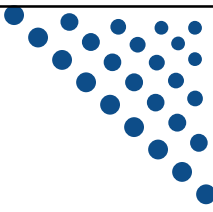


Osher Lifelong Learning Institute, Fall 2026

Contemporary Economic Policy

University of Massachusetts, Boston

Host: Geoffrey Woglom, Director
National Economic Education Delegation



Course Schedule

Contemporary Economic Policy

- Week 1 (9/16): Economic Update & Changes at the Fed, Geoffrey Woglom, Amherst College
- Week 2 (9/23): Economic Inequality, Joseph Carolan, Oakland University
- Week 3 (9/30): Saving Social Security, Geoffrey Woglom, Amherst College
- Week 4 (10/07): Federal Debt, Dmitriy Stolyarov, University of Michigan
- **Week 5 (10/14): Trade and Globalization, Andreas Waldkirch, Colby College**
- Week 6 (10/21): Climate Change Economics, Sarah Jacobson, Williams College



Trade and Globalization

October 14, 2026

Andreas Waldkirch, Colby College
The Mitchell Family Professor of Economics




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Submitting Questions

- I encourage questions. We will do a verbal Q&A at the end.
- During the talk, please put questions in the chat and I will try and pause occasionally and answer some during the talk
- Slides will be available from the NEED website
https://needecon.org/delivered_presentations.php.

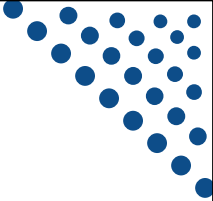


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Trade is natural and advantageous



Neanderthals:

Hunters traded fur for berries

Gatherers traded berries for fur

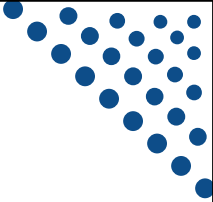


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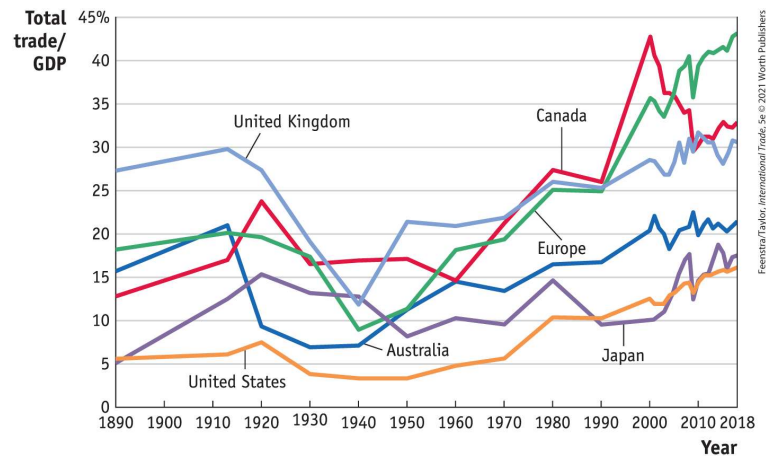
World Trade



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The Importance of Trade

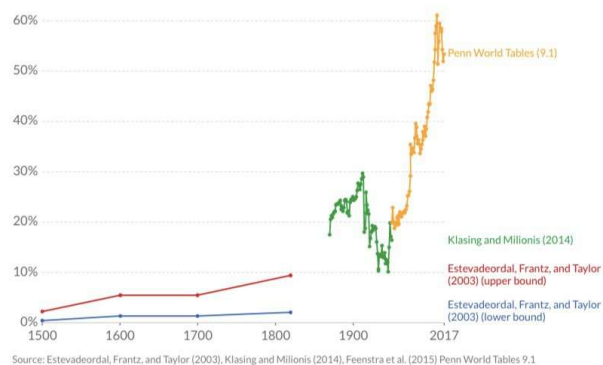


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Globalization over 5 centuries

Shown is the "trade openness index". This index is defined as the sum of world exports and imports, divided by world GDP. Each series corresponds to a different source.

