

NATIONAL REVIEW

The Folly of Protectionist Tariffs

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Conventional wisdom holds that it is the “elites” who are opposed to President Trump’s protectionist policies, including his recent ramp-up of tariffs on Chinese goods, and it is true, insofar as support for free trade increases with education and income. But the reality is that poor and working-class Americans will be hurt the most by Trump’s trade war.

Trump’s insistence to the contrary notwithstanding, most of the cost of tariffs is paid by American consumers (through higher prices), not by the countries being sanctioned. For instance, it is estimated that the president’s latest round of tariffs on China will cost the American family an average of at least \$767.

But that cost does not fall equally on poor and rich alike. To state the obvious, \$767 means a lot more to a poor family struggling to pay its bills than it does to a wealthy one. Moreover, tariffs are more likely to fall on goods and services that the poor depend on, daily necessities of which they often lack a reserve supply.

Consider that among the companies that have announced they will be most impacted by the China tariffs are Walmart, Target, and Costco, none of which are known as the store of choice for global elites.

Studies show that the lower your income is, the harder you’ll be hit by tariffs. Tariffs imposed by Trump last year have already cost poor families 0.33 percent of after-tax income, as opposed to 0.28 percent for wealthy families, and hurt single parents even more than they hurt families. Trump’s latest tariffs will likely be even more regressive. And while each new tariff’s impact is relatively small, they cumulatively take a big hit out of poor people’s income.

If that wasn’t bad enough, there is little doubt that an extended trade war with China will damage the broader American economy. Some economists estimate that Trump’s tariffs on Chinese goods and China’s retaliatory tariffs on American goods will cost the U.S. economy \$62 billion in lost output. One research group, Oxford Economists, fears that if the trade war expands and tariffs on both sides are extended to the full range of traded goods, it could reduce U.S. GDP by more than 2 percent, and even push the U.S. economy into a recession. The Trade Partnership, an industry group, warns that anywhere from 900,000 to 2 million jobs could be at risk if the trade war drags on, roughly eight jobs lost for every job saved. Very few of those lost jobs are held by “elites.”

If we should have learned anything from history, it is that the free market does more to help people escape poverty and move up the economic ladder than the government ever could. On the

other hand, government intervention in the market seldom helps the poor and struggling. And once one moves beyond the populist rhetoric, protectionism is no different: The very people whom the president says he is fighting for will end up on the losing end.

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