

OPINIONS

ECONOMIC DELUSIONS

Trump's tariffs will fail – again

Former President Donald Trump's campaign has brought back discussions of tariffs and their economic impacts. In economics, the analysis of tariffs is quite straightforward, so it is worth a review to get things right. Here is what every U.S. voter needs to know about tariffs.



KENNETH A. REINERT

First, tariffs are taxes. Tariffs tax imports, but it is important to remember that they are taxes, nonetheless, and they share all of the properties of taxes. They raise revenue by imposing costs. So when Trump announced in December 2018 that "I am a tariff man," he was also saying "I am a tax man."

Second, tariffs impose burdens, mostly on U.S. households. Every tax comes with a tax burden that is shared by the supply and demand sides of the market in which it is imposed. The sharing of the burden of taxes (and therefore tariffs) is an empirical matter. It depends on the relative sizes of an economic measure known as price elasticities.

In the case of tariffs, all mainstream economic analysis shows that most of the burden of tariffs falls on U.S. households and firms. Some of the burden might fall on foreign suppliers, but nowhere near the whole amount.

This means that U.S. households and firms pay for most of any tariff that is imposed.

The mainstream Peterson Institute of International Economics estimates that Trump's planned tariffs would cost U.S. households \$2,600 per year. While Kamala Harris' suggestion at the Democratic National Convention that this burden would be \$4,000 per year was probably an exaggeration, it had the right order of magnitude.

Third, tariffs will not improve the trade deficit. At the very beginning of his first term, President Trump issued an executive order calling for a report on "significant trade deficits" due to "unfair trade and discriminatory trade practices." This was the impetus for his first round of tariff increases.

What happened? The trade deficit increased, both in goods and services. How was this possible given Trump's unprecedented protectionist policies? The answer is macroeconomic. The signature piece of legislation of the Trump administration was a large set of ill-timed tax cuts. This reduced aggregate domestic savings (via reduced government savings) and therefore contributed to an expanded overall trade deficit as suggested by basic macroeconomic principles. Given that Trump plans even more tax cuts for his second term, the same outcome will re-



LUIS SINCO, LOS ANGELES TIMES

A container ship departs from the Port of Los Angeles on Sunday, July 16, 2023.

sult. Trump 2.0 will increase the trade deficit.

Fourth, tariffs will not help manufacturing. Tariffs don't just impose costs on U.S. households. They also impose costs on U.S. firms, including manufacturing firms. For example, during his first term, Trump imposed significant tariffs on imports of steel, despite the fact that it represents a tiny fraction of total U.S. employment (approximately 0.09 percent in 2023). This increased costs for all steel-using manufacturing sectors and reduced manufacturing exports as a result. Tariffs can actually hurt manufacturing.

Fifth, Trump intends to impose a lot more tariffs. Trump has proposed a new 10% baseline tariff on all imported goods, a substantial increase over the current average U.S. tariff of 3%. Further, Trump plans to impose a 60% tariff on all Chinese imports. These two proposals will throw the world trading system into disarray, they are part of a major campaign theme, namely retribution, played out in the trade arena.

Sixth, other countries will retaliate. In 2018, Trump famously stated that "trade wars are good and easy to win." He was wrong on both counts. During his first term, Trump initially imposed

tariffs on \$50 billion worth of imports from China. In response, China increased tariffs on just under \$200 billion worth of U.S. goods, targeting the agricultural sector. In the end, Trump placed tariffs on \$350 billion of imports from China and was forced to bail out U.S. farmers with over \$20 billion in support. The "deal" he eventually struck with China was a complete failure.

Despite all of this, Trump has recently doubled down on his failed tariff policies, invoking William McKinley and his Tariff Act of 1890 in defense. That is perhaps fitting, because his policies clearly have a 19th century tinge to them. Writing in 1894 about the McKinley tariffs, the famous American trade economist Frank Taussig stated: "It is certainly to be wished that this particular question should occupy a less prominent place in the minds and in the votes of the American people than it has occupied heretofore." One hundred and thirty years later, however, the tariff question needs to be both understood and confronted by U.S. voters.

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HAITIANS IN OHIO

Vance, Trump are the threat in Springfield

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Two weeks ago, the city of Springfield, Ohio, entered the national consciousness as a place where supposedly Haitians were eating pets (which was never true). Now, there is real terror in Springfield, but it's not coming from the local Haitian population.

It comes from the forces that Ohio's own senator, JD Vance, the GOP candidate for vice president, and his running mate, Donald Trump, have unleashed on the city with their relentless bad faith attacks, manifesting now in the form of more than 30 bomb threats that have paralyzed the city's institutions, necessitating a semi-permanent deployment of state police to Springfield's schools.

Local children who are forced to wait for the all-clear from bomb-sniffing dogs, if their parents have let them go to school at all, are not being harmed by the Haitian population. They are being harmed by the Republican presidential campaign ticket, who see them as essentially cannon fodder in a messaging war waged for reasons of political expediency and power.

As to the false story about Haitians devouring pets, it has fallen apart completely. Erika Lee, the Springfield woman whose note on Facebook set off the fervor has acknowledged it was little more than a rumor. She is regretful and has deleted her original Facebook post.

But two other people aren't apologizing for the matter: Vance and Trump, as they continue pushing the lie.

