Osher Lifelong Learning Institute, June 2026
The Economics of Public Policy Issues

University Of Minnesota

Host: Geoffrey Woglom, Director
National Economic Education Delegation

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Available NEED Topics Include:

- US Economy
- Healthcare Economics
- Climate Change
- Economic Inequality
- Economic Mobility
- Trade and Globalization
- Minimum Wages
- Immigration Economics
- Housing Policy
- Federal Budgets
- Federal Debt
- Black-White Wealth Gap
- Autonomous Vehicles
- US Social Policy

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Course Schedule

Contemporary Economic Policy

- Week 1 (10/8): Economic Update & Changes at the Fed, Geoffrey Woglom, Amherst College
- Week 2 (10/15): Climate Change Economics, Galina Hale, UC Santa Cruz
- Week 3 (10/22): The Future of Money, Geoffrey Woglom, Amherst College
- **Week 4 (10/29): The Economics of Tariffs, Tibor Besedes, Georgia Institute of Technology**
- Week 5 (11/5): Economics of Immigration, Roger White, Whittier College
- Week 6 (11/12): Gender Pay Gap, Tibor Besedes, Georgia Institute of Technology

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Submitting Questions

- **I encourage questions. Please put questions in the chat and I will answer them periodically during the talk,**
- **We will do a verbal Q&A once the material has been presented.**
- **Slides are available from the NEED website https://needecon.org/delivered_presentations.php.**

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Trade Talk: The Latest on U.S. Tariffs

OLLI – University of Minnesota
October 29, 2026

Tibor Besedes, Ph.D.
Georgia Institute of Technology



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Why Are We Talking About Tariffs?

- **Liberation Day**
- **Bilateral tariffs**
  - Super simple formula
  - Different tariffs for different countries
  - Some very high tariffs > 50%
- **Recent Canadian Tariffs**
- **50-100% on:**
  - Hockey Sticks
  - Seaweed
  - Animal hides
  - Dog leashes
  - Knit hats
  - Saddlery
  - Plywood
  - Aluminum

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About Tariffs

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What Is a Tariff?

- **A tariff is a tax on imports.**
  - Paid to the government by the importer.
- **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.
- **Domestic suppliers can also charge 10% more.**
  - And that's kind of the whole point.

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Economic Effects of a Tariff

- **A tariff is a tax on imports. It causes:**
  - A rise in the price of the imported good in the importing country,
  - A fall in the price of the imported good in the exporting country,
  - The quantity imported to fall, and
  - Revenue for the tariff-levying government.
- **Almost always: the rise at home is much larger than the fall abroad.**
  - That's especially true if importing country is small.
  - But it's also true if importing country is as large as the U.S.
    - We learned this from Trump's tariffs in 2018.
      - Trump's first administration tariffs caused US prices to rise, with hardly any perceptible fall in prices abroad.

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Effects of a Tariff

- **The rise in price in the importing country causes:**
  - A rise in the price of import-competing goods.
    - Benefits to those producers.
    - Harm to buyers of both the imported and domestic goods.
      - Including producers that use the higher-priced goods as inputs.
        - Their prices also rise, hurting their buyers.
  - Employment changes:
    - Increase in the protected industry.
    - Decreases in industries that use the protected product as inputs.

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Are Tariffs A Good Idea?

