For Trump, Tariffs Are the Solution to Almost Any Problem

The former president has proposed using tariffs to fund child care, boost manufacturing, quell immigration and encourage use of the dollar. Economists are skeptical.

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It has been more than five years since former President Donald J. Trump called himself a "Tariff Man," but since then, his enthusiasm for tariffs seems only to have grown.

Mr. Trump has long maintained that imposing tariffs on foreign products can protect American factories, narrow the gap between what the United States exports and what it imports, and bring uncooperative foreign governments to heel. While in office, Mr. Trump used the threat of tariffs to try to convince Mexico to stop the flow of undocumented immigrants across the U.S. border, and to sway China to enter into a trade deal with the United States.

But in recent weeks, Mr. Trump has made even more expansive claims about the power of tariffs, including that they will help pay for child care, combat inflation, finance a U.S. sovereign wealth fund and help preserve the dollar's pre-eminent role in the global economy.

Economists have been skeptical of many of these assertions. While tariffs generate some level of revenue, in many cases they could create only a small amount of the funding needed to pursue some of the goals that Mr. Trump has outlined.

In other cases, they say, tariffs could actually backfire on the U.S. economy, by inviting retaliation from foreign governments and raising costs for consumers. Economic research has indicated that the cost of tariffs tend to be borne by American businesses and households, rather than foreign companies.

“Trump seems drawn to trade tariffs as a bargaining tool with other countries because tariffs have powerful domestic political symbolism, are much easier to turn on and off than financial sanctions and can be tweaked with shifting circumstances,” said Eswar Prasad, a trade economist at Cornell University.

“The irony is that using tariffs to punish countries that use unfair trade practices or are trying to reduce their dependence on the dollar is likely to end up hurting the U.S. economy and consumers,” he said.

At a rally in Wisconsin on Saturday, Mr. Trump also suggested that tariffs could be wielded as punishment against nations that turn away from using the U.S. dollar in international trade. Countries like Russia and China have tried to finance a limited amount of their trade in their own currencies, as a way to sidestep Western sanctions and combat the dominance that the U.S. government has over the global economy.

Mr. Trump suggested that countries that tried to switch away from the dollar would be faced with big levies on their products. “You leave the dollar and you’re not doing business with the United States, because we are going to put a 100 percent tariff on your goods,” he said.

Mr. Prasad said that even the prospect of “mercurial and hostile policies” like these could encourage countries to reduce their dependence on the dollar for trade payments and for holding foreign exchange reserves.

"This in turn will raise borrowing costs for the U.S. government if foreign investors begin to see the dollar as a currency with shaky institutional foundations and subject to the policy whims of a future president," he said.

Brad Setser, an economist at the Council on Foreign Relations who served as an adviser to the Biden administration, wrote in a social media post that the dollar's global role as a reserve currency stemmed from the fact that countries voluntarily chose it. U.S. threats would probably have little influence on the behavior of other countries and, if they did, could make the dollar less attractive, he said.

The proposal is "among the craziest aired by a US Presidential candidate," he wrote.

During Mr. Trump's presidency, the percentage of total imports covered by tariffs more than doubled — though it still remained low by international standards — as he imposed tariffs against foreign washing machines, solar panels and metals, as well as levies ranging from 10 percent to 25 percent on a wide variety of products from China.

The tariffs Mr. Trump has promised to impose if re-elected dwarf those previous levies. He has floated a blanket tariff of 10 percent to 20 percent on nearly all imports and of 60 percent or more on Chinese goods, as well as a plan to match the tariffs other countries impose on U.S. products on a reciprocal basis.

Part of Mr. Trump's pitch for these tariffs is their revenue-raising possibilities. As he raised tariffs as president, the amount of revenue that the government earned from levies did increase substantially. The customs bureau went from earning $41.6 billion in tariff revenue in 2018 to $111.8 billion in 2022.

Some of this revenue, however, had to be paid out to compensate American businesses that suffered as a result of an ensuing trade war. As president, Mr. Trump gave $23 billion to American farmers to help them offset losses, after foreign countries imposed their own tariffs on American exports in response and U.S. agricultural exports plummeted.

Led by Mr. Trump, more Republicans have recently embraced tariffs as a potential source of revenue to finance tax cuts. And in a speech to the Economic Club of New York last week, Mr. Trump brought up tariffs when asked how he would lower child care costs and help more women enter the work force.

“We’re going to be taking in trillions of dollars, and as much as child care is talked about as being expensive, it’s, relatively speaking, not very expensive compared to the kind of numbers we’ll be taking in,” Mr. Trump said of the revenue that could be raised from tariffs.

The country would have “no deficits within a fairly short amount of time,” he added.

But even if Mr. Trump were able to impose all of the tariffs he has floated, the amount of revenue they would bring in would likely fall far short of the “trillions” he has described. The amount would also be far less than what is needed to cover the cost of the initiatives he has proposed using it for, like offsetting income taxes and reducing the federal deficit.

(The cost of a child care program might not be as much as these other expenditures: One study found that a universal prekindergarten program for 3- and 4-year-olds would cost $351 billion over the next 10 years. In contrast, the Congressional Budget Office has projected that the tax cuts Mr. Trump introduced in 2017 would cost more than $4 trillion over 10 years.)

One study by economists at the Peterson Institute calculated that a 10 percent tariff on all imported products, plus a 60 percent tariff on China, would generate roughly $227 billion per year. But the economists said they believed that figure would be an overestimate, since tariffs and retaliation from foreign countries would cause lower economic growth and push up the value of the dollar.

Consumers would also presumably switch away from buying products with tariffs to those without them, thus lowering tariff revenue over time. In addition, some tariff revenue might be needed to compensate exporters whose businesses suffered as a result of a trade war.

Karoline Leavitt, the national press secretary for the Trump campaign, said in a statement that Mr. Trump had "successfully imposed tariffs on China in his first term AND cut taxes for hard-working Americans here at home — and he will do it again in his second term. President Trump's plan will result in millions of jobs and hundreds of billions of dollars returning home from China to America."

Economists have emphasized that tariffs have other drawbacks. In a report on Monday, the World Trade Organization said that tariffs tended to place the largest burden on low-income households, which spend a greater proportion of their income on traded goods, as well as women and smaller companies, which may be less able to pay the higher costs.

Mr. Trump has contended that his tariffs would lower inflation, because they would increase manufacturing and the productive capacity of the United States. But most economists say that tariffs of the size he is proposing would increase consumer prices and add to inflation. A recent report from Nomura's Global Economics team predicted that, if Mr. Trump won the election, inflation in 2025 would be "notably higher" by 0.75 percentage points, as the fiscal deficit grew and tariffs boosted prices.

Matt Priest, the president of a trade group representing footwear distributors and retailers, made clear in a statement on Tuesday that many U.S. industries are not happy with the tilt toward tariffs, saying that they imposed a burden on American families.

"Tariffs on footwear — no matter how high you make them — will not lead to increased shoe manufacturing jobs in the U.S. We cannot claim to put Americans first if we continue to tax them first," Mr. Priest said.

Ana Swanson covers trade and international economics for The Times and is based in Washington. She has been a journalist for more than a decade. More about Ana Swanson

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