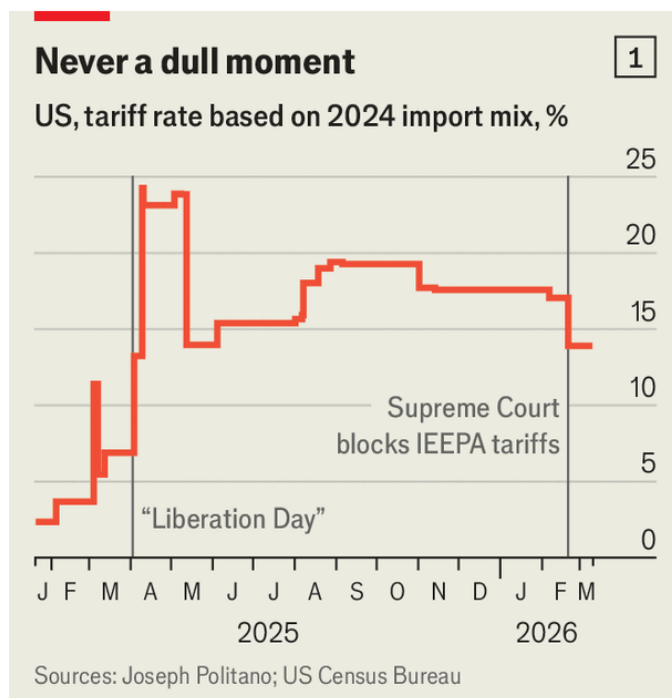


## “Liberation Year” has not freed American factories

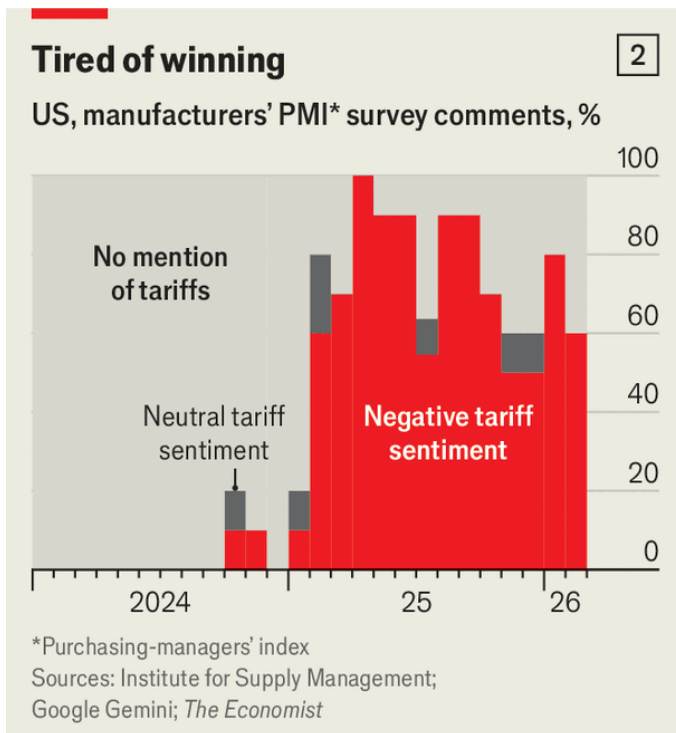
Deep down, even Donald Trump seems sometimes to doubt whether tariffs do ordinary Americans all that much good. Four times in the past year the president has riffed on the idea that children might just have to make do with “two dolls, instead of 30 dolls”—if tariffs make toys more expensive. Sometimes he adds that Americans may have too many pencils. “They only need one or two.”

The White House argues that those costs are worth bearing, because tariffs will rescue American manufacturing from a decades-long slump. On April 2nd last year Mr Trump set out his “Liberation Day” plans to ratchet the levies to their highest level in nearly a century. And there, just about, they have remained—through a careening path over the 12 months since, punctuated by various trade deals, blow-ups with allies, exemptions for favoured industries and a [brutal loss](#) at the Supreme Court (see chart 1). “Jobs and factories will come roaring back into our country,” Mr Trump promised back then.



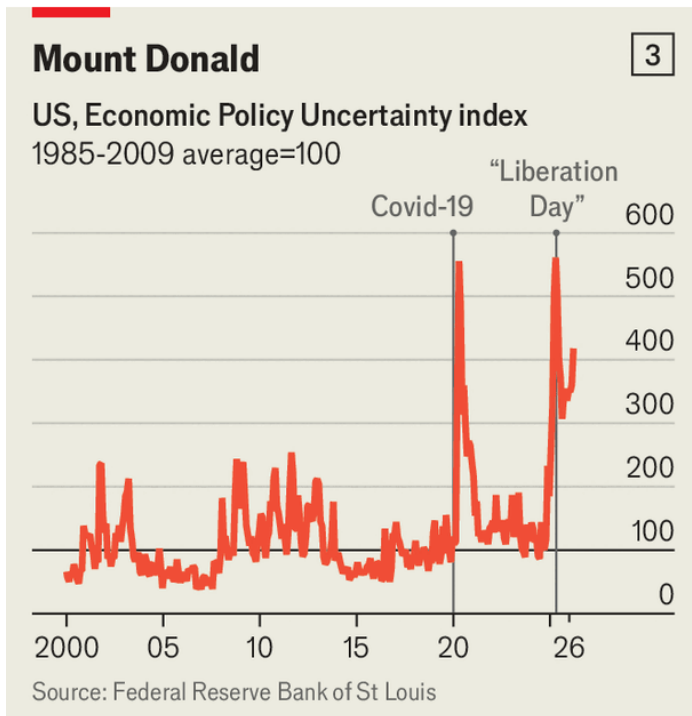
One year on, how loud is the roar? On the jobs front, it has been closer to a whimper. Manufacturers have shed around 100,000 jobs since Mr Trump took office. Meanwhile, the rest of the economy has gained 300,000. The effect on actual manufacturing output has been closer to a shrug. The purchasing-managers' index, the longest-standing survey of American manufacturing, published by the Institute for Supply Management (ISM), suggests that the sector spent most of 2025 in recession, but the measure has perked up a little over the past month or two. Production of manufactured goods is up a little too, but only back to the levels of a few years ago. Much of that boost comes from a few specific sectors: aerospace (following a production ramp-up by Boeing after strikes and safety woes), computers and electronics (subsidised by the 2022 CHIPS Act) and pharmaceuticals (revved up by the boom in anti-obesity GLP-1 drugs).

