

National Foundation for American Policy

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New Research: Cost of Trump Tariffs Will Eliminate Economic Gains From Trump Administration Deregulation Policies

Economic Dead Loss of \$77.9 Billion Annually from Tariffs Expected Without U.S.-China Deal; Yearly Tariff Cost May Exceed \$2,000 Per Average U.S. Household

Arlington, Va. – President Donald Trump’s tariff policy has reduced the economic benefits of the Trump administration’s deregulation efforts by 29 percent and the additional anticipated tariffs on Chinese imports will eliminate all remaining economic gains from the administration’s deregulation actions, according to [an analysis](#) of trade and regulatory policies by the National Foundation for American Policy (NFAP), an Arlington, Va.-based policy research group.

“The Trump administration has argued that its regulatory policies have helped the economy. But the data show the large increase in tariffs will soon negate the economic benefits to date from deregulation,” said NFAP Executive Director Stuart Anderson. “The findings show that tariffs are a form of business regulation that can be at least as economically harmful as other forms of regulation, especially for consumers.”

The harm done by tariffs can be measured in two ways – as a burden on the overall economy (called a “dead loss”) and as a burden on consumers. The burden on consumers is larger than the dead loss, since the dead loss measures the burden on consumers minus the gains from tariffs enjoyed by import-competing domestic firms and government through the collection of tariff revenue. The report focuses primarily on the dead loss from tariffs, since that is the most commonly used measure of the economic harm they do.

The [report](#), “An Analysis of Tariff Costs and Regulatory Savings Under Trump Administration Policies,” can be found at <https://nfap.com/>. The report was authored by David G. Tuerck, a professor of economics at Suffolk University and president of the Beacon Hill Institute, and William Burke, director of research at the Beacon Hill Institute. Tuerck and Burke are both research fellows at the National Foundation for American Policy.

Among the findings in the study:

- The Trump administration has removed dozens of regulations that have impeded business activity in the United States and, by doing so, contributed to the economic expansion that has marked his time in office. But the administration has also imposed wide-ranging tariffs, thus also creating a drag on the economy.
- According to the Office of Management and Budget (OMB), there were economic savings from deregulation of \$37.5 billion for Calendar Years (CY) 2017-2018 and of \$9 billion from January 1, 2019 through June 30, 2019, for a total saving of \$46.5 billion.

- However, between January 2017 and June 30, 2019, these regulatory savings were offset by a dead loss from tariffs of \$13.6 billion. Subtracted from the \$46.5 billion in benefits from deregulation, the tariffs leave a net savings to the economy of \$32.9 billion. That is, the tariffs caused 29 percent of the gains from deregulation to be lost through June 30, 2019. (See Table 1.)
- By December 31, 2019, the dead loss of the tariffs imposed under the Trump administration will total \$32.1 billion. That will negate most of the \$46.5 billion in savings from deregulation identified to date by OMB.

Additional Annual Impact of Tariffs on the U.S. Economy

- On June 15, 2019, the U.S. finalized an increase in tariffs from 10 to 25 percent on \$200 billion worth of U.S. imports from China. That increases the dead loss to the U.S. economy by \$16.6 billion annually.
- In response to Chinese tariffs on \$75 billion American products, the Trump administration announced that it will increase tariffs by 5 percentage points on all Chinese products. The increase from 25 to 30 percent on the first \$250 billion in imports from China will go into effect on October 1, 2019. The dead loss imposed on the economy will increase by \$9.4 billion.
- President Trump announced the imposition of 10 percent tariffs on the remaining \$272 billion in imports from China. With the recently announced increase of 5 percentage points on all Chinese products, the tariffs will be imposed at 15 percent. The tariffs on the \$272 billion worth of goods will be imposed in two stages. The first round covering \$112 billion in Chinese goods went into effect on September 1, 2019, and will increase the dead loss to the economy by \$6.6 billion per year. The Trump administration announced a delay on the remaining \$160 billion in Chinese products until December 15, 2019. The dead loss imposed on the economy from the December 15 list will increase by \$10.1 billion per year.
- If a trade agreement cannot be reached with China, the president has readied his administration to increase tariffs from 15 to 30 percent on the same \$272 billion in imports from China. In this scenario, the dead loss imposed on the economy would increase by \$26.7 billion per year. *Imposing these tariffs in addition to those already imposed would leave an annual dead loss to the economy from the Trump administration's tariffs of \$77.9 billion, more than the \$46.5 billion in regulatory cost savings as of June 30, 2019.*
- President Trump has also threatened the imposition of 25 percent duties on all imports of automobiles and automotive parts. If implemented, the dead loss to the economy would increase by \$43.1 billion per year. In the worst-case scenario, whereby potential tariffs of 30 percent went into effect on all goods from China and 25 percent on all automobiles and automotive parts, the dead loss would be \$121.1 billion per year.

Burden of Tariffs on U.S. Consumers

- By December 31, 2019, the burden on consumers from the tariffs imposed under the Trump administration will total \$167.7 billion, meaning the administration's tariffs will have cost the average household \$1,315 over a two-year period.
- On an *annual* basis, when adding the tariffs in effect and the tariffs set to go into effect by the end of 2019, the costs of the tariffs to consumers will be \$259.2 billion. That is, the tariffs will cost the average household \$2,031 per year, and will be recurring so long as the tariffs stay in effect.

