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The New Era of Protectionism: 57 Days of Upheaval and the Global Consequences of Trump's Policies

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57 Days of Upheaval and Upending US Foreign Policy

It has been 57 days since President Trump began his second mandate on January 20, 2025. He came prepared, with focus and detailed plans that started with 50 or more Executive Orders**,** setting a record pace. Followed by the National Emergency Declaration at the southern border, which facilitated the deployment of additional troops and resources.

He followed through with the Remain in Mexico program and expanded rapid deportations to a diverse set of nations. He also issued an executive order aiming to end birthright citizenship for descendants of illegal immigrants born in the United States, which challenges the principle, known as **jus soli** or right of the soil, that grants US citizenship to nearly all individuals born on American soil, irrespective of their parent's immigration status. The landmark 1898 Supreme Court case, United States v. Wong Kim Ark, reinforced this interpretation by affirming that a child born in the US to foreign parents is a citizen by birth.

Chief among these policies is a renewed era of protectionism, defined by sweeping tariffs on Mexico, Canada, China, and the European Union. While the administration justifies these moves under the guise of national security, job protection, and economic sovereignty, history offers a stark warning as this path has been walked before, leading to financial disaster.

He implemented an opaque and highly controversial Department of Government Efficiency, or DOG-E, led by Elon Musk. This program, which is tasked with reducing federal bureaucracy and cutting spending, resulted in significant layoffs across federal agencies without any transparency.

Other areas include terminating diversity, equity, and inclusion practices within federal agencies.
He withdrew the United States from the Paris Climate Agreement for the second time and declared a national energy emergency, suspending specific environmental regulations to promote fossil fuel extraction. President Trump expressed desires to annex Canada and Greenland and regain control of the Panama Canal, invoking the concept of **"manifest destiny".**

He also began negotiations with Russia to end the war with Ukraine, firmly siding with Russia and berating President Zelensky at the White House, to the dismay of the world.

The Rise of Protectionism: How the Fordney-McCumber Tariff Set the Stage for Economic Destruction

President Donald Trump continues to shape America's trade policies with tariffs and economic nationalism. It's crucial to look back at a time when similar protectionist measures were implemented, leading to disastrous global consequences. The infamous Smoot-Hawley Tariff Act of 1930, which we will discuss further, serves as a stark reminder that history often repeats itself when it comes to economic policy.

In the wake of World War I, the world was in disarray. Once the industrial and agricultural backbone of the global economy, Europe struggled to rebuild from the devastation of war. The United States, however, had emerged more potent than ever. American factories boomed during the war, supplying goods to allies, and agriculture expanded to feed domestic and foreign markets.

The Fordney-McCumber Tariff Act: A Shield Against Foreign Competition

President Warren G. Harding signed the Fordney-McCumber Tariff Act into law on September 21, 1922. The bill, crafted by Senator Joseph Fordney and Representative Porter McCumber, was one of the most aggressive protectionist measures in US history at the time.

Some of the key provisions of the act include:

- **Tariff Hikes**: Raised average import duties to about 38.5%, making it more expensive for Americans to buy foreign goods.
- **Agricultural Protection**: raised tariffs on wheat, sugar, wool, and other farm products to shield US farmers from competition.
- **Industrial Goods:** Higher duties on chemicals, textiles, and manufactured products to support American factories.
- **The Scientific Tariff:** introduced a system where tariffs were adjusted based on differences in production costs between the US and foreign countries.
- **Presidential Tariff Authority:** This authority permitted the President to raise or lower tariffs by 50% based on recommendations from the Tariff Commission.

The Immediate Impact was some short-term gains and critical long-term trouble, as initially, the Fordney-McCumber Tariff seemed to achieve its goals. American businesses thrived as imported goods became more expensive, and domestic producers saw an uptick in demand. However, these benefits came at a steep price for both the United States and the global economy.

- **First Sign of Trouble the European Retaliation:** European nations needed to sell goods to the US to earn revenue and repay war debts from World War I. With high tariffs blocking their exports, many countries imposed tariffs on US goods. This tariff war hurt American exporters, especially farmers who relied on international markets.
- **The Global Economy Suffered:** countries like Britain, France, and Germany struggled to rebuild their economies but now had limited access to the US market. This fact worsened Europe's financial instability, contributing to economic problems that would eventually lead to the Great Depression.
- **The Seeds of Smoot-Hawley:** By the end of the 1920s, protectionist policies had become deeply ingrained in US economic thinking. When the Great Depression struck in 1929, Congress doubled down on tariffs, passing the Smoot-Hawley Tariff Act. This act raised duties to even higher levels, worsening the global downturn, collapsing world trade, and deepening the Depression.

