

# Trump's Tariff Tantrum

## How Sweeping Tariffs Came to Be and Why It Matters

By Todd N. Tucker

President Donald Trump sent shockwaves through the global economy on Wednesday by using unusual emergency powers to [impose wide tariffs](#) (i.e., trade taxes) on most of the products that the US imports from most countries. This will take tariffs back to their highest rate since 1909, according to the [Yale Budget Lab](#). And [according to some estimates](#), it is the largest tax hike in US history, including Franklin D. Roosevelt's extraordinary levies to fight World War II. How and why is Trump doing this, what will it mean, and what would a better tariff policy look like?

### The Basics: Arbitrary Faux “Reciprocal” Tariffs

Trump's April 2 [executive order](#) came with the unwieldy title “Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits.”

From the title, one might think that this is a fairly technical decision, based on expert assessment of distortions in trade markets.

But that would be incorrect. Trump instead declared 10 percent tariffs across the board on nearly all countries with which the US has normal trading relations, including countries with which the US [has trade deficits](#), trade [surpluses](#), and [trade balance](#) alike. It includes countries that charge the US [high tariffs, low tariffs, or no tariffs](#). In other words, this is the universal baseline tariff that [Trump campaigned on](#)—not anything that could be properly termed reciprocal. This is important, since Trump has [long had a fixation](#) on bilateral trade deficits, and in both the executive order and his signing remarks, he emphasized that the policy was aimed at fixing a lack of bilateral balance and reciprocity. Indeed, the section of the order announcing the policy is literally titled “Reciprocal Tariff Policy”:

Sec. 2. Reciprocal Tariff Policy. It is the policy of the United States to rebalance global trade flows by imposing an additional ad valorem duty on all imports from all trading partners except as otherwise provided herein. The additional ad valorem duty on all imports from all trading partners shall start at 10 percent and shortly thereafter, the additional ad valorem duty shall increase for trading partners enumerated in [Annex I](#) to this order at the rates set forth in [Annex I](#) to this order. These additional ad valorem duties shall apply until such time as I determine that the underlying conditions described above are satisfied, resolved, or mitigated.

The arbitrary and unreasonable nature of the policy does not end there.<sup>1</sup> In the same section, Trump declared even higher rates on a smaller group of 57 [so-called Annex I countries](#), including 20 percent on the European Union and 24 percent on Japan. These rates peak at 50 percent on the small African kingdom of Lesotho. If you did not have bilateral US-Lesothan trade on your bingo card as an “[unusual and extraordinary threat](#)” meriting a tanking of the global economy, you’re not alone. The poor, landlocked country [exports only a small amount](#) of apparel, diamonds, and other products to the US. Further confusing matters is that the White House handed out to journalists a [somewhat different list](#) of country tariff rates. In that list, 125 countries are listed for “reciprocal” baseline tariffs of 10 percent, and 60 countries are targeted for higher rates. The higher-rate set includes 50 percent on the French overseas territory of Saint Pierre and Miquelon, from which the US imports [essentially nothing](#) and whose population is around 5,800 people—less than the [inmate population](#) on Rikers Island.<sup>2</sup>

So how were these 20, 24, 50 percent, and other rates calculated? During his signing ceremony, Trump [claimed that](#)

for nations that treat us badly, we will calculate the combined rate of all their tariffs, nonmonetary barriers, and other forms of cheating. And because we are being very kind . . . we will charge them approximately half of what they are and have been charging us. So the tariffs will be not a full reciprocal.

He also appeared to suggest that even the 10 percent baseline tariff was based on a comprehensive reciprocity calculation: “They charge us, we charge them . . . United Kingdom, 10 percent, and we’ll go 10 percent. So we’ll do the same thing.”

If the administration had truly completed such an exercise, it would be a monumental achievement. Generations of economists and social scientists have tried and failed to quantify the trade impact of so-called nonmonetary barriers—typically instead called “non-tariff barriers” or “non-trade measures” (NTBs, NTMs)—such as sanitation, food, and technology standards. As a [classic study noted](#),

a basic difficulty in approaching NTBs is that they are defined by what they are not. That is, NTBs consist of all barriers to trade that are not tariffs. Indeed, they are

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<sup>1</sup> I use the word “arbitrary” and “unreasonable” to state that they are, in a plain English understanding, “arbitrary” and “unreasonable”—not to suggest a legal violation of the Administrative Procedure Act, which [generally exempts](#) this type of presidential decision-making.

