Osher Lifelong Learning Institute, Summer 2026

Contemporary Economic Policy Issues

OLLI – Dominican University, San Rafael

July, 2026

Host: Jon Haveman
National Economic Education Delegation

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Available NEED Topics Include:

- US Economy
- Healthcare Economics
- Climate Change
- Economic Inequality
- Economic Mobility
- Trade and Globalization
- Minimum Wages
- Immigration Economics
- Saving Social Security
- Federal Budgets
- Federal Debt
- Black-White Wealth Gap
- Autonomous Vehicles
- Healthcare Economics

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Course Outline

- **Contemporary Economic Policy**
  - Week 1 (7/8): US Economic Update
  - Week 2 (7/15): The Economics of Immigration
  - Week 3 (7/22): Saving Social Security (Geof Woglom, Amherst College)
  - **Week 4 (7/29): Tariff Economics (Jon Haveman, NEED)**

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Submitting Questions

- **Submit questions in the chat.**
  - I will try to handle them as they come up.
- **We will do a verbal Q&A once the material has been presented.**

- **Slides will be available from the NEED website shortly. (https://needecon.org/delivered_presentations.php).**

- **Also: Break at 10:55 for 5 minutes.**

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Trade Talk: The Latest on U.S. Tariffs

OLLI – Dominican University
San Rafael
July 29, 2026

Jon Haveman, Ph.D.
NEED, Executive Director

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What Is a Tariff?

- **A tariff is a tax on imports.**
  - Paid to the government by the importer.
- **A 10% tariff on all imports would mean that:**
  - Whatever the foreign exporter charges for a product,
  - US buyers will pay an extra 10% to the US government.
- **Domestic suppliers can also charge 10% more.**
  - And that's kind of the whole point.

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US Tariff History

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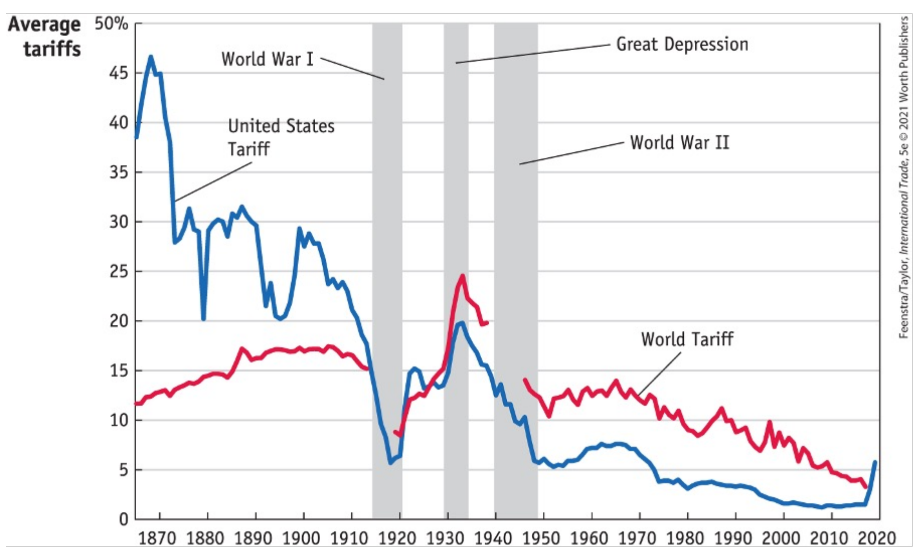
US Tariff History, 1860-2020



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Source: Feenstra/Taylor, International Trade, 5e

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Why Are We Even Talking About Tariffs?

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Recent Change In Tariffs

Customs duties as a share of import value

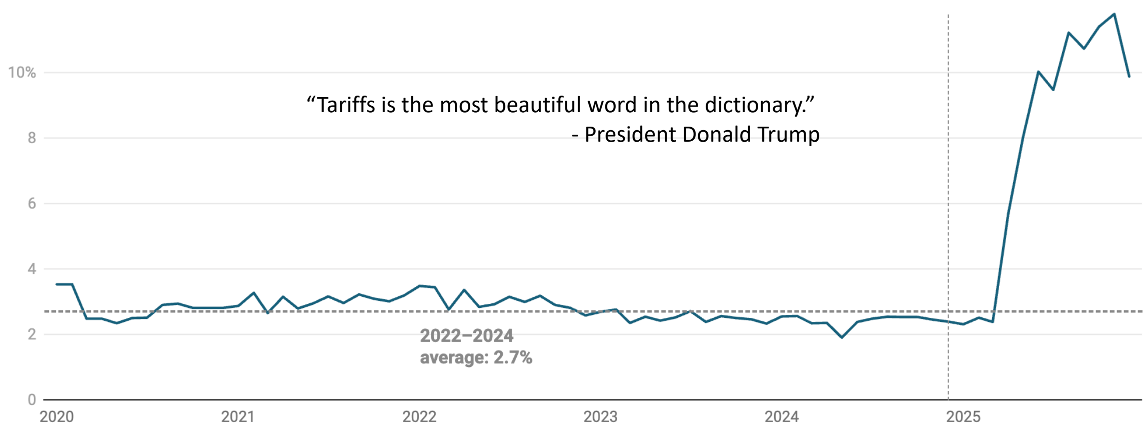

Chart: The Budget Lab • Source: U.S. Treasury, Census Bureau via Haver Analytics, The Budget Lab analysis • Created with Datawrapper

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In The Last Couple of Weeks

Effective | Announced | Threatened | Cancelled

USTR Takes Action in Forced Labor Section 301 Investigations
Jul 24 2026
Section 122 tariffs expire and Section 301 tariffs go into effect

USTR Takes Action in Forced Labor Section 301 Investigations
Jul 23 2026
USTR announces final action in Section 301 investigation related to forced labor with rates from 10% to 12.5%

White House Fact Sheet
Jul 21 2026
The US announces a Reciprocal Trade Agreement with Jordan, building on the US-Jordan Free Trade Agreement signed in 2001

White House Proclamation
Jul 20 2026
White House announces a program to cut aluminum tariffs for companies that onshore

White House Proclamation
Jul 20 2026
Invoking Section 338, the White House threatens an additional 50% tariff on certain Canadian imports

USTR Press Release
Jul 15 2026
USTR announces final action in Section 301 investigation into Brazil, imposing 25% tariffs on certain imports beginning July 22

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Provisions of U.S. Tariff Law

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Provisions of U.S. Trade Law (part 1)