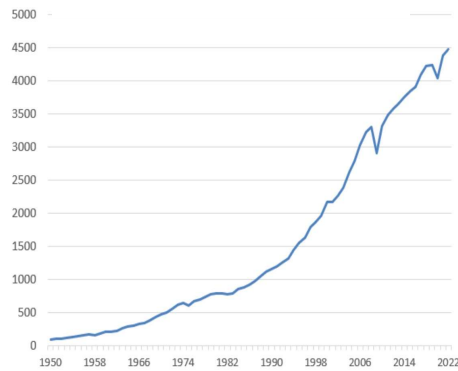


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Evolution of World Trade 1950-2022, volume index, 1950=100

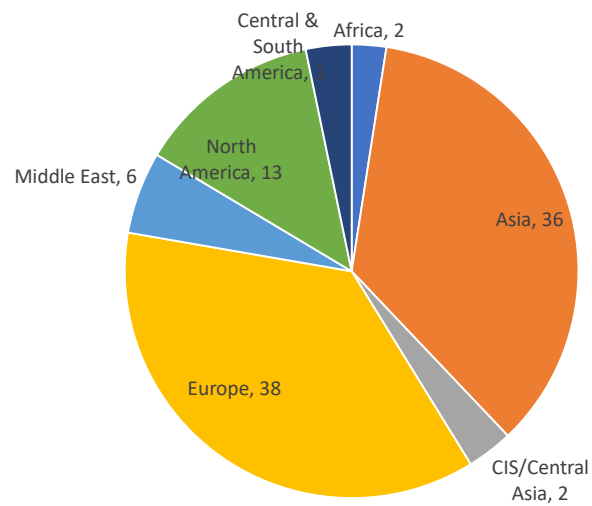


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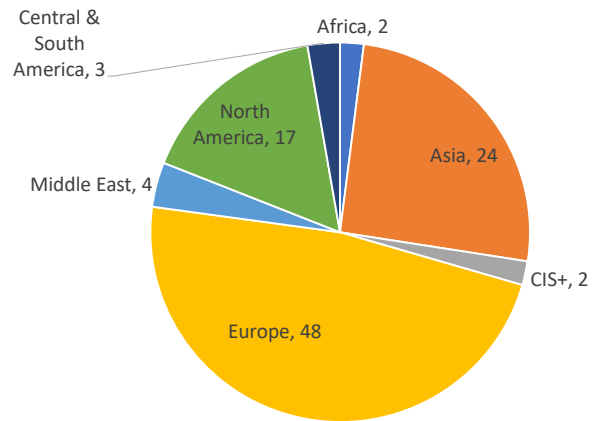
World Merchandise Trade by Region, %



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World Services Trade by Region, %



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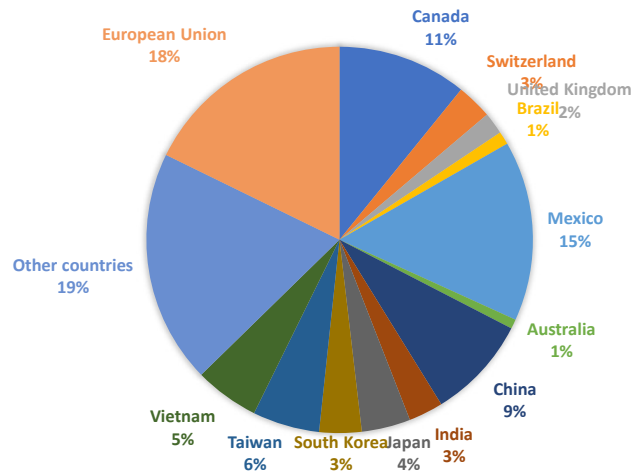
U.S. Trade



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Partner Countries US Imports



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U.S. Export and Import partners 2025

	Exports	Imports	Balance	Trade Share (%)	Change from 2024
Total	2063.8	3356.8	-1293.0	100	0
Canada	329.7	392.4	-62.8	12.7	-1.5
Mexico	338.0	539.0	-201.0	15.4	-0.2
Brazil	54.4	41.6	12.8	1.7	0
United Kingdom	96.8	65.6	31.2	2.9	+0.2
Germany	82.7	159.0	-76.3	4.3	-0.1
France	50.8	69.3	-18.5	2.1	+0.2
Italy	43.7	76.4	-32.7	2.1	+0.1
Ireland	19.3	133.9	-114.6	2.7	+0.5
China	106.3	327.5	-221.2	7.6	-3.6
Japan	82.0	149.8	-67.8	4.1	-0.2
Korea	68.8	129.0	-60.3	3.5	-0.2
India	45.6	107.6	-62.0	2.7	+0.2
Vietnam	15.7	201.3	-185.6	3.8	+0.9
Saudi Arabia	14.1	10.9	3.1	0.4	-0.1
Australia	33.7	28.9	4.8	1.1	+0.2



