



# Immigration and Tariff Policy Significant Barriers to Growth

Viamonte  
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# Immigration



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## Why Do People Migrate?

- **Push factors:**

- Disparities in income/standards of living, and the availability of jobs, violence/war, climate change, natural disasters, population pressures, economic dislocation, religious persecution, and denial of political rights.

- **Pull factors:**

- Potential for economic prosperity (higher wages, job opportunities), physical security, political freedom, and religious liberty.

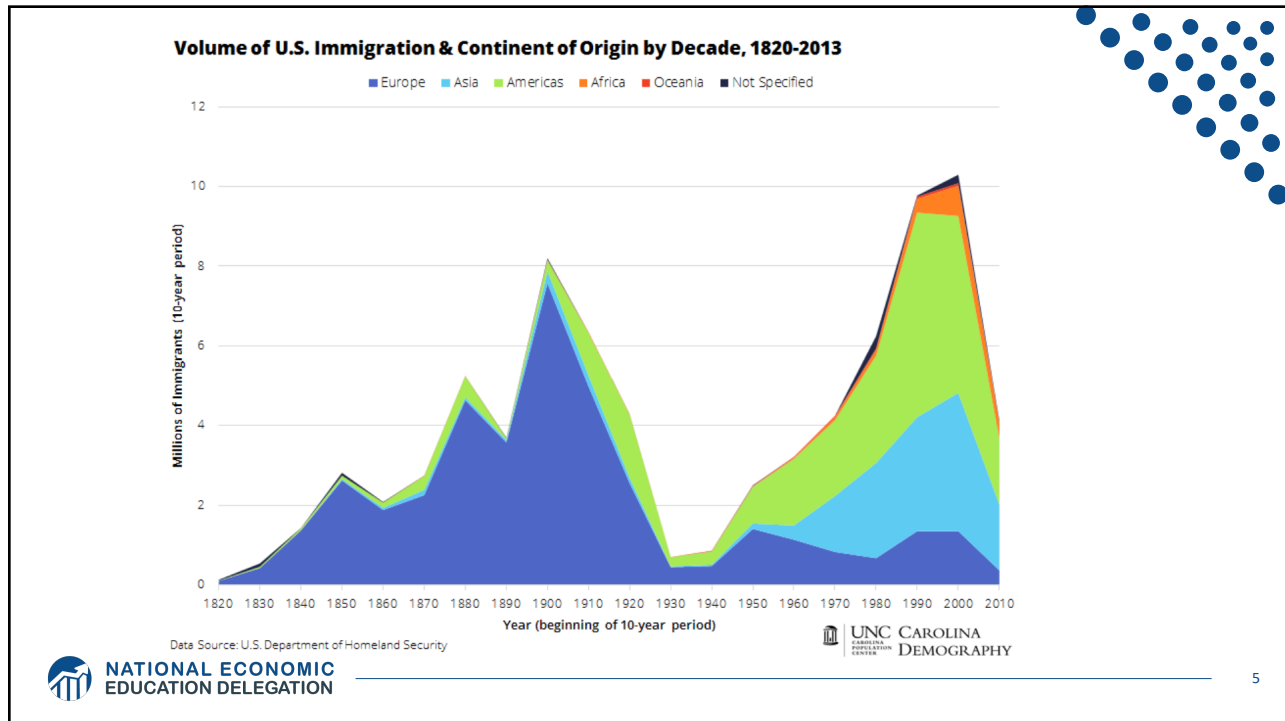


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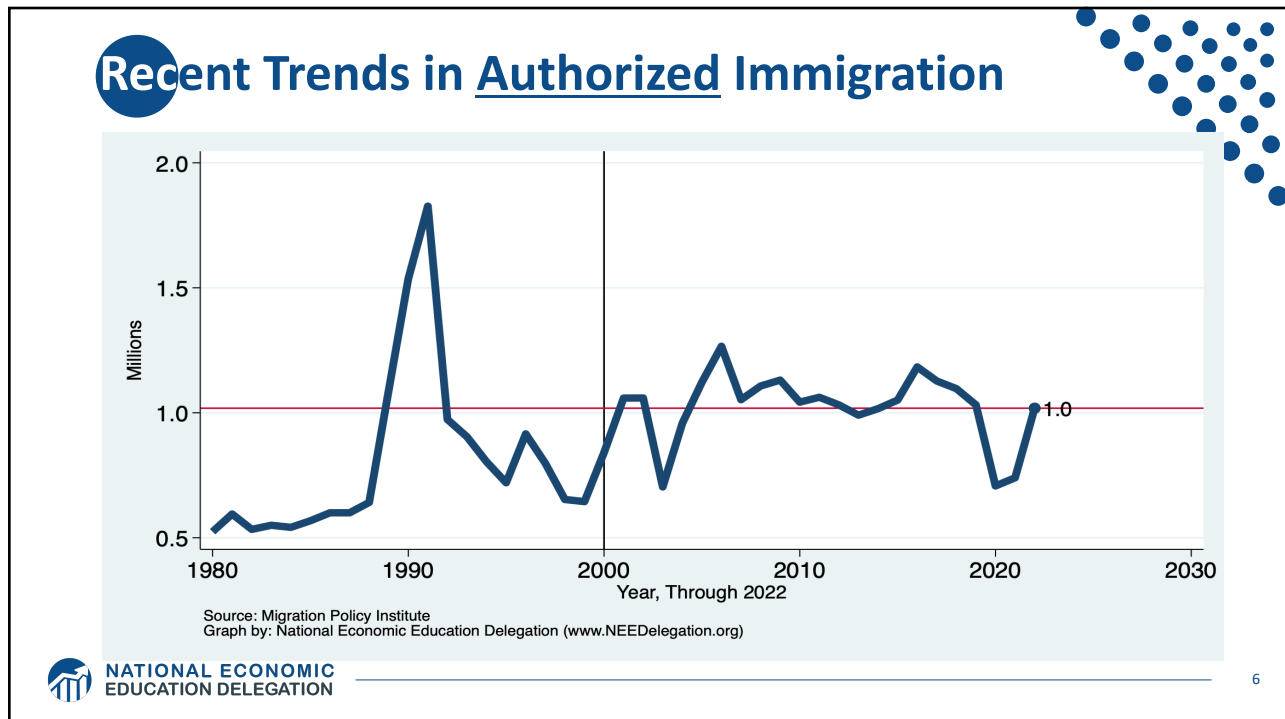
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Source: Gilder Lehrman Institute of American History.

