How Should Progressives Respond to Trump's Tariff Threats?

By Todd N. Tucker
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Introduction

Throughout his campaign and during his first few weeks in office, President Donald Trump has invoked the threat of tariffs on imported products more than perhaps any president in US history. And yet, he has also backed off of many of these threats almost as quickly. During the campaign, Trump promised 20 percent universal baseline tariffs, with higher tariffs of 60 percent for China. In office, his actions have been more modest. On February 1, he announced 25 percent tariffs on Mexico and Canada due to the "extraordinary threat posed by illegal aliens and drugs, including deadly fentanyl"—a policy quickly walked back two days later. On February 10 and 11, he restored and expanded tariffs from his first term on steel and aluminum. And as of today, February 13, he is proposing the "concept of a plan" for so-called "reciprocal tariffs," where the (typically lower) US tariff rates may eventually be raised to the (typically higher) charges assessed by the US's trading partners. Whether and how these will actually be imposed is anyone's guess. A good indication that it may not happen quickly is that his memorandum ordered a study on questions whose scope is so broad that the entirety of the economics profession would struggle to reliably answer them.

Should progressives respond to these threats, and if so, how? Roosevelt Institute scholars have written extensively on tariffs and other trade questions, and in particular how Trump's unique combination of support for oligarchy, economic nationalism, and selective populism presents both risks and opportunities for progressive economic thinkers and movements. This brief reviews some of that writing.

While there are indeed ways to use tariffs and trade policy to promote goals like clean energy investment and worker empowerment, the totality of Trump's policies—including weakening the administrative state and his administration's announcement that it will (perhaps illegally) attempt to claw back industrial policy funding—will undermine whatever benefit could come from the trade measures. As the record growth in manufacturing construction under President Joe Biden indicated, industrial policy paired with tariffs is far more effective than tariffs alone. Moreover, the fact that Trump is taking these actions via covert executive action is an admission of political weakness: He does not have the support in Congress to roll back landmark policies, such as the Inflation Reduction Act (IRA), which are disproportionately benefiting red states and districts. Finally, research has shown that the first Trump administration used selective exemption from tariffs as a way to reward political allies. In a second Trump administration that is eviscerating anti-corruption efforts, bribery and self-dealing could metastasize.

What Are Tariffs, and When Does It Make Sense to Use Them?

In the fall issue of *Democracy* Journal, Elizabeth Pancotti and I laid out the basics of this question. States' regulation of foreign trade dates back to antiquity, and is a key attribute of sovereignty. Tariffs, also known as customs duties, typically take the form of a tax on each unit (or a percent of the monetary value) of a good being imported into a given jurisdiction. For countries in their developmental phases, tariffs are a convenient way of funding government functions that is easier to administer than income or wealth taxation; for all countries, they offer a mechanism for promoting targeted domestic production. This latter argument recognizes what economists call a "market failure"—the notion that real-world markets are not the perfectly competitive ones of introductory economics. Rather, there are often barriers to entry that keep firms or countries from building up the industries in which they might ultimately be most competitive. The so-called "infant industry" argument advocates temporary tariffs until countries move up the value chain, as England did when it overtook the Low Countries' woolen manufacturers in the 15th century, as America did over England in the centuries after, and as Japan and Korea did with auto manufacturing and steel production in the 20th century.

In more recent times, as Pancotti and I examine in that piece and a subsequent debate in the *Journal of Policy Analysis and Management*, there has been a live debate about whether countries that are considered "already developed," such as the United States, could or should consider infant industry protection as a way to promote the clean energy transition.

How Did Biden Use Tariffs?

The Biden administration, for example, looked at the considerable coordination and transition costs of switching to clean energy, and decided that the private sector alone would not switch rapidly enough from internal combustion engine vehicles to electric ones, or from fossil energy to renewables.

To change this equation, Biden first attempted to correct a separate market failure: positive externalities. This refers to the situation where the economic return to society from investing in a good or service outweighs the gain to individual investors. As a result of this discrepancy, private markets underinvest in the service. Through industrial policy laws like the IRA, CHIPS and Science Act, and Bipartisan Infrastructure Law, Biden provided billions and perhaps ultimately trillions of dollars of public money to make it worth investors' while to invest in the green transition that benefits the nation and world as a whole (or to use economists' lingo, to internalize the externality). At the same time, the administration recognized that it would be fiscally irresponsible to subsidize our own producers while simultaneously allowing them to be undercut by subsidized and cheap Chinese production.

To guard against import floods, Biden erected high tariffs on electric vehicles and other clean energy products. In combination, this policy mix addressed two separate market failures—the positive externality through climate-saving investment, and the infant industry challenge through tariffs.

This industrial policy–centered approach departed from the standard neoliberal prescription for addressing the climate crisis: a carbon tax. While such a measure raises the cost of using fossil fuels, it does not on its own create clean industries, nor resolve the considerable political economy problems that can lead such taxes to be quickly scrapped. Ironically, the experience with Trump's (very non-neoliberal) trade policy shows why price mechanisms alone may be inadequate for solving transition problems. Despite bipartisan consensus in favor of high metals tariffs, and the near certainty that they would be maintained or increased regardless of which party won the election, markets have still not built up adequate domestic sources of supply that could serve as a substitute for imports. Instead, markets are just raising prices.

