

TARIFFS AND ECONOMIC ISOLATIONISM: FOUR PRINCIPLES FOR A RESPONSE

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The incoming Trump administration promises a very large increase in tariffs, perhaps to levels last seen during the [mid-1930s](#) in the Depression. As national policy, this would abandon the liberalizing program developed during the New Deal and extended under presidents of both parties all the way through the Obama administration. In its place would come something like the high-tariff worlds of Harding/Hoover isolationism in the 1920s, or (in Mr. Trump's apparently preferred formulation) the even more remote Gilded Age of the 1880s and 1890s.

Just a week before the inauguration, in the real world of 2025, what will actually happen — to borrow from lyrics from a slightly later era — still ain't exactly clear. Mr. Trump has proposed at least five different policies, mostly incompatible. One is an overall 10% or 20% tariff — the most Hoover-like option, with tariffs as much as ten times their [current rate](#). Another is the imposition of tariffs on particular countries as tools for particular issues such as migration, and a third is stopping trade with China, Canada, and Mexico in particular. Last year's Republican platform added a "[Rube Goldberg](#)"-style [scheme](#) in which each U.S. tariff line is equal to or higher than every analogous tariff line in every other country, and the tariff schedule balloons out to millions of lines; another option is traditional, Hoover-era tariff legislation. The most recent, via [press trial balloons](#), is tariffs on products administration officials decide are especially sensitive.

Tariffs are occasionally necessary, of course. Governments can use them appropriately to give industries struggling with import surges or subsidized competition space to recover (as the Biden administration did last year with respect to Chinese-produced electric vehicles), or to isolate aggressor governments as with the punitive tariffs imposed on Russia in 2022. But they always raise costs — a strange choice for Mr. Trump to make, after the advantages his campaign drew from the inflation burst of 2021-2023 — and, in general, tend to lower living standards and erode industrial competitiveness. Depending on the way the incoming administration tries to impose them, they can also harm the separation of powers and the Constitution. And looking ahead, the Biden administration's experience demonstrates the error of trying to answer by blurring differences or proposing "lite" versions of the same thing.

This doesn't mean critics need a very detailed response now. That isn't necessary until the administration program becomes clear. But they do need to lay the intellectual foundation for it soon. Here, then, are four principles, meant to bridge the Constitutional, economic, strategic, and political issues the various Trump proposals raise:

- Defend the Constitution and oppose attempts to rule by decrees.
- Connect tariff policy, both as taxation and trade policy, to growth, work, prices and family budgets, and living standards.
- Stand by America’s neighbors and allies.
- Offer a positive alternative.

I. MOVING BEYOND BIDENOMICS

In applying these principles, there’s no need for Democrats — or liberals in general, or others concerned about living standards, competitiveness, and America’s place in the world — to feel bound by Bidenomics. To the contrary, a new agenda needs some clear breaks with it.

President Biden’s program had some very positive results: low unemployment, steady growth, and faster decarbonization. Its “industrial strategy” programs, if expensive, do seem to have strengthened the semiconductor industry and might still prove durable ways to reduce emissions in automobiles and power plants. The Biden team also leaves some useful trade policy starting points: Commerce Secretary Raimondo’s [innovative export promotion](#) programs, Secretary Yellen’s Treasury concept of “[friendshoring](#)” as a way to ensure diverse sourcing and pool allied strengths in a more dangerous world, and Vice President Harris’s campaign summary of a broad tariff increase as fundamentally a tax increase on working families all make sense.

But Bidenomics also had failures and missed opportunities, and ended as a political liability. The White House badly oversold its “industrial strategy” as something that could create a much larger manufacturing sector, as opposed to the very important but less cosmic semiconductor and emissions-reduction plans. (Manufacturing, at 10.9% of GDP before Mr. Trump’s initial round of tariffs in 2018/19, fell to 10.3% by 2021. Its share now, industrial strategy or not, is [10.0%](#).) In trade policy as in some other areas, Bidenomics missed an opportunity to cut prices for families — obviously, the working-class public’s single largest concern last year — and make sure the first Trump administration bore its appropriate share of blame for inflation, by leaving the 2018/19 tariffs largely untouched and declaring the permanent tariff system untouchable. It stranded the U.S.’ \$3 trillion export sector by giving up on lowering foreign trade barriers and promoting digital trade. Most important, as we [warned](#) nearly two years ago, its concession of tariff issues to Trump without a fight in 2021-2023 proved a grave political weakness in 2024, leaving Vice President Harris’ valiant campaign without a positive alternative to Trump’s tariff increases.

