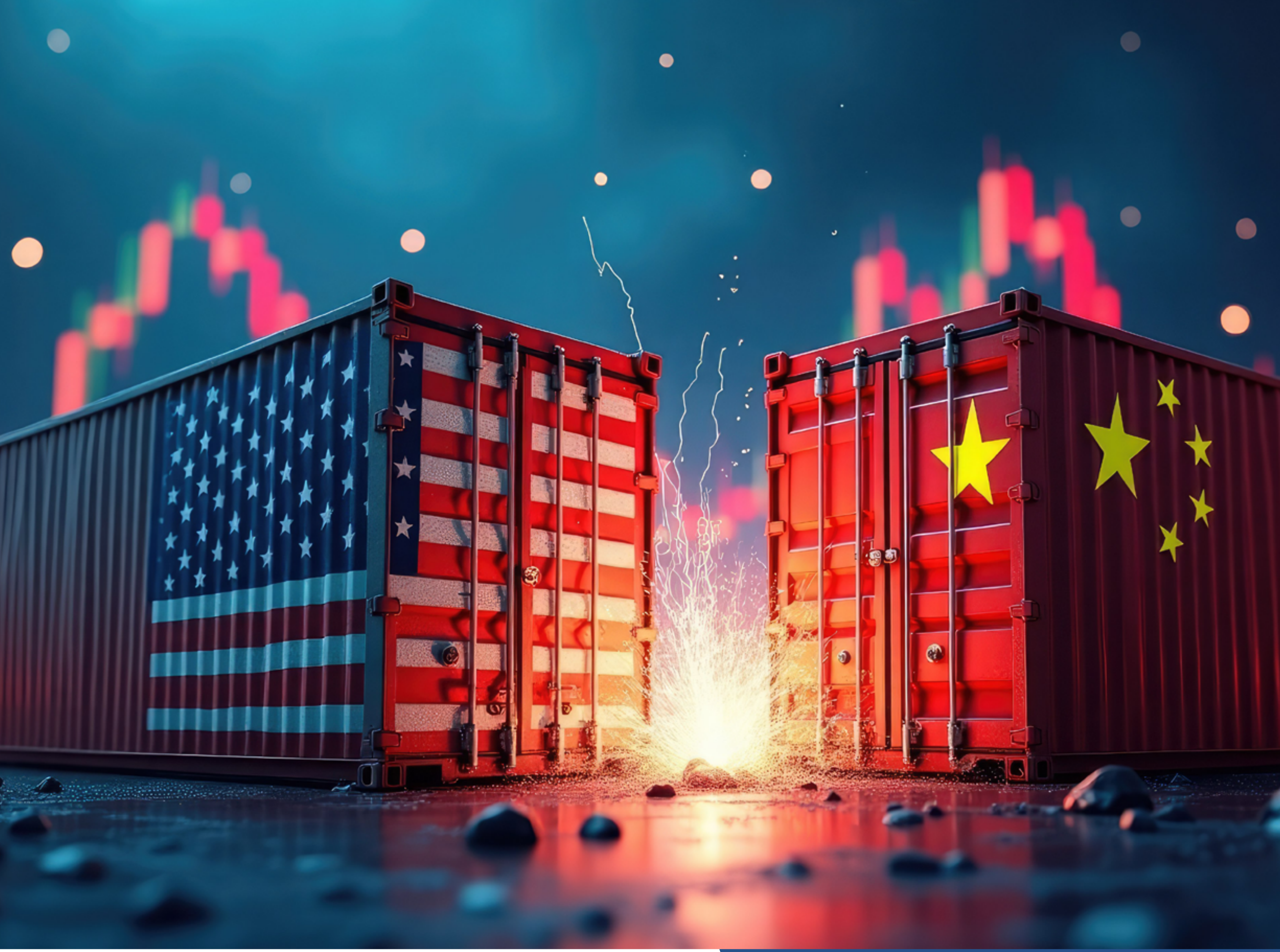

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THE PRICE OF PROTECTIONISM: THE UNCREATIVE DESTRUCTION OF TRUMP'S TRADE POLICIES

