Up Our Game, Canada!
Summary & Analysis of Stephen Miran's *"A User's Guide to Restructuring the Global Trading System"*

Stephen Miran outlines a trade strategy that combines tariffs, currency adjustments, & national security to bolster U.S. economy under a second Trump administration

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Strategy for U.S. Global Economic Domination

- A bold & radical November 2024 paper by Stephen Miran, a Trump cabinet pick, outlines the strategy behind U.S. global economic dominance
- Miran's paper is the only systematic analysis of the Trump doctrine to date, offering insight into Trump's vision for the next four years
- The paper provides context to help Canadians better understand & respond to the challenges posed by U.S. tariff threats
- Canada currently faces a strategy that leverages U.S. economic power to strengthen its global dominance

Ian lee, National Post, February 5, 2025

Purpose

- Summarize *A User’s Guide to Restructuring the Global Trading System* by Stephen Miran
- Identify the benefits & disadvantages of the strategy proposed in the Miran paper

A. Summary: *"A User's Guide to Restructuring the Global Trading System"*

1. Core problem
2. Proposed U.S. strategy
3. Tariff policy & economic impact
4. Categorizing U.S. trading partners
5. Currency policy & reserve asset adjustments
6. Financial market consequence & risks
7. Long-term restructuring of international trade relations

Stephan Miran

- American economist known for his work in both the public & private sectors. He earned his Bachelor of Arts in economics, philosophy, & mathematics from Boston University in 2005, followed by a Ph.D. in economics from Harvard University in 2010, where he studied under economist Martin Feldstein
- In December 2024, President-elect Donald Trump nominated Miran to serve as the Chair of the Council of Economic Advisers, a position that advises the president on economic policy
- Professionally, Miran has held several notable positions:
    - **Senior Advisor for Economic Policy at the U.S. Department of the Treasury (2020–2021):** During this time, he contributed to the implementation of fiscal support measures during the pandemic recession
    - **Senior Strategist at Hudson Bay Capital Management:** In this role, he focuses on global investment strategies
    - **Co-founder of Amberwave Partners:** An asset management firm he helped establish.
    - **Senior Fellow at the Manhattan Institute:** A think tank where he engages in research & policy analysis.
- Throughout his career, Miran has contributed to academic & public discourse on fiscal & monetary policy, with publications in outlets such as the *American Economic Journal*, *The Wall Street Journal*, & *Bloomberg*

1. Core Problem: U.S. Trade Imbalances & Dollar Overvaluation

- The U.S. dollar remains persistently overvalued due to its role as the global reserve currency, distorting international trade
- This overvaluation makes U.S. exports more expensive & less competitive, while making imports cheaper, leading to a decline in American manufacturing
- The U.S. bears the financial burden of supplying reserve assets to the global economy, which worsens trade deficits & further weakens domestic industries

2. Proposed U.S. Strategy

- Integrate tariffs, currency adjustments, & national security concerns into a unified economic framework
- This framework is designed to increase government revenue through targeted trade policies & reduce inflationary risks
- A major shift in international economic relations is envisioned, where U.S. trading partners will be categorized based on their trade practices & security alignment
- Use tariffs to force countries to open any local industries or product markets that exclude access by U.S. corporations
- Countries that fail to comply with U.S. trade policies may face higher tariffs & economic penalties
- The strategy aims to pressure China & other trade partners into making economic concessions that benefit the U.S. economy
- A large-scale tariff policy is proposed, including 60% tariffs on China & at least 10% tariffs on other countries
- Proposed strategy significant risks include financial market volatility, retaliatory trade measures, & unintended consequences for U.S. exporters

3. Tariff Policy & Economic Impact

- Strategy involves devaluing the USD relative to trading partner currencies to boost U.S. competitiveness, attract investment, & create manufacturing jobs in the U.S.
- Strategy proposes 60% tariffs on China & at least 10% tariffs on other countries
- Strategy assumes that currency adjustments (devaluation of foreign currencies) will neutralize inflationary effects
- Tariffs are expected to increase government revenue while also acting as a leverage tool in trade negotiations

4. Categorizing U.S. Trading Partners

- Countries will be ranked based on trade fairness, currency policies, & national security alignment
- Allies who comply with U.S. trade & security expectations may face lower tariffs, while countries engaging in unfair trade practices could face higher tariffs & economic consequences

5. Currency Policy & Reserve Asset Adjustments

- The U.S. will explore both unilateral & multilateral approaches to adjust the value of foreign currencies
- While historically, the U.S. has used multilateral cooperation, the strategy considers unilateral interventions to counteract undervaluation of foreign currencies

6. Financial Market Consequences & Risks

- Strategy acknowledges potential volatility in financial markets due to tariff implementation & currency adjustments
- Risks include:
    - Retaliatory trade measures from foreign governments
    - Increased market uncertainty, affecting global investment
    - Unintended consequences for U.S. exporters, who may struggle with higher production costs & foreign trade barriers

7. Long-Term Restructuring of International Trade Relations

1. The strategy envisions a fundamental shift in global economic relations, where trade policies are explicitly tied to national security & economic self-sufficiency
2. The strategy positions the U.S. to extract greater financial contributions from trading partners to share the burden of providing reserve assets
3. Ultimately, it aims to increase U.S. manufacturing competitiveness while maintaining the dollar’s global reserve status

B. Assessment: *"A User's Guide to Restructuring the Global Trading System"*

- Bold & aggressive strategy to restructure the global economic system in favor of the United States, leveraging tariffs, currency manipulation, & security-based trade policies

How the Proposed Strategy Benefits the U.S.

1. **Increased revenue for the U.S. Treasury**
   - Tariffs can generate significant revenue, which can help offset deficits & strengthen the U.S. economy
2. **Rebalancing trade in favor of the U.S.**
   - If foreign currencies adjust accordingly, U.S. goods may become more competitive in global markets
3. **Greater leverage over trade partners**
   - Tariffs could be used as bargaining tools to pressure trade partners into fairer trade agreements
   - Could potentially curb intellectual property theft & unfair trade practices, especially from China
4. **Strengthened national security through economic strategy**
   - Proposed strategy aims to align trade policies with national security objectives, ensuring that critical industries (e.g., steel, semiconductors) remain under U.S. control
5. **Potential job creation in manufacturing**
   - By discouraging imports & incentivizing domestic production, the policy could boost U.S. manufacturing jobs in key sectors

Weaknesses of the Proposed Strategy for the U.S. 1/2

1. **Retaliatory tariffs from other countries**
   - Other nations or regions, particularly China & the European Union, may impose counter-tariffs on U.S. exports, harming U.S. businesses reliant on global markets
2. **Market volatility & investor uncertainty**
   - Rapid changes to trade policies & potential devaluations could lead to financial instability & capital flight
3. **Inflationary risks despite currency offsets**
   - While the strategy assumes foreign currency devaluation will counteract price increases, real-world currency reactions may not be predictable
   - Higher import costs will lead to increased consumer prices

Weaknesses of the Proposed Strategy for the U.S. 2/2

4. **Impact on U.S. exporters**
    - If the dollar strengthens due to financial markets reacting negatively to uncertainty, U.S. exports could become even less competitive
5. **Strained international relations**
    - Strategy could drive countries away from U.S. alliances & toward alternative economic systems, such as China's Belt & Road Initiative
    - Potential risks of reduced cooperation on global security & economic issues
6. **Possible loss of reserve currency status**
    - If the U.S. aggressively manipulates its currency & forces trading partners into adverse economic conditions, alternative global financial systems (e.g., a China-led alternative to the U.S. dollar) may emerge

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