II. FOUR PRINCIPLES

The coming years require something else. What might it be? Trumpism will be better defined within a few months. Within a few years, any of its various proposals will likely create new problems (or [recreate old ones](#)) that require solutions we cannot now define. So, for now, a detailed response would be premature. But as a point of departure, here are four principles meant as a foundation for critiques of Trumpism and the development of alternatives:

1. *Defend the Constitution.* First, prevent breaches of the separation of powers, and insist that Congress consider any change in tariff policy in a Constitutionally appropriate way. The

Constitution's Article I, Section 8, gives Congress unambiguous authority over "[Taxes, Duties, Imposts, and Excises](#)," and for good reason. No single individual, president or not, should have the power to create his or her own tax system out of nothing. That, at minimum, risks impulsive and ill-considered decisions. Even more seriously, it creates a standing temptation for all future presidents to use tariffs to reward personal friends and supporters, and likewise to punish critics, business rivals, and disaffected states.

As a legal matter, Congress has passed a number of laws "delegating" tariff policymaking to presidents in certain situations. Some seem Constitutionally sensible and convenient. Others, such as the International Emergency Economic Powers Act and sections 301 and 232 of U.S. trade law, give presidents too much unchecked power. But even in these cases, no law is meant to allow a president to create his own tariff system. Whether or not courts find such a step "unconstitutional," given precedent from case law and Congressional drafting errors, as an obvious breach of an unambiguous Congressional power, it would certainly be "anti-Constitutional." Congress should oppose the perversion of any current law for this purpose, insist that no general tariff increase ever occur absent a formal vote, and reject any attempt to impose tariffs by decree.

2. *Connect trade and tariff policies to American living standards, work, and growth.* Second, define tariff policy correctly as tax and trade policy, and analyze its effects on the basis of its impact on working family living standards, business competitiveness, and growth.

As [Laura Duffy explained](#) in her PPI paper last fall, tariffs are a poor form of taxation, distinguished from broader income or consumption taxes for narrow base and high rates, and for opacity, regressivity, and inequity. They are opaque because they are hidden from the consumers who bear their costs — one reason PPI and other polling tend to find tariffs a low-priority issue (pro or con) among working-class families. They are regressive because, in their role as a form of sales tax, they tax only goods, and less affluent families spend twice as much of their income on goods — clothes, shoes, cars, toothbrushes, Band-Aids, food, rugs, TVs, chairs — as rich families. Even today, tariffs account for a quarter of the cost of cheap shoes, and add 10% to the price of mass-market stainless steel forks and spoons. Adding another 10% or 20% tariff, or whatever the actual Trump administration policy turns out to be, to this adds immediately to their cash-register prices. A tariff increase, therefore, presages not only higher prices in the abstract — but higher prices mostly on things important to hourly-wage families. (And remember the Trump platform's top single promise last year: "[restore price stability, and quickly bring down prices](#)"). And they are inequitable for businesses as well as families, since they tax goods-using industries — manufacturers, farmers, building contractors, retail outlets, restaurants — but not services- and investment-intensive sectors like financial services or real estate.

In trade policy, tariffs do have legitimate policy roles — for example, as part of a program to isolate aggressor governments (as with the removal of Russia's MFN status in 2022), or giving temporary support to industries facing import surges or competitive troubles, and needing some space to upgrade. But policymakers should reserve tariffs for these kinds of unusual circumstances. The better trade policy approach is to build the export sector — a \$3 trillion part of the U.S. economy, leading the world in farming, energy, and services exports, and second in the world for manufacturing — and find ways to promote it. Exporters pay high wages and earn

a fifth of all U.S. farm income; they are disproportionately successful manufacturers, lead the world in cutting-edge innovation from digital technology to biotech, and range from world-famous medicine and aerospace firms to small chocolatiers and specialized musical-instrument makers. All are easy targets for the foreign governments who will retaliate against U.S. tariff hikes and breach of agreements. These are national assets, and policy should encourage their success, rather than turning them into trade war cannon fodder.

3. *Stand by America's allies and neighbors:* Third, protect and build, rather than disrupt and erode, America's strategic relationships with allies and neighbors. The U.S. is rare among historic world powers to have both long-term alliances with most of the world's advanced economies, and deep and friendly ties with its immediate neighbors. These are strategic assets built over decades and core elements of any serious economic or national security strategy for the next decades.