Tariff-boosters would argue, not unfairly, that restoring America's factories is a project that will take decades. One year in is just too soon to take stock. The trouble is that, if anything, most American manufacturers seem to view the trade war as a setback to be navigated, not a triumph to be celebrated. Since Mr Trump took charge, most of the comments from manufacturers that ISM has published along with its surveys have mentioned tariffs. Not one has been positive (see chart 2). Many of the unpublished ones are more forceful still. "A fair number of comments just say the word 'tariff,'" says Susan Spence of ISM, who compiles the survey. Or, among some less-polite respondents: "'Same as last month, it's just tariffs, stupid.'"



That ire stems from two big problems. The first is the mess of it all: churn, instability and a mountain of new paperwork. Julie Robbins, who runs EarthQuaker Devices, an Ohio-based guitar-pedal maker, estimates that staying tariff-compliant has cost her small business about 400 man-hours over the past year. “Every hour spent navigating this”, she says, “is time that we can’t spend on things helpful for growing the business.” Like many small manufacturers, Ms Robbins will also hardly receive any refunds for the array of tariffs found illegal by the Supreme Court in February. That money will go to the wholesalers who imported the components her company used. Even if a wholesaler passes along the tariffs to buyers (as they often do), the refunds go to whoever formally pays them.

Constantly shifting tariffs have made planning for hiring, spending or investment nightmarish. Monthly measures of economic-policy uncertainty hit record highs after “Liberation Day”, beating the records set during the early months of the covid-19 pandemic (see chart 3). When the virus was contained and jobs were in arms, that uncertainty receded. This time it has stayed high. That has left plenty of manufacturers furious. “People understand when business cycles go down and customers stop spending,” says Ethan Karp of MAGNET, a pro-manufacturing non-profit. “There’s particular anger to the government doing something that directly hurts them.”



That instability makes reshoring especially difficult. New factories can easily take five or ten years to plan and spin up. Projects that make financial sense only if current tariffs stay in place could easily become money-sinks if a future administration were to scrap the levies altogether, or if the current one offers new exemptions. Only 9% of the Ohio manufacturers surveyed by MAGNET are reshoring. That is up from 4% five years ago, but hardly heralds a renaissance.

Nor is the instability about to pass. The stopgap 10% universal tariffs that Mr Trump instituted in February after his loss at the Supreme Court expire in July, and cannot be renewed without a (supremely improbable) act of Congress. To fill that gap, the administration plans to use a patchwork of country- and sector-specific tariffs, which are on firmer legal footing. But that process will be messy and unpredictable, and could well take many more months. By the time it is done, the next presidential election will not be far off. And America could elect a Democrat (or, less plausibly, a tariff-sceptical Republican) who would pare the levies back. That is one problem.

### **A heap of broken images**

The second problem relates to tariffs on inputs. Even manufacturers that do the bulk of their work in America tend to import components from abroad. (Ms Robbins imports 94% of the raw materials for her guitar pedals: switches, jacks, knobs, electronics, and

so on. The 6% that comes from the United States is largely packaging.) For many manufacturers, tariffs on steel have been a particular menace; steel is widely used and often imported, and America makes less than it consumes. Input tariffs are especially damaging for exporters, which are competing with foreign factories that don't pay the levies at all.

But those tariffs cannot easily be removed without undermining the logic behind the trade war. If the goal is to make America more self-sufficient, then tariffs to bring back basic production of raw materials are a necessary part of the process. Plenty of America First types speak admiringly of the depth of China's manufacturing ecosystem, up and down the supply chain. And until that reshoring happens, which even in a best-case scenario would take years, upstream manufacturers will be hamstrung by higher input costs.

The administration's preferred approach seems to be offering tariff exemptions to the loudest (and best-connected) industries. A lobbying push by technology companies has so far helped stave off most new tariffs on semiconductors. When Destin Sandler, an engineer and YouTuber, complained recently about tariffs on machines making chain mail at the Hill and Valley Forum, a Washington bash for the tech right, Kelly Loeffler, head of the Small Business Administration and a Trump cabinet member, urged him to email her. But exemptions just undermine the tariffs further: if some sectors are getting relief, others could too—and why then bother trying to reshore?

One year on from "Liberation Day", then, America's tariffs are surprisingly friendless, even among manufacturers. Punching holes in the tariff wall with exemptions may help appease some moaners, but lowers the already-low odds that many firms bother seriously considering reshoring. America has plenty of recent industrial success stories, but mainly in sectors like data centres or liquefied natural gas that are largely shielded from the tariffs. The odds that tariffs will set off a domestic manufacturing boom, meanwhile, look slimmer than ever.