

Essays

Don't Mix Colors: Understanding the "Washing Machine Effect" on Tariffs

Ana Paula Weide¹

¹ Business, Tecnológico de Monterrey

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The implementation of tariffs is often presented as a straightforward solution to protect domestic industries and revitalize the economy. However, history has shown that tariffs frequently fail to achieve their intended goals and instead impose unintended economic burdens. This essay introduces the "Washing Machine Effect", a phenomenon illustrating how tariffs not only raise consumer prices but also disrupt global supply chains, hinder economic growth, and exacerbate geopolitical tensions. By analyzing past tariff policies, including the 2018 U.S. washing machine tariff, this paper explores the broader economic consequences of protectionist trade measures. Furthermore, it discusses alternative approaches to strengthening domestic industries, such as strategic trade agreements, workforce development, and targeted economic policies. The essay underscores the importance of international cooperation and sound economic planning to address global challenges effectively.

Mr. President, Let's Talk About Your Washing Machine Problem

Tariffs sound great, don't they? Tax foreign goods, make American products shine, and bring back jobs. But if history has taught us anything, it's that economics is never that simple. The idea that tariffs punish foreign companies while benefiting Americans is a comforting but misguided notion. The reality, as economists like to call it, is the "Washing Machine Effect," a phenomenon where tariffs not only fail to achieve their intended goals but also end up shrinking consumers' wallets. And no, it's not about getting tough stains out of politics.

You might remember that in 2018, your first administration imposed tariffs on imported washing machines, aiming to protect American manufacturers. What happened instead? Prices didn't just rise for foreign brands; they skyrocketed across the board. American consumers ended up paying 12% more for all washing machines, even those manufactured in the U.S. In essence, tariffs acted like a financial detergent that washed away consumer savings rather than boosting domestic prosperity. Now, you had proposed imposing a 25% tariff on all Mexican and Canadian imports, a move that would have tossed the entire U.S. economy into the spin cycle at maximum speed. Fortunately, Mexico's newly elected President, Claudia Sheinbaum, was able to negotiate a resolution, preventing an economic disaster. But had the tariffs gone into effect, the consequences would have been severe.

The Tariff Myth vs. Reality

One of the biggest misconceptions surrounding tariffs is that they penalize foreign businesses while enriching Americans. The truth is far more complicated. Tariffs are not paid by foreign companies; they are paid by American importers. When the U.S. government slaps a tariff on Mexican products, it is American businesses that foot the bill, and naturally, those costs are passed on to consumers. The result? Higher prices for cars, electronics, groceries, and yes, even your morning avocado toast.

The economic repercussions would have been staggering. More than 80% of Mexico's exports go to the U.S., and American businesses rely heavily on Mexican manufacturing for auto parts, electronics, and raw materials. The idea that tariffs would have protected American jobs is flawed because they would have made doing business in the U.S. more expensive, forcing companies to either relocate production elsewhere or cut jobs. The ultimate irony is that instead of bringing jobs back to America, these tariffs could have driven them further away, particularly to Asian markets eager to take Mexico's place in the supply chain.

The Role of Global Value Chains and Trade Agreements

The economy is not a simple battle between individual businesses; it is a system of interconnected companies that function in global value chains. When one part of the system is taxed, the entire chain suffers. Tariffs on Mexico would not have just affected imported goods; they would have raised costs for U.S. manufacturers that rely on cross-

border production. The U.S.- Mexico- Canada Agreement (USMCA) was designed to facilitate smooth trade between these nations. Violating this agreement would have led to retaliatory measures from Mexico and Canada, further exacerbating economic instability. Breaking trade agreements does not make the U.S. look strong; it makes allies question whether they can trust American commitments.

History Has Already Proven This Doesn't Work

If there is any doubt that tariffs backfire, we need only look to history. In 1791, after the American Revolution, the U.S. fishing industry, particularly cod fishing, was in ruins. The obvious solution? Tax imports to support local industries. However, Secretary of State Thomas Jefferson and his committee realized that tariffs would only make things worse by raising costs for the very businesses they were trying to protect. Instead of slapping tariffs on imported goods, they convinced President George Washington to adopt an alternative approach: subsidies and tax credits for domestic producers. This allowed the industry to rebuild itself without strangling trade or burdening consumers.

These men made America great in the past. And it was not by increasing tariffs. Then why don't we follow some of their insights to truly make America great again?

Why Claudia Sheinbaum's Intervention Mattered

President Sheinbaum's ability to negotiate a resolution was crucial in preventing economic turmoil. She demonstrated that trade disputes should not be treated as political leverage but rather as complex economic matters requiring diplomacy and mutual understanding. Had she not intervened, U.S. exports would have suffered just as much as imports. The interdependence of these economies means that economic retaliation from Mexico would have been inevitable, leading to an even greater disruption in American industries.

