are talking about the most difficult and dangerous external challenge the United States...” has “ever faced.” (Prestowitz, 2021, p. 258)

“He says the United States “has steadily lost economic, industrial, technological, and governance competitiveness over the past fifty years.” (Prestowitz, 2021, p. 276)

Prestowitz exhorts us:

“In sum, it is time for Americans and especially their leaders to realize they have been drawing down their inheritance from World War II and the Cold War for too long. Now, they are once again back to the real nitty-gritty world of tough competition and constantly shifting power balances, a world in which there is little if any margin for error. The advantages of being the world’s largest economy, of being the printer of the world’s main currency reserve, and of maintaining the world’s most advanced and widely spread military establishment will not be enough to save us from decline and to assure the independence and freedom of our sons and daughters. We must up our game.” (Prestowitz, 2021, p. 290)

How do China and the United States stack up?

I provided major coverage of this topic in my January 2026 essay.

- | | |
|--|-------|
| 1. China: The World’s Manufacturing Superpower | p. 15 |
| 2. China: High-tech, Low-tech, and Everything In-Between | p. 16 |
| 3. China: The Safest Harbor | p. 18 |

4. Computer Manufacturing	p. 19
5. Chips (semiconductor) Manufacturing	p. 22
6. Mobile Phones Manufacturing	p. 29
7. Rare Earths Mining and Processing	p. 38
8. Ships Manufacturing	p. 42
9. Shortage of Factory Workers-Education Mismatch	p. 45
10. Robotics Manufacturing	p. 47
11. Batteries Manufacturing	p. 50
12. EV Chargers Manufacturing	p. 50
13. Home Appliances Manufacturing	p. 51
14. Apparel Manufacturing	p. 53
15. Textiles Manufacturing	p. 59
16. Toys Manufacturing	p. 66
17. Fireworks Manufacturing	p. 72
18. Social and Business Characteristics	p. 78

3. The Status Quo has not been working for us.

For at least 50 years, America's economic competitiveness has eroded, and we must take a different approach "to save us from decline and to assure the independence and freedom of our sons and daughters. We must up our game." (Prestowitz, 2021, p. 290

What economic steps can we take to pull us out of the serious economic predicament (emergency) we are stuck in? From my January 2026 essay

[https://jackmanstatistics.com/documents/Tariffs_a_Necessary_but_Insufficient_First_Step_\(Jan_2026\).pdf](https://jackmanstatistics.com/documents/Tariffs_a_Necessary_but_Insufficient_First_Step_(Jan_2026).pdf), pp. 97-121.

4. Tariffs, a Necessary but Insufficient First Step.

Tariffs must be part of a National Economic Strategy.

In this essay, I discussed the pros and cons of tariffs with the condition that tariffs must be part of a National Economic Strategy. (Toward the end of this current essay, I include further discussion of the pros and cons of tariffs.)

President Donald Trump has imposed tariffs on goods imported from countries that have large trade surpluses with the United States (i.e., they sell us a whole lot more than we sell them which is an untenable relationship for the United States over the long term.). For example,

- During his **first administration** (Jan 20, 2017 until Jan 20, 2021), Trump proposed tariffs ranging from **10% to 25%** on goods imported from China.
- During his **second administration** (beginning January 20, 2025), Trump threatened to impose tariffs of **up to 145%** on China and other countries that have large trade surpluses with the United States, including tariffs of 46% on Vietnam and 26% on India.

These tariff rates have been negotiated down

China: U.S. Tariffs on Chinese Imports

Tariff rates for Chinese imports into the U.S. vary widely by product, but many goods face an effective aggregate rate often ranging from roughly 30% to over 100% depending on the specific item and applicable laws

Vietnam: U.S. Tariffs on Vietnamese Imports

- **General Rate:** A flat additional duty of **12.5%** applies to most goods imported from Vietnam into the U.S. under the Section 301 forced-labor framework.
- **Metal Tariffs:** Section 232 tariffs apply at **50%** for articles wholly made of steel or aluminum and **25%** for derivative metal products.
- **Transshipment Penalties:** Goods transshipped through Vietnam to evade origin rules face much higher punitive duties. (*Vietnam Economic Times*)

India: U.S. Tariffs on Indian Imports

Imports from India into the United States face a general baseline tariff rate of 10% under Section 301 measures implemented in July 2026, following earlier fluctuations and an interim framework.

Having to go it alone because the U.S. Congress is apparently unconcerned.

President Trump is wrong on a lot of issues, particularly those relating to the environment and global warming. But he has been right in his long-term concern about our untenable foreign trade deficit and about the accompanying loss of our industrial

capacity. It appears, unfortunately, that members of the U.S. Congress do not share his concern about these matters. So, Trump and the executive branch **have had to act alone to enact tariffs to try to stanch our economic bleeding**. In contrast, during the Civil War, President Lincoln had the support of Congress when the U.S. imposed tariffs on British steel to help our young and struggling domestic steel industry (to be discussed later).

5. Judges impede the development of U.S. economic strategy, but do not base their decisions on economic criteria.

As mentioned above (and to be discussed further at the end of this essay), **tariffs are one option** to deal with the economic predicament (emergency) American faces in 2026. This is an economic predicament of the “**real economy**.” The Supreme Court judges and other judges have blocked President Trump’s efforts to impose tariffs. However, the judges’ rulings have **not** been based on looking at the “**real economy**,” but rather on looking at legal precedents.

The Supreme Court based its ruling strictly on statutory interpretation and the legal limits of executive authority, rather than on the real-world economic impact of the tariffs.

The Legal Focus

- In a 6-3 decision, the justices examined the text of the International Emergency Economic Powers Act (IEEPA).
- The Court found that emergency powers allow a president to block or regulate trade during a crisis, but they do not give clear permission to raise tax revenue.

What the Court Did **Not Do**

- The justices did not study how the tariffs affected consumer prices, jobs, or inflation.
- They did not decide whether the trade policy was smart or helpful for businesses.
- They focused only on whether Congress gave the President explicit permission to create import taxes.

Lacking the knowledge to consider economic criteria in their decision

Not only did the Supreme Court not consider economic criteria in their decision, but Chief Justice John Roberts admitted the justices lack the knowledge to do this. While delivering the

opinion, Roberts explicitly stated that while the Court is "**not an expert in economics and not an expert in foreign policy**," its constitutional mandate is to step in and decide whether a president has exceeded their lawful power. [1]

The three dissenting Justices argued that determining economic policy is **not** the role of the Supreme Court.

Justice Kavanaugh noted in his dissenting opinion that **debates on economic and tariff policy are not** for the judiciary to resolve. Joined by Justices Clarence Thomas and Samuel Alito, Kavanaugh emphasized that policy debates regarding tariffs belong to the political branches rather than the courts.