<sup>2</sup> Observers also noted that the longer baseline [list excluded Russia](#), raising concerns about whether this was evidence of [Trump collusion with Putin](#). However, it is worth noting that this stems from a policy change enacted by the Biden administration, which effectively stripped Russia of normal trading relations, along with Belarus. This puts [them in a category](#) with North Korea and Cuba with which the US charges quite high rates and has limited trade.

even more general than that, since the term is often used to include trade interventions like exports subsidies that serve to stimulate rather than retard trade and therefore are not “barriers” to trade at all . . . they also include a potentially unlimited plethora of policies, perhaps as yet not invented, that alter however indirectly the prices and/or quantities of trade. In this situation, no typology of NTBs can possibly be complete.

Indeed, in 2024, Biden’s trade representative Katherine Tai [made news by refusing](#) to catalogue many NTBs, noting that an annual trade report has

expanded from its statutory purpose to include measures without regard to whether they may be valid exercises of sovereign policy authority. Examples include efforts by South Africa to render its economy more equitable in the post-Apartheid era; import licensing requirements for narcotics and explosives; and restrictions on imports of endangered species.

In other words, NTBs are what most normal people and normal policymakers would simply call “regulation.”

As it happens, Trump’s team did not even attempt to conduct such an exercise. Instead, they [simply divided each country’s](#) trade surplus with the US by their exports to the US, and then divided by two. In a subsequent post, Trump’s [trade agency made the remarkable concession](#) that “*While individually computing the trade deficit effects of tens of thousands of tariff, regulatory, tax and other policies in each country is complex, if not impossible, their combined effects can be proxied by computing the tariff level consistent with driving bilateral trade deficits to zero.*” Yet there are numerous ways that bilateral balances could go to zero without ever addressing NTBs, such as a complete shutdown of trade. Moreover, an internally consistent approach would interpret US trade surpluses with other countries, such as the UK, as evidence of NTBs that the US is applying against foreigners, which would deserve not a tariff but a foreign aid compensation. Yet the UK is charged a 10 percent tariff, without even getting the “halving” that the Annex I countries are getting.

## Why Was Trump Able to Do This?

Trump took these actions pursuant to the [International Emergency Economic Powers Act](#) (IEEPA) of 1977. Under that law and the [National Emergencies Act](#) (NEA) of 1976, the president may [declare an emergency](#) “to deal with any unusual and extraordinary threat, which has its source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States.” IEEPA has never [been used to apply tariffs](#) before Trump 2.0, and indeed its [basic authority](#) appears to be more properly thought of as dealing with financial flows—not trade flows.

There’s a more basic mismatch between authority and remedy here. On the one hand, there is truth in the executive order’s claim that

with the US economy disproportionately open to imports, US trading partners have had few incentives to provide reciprocal treatment to US exports in the context of bilateral trade negotiations. These structural asymmetries have driven the large and persistent annual US goods trade deficit.

On the other, the EO notes that this been a lasting (not a sudden) phenomenon, citing as the basis for the emergency “underlying conditions, including a lack of reciprocity in our bilateral trade relationships, disparate tariff rates and non-tariff barriers, and U.S. trading partners’ economic policies that suppress domestic wages and consumption, as indicated by large and persistent annual U.S. goods trade deficits.” Indeed, as the president [noted](#) at the signing ceremony, “Our country and its taxpayers have been ripped off for more than 50 years, but it is not going to happen anymore.” Imbalances dating back to 1975 may be undesirable or problematic, but they would hardly seem to meet the legal requirement that they be either “unusual” or “extraordinary”—let alone both. Moreover, Trump undermined the legal argument that the threat “has its source in whole or substantial part outside the United States” with his repeated rhetorical asides:

I don’t blame these other countries *at all* for this calamity. I blame former presidents and past leaders who weren’t doing their job . . . Japan, very, very tough. Great people. And again, I don’t blame the people for doing it. I think they’re very smart in doing it. I blame the people that sat right in that Oval Office right over there, right behind the Resolute desk or whichever desk they chose. (emphasis added)

IEEPA requires advance and continuous [congressional consultation](#) and detailed policy justification, and NEA allows Congress to disapprove of an emergency finding. Given that the basic policy approach appeared to be improvised at the last minute, it is not plausible that these procedural requirements were meaningfully met. The Senate [took the first step](#) Wednesday toward checking some of this power by disapproving of a trade emergency with Canada.