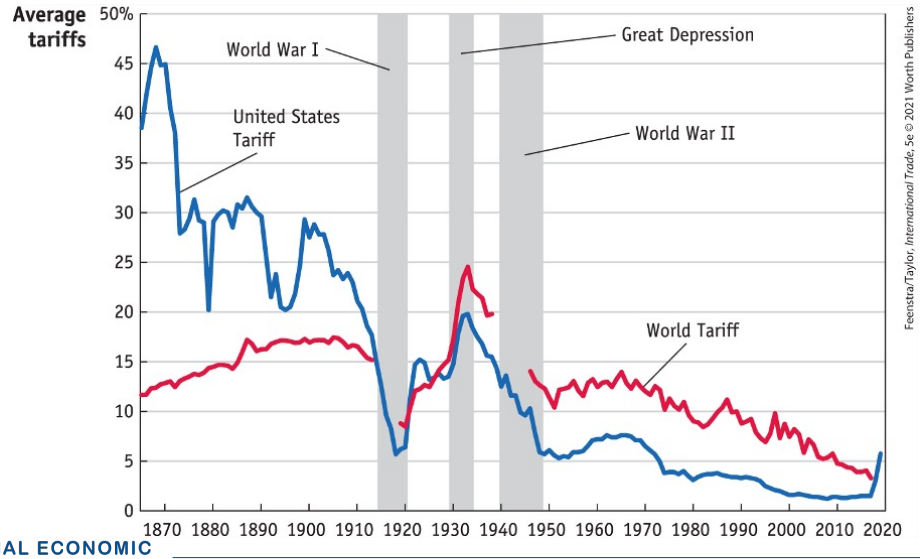
- **Generally, economists don't think so, but there are some reasons for them:**
  - National Defense – strategic resource
    - Do we need the capacity to make our own computer chips, just in case?
    - What about steel and aluminum? N95 face masks?
  - "Infant" Industry
  - Unfair trade practices of exporting countries

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US Tariff History

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US Tariff History, 1860-2020



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Source: Feenstra/Taylor, International Trade, 5e

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Why Are We Even Talking About Tariffs Now?

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Recent Change In Tariffs

Customs duties as a share of import value

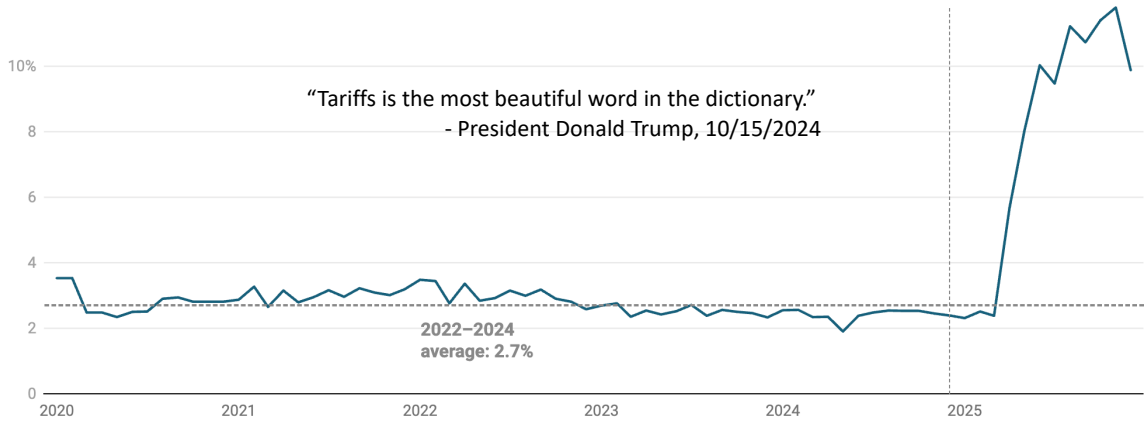


Chart: The Budget Lab • Source: U.S. Treasury, Census Bureau via Haver Analytics, The Budget Lab analysis • Created with Datawrapper

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Provisions of U.S. Tariff Law

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Provisions of U.S. Trade Law (part 1)

The Tariff Act of 1930, The Trade Expansion Act of 1962, and the Trade Act of 1974 describe conditions under which the United States can apply tariffs:

- Section 201 (of the Trade Act of 1974): Safeguard Tariff
- Section 232 (of the Trade Expansion Act of 1962): National Security
- Section 301 (of the Trade Act of 1974): Unfair Foreign Trade Practice
- Section 122 (of the Trade Act of 1974): Balance of Payments
- Section 338 (of the Tariff Act of 1930): Discriminatory Trade

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Liberation Day Tariffs: IEEPA