The Tariff Act of 1930, The Trade Expansion Act of 1962, and the Trade Act of 1974 describe conditions under which the United States can apply tariffs:

- Section 201 (of the Trade Act of 1974): Safeguard Tariff
- Section 232 (of the Trade Expansion Act of 1962): National Security
- Section 301 (of the Trade Act of 1974): Trade Agreements
- Section 122 (of the Trade Act of 1974): Balance of Payments
- Section 338 (of the Tariff Act of 1930): Discriminatory Trade

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Provisions of U.S. Trade Law (part 2)

- **Section 201: Safeguard Tariff**
  - Allows temporary duties and other trade measures if the U.S. International Trade Commission determines that a surge in imports is *a substantial cause or threat of serious injury to a U.S. industry*.
- **Section 232: National Security**
  - Allows the adjustment of imports by using tariffs or quotas if the Department of Commerce finds that certain products are imported in such quantities or circumstances that *threaten to impair U.S. national security*.
- **Section 301: Trade Agreements**
  - Allows the suspension of trade agreement concessions or the imposition of import restrictions if a U.S. trading partner is *violating trade agreement commitments or engaging in discriminatory or unreasonable practices that burden or restrict U.S. commerce*.

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Provisions of U.S. Trade Law (part 3)

- **Section 122: Balance of Payments**
  - Permits the president to impose temporary import surcharges (up to 15% for 150 days, unless extended by Congress) to address "fundamental international payment problems" or significant dollar depreciation.
- **Section 338: Discriminatory Trade**
  - Empowers the president to impose new or additional duties (up to 50%) on products from countries that discriminate against U.S. commerce.

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Provisions of U.S. Trade Law: - Some Details

	Reason for imposing tariffs	Federal agency investigation required?	Limit on duration of action	Limit on tariff rate
Section 232	Threat to national security	Yes, by Commerce Department	None	None
Section 201	Injury to domestic industry	Yes, by International Trade Commission	Four years. May be extended to a maximum of eight years.	50% increase. Phasedown required after one year.
Section 301	Discrimination against US businesses or violation of US rights under trade agreements	Yes, by US Trade Representative	Four years. May be extended with no maximum limit.	None
Section 122	International payments problem	No	150 days. Can be extended with Congressional approval.	15%
Section 338	Discrimination against US commerce	No	None	50%

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Source: Congressional Research Service, Bloomberg

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Liberation Day Tariffs: IEEPA

- **International Emergency Economic Powers Act (IEEPA)**
  - **Emergency Powers:** Grants the president authority to deal with unusual and extraordinary foreign threats upon declaring a national emergency.
  - **Permitted Actions:** Allows for the regulation, blocking, or prohibition of international economic transactions and import/export property.
  - **Taxation Exclusion:** Lacks explicit text or constitutional authorization for imposing revenue-generating tariffs or duties, which remain under Congressional purview.
- **Liberation Day tariffs invalidated in Feb. 2026 by the Supreme Court.**

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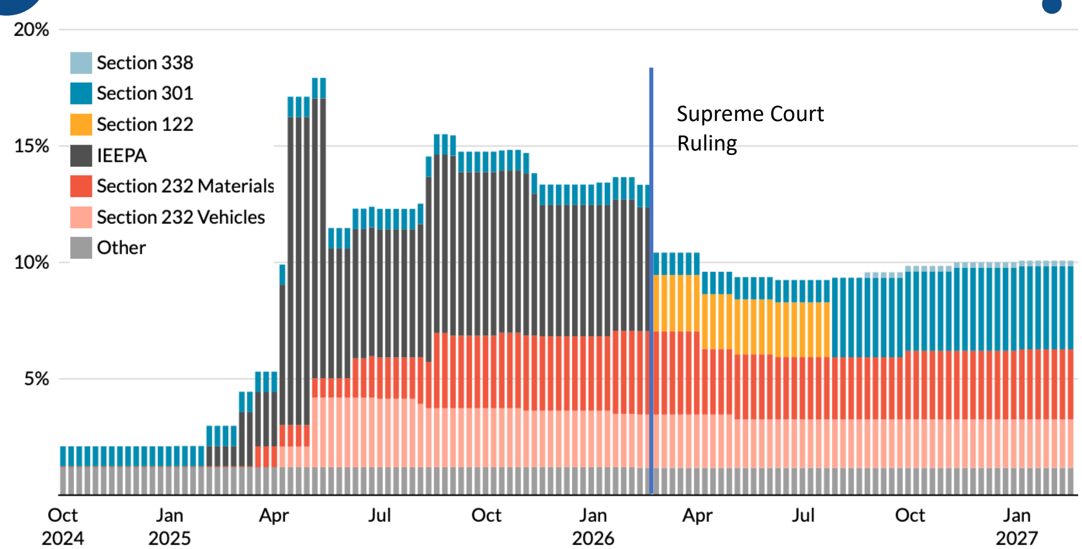
Tariffs by Type



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Source: https://taxpolicycenter.org/features/tracking-trump-tariffs

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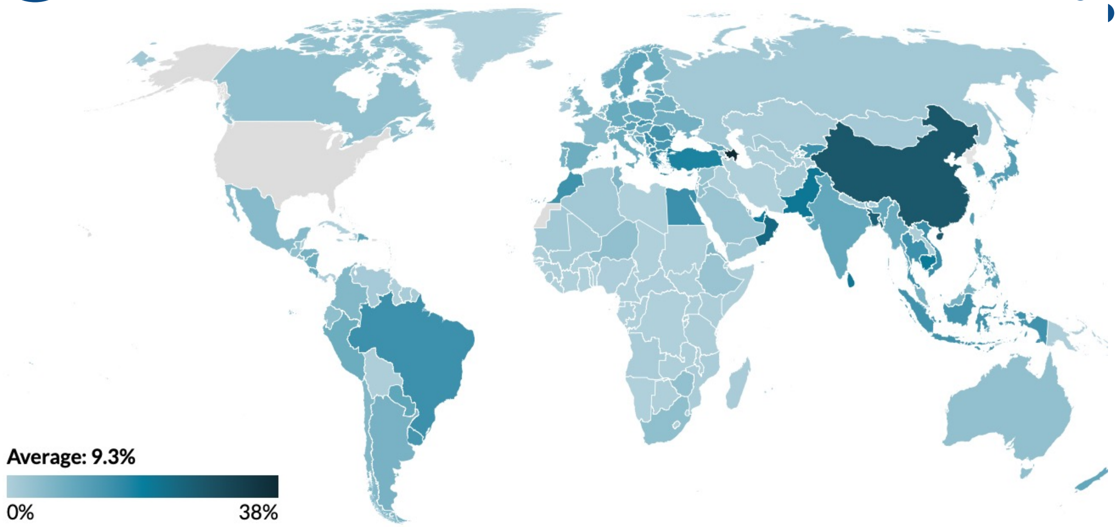
Average Tariff Rate, by Country (July 6, 2026)