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# UNauthorized Immigration



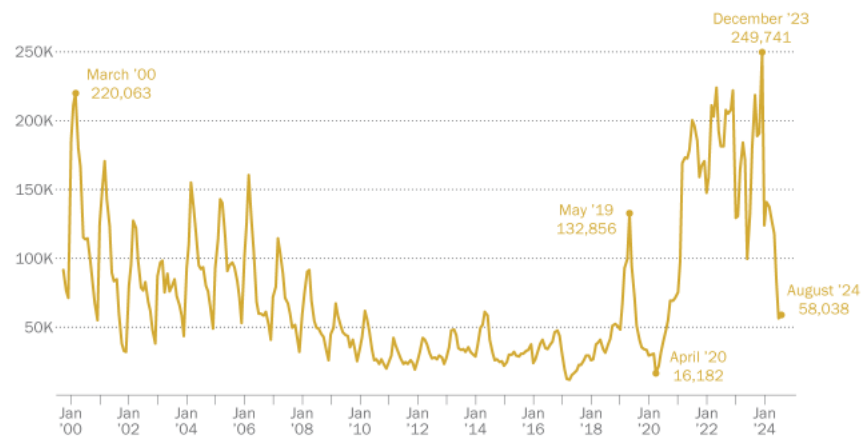
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## Encounters with migrants at the U.S.-Mexico border peaked in December 2023 but have plummeted since then

Monthly migrant encounters by U.S. Border Patrol at the U.S.-Mexico border



Note: Beginning in March 2020, monthly totals combine apprehensions and expulsions into a new category known as encounters. Monthly totals before March 2020 include apprehensions only. Some migrants are encountered more than once.  
Source: U.S. Customs and Border Protection.



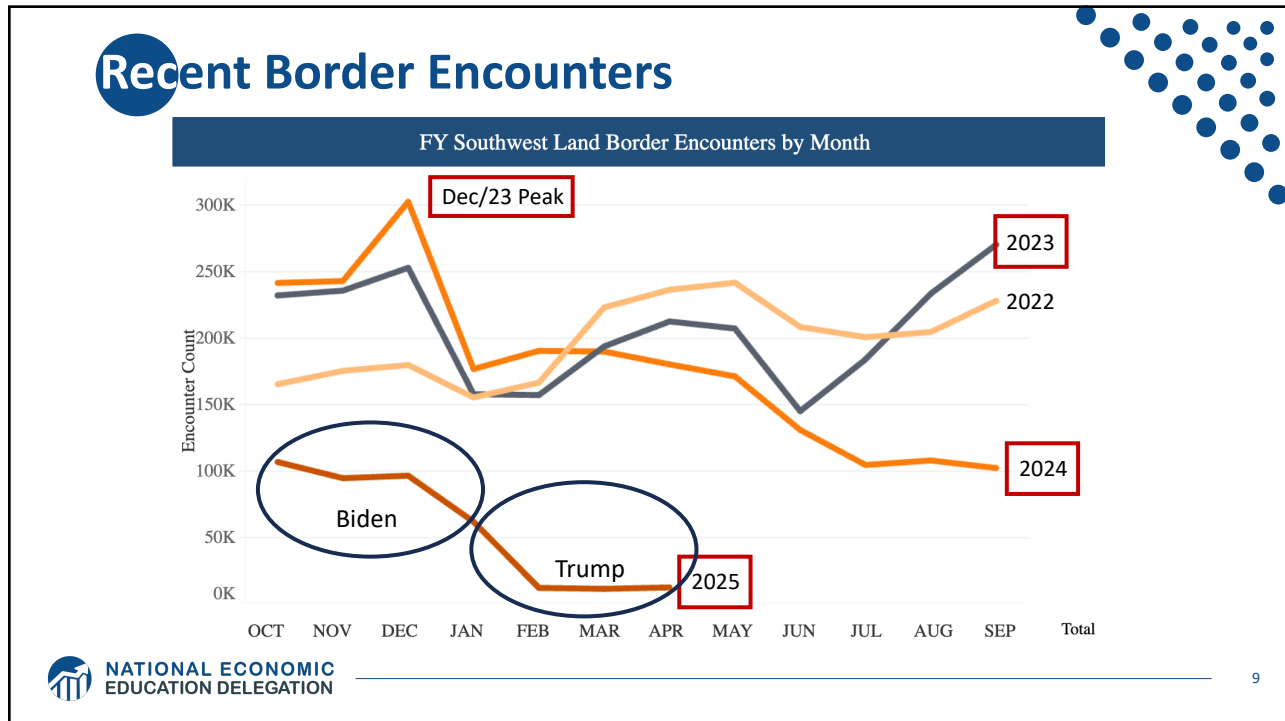
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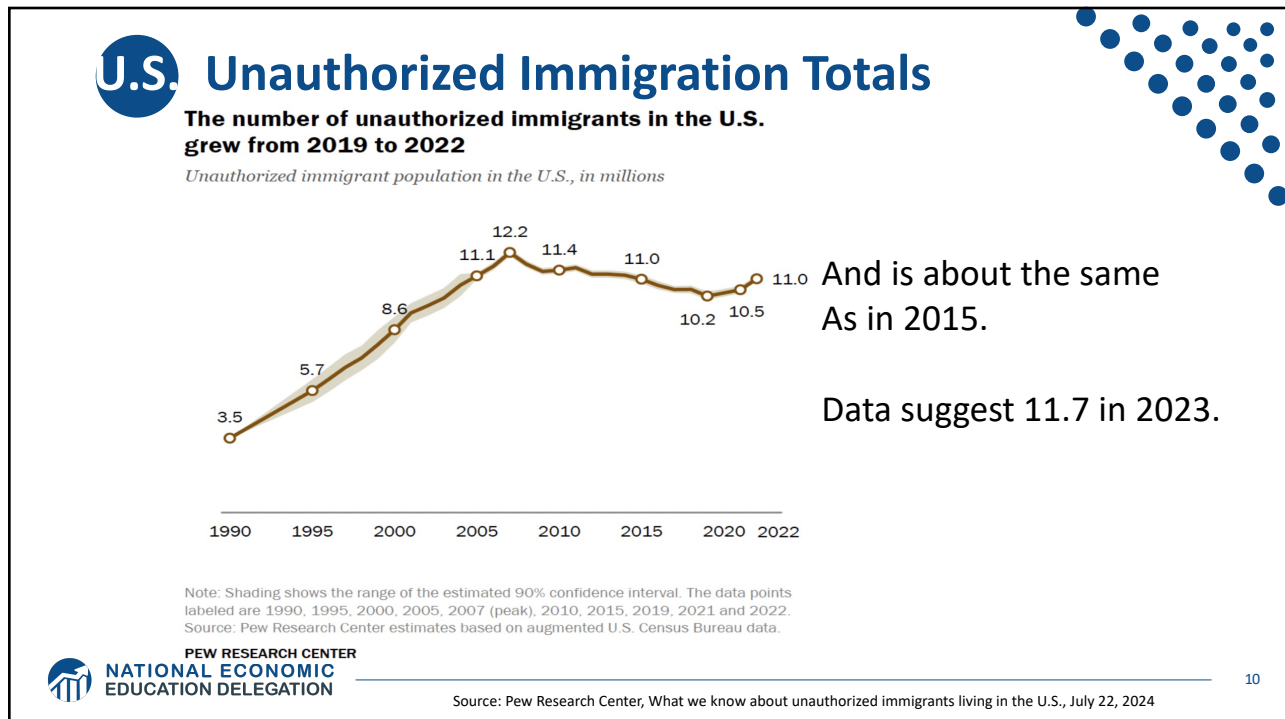
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<https://usafacts.org/articles/what-can-the-data-tell-us-about-unauthorized-immigration>