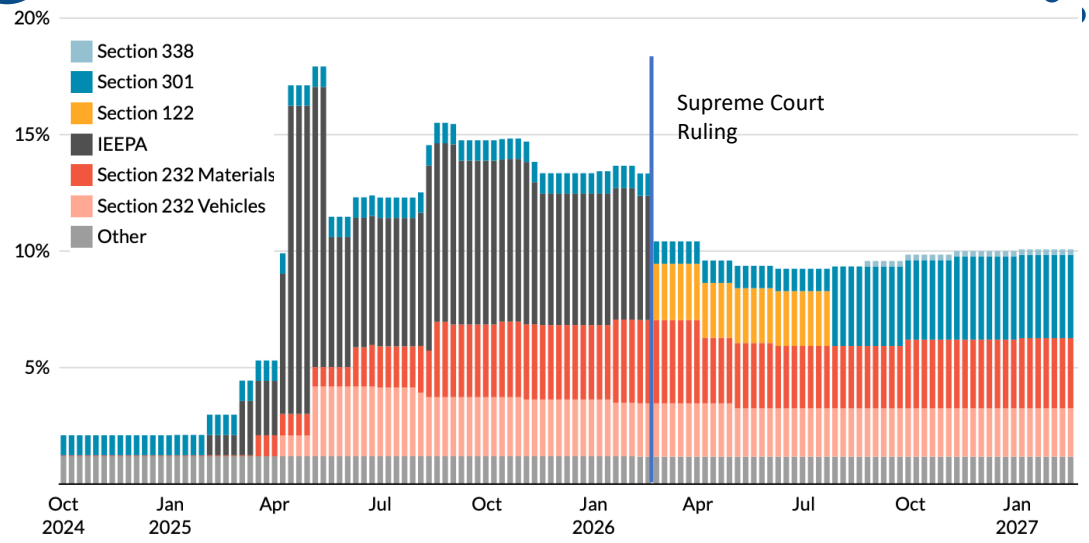
- **International Emergency Economic Powers Act (IEEPA)**
  - **Emergency Powers:** Grants the president authority to deal with unusual and extraordinary foreign threats upon declaring a national emergency.
  - **Permitted Actions:** Allows for the regulation, blocking, or prohibition of international economic transactions and import/export property.
  - **Taxation Exclusion:** Lacks explicit text or constitutional authorization for imposing revenue-generating tariffs or duties, which remain under Congressional purview.
- **Liberation Day tariffs invalidated in Feb. 2026 by the Supreme Court.**

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Tariffs by Type



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Source: https://taxpolicycenter.org/features/tracking-trump-tariffs

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President Trump's Reasons for Tariffs

- **Our exports are being treated unfairly.**
- **Bring back manufacturing employment.**
- **Raising revenue – replace the income tax?**
  - Foreign companies would pay the tariffs (so he alleges).
- **National security.**
- **Foreign policy leverage.**

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Unfair Treatment

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Evidence of Unfair Treatment: Trade Deficit



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Is A Trade Deficit A Result of Unfair Treatment?

- **Intuitive, but no.**
- **Have to look at the whole picture.**
- **We trade not only goods and services, but also investment funds.**
  - The United States is a very attractive investment market.
  - Selling Treasury securities to foreigners is an **export**.
  - So we run an investment trade surplus.
- **When foreigners invest in the US/buy US assets they need dollars**
- **They get them buy selling us goods which we pay for with dollars**

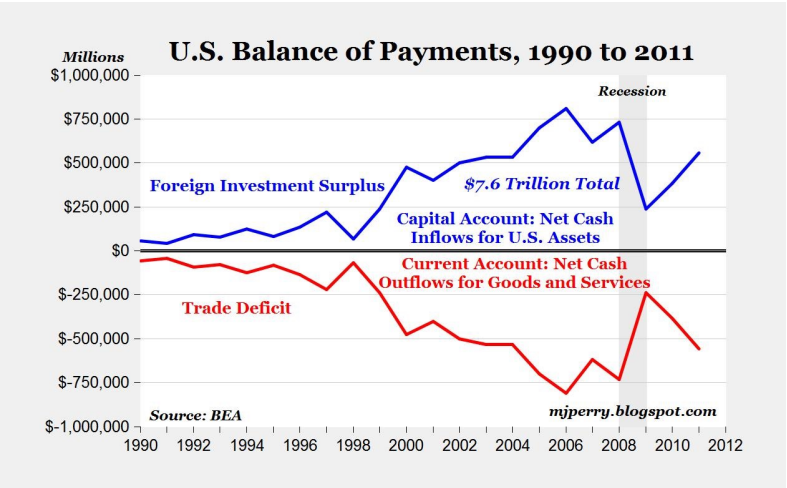
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Tariffs and Trade Deficit