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Source: https://taxpolicycenter.org/features/tracking-trump-tariffs

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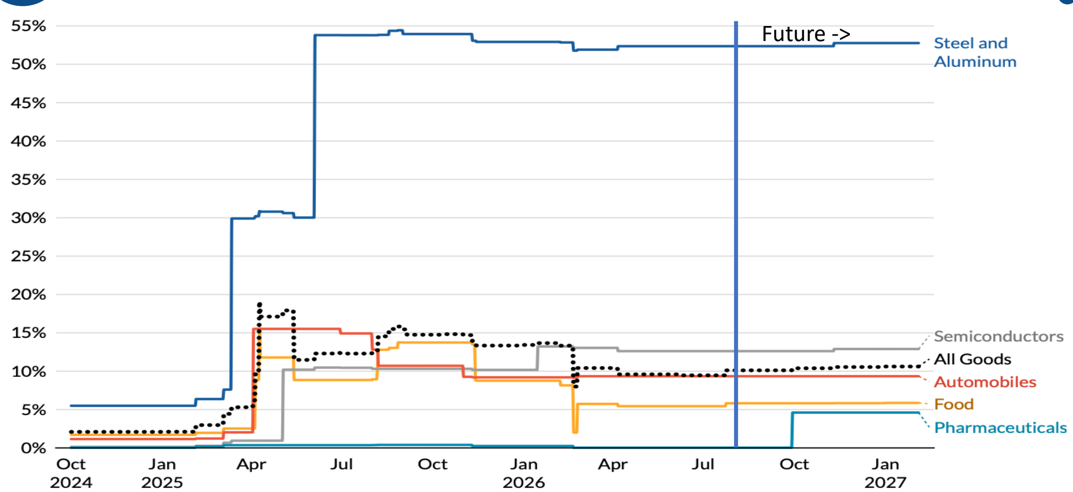
Average Tariff Rate, by Selected Goods



Source: TPC Tariff Rules Engine v2.0

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Source: https://taxpolicycenter.org/features/tracking-trump-tariffs

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Tariff Effects

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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, and
  - 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.
      - Trump's first administration tariffs caused US prices to rise, with hardly any perceptible fall in prices abroad.

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Effects of a Tariff

- **The rise in price in the importing country causes:**
  - A rise in the price of import competing goods.
    - Benefits to those producers.
    - Harm to buyers of both the imported and domestic goods.
      - Including producers that use the higher-priced goods as inputs.
        - Their prices also rise, hurting their buyers.
  - Employment changes:
    - Increase in the protected industry.
    - Decreases in industries that use the protected product as inputs.

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Are Tariffs A Good Idea?

- **Generally, economists don't think so, but there are some reasons for them:**
  - National Defense – strategic resource
    - Do we need the capacity to make our own computer chips, just in case?
    - What about steel and aluminum?
  - "Infant" Industry
  - Unfair trade practices of exporting countries

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President Trump's Reasons for Tariffs

- Our exports are being treated unfairly.
- Bring back manufacturing employment.
- Raising revenue – replace the income tax?
  - Foreign companies would pay the tariffs (so he alleges).
- National security
- Foreign policy leverage

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Unfair Treatment

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Evidence of Unfair Treatment: Trade Deficit

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US Trade Deficit – Mixed Results with Tariffs

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Reciprocal Trade and Tariffs

Formula:

$$\text{Tariff} = \frac{\text{Exports-Imports}}{\text{Exports}}$$

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Example, Lesotho (2022 data)

"Reciprocal" Tariff = 50%

Total trade: $240 Million

Facts about Lesotho:

GDP per capita =$1,073;

Population= 2.1 million

Trade balance= -$234 million

Average tariff rate against US = 10%

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https://www.imf.org/en/Publications/WEO/weo-database/2024/October, https://wits.worldbank.org/CountryProfile/en/USA

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Is A Trade Deficit A Result of Unfair Treatment?

- **Intuitive, but no.**
- **Have to look at the whole picture.**
- **We trade not only goods and services, but also investment funds.**
  - The United States is a very attractive investment market.
  - Selling Treasury securities to foreigners is an **export**.
  - So we run an investment trade surplus.
- **Investment trade surplus = goods and services trade deficit**
  - Why? Exchange rates.
- **Will tariffs lower the trade deficit? No.**

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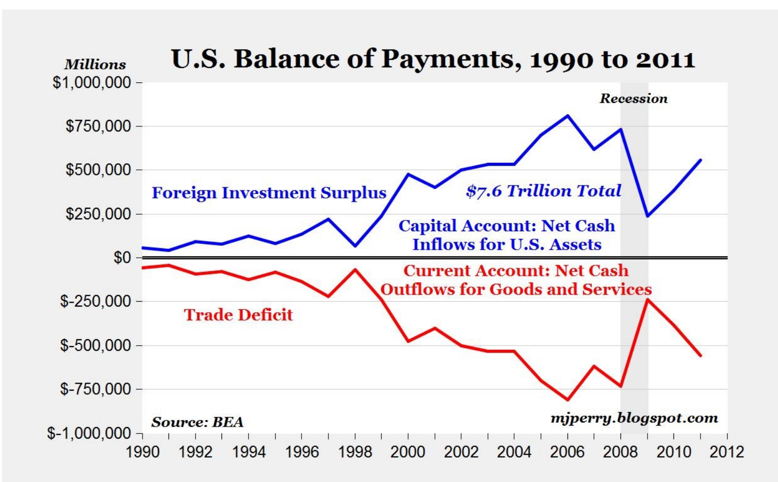
Trade Deficits are Driven by Investment Flows and Tariffs Can NOT "Fix" Them



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Also… Exports

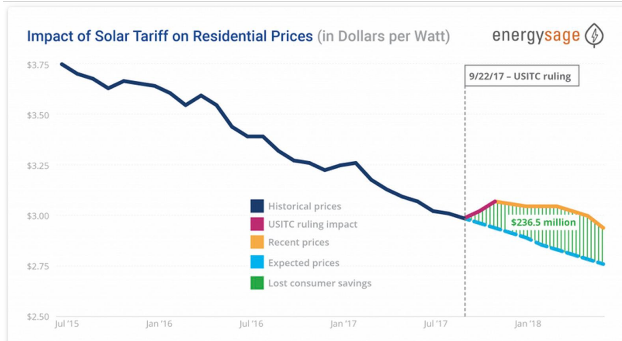
- **Lower imports make exports more expensive in foreign markets.**
- **How?**
  - If fewer people are buying imports, the dollar appreciates.
    - Fewer dollars available for those wanting to buy our exports.
  - If the dollar appreciates, it takes more foreign currency to buy U.S. exports.
    - Making exports more expensive.
- **Tariffs:**
  - Lower imports.
  - But they also lower exports.
  - Won't necessarily reduce the trade deficit.