- If all tariffs threatened by the Trump administration are imposed, combined with the current tariffs in place, the annual cost to U.S. consumers would be \$461.1 billion and the cost for the average household would be \$3,614. This figure includes a threatened increase to 30 percent on the remaining \$272 billion in imports from China (increasing the burden on consumers by \$50.6 billion annually and the cost per typical U.S. household by \$396) and potential 25 percent tariffs on all automobiles and automotive parts (increasing the annual burden to consumers by \$151.3 billion or \$1,186 per year for the average U.S. household).
- The president has pointed to the revenue raised (from U.S. consumers and producers) from the administration's tariffs. However, we found that subsidies provided to American farmers alone represent 159 percent of the revenue raised under the tariffs levied by the Trump administration through June 30, 2019. According to our analysis, the Trump administration's tariffs have thus far raised \$17.6 billion. In 2018, the U.S. provided farmers with \$12 billion in subsidies to help relieve some of the burden from retaliatory tariffs. On May 23, 2019, President Trump announced another \$16 billion in subsidies for American farmers, for a total of \$28 billion in government subsidies provided just to farmers.
- Retaliatory tariffs from foreign countries have significantly reduced U.S. exports. We estimate U.S. exports covered by retaliatory tariffs fell by \$17 billion in 2018, and halfway through 2019, the loss to U.S. exports totaled \$13.97 billion, for a combined total of \$31 billion in lost exports. With China increasing tariffs on \$60 billion American products, in addition to announcing tariffs on \$75 billion U.S. products and halting all U.S. agriculture imports, the loss in U.S. exports will rise.

Deregulation efforts by the Trump administration have provided a boost to the economy. However, this analysis shows the gains to date are expected to be entirely nullified by the tariffs imposed by the Trump administration, illustrating that tariffs can be a potent and economically destructive form of business regulation.

Table 1: Economic Effects of Tariffs and Deregulatory Policy: January 1, 2017 to June 30, 2019

Item	2017-2018	January 1, 2019 – June 30, 2019	Total
Dead Loss (\$, 000s)	7,784,011	5,811,854	13,595,865
Savings from Deregulation (\$, 000s)	37,500,000	9,000,000	46,500,000
Net Savings to U.S. economy (\$, 000s)	29,715,989	3,188,146	32,904,135

Source: Office of Management and Budget 2018, National Foundation for American Policy, Beacon Hill Institute calculations.

Table 2: Summary of Tariff Costs and Regulatory Savings Under the Trump Administration

ECONOMIC COSTS OF TARIFFS	REGULATORY SAVINGS
<p>\$709 million (annually) – Tariffs on solar panels and washer machines ranging from 15% to 50%. (Announced January 22, 2018.)</p>	<p>\$46.5 billion – January 20, 2017 through June 30, 2019.</p>
<p>\$4.2 billion (annually) – Trump tariffs on steel and aluminum ranging from 10% to 25%. (Announced March 8, 2018.)</p>	
<p>\$3.6 billion (annually) – Trump tariffs of 25% on \$50 billion in imports from China. (Announced July 10, 2018.)</p>	
<p>\$16.6 billion increase (annually) – Increase in tariffs from 10% to 25% on \$200 billion worth of U.S. imports from China. (Finalized June 15, 2019.)</p>	
<p>\$9.4 billion increase (annually) – Increase in tariffs from 25% to 30% on first \$250 billion (\$50 billion plus \$200 billion) worth of U.S. imports from China. (Effective as of October 1, 2019.)</p>	
<p>\$16.7 billion increase (annually) – The Trump administration will impose 15% tariffs on remaining \$272 billion in imports from China. (Tariffs on first \$112 billion went into effect September 1 and the other \$160 billion on December 15, 2019.)</p>	
<p>\$26.7 billion increase (annually) – If negotiations with China are unsuccessful, the Trump administration could increase tariffs from 15% to 30% on the same \$272 billion in imports from China. (Planned)</p>	
<p>\$43.1 billion increase (annually) – The Trump administration has threatened to impose 25% duties on all imports of automobiles and automotive parts. (Planned)</p>	
<p>TOTAL Dead Loss of tariffs imposed from January 20, 2017 to June 30, 2019 – \$13.6 billion</p>	
<p>TOTAL Dead Loss of tariffs imposed by December 31, 2019 – \$32.1 billion.</p>	
<p>TOTAL Dead Loss (annually) – \$77.9 billion with 30% tariffs on all Chinese products in addition to current tariffs.</p>	
<p>TOTAL Dead Loss (annually) – \$121.1 billion if all tariffs are implemented in addition to current tariffs.</p>	<p>TOTAL Regulatory Savings – \$46.5 billion</p>

Source: National Foundation for American Policy summary of effects of tariff costs and regulatory savings. Note: A report from OMB in 2019 or 2020 will indicate whether or to what extent there have been additional regulatory savings after June 30, 2019.

About the National Foundation for American Policy

Established in the Fall 2003, the National Foundation for American Policy (NFAP) is a 501(c)(3) non-profit, non-partisan public policy research organization based in Arlington, Virginia focusing on trade, immigration and related issues. The Advisory Board members include Columbia University economist Jagdish Bhagwati, Ohio University economist Richard Vedder, Cornell Law School professor Stephen W. Yale-Loehr and former INS Commissioner James W. Ziglar. Over the past 24 months, NFAP's research has been written about in the *Wall Street Journal*, the *New York Times*, the *Washington Post*, and other major media outlets. The organization's reports can be found at www.nfap.com. Twitter: [@NFAPResearch](https://twitter.com/NFAPResearch)

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