- **To make a long story short, trade deficit is the difference between aggregate investment and aggregate saving**
- **A country that invests a lot but doesn't save a lot, must be importing more than it is exporting**
- **Investment trade surplus = goods and services trade deficit**
  - Why? Exchange rates.
- **Will tariffs lower the trade deficit? No.**
  - They're the wrong instrument.

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Trade Deficits are Driven by Investment Flows and Tariffs Can NOT "Fix" Them



Also… Exports

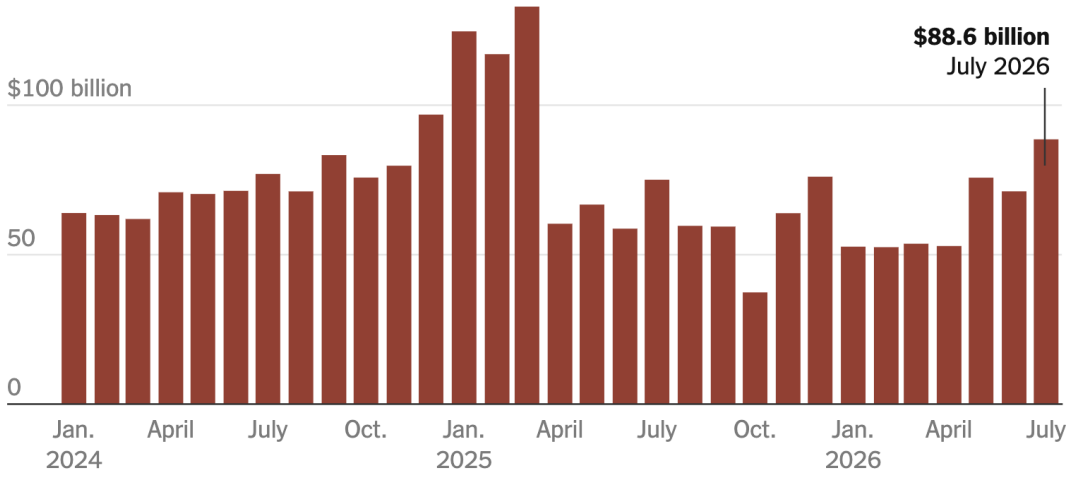
- **Lower imports make exports more expensive in foreign markets.**
- **How?**
  - If fewer people are buying imports, the dollar appreciates.
    - Fewer dollars available for those wanting to buy our exports.
  - If the dollar appreciates, it takes more foreign currency to buy U.S. exports.
    - Making exports more expensive.
- **Tariffs:**
  - Lower imports.
  - But they also lower exports.
  - Won't necessarily reduce the trade deficit.

US Trade Deficit – Mixed Results with Tariffs



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U.S. Trade Deficit in Goods and Services



Source: Census Bureau. Ana Swanson/The New York Times

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Reciprocal Trade and Tariffs

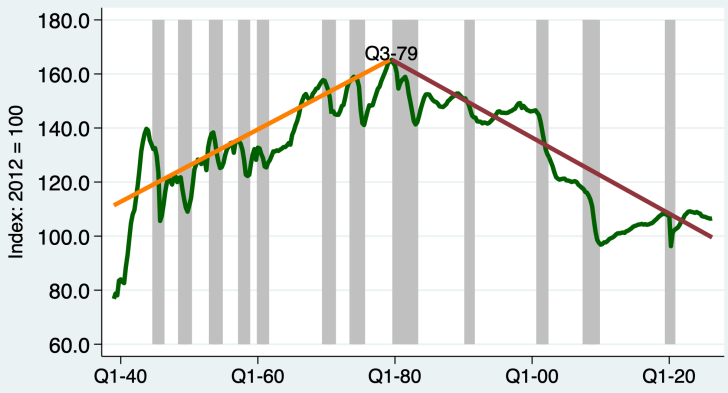


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Bring Back Manufacturing

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Growth in Manufacturing Employment?