Tariffs on Washing Machines in Trump I

- The **price of washing machines** increased in the U.S. by 12% the next month.
- The **price of dryers** (bundled with washing machines) also increased by 12%, even though they were not subjected to tariffs.
- Consumers lost $1.5 billion annually.
- Annual **tariff revenue** increased by about $82 million.
- 1,800 **new jobs** reported.
- The consumer cost per job "created" was about $817,000 per year.
- Coincides with LG and Samsung opening plants in the U.S.
  - LG: Clarksville, Tennessee in 2019: 600 new jobs
  - Samsung: Newberry, South Carolina, 2018: 1,500 new jobs

Tariffs on Solar Panels

- Consumers were hurt by higher **prices of solar panels**:
  - Solar prices increased by 43-57% compared to the global average.
- According to the Solar Energy Industries Association:
  - 62,000 workers were laid off or never hired,
  - 10.5 gigawatts of solar capacity lost, and
  - $19 billion in private sector investment lost.
- Foreign companies build factories in the U.S.:
  - Hanwha (South Korea) in Whitfield County, GA
  - JinkoSolar (China) in Jacksonville, FL



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Reciprocal Trade and Tariffs

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The Trouble with Bilateral Trade Deficit (1)

- The goal of the tariff on a country-by-country basis is to bring bilateral trade deficits to zero.
- The tariff plan displays a basic misunderstanding of the reasons why nations trade in the first place.
- Reasons that imply the United States will run deficits with some trade partners (bilateral deficits) and surpluses with others (bilateral surpluses).

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The Trouble with Bilateral Trade Deficit (2)

- The reasons reflect the operation of comparative advantage.
- For example, the US imports aluminum from countries that can produce it most efficiently, while embodying it in exports where it has the advantage, such as aircraft.
- This will tend to lower US trade deficits with efficient aluminum producers and raise them with aircraft importers.

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The Trouble with Bilateral Trade Deficit (3)

- Trade barriers certainly can influence bilateral trade balances.
- To think that every persistent bilateral balance is due to unfair treatment of our exports misunderstands the basic reason why countries trade.
- Countries trade to specialize in goods and services they are best at producing, which naturally means having possibly persistent surpluses with some trade partners and deficits with others.

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The Trouble with Bilateral Trade Deficit (4)

- Trying to squash every bilateral balance to zero through brute-force tariffs is to levy taxes on international trade exactly where it provides the most benefits.
- Yet, this is what Trump's tariff numbers are designed to do.

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Bring Back Manufacturing

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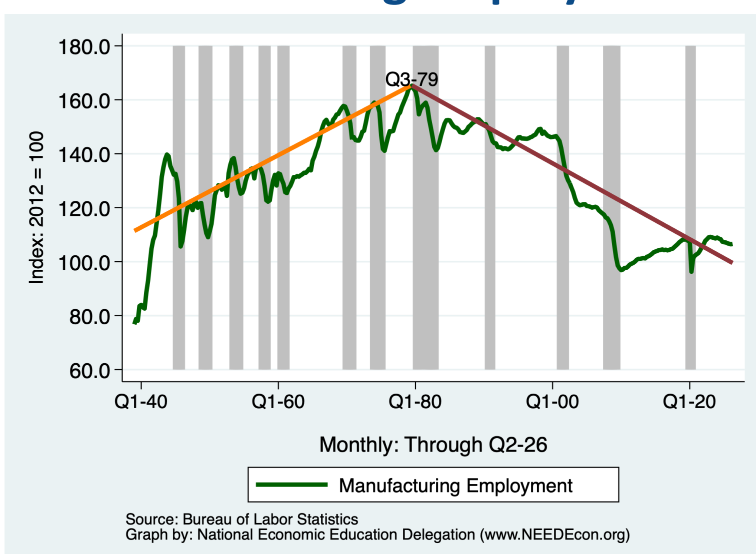
Growth in Manufacturing Employment?



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What is Happening to Manufacturing Employment?

Since 1979, manufacturing employment has fallen by about 1/3.

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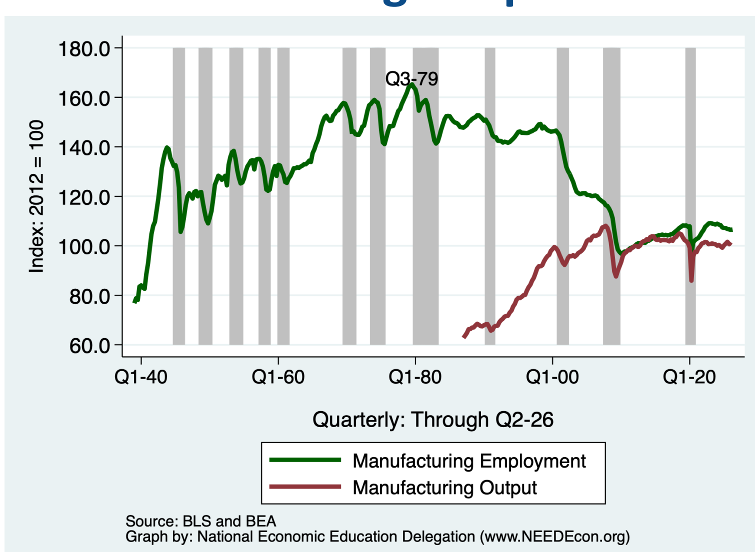
Growth in Manufacturing Output!



