

How Trump's trade war affects working-class Americans

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- 5 President Donald Trump justifies tariffs on imports by arguing that “unfair trade policies” have harmed American workers. This has led to a trade war in which the U.S. and China have placed tit-for-tat tariffs on each other's products.

Most recently, China said it's ready to slap tariffs on US\$60 billion in U.S. imports if Trump goes ahead with his threat to tax another \$200 billion of Chinese goods.

- 10 Since the president claims to be acting on behalf of working-class Americans, it's fair to ask: How do tariffs actually affect them?

Scholars of international political economy, such as myself, recognize that trade hasn't always been good for poorer Americans. However, the economic fundamentals are clear: Tariffs make things worse.



- 15 American auto workers demonstrate against trade tariffs they say will negatively affect U.S. auto manufacturing. AP Photo/J. Scott Applewhite

Free trade and tariffs

20 The erosion of American manufacturing became a hot-button issue during the 2016 election. And for good reason. Total employment in manufacturing has fallen by 25 percent since 2001, putting about 4.5 million workers out of a job.

Members of both parties now agree that free trade is largely to blame for this decline. Offshoring and “bad” trade deals are cited as evidence that trade no longer serves America’s interests.

25 The Trump administration’s solution is tariffs. In recent months, entry barriers have been erected, first to protect solar panels and washing machines in January and then steel and aluminum in March. [...]



Some U.S. manufacturers are feeling the impact of tariffs of up to 25 percent on some foreign imports. AP Photo/John Raoux

Tariffs raise prices for consumers

The purpose of a tariff is to help domestic companies.

55 Tariffs are a tax on imports. As taxes go up, so do the prices of foreign goods. Consider the metal tariffs. Foreign imports of steel and aluminum became more expensive overnight – to the tune of

25 and 10 percent, respectively. Higher prices drive down consumption of foreign goods while bolstering demand for domestic equivalents.

60 Unfortunately, protecting a few narrow industries can generate much broader costs. Not least, consumers now have to pay more for everyday goods.

Trump's tariffs on Chinese imports go far beyond steel and aluminum and affect a wide variety of basic products, from consumer electronics to shoes and apparel.

65 That's not a problem for higher earners who can absorb the extra costs. But, for those with more limited incomes, who are especially vulnerable to tariff increases, price hikes can quickly gobble up take-home pay.

70 Basic necessities such as food and clothing make up a larger share of working-class household expenditures when compared to higher-income families. And most of those products are imported. Foreign producers make up an overwhelming percentage of sales of many basic goods, such as shoes. In fact, one manufacturing industry group reports that 80 percent of Walmart's suppliers are housed across the Pacific.

One 2017 paper estimated that a 10 percent across-the-board increase in tariffs on imported goods would cost the poorest 20 percent of earners \$300 a year.

That's a meaningful chunk of the less than \$13,000 earned by the poorest U.S. households in 2015. [...]

75 **Tariffs raise prices for companies**

Tariffs also have negative consequences for American producers that rely on foreign inputs.

The metals tariffs, for example, mean that manufacturers of cars, aircraft and tractors all have to pay more to produce their goods. Hence the vocal opposition to Trump from companies such as Ford and Boeing. Their costs are now going up, endangering their competitiveness.

80 What this also means is that tariffs put jobs at risk – far more than they help protect.

Trump's recent steel and aluminum tariffs were said to benefit as many as 400,000 workers. But 10 times as many workers – 4.6 million – are employed in industries that rely on metals as a core input. [...]

If one wants to count jobs, the numbers simply don't add up to a net benefit for the U.S. economy.



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Farmers and agricultural economists worry that Trump's trade policies will cost farms billions of dollars in lost income and force some out of business. AP Photo/Nati Harnik

Tariffs make it harder to do business abroad

Finally, trade protectionism is a two-way street.

90 Beijing wasted no time in responding to Trump's tariffs, announcing duties of 15 percent to 25 percent on nearly \$45 billion of U.S. exports to China, mostly agricultural products. And more will be coming if the war escalates, with some of the highest tariffs being put on food products.

Of course, targeting agrarian goods is a strategic decision. Agriculture is one of the United States' few remaining export-oriented sectors. And, since China is the second-largest buyer of U.S.

95 agricultural exports, farmers are particularly vulnerable to retaliation. If a country wants to hit the U.S. economy where it hurts, target agriculture.

China did exactly that, hitting U.S. producers of soybeans, corn, poultry and beef particularly hard. As a result, agricultural workers will find it more difficult to make a living in a sector where incomes have historically lagged behind the national average of all industries. [...]



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The U.S. could slap tariffs on more than \$500 billion in imported Chinese goods. Beijing imported just \$130 billion in U.S. goods last year. AP Photo/Ng Han Guan

The bigger picture

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This is not to say that removing all trade barriers and opening the U.S. economy to all comers will solve the problems facing working-class and poorer Americans.

No one argues that trade is cost-free. Some industries inevitably contract due to foreign competition. And workers in those industries aren't easily employed in the new jobs that are created.

But there's something else that costs jobs, too: trade wars.

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As tensions continue to escalate, poorer households, already struggling to keep up, will face additional downward pressure on their incomes. That's bad news for the workers whom Trump promised to help.