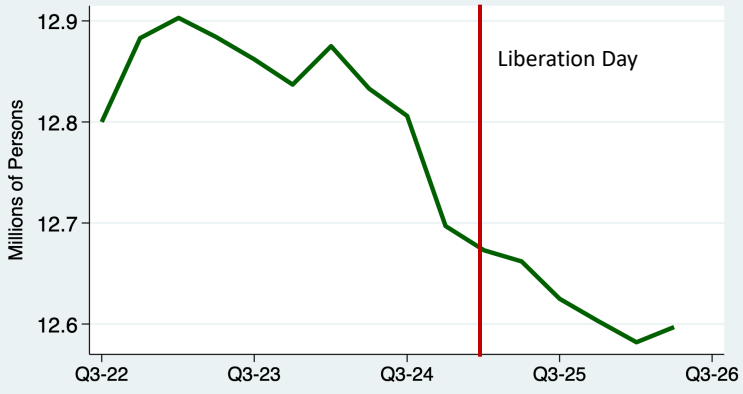
Source: Bureau of Labor Statistics
Graph by: National Economic Education Delegation (www.NEEDEcon.org)

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Growth in Manufacturing Employment?



Source: Bureau of Labor Statistics
Graph by: National Economic Education Delegation (www.NEEDEcon.org)

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Tariffs and Manufacturing?

- **The argument has intuitive appeal.**
  - But doesn't stand up to scrutiny.
- **Intuition: Making imports more expensive makes domestically produced goods more appealing.**
- **But... Exports.**
  - We import clothing, toys, and furniture.
  - We export airplanes and light trucks.
- **We can't just make more of the one without sacrificing some of the other – limited resources.**
- **And… Retaliation.**

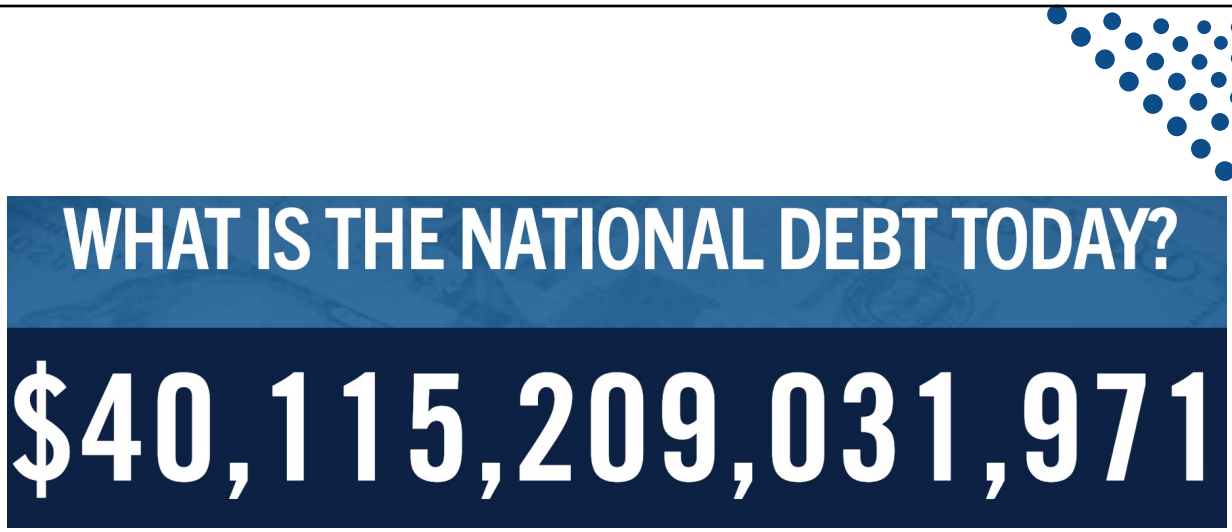
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Raising Revenue

