



## View from the Beltway

# The Downsides of Tariffs

BY OWEN ULLMANN

*Tariffs aren't a policy. They're a personalized tactical tool for gaining leverage.*

It took about six months, random changes on a near-daily basis, an unfathomable pattern of increases, decreases, and pauses, and an array of targets from nations to individuals for the world to finally figure out the economic policy behind President Donald Trump's tariff tirades. It turns out they are not about economics and they don't comprise a policy. They are a handy political weapon he can hurl at foreign nations and leaders—or any adversary, for that matter—whom he doesn't like.

Conservative columnist George Will summed up this tactic on July 18: “Trump’s ever-shifting and contradictory rationales for tariffs (curing trade deficits, strengthening national security, punishing ingratitude, etc.) reveal that protectionism is not an economic policy but a political strategy for aggrandizing personal power. His tornado of tariffs-by-whim produces an

endless auction as businesses bid for beneficial whims: intensifications of, or exemptions from, tariffs.”

It took a while to figure this out because the White House brain trust around Trump—trade adviser Peter Navarro, Commerce

**“Trump’s tariff torpedoes are probably doing more than anything else since waterboarding in Iraq to destroy the international reputation of the United States.”**

Secretary Howard Lutnick, Trade Representative Jamieson Greer, and Treasury Secretary Scott Bessent—have talked with straight faces about using tariffs to reorient the global trading order to be more favorable to the United States with

the goal of sparking a revival of the long-languishing U.S. manufacturing sector.

Specifically, this economic team promised in April to renegotiate ninety trade deals in ninety days. By their self-imposed deadline in July, two deals were hammered out—with the United Kingdom and Vietnam—and a vague framework was announced with China, details to come. Deals with Japan, Indonesia, and the Philippines were announced on July 22, and one with the European Union was disclosed on July 27. Only eighty-four to go. Navarro even went so far as to predict tariffs would bring in a gusher of revenue: \$6 trillion over ten years. So far, through the first half of 2025, the tariffs have brought in a mere \$80 billion. Not quite on Navarro’s promised pace.

*Owen Ullmann is TIE’s executive editor.*

It is true that the United States has run chronic trade deficits since the 1970s (\$918 billion in 2024) and that the largest imbalances are with China, Mexico, and Vietnam. It also is true that not every trading partner plays by fair rules, and that the expansion

## U.S. trading partners are negotiating new deals with one another that exclude the United States.

of global trade over the past five decades has disproportionately harmed American manufacturing workers concentrated in the Rust Belt.

Yet the random manner in which Trump has announced new tariffs, their magnitude, and then his back-peddling on them makes clear that his goal, as Will points out, is to have his way on whatever issue irks him at the moment. Why tariffs? Because they are a rare and powerful economic tool a president can impose unilaterally under terms he specifies against specific targets—that is, unless the courts conclude he is using them illegally, a distinct possibility down the road.

The idiosyncrasy of Trump's tariff gambit has become clear in either the details of some of the deals or the threats Trump made in announcing new levies:

**The U.K. deal:** The first deal announced includes new terms that are considered modest at best, including 10 percent tariffs on British cars and other exports. The United Kingdom's trade surplus, \$12 billion in 2024, is small compared with other trading partners, which explains why it was so easy to conclude a new pact quickly with minimal change.



*President Donald Trump announces the Administration's tariff plans at a "Make America Wealthy Again" event on April 2, 2025. In response, the S&P 500 suffered its biggest fall in five years. More than \$6 trillion in market value vanished. On April 9, Trump blinked and put the tariffs on pause for ninety days.*

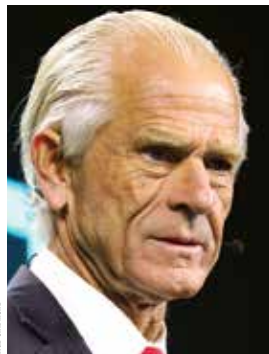
**U.S.-China talks:** The world braced for a massive trade war when the two largest economies locked horns. Trump raised tariffs to 145 percent, and China called his bluff by raising its tariffs to 125 percent and threatening to cut off all exports of rare-earth metals needed by U.S. manufacturers. That quickly got Trump's attention and he backed down—giving rise to the derisive term that so galls him: TACO (Trump Always Chickens Out). The tariffs have since been reduced to 30 percent on Chinese exports and 10 percent on U.S. exports as the two nations work to flesh out details of their framework agreement.

**U.S.-Brazil flap:** Trump's use of tariffs as a political cudgel became obvious in early July, when he threatened 50 percent tariffs on Brazil, even though the United States has a

\$7 billion trade surplus with Latin America's largest economy. Turns out, the source of Trump's ire was not the two nations' trade relationship but the Brazilian judge overseeing the trial of former right-wing president Jair Bolsonaro, a Trump-clone politician

## The expansion of global trade over the past five decades has disproportionately harmed American manufacturing workers concentrated in the Rust Belt.

accused of masterminding a failed coup to overthrow President Luiz Inácio Lula da Silva, who defeated Bolsonaro in a 2022 election. Trump said Bolsonaro, a close political ally who faces four decades behind bars if convicted, was the victim of a "witch



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hunt.” The U.S. State Department subsequently revoked the visas of Supreme Court Judge Alexandre de Moraes along with his court allies and family members.

The counter-productive effects of such tariff moves became evident in April, when Bessent, who seems to have the most brains among Trump’s economic brain trust, persuaded the president to suspend implementation of the most onerous tariff levels, particularly those against China and Japan, because the bond market was threatening to crater, causing a global financial crisis. Trump immediately complied.