6. By blocking President Trump's proposed tariffs, the Supreme Court is effectively determining U.S. economic policy.

Our current economic path is untenable, and America must become more economically competitive to maintain our standard of living for present and future generations. Tariffs could have been a first step in implementing a new American economic strategy to make us more competitive globally. But the Supreme Court has thwarted this, so we are back to square one, the status quo, which is untenable. **The Supreme Court is effectively determining U.S. economic policy.**

The Supreme Court has also brought us refund turmoil and high refund administrative costs.

Not only has the Supreme Court blocked a new American economic strategy to make us more economically competitive, but it has set us back even further by creating refund turmoil, with high costs of the refunds themselves and high administrative costs to process the refunds.

The U.S. government has paid out more than \$100 billion in tariff refunds to corporate importers following the Supreme Court ruling that struck down the original import taxes, as detailed by Yahoo Finance.

Where the Money Is Going

- **Corporate Payouts:** Large retailers and tech companies have collected billions of dollars in refunds from U.S. Customs and Border Protection (CBP).
- **Top Recipients:** Walmart received \$2.9 billion, Apple collected \$2.2 billion, Home Depot got \$730 million, and Amazon received \$600 million.

- **Company Plans:** Most major corporations are keeping the funds to protect profit margins or support general operations. Companies like Walmart and Amazon have launched limited temporary price cuts instead of direct consumer rebates.

What Consumers Can Expect

- **Direct Checks Unlikely:** Everyday shoppers who paid higher retail prices do not qualify for direct government refund checks because corporations were the official importers of record.
- **Shipper Portals:** Some shipping and delivery networks, such as FedEx, have set up tracking tools—outlined by CBS News—where certain customers can check if specific shipping import charges qualify for a pass-through refund.
- **Political Pushback:** Lawmakers have proposed bills like the Tariff Refund Act of 2026 to redirect funds or prioritize small businesses, but these efforts have not passed.

Current Administrative Challenges

- **Processing Backlogs:** Lawmakers recently sent a letter to CBP urging them to clear administrative delays.
- **System Hurdles:** Many small and mid-sized businesses face technical and logistical hurdles setting up online accounts to claim their owed funds from CBP.

7. China's economic strategy is not determined by judges.

China's Supreme Court is **not** the supreme arbiter checking the power of the ruling government.

While China has a Supreme People's Court, it functions more as a centralized, hierarchical bureaucracy that manages the lower courts, issues legal interpretations, and handles specific high-level cases, rather than a supreme arbiter checking the power of the ruling government. (Council on Foreign Relations)

China is not ruled by an independent judiciary or lawyers.

China is not ruled by an independent judiciary or lawyers in the way the United States is. Instead of "rule **of** law" (where law limits the state), China operates under "rule **by** law," where the Communist Party uses the legal system as an instrument of control. The judiciary is

subordinate to the legislature and the Party, not a co-equal branch.

(William & Mary Law School)

Key Differences in China's Legal Structure:

- **Subordination to Party/State:** The Supreme People's Court (SPC) is accountable to the National People's Congress (NPC), not a separate branch of power, and must implement Party policy.
- **No Independent Judicial Review:** Chinese courts cannot declare laws unconstitutional or strike down legislative actions. The power to interpret the Constitution and law rests with the NPC Standing Committee.
- **Civil Law System:** Unlike the U.S. common law system, Chinese courts do not rely on binding precedents set by higher courts; rather, they apply statutes, with the SPC issuing judicial interpretations and "guiding cases".
- **Role of Judges:** Judges are often tasked with mediating disputes in line with state interests rather than acting as neutral arbiters of constitutional rights, and they must uphold the leadership of the Communist Party.
- **Party Oversight:** The legal system is designed to maintain social stability and enforce state policies, and the Party maintains final oversight over significant legal matters.

(Harvard Law Review)

8. China is a less litigious nation than the United States.

(Litigious describes someone or something prone to lawsuits, overly eager to take legal action, or relating to legal disputes; it implies being argumentative or contentious, often excessively so, as in a "litigious society" or a "litigious person" who readily sues others.

The United States has a higher, more active, and more costly litigation culture compared to China, particularly in terms of business disputes and high damages.

Here is a detailed breakdown comparing the two:

Litigation in the United States

- **High Costs and Damages:** The U.S. has the highest liability costs as a percentage of GDP compared to other surveyed countries, with costs 2.6 times higher than the Eurozone average.
- **Lawsuit Volume:** Approximately 40 million lawsuits are filed annually in the U.S.
- **Per Capita Rate:** The U.S. ranks around 5th globally for lawsuits per capita, with about 74.5 lawsuits per 1,000 people.
- **Key Drivers:** The U.S. legal system is characterized by "nuclear verdicts" (verdicts surpassing \$10 million) and a very high number of lawyers per capita.
- **Culture:** Litigation is considered a routine part of business, with minimal barriers to filing a suit.

Litigation in China

- **Different Legal Culture:** In China, litigation is less common in business, often seen as a last resort due to potential reputational damage in a smaller business circle.
- **Lower Damages:** While Chinese courts handle cases, monetary damages awarded are generally much lower than in the U.S.
- **Faster Process:** Chinese courts operate under strict, shorter statutory time limits, with first-instance cases often completed within six months.
- **Government Control:** Chinese courts are subject to party policy, which influences how cases are handled and, in some cases, can create higher uncertainty, making parties less likely to seek legal action.

Comparison of Key Differences

- **Culture:** US business culture views litigation as routine, while Chinese culture tends to prioritize settlement to avoid damaging business relationships.
- **Judgments:** Enforcing U.S. judgments in China is often difficult due to the lack of an enforcement treaty, requiring new lawsuits to be filed in China.
- **Efficiency:** Despite common myths, the Chinese legal system is not necessarily a "time-consuming nightmare," and in some cases, the World Bank ranks China higher than the U.S. in contract enforcement.

Conclusion:

While China has a high number of cases in absolute terms due to its population size, the **United States is considered more litigious** in terms of the cost, frequency, and intensity of lawsuits, particularly in business and civil matters.

The United States has 7.5 (750%) times the number of lawyers per capita as China (2024 data).

United States

Lawyers in US in 2024:	1,322,649
Population of the U.S. in 2024:	340,110,000
Lawyers: U.S. per 100,000 people	38.9

China

Lawyers in China in 2024:	731,637
Population of the China in 2024:	1,419,321,278
Lawyers: China per 100,000 people	5.2

The United States has 7.5 times (750%) the number of lawyers per capita as China (2024 data).

Lawyers per 100,000 people, 2024: U.S./China ratio $38.9 / 5.2 = 7.5$ (750%)

Dealing with the volume of business lawsuits in the United States is costly and diverts businesses from their core functions.

However, it is not only business that are impacted. The public sector is also impacted.

From a report by Chase Hunter in the *East Bay Times*, November 24, 2025, pp. A1, A6:

ALAMEDA COUNTY. Residents pay for aggressive legal posture.

Strategy has resulted in millions of dollars in attorney, settlement fees.