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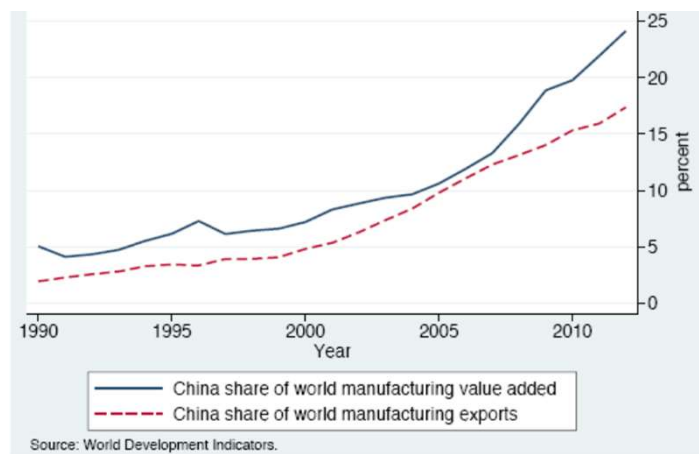
A View from International Trade Theory & Policy

- Trade is not a zero-sum game: the theory of Comparative Advantage
- Trade creates Winners and Losers
- The Winners should compensate the Losers
- An orderly, rules-based trading system is to the benefit of all



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The China Shock



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Trade Disrupts Job Markets

- **China Shock 1991-2011: $\approx$ 2 million jobs displaced in import-competing industries** (Acemoglu, Autor, Dorn, Hanson, Price)
- **Impact on some communities were devastating.**
 - Concentrated job losses, home prices fell, cuts to local services, reduced marriage and fertility.
- **Research suggests that nationally, jobs expanded in other industries by about the same number, or possibly more.**
 - Cheaper imported inputs allow import-using sectors to grow faster.
 - Feenstra, Ma and Xu; Wang, Wei, Yu, and Zhu

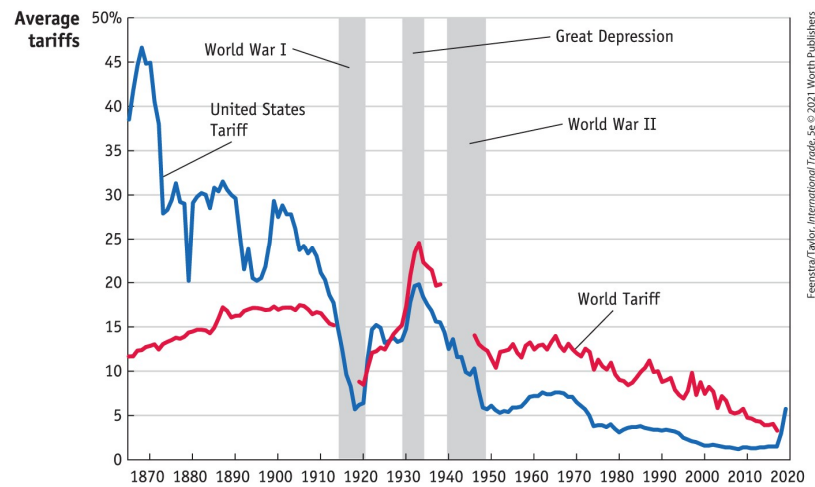


Let's talk about tariffs

- **A tariff is a tax on imports.**
- **A 10% tariff on all imports would mean that**
 - Whatever the foreign exporter charges for a product,
 - US buyers will pay an extra 10% to the US government.



Tariff History: World and U.S.



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The New World of Tariffs: Highlights

- Limited tariffs 2018-19: solar panels, steel and aluminum, China
- Very limited rollbacks 2021-2024, some new tariffs (e.g. EVs)
- New tariffs on select goods Jan-March 2025, justified in US trade law
- Blanket tariffs on ALL countries since April 2025, based on IEEPA
- Feb 20, 2026: The Supreme Court strikes down blanket tariffs
- Selected Tariffs, based on various provisions in U.S. trade law



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Justification for Tariffs

- Unfair trade practices, such as illegal subsidies or dumping
- National security concerns
- Address persistent trade deficits
- Compel countries to agree to new trade deals

What about these Justifications?