Vance all but admitted that he wasn't strictly sticking to the facts when he said on CNN Sept. 15 that he saw it necessary to "create stories" to focus media attention on some diffuse plight of Americans in Ohio, refusing to apologize for spreading this misinformation and then once again pushing



LUKE SHARRETT, TNS

A mural is displayed in an alley in downtown Springfield, Ohio, on Sept. 16.

the narrative that there is something nefarious afoot in his state.

While it's true that any municipality would face some growing pains receiving a large new population with its own unique set of needs and particular culture, but Haitians have also helped reverse population decline and stabilize economic growth.

Despite the frequent moniker of "migrants," not all of this population are recent-arrival asylum-seekers; most are years-long residents with temporary protected status, residing and working legally in the city. As we've noted multiple times before, even the asylum seekers are not unlawfully present, but undergoing a formal process as laid out by both U.S. and international law.

Vance and Trump have fixated on this false story because there is no equivalent real story of horrors resulting from the population of Haitians in Ohio.

That's all without mentioning the Haitian population itself, a group that has suffered plenty and worked to reestablish lives in the United States only to now be put at direct risk for what are, at their core, openly racist tropes of the kind that we had once hoped would no longer be acceptable in mainstream U.S. political discourse.

FAILED EXPERIMENTS

Make animal testing transparent

Nationwide, we have no idea how many animals are used in government-funded labs. But thanks to legislation passed earlier this year, we may soon know how many are used in Virginia.

On Sept. 20, the Task Force on Transparency in Publicly Funded Animal Testing Facilities will hold its final meeting in Richmond. If the previous two meetings are any indication, the industry that profits so heavily off the use of animals will be present and vocal. But taxpayers



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— who fund so many of those animal experiments and deserve better than what they have produced — can also attend and have their voices heard.

In the 1990s, I served as a faculty member and director of the cardiology fellowship program at the Medical College of Virginia — now the Virginia Commonwealth University School of Medicine. Previously, at the University of Texas Southwestern Medical School, I was an animal researcher. What drove me at every stage of my career was a commitment to patients and their health outcomes, but I soon learned that research using animals was counterproductive in this regard.

But to improve patients' lives, we need data and, while the scientific community claims it is committed to the reduction and replacement of animals in labs, data is severely lacking. Scientists everywhere and the public especially are woefully in the dark when it comes to information about how many animals are used in laboratories. Fewer than 5% of all animals used in labs in the United States are accurately reported. This is in stark contrast to our research partners in the European Union, Switzerland, the United Kingdom and Canada — where accurate reporting is a routine and publicly transparent process.

Sue Leary, president of the Alternatives Research & Development Foundation, told

the journal *Science*, "How can you measure your progress ... if you're not even counting the animals?" Dr. Larry Carbone, a research veterinarian with more than 40 years of experience at Cornell University and the University of California, San Francisco, concurs, stating, "If we're serious about reducing the number of lab animals we use and curbing the number of painful experiments, somebody has to be keeping track of these animals. You can't track progress if you can't measure progress."

Only by understanding how the institutions we entrust to advance public health use animals can we measure scientific progress.

The kind of transparency that Virginia residents are seeking through the task force would be a benefit to public health and the pursuit of medical treatments — without burdening researchers. Any research or testing facility should already know how many animals it has purchased or bred and how it conducts research — whether with animals or nonanimal methods. Indeed, it is our duty — to the animals and the public — to know how many animals we use and what impact such use has on patient outcomes.

The public is increasingly concerned about whether research and testing facilities are working to modernize and humanize their work when nonhuman animals so often fail to accurately model human diseases. There is ample reason for that concern.

A 2013 review documented that 96% of drugs successfully tested in animals failed in human clinical trials, and this was confirmed by the director of the National Institutes of Health (NIH). Rather than improving over time, the failure rate for these drugs worsened from 86% in 1985 to 92% in 2003 and to 96% by 2013. In 2014, Cleveland Clinic researchers found an abysmal 99.6% failure rate for Alzheimer's disease drugs undergoing clinical trials between 2002 and 2012, noting a "translational gap" between humans and animal experiments. There remains no treatment that

meaningfully impacts outcomes for Alzheimer's patients.

In a landmark 2013 study, researchers from Stanford University, Harvard University and elsewhere found that when it comes to serious inflammatory conditions such as sepsis, burns and trauma, results from mice cannot be applied to humans because of their vastly different genetic responses. Even the director of the NIH acknowledged the time and resources wasted on sepsis experiments on mice. He called the catastrophe — in which 150 drugs successfully treated sepsis in mice but failed in human trials — a "heartbreaking loss of decades of research and billions of dollars."

The problems may be systemic. Yale University School of Public Health epidemiologist Dr. Michael Bracken co-authored a 2014 analysis that questioned whether animal experimentation is sufficiently evidence-based, writing, "The current situation is unethical. Poorly designed studies and lack of methodological (rigor) in preclinical research may result in expensive but ultimately fruitless clinical trials that needlessly expose humans to potentially harmful drugs or may result in other potentially beneficial therapies being withheld."

The analysis concluded that due to the continued failures by researchers to conduct rigorous studies and the inability of previous studies to predict outcomes in humans, "the public's continuing endorsement and funding of preclinical animal research seems misplaced."

Public research institutions cannot simply demand our trust — they must earn it. The work of the task force is an important step toward building that trust, reducing our use of animals and improving patient outcomes.

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