“A hawkish litigation strategy in Alameda County has led to costly courtroom battles, wracked

up millions of dollars in attorneys' fees and incurred multimillion-dollar settlements for which taxpayers have footed the bill, according to numerous lawyers who've sued the county."

From a report by Sharon Bernstein of *THE SACRAMENTO BEE* that appeared in the *East Bay Times*, March 26, 2026, pp. B1, B3.

LEGAL BATTLES, California racking up costs in its Trump fights.

"In just over a year since Trump took office, the state has filed more than 60 lawsuits against his administration and joined about 60 more as an amicus, or "friend of the court." California was also named as a defendant in at least eight lawsuits filed by the administration.

"It is an extensive effort that hasn't come cheap.

"Lawyers and other workers at the California Department of Justice devoted 92,212 hours working on lawsuits and policy letters related to the Trump administration in the 2024-25 budget cycle, at a cost of \$20.4 million, a state budget request submitted by the department shows.

"That's enough work to keep 44 people employed full-time for a year, yet the majority of those hours were concentrated in just the five months from Trump's inauguration through the end of the fiscal year in late June 2025."

"During the Biden Administration, in the 2022-2023 fiscal year, California lawyers and support staff spent about 8,500 hours on federal accountability issues, the budget request shows. The following year, 2023-24, they worked almost the same number of hours, and were allocated about \$3.5 million for their work.

"But in the very next fiscal year, which included just five months of the incoming Trump administration, such legal work required 92,212 hours – eleven times more than the entire previous year. That work cost \$20.4 million, more than the \$16.7 million that had been allocated.

"The additional \$10 million the department is requesting would pay for two supervising attorneys, 25 attorneys, 3 senior legal analysts and one associate governmental program, the request says."

This wouldn't happen in China.

A situation like this wouldn't happen in China. The provincial courts (China's counterpart to the California Department of Justice) would not inundate the National People's Congress (NPC) with lawsuits that are expensive (in terms of human resources expended) and that impede the ability of the NPC to carry out its functions.

9. Further Discussion of Tariffs

From my January 2026 essay "Tariffs a Necessary but Insufficient First Step", (pp. 98-102):

What are tariffs? Tariffs are taxes imposed by a government mainly on imported **goods**. The **two main goals of tariffs** are

1. **Protecting Domestic Industries:** Tariffs shield local businesses and jobs from unfair foreign competition, particularly against dumping (selling goods below production cost). They are often used, particularly in lesser-developed countries, to nurture "infant industries" until they are strong enough to compete globally.

In the case of an advanced economy like the United States that has seen its manufacturing sector wither, tariffs can be used to try to revive industries that used to be strong like computer manufacturing and appliance manufacturing but have withered.

2. **Generating Revenue:** Governments collect these taxes which can be used to partially offset the United States' federal budget deficit.

Tariffs can also be used to

- **Influence Foreign Policy (Diplomatic Tool):** Tariffs can be deployed as economic sanctions to pressure other nations over issues like treaty violations, trade disputes, or national security concerns.
- **Correct Trade Imbalances:** By making imports more expensive, they aim to reduce imports and encourage consumption of locally produced alternatives.

Generating revenue

Although the first goal – **reviving American manufacturing** – is the primary motivation for U.S.

tariffs, the second goal of generating revenue is important also, particularly since it can be used to partially offset the United States' federal budget deficit.

Tariffs are like a temporary sports handicap

Tariffs are like a **temporary** sports handicap for diminished American manufacturers.

What is the purpose of a handicap in sports and games?

To create a level playing field by offsetting different abilities of competitors. A disadvantage is imposed on the superior competitor to make the competition closer.

- **Examples:**

- **Horse Racing:** The faster horse is required to carry extra weight.
- **Golf:** Less skilled players receive extra "strokes" that are added to their score, while highly skilled players are assigned fewer strokes, or sometimes even negative strokes (a "scratch" player).
- **Sailboat Racing:** A time penalty is added to a faster boat's actual finishing time.

A Temporary opportunity to revive and strengthen American manufacturing

The main goal of Trump's tariffs on imported goods is to give nascent American manufacturers **and** existing American manufacturers who once were strong but have withered a temporary opportunity ("breathing room") to revive and strengthen American manufacturing to be able to compete against China on cost and quality. Without the temporary protection of tariffs, most American manufacturers are at a strong disadvantage competing against China given its established economies of scale and the its other advantages [cited in my January 2026 essay]. The goal is that American consumer manufacturers will get stronger and eventually be able to compete with China and other foreign manufacturing companies **without** the help of tariffs.

The United States used tariffs in the 19th century.

Tariffs were crucial to the United States in the 19th century for economic protection, revenue generation, and political power dynamics, and for shaping the nation's industrial growth and trade policies. During the 19th century, tariffs served primarily to protect emerging American industries from foreign competition. As the U.S. transitioned from an agrarian economy to an industrial one, tariffs were implemented to encourage domestic manufacturing by making imported goods more expensive. This protectionist approach was championed by figures like

Alexander Hamilton and Henry Clay, who believed that tariffs were essential for nurturing "infant industries" and reducing dependence on European imports.

Revenue generation in the 18th and 19th centuries.

In the early years of the Republic, tariffs were a significant source of federal revenue. The government relied on tariffs to fund its operations, especially before the establishment of an income tax. The Tariff of 1789 was one of the first laws passed by the new federal government, aimed at raising funds while also protecting domestic industries. Over time, the average tariff rates fluctuated, but they remained a critical component of the federal budget.

(Thomson Reuters)

Lincoln and Congressional Tariff Policy

During the 1860s, President Abraham Lincoln and the U.S. Congress dramatically raised tariffs to protect domestic manufacturing and to fund the American Civil War.

- **Early Support:** Abraham Lincoln was a lifelong supporter of Henry Clay's "American System," which favored high protective tariffs and internal improvements. Lincoln, who described himself ideologically as a "Henry Clay tariff Whig," firmly believed in the economic philosophy of protectionism. This theory argued that young domestic industries need a temporary shield against mature foreign monopolies. Tariffs protected the American steel industry from cheaper European steel, allowing it to grow and prosper. This protection was key in building a domestic steel industry that could compete with and eventually surpass European powers.
- **The Morrill Tariff:** Passed by Congress and signed into law in March 1861, the Morrill Tariff raised rates on dutiable imports from about 21% **to over 36%**.

The United States used tariffs significantly during the post-Civil War era.

During the **post**-Civil War era, the United States maintained exceptionally high tariffs on manufactured goods—frequently averaging between **40% and 50%** on dutiable imports.

- **The Tariff Wall:** Legislation like the **Tariff Act of 1870** specifically targeted British steel rails by imposing a heavy \$28 per ton duty, effectively wiping out the price advantage that cheaper European steel once held in the American market. This protected tariff window allowed American giants like Carnegie Steel to adopt modern technologies like

the Bessemer process, scale operations, and eventually lower prices below British levels by the late 1890s.

