

US economy**Analysis**

Why Trump tariffs will be 'very bad for America and for the world'

Steven Greenhouse

If enacted tariffs will increase inflation, slow economic growth, and result in US consumers footing the bill



📷 Donald Trump departs after speaking about the economy during an event at the Circa Resort and Casino in Las Vegas, on 25 January. Photograph: Mark Schiefelbein/AP

Fri 31 Jan 2025 07:10 EST

As Donald Trump **threatens to slap steep tariffs** on many countries, he is boasting that his taxes on imports will be a boon to the US economy, but most economists strongly disagree - many say Trump's tariffs will increase inflation, slow economic growth, hurt US workers and result in American consumers footing the bill for his tariffs.

“Virtually all economists think that the impact of the tariffs will be very bad for America and for the world,” said Joseph Stiglitz, an economics professor

at Columbia University and a winner of the Nobel prize in economic sciences. “They will almost surely be inflationary.”

On inauguration day, Trump threatened to impose **a 25% across-the-board tariff** on all imports from Canada and Mexico on 1 February “because”, he said, “they’re allowing vast numbers of people” to “come in, and fentanyl to come in”. Trump also threatened **China with a 10% tariff** unless it stops fentanyl shipments, while he maintained his longer-term threat of a 60% tariff on Chinese goods.

“It’s inconceivable that other countries won’t retaliate,” said Stiglitz, who was chairman of Bill Clinton’s council of economic advisers. “Even if some of the governments might not want to retaliate, their citizens will demand that you can’t allow yourself to be beaten up. When you make like a gorilla thumping on his chest, are countries just going to say, ‘Are we chopped liver?’ Their politics will demand that they do something.”

The tariffs, tensions and fears of retaliation and a trade war will probably cause many businesses to reduce their planned investments, and that, economists say, will hurt economies worldwide.

Marcus Noland, executive vice-president of the Peterson Institute for International **Economics**, said: “The impact of imposing these tariffs,” will “have the effect of depressing US economic growth, contributing to a higher rate of inflation, and those effects will be worse if the other countries retaliate in kind”.

Trump insists that his aggressive trade policies will be a win-win for Americans. On inauguration day, the White House issued his **“America First Trade Policy” memo**, saying: “I am establishing a robust and reinvigorated trade policy that promotes investment and productivity, enhances our nation’s industrial and technological advantages, defends our economic and national security, and—above all—benefits American workers, manufacturers, farmers, ranchers, entrepreneurs and businesses.”

But many economists say this is wishful thinking, predicting that, if implemented, Trump’s tariffs will injure many US manufacturers, farmers and workers. Jim Stanford, a prominent Canadian economist who was long the top economist for Canada’s auto workers’ union, warned that if Trump imposes 25% tariffs on **Canada**, it would badly damage the US and Canadian auto industries.

“The Canadian and US auto industries have been intertwined for 60 years,” Stanford said. “What happens if they put a 25% tariff on all the auto parts

and products coming from Canada and Mexico? Some auto parts cross the border eight times before they're put in the final vehicle.” For instance, some basic steel might be shipped from Mexico to the US, where it is molded into a carburetor part and then that piece is shipped to Canada where the carburetor is produced before being shipped to Mexico to be installed during final assembly after which the car is ultimately sold in the US.

“The tariffs would apply each time parts cross the border,” Stanford said. “That 25% would be compounded on each step. The impact on costs would be astounding.”

Stanford said it was wrong for Trump to suggest that Canada and its automakers would pay for those 25% tariffs. “By and large, that’s false. It’s clearly going to raise auto prices in America. It is Americans who will directly pay for it. There’s no doubt about that.”

Economists note that one result of sizable tariffs is that consumers ultimately fork over more money to the government when they buy imports and that overall leaves consumers with less money to buy goods, and that hurts manufacturers and retailers.

Noland, of the Peterson Institute, noted that Trump and other supporters of across-the-board tariffs “claim it will aid industrial revitalization. What we found is it actually tends to have the opposite effect. It tends to damage the industrial sector by decreasing efficiency in production relative to other countries.”

When Trump hit China with tariffs during his first term in office, China retaliated in particular against US agricultural exports, hurting American farmers. Noland predicted that if Trump again slaps tariffs on China, farmers would again get hit by retaliation.

Eswar Prasad, a Cornell University expert on trade policy, warned that Trump’s tariffs will have additional undesirable effects. “US exporters will face a particularly tough time, as they are likely to face rising tariff barriers in their foreign markets,” Prasad said. “In addition, tariffs are likely to drive up the dollar and reduce the competitiveness of their exports in global markets.”

He added that the looming threat of tariffs and the unpredictability of what they will be is “fomenting enormous uncertainty in the global business environment, which is harmful for business investment and job creation”.

Stiglitz sees another worrisome downside to Trump's tariff plans and the likely retaliation against the US. When central bankers see inflation climbing due to tariffs, "central banks will raise interest rates," Stiglitz said. "That has a chance of leading to the worst of possible outcomes - interest rates going up with stagflation, interest rates going up in the face of a weak economy."

In some ways, Stiglitz explained, this would prove counterproductive to one of Trump's goals for tariffs: to have them help pay for "Trump's tax cuts for billionaires". "If growth slows down, tax revenues will slow down," he said.

David Seif, Nomura's chief economist for developed markets, said several Trump policies, including tax cuts and reduced regulations, could help offset tariffs' harmful effects on economic growth. But because of Trump's tariffs, he said, "there is likely to be higher inflation this year than there otherwise would be, and that might limit the Federal Reserve to a single rate cut this year." That would undercut Trump's hopes of getting the Fed to rapidly cut rates.

Seif said the [Trump administration](#) seems to be considering two waves of tariffs - a near-term wave, for instance, to get countries to slow the flow of immigrants and fentanyl to the US. Then he sees a longer-term wave of perhaps large, across-the-board tariffs aimed at generating revenue and strengthening US manufacturing.

But economists warn that with the US near full employment - the jobless rate is just 4.1% - it could be hard to find enough workers to significantly expand the manufacturing sector, especially when many immigrant workers face deportation.

Lindsay Owens, executive director of the Groundwork Collaborative, a progressive policy thinktank, said it was hard to predict what will happen on tariffs because "there is a kind of war going on in the Republican party between where the Maga folks are on trade and where the chamber of commerce is."

Owens said many people are asking, how do Trump's tariff policies, which will probably result in higher costs for consumers, square with his promise to lower prices? She warned that tariffs will hit less affluent Americans hardest because they "spend a disproportionate amount of their income on consumption".

Owens noted that Trump advisers have talked up how tariffs will help US workers while also helping finance trillions in tax cuts for the rich. "If these tariffs are to pay for tax cuts for billionaires," Owens asked, "doesn't the

supposed benefits that tariffs have for the working class get canceled out somewhat?”

*The Guardian is co-publishing this piece with **the Century Foundation***

Most viewed