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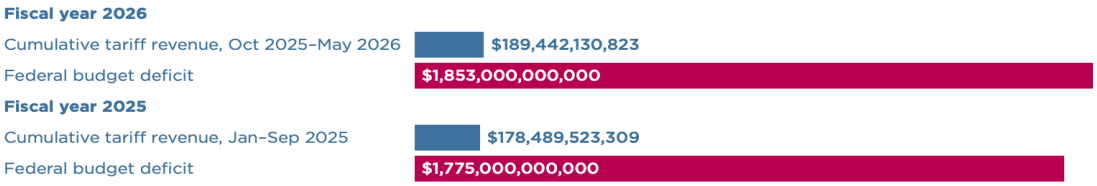


Source: https://www.pgpf.org/national-debt-clock/

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Raising Revenues?

Can Trump's tariff revenues help pay for the federal budget deficit?

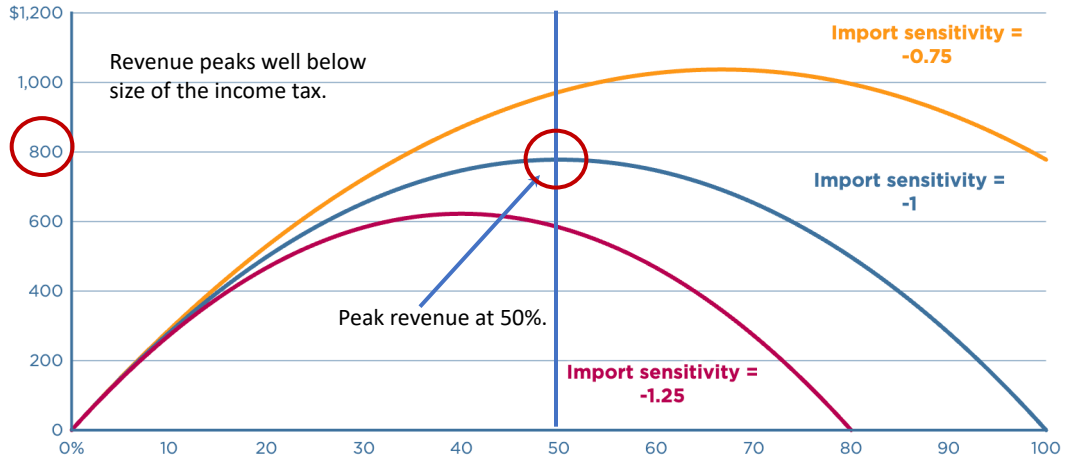


- **Deficit? That's almost 10 year's worth of tariff revenue.**
- **Eliminate the income tax?**
  - $2.4 Trillion in 2024 = 15 years of tariff revenues

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Replacing the Income Tax?

Tariff revenue Laffer curves for different elasticity assumptions, annual revenue, billions of dollars, 2023



https://www.piie.com/blogs/realtime-economics/2024/can-trump-replace-income-taxes-tariffs

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National Security

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Steel and Aluminum Tariffs

- If you put a tariff on something, its price goes up.
- What other manufacturing industries use steel or aluminum?

  ALL OF THEM!!
- So, by putting tariffs on steel and aluminum, you jeopardize other industries.
- Is it worth it? Maybe.

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Tariffs on Metals in Trump 1

- The **prices of steel and aluminum increased shortly after the tariff was implemented.**
- The **number of jobs** in iron, steel, and aluminum mills rose temporarily by about 12,000, from 2017 to 2019.
- **Downstream industries** (e.g., auto) faced higher input costs.
  - Several studies estimated that the increased costs driven by tariffs may have resulted in 75,000 fewer manufacturing jobs.

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Who Pays?

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What About Prices?