- **British steel makers were forced to lower their prices significantly in the late 19th century.** British steel makers were forced to lower their prices significantly in the late 19th century in a desperate attempt to not lose their largest export market, the United States, due to high U.S. protectionist tariffs and due to being aggressively undersold globally by a highly efficient, rapidly expanding American steel industry.

- **The U.S. surpasses Britain to become the world leader in steel.**

In 1875, Britain was an undisputed titan, accounting for about 40% of global steel production, with a massive chunk of that output exported directly to the U.S. to build its burgeoning rail infrastructure. By 1896, protected by tariff walls, the U.S. surpassed Britain to become the world leader in steel, and British exports to America effectively plunged to near zero. A article in the Economic History Review argues that *“the total volume of British exports to the United States was significantly affected by American tariffs during the interval from 1870-1913.”* -- [[Economic History Society](#)].

A review of history: Britain, a former industrial and economic giant

Many Americans do not think of Britain as a top-tier manufacturing or heavy industrial superpower, and indeed it no longer is. But it was in the 19th century, and Americans without knowledge of history may not appreciate this. **Britain was the dominant global and economic superpower for nearly the entire 19th century.**

Key Pillars of British Power

- **Naval Supremacy:** The Royal Navy controlled the world's seas and trade routes, giving Britain unmatched global influence.
- **Industrial Leadership:** As the birthplace of the Industrial Revolution, Britain became known as the "workshop of the world" with advanced manufacturing and railways.
- **The British Empire:** Britain governed the largest empire in history, spanning roughly a quarter of the Earth's land and population.

- **Financial Dominance:** London served as the financial capital of the world, funding global trade and foreign projects.

10. The modern, contrarian view: 19th century U.S. tariffs may have appeared to work but were unnecessary and maybe even counter-productive.

Did Lincoln and the U.S. Congress impose tariffs unnecessarily on British steel?

As explained above, tariffs appear to have helped America catch up with and pass Britain in industrial output. During the 1860s, President Abraham Lincoln and the U.S. Congress dramatically raised tariffs to protect domestic manufacturing and fund the American Civil War. Abraham Lincoln was a lifelong supporter of Henry Clay's "American System," which favored high protective tariffs and internal improvements. **But modern economists say the tariffs were unnecessary.**

Modern economists, including Dartmouth's Douglas Irwin, argue that the U.S. steel industry would have become globally dominant even without high tariffs. They contend that America's true competitive edge came from the discovery of massive iron ore deposits near Lake Superior.

An answer to economist Douglas Irwin

While it is true that the United States possessed unparalleled deposits of iron ore, President Abraham Lincoln and the U.S. Congress imposed heavy tariffs on British steel and iron during the 1860s because the American steel industry was still an "infant industry" that lacked the technology, capital, and infrastructure to compete with Great Britain's massive head start. Having natural resources in the ground is not the same as having the industrial capacity to mine, transport, and refine them. In the 1860s, Britain was the undisputed industrial superpower of the world, utilizing advanced mass-production methods like the Bessemer process long before the U.S. could deploy them at scale.

Ultimately, the natural resources were the *fuel*, but the 19th-century tariff system acted as the *incubator*. By making British imports more expensive, the U.S. forced its own market to fund the construction of its domestic industrial base. By the turn of the 20th century, this protected environment allowed U.S. steel production to skyrocket from just 22,000 tons in 1867 to over 11 million tons by 1900, officially eclipsing Great Britain.

(It is astounding that U.S. steel production in 1900 was over 500 times what it was in 1867)

22,000 tons (in 1867) = 0.022 million tons (in 1867)

11 million tons plus in 1900 / 0.022 million tons in 1867 = 500 times plus)

President Abraham Lincoln and the U.S. Congress did not want to wait 30 years for results.

The massive iron ore deposits near Lake Superior economist Irwin refers to is the Mesabi Range of northeastern Minnesota discovered in 1890 with commercial shipments beginning soon after in 1892. The Mesabi Range became the largest and most productive iron range in the United States, providing the majority of iron ore used in U.S. steel production. **But President Abraham Lincoln and the U.S. Congress wanted results in the early 1860s, not 30 years later.**

11. Details on the 1870 U.S. tariffs on British steel.

In 1870, Britain was the absolute global leader in metallurgy, and British steelmakers held a significant lead in advanced commercial technologies (such as the new Bessemer Process) and economies of scale over American steelmakers. American steelmakers lacked these advantages, so could not compete on price with British steelmakers.

American steel was almost twice as expensive as British steel.

American steel makers charged about \$61 per ton for domestic steel rails around 1870. But British steel makers sold imported steel rails to American customers for about \$31 per ton. So, American steel was almost twice as expensive per ton as British steel.

(\$61 per ton/\$31 per ton = 1.97)

Even with the massive tariff, British steel remained nominally cheaper.

The Tariff Act of 1870 specifically targeted British steel rails by imposing a heavy \$28 per ton duty, effectively wiping out the price advantage that cheaper European steel once held in the American market. The \$28 specific duty functioned as an astronomical **90% tariff** and raised the total cost of imported British steel rails to **\$59 per ton**. (\$31 + \$28 = \$59, \$59/\$31 = 1.90 or a 90% tariff). Even with this massive protectionist levy added, British steel was still priced just below the domestic market, as American-made steel rails were selling for **\$61 per ton**.

Americans steelmakers break through.

Though British steel remained nominally cheaper by \$2 per ton, the tariff successfully narrowed the massive price gap. This protected tariff window gave American giants like Carnegie Steel the

financial breathing room to adopt modern technologies like the Bessemer process, scale operations, and eventually lower prices below British levels by the late 1890s. Consequently, U.S. domestic steel production expanded exponentially over the subsequent decades.

12. In 2026, the main trade deficit issue America faces is not steel, but imports of non-food, consumer goods. What worked in the late-19th may not work today.

From 87% to over 99% foreign-made

A vast majority of common non-food, consumer goods bought in the U.S.—such as clothing, electronics, and household appliances—are imported, with specific product categories ranging from **87% to over 99% foreign-made**.

Import Rates by Category

- **Small Appliances & Electronics:** Most common household items are heavily reliant on overseas manufacturing, predominantly from China. Some examples: Importation reaches **99% for toasters, 97% for baby strollers**, virtually **100% for irons**, and roughly **100% for microwave ovens**.
- **Clothing and Footwear:** Only **2% to 3% of clothing** and roughly **1% to 3% of shoes** purchased by Americans are actually made in the United States.

In recent years, imports of consumer goods have constituted between **65% to 70%** of the **overall U.S. goods trade deficit**, with **capital goods** imports making up most of the balance. **2024** was consistent with this trend.