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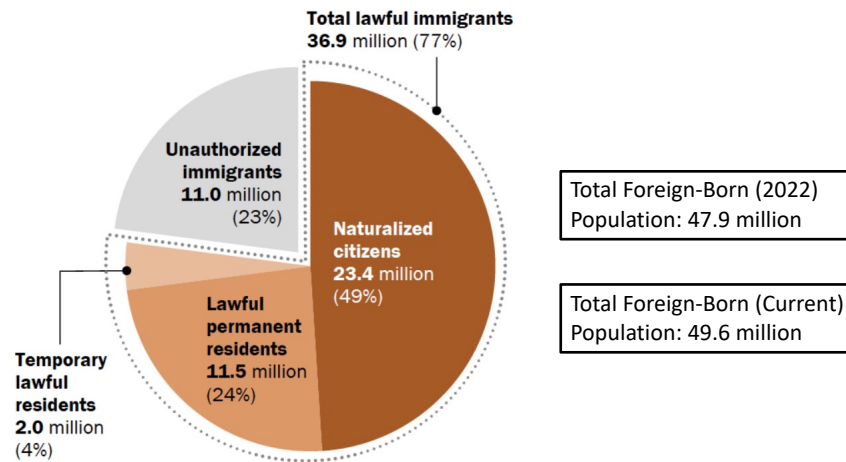
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## Unauthorized immigrants were 23% of the U.S. foreign-born population in 2022

Foreign-born population estimates, 2022



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Source: Pew Research Center, What we know about unauthorized immigrants living in the U.S., July 22, 2024

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## Why Do We Care? Economic Implications

- Conventional Wisdom Issues:
  - Labor markets: Wages and Jobs
  - Government Revenue and Spending
  - Crime
- Other issues (that don't get talked about much):
  - Gross Domestic Product (GDP)
  - Innovation and Entrepreneurship



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## GDP: How Does This Work?

- **What determines the size of an economy?**
  - Physical capital
  - Technology/productivity
  - The number of workers
    - Immigration adds to the number of workers.
- **Number of immigrants in the labor force is high**
  - 32.7 million foreign-born persons ages 16+ in the labor force in August/24.
  - 19.6% of the total US workforce.
- **Evidence**
  - Immigrants added 11% to GDP (\$2 trillion) in 2016.



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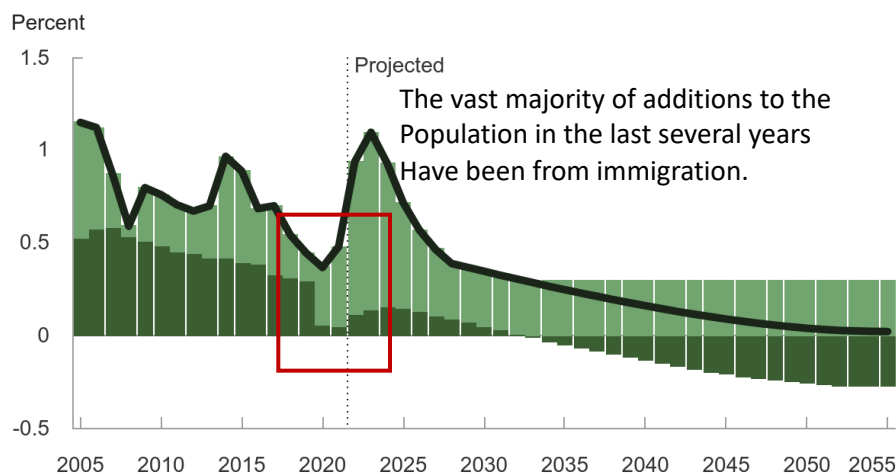
Federal Reserve Bank of St. Louis (<https://fred.stlouisfed.org/>)  
National Academies of Sciences, Engineering, and Medicine (2017) "The Economic and Fiscal Consequences of Immigration".

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## Is Immigration Saving the Day?