The Immigration Factor: Economic Burden or Economic Engine?

Another critical aspect of this issue is immigration. One motivation behind the proposed tariffs was to pressure Mexico into controlling migration flows. But beyond the political rhetoric, the economic reality is that immigrants play a vital role in the U.S. economy. According to the American Immigration Council, immigrants make up nearly 17% of the U.S. workforce and are disproportionately represented in industries essential for economic growth, including agriculture, construction, and healthcare.

Ironically, tariffs on Mexico would have hurt the very industries that depend on immigrant labor. The agricultural sector, which is heavily reliant on seasonal workers from Mexico, would have faced increased costs due to supply chain disruptions. Food prices would have risen, hurting American consumers and farmers alike. Moreover, manufacturing and service industries that rely on immigrant labor would have experienced severe labor shortages, further driving inflation.

The Domino Effect: Tariffs, Inflation, and the American Consumer

Had these tariffs gone into effect, the consequences would have cascaded beyond trade disputes. Inflation is already a pressing issue for American families, and a sudden price increase in everyday goods would have strained household budgets even further. Think about the impact on industries that operate on tight margins, such as restaurants, small businesses, and retailers. They would have had to choose between absorbing higher costs, raising prices, or cutting jobs. When that happens across multiple sectors, the entire economy takes a hit.

In 2018, the washing machine tariff added \$1.5 billion in additional costs for American consumers. A similar scenario playing out across a wider range of products, from auto parts to electronics to food, would have had an even more devastating financial impact. Instead of making America great again, tariffs of this magnitude could have left many American workers and families financially weaker.

A Looming Shadow: China's Influence in North America

While the U.S. debates its trade policies with Mexico, there is another player quietly gaining ground: China. If tariffs had pushed American businesses away from Mexican manufacturing, the unintended beneficiary would have been China, which has been aggressively expanding its influence in Latin America. Over the last decade, China has become Mexico's second-largest trading partner, and with American businesses looking to avoid costly tariffs, they might have simply shifted their operations to Chinese manufacturers rather than bringing jobs back to the U.S.

China has also been investing heavily in infrastructure projects across Latin America, particularly in energy, transportation, and telecommunications. If the U.S. alienates its closest economic partners, China is ready to step in and fill the void, gaining more economic leverage in the Western Hemisphere. This is not just an economic issue, it's a strategic one. Losing influence in North America while China strengthens its trade relationships in the region is a long-term risk that should not be overlooked. Instead of creating division through tariffs, the U.S. should focus on reinforcing its trade ties to prevent further economic dependence on China.

If Tariffs Are Not A Solution, What Is?

Rather than using tariffs as a blunt instrument, a more effective approach would be to focus on bilateral security cooperation, economic development, and modernized border control strategies. The U.S. and Mexico share a complex relationship that extends beyond trade; addressing migration and drug trafficking effectively requires a multi-pronged approach.

Investing in joint intelligence operations and technology-driven border security measures would provide a more efficient way to combat drug smuggling and illegal immi-

gration without undermining economic ties. Strengthening economic opportunities in Mexico and Central America would reduce the root causes of migration, discouraging people from making the dangerous journey north.

Additionally, expanding legal pathways for working visas would help match U.S. labor shortages with willing immigrant workers, benefiting both economies. Instead of disrupting trade through tariffs, the U.S. should be facilitating a system where businesses can thrive without being constrained by labor shortages and supply chain disruptions.

Final Thought: Keep Your Economic Laundry Sorted

Tariffs may make for great newspaper political headlines, but they make terrible economic policy. The real cost of these tariffs would not have been paid by Mexican exporters, it would have been paid by American businesses, American farmers, and American families. If the U.S. wants to remain competitive in a global economy, it must focus on smart trade policies that strengthen economic ties rather than strain them.

We've seen this story before. Just like washing whites and colors together leads to a mess, mixing economic re-

taliation with policy goals results in unintended consequences. That's why we separate the clothes before putting them into the washing machine, otherwise, we get unexpected results and nothing proper to wear for tomorrow.

Let's not make that mistake with our trade policies. The goal should be to create economic policies that promote growth, stability, and cooperation rather than economic isolation and retaliation. The next time tariffs are proposed as a quick fix, let's remember the Washing Machine Effect and avoid repeating history.

Goodbye, Mr. Trump

Mr. President, if your goal was to make a lasting impression on the American economy, you certainly did. But let's leave tariffs and trade wars in the past, where they belong. The future of U.S. economic leadership depends on collaboration, not confrontation. The world is watching, and history will remember the choices made today. Let's choose wisely.

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