From my January 2026 essay (based on **2024** data, the most recent available at the time)

Breakdown of the U.S. Goods Trade Deficit in 2024

- **Total Goods Trade Deficit:** \$1.213 trillion
- **Consumer Goods:** \$547.8 billion (45% of the total)
- **Capital Goods:** \$323 billion (27% of the total)
(Note: Capital goods are physical, man-made assets that businesses use to produce other goods or services.)
- **Automotive Vehicles and Parts:** \$302 billion (25% of the total)

Automotive Vehicles and Parts are considered a category within **Consumer Goods**.

Consumer goods are products purchased by individuals for personal use and satisfaction, and automobiles and their parts fall into this definition.

So, **Consumer Goods** share of the total U.S. goods deficit in 2024 was **70%**.

- **Consumer Goods:** \$547.8 billion (45% of the total) plus
- **Automotive Vehicles and Parts:** \$302 billion (25% of the total) equals

Consumer Goods Total 70%

**13. Marked increase in share of capital goods imports in 2025
due to surging investments in AI Infrastructure (e.g., data centers).**

The share of **capital** goods imports of **overall** goods imports jumped from **27%** in **2024** to **35.2%** in **2025**, a **30%** increase ($35.2\% / 27\% = 1.30$ or a 30% increase).

In dollar terms, the percentage increase in imported capital goods was markedly greater, 3.5 times greater in 2025 than in 2024 (or \$807 billion more).

Dollar value of imported capital goods in 2025 = \$1.13 trillion (or \$1,130 billion)

Dollar value of imported capital goods in 2024 = \$323 billion (or \$0.323 trillion)

Dollar increase: \$1.13 trillion (2025) - \$0.323 trillion (2024) = \$0.807 trillion (or \$807 billion)

Percentage increase: \$1.13 trillion (2025) / \$0.323 trillion (2024) = 3.5

Surging investments in AI Infrastructure is driving capital goods imports.

The increase in capital imports in 2025 had been driven by surging investments in AI infrastructure (e.g., data centers), resulting in tens of billions of dollars more in imported computer hardware and related tech components in 2025 compared to 2024.

AI is pushing up the U.S. trade deficit

The massive surge in **capital** goods imports for artificial intelligence infrastructure is significantly pushing the U.S. trade deficit up. AI-related hardware, computers, accessories, and semiconductors drove capital goods imports to record highs, such as reaching \$140.3 billion in a single month.

- **Impact on the Deficit:** Analysts note that without this massive wave of tech and AI infrastructure imports, the U.S. goods trade deficit for 2025 could have been nearly \$200 billion smaller.
- **Global Supply Chains:** These critical capital inputs primarily arrived from key manufacturing partners like Taiwan, South Korea, Japan, Malaysia, and Vietnam.

It is dismaying.

Many Americans know that our CEOs have long since offshored **consumer** goods manufacturing. But it is dismaying to see the extent to which our CEOs have **also** offshored **capital** goods manufacturing.

14. Is being a leader in AI going to help the U.S. reduce our untenable trade deficit and national debt and increase our national wealth?

The theory that some AI enthusiasts support is that the U.S. doesn't have to try to compete with other nations like Taiwan, South Korea, Japan, Malaysia, and Vietnam in making physical things such as AI-related hardware, computers, accessories, and semiconductors. Rather, the U.S. can concentrate on providing other higher-level services (brainwork) such as design and software (e.g., the transition of Silicon Valley to Software Valley).

Software which includes AI has **not** been shown to be a strong export product.

Going into debt (i.e., increasing our trade deficit) to import physical capital goods for AI infrastructure (e.g., data centers) does **not** seem prudent given that software which includes AI has **not** been shown to be a strong export product. I covered this subject on pp. 15-17 of my December 2019 essay "Economic Competitiveness: A Requirement to Maintain and Enhance our Standard of Living. MACA: Make American Competitive Again."

https://jackmanstatistics.com/documents/2019_Economic_Competitiveness,_the_Key_to_Our_Standard_of_Living_Dec%202019.pdf

Eamonn Fingleton also covered it wonderfully (pp. 37-67) in his 1999 book *In Praise of Hard Industries*.

It will be even harder now to make money from software exports given the prevalence of open-source software.

When I wrote my 2019 essay and when Eamonn Fingleton wrote his 1999 book, open-source software (i.e., free) was rare. You had to pay for licenses to use programming languages and word processing, and companies carefully guarded the use of their software products. But even then, it was hard for companies to make money on software as an export product.

It is much harder today for companies to make money on software as an export product. Open-source software is exceptionally prevalent today and serves as a foundational building block for modern technology. A wide range of artificial intelligence software, frameworks, and models are offered as open-source. It is hard to make money on software that others are giving away for free.

15. Consumer goods are still the main driver of our overall goods trade deficit.

From above, “In recent years, imports of consumer goods have constituted between 65% to 70% of the overall U.S. goods trade deficit, with capital goods imports making up most of the balance.” In 2024, consumer goods share was 70%. In 2025, due to a surge of investment in AI infrastructure, e.g., data centers, the share of capital goods imports rose to about 35%, so consumer goods share dropped to about 65%. Many analysts think that the surge in capital goods investment in AI infrastructure is not sustainable. So, consumer goods share of the overall U.S. goods trade deficit will likely return to about 70%.

16. Will tariffs that worked for steel in the 19th century work for consumer goods such as microwave ovens in the 21st century?

Recall from above that **British steel makers were forced to lower their prices significantly** in the late 19th century in response to legislation like the Tariff Act of 1870 which specifically targeted British steel rails by imposing a heavy \$28 per ton duty and effectively wiped out the price advantage that cheaper European steel once held in the American market. This was an application of Henry Clay's "American System" which held that young domestic industries need a temporary shield against mature foreign monopolies. Tariffs protected the American steel industry from cheaper European steel, allowing it to grow and prosper. This protection was key in building a domestic steel industry that could compete with and eventually surpass European powers.

Facts about microwave ovens:

- Today more than 90% of U.S. households own a microwave oven. Most Americans use the appliance daily to reheat leftovers, defrost, or cook quick meals.
- Americans typically need to replace their microwave ovens every 7 to 10 years. Standard models last about 7 to 8 years on average with regular daily use, but budget or heavily used units may only last 3 to 5 years, especially in large households with heavy use.
- Americans spend approximately \$3.66 billion to \$4.04 billion per year on purchasing new microwave ovens, according to market data compiled for 2024–2026
- Almost 100% of microwave ovens bought by Americans for their residences are imported, the vast majority from Asia, primarily China.
- Virtually 100% of the money Americans spend on microwave ovens (\$3.66 billion to \$4.04 billion per year) **contributes to our massive trade deficit.**

The United States used to manufacture microwave ovens in large quantities, and in that era most purchases of microwave ovens by Americans did not drive our massive trade deficit (which underlies our national debt). Moreover, since the value-added by labor in manufacturing flows to where the workers are located, it used to flow to workers in the United States, not to those in China.

Why can't U.S. factories compete with Chinese factories in making microwave ovens?