### Population Growth and Contributing Factors



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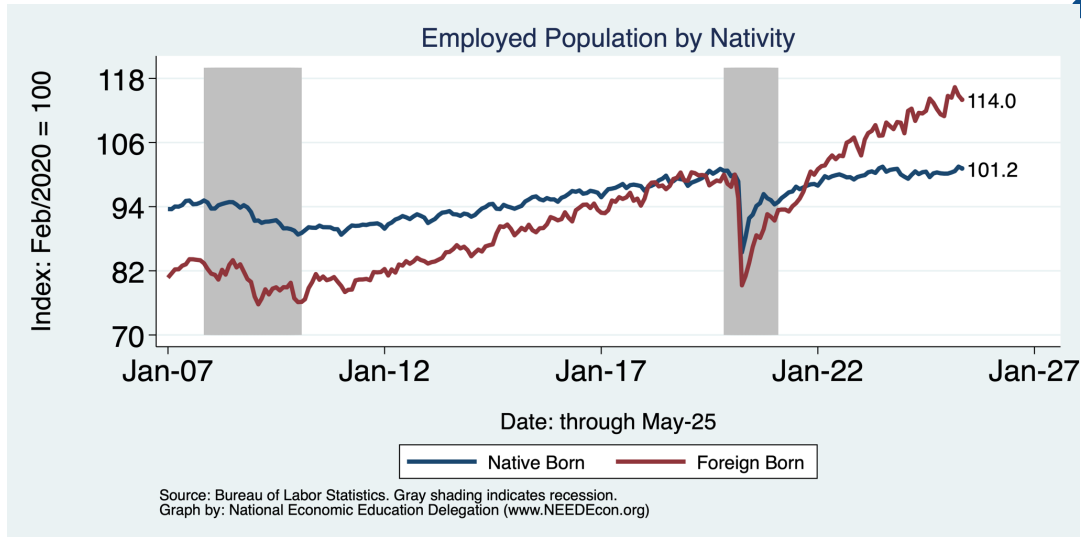
— Population growth — Net immigration — Births minus deaths

Source: CBO – The Demographic Outlook, 2025-2055

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## Immigrants to the Rescue?



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## Jobs: Conventional Wisdom...Upended

### • What is the conventional wisdom?

- Low-skilled immigrants come in and take jobs from low-skilled native-born individuals.
  - o 1-1 tradeoff.

### • What does new research show?

- Low-skilled immigrants contribute positively to the economy.
  - o Every 100 low-skilled immigrants: create 9 jobs for low-skilled native-born.
  - o They create opportunities for low-skilled native-born workers.
- Low-skilled immigrants take jobs that native-born don't want.



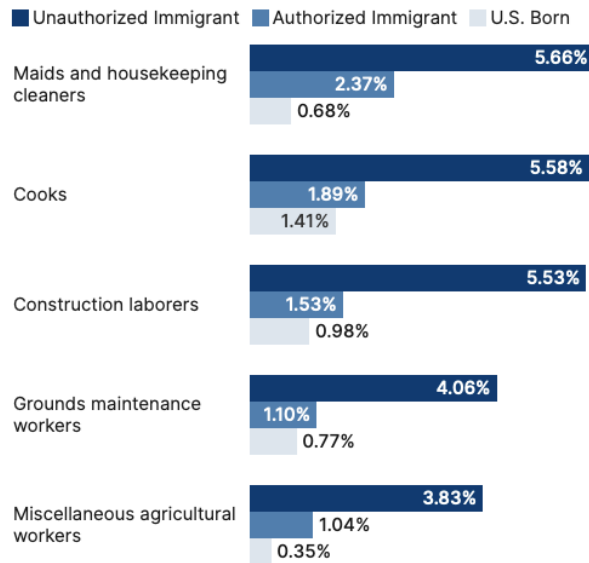
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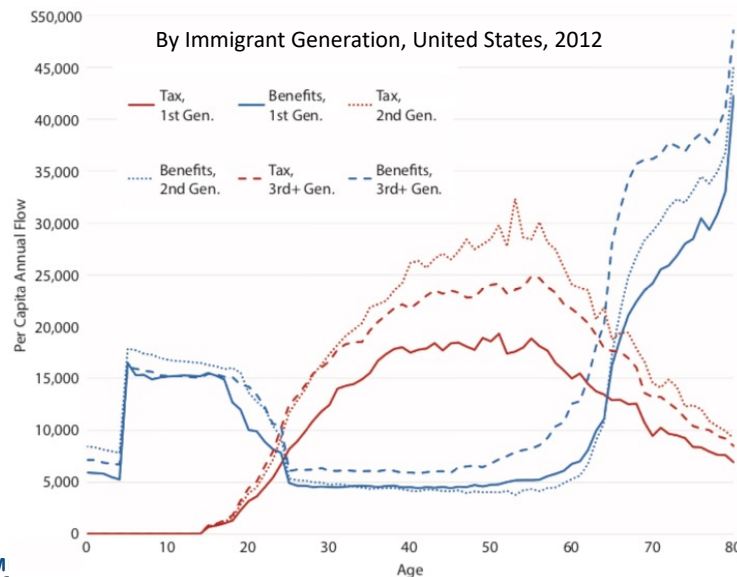


## Share of Workers in Each Occupations



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## Age-Specific Taxes and Benefits



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## Bottom Line/Consensus of Estimates

- **Federal** level: fiscal impact is generally **positive**.
- **State and local** level: typically **negative** fiscal impact.
- Overall: \$1,300 per immigrant.
  - Authorized and unauthorized.



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## Implications for Major Federal Programs

- **Documented immigrants** are less likely to use Social Security and Medicare.
- **Unauthorized immigrants** are ineligible.
  - They will pay into the system but cannot receive benefits.
- **Medicaid**: not available to legal residents for the first five years.
- **Provide a source of revenue** for an aging population.
  - For Social Security and Medicare



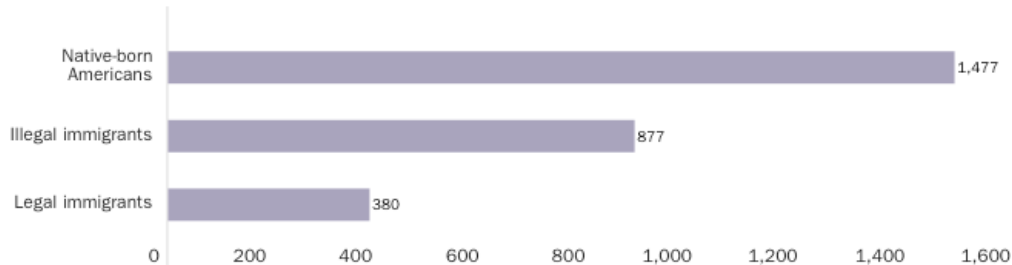
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## Incarceration by Immigration Status, 2018

Incarceration rates by immigration status, ages 18–54



Source: Authors' analysis of the American Community Survey data.  
Note: Rates are per 100,000 residents in each subpopulation.



