

Self-Inflicted Injury: Trump Tariffs and the U.S. Economy

Sweeping tariffs imposed during Donald Trump's first term hurt the American economy, resulting in a net loss in real GDP, a decline in household income, and job losses in manufacturing. These tariffs, which continue to a large extent, are contributing to high inflation in recent years.



by OJAANK IAS

Economic Impact of Trump's Tariffs

GDP Loss

Estimates suggest a net loss in real GDP due to the tariffs imposed during Trump's first term.

Household Income Decline

Average real household income saw a reduction of \$580 (in 2019 dollars) due to trade barriers.

Manufacturing Job Losses

Industries exposed to tariff increases experienced relative reductions in employment, with an estimated loss of 75,000 jobs.

Federal Reserve and CBO Reports

Federal Reserve Findings

A 2019 paper found that industries most exposed to tariff increases saw relative reductions in employment.

Congressional Budget Office Projection

A 2019 report projected that trade barriers would reduce U.S. economic output by 0.3% by 2020.



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Tariffs on Iron and Steel Imports

1

25% Tariff

Trump's 25% tariff on iron and steel imports mirrors a similar policy from March 2018.

2

Retaliatory Tariffs

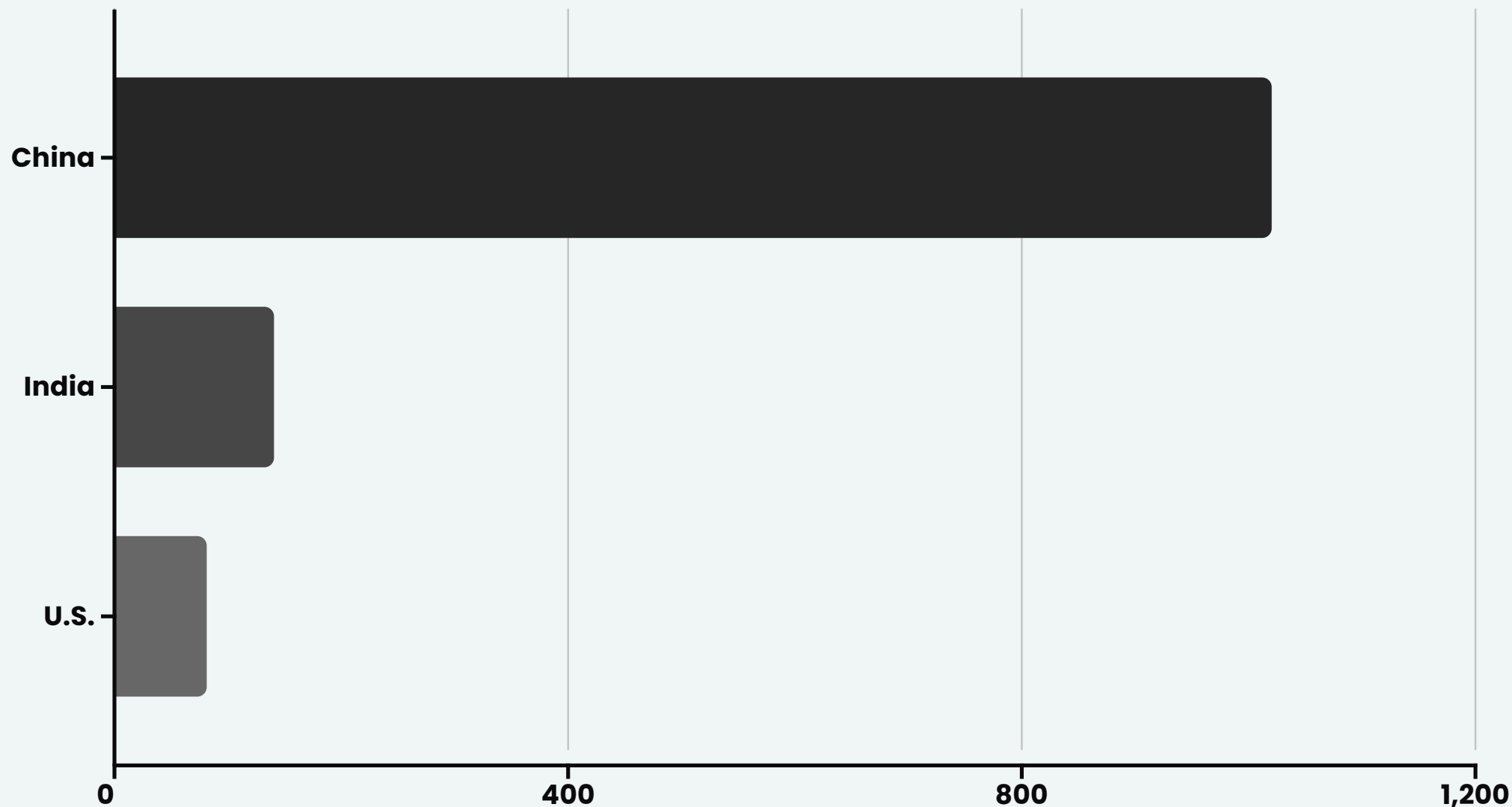
Canada, Mexico, and the EU were initially exempted, but retaliatory tariffs followed until a truce in May 2019.

