



ADVANCING AMERICAN FREEDOM
FOUNDATION

Frequently Asked Questions on Tariffs

What is a tariff?

- A tariff (also called an impost or a duty) is a tax on an imported good.

Who pays tariffs?

- Americans. American importers—not foreign exporters—pay them to U.S. Customs.

Who bears the actual economic burden of tariffs?

- While foreign exporters could theoretically absorb some of the burden by lowering their prices, the U.S. International Trade Commission and other economists have found that recent tariffs have been passed on almost entirely to Americans.

Do we have lower tariffs than other countries?

- Overall, the U.S. imposes higher tariffs on many of our leading trading partners than those imposed on us. True reciprocity would require lowering our overall tariffs.

What tariff authority does the president have?

- The Constitution gives Congress the “Power To lay and collect Taxes, Duties, Imposts and Excises” (Art. I, Sec. 8).
- Congress has delegated much of its authority to the president in the event of a “national emergency,” which the president can declare unilaterally.

Can Congress rescind the president's emergency tariffs?

- Congress can vote to end a national emergency declaration or reform the law to claw back its constitutionally designated tariff authority. These actions would be subject to presidential veto, requiring two-thirds of each chamber to override.
- Instead of asserting its constitutional prerogative by checking the president's emergency tariff authority, the House GOP adopted a rule to protect these tariffs.

Can't we rely on tariffs as our primary revenue source?

- While tariffs provided nearly all government revenue prior to the income tax, the size of government today relative to the economy is nearly eight times larger.
- To fund the entirety of annual federal government spending (\$7 trillion), a 200% across-the-board tariff would be required (e.g., an additional \$200 tariff on a \$100 product). As a result, most Americans would see a dramatic rise in their taxes (especially the poor and middle class) and customers would buy less, undermining the ability of tariffs to provide the necessary revenue.

Wasn't America at its wealthiest 120 years ago during high tariffs?

- Per capita output today is more than six times where it was during the McKinley era, from under \$9,000 to nearly \$60,000. By today's standards, middle-class Americans in the early 1900s were quite poor (see Figure 1).

Has free trade destroyed our industrial base?

- Manufacturing output surged more than 60% from 1994 (when NAFTA went into effect) through 2007 and remains near all-time highs today. Total industrial production also remains near all-time highs (see Figure 2). The U.S. is a manufacturing powerhouse.

Haven't incomes declined since NAFTA's passage?

- Families are earning near all-time highs: up more than \$28,000 since 1994 (see Figure 3), even as standard work hours diminished. They earn more in fewer hours.

Shouldn't we be concerned about the trade deficit?

- Since 1994, our exports tripled—while imports grew nearly 400% (see Figure 4). This “trade deficit” is not economically dangerous. In fact, it's been an economic boon. Our dollars flow back to us—either by purchasing our exports, buying our debt (holding down interest rates), or investing in our companies. For instance, the value of foreign direct investment (FDI) in the U.S. grew by more than \$6.4 trillion since 1994—including more than \$300 billion this past year.