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Source: Cato Institute, Illegal Immigrant Incarceration Rates, 2010–2018: Demographics and Policy Implications, April 2020.

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## About Conventional Wisdom

### • Native-born unskilled workers

- There is a negative impact on wages for some.
- Creates opportunities for others.
- But who wins and loses depend on the skill mix of immigrants;
  - o when this skill mix changes, so do its effects.

### • Crime

- Immigrants, both authorized and unauthorized, commit crimes at much lower rates than do native-born residents.

### • Government programs

- **Federal:** immigrants are a source of revenue and stability for some important programs.
- **State and local:** because education is funded at the local level, this can be a drain on local government coffers.
- **Net:** is positive.

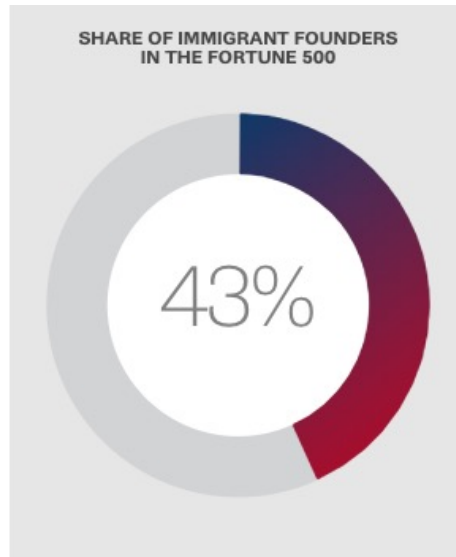


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## Fortune 500: First- and Second-Generation Founders



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## Mass Deportations

- **Immigrants work different jobs than do native-born workers.**
- **Immigrants contribute to the local economy.**
  - GDP losses of up to \$1.7 trillion annually.
- **Immigrants keep prices low: in particular, food!**
- **Deportations impact tax revenues.**
  - \$1,300 more in on average than out, annually.
  - Unauthorized immigrants: \$22.6 billion in social security and \$5.7 billion in Medicare payments.
- **Deportations are expensive (\$13,000 each).**
  - Total cost \$315 billion.
- **They rob people of their dignity.**

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## Summary

- **Immigration can be thought of as increasing the population of the United States.**
  - But they are a select group.
- **This brings economic growth and opportunity, just as does increasing the native-born population.**
  - But not crime.
- **Including unauthorized immigrants, the supply of low-skilled workers is increased.**
  - May lower the wages of low-skilled workers.
  - But also increases labor force participation among highly skilled workers.



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## Tariffs



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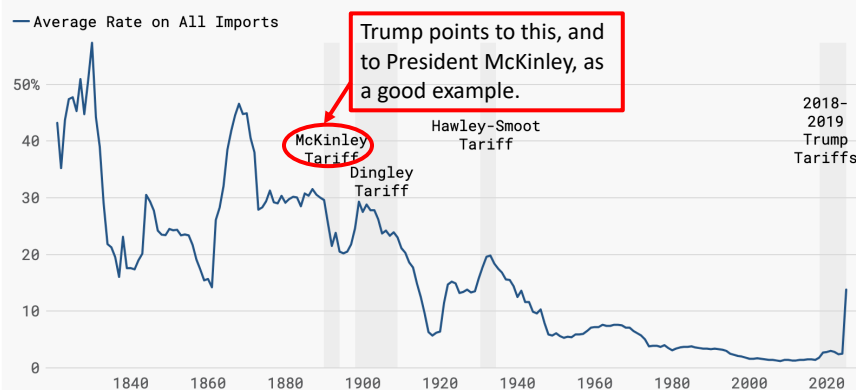
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## What Is a Tariff?

- A tariff is a tax on imports.
- Much like, say, the 8% sales tax in California.
  - Whatever price the seller charges, the buyer pays an extra 8% that goes to the government.
- A 10% tariff on all imports (such as Trump has proposed) would mean that:
  - Whatever the foreign exporter charges for a product,
  - US buyers will pay an extra 10% to the US government.
- Might the seller charge a lower price because of the tariff?
  - Perhaps, but when Trump used tariffs in 2018 on steel and China, they did NOT.

## Trump's Tariffs Would Take the Average Tariff Rate on All Imports to Highs Not Seen Since 1939

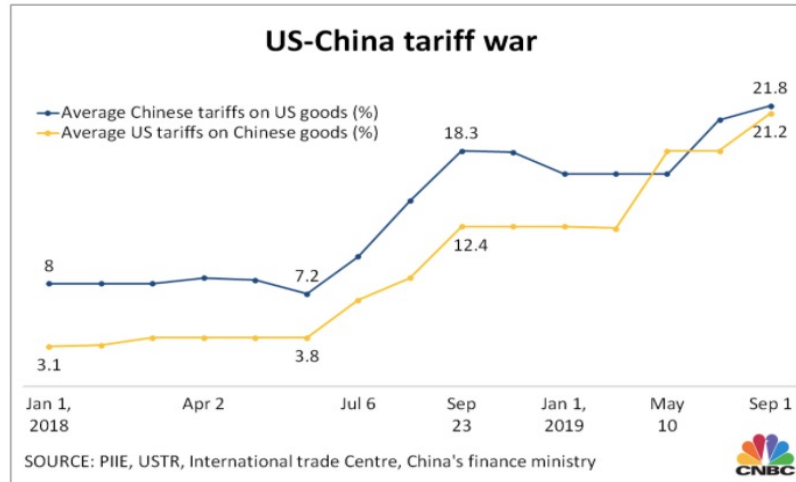
Average Tariff Rate on All Imports, Historical Rates from 1821-2023, Projected Rate for 2024, Estimated Rate for 2025 Under Trump's Proposals



Note: Tariff revenue estimate uses an elasticity of -0.997, tax-inclusive rates, and a noncompliance rate of 8 percent.  
Source: US Census Bureau, *Historical Statistics of the United States: Colonial Times to 1970, Part II*; US International Trade Commission, "U.S. imports for consumption, duties collected, and ratio of duties to values, 1891-2023, (Table 1)"; Tax Foundation calculations.

