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Abstract

Incentivizing Vested Interests – Unintended Consequences of Aggressive Tariff Policy

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The second Trump Administration has had as a central theme of its trade policy the aggressive use of tariffs. The goal of the aggressive use of tariffs is to harness the economic power of the United States to achieve a range of trade and other policy objectives. Part of this aggressive tariff policy has been to impose tariffs in the ten to fifteen percent range on a broad range of countries. This has little to do with providing protection but rather in providing bargaining chips in future negotiations. In the process, however, it has provided protection benefits to US industries who now have a vested interest in retaining those tariffs. The history of tariffs suggests, however, that reduction and removal of tariffs, once in place, is a time consuming and difficult process. As a result, the lasting legacy of the aggressive tariff policy – no matter what direction trade policy takes in the future – will be those vested interests lobbying strongly for retention of the protection the tariffs provide.

Keywords: aggressive tariff policy, capitalization of policy benefits, GATT, Smoot-Hawley tariffs, vested interests,

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