So it is especially disturbing to see Mr. Trump use his free time in these transition months to pick fights, including through tariff threats, with neighbors and allies from Canada and Denmark to Mexico and Panama. Economics apart, these countries have often stood with the U.S. when it counted a lot. Remember, for example, that Denmark, with its 6 million people and 21,000 military personnel, [lost 43 soldiers](#) not so long ago in Iraq and Afghanistan. Canada [lost 158](#). Neither deserves repayment with bullying and economic threats. Certainly, difficult policy issues and disputes turn up at times in alliance and big-neighbor relationships — military spending, export controls, border issues, narcotics control — are all important topics on which the U.S. has legitimate interests, and sometimes disagreements. But to think you can solve any of them more easily by alienating the relevant governments and publics is arrogant. And to forget the very large value we draw from mutually beneficial trade, technological partnerships, and cross-border investment with allies and neighbors is self-destructive folly. Democrats should stand by our alliances and good-neighbor relationships as major national strengths, even if the incoming administration hasn't yet learned their value.

4. *Provide a positive, reformist, alternative:* Fourth, define the outlines of a better trade approach. Though a very detailed program is premature, three lines of policy can form a basic vision that offers both household and national benefit:

** International engagement: Pool strengths and deepen ties with neighbors and allies through updated, reciprocal trade agreements.* Trade negotiations and agreements can help both find non-inflationary sources of growth by expanding markets for America's exporting factories, farmers, energy, and services industries, and diversity and secure supply chains by deepening relationships with neighbors and allies. This can include U.S.-Europe agreements with the United Kingdom as an immediate choice, a return to the 15-country Trans-Pacific Partnership — now functioning very well as the "CPTPP" for Japan, Australia, and other allies, including the U.K. — and using the 2026 "review" of the "USMCA" to broaden it to Caribbean, Central, and South American countries. The content of such agreements would change in some ways from the FTAs negotiated in the 2000s — probably, for example, through coordination of export control policies vis-à-vis authoritarian countries, joint approaches to Chinese over-capacity, and subsidies in some industries, energy and LNG supply to Europe and Asia, secure access to and

joint development of critical minerals and other essential industrial inputs, and other matters — but would remain in the internationalist strategic tradition.

* *Domestic reform: Lower costs for families and industry.* Balancing this outward-looking, optimistic approach to negotiations, move on from defending Constitutional government to restoring it, and from opposing regressive tariff hikes to developing a new approach that makes trade policy fairer and cuts costs for families. At a more personal level, Congress can ease the cost of living by reforming the [permanent tariff system](#), stripping regressivity and sexism out of the clothing, silverware, shoe, and other consumer goods schedules — where hundreds of lines simply raise the prices of cheap mass-market goods not made in the U.S. for decades, and the higher rates imposed on women’s clothes as opposed to men’s extracts \$2.5 billion from women each year — and making the functioning of this system transparent. Here the starting point is the Pink Tariffs Study Act introduced last spring by [Representatives Lizzie Fletcher and Brittany Pettersen](#).

* *Protect the Constitution:* Finally, ensure Constitutionally appropriate policymaking by safeguarding Congress’ control over tariff rates. Here, the starting point is the Prevent Tariff Abuse bill introduced by [Representatives Suzanne DelBene and Don Beyer, which bars the use of tariffs through](#) the International Emergency Economic Powers Act.

CONCLUSION

These are of course starting points and principles meant as guidelines for a period of uncertainty and flux. They identify areas in which policymaking needs to be strengthened and guarded against abuse, new threats and destructive ideas to oppose, and lines of policy that can help families stretch their budgets, strengthen U.S. industries, and safeguard America’s place in the world.

In trade as in some other matters, the Trump administration is taking office next week with a variety of incompatible promises, threats, Hooverist rhetoric, and eccentric references to the late President William McKinley. This means the next years may create new challenges that analysts can intelligently guess at but can’t predict with real precision, and a detailed response will have to. But though even a week before the inauguration, its program ain’t exactly clear, two things do seem certain:

One, Mr. Trump’s tariff threats — whichever among them proves to be the “real” policy — are bad ideas. All of them, though in different ways, would leave Americans with lower living standards, higher-cost and less competitive businesses, and eroded national security.

Two, critics of these threats should not repeat the Biden administration’s attempts to blur differences with Trumpism and propose softer versions of it. Instead, they need a forthright critique and an alternative that can deliver the opposite of Trumpism: a lower cost of living, more competitive agriculture and industries, and a stronger position in a more dangerous world.