3

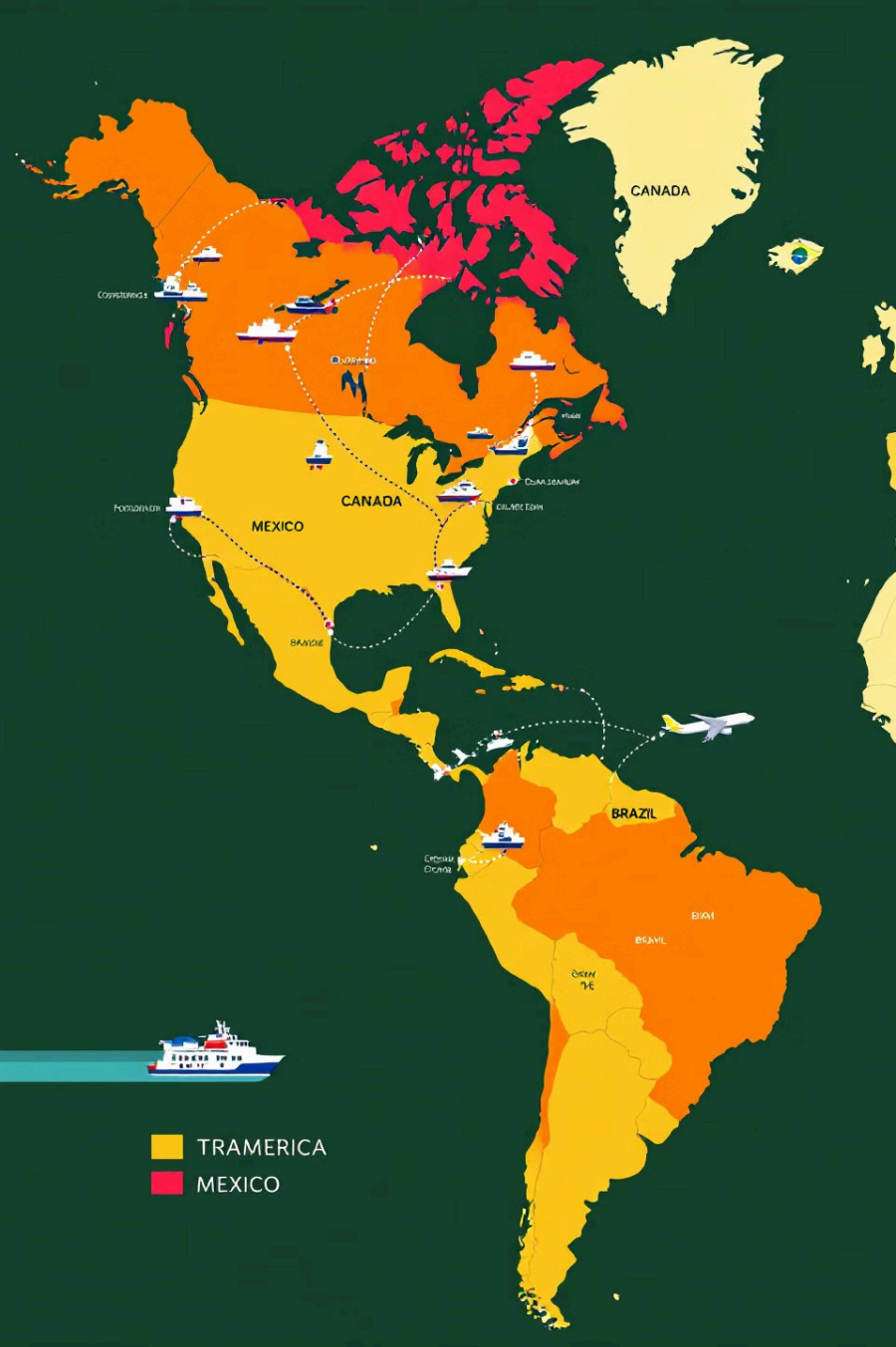
Inflation

Economists point to these tariffs as a factor contributing to high inflation in recent years.

Global Steel Production



In 2023, China dominated global steel production with 1,019 million metric tons per annum (mmtpa), accounting for 54% of global output, followed by India (140.8 mmtpa, 7%) and the U.S. (81.4 mmtpa, 4%).



U.S. Reliance on Steel Imports



Canada

The U.S. relies heavily on steel imports from Canada.



Mexico

The U.S. relies heavily on steel imports from Mexico.



Brazil

The U.S. relies heavily on steel imports from Brazil.