## What a Good Tariff Policy Would Look Like

Smart, targeted tariffs can be an important part of the industrial policy tool kit, as I wrote earlier this year in a [Roosevelt explainer](#) and last year in a [comprehensive review](#) of the Biden administration’s trade and industrial policy approach. They can promote nascent “infant industries” such as clean energy, correct market failures, establish fair trade, and help equalize wage rates with persistent low-wage economies, among other applications. The latter is part of the reason why the [United Auto Workers \(UAW\)](#) supported a separate set of tariffs on auto products. Standard [trade theory predicts](#) that wages (technically called “factor prices”) will equalize between countries that are trading freely, even if they start out at different levels of development. But the US and Mexico have [had mostly free trade](#) for three decades, and wage convergence has not happened. The UAW’s members continue to be in competition with their counterparts, who are paid a tiny fraction of US

wages. Clearly, the theory hasn't played out in reality, and US companies are taking advantage of open trade to keep wages and union power down.<sup>3</sup>

The problem with Trump's so-called Liberation Day tariffs is that they're not smart or targeted, and will thus be inflationary across the board—rather than aiding strategic industries relative to the rest of the economy. There's not even minimal reasoning behind them—much less a comprehensive [industrial strategy](#) or rudimentary [cost-benefit analysis](#). Indeed, Trump, Elon Musk, and the so-called Department of Government Efficiency (DOGE) are shredding precisely [the kind of government capacity](#) that would be needed to make a smarter version of industrial policy work. This is unfortunate, because there are slivers of [potentially interesting policy development](#) in this executive order—such as exempting from tariffs those products that use US content in their supply chains. But trade agencies would need more staff and capacity—not less—to make such ideas work in practice.

In short, Trump is weaponizing many workers' understandable disillusionment with a trading system that puts profits above their livelihoods. And there is a version of an industrial rebalancing policy that, as Treasury Secretary Scott Bessent [has articulated](#), could involve some short-term pain for longer-term gain. But to truly deliver for the American people and make the request for sacrifice both legitimate and worthwhile, we need an “all-of-the-above” industrial policy that builds, not an untargeted tariff tantrum.

## What Comes Next

Trump's tariffs will be challenged. As noted, IEEPA has not been used to impose tariffs before. And while it has minimal guardrails, it is not obvious that Trump has cleared even those. While courts have been reluctant to second-guess presidents' use of emergency and foreign affairs powers, [it's possible](#) that the economic fallout from these actions could be consequential enough that they revisit some of the basic statutory requirements that emergencies be (and be adequately documented to be) unusual and extraordinary. There are almost limitless ways that plaintiffs might experience unfairness. An importer from the UK will face different rates than one from France, importers of products under

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<sup>3</sup> Some observers criticize tariffs because they may raise the cost of imported consumer goods. But this is a somewhat odd basis for dinging the policy, as that outcome would be precisely what the policy was designed to do: make domestic production more attractive by raising the relative price of imported products. Depending on how domestic firms react, they may decide to also raise their price to close to the tariffed amount, so they (and potentially their workers) can capture more of what economists call “rents”—the difference between the pre- and post-tariff price. Criticizing tariffs because they raise relative prices is like criticizing a progressive income tax for burdening the rich: You may disagree with the policy, but it's harder to argue that the outcome is not what the policy was intended to produce. (To be fair, the Trump administration invites this type of pedantry by [pointing to instances](#) where, due to market structure peculiarities, tariffs had minimal effect on prices. Contrast this with the Biden administration, which [was clearer](#) that the costs of tariffs were deemed worth paying.)

Wednesday's order are treated differently than importers of goods subject to alternative or no tariffs [under other](#) orders. Might there be a basis that NEA or IEEPA harm constitutional due process protections? Stay tuned to our future analysis of legal filings to find out.

Moreover, Congress can disapprove of the declaration of emergencies under the NEA. Indeed, as noted, earlier this week, the Senate on a bipartisan basis disapproved of the emergency as declared to Canada. Whether the House will join them (as they must for this to be successful) is an open question, let alone whether they would seek to disapprove of the other emergency declarations.<sup>4</sup>

In any case, Wednesday's declaration of a new emergency related to trade deficits may be impactful enough on the stock market that it gets Trump to rethink this strategy or Congress to consider adding additional guardrails to NEA and IEEPA. What is clear is that America's trading partners are not taking the tariff tantrum sitting down, with some [already retaliating against US exports](#) in ways likely to attract policymakers' and consumers' attention.

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<sup>4</sup> It seems unlikely, which is [why I've questioned](#) whether Canadian tariffs only are a coherent place to draw the line in the sand with an administration [that's lawless](#) in so many ways. But reasonable people can disagree on tactics; if it's successful in creating a cascade of resistance, more power to the resolution's sponsors. Just as this brief went to print, [there were news reports](#) that a growing number of both anti-tariff Republicans and pro-tariff Democrats might be willing to consider additional guardrails on trade authority.



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