- Unfair trade practices: rooted in US trade law, based on Office of the US Trade Representative investigations
- National security concerns: rooted in US trade law, based on Department of Commerce investigations, but applied to Automobiles, pharmaceuticals, semiconductors, steel and aluminum, copper, lumber and products like kitchen cabinets and bathroom fixtures, foreign cargo vessels, rare earth minerals, ship-to-shore cranes
- Addressing trade deficits broadly and compelling countries to agree to trade “deals”: contrary to WTO (World Trade Organization) obligations and not rooted in US trade law; unconstitutional

China

- **Jul 6, 2018: First tariffs on China, \$34 billion**
 - On \$34 billion of China exports to US
 - Based on unfair trade practices in intellectual property (IP)



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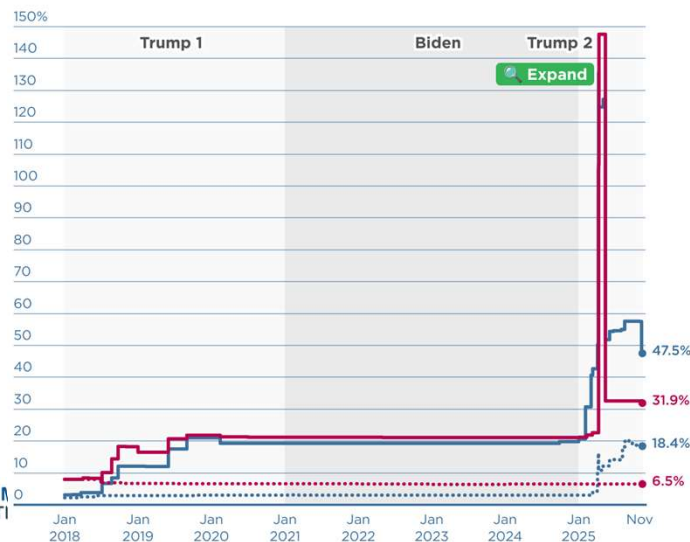
23

US-China trade war tariffs: An up-to-date chart

Last updated November 14, 2025

a. US-China tariff rates toward each other and rest of world (ROW)

— Chinese tariffs on US exports — US tariffs on Chinese exports ... Chinese tariffs on ROW exports ... US tariffs on ROW exports



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US-China trade war tariffs: An up-to-date chart

Last updated November 14, 2025

a. US-China tariff rates toward each other and rest of world (ROW)

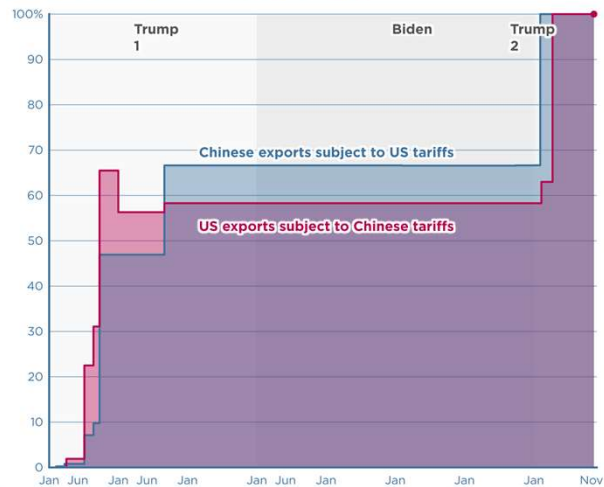
— Chinese tariffs on US exports — US tariffs on Chinese exports ... Chinese tariffs on ROW exports ... US tariffs on ROW exports



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Share of Chinese Imports subject to Tariffs

b. Percent of US-China trade subject to trade war tariffs



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A few more Things

- Chinese retaliation includes export controls on some rare earth metals
- Canada and Mexico tariffs apply to non-USMCA (United States-Mexico-Canada agreement) compliant goods only (e.g. autos)*
- Some exceptions: coffee, beef, some fertilizers
- Some compensation: soybean farmers
- de minimis shipments from China subject to tariffs