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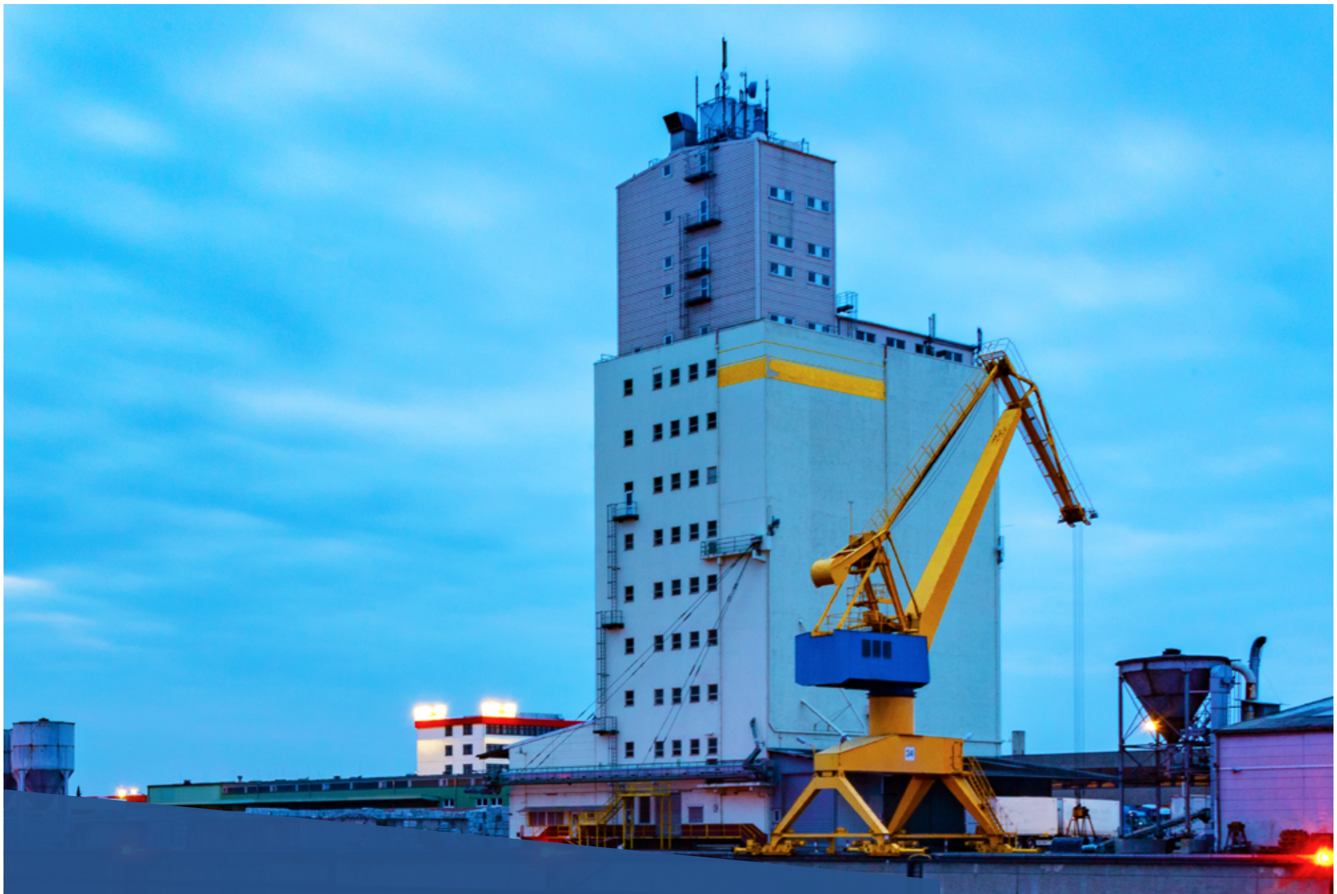