The Smoot-Hawley Tariff Act of 1930

The Smoot-Hawley Tariff Act of 1930 significantly raised import duties on various goods. Enacted on June 17, 1930, it aimed to further protect American industries and farmers from foreign competition during the early years of the Great Depression.

Some of the key provisions included:

- **Increased Tariffs:** raised US tariffs on over 20,000 imported goods.
- **Average Tariff Rates:** dutiable imports increased from 40.1% in 1929 to 59.1% in 1932, marking one of the highest tariff levels in US history.
- **Background:** the act was sponsored by Senator Smoot of Utah and Representative Hawley of Oregon, both Republicans who advocated for protectionist policies to support domestic industries.

Despite warnings from more than 1,028 economists and industrial leaders about potential negative consequences, the bill passed both houses of Congress and was signed into law by President Herbert Hoover.

Broad Economic Impact

- **Global Trade:** The act led to a significant decline in international trade. Between 1929 and 1933, US imports decreased by 66%, from $5.4 billion to $2.1 and exports fell by 61%.
- **Retaliation:** countries imposed retaliatory tariffs, further reducing global trade and exacerbating the economic downturn.
- **Consensus:** 1,028 Economists signed a petition urging President Hoover to veto the legislation, arguing that it would worsen the Great Depression and lead to international retaliation.
- **Business Leaders:** Prominent industrialists, including Henry Ford, opposed the act, labeling it **"economic stupidity".**

The Smoot-Hawley Tariff Act is a cautionary example of the dangers of protectionism and a historical lesson on how high tariffs can lead to trade wars and deepen economic crises.

US Law	Fordney-McCumber Tariff of 1922	Smoot-Hawley Tariff of 1930
Average Tariff Rate	38.50%	59.10%
Purpose	Protect U.S. industry post-WWI	Protect U.S. economy during Great Depression
Global Impact	Hurt European economies recovering from WWI	Led to trade wars, worsened Great Depression
Retaliation	European nations imposed tariffs on U.S. goods	More severe retaliation from global trading partners
US GDP	-0.50%	-7.70%

Trump's Tariff Policy: A Shifting Landscape for Markets and Businesses

President Trump's approach to tariffs remains a dominant and unpredictable force in economic policy. The administration's stance on trade barriers fluctuates daily, creating uncertainty for both markets and business leaders. It follows a similar path to the Fordney-McCumber Tariff Act of 1920 and the Smoot-Hawley Tariff Act of 1930, which have been determined to have caused the prolonged US. Great Depression.

The economy fell from 8.3% GDP in 1929 to -13.4% in 1932. In 1934, it began to show signs of recovery, aided by New Deal policies and increased government spending. Since February 1, 2025, President Donald Trump's administration has threatened or implemented a series of tariffs targeting major trading partners, aiming to address issues such as illegal immigration, drug trafficking, and trade imbalances. Below is a detailed breakdown:

Tariffs on Canada and Mexico

Initially set for February 4, 2025, it paused for one month following negotiations.

- **Tariffs of 25%:** A general tariff of 25% is placed on all goods imported from Canada and Mexico. Canadian Energy Exports receive a 10% tariff on energy resources, including electricity, natural gas, and oil.
- **Justification:** The administration cited concerns over illegal immigration and the flow of fentanyl into the US.
- **Developments:**
    - Following commitments from Canada and Mexico to enhance border enforcement, the tariffs were temporarily paused for 30 days.
    - Despite these measures, significant portions of Mexican exports to the US remained at risk of facing the 25% tariff due to challenges in complying with the terms of the United States-Mexico-Canada Agreement (USMCA).

Tariffs on China

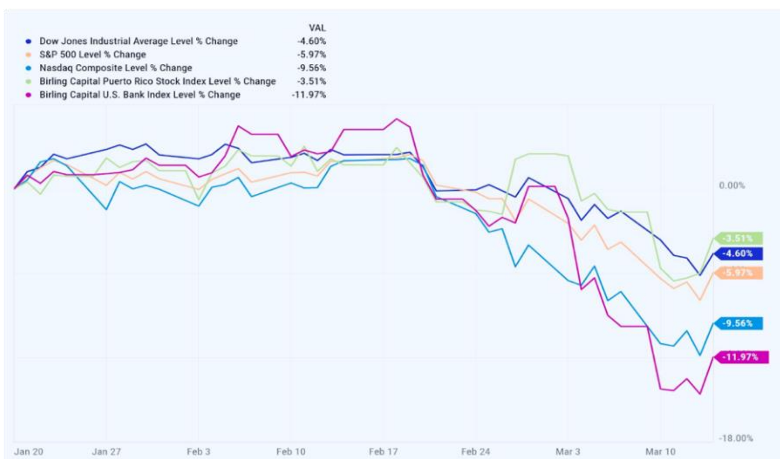
Initially set for February 4, 2025, with a 10% tariff on all goods.