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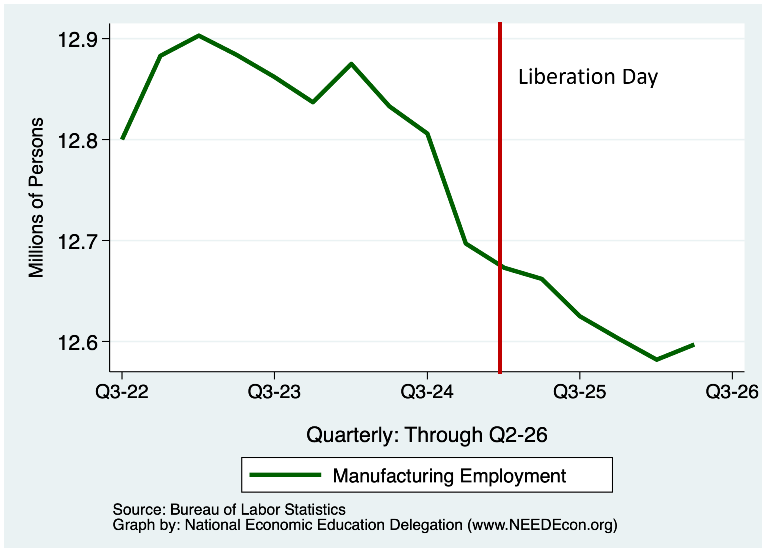
Growth in Manufacturing Employment?



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Tariffs and Manufacturing?

- **The argument has intuitive appeal.**
  - But doesn’t stand up to scrutiny.
- **Intuition: Making imports more expensive makes domestically produced goods more appealing.**
- **But... Exports.**
  - We import clothing, toys, and furniture.
  - We export airplanes and light trucks.
- **We can’t just make more of the one without sacrificing some of the other – limited resources.**
- **And... Retaliation.**

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CHINESE SOYBEAN PURCHASES FROM U.S.
SOURCE: AMERICAN SOYBEAN ASSOCIATION
Q2 2024
$3.16 BILLION
Q2 2025
$0
DOW ▲24.04 45,858.26
NEWS NATION
U.S. LOSES OUT ON BILLIONS IN SOYBEAN SALES
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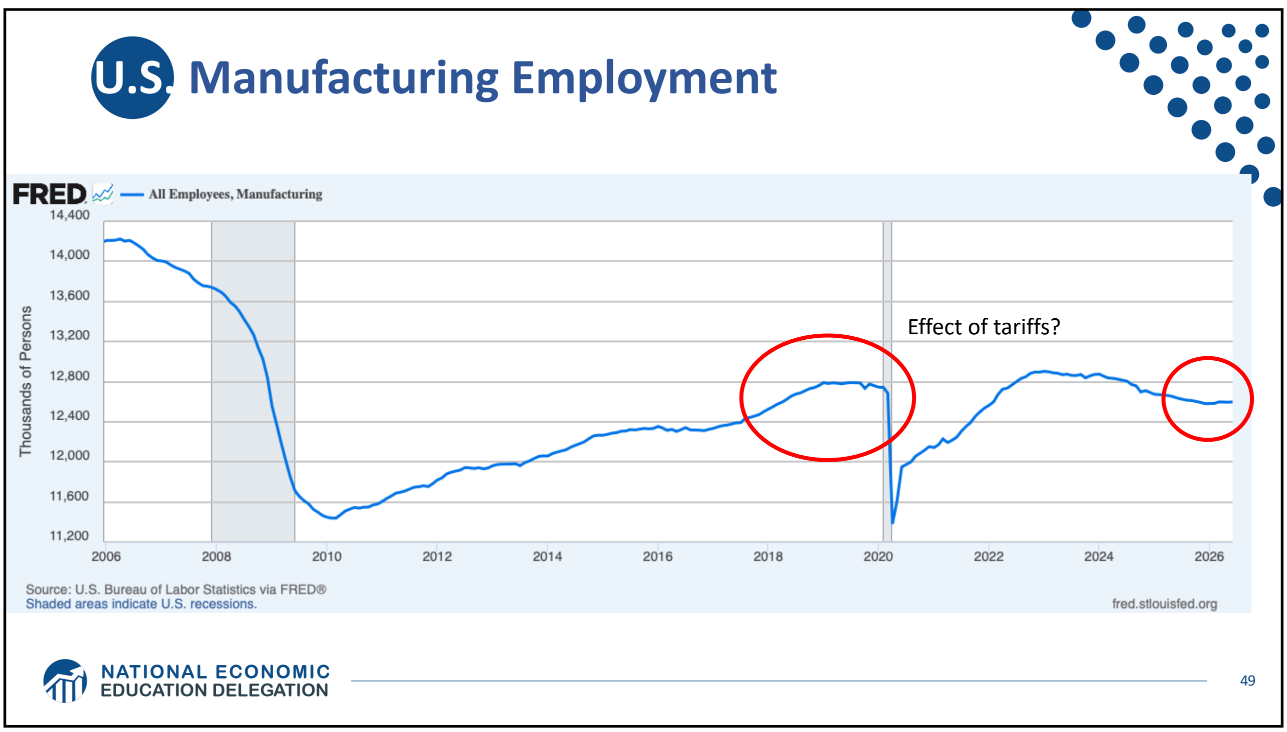
U.S. Manufacturing Employment
FRED — All Employees, Manufacturing
Thousands of Persons
14,400
14,000
13,600
13,200
12,800
12,400
12,000
11,600
11,200
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
Effect of tariffs?
Source: U.S. Bureau of Labor Statistics via FRED®
Shaded areas indicate U.S. recessions.
fred.stlouisfed.org
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Raising Revenue

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Source: https://www.pgpf.org/national-debt-clock/

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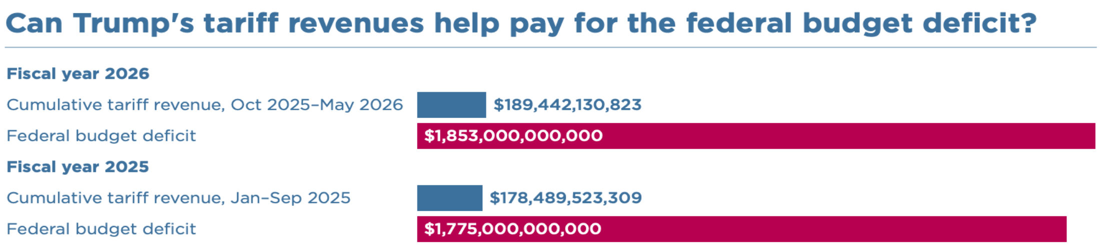
Raising Revenues?