U.S. factories struggle to compete with Chinese factories in making microwave ovens and other small appliances because China has an integrated supply chain, lower production costs, and advanced manufacturing clusters that the U.S. has lost.

Tariffs that were effective in the 19th century to nurture American steelmaking would not be effective in the 21st century to revive American microwave oven manufacturing.

American consumers have no one for to turn to.

Tariffs in the 19th century on British steel

Tariffs in the 19th century protected the American steel industry from cheaper European steel, allowing it to grow and prosper. For example, after the Tariff Act of 1870 was enacted, American steel no longer cost twice what British steel cost. So, **American companies could turn to domestic steelmakers** because there were significant domestic steelmakers.

Tariffs in the 21st century on microwave ovens

Tariffs in the 21st century on microwave ovens from China would **not be effective** as were tariffs on British steel in the 19th century because today there are negligible domestic manufacturers of microwave ovens. So, when tariffs are imposed on Chinese microwave ovens, making their price higher than their American-made counterparts, **American consumers cannot turn to lower-priced domestic manufacturers** of microwave ovens because **there virtually are none**.

Maximizing growth, profit, and shareholder value but not our national interests

It is dismaying to realize the extent to which America's CEOs, driven by Wall Street to maximize growth, profit, and shareholder value, have outsourced America's microwave oven manufacturing and allowed what was left of it to atrophy.

**What our CEOs have done to America's microwave oven manufacturing,
they have also done to our other American non-food, consumer-products.**

Tariffs to compete with lower prices offered by foreign manufacturing providers

Foreign providers today offer lower prices on most non-food, consumer goods than their American counterparts – if they exist. The way the tariffs used to work is that they would raise the prices of imported goods to make them the same or higher than the prices of counterpart American goods. So, American consumers would buy the American-made products instead of the foreign-made products, thus stimulating American consumer manufacturing.

Foreign providers today are **insulated from** the effect of tariffs.

Today, however, our foreign providers of non-food, consumer goods do not have to lower prices in response to tariffs to make their prices competitive with lower-prices American-made goods because the availability of such American-made goods is negligible or non-existent. American consumers have **no one to turn to** except foreign providers who are **effectively insulated** from the effect of tariffs.

HOW DID THIS COME TO BE?

Driven by Wall Street, our CEOs have offshored our non-food, consumer manufacturing.

The careers and pay of American CEOs are dependent on the growth of sales, profits, and shareholder value. Wall Street is watching them. American CEOs have been able to: grow sales, profits, and shareholder value; enhance their careers and pay; and please Wall Street **by**

offshoring our non-food, consumer goods manufacturing to cheaper manufacturing locations.
And sadly they have done a thorough job.

17. The United States needs a National Economic Strategy.

It would not have happened if the U.S. had a national economic strategy.

The offshoring of our industrial base by American CEOs has not been constrained by a national economic strategy. National economic strategies allow private companies to make a profit and look after their shareholders' interests, but not at the expense of our national interest. Virtually all our top economic competitors, including those with whom the U.S. runs large to massive trade deficits, follow a national economic strategy. Our economic competitors do not allow private companies to decimate a country's industrial base by offshoring it to increase of sales, profits, and shareholder value and then fifty years later expect the U.S. Government to pay to reshore it.

Our competitors with a national economic strategy are beating us.

From my January 2026 essay, p. 29,

"Without a strategy, a country is always at a disadvantage"

An example: **Robotics**

"In 2015, Beijing made it a top priority for China to become globally competitive in robotics as part of its Made in China 2025 campaign to import fewer advanced manufactured goods.

"Industries received almost unlimited access to loans from state-controlled banks at low interest rates as well as help in buying foreign competitors, direct infusions of government money and other assistance. And in 2021, the government issued a detailed national strategy for expanded deployment of robots.

"You can see how well that strategy worked out; without a strategy, a country is always at a disadvantage," said Susanne Bieller, the general secretary of the robotics federation.

Chip manufacturing nations with a national economic strategy

Other leaders in in global chip manufacturing (Taiwan, South Korea, Japan, and China, but not the United States) have national economic strategies. One of the goals of their national economic strategies is to have a strong domestic chip manufacturing industry. These countries also have a vibrant private sector that strives to make a profit. But these private companies are

constrained by national economic strategies. None of these nations would have permitted their private chip companies to offshore chip manufacturing to increase profits and then fifty later expect the government to pay to reshore it. Of the five leaders in in global chip manufacturing given previously (Taiwan, South Korea, Japan, China, and the United States), only the United States has a predominantly laissez-faire economy in which the government tends not to interfere in what private companies do to increase profits such as offshoring chip manufacturing but then the government is expected to pay to reshore it.

18. What have our CEOs left us?

**Non-automotive consumer goods manufacturing industries in the United States
in which American companies are still significant participants:**

These are industries with low value added by the manufacturing process.

For tariffs to work as they worked for American steel in the 19th century, they must be applied to industries in which American companies are still significant participants. Are there still non-automotive consumer goods industries in the United States in which American companies are significant participants?

There still are some, but the bad news is that these American-made products are those for which the final value of the product after the manufacturing process is mainly from the material inputs, not the value-added by the manufacturing process. Asian manufacturers concentrate on products where the final value of the product after the manufacturing process comes mainly from the value-added by the manufacturing process, not from the material inputs.

The United States still manufactures a substantial percentage of its consumed food and beverages, household cleaning products, and basic paper and personal care goods.

Food and Beverages

- **High domestic share:** The food and beverage processing is one of the largest domestic manufacturing sectors.
- **Reason:** Short shelf lives, heavy shipping weights, and strict local agricultural regulations make importing most everyday foods impractical.

Household and Personal Care (Consumer Packaged Goods)

- **High domestic share:** Companies in the consumer-packaged goods (CPG) sector produce a large portion of items like laundry detergents, soaps, and paper tissues locally.
- **Reason:** High bulk-to-value ratios mean local production plants near population centers are more cost-effective than trans-oceanic shipping.

19. American EV makers in the 21st century are like American steelmakers in the 19th century.

Tariffs helped American steelmakers in the 19th century.

They are saving American EV makers in the 21st century.

As discussed earlier, most of our consumer goods manufacturing industries have been decimated by offshoring directed by our CEOs, and what remains of these industries has withered away and become negligible. The example used above is microwave oven manufacturing. As discussed earlier, tariffs imposed on foreign providers of microwave ovens theoretically make their prices higher than their American-made counterparts. But since there are negligible or no domestic manufacturers of microwave ovens, tariffs will not be effective with microwave ovens as they were with British steel in the 19th century.

Electric Vehicle (EV) manufacturing.

Still a viable U.S. consumer goods manufacturing industry

Unlike for other non-food, consumer goods manufacturing industries, the **U.S. still has a viable EV manufacturing industry**. Like in the 19th century when the U.S. had ample steelmakers who competed against British steel imports, today there are ample American car companies which manufacture fully electric vehicles (EVs), ranging from major legacy automakers to EV-exclusive startups.