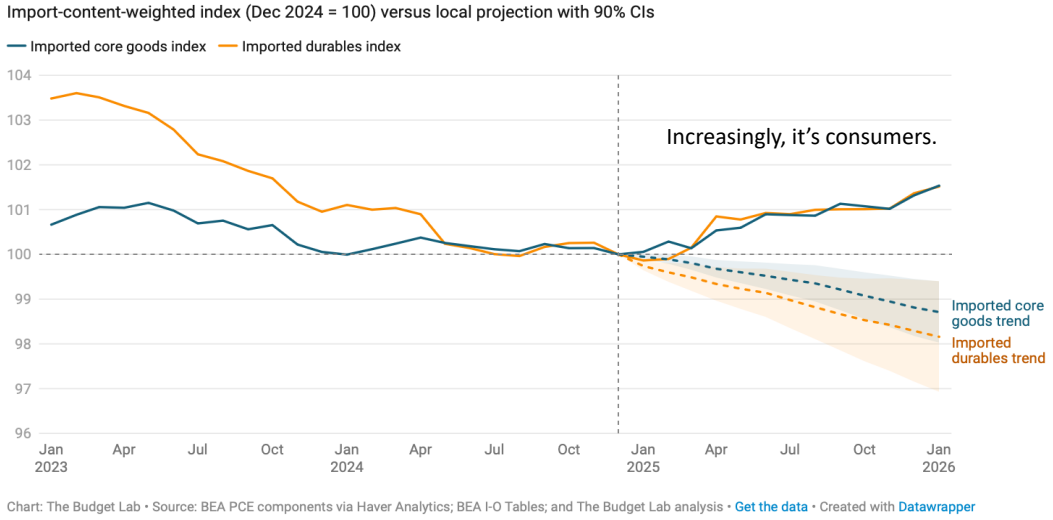


Chart: The Budget Lab • Source: BEA PCE components via Haver Analytics; BEA I-O Tables; and The Budget Lab analysis • Get the data • Created with Datawrapper

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Source: https://budgetlab.yale.edu/research/tracking-economic-effects-tariffs

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To Review:

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President Trump's Reasons for Tariffs

- **Our exports are being treated unfairly.**
  - Not a problem that tariffs will fix.
- **Bring back manufacturing employment.**
  - Benefits some and harms others.
- **Raising revenue – replace the income tax?**
  - Will raise some, but will harm poorer households.
- **National security**
  - Maybe, but at what cost?
- **Is China paying?**
  - So far, some, but not much.

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Why is He Really Imposing Tariffs?

- **Who knows?!**
- **To exert U.S. power and elicit submission from other countries.**
- **To force submission by domestic businesses.**

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Summary

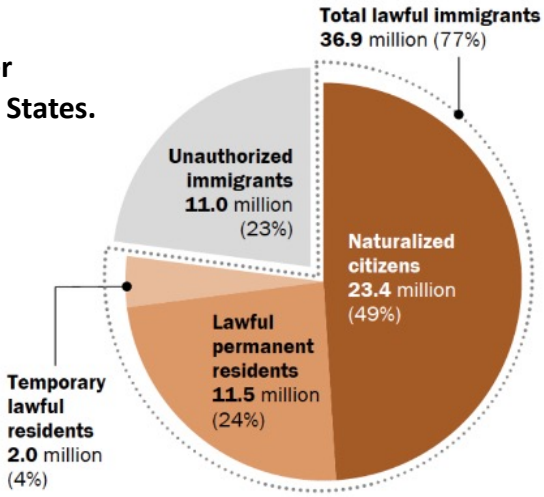
- **Tariffs will:**
  - Not eliminate the U.S. trade deficit (in the long run).
    - Increase in national savings could reduce the trade deficit.
  - Not eliminate bilateral trade deficits.
  - Decrease U.S. manufacturing production and employment.
  - Increase prices for households, hurting the poor the most.
  - Increase U.S. government revenues, but not enough to offset other tax cuts.
  - Negatively impact U.S. economic growth.

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Immigrant Population in 2022

Foreign-born population estimates, 2022

Categories and total number of immigrants in the United States.



Total Foreign-Born Population: 47.9 million

https://www.pewresearch.org/fact-tank/2019/07/12/how-pew-research-center-counts-unauthorized-immigrants-in-us/

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Let's Hear from You!

Questions?

Tibor Besedes

Contact NEED: Info@NEEDEcon.org

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