- **Deficit? That's almost 10 year's worth of tariff revenue.**
- **Eliminate the income tax?**
  - $2.4 Trillion in 2024 = 15 years of tariff revenues

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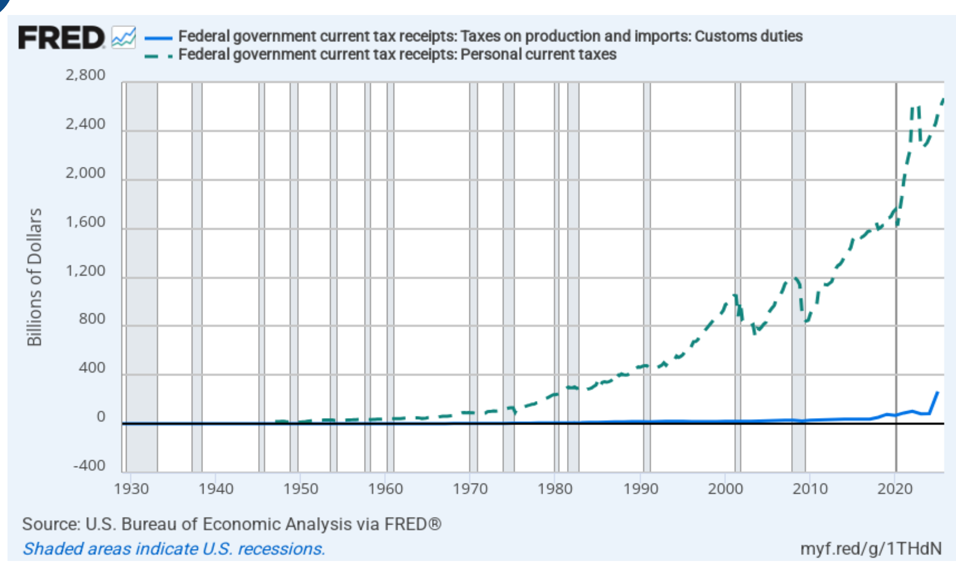
Replace The Personal Income Tax?



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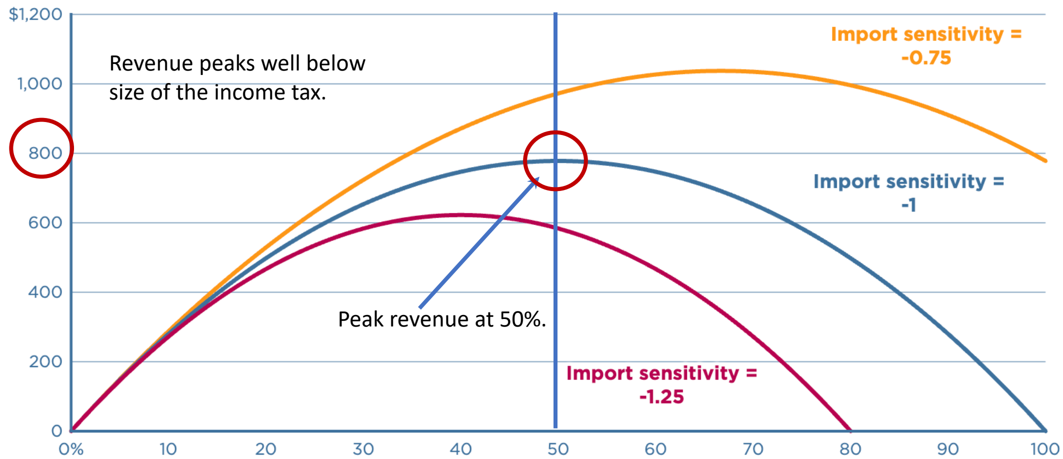
Replacing the Income Tax?

Tariff revenue Laffer curves for different elasticity assumptions, annual revenue, billions of dollars, 2023



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https://www.piie.com/blogs/realtime-economics/2024/can-trump-replace-income-taxes-tariffs

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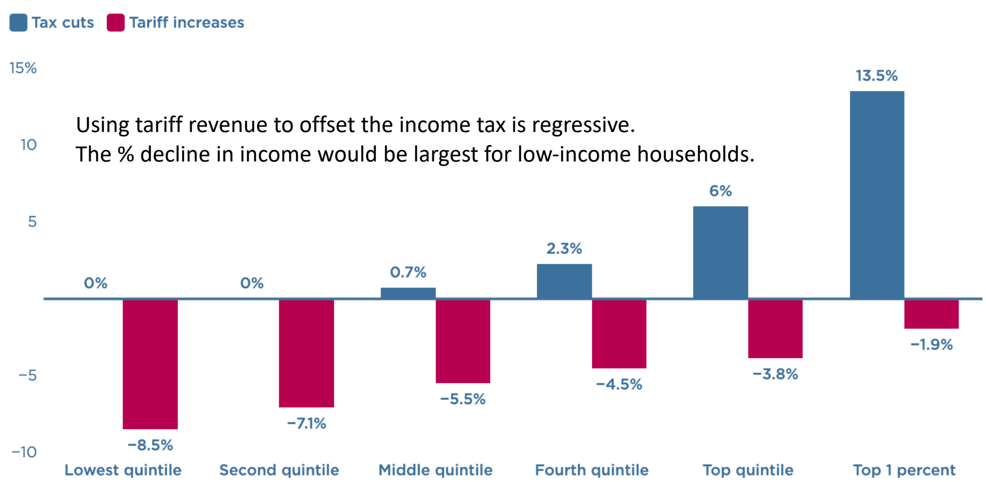
Replacing the Income Tax?

Percentage change in after-tax income due to revenue maximizing tariffs and equally-sized income tax cuts



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https://www.piie.com/blogs/realtime-economics/2024/can-trump-replace-income-taxes-tariffs

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National Security

Steel and Aluminum Tariffs

- If you put a tariff on something, its price goes up.
- What other manufacturing industries use steel or aluminum?

ALL OF THEM!!

- So, by putting tariffs on steel and aluminum, you jeopardize other industries.
- Is it worth it? Maybe.

Tariffs on Metals in Trump 1

- The **prices of steel and aluminum increased shortly after the tariff was implemented.**
- The **number of jobs** in iron, steel, and aluminum mills rose temporarily by about 12,000, from 2017 to 2019.
- **Downstream industries** (e.g., auto) faced higher input costs.
  - Several studies estimated that the increased costs driven by tariffs may have resulted in 75,000 fewer manufacturing jobs.

Tariffs on Metals - Retaliation

- The EU, Canada, Mexico, and China retaliated with tariffs proportionate to their U.S. exports of steel & aluminum.
- US industries targeted by foreign retaliation:

Industry	Countries
Pork (reliant on foreign markets)	China, Mexico
Apples	China, Mexico, India
Fruits and Nuts	China, India
Whiskies (e.g. KY bourbon)	EU, Canada, Mexico
Mineral water, coffee, ketchup	Canada
Motorboats, yachts, motorcycles (Harley-Davidson)	EU

Who Pays?

