**A Tariff with Mexico Will Ensure Americans Pay for Border Wall**

01/26/2017[Tho Bishop](https://mises.org/profile/tho-bishop-0)

The AP is reporting that Sean Spicer has informed reporters that President Trump is considering a 20% tariff on Mexican goods as a way to fund his Mexican border wall.  Though Trump has insisted throughout his presidential campaign that “Mexico will pay” for any such project, this move would ensure that it is Americans who will suffer the costs as they are forced to pay extra on Mexican goods coming into the country.

Throughout his campaign, Trump’s rhetoric has constantly demonstrated a [fundamental misunderstanding](https://mises.org/blog/trump-stumps-25-tax-increase-gets-free-market-lesson-china) on the very nature of trade. While Trump constantly refers to trade in militaristic terms with “winners and losers”, free trade is always beneficial for both sides. While Trump has frequently harped on the “trade deficit” America runs with nations like Mexico, [as Jonathan Newman explained recently](https://www.facebook.com/newman.jonathanr?hc_ref=SEARCH&fref=nf), they aren’t something to be feared:

You should be just as worried about US trade deficits with other countries as you are about your trade deficit with your favorite grocery store, which is not at all. "Trade deficit" is one of the worst terms in economics because it sounds so much like a budget deficit.

Imagine an international border between you and your grocery store. Tons of money flow in one direction and tons of food flow in the opposite direction. Is this a cause for worry? You have a massive trade deficit with your grocery store, but nothing seems to be wrong or dysfunctional. Quite the contrary -- the trading makes you much better off. Making the groceries more expensive or making it harder to trade with your store can only hurt.

So should Trump follow through with this tariff, what goods can Americans expect to pay higher prices on?

In 2015, some of the [top manufactured goods included](https://ustr.gov/countries-regions/americas/mexico):

* Vehicles ($74 billion)
* Electrical machinery ($63 billion)
* Machinery ($49 billion)
* Optical and medical instruments ($12 billion)

America also imported a great deal of agricultural, food and beverage goods including:

* Fresh vegetables ($4.8 billion)
* Fresh fruit ($4.3 billion)
* Wine and beer ($2.7 billion)
* Snack foods ($1.7 billion)
* Processed fruit & vegetables ($1.4 billion)

A tariff, after all, is simply a fancy word for "tax," and like any other tax, a tariff increases the cost of goods and services to the buyer while limiting choice. In the case of a tariff imposed on American consumers and Mexican producers, costs of production for American producers will go up, and prices for Americans consumers will rise.

American producers who use food, vehicles, electronics, and medical instruments imported from Mexico (such as restaurants, couriers, medical firms, and any company that uses automobiles) will now have higher costs and will be able to produce less, hire fewer people, and sell at the same low prices. American consumers and workers will suffer accordingly. The only ones who benefit will be the tiny minority of Americans who compete with Mexicans for manufacturing jobs, and those who sell to them.

Everyone else will see a decline in real wages as costs rise.

Earlier in the week, Trump had taken promising steps by rejecting the bloated government-managed Transpacific Partnership. Though TPP was defended by many trade advocates, as [has been noted](https://mises.org/blog/trump-turns-down-tpp) by [various](https://mises.org/blog/tpp-latest-assault-free-trade) *Mises Wire* [contributors](https://mises.org/library/no-more-free-trade-treaties-its-time-genuine-free-trade) in [the past](https://mises.org/blog/tpp-and-trade-rhetoric), government managed trade deals like TPP include a number of various government interventions designed to bolster special interests, and shouldn’t be confused for [actual free trade](https://mises.org/library/we-need-actual-free-trade-not-tpp). The word that Trump and UK Prime Minister Theresa May gave hope that a Trump administration could be pursuing a better approach with bilateral trade discussions between countries.

Unfortunately, today’s news is a sign that Trump will act upon [the worst parts](https://mises.org/blog/mises-would-not-support-trump) of the protectionist agenda he campaigned on.