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Effects of Tariffs

- Who pays for tariffs? Evidence from 2018 tariffs / Preliminary new evidence



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Case study steel tariffs

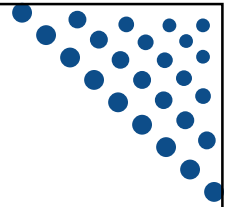
- **Mar 1, 2018: Announces “national-security” tariffs on steel and aluminum**
 - 25% on steel, 10% on aluminum
 - Announced for all countries
 - Some delayed (EU, Canada, Mexico)
 - Others later exempted (S. Korea)



Steel and Aluminum

- **Who benefits?**
 - US producers of steel and aluminum
 - Steel production increased 1.3% from 2018 to 2019
 - Steel imports decreased 18% from 2018 to 2019
- **Who is hurt?**
 - US users of steel and aluminum pay higher prices
 - Car companies, appliance makers, etc.
 - BEA: 2 million jobs in US industries where steel $\geq$ 5% of inputs
- **Net effect:**
 - Peterson Institute (2019): negative \$5.6 billion
 - 8,700 new jobs: Cost per job about \$650,000 (steel workers' average wage is \$58k)





- **An analysis of the washing machine tariffs reveals the creation of 1,800 jobs at a cost of \$817,000 per job**

(Source: Flaaen, Hortacsu and Tintelnot, American Economic Review 2020)

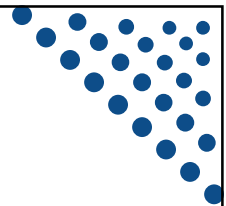


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Who pays for tariffs?



- **Importer – firms or wholesalers “write the check” to the government**
- **Tariff incidence:**
 - **exporter if they lower the price they charge**
 - **importer if the exporter does not change their price**

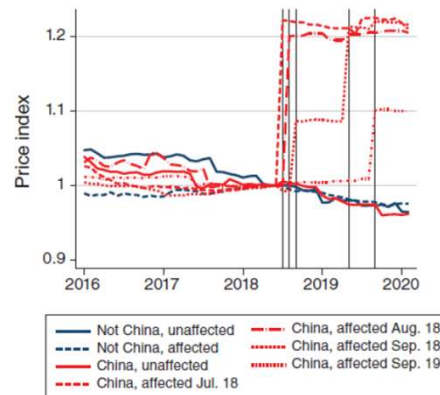


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China import prices

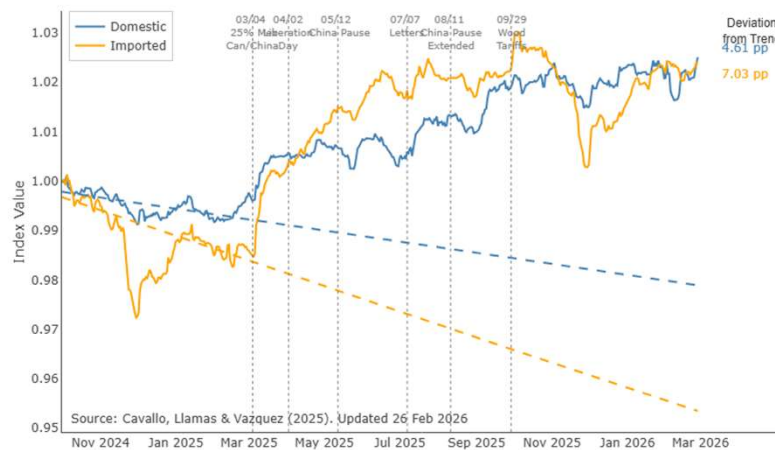
Panel A. Import price indices (including tariffs)



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The price effects of the 2025 tariffs broadly



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Effects of Tariffs

- US consumers largely pay for the tariffs
- Costly job creation
- Tariffs are regressive



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Effect of Tariffs on Households

Constant 2024\$ of Average Disposable Income per Household

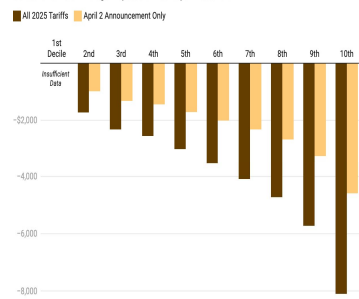


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis • Created with Datawrapper

