

Progressive Tariffs 101

When used strategically, tariffs are an important tool for protecting American jobs and industries from unfair competition. Trump's reckless tariff plan, however, will do more harm than good.

A tariff is a tax on an imported product, employed to address market failures by influencing company and consumer behavior.

- The importer of the product pays the tariff, not other countries or their companies.
- Unlike a sales tax, a tariff applies to the wholesale price of a product an importer pays, not what the consumer pays.
- The importer can shift its purchasing to buy domestically or from another country without a tariff and thus not pay the tariff.
- Or the importer can choose to pay the tariff and then either absorb the cost of the tariff (in highly competitive sectors) or pass it along to the consumer.

Tariffs are one tool in a toolbox that governments have long used to support infant industries, protect jobs from offshoring, punish bad corporate behavior, and help spur economic development.

- Effective tariffs target imports that are made under abusive labor conditions, that ignore environmental standards, or that otherwise put American workers and producers at an unfair disadvantage.
- Tariffs alone do not build new production capacity or ensure Americans have reliable access to goods.
- President Biden applied more tariffs than Trump did in his first term, but he wisely targeted unfair actors and paired those tariffs with massive investments to support domestic manufacturing and clean energy jobs.

Tariffs are popular with important segments of the U.S. electorate, who view them as evidence of protecting U.S. jobs and being strong on the economy.

- A nationwide poll from just before the election showed that 56% of people supported tariffs.

- In the swing states of Michigan, Wisconsin, and Pennsylvania, 66% of voters said the economy was in bad shape – and of that group, 70% voted for Trump.
- A knee-jerk anti-tariff position is likely to further alienate those voters.

Tariffs are unlikely to generate significant revenue.

- Tariffs operate similarly to a “sin tax” on cigarettes, where the goal is at least as much to decrease consumption of a certain product as it is to raise revenue.
- Assuming the tariff succeeds in shifting the market enough to support increased domestic production or punish bad corporate behavior, the revenue generated would decline over time, as less of that product is imported.
- Tariffs would not generate nearly enough revenue to make up for eliminating the income tax or to pay for the massive corporate tax cuts that Trump has proposed. You would need at least 70% across-the-board permanent tariffs to make up for elimination of the income tax.

Trump’s tariff proposals would likely do more harm than good.

Trump is recklessly proposing to slap across-the-board tariffs on all goods from all countries, including goods we will never produce here at scale like coffee and bananas, which is much more likely to raise consumer prices.

Trump has even threatened 25% across-the-board tariffs to pressure Mexico and Canada to block undocumented immigrants and illegal drugs from crossing the border. Bullying countries, particularly in pursuit of an anti-humanitarian agenda or for policies that they do not have control over, is not an appropriate or strategic use of tariffs.

Trump’s tariff proposals will not boost U.S. manufacturing because he does not plan to combine strategic tariffs with other tools like tax incentives, procurement preferences and government investment – and he has actually pledged to kill off such Biden administration investments.

Trump shouts about raising tariffs to distract people from his repeated giveaways to the billionaire class, including massive corporate tax cuts, and to redirect public anger away from CEOs and greedy corporations and towards other countries. It’s classic con artist behavior that shortchanges American workers, farmers, and consumers.

Trump’s tariff plan presents opportunities for graft. Individual billionaires or favored companies could appeal to Trump for specific tariffs or exceptions in return for other favors. In Trump’s first term, companies with executives that donated to Republicans were almost twice as likely to have their tariff exceptions granted compared to companies with executives who donated to Democrats.

Citations are available in our more thorough Tariff Explainer at www.citizen.org.