Once the bond market stabilized, however, Trump was again threatening an array of tariffs so often that it had become nearly impossible to keep track of all the levies and timetables he had imposed. Six months into his presidency, Trump had boosted the average tariff from 2 percent to 15 percent, the highest since 1940, the *Washington Post* reported.

Although it remains too early to judge the economic impact, many measures through the first half of 2025 suggest nothing good has come of them for the United States. The dollar fell 11 percent against a basket of currencies, the biggest drop over the first six months of any year since 1973. Inflation hasn’t soared, as many economists predicted, but it did creep up. Growth and job creation were positive but mediocre. Manufacturing employment and investment were both down from the last months of Joe Biden’s presidency.

Those figures point to the fallacy in Trump’s thinking: that tariffs will revive a golden age of U.S. manufacturing and employment by forcing companies to relocate production from foreign lands back to U.S. soil.

Global trade, however, is not the sole cause of lost jobs in the sector. Rather, automation that has made manufacturing far more productive is at least as big a factor. Consider that since 1979, U.S. manufacturing employment has fallen by a third to about thirteen million, and average wages for the sector have grown a mere 10 percent after inflation. Yet, output adjusted for inflation has nearly doubled. And while Trump claims numerous companies have pledged to open factories in the United States, their follow-through

is very much in doubt. It takes years to actually open a plant after committing to do so, and the uncertainty of Trump’s tariffs makes that a risky proposition. In truth, supply chains have become so complex and manufactured goods rely on so many parts made all over the world that it seems naïve to assume a return to an earlier era of U.S. manufacturing dominance that ended several generations ago.

Tariffs made more sense two centuries ago, when the United States was in its infancy. The Tariff Act of

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1789, one of the first laws passed by the new government, accounted for 90 percent of federal revenue. U.S. Treasury Secretary Alexander Hamilton strongly supported the act to nurture American industry and finance the government. Southern states, however, came to oppose tariffs because the region depended on agricultural exports and imported manufactured goods.

U.S. tariffs remained relatively low until the Smoot-Hawley Tariff Act

## Breakfast Shocker

**P**resident Trump threatened 50 percent tariffs on Brazil in response to the Brazilian legal system putting former right-wing president Jair Bolsonaro on trial for masterminding a failed coup to overthrow President Luiz Inácio Lula da Silva, who defeated Bolsonaro in a 2022 election. The United States actually has a \$7 billion trade surplus with Latin America’s largest economy. Tariffs could raise the cost of breakfast staples coffee and orange juice for U.S. consumers, since Brazil is America’s largest foreign supplier of both.

—O. Ullmann

of 1930 raised them sharply, adding to the severity of the Great Depression, as retaliatory tariffs from other countries caused global trade to contract. That experience led to nearly a century of low tariffs and expanded trade managed by the General Agreement on Tariffs and Trade and its successor, the World Trade Organization.

Not everyone has lived up to the goal of “fair” trade, including China, India, the European Union, Vietnam,

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and Argentina. Still, it’s hard to argue that the United States on balance has been a victim of the system. Even though we have run persistent trade deficits for a half century, the U.S. economy remains the world’s largest, the U.S. dollar remains the dominant reserve currency by far, and foreigners have seemed only too eager to cover our trade deficits by acquiring U.S. assets, including Treasury securities—considered the safest investment on the planet. At least until now.

The troubling question is whether Trump’s tariff tantrum will bring all the benefits of the current system crashing down to satisfy his lust for power and attention. The sharp drop in the value of the dollar and the bond market quake during the spring suggest the underpinnings of the system are more fragile than many might think.

It’s possible that Trump’s flinging around of tariffs ultimately will be restrained by the federal courts. In response to lawsuits brought by businesses and states challenging the legality of his actions, the U.S. Court of International Trade ruled on May

28 that Trump’s use of the International Emergency Economic Powers Act to impose tariffs was unlawful, saying the act does not grant the president such sweeping authority absent compelling evidence of a national security crisis, severe damage to a domestic industry, or blatant trade violations by a foreign power. That ruling was placed on hold while the issue works its way through the appeals courts and ultimately to the Supreme Court. Until then, Trump can cause tremendous damage.

Stephan Richter, the publisher and editor-in-chief of *The Globalist*, a daily online magazine on the global economy, politics, and culture, notes that “the entire rest of the world recognizes with bated breath that Trump’s tariff ‘policy’ is completely devoid of any economic rationale.”

“His decisions on trade are driven by but one singular motivation: What do I, King Donald I, need to do to grab as many headlines internationally basically every day (when I am not coming up with other, non-trade announcements) to prove my potency

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in the eyes of as many people around the world as possible?” Richter continued. “Outside the United States, policymakers, as well as citizens alike, are flabbergasted by the inability of the presumably mighty and definitely deeply resourced U.S. government apparatus to put an end

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DAVE SOUTHERN

to these ludicrous (and ultimately self-destructive) practices.

“Far beyond tariff policy, the blusterer-in-chief who regularly and deliberately mixes up billions and trillions is a completely unguided missile on any policy matter, acting out his child king mindset. Trump’s tariff tor-

### **Tariffs made more sense two centuries ago.**

pedoes (TTT) are probably doing more than anything else since waterboarding in Iraq to destroy the international reputation of the United States.”

Harsh? Indeed. But the damage Trump is causing the global economic and political order at the expense of U.S. interests is far harsher. Already, U.S. trading partners are negotiating new deals with one another that exclude the United States. Exporters such as China are finding new markets and distribution networks. U.S. companies are flapping about as they try to determine where and when to invest and expand amid such uncertainty about their future businesses. Nothing short of chaos is afoot.

Trump has long been compared to a wrecking ball. He is highly skilled at tearing things down without a plan for what gets built in their place. Unless he comes to his senses, or Bessent once again points out he is on a dangerous course and needs to change direction, a growing calamity lies ahead. ♦