As with most things in economics, correcting these market failures does not come for free. Subsidies cost the public tax dollars. And all else equal, tariffs raise the cost of imported products. (How much these costs are "passed through" is a subject of academic debate, and often varies by the degree of concentration in an industry.) That's not an accident or unfortunate consequence, but what the policy is intended to do: raise prices in domestic markets so that higher cost domestic producers have a fighting chance to survive. Many observers rightly liken a tariff to a tax. For some libertarians who hate taxes, this is enough of an indictment to mar tariffs as well. For others, however, tariffs, like taxes, *can* be good, and may be considered the "price we pay for civilized society" (Oliver Wendell Holmes, 1904). Of late, even Trump has acknowledged this trade-off, saying "We may have, short term, some little pain, and people understand that."[1]

How Do Trump's Tariffs Stack Up?

Just because tariffs can be justified in principle doesn't mean every use of them makes sense. Just because Biden's tariffs made sense, doesn't mean Trump's do. The important thing to ask is, what are Trump's tariffs trying to accomplish, and are the ways that he is

[1] For more on these debates, see: "Are We All Tariff Lovers Now?" by Elizabeth Pancotti, Todd N. Tucker, and Matthew Yglesias in *Democracy* Journal (September 17, 2024);
"Tariffs Are a Necessary Backstop of the Clean Energy Transition" by Elizabeth Pancotti and Todd N. Tucker in the *Journal of Policy Analysis and Management* (2025);
"Tariffs on Clean-Energy Technology" by Arik Levinson in the *Journal of Policy Analysis and Management* (2025);
"Tariffs Are an Obstacle to the Clean Energy Transition" by Arik Levinson in the *Journal of Policy Analysis and Management* (2025);
"Credible Climate Policy Must Account for Political and Economic Realities" by Elizabeth Pancotti and Todd N. Tucker in the *Journal of Policy Analysis and Management* (2025)

implementing them likely to achieve their goals? In communications during and after the campaign, Trump cited reasons for increasing tariffs, including a desire to encourage domestic and foreign investment in the United States, boost jobs and protect workers, balance trade deficits, use carrots and sticks to compel international cooperation, and raise tariff revenue to replace the income tax. How should progressives understand tariffs' ability to accomplish these goals in general and under Trump specifically? Let's look at each goal in turn.

Using trade policy to encourage domestic production and foreign direct investment.

As noted above, one of the major focuses of the Biden administration was using a mix of subsidy and tariff tools to make it more attractive to produce in the United States. This was highly successful: Every public dollar is drawing in six from the private sector; and there have been six straight quarters of record-breaking contribution by manufacturing construction to GDP. Actual clean energy investment is up 71 percent in the two years following the IRA relative to the two years prior, has now surpassed investment in oil and gas production, and constitutes half of all new investment in the US. Seventy-five percent of announced investment is going to counties with below median income, with especially strong growth in communities previously reliant on fossil fuels, and 30 percent of the planned dollars are in counties most adversely impacted by the "China Shock." This boom is also drawing in foreign direct investment, with an estimated 45 percent of announced investment in recent years coming from companies headquartered in Japan, South Korea, and other countries.

Even Trump's more chaotic tariffs are leading some firms to look more closely at investing in the US, with Big Three automaker Stellantis and equipment manufacturer Carrier committing to new investments in the US, and France's Michelin tiremaker doing the same. How quickly and comprehensively these changes can be made across clean and less clean industries is uncertain, as is the scale of any price hikes, as former Ford Motor Company economist Ellen Hughes-Cromwick detailed on the *Shift Key* podcast. And while industries like steel applaud Trump's tariffs, their ability to undertake the billions of investment that will be required to compete in the clean energy industry of the future remains in limbo with the prospect of IRA funds being cut. More promising for the long-term viability of these industries would be to structure tariff protection so that it rewards clean production and penalizes dirty production, as a growing bipartisan chorus within Congress is championing. This gets at a key point: The problem with Trump's tariffs is not so much their size, but their scope—which does not distinguish between clean and dirty.[2]

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[2] For more on how industrial and trade are crowding in US investment, see the Roosevelt Institute report The New US Trade Agenda: Institutionalizing Middle-Out Economics in Foreign Commercial Policy by Todd N. Tucker (October 21, 2024).

Using trade policy to promote worker rights.

In 2019, Democrats successfully pushed the Trump administration to include a facility-specific "Rapid Response Mechanism" (RRM) in the renegotiated North American Free Trade Agreement (NAFTA, now called the US-Mexico Canada Agreement, or USMCA). The RRM is one of the most significant pro-worker innovations in trade history. Under it, labor unions can notify the US government of violations of workers' rights at a given factory, and the government can seek immediate rectification of the situation—under the threat of company-specific seizure of products by the US Customs and Border Protection. Under the Biden administration's aggressive enforcement efforts, dozens of cases have been brought against US and other multinational companies operating in Mexico, and the mere threat of these sanctions (effectively, company-specific tariffs) has led to improved working conditions for tens of thousands of workers.[3]

Using trade policy to address trade deficits.

