

Definition and Impact of Tariffs

A comparison between Trump Thinking and Economics

Situation right now	
Trump	Economics View
<p>Foreigners come to the US and steal money, jobs. In other words, exploit the US by buying US companies and factories. Therefore, Trump wants to protect US companies from these foreigners by increasing their prices through Tariff. This should encourage Americans to buy domestic products. In addition, Trump introduces tariffs to reduce migration and smuggling of Fentanyl into the US.</p>	<p>There could be some short-term benefits, as soon as inventory of foreign products are depleted. However, the US has a trade deficit. This means that the US economy as a whole is importing more goods than it is exporting.</p> <p>The amount of the deficit is however a credit from foreigners to the US economy (Consumers, US legal companies and Government) to consume and produce more than the US as a nation produces.</p> <p>Around 9–10 countries (led by China, Mexico, and Vietnam) collectively account for roughly 80% of the United States' goods trade deficit of \$1.19 trillion. One Trillion has a 1000 Billions. Nominal GDP of the US is 25 trillion. Most of it is domestic private and company consumption, on third is exported and one third is government expenditure. Exact figures on that do not exist.</p>

Definition of a Tariff	
Trump	Economics View
<p>Way to protect American companies, by making their prices more expensive, to relief US companies from price pressure. (then again, I did not ask Mr President).</p>	<p>It is a tax on imports and as such as tax on consumers. In practical terms, tariffs (import duties) are legally paid by the U.S. importer (a US company or an individual) when the goods clear customs. They pay the tariff bill to U.S. Customs and Border Protection.</p>

Goals	
Trump	Economics View
<p>1) Force non-US companies to invest in the US. 2). Increase in tax revenue.</p>	<p>Protect infant industries, or strategically key industries, for a period of time.</p>

Impact on US Citizens	
Trump	Sound Economics
<p>Not sure, he has an answer to that.</p>	<p>Assume a PC of a 100 USD with a Chinese Microchip becomes 25% more expensive overnight. Including the tariff now at a price of 125 USD. Possible reaction could be: Consumer</p> <ol style="list-style-type: none"> 1. does not buy at this time, so GPD reduced. But heshe can buy, of course, something else for the 100 USD. 2. buys, but incurs a reduction of real income of 25 USD. Consumer has 25 less available in his household budget to buy other products like beer, food or other goods. Of course, he can increase debt via credit cards or reduce savings rate, which is around 4 to 5% in the US. 3. fears an increase in prices. "Inflation expectation" go up. This makes it more difficult for the FED to manage inflation. 4. might pay the "price" by a salary reduction due to higher US production costs of imported semifinished goods and components needed for US factories.

Impact on US companies	
Trump	Sound Economics
US companies could create new business opportunities by replacing imported products at higher prices or making goods that do not exist.	US is a country with huge production facilities. 2 trillion USD worth of goods are exported already. US has low unemployment, so where find the workers for new factories? Training new employees takes effort and time. People do not move around as much as in the past. The risk is that wages go up and the prices of the US made goods are even more expensive than comparable imported goods. Due to the absence of competition, the US made new products may not offer the same quality. Hidden inefficiencies and ineffectiveness of use of good US resources may jeopardize the good quality US export industry.
	US importers, dealers, distributors can reduce margins, which can result in less investments but also initiatives to move production out or also into the USA.
	The loss of real consumer income will increase the exposure of all US-based companies offering products and services to less revenue and margin. If consumers buy less beer, the American Beer Brewer has less income. Make American beer great again?
	When tariffs are applied at each border crossing, the costs escalate quickly, making final products more expensive and less competitive. Not even counting the non-value added related paper work and admin.

Impact on Exchange Rate and Interest Rates	
Trump	Sound Economics
Do not know what his logic is here.	Assume the trade deficit decreases through tariffs, demand for US products increase, therefore the demand for USD to pay these products increase, therefore the USD could strengthen. Then import prices decrease and inflation decreases. Good news, but That is not what is happening right now. The USD weakened, since Trump has taken office. So more imported inflation pressure. The marked driven interest rates of T-Bonds weakened also, as Traders purchased more long-term bonds. Foreign investors may cut investments in the US, forcing the Treasury to raise interest rates during auctions (to make it more attractive to buy US Bonds) This would increase debt interest payments even more, especially since US debt volume is already at 100% of GDP. Debt interest payments are equivalent to the budget of the Pentagon.

Impact on Other countries	
Trump	Sound Economics
Do not know what his logic is here.	Other countries retaliate, by increasing Tariffs for US made exported products, (those 2 trillion USD that the USA exports today). US Companies might go out of business, if foreign countries do not buy US products anymore, which have become overnight also 25% more expensive. Why because the world has moved towards a hybrid model of multiple sourcing.

Conclusion	
Trump	Human Economics
Make America great again?	<ul style="list-style-type: none"> This trade war is not good news for anybody, but especially not for the average American worker. High levels of US debt, tencious geopolitics, and efforts to engage in business with Russia may impact the perception of the US as a reliable partner.

	<ul style="list-style-type: none">• In economic terms, inflation will increase for sure, trade deficits will also increase in the short term, interest rates will increase, which will result in a risk of Stagflation (inflation in a weakening economy.) In addition, foreign companies decide to outsource production to China or South America.• There are other ways to make America great again. But American people have to decide that on November 3rd 2026, if you still can.
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