

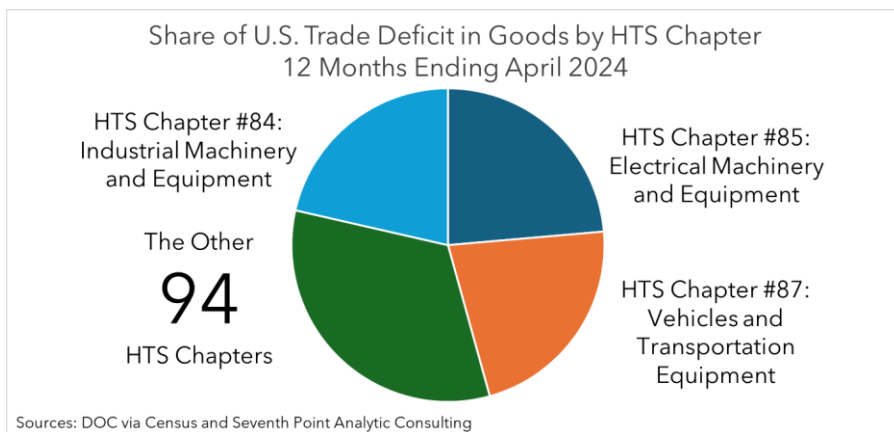


Friday, June 21, 2024

In a [speech last week](#), Treasury Secretary and former Fed chair, [Dr. Janet Yellen](#), discussed unfair trade practices, such as Chinese manufacturing subsidies, and how these threaten domestic investment in critical industries, including semiconductor and clean energy tech manufacturing. She's right to be concerned.

First, we can't afford not to compete in semiconductor and clean energy tech manufacturing. For one thing, [there's money to be made](#), as global demand for these products grows. Second, domestic production helps us avoid supply chain disruptions. As COVID-19 demonstrated, heavy reliance on foreign production can cause major shortages and high inflation. For example, [car prices in the U.S. were essentially the same from 1995 to the start of 2020](#), but when automakers [couldn't get semiconductor chips during the pandemic](#), car prices jumped nearly 30 percent. Also, of course we hope not to need it, but semiconductors and clean energy tech are and will increasingly be critical to national defense. TL;DR, the stakes are high.

Second, we're already **severely** behind. As you no doubt [hear all the time](#) 😞 the U.S. bears a trade deficit. That's [certainly true](#), but we don't hear much about which specific trade goods are driving the imbalance.



The graph at left breaks down our trade deficit in goods by category (i.e., [HTS chapter](#)). Of the 97 categories, three make up two thirds of our trade deficit. They include semiconductors and the lion's share of clean energy tech, and we aren't competitive in **any of them** 😞. E.g., over the last year, the ratio of imported to exported semiconductors was 3.4. Moreover, we've [got a lot of catchin' up to do](#).

In related news, candidate Trump is also concerned about trade. He proposes [replacing ALL federal income taxes with high tariffs](#). Secretary Yellen [responded with composure](#), saying this would "make life unaffordable for working class Americans." Former Treasury Secretary, Larry Summers, [was a bit more direct and maybe more honest](#), calling Trump's plan "the worst macroeconomic policy proposal in U.S. history."

[Not joking](#) 😞😞😞

Until next week,

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