Major Legacy Automakers

- **General Motors (GM):** Produces electric models across its domestic brands, including Chevrolet (Silverado EV, Blazer EV, Equinox EV), Cadillac (Lyriq, Celestiq, Vistiq), and GMC (Hummer EV, Sierra EV).
- **Ford Motor Company:** Builds popular electric vehicles like the Ford F-150 Lightning pickup and the Mustang Mach-E SUV.

- **Stellantis North America:** Offers American-market electric options and plans deeper electrification across brands like RAM and Jeep.

EV-Exclusive American Brands

- **Tesla:** The largest dedicated American EV manufacturer, producing the Model 3, Model Y, Model S, Model X, and Cybertruck.
- **Rivian:** Builds the R1T pickup truck and R1S SUV, with more affordable models in development.
- **Lucid Motors:** Manufactures luxury high-performance electric sedans like the Lucid Air.
- **Startup/Niche Manufacturers:** Smaller companies like Canoo and Aptera Motors design specialized or consumer EVs.

EVs: An Industry of the future for American EV makers to grow into.

Interest in and sales of electric vehicles (EVs) have surged globally due to the conflict in Iran and the closure of the Strait of Hormuz.

Impact on Fuel Prices and EV Demand

- **Spike in Fuel Costs:** The military conflict and subsequent blockage of the Strait of Hormuz—a crucial transit route for a massive portion of global oil—sent petrol and diesel prices soaring worldwide.
- **Surging Inquiries:** Online car marketplaces in Europe (such as the UK, Germany, France, and Spain) reported jumps of over 50% in electric vehicle inquiries as drivers looked for cheaper operating alternatives.
- **Global Sales Growth:** According to data from the International Energy Agency (IEA), roughly 30 countries hit record-breaking monthly sales for battery electric cars and plug-in hybrids following the March supply shock, with strong momentum also seen across Latin America and parts of Asia. [\[1\]](#)

To tap into the global market for EVs, American EVs must be competitive with Chinese EVs.

Unfortunately, American EVs are mostly **not** competitive on price or software integration

compared to Chinese EVs, which currently lead the global market in affordability, tech features, and manufacturing scale.

Price and Production Costs

- **Affordability:** Chinese automakers like BYD produce fully electric vehicles starting as low as \$8,000 to \$10,000, while American EVs often average between \$48,000 and \$70,000.
- **Supply Chain:** China controls major segments of the lithium-ion battery and raw material supply chains, allowing for much lower production costs.
- **Profitability:** U.S. manufacturers struggle to build profitable electric cars under \$30,000 or \$40,000, whereas Chinese competitors do so routinely at scale.

Software and Technology

- **Smart Devices:** Chinese EVs are designed around advanced infotainment, seamless voice control, and integrated mobile apps.
- **User Experience:** Vigorous domestic competition in China forces rapid software updates and high responsiveness.
- **American Lag:** Traditional U.S. automakers face less local pressure to reinvent their digital interfaces, leading to gaps in software integration.

Market Access and Protectionism

- **Tariffs and Bans:** The U.S. uses steep tariffs (up to 100%, similar to the Tariff Act of 1870) and technology restrictions to block direct imports of Chinese EVs. Without these steps, American EV makers would likely be driven out of business by stronger Chinese competition and wither away like the American companies that used to make consumer durables such as microwave ovens.

It would be a short-term benefit for American consumers.

Some say that allowing China to sell EVs in the American market would be beneficial for American consumers by providing them with more affordable EV options and would force American EV makers to innovate more rapidly to compete with Chinese EVs. But this is very unlikely. What is more likely is that American EV makers would be driven out of business. This would cause U.S. imports to rise, driving up our already untenable trade deficit. Allowing Chinese EV makers access to the U.S. market would be a **short-**

term benefit for American consumers but would exacerbate the long-term erosion of America's economic viability.

- **Global Expansion:** Outside the U.S., Chinese brands dominate sales in regions like Southeast Asia, Latin America, and Europe, steadily outpacing American and legacy global brands.

Dampening pressure for American EV makers to innovate rapidly?

Critics argue that shielding American EV makers from imports of Chinese EVs dampens pressure for them to innovate rapidly. This is false. Chinese EV makers are out in front not because American EV makers aren't trying hard enough nor because they aren't innovating rapidly enough, but because of advantages China's economic system provides to its EV makers. Intense competition already exists within the American electric vehicle (EV) industry, driven by legacy automakers, dominant pioneers, and fresh startups.

Key Competitive Players

- **Tesla:** Remains the leading market share holder in the U.S., though it has faced recent profit and delivery declines.
- **Legacy Automakers:** Traditional giants like Ford Motor Company and General Motors continuously pivot resources, scale production, and reshape investments despite shifting political and market conditions.
- **Startups:** New ventures and specialized competitors—such as Rivian and newer affordable entries like Slate Auto—frequently introduce alternative models to challenge established lineups. [

External and Market Pressures

- **Global Threats:** Domestic companies face indirect and looming pressure from cheap, high-tech foreign competitors, particularly Chinese manufacturers like BYD, which heavily outpace U.S. production scale.
- **Policy Shifts:** Frequent changes in federal support and tax credits create a volatile domestic landscape that forces companies to constantly adapt their pricing and manufacturing strategies.

China is taking the lead over the U.S. in worldwide EV sales.

Chinese EV manufacturers are taking the lead over American automakers in production scale, affordability, and development speed.

Market Dominance and Scale

- **Global Market Share:** Chinese brands accounted for about two-thirds of global electric vehicle sales. Companies like BYD have surpassed competitors like Tesla to become massive global players.
- **Domestic Adoption:** Close to 55% of new cars sold in China are electric, compared to under 10% in the United States.
- **Production Volume:** China produces over 60% of all electric vehicles globally.

Price and Technology Advantages

- **Affordability:** Chinese automakers offer high-tech EVs at a fraction of Western costs. Popular models in China sell for under \$15,000, and average Chinese EV prices remain far below the U.S. average of over \$83,000.
- **Speed to Market:** Chinese manufacturers develop new models roughly 30% faster than legacy global automakers. They refresh and update software and features every 1.3 years on average, compared to 4.2 years for foreign legacy brands.

Trade and Geographic Barriers

- **U.S. Market Restrictions:** Direct imports of Chinese EVs are heavily blocked or shut out of the U.S. market via steep tariffs and trade barriers.
- **International Expansion:** Because the domestic market is saturated and the American market blocked, Chinese manufacturers are rapidly expanding overseas investments, capturing significant market share in regions like Latin America, Europe, and neighboring North American markets like Mexico.

Why are Chinese EV makers taking the lead over American EV makers?

Chinese companies develop and build electric vehicles (EVs) faster and cheaper than American companies because of total supply chain control, massive factory scale, and stiff domestic competition.