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Impact on Various Industries

1

Automotive

Steel is a critical material in the automotive industry.

2

Construction

Steel is a critical material in the construction industry.

3

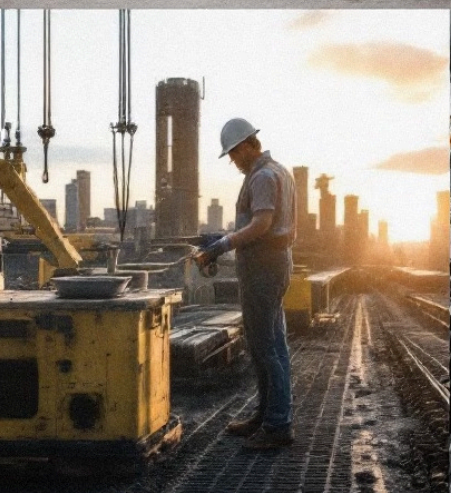
Appliances

Steel is a critical material in the appliance industry.

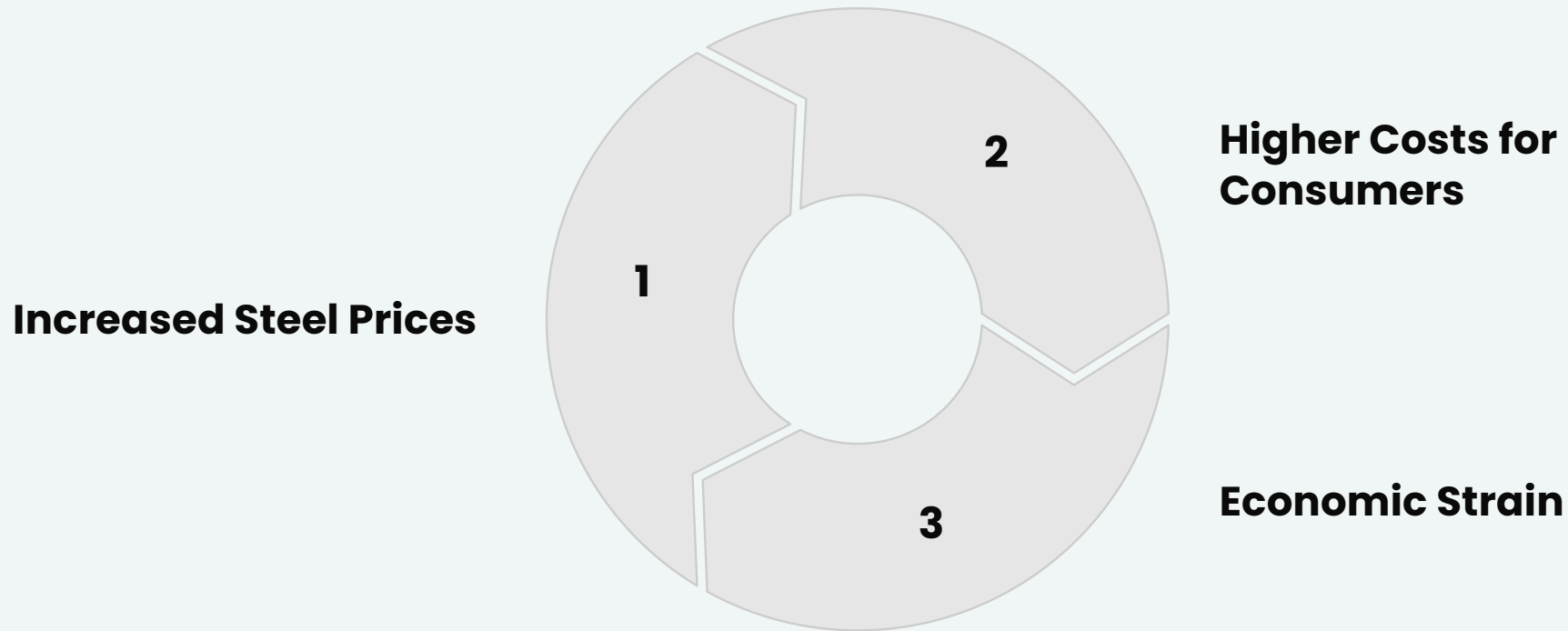
4

Oil and Gas

Steel is a critical material in the oil and gas industry.



Potential Ripple Effect



Even a slight increase in steel prices could ripple across the economy, raising costs for consumers already struggling with affordability.

History as an Indicator

1

2018 Tariffs

Mr. Trump imposed similar tariffs in March 2018.

2

Retaliation

Retaliatory tariffs followed until a truce in May 2019.

3

Economic Damage

These tariffs may be the start of another round of self-inflicted economic damage.



Conclusion: Self-Inflicted Economic Damage

Mr. Trump's tariffs may be the start of another round of self-inflicted economic damage for an already strained U.S. economy, albeit still the world's largest.



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