

Trump’s tariffs will be costly, but that’s not the worst part

di Heather Long

[Donald Trump](#) is obsessed with raising tariffs. Though it’s tricky to predict how much he will hike them, they will be higher than today’s average rate of [2.4 percent](#). Hardly a day passes without Trump mentioning how “[beautiful](#)” and profitable tariffs are. And this week, he laid bare why he will raise them this year: He needs money to pay for bigger tax cuts.

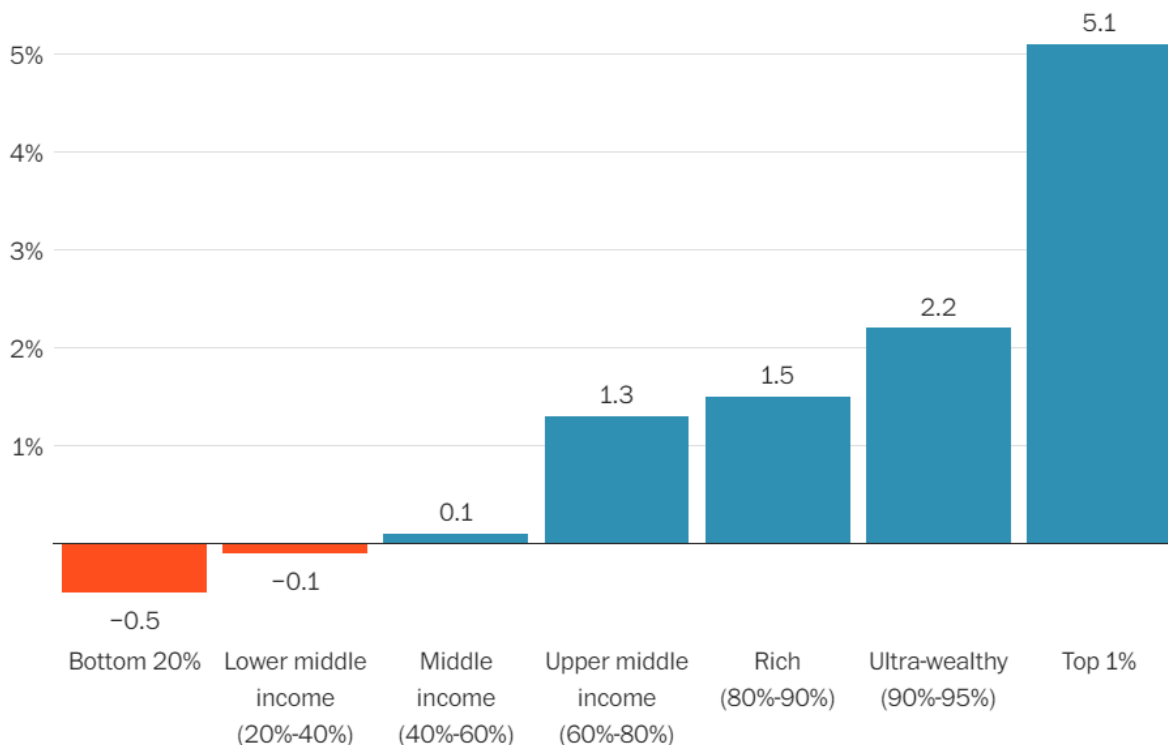
While vowing to make these tax cuts “even better” with no taxes on tips, Trump [wrote](#) on his social media site: “It will all be made up with tariffs, and much more, from countries that have taken advantage of the U.S. for years.”

This is Trump’s worst argument for tariffs yet. The math [doesn’t add up](#). Extending his 2017 tax cuts for another decade [would cost \\$5 trillion](#). But putting 10 percent tariffs on all imports (plus more on China), as the president-elect has suggested, would raise about [\\$2.7 trillion](#) over the next decade, and that is an optimistic estimate.

At some point, it will sink in that American consumers are the ones who pay for hefty tariffs. A typical household would pay more than [\\$1,200 a year](#). The Tax Foundation ran the numbers and found that the bottom 40 percent of households [would lose](#), because they would pay more in tariffs than they would get back in tax cuts. The Peterson Institute for International Economics [found](#) that the bottom 80 percent would be worse off, and only the richest Americans would benefit.

Many Americans will end up worse off if Trump implements a 20 percent tariff on all imports and moves forward with more tax cuts.

What happens to 2026 household income



This analysis uses 20 percent universal tariffs; 60 percent China tariffs; full extension of the Tax Cuts and Jobs Act (individual, estate and business); a lower SALT cap; no tax on overtime, tips or Social Security; an auto-loan interest deduction; 15 percent corporate income tax for domestic production; and eliminating green-energy credits.

