

Hardfire TV

Discussion Paper for Proposed Program with the MLP

Tariffs and the National Debt

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Program to be recorded on zoom, tbd.

Musk and Trump had a falling-out over the Big Beautiful Bill, where Musk said it could be one but not the other, with the concern being the US national debt. For the record as of May 2025 all three rating agencies have now downgraded the US debt rating.¹ In 2018 during the first Trump administration Ron Litchman joined Hardfire TV for a program called “Trade and Geopolitics”. The proposed program will follow-up on one important idea discussed then about trade barriers which is even more important today during Trump II, given the worsening US government debt situation. The LP has gone so far to ask that the Administration declare the National debt a “national emergency”.

The relationship between the trade deficit and the budget deficit is called the “twin deficit”. They both encourage (co-determine) each other. Foreigners buy US dollar-based assets (like US government bonds and/or NY real estate) because they are seen as a safe asset. This means that foreigners sell their currencies to buy US dollars. These foreign currencies are then spent by people in the US to buy foreign products which then increases the trade deficit. So the larger the budget deficit the larger the trade deficit. So the question we are asking is *Are the Trump tariffs the best way to reduce the US government debt?* It is one way given the “twin deficits”. However perhaps the best way is to balance the budget every budget cycle, which means to elect politicians who will do this, which means to ‘enlighten the populace’ through discussion.

Litchman in 2018 argued that we want trade barriers against Chinese imports because the CCP and the People’s Army benefit from these profits. The counter argument is that trade creates “incentive compatibilities” between the trading partners and therefore leads to peace. Our program is not about this rationale for or against trade barriers, rather we are interested in the twin deficit phenomenon as it is not well-enough known.²

¹ <https://wolfstreet.com/2025/05/16/moodys-cuts-us-government-credit-rating-due-to-deficits-debt-blames-successive-us-administrations-and-congress/>

² For example it is not mentioned here, https://lawliberty.org/what-economists-understand-about-tariffs/?mc_cid=2c2943d473&mc_eid=1daa724f19