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The President Said Chinese Firms Would Pay!

- **There are three things that could happen with tariffs and prices:**
  1. Foreign firms could lower their prices.
  2. Importing firms could lower their prices.
  3. Domestic consumers could pay more.

- **Evidence from the last trade war (2018-2020):**
  3. Domestic consumers paid the vast majority of the tariff (90%+).

  It's sometimes worse than that: Clothes washers and dryers.

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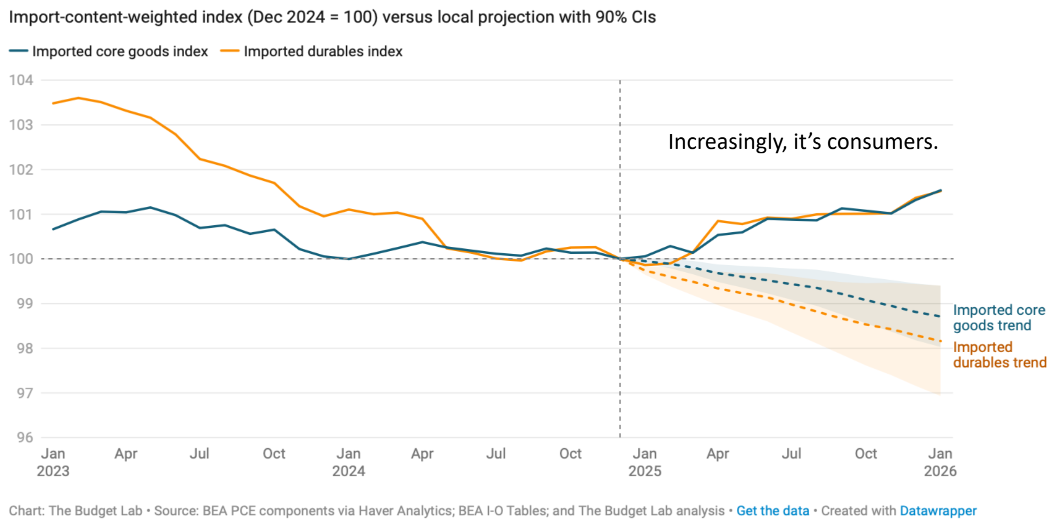
What About Prices?



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Source: https://budgetlab.yale.edu/research/tracking-economic-effects-tariffs

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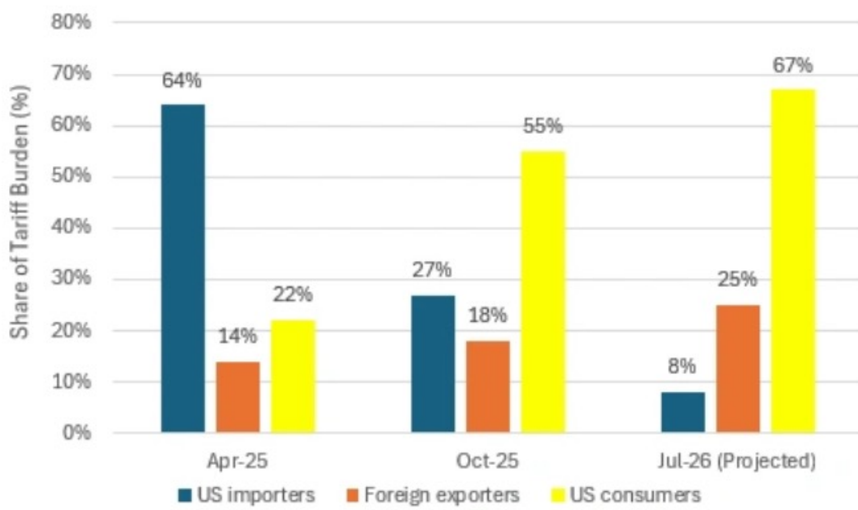
Changing Incidence of Trump's Tariffs



Data Source: *Goldman Sachs*

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Source: https://www.cfr.org/article/who-pays-trumps-tariffs

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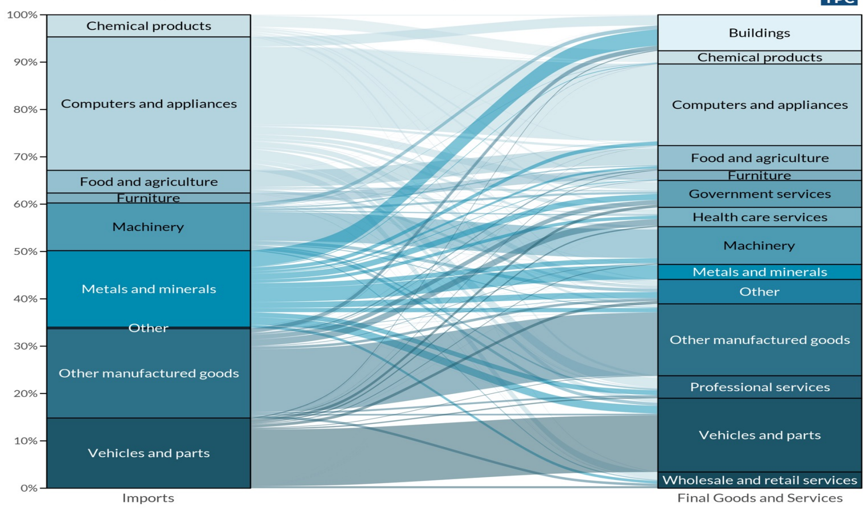
Incidence of Trump's Tariffs

Cost of Tariffs, as Levied vs. on Final Goods and Services



Source: TPC Tariff Supply Chain Model v2.1 and Tariff Rules Engine v2.1

Source: https://www.cfr.org/article/who-pays-trumps-tariffs

To Review:

President Trump's Reasons for Tariffs

- **Our exports are being treated unfairly.**
  - Not a problem that tariffs will fix.
- **Bring back manufacturing employment.**
  - Benefits some and harms others.
- **Raising revenue – replace the income tax?**
  - Will raise some, but will harm poorer households.
- **National security**
  - Maybe, but at what cost?
- **Is China paying?**
  - So far, some, but not much.

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Why is He Really Imposing Tariffs?