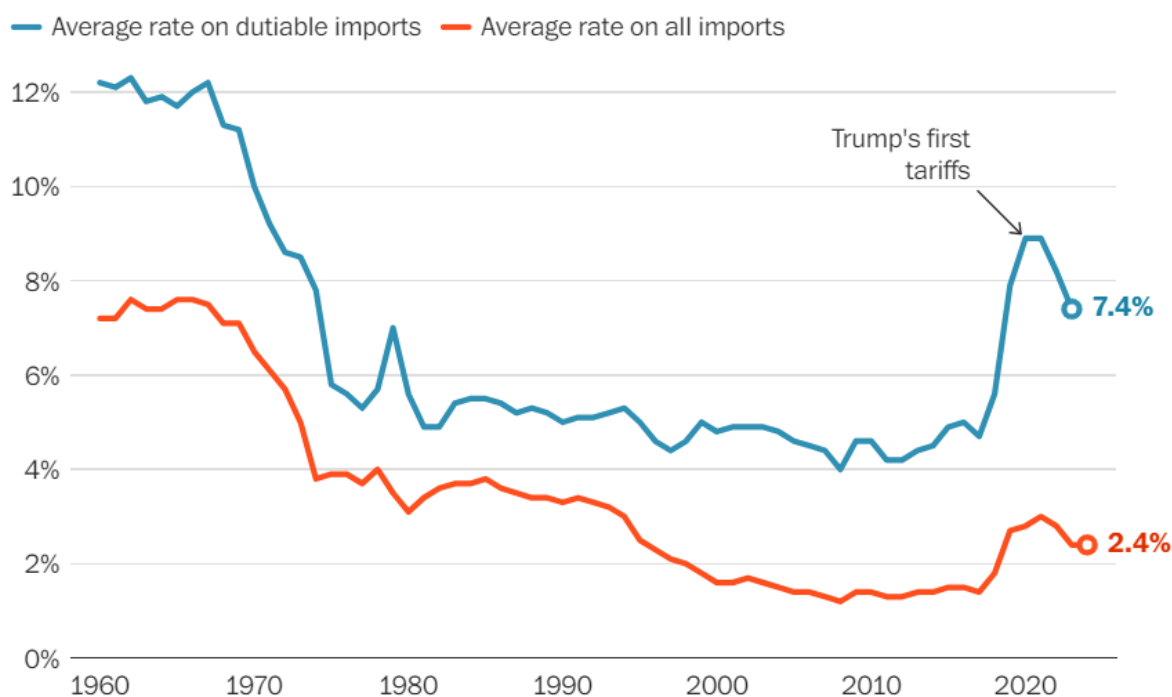
Source: Tax Foundation

Many business leaders believe [they can thwart](#) Trump's plan. They have been making pilgrimages to Mar-a-Lago in hopes of persuading him to restrain his tariff ambitions. Many of Trump's top economic aides are also trying to pare back his expressed desire to place a 10 or 20 percent tariff on every single import to [something more targeted](#). And still, the president-elect keeps saying [he wants big hikes](#).

On Main Street, on the other hand, people are taking Trump's words seriously. Families are [starting to stockpile goods](#), and people are [telling pollsters](#) they want to buy big-ticket items such as cars and appliances before the tariffs push prices up. Main Street is reading this right: More tariffs are coming, and they [will be costly](#) for Americans. Trump himself [has admitted](#) he can't guarantee that prices won't rise.

America's low tariff era is probably over

U.S. tariff rates throughout history



Source: [Tax Foundation](#)



The scope of what Trump is vowing to do now is so large that it's hard to comprehend. In a worst-case scenario, the average tariff rate could spike to the highest level [since the Great Depression](#).

This will be different from Trump's first term, when inflation was low and few people noticed the targeted price increases on steel, aluminum and some Chinese imports. In total, his first-term tariffs covered about 10 percent of imports. Back then, he also had a clear rationale for tariffs: He was pushing back against China, whose cheap products and refusal to play by international rules were costing U.S. jobs. Americans largely supported this, and President Joe Biden [kept most of the China tariffs](#) in place.

In 2025, it continues to make sense to target China. The Chinese economy [is struggling](#), and, rather than spur Chinese consumers to buy more, President Xi Jinping is once again trying to undercut other countries [by ramping up exports](#). Trump would almost certainly find that European countries and many others would be willing to push back, too. On top of this, people are increasingly concerned about Chinese access to data,

cellphones and other critical technology. As Andrei Iancu, who served as director of the U.S. Patent and Trademark Office in Trump's first term told me, "We need to collaborate with our allies and trade partners and form a united front."

But Trump is not focused on China. Instead, he's threatening ["very high" tariffs](#) on Denmark if it doesn't give up Greenland. And he's fixated on punishing Canada, claiming its trade deficit with the United States is \$200 billion. In reality, it's [about \\$50 billion](#), and it exists mainly because the United States imports [4 million barrels](#) of Canadian crude oil a day. Trump wants to use tariffs to satisfy his every whim.

Historically, tariffs have worked best when they have been targeted to achieve a clear objective. Ronald Reagan's quotas on Japanese cars in the 1980s [are a good example](#): They [led to trade deals](#) and incentivized Japanese automakers to [open factories](#) in the United States.

By raising tariffs on all countries, regardless of whether they are friend or foe, Trump is likely to lose the trade war with China. His actions will anger allies and push them to raise tariffs on the United States. Americans of modest means will suffer more financially. And all this chaos will make China look, in comparison, like a beacon of global stability.