

NATIONAL REVIEW

Trump Administration Plans \$60 Billion in Taxes on Consumer Goods

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The Trump administration is set to impose \$60 billion dollars in taxes on Chinese-made products.

*Should 5 percent appear too small,
Be thankful I don't take it all,
'Cause I'm the Taxman, yeah, I'm the Taxman.
– The Beatles, “Taxman”*

George Harrison had Donald Trump's number. He wrote the Beatles song “Taxman” to complain about the sorry state of tax policy — the government's tendency to tax every imaginable purchase — and called out Left and Right alike for bringing about this unhappy state of affairs.

The Trump administration, which boasts of its record “tax reform” and “tax cuts” (despite having just taxed home appliances, steel, and aluminum), aims to impose even more wide-ranging taxes, with a \$60-billion-dollar tax on basic consumer goods from China. The earlier tariffs were bad enough; they taxed most Americans to pay for corporate welfare for crony industries. This round takes it even further, taxing goods that the entire country uses — with no beneficiary except, perhaps, the government. During his recent announcement on tariffs, the president added that he has been trying to negotiate with Chinese leadership to reduce the “trade deficit” by \$100 billion. Or, put another way, he is trying to stop the Chinese from selling \$100 billion in products to Americans.

1954 15" color TV vs. 2014 50" HDTV



1954 price: [\\$1,000](#)
1954 avg. hourly wage: \$1.97
Hours needed: 508 hours



2014 price: [\\$218](#).
2013 avg. hourly wage: \$27.92
Hours needed: 7.8
Reduction: 98.5 percent

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International trade has not only improved the lives of Americans by letting us buy goods at dramatically lower prices and consequently raising our standard of living dramatically; it has also lifted millions out of poverty around the world. Chinese companies can easily sell their goods elsewhere in the world, as American imports fall, and they can equally easily stop buying American goods (on which they spend billions, including more soybeans than any other importer as well as advanced goods like semiconductors). Trump's economically mindless stunt is likely to cripple entire, thriving American industries while also reducing the standard of living nationally.

Trump's advice in such matters comes from Peter Navarro, an economist who seems proud to serve as a professional yes-man. Speaking of Trump earlier this month, Navarro said:

My function, really, as an economist is to try to provide the underlying analytics that confirm his intuition. And his intuition is always right in these matters.

Trump is also getting advice from Robert Lighthizer, a long-time Washington insider and apparent socialist of the Right (the current political moment has revived the relevance of such Hayekian terms) who has yearned for years for the Republican party to return to its pre-20th-century anti-market stance. Lighthizer, who spearheaded the tariffs plan, had been seeking \$30 billion in import taxes, but the president was eager to double that figure. In his tariffs

announcement, Trump reiterated the figure of \$60 billion only hours after staffers said it would be \$50 billion.

In 2011, Lighthizer thought that Trump could be the key player in pushing the GOP away from free enterprise. His estimation has proved correct. Indeed, the China tariff plan, embarrassingly, has drawn the support of ostensibly free-market Republicans who opposed steel and aluminum tariffs, such as Tom Rice (R., S.C.). The Chinese Ministry of Commerce has already announced plans to impose tariffs on more than 120 imported American goods.

Politicians and the public immediately picture factory floors and farm fields when they think about “goods,” but America exports far more than just physical products. In 2017, Chinese cinemagoers spent well over \$3 billion dollars on Hollywood films. This year’s figure is likely to top that, with *Black Panther* a huge success, *Avengers: Infinity War* poised to do even better, and so on. Apple’s iPhones are assembled in China, but the bulk of their value (and price) comes from the R&D and software development in California. American knowledge and ideas are valued the world over, and these will continue to drive future prosperity.

Contrary to widespread misconception, the U.S. is manufacturing more than it ever has, and foreign markets are driving demand for American products. If the Trump administration proceeds with its program of tariffs, thereby crippling imports, retaliation is likely to mean that demand for American goods will drop dramatically. The president boasts of passing the biggest tax cut in history, yet he is also imposing taxes that will hit every American with an increased cost of living. Democrats who criticized the Republicans’ tax plans for not sufficiently cutting middle-class taxes now back this regressive import tax. The Taxman in George Harrison’s song closes by singing, “And you’re working for no one but me.” That seems to be a pretty apt description for how this micro-managing president understands the economy.