This motivation is more controversial than the previous two. Trade or current account deficits refer to the situation where the US is importing and consuming more than it is exporting and saving—with the rest of the world filling the gap. Some analysts, including Paul Krugman and Roosevelt's own J.W. Mason, have described this process as benign. Others, like John Maynard Keynes and Joan Robinson (historically), or Michael Pettis and Matthew C. Klein (presently), see it as a result of a predatory strategy on the part of elites of "trade surplus" countries to hold down the consumption of their own population, and export their macroeconomic imbalances to "trade deficit" countries. (Today, these categories might include China and Germany as the former, and the United States and United Kingdom as the latter, though who is in which category can and has varied over time.) Trump's first-term trade advisor Robert Lighthizer has advocated several policies to rectify these imbalances, including requiring importers to purchase dollar-value certificates from exporters that equal one another (an idea associated with Warren Buffett); market access charges on foreign capital, as proposed by Senator Tammy Baldwin (D-WI) and Senator Josh Hawley (R-MO); and universal tariffs. (More recently, Lighthizer argued for a two-tier system, with lower rates applied between democracies.)

Reasonable people can differ on how much to worry about trade deficits, what to do about them, and how much to prioritize them relative to other economic challenges. What is clear is that it would require effective policy and diplomacy to make these adjustments, and even sympathetic observers see both lacking at the present moment.

[3] For more on the RRM and other trade efforts to combat forced labor and push worker rights, see "How Trade Can Serve the American Worker" by Miriam Sapiro and Todd N. Tucker in *Foreign Affairs* (October 23, 2024).

Using tariff threats to compel international cooperation.

This motivation is still more controversial: Should the US use sticks—not just carrots—with its allies? To one perspective, this feels at odds with an image of the US as a guarantor of a global liberal order. On the other hand, the US does use leverage with allies and competitors alike on things it cares about, such as military threats. And it is worth asking, did Trump's threat to blow up NAFTA in his first administration actually facilitate the renegotiation of the agreement? And would the European Union have been more responsive to Biden's proposal to create a fair, green trade agreement for the steel and aluminum sector had leverage been employed? It is difficult to answer a counterfactual, but there does appear to be talk of a US-EU trade agreement as an off-ramp from threatened tariffs.[4]

Using trade policy to replace the income tax.

Economists and analysts from across the ideological spectrum agree that this is an impossibility. Moreover, the rich oligarchs close to Trump could easily absorb somewhat higher prices on imported groceries and other necessities, while aggrandizing their already destabilizing levels of power and wealth thanks to the free pass on paying taxes.

Conclusion

There is every reason to believe that weakening the power of labor and increasing the power of the billionaire class is in fact Trump and Elon Musk's goal. Indeed, their early actions on gutting labor and consumer protection agencies, sabotaging the payment systems on which many Americans rely, and dismantling student debt relief indicate as much. In short, while Trump's tariff rhetoric can appeal to Americans concerned about economic security and sovereignty,[5] the totality of his agenda sets back our country's ability to address our most pressing challenges.

There are good ideas about how to use tariffs and trade to further labor interests,[6] but they're coming from workers' organizations themselves—not the administration's allies on Wall Street.

[4] For more on these trade-offs, see the essay by Jennifer M. Harris in the Roosevelt Institute report Industrial Policy Synergies: Reflections from Biden Administration Alumni (April 25, 2023).

[5] For more on a pro-sovereignty trade policy, see the Roosevelt Institute brief "Toward Sustainable, Equitable Trade Policy—Not False Solutions" by Nell Abernathy and Todd N. Tucker (September 9, 2019).

[6] For more on labor-driven trade ideas, see the UAW's statement on tariffs and renegotiating US trade agreements (February 3, 2025).

About the Author

As director of the industrial policy and trade program at Roosevelt, **Todd N. Tucker**, a political scientist, leads Roosevelt's work on the role of governance and institutions (both national and international) in facilitating economic transformation.

A recognized expert on trade and political economy, Tucker has testified before legislatures and expert committees around the world. His writing has been featured in *Politico*, *Time Magazine*, *Democracy Journal*, the *Financial Times*, and the *Washington Post*.

He is author of *Judge Knot: Politics and Development in International Investment Law* (Anthem Press, 2018), along with other academic research published by Cambridge University Press, Oxford University Press, and other publishers. Prior to his doctoral work, he led research on international issues for a number of DC think tanks and research organizations. He has authored over 70 major reports, including penning the foreword of two recent essay collections: *Industrial Policy 2025: Bringing the State Back In (Again)* and *Industrial Policy Synergies: Reflections from Biden Administration Alumni*.

A native of Louisville, Kentucky, Tucker received his BA from the George Washington University and his PhD and MPhil from the University of Cambridge, where he was a Gates Scholar. He has taught at Johns Hopkins University and the University of New Hampshire. He lives in Washington, DC.

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