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The Trade War Is Getting Closer And Closer To Hitting Americans Hard In The Wallet

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As the trade war between the United States and China continues to ramp up, it gets closer to affecting consumers. If it continues, the trade war could have a very negative impact on disposable income – which is horrible news if you're already living paycheck to paycheck.

American consumers can expect higher prices and diminished economic opportunity if President Donald Trump follows through on his threat of levying 10 percent tariffs on an additional $200 billion in Chinese goods and China responds in kind, as it has vowed to do, economic experts say. Of course, SHTFPlan warned of this before Trump flung the US into a full-blown trade war. The people who will suffer the most are those at the bottom, as in any financial crisis or trade war.

While the tit-for-tat tariffs could hurt both economies, the damage to China's economy caused by the US's Section 301 tariffs will **"pale in comparison to the damage done to the US economy** via China's retaliations," reported SHTFPlan back in April. Tariffs imposed on Chinese goods aren't actually paid for by Chinese companies, as the American government would have you believe. China will simply jack up the prices of their goods and the cost will be effectively passed onto the American consumer in the form of higher prices. This is simply economics 101, something that most Americans fail to comprehend in even the simplest terms.

"Tariffs are beginning to take a toll on American businesses, workers, farmers, and consumers as overseas markets close to American-made products and prices increase here at home," said U.S. Chamber of Commerce President and CEO Thomas J. Donohuein a statement according to NBC News. "Tariffs are simply taxes that raise prices for everyone. Tariffs that beget tariffs that beget more tariffs only lead to a trade war that will cost American jobs and economic growth."

Experts say prices at the supermarket, as well as at clothing and electronic stores that carry any of the targeted goods, will rise as soon as the retailers decide to pass the increased costs down to consumers. Shoppers may gradually see prices rise everywhere as stores try to spread out the damage of the cost of tariffs. The impact on each price tag may ultimately be small, but it will all add up any Americans will be able to afford less than they did before the trade war began.

“Few people will notice an increase in the price of goods on the order of a tenth of a cent,” Sharon Traiberman, assistant professor of economics at NYU who researches international trade and labor economics, said in an email. “So it’s not about everyone feeling worse off, it’s that despite the small impact per person, this is very costly in the aggregate.” Traiberman failed to mention the financial burden this places on those who currently have only a small amount of disposable income. Sure, the effect individually may be small, but it’ll be felt. In fact, one in five Americans don’t even have enough money to put food on the table, so minimizing the impact on an individual is quite pretentious and rather short-sighted.

And the news is still bad for the economy should businesses decide to absorb the cost of compliance on their own. If businesses try to cover some of the costs themselves, the effect is less visible but potentially even more damaging. “That’s less money to hire workers, less money to invest in new facilities,” said Scott Lincicome, a trade lawyer and adjunct scholar with the Cato Institute.

Although Trump says he’s protecting and strengthing the U.S. economy, history shows he’s wrong on this one. The Smoot-Hawley Tariff Act of 1930 raised protectionist tariffs against over 900 goods in order to help alleviate the pain of the Depression. U.S. industries enjoyed a short-term bump, but the Gross Domestic Product by 1933 had fallen to $56 billion, down nearly half from $103 billion in 1929.

Prepare for potential financial stress by paying off debts. One of the best things you can do to prepare yourself for higher prices and increased interest rates is to increase your disposable income by eliminating credit payments. This will also save you money once interest rates go higher. Plus, it’s much more difficult for your property to be repossessed if you own it outright and are not making payments on it.