Percentage points of disposable income by household income decile

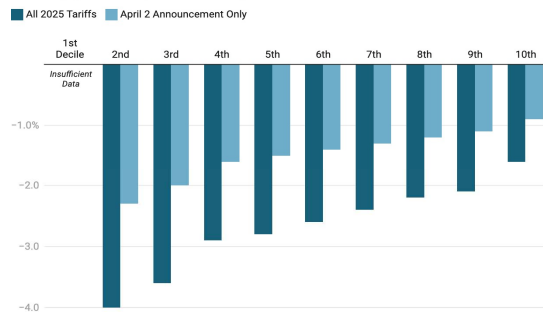


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis • Created with Datawrapper



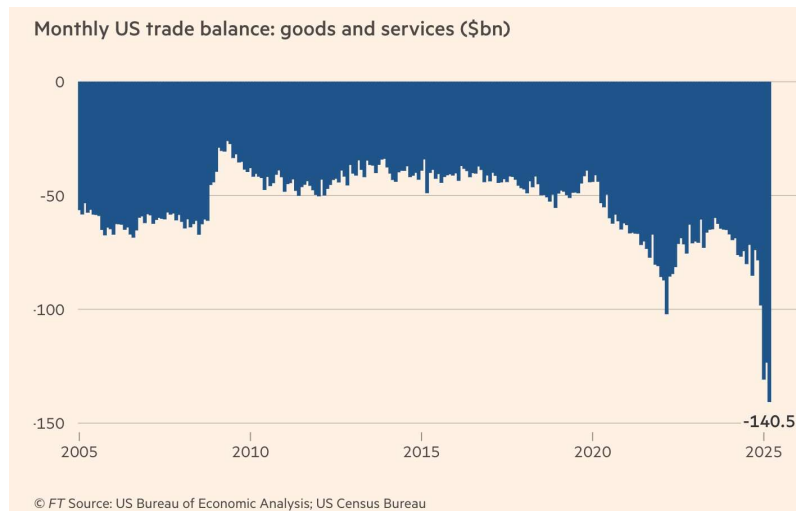
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What about lowering the trade deficit?

- The 2025 goods deficit is at a record high despite the tariffs:
 - Trade with China fell a lot, 29%, with Canada some, 6.4%
 - Trade rose with a number of other countries: Mexico 4%, Taiwan 61%, Vietnam 40%, Switzerland 100%



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Has US Manufacturing benefited?



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The Bigger Picture on World Trade

- Concerns about unfair trade practices date back decades. The WTO is the forum to address these, but has been less and less effective
- There have been no major new multilateral agreements since 1995
- COVID-19 showed the fragility of global supply chains → some near-shoring → the trade war shows the fragility of the multilateral system
- No end to broad tariffs and uncertainty in sight, though more opposition!?



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Thank you!

Questions?

andreas.waldkirch@colby.edu

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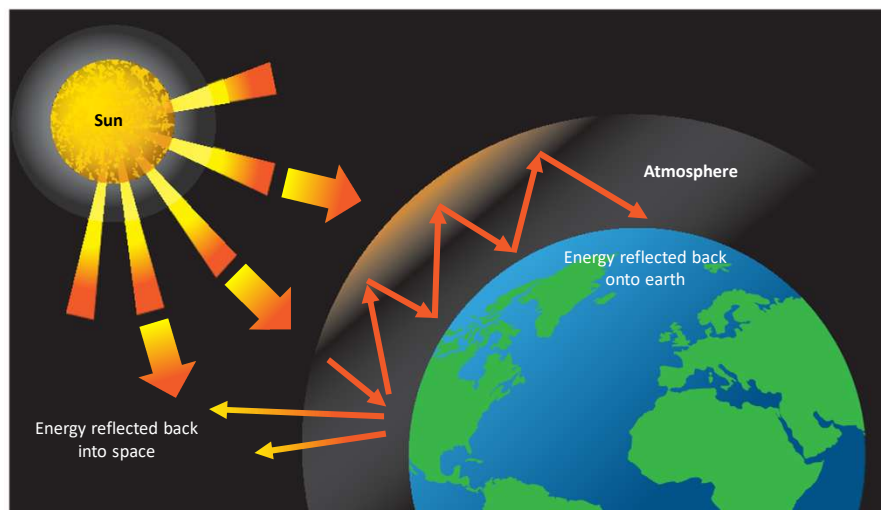
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Next: The Atmospheric Greenhouse Effect



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