- **Who knows?!**
- **To exert U.S. power and elicit submission from other countries.**
- **To force submission by domestic businesses.**

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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

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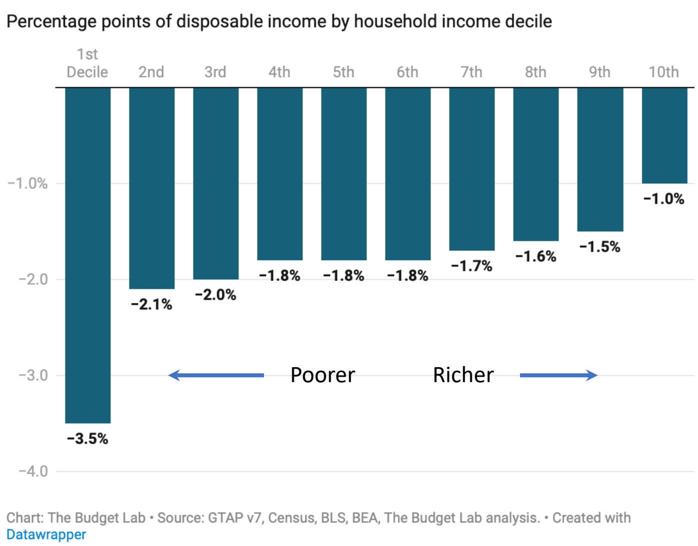
Effects of Tariffs on Households, As of 9/3



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Other effects of a Tariff

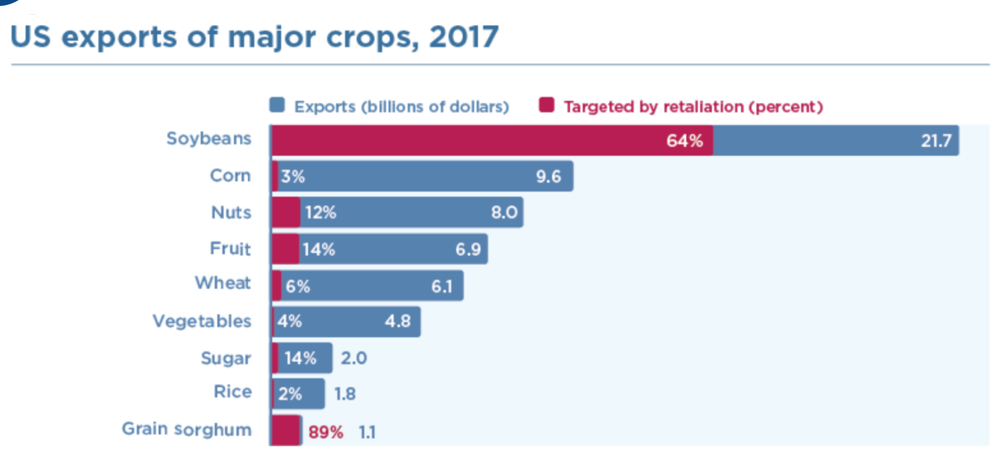
- **Income distribution**
  - Tariffs, especially on China, raise prices of the products disproportionately bought by low-income consumers, hurting them more than high-income consumers.
- **Retaliation**
  - Other countries place tariffs on US exports.
  - Trade war that started in 2018 continues and 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.

That Brings us to Tariffs and Democracy

Tariffs and Democracy

- **Power to tax rests with Congress.**
  - Perhaps understanding the temptation to corruption?
  - Wresting this power from Congress and putting it in the hands of one person is anathema to democracy.
    - Lack of accountability.
- **Empowers Lobbyists and Corporations**
  - There is an application process for exemptions.
  - SOME injured parties get relief.

Subsidies to American Farmers



- $12 billion subsidy to help American farmers for their lost export sales.

Tariff Exemptions

- **Both the metals tariffs and the China tariffs permitted certain products and product categories to be exempted.**
  - Whether tariffs would impose significant harm on American business interests.
  - Whether substitute products were available outside China.
  - Whether the products were "strategically important" to China.

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Trump Tariff Exemptions (Spoils system?)

- **Trump administration's decisions on exclusions were mysterious and arbitrary.**
  - "Tariff exemptions were given
    - to Bibles but not to textbooks,
    - to salmon but not to pollock,
    - to children's car seats but not to baby cribs.
  - The decisions were not subject to appeal."
  - Study found:
    - Contributions to Republicans made China exemptions more likely.
    - Contributions to Democrats made China exemptions less likely.
    - Author quoted as saying the exclusion process was "***a very effective spoils system***".

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Where do Things Stand?

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Average Effective Tariffs

Customs duty revenue as a percent of goods imports

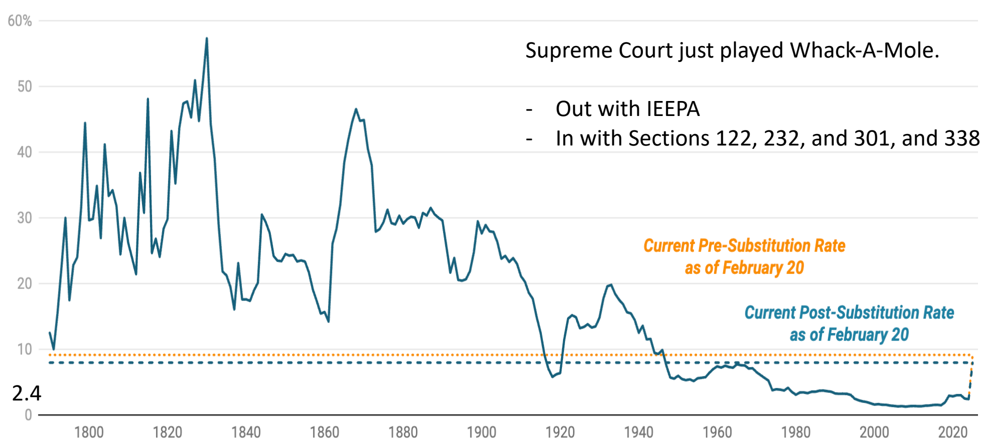

Chart: The Budget Lab • Source: Historical Statistics of the United States Ea424-434, Monthly Treasury Statement, Bureau of Economic Analysis, The Budget Lab analysis. • Created with Datawrapper

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Summary

- **Tariffs will:**
  - Not eliminate the U.S. trade deficit (in the long run).
    - Increase in national savings could reduce the trade deficit.
  - Not eliminate bilateral trade deficits.
  - Decrease U.S. manufacturing production and employment.
  - Increase prices for households, hurting the poor 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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