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## US-China Tariff War – Tariff Rates



Source: CNBC.com

The first trade salvo was fired by the U.S. in early 2018, but the bilateral trade war between the U.S. and China really kicked into a higher gear in July 2018.

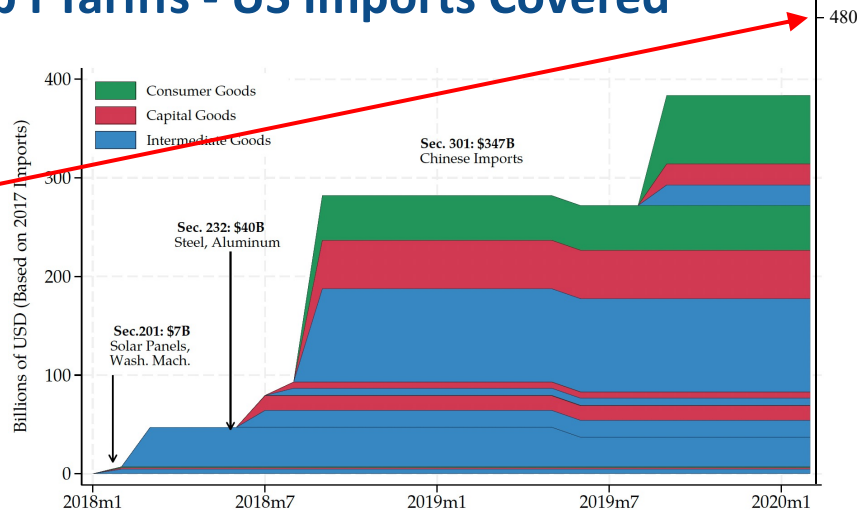


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## Trump I Tariffs - US Imports Covered

**US imports from China in 2017, per World Bank: \$480 billion**

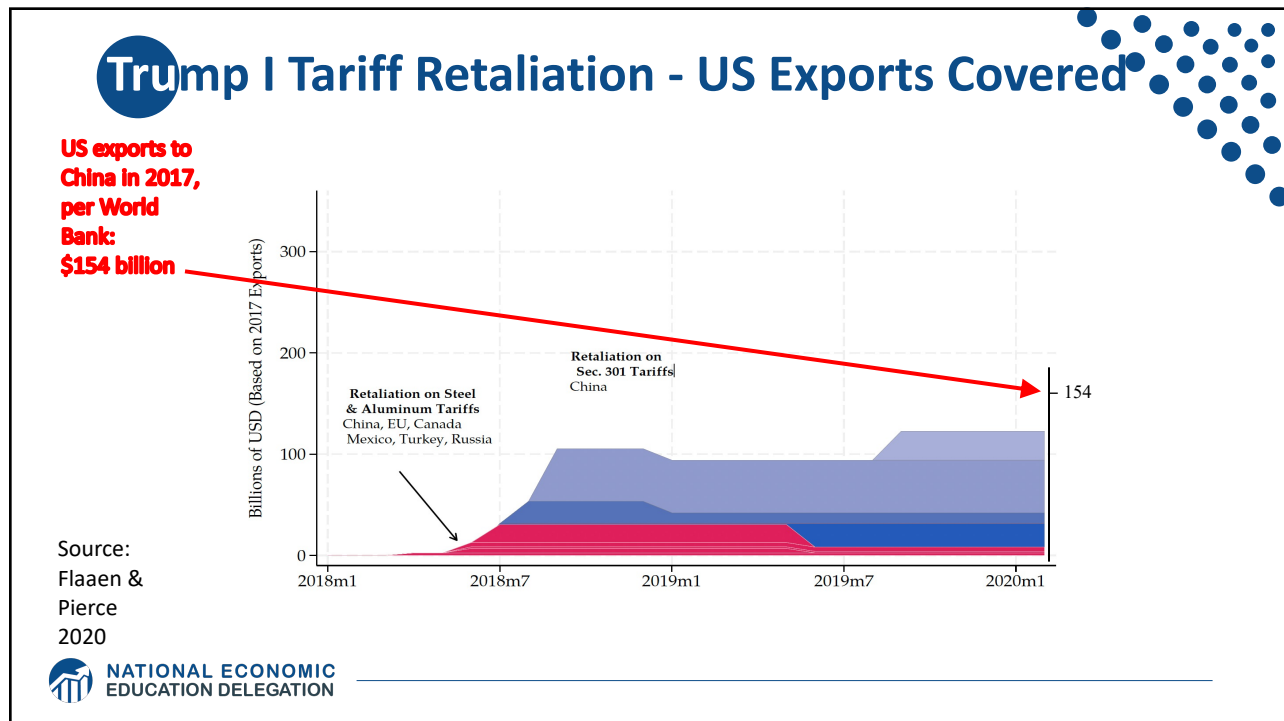


Source:  
Flaen &  
Pierce  
2020



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## Trump I Tariffs & Trade War

- **Summary**
  - Trump placed tariffs of 25% on steel and 10% on aluminum.
  - Trump placed multiple tariffs on China exports, covering at least ¾ of their exports to US.
  - Imports from China fell while imports from others rose.
  - US trade deficit did not shrink.
  - Data show no fall in foreign export prices, so tariffs were paid by US buyers.
    - Domestic prices DID increase.
  - Jobs? Eight lost for every job created.

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## Wait...Job Losses?

- **Job losses come from two sources:**

- Tariffs raise the price of imported intermediate goods
  - o E.g., steel and aluminum.
- Tariffs hit the exchange rate.
  - o Fewer imports means lower supply of dollars.
  - o Exchange rate appreciates.
  - o Exported products are more expensive in foreign markets.