- **Initial Tariff:** 10% on all goods
- **Increase:** Raised to 20% on March 4, 2025,
- **Justification:** Address ongoing trade imbalances and concerns over inadequate action by China to stem the flow of illicit drugs into the US.

Expansion of Steel and Aluminum Tariffs

- **Implementation Date:** March 12, 2025.
- **Details:**
    - **Steel Tariffs:** 25% on imports from all countries
    - **Aluminum Tariffs:** Increased from 10% to 25%
- **Scope:** The action expanded the original Section 232 tariffs by ending country exemptions, phasing out specific product exclusions, and adding more downstream steel and aluminum products to the tariffs'.

Dow Jones, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling US Bank Index YTD Returns 1.20.25-3.14.25



Tariffs on the European Union

- **Proposed Tariff:** 25% on goods imported from the European Union
- **Specific Threats:** Up to 200% tariffs on European wines and sparkling wines
- **Justification:** The administration accused the EU of forming policies detrimental to US interests.

Economic Downturn and Market Impact

The doubling of tariffs on Canadian steel and aluminum imports to 50% led to significant declines in major US stock indices. Since President Trump took office on January 20, 2025, the five indexes we follow have negative returns:

- **Dow Jones** has a return of **-4.10%.**
- **S&P 500** has a return of **-5.97%.**
- **Nasdaq Composite** has a return of **-9.56%.**
- **Birling PR Stock Index** has a return of -**3.51%.**
- **Birling US Bank Index** has a return of **-11.97%**

GDPNow

Another metric showing great strain is the **GDPNow** forecast. On January 31, 2025, it had a first-quarter US GDP forecast of **2.90%.** It has since contracted to **-2.40% GDP**, an 182.75% free fall.

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GDPNow

Forecast for the First Quarter 2025

Date	GDPNow 1Q25	Change
1/31/25	2.90%	Initial Forecast
2/3/25	3.90%	34.48%
2/5/25	2.90%	-25.64%
2/7/25	2.90%	0.00%
2/14/25	2.30%	-20.69%
2/19/25	2.30%	0.00%
2/28/25	-1.50%	-165.22%
3/3/25	-2.80%	-86.67%
3/6/25	-2.40%	-14.29%

Prominent CEO Voice Concerns

- **Warren Buffett, Chairman and CEO of Berkshire Hathaway**, said tariffs are **"an act of war to some degree,"** emphasizing their potential to function as a tax on goods that ultimately impact consumers. He underscored that consumers bear the financial burden of tariffs, stating, **"The tooth fairy doesn't pay them!"**
- **Jim Farley, CEO of Ford Motor Company,** said Trump's tariff proposals could introduce **"a lot of costs and a lot of chaos"** to the automotive sector.
- **Doug McMillon, CEO of Walmart,** expressed concerns over the impact of tariffs on consumer prices and overall economic stability.
- **Ken Griffin, CEO of Citadel,** criticized the administration's **"bombastic rhetoric",** stating that tariffs hinder economic growth and create uncertainty for multinational companies planning for the future.

The Final Word: A Warning from History To Avert Economic Disaster

If history has taught us anything, protectionist policies do not lead to prosperity but economic ruin. The Trump administration's current trade policies echo past failures, yet the stakes are even higher in today's interconnected world.

The Fordney-McCumber and Smoot-Hawley tariffs exacerbated economic collapse in the 1930s. Today, Trump's tariffs threaten to do the same—on a global scale. If these tariffs persist and trade wars escalate, we could look at another economic catastrophe rivaling the Great Depression.

The time to change course is now, as the cost of going down this path is too high. President Trump must recognize that the consequences of protectionism will ripple across the entire global economy, pulling the US into financial turmoil from which recovery may take years.

This is not a partisan issue; it is an economic emergency. History lessons are clear, and **America cannot afford another Great Depression.**

Winston Churchill said it best **"The lesson of history is that no one learns the lessons of history".**

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