Supply Chain Control

- **Battery Dominance:** Chinese companies like CATL and BYD make the rechargeable batteries inside the cars. They do not rely on costly imported parts.
- **Raw Materials:** Chinese banks and firms secured early access to lithium, cobalt, and other raw materials around the world.
- **Local Learning:** As detailed by the Stanford Center on China's Economy and Institutions, local battery makers gained early experience and dropped costs faster than foreign rivals.

Massive Production Scale

- **High Factory Use:** China produces more EVs than the rest of the world combined.
- **Spreading Costs:** Factories run at full capacity. This spreads fixed costs across millions of vehicles, as noted in a report by *Forbes*. U.S. plants often run below capacity.

Stiff Domestic Competition

- **Domestic competition:** Over 120 domestic brands compete inside China.
- **Fast Innovation:** Companies must update software, lower prices, and improve charging speeds rapidly just to survive the local market.

Government Support

- **Targeted Policies:** The Chinese government provides production grants, cheap land, and R&D support.
- **Credit Rules:** Strict credit systems force traditional automakers to shift quickly to electric models.

Tariffs on Chinese EV manufacturers are like tariffs on 19th century British steelmakers

90% tariffs on British steel

A 90% tariff on British steel following the Tariff Act of 1870 gave American steelmakers the opportunity to adopt new steelmaking technology used by Britain such as the Bessemer process and allowed American steelmakers such as Carnegie to become competitive with British and European steelmakers and to eventually surpass them.

A 100% tariff on Chinese EVs and the survival of the American EV industry

A 100% duty doubles the cost of Chinese-made EVs, neutralizing their heavy state-backed manufacturing cost advantages. This 100% tariff effectively blocks direct imports of Chinese electric vehicles and helps to prevent the American EV industry from effectively disappearing as did the American microwave oven manufacturing industry and most other American industries that made non-food, consumer products.

Short-term benefits vs. long-term losses

As discussed above, critics argue that shielding domestic EV makers from competition from imports of Chinese EVs deprives American drivers of affordable EV options. Yes, if the 100% tariff on Chinese EVs was dropped, Americans could buy significantly less expensive Chinese EVs. This would be a **short-term** benefit for consumers but likely at a **long-term** cost: a sharp decline in the American EV industry, with many or most American EV makers driven out of business. This would cause U.S. imports to rise, driving up our already untenable trade deficit. Consumers would be better off in the **short-term** buying a Chinese EV but worse off in the **long-term** living in an impoverished country with diminished industrial capacity.

Breathing room

The barrier created by the 100% tariff on Chinese EVs gives U.S. companies breathing room to develop lower-cost domestic EV models and build out local supply chains, similar to how American steelmakers such as Carnegie responded to the Tariff Act of 1870.

20. Conclusions: An Economic Crisis. We must do something.

Judges are determining our National Economic Strategy.

Judges in China do not do this.

And who is winning, China or the U.S.?

From page 2, “the United States is in a serious economic predicament (emergency).” This is a mild way of saying **the United States is in an economic crisis.**

- Fifty consecutive years of growing negative balances in international trade
- Eroded industrial capacity
- Borrowing to maintain our standard of living
- Untenable National Debt
- Jeopardized Credit Rating

From above, Economist Clyde Prestowitz warns,

“we are talking about the most difficult and dangerous external challenge the United States...” has “ever faced.” (Prestowitz, 2021, p. 258). The United States “has steadily lost economic, industrial, technological, and governance competitiveness over the past fifty years.” (Prestowitz, 2021, p. 276)

A new approach. WE MUST DO SOMETHING DIFFERENT.

The status quo is **not** working, and we must take **a new approach** to bolster our economic competitiveness vis-à-vis our economic competitors, in particular, China. We must do this for ourselves, for our children, and for the generations of Americans that follow us.

A suggestion for a New Approach (from my January 2026 essay):

Tariffs: a necessary first step to pull America out of the economic predicament we are in, but not a sufficient step. **TARIFFS MUST BE PART OF A NATIONAL ECONOMIC STRATEGY.** Our major economic competitors, with whom we run large trade deficits, have National Economic Strategies, which include tariffs.

A first step in a National Economic Strategy blocked by judges

The Trump Administration has imposed tariffs, particularly with countries with which we run large trade deficits. This is **a first step we can take to stanch our economic bleeding. But**

Supreme Court judges blocked the tariffs. The judges admit that they lack economic expertise and that their decision was not based on economic criteria but on legal precedents.

China's national economic policies are not determined by judges.

In the United States, judges, not the executive nor legislative branches, are effectively determining our national economic strategy. We are locked in economic competition with China. But in China, economic policy is determined by economic policy makers, the National People's Congress (NPC), **not by judges** (The Supreme People's Court (SPC)). The SPC does not determine China's economic policy, but implements the economic policies developed by the NPC. **Which system is delivering results?** Please see my coverage of this topic in my January 2026 essay (pp. 15-96).

**We must do something to stanch our economic bleeding,
but the judges have blocked it. So, we are doing nothing.**

President Trump imposed tariffs as a stopgap measure to stanch our economic bleeding. But Supreme Court judges blocked tariffs. So, **now we are doing nothing** to deal with the economic crisis we are in. Meanwhile, the judges are making our massive trade deficit worse. Revenue from tariffs from nations that run large trade surpluses with the United States was used during the first Trump administration and at the beginning of the second Trump administration to **partially offset the United States' federal budget deficit.**

But the Supreme Court blocked President Trump's tariffs, effectively ending what the Trump administration was doing to reduce our huge and growing federal budget deficit. Instead, **this revenue from tariffs is now being returned mainly to large businesses** such as Walmart, Apple, Home Depot, and Amazon which had paid tariffs on imports to the United States. Meanwhile, the U.S. government is incurring significant administrative costs for processing the returns of the tariffs.

This situation of having judges determine our national economic policies based on legal precedents rather than on analysis of the real economy is not working for us. China's National Economic Strategy Is not determined by judges. Who is out in front in the economic competition between the United States and China?

William E. Jackman, PhD

Statistician/SAS & SQL Programmer

Jazz and Popular Pianist

Oakland, California

September 2026

I am a second-generation Irish-American who grew up with immigrant Irish grandparents and aunts in Oakland. I am a graduate of Oakland High School and of the College of Engineering at UC Berkeley. I am fluent in Spanish.

Note: As in recent years, the only times I have found time to write essays on the economy, the environment, or cultural matters is when we are on a visit to my wife's pueblito in Jalisco, México where we have una casita. All research and writing for this essay (September 2026) were done in Jalisco, México during our visit to celebrate Mexican Independence Day, September 16. México was a colony of Spain for 300 years, 1521-1821.

References

Prestowitz, Clyde V., The World Turned Upside Down, 2021.

Prestowitz, Clyde V., The Betrayal of American Prosperity, 2010.

Prestowitz, Clyde V., Three Billion New Capitalists, 2005.