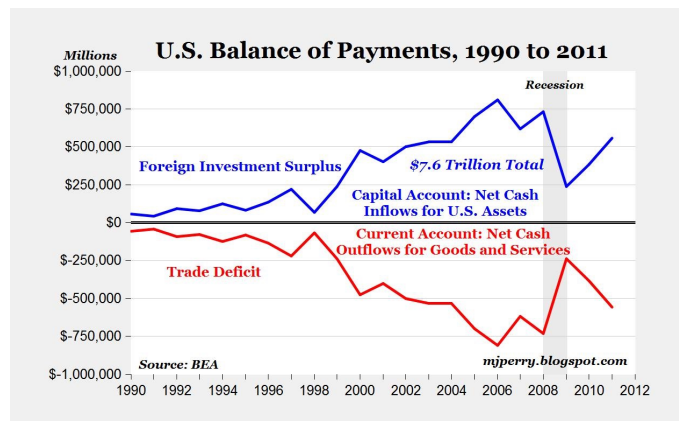
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## Trade Deficits are Driven by Investment Flows and Tariffs Can NOT “Fix” Them

- Trade deficits are driven by imbalances in the **capital account**, which is the amount we borrow from other countries.
- Since 1960, the U.S. trade deficit has followed the growth of the U.S. federal debt.
- That is, U.S. borrowing from other countries drives our trade deficit.
- Tariffs can NOT solve this problem!



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# Effects of Tariffs in General



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## Economic Effects of A Tariff

- **A tariff is a tax on imports. It causes**
  - A rise in the price of the imported good in the importing country
  - A fall in the price of the imported good in the exporting country
  - The quantity imported to fall
  - Revenue for the tariff-levying government
- **Almost always: the rise at home is much larger than the fall abroad**
  - That's especially true if importing country is small
  - But it's also true if importing country is as large as the U.S.
    - We learned this from Trump's tariffs in 2018.
    - Example: Trump's tariffs caused US prices to rise, with hardly any perceptible fall in prices abroad.



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## Economic Effects of A Tariff

- Economists' cost-benefit analysis quantifies these and shows that the costs exceed the benefits.
- Politics of tariffs.
- A tariff on one country just causes displacement to another country.
- Tariffs are NOT an effective tool to reduce the trade deficit.
- Tariffs are NOT a good way to raise government revenue.



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## Other effects of a tariff

- **Income distribution**
  - Tariffs, especially on China, raise prices of the products disproportionately bought by low-income consumers, hurting them more than high-income consumers
- **Retaliation**
  - Other countries place tariffs on US exports
  - Trade war that started in 2018 continues and gets worse
- **Corruption**
  - Historically, tariffs prompted both smuggling and bribes to customs officers
  - Today, in the US, those are less likely.
  - But requests for exemptions from tariffs may be accompanied by favors or political contributions



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## Possible Economic Arguments for Tariffs

- Possible arguments for tariffs:

- National Defense – strategic resource.
  - Do we need the capacity to make our own computer chips, just in case?
- “Infant” Industry.
- Unfair trade practices of exporting countries.



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## Trump II Tariffs



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## Trump II Tariff Plans

- “To me the most beautiful word in the dictionary is ‘tariff’”
- During campaign he said he will
  - Place a tariff of 10% or 20% on all imports from all countries.
  - Place even higher tariffs (60%) on imports from China.
  - Raise our tariffs on countries to match what they charge on our exports.
    - “Reciprocal Trade Act”
    - (And lower those where they charge less?)
  - Raise tariffs on countries that don’t use the US dollar for international transactions.
  - Place tariffs on Mexico, violating his own USMCA trade agreement
    - 25% on everything if they don’t stop US immigration
    - 100% on cars to get production in US

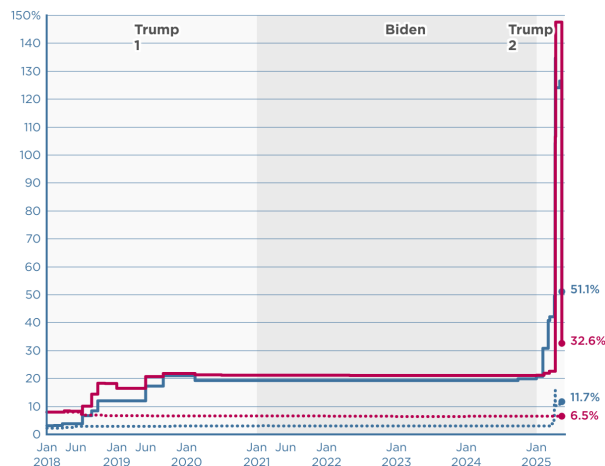
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### US-China trade war tariffs: An up-to-date chart

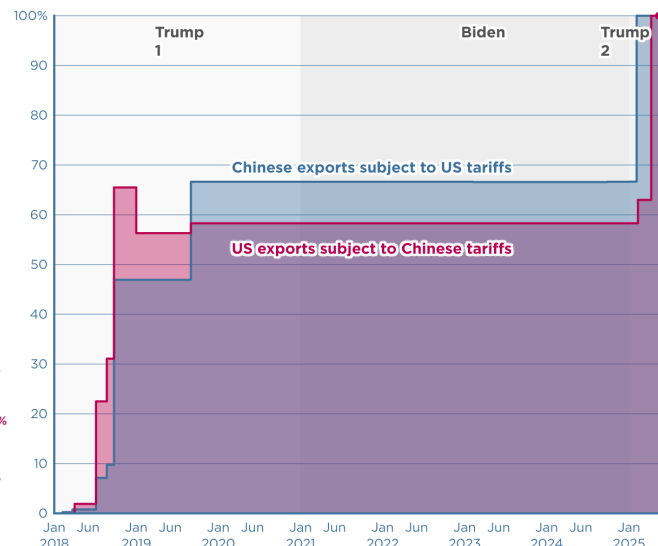
Last updated May 14, 2025

a. US-China tariff rates toward each other and rest of world (ROW)

— Chinese tariffs on US exports — US tariffs on Chinese exports ... Chinese tariffs on ROW exports ... US tariffs on ROW exports



b. Percent of US-China trade subject to trade war tariffs



Source: Peterson Institute for International Economics (PIIE)

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# Effects of Trump II Tariffs



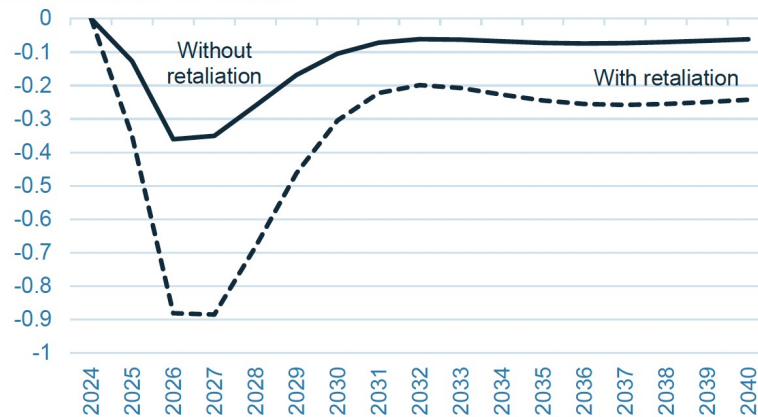
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## Effects of 10% Tariff on All U.S. Imports

### US GDP with and without Retaliation

Percent deviation for each year



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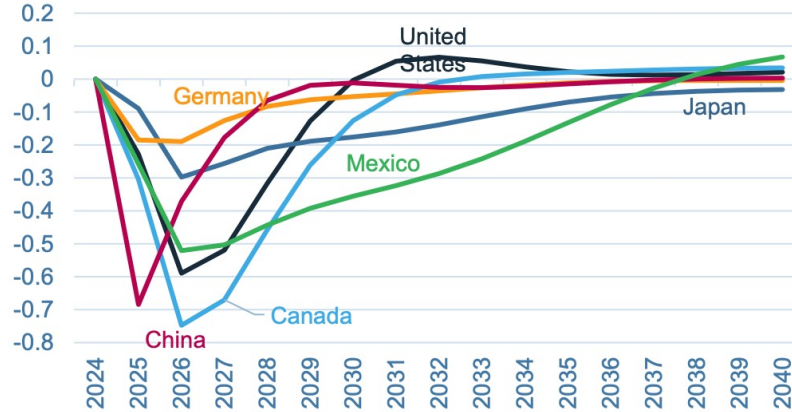
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## Effects of 10% Tariff on All U.S. Imports

### Employment

Percent deviation from baseline for each year



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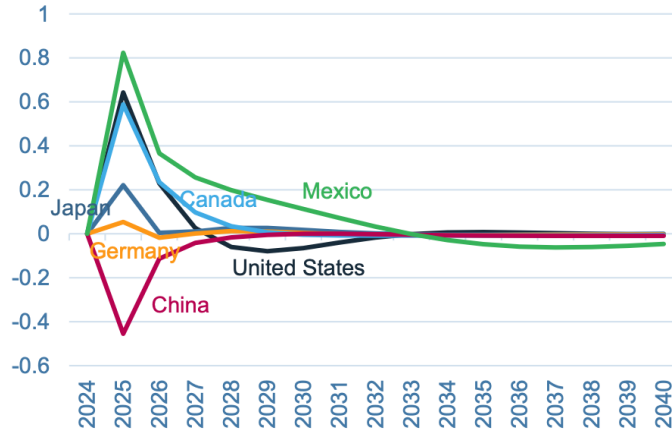
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## Effects of 10% Tariff on All U.S. Imports

### Inflation

Percentage point deviation from baseline for each year



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## Effects of Tariffs on Households

Constant 2024\$ of Average Disposable Income per Household

■ All 2025 Tariffs ■ April 2 Announcement Only

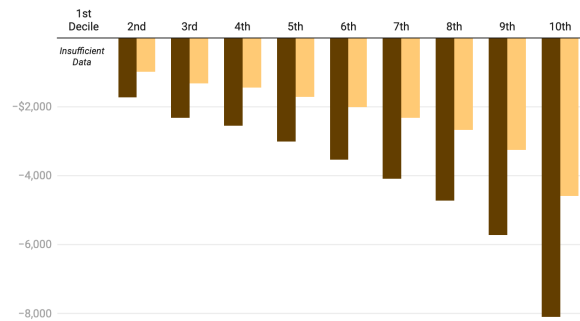


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with Datawrapper

Percentage points of disposable income by household income decile

■ All 2025 Tariffs ■ April 2 Announcement Only

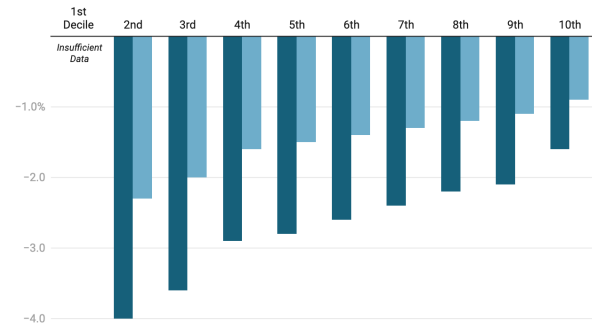


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with Datawrapper



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## Effects of a Tariff

### • Government revenue.

- Could Trump's proposed tariffs replace the US income tax?
- NO!
- Researchers estimate that all 2025 tariffs to date would raise between \$3.1tr – \$4.5 tr over 10 years if they stayed into effect.
- U.S. federal income tax revenue in 2023 was \$2.18tr.
- So his tariffs would collect MUCH less than the income tax.
- Tariff revenue can lower the budget deficit, raising national savings rate.
  - That might help.



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## Summary

- **Tariffs will:**

- Not eliminate the U.S. trade deficit (in the long run).
  - o Increase in national savings could reduce the trade deficit.
- Decrease U.S. manufacturing production and employment
- Increase prices for households, hurting the poor relatively the most.
- Increase U.S. government revenues, but not enough to offset other tax cuts.
- Negatively impact U.S. economic growth.



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## Thank you!

## Any Questions?

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