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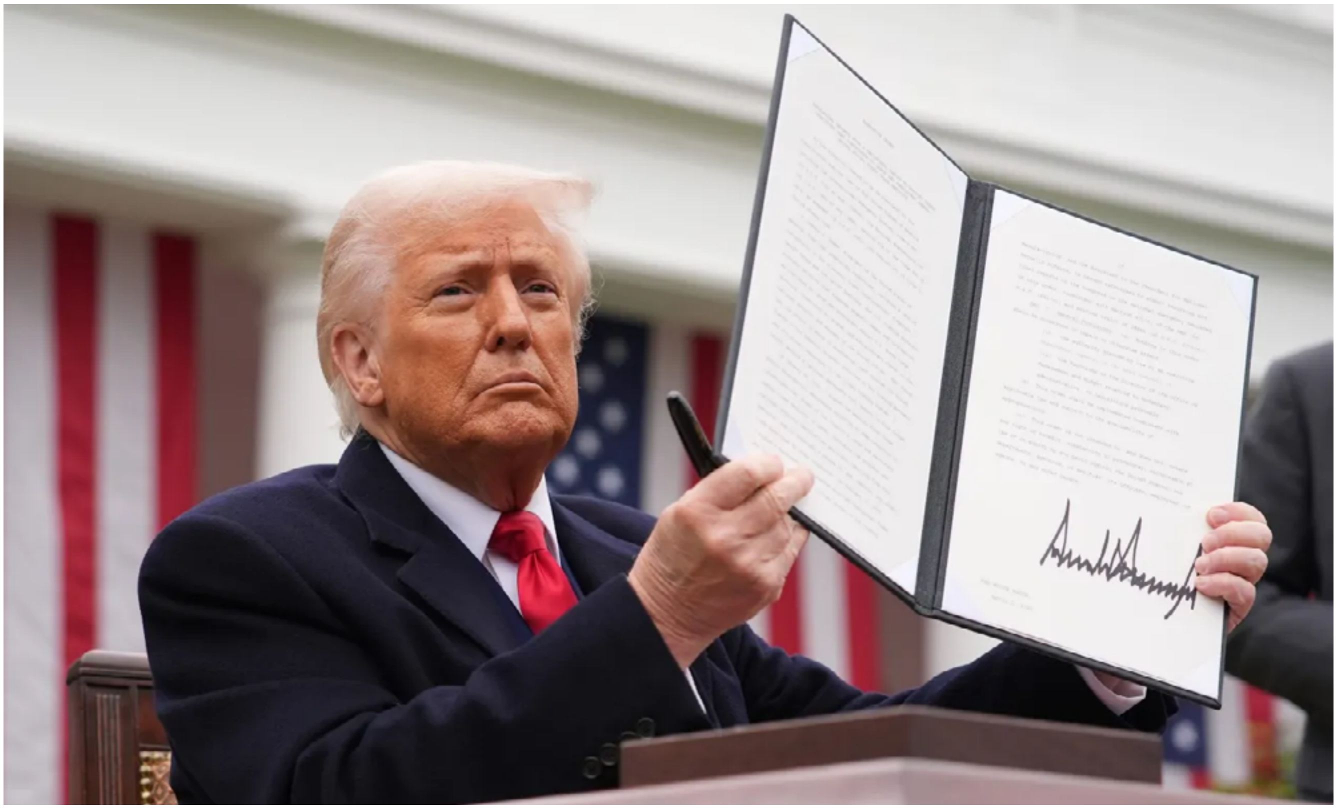
Introduction

On February 1, 2025, President Donald Trump commenced in earnest what has proven to be a multi-front trade war, invoking the International Emergency Economic Powers Act (IEEPA) to lay new tariffs on Mexico and Canada.[1] Trump's protectionist strategy is extraordinary in many ways, but two bear emphasis here. First, America has not experienced tariff rates so high in nearly a century.[2] Second, and particularly important for a nation born in defiance of taxation without representation, Trump has imposed his agenda unilaterally, without Congress.

A year has passed since Trump's first salvo, allowing for a relatively early—though not hasty—assessment of the effects of Trump's campaign of protectionism. This report renders such a judgment, and it is, justly, a harsh one.

Americans have always had a complex relationship with international trade. Tariffs are nearly coeval with the government established by the Constitution, and yet, for the first decades of the young nation's life, tariffs were imposed primarily for revenue.[3] Protectionist trade policy reached maturity after the Civil War, as industry lobbyists and members of Congress got down to the business of crafting an honest-to-goodness protectionist tariff schedule. It was the worst of all aspects of political economy, and its excesses prompted the creation of a constitutional provision allowing for the levying of an income tax. The cronyism and corruption of revenue-by-tariff became politically toxic, if not unsustainable. This fervor culminated in the abomination of the Smoot-Hawley Tariff, after which Congress began to delegate its tariffing authorities to the executive branch in earnest to bring the nation back from the protectionist brink. Since World War II, America has worked tirelessly to facilitate global free trade among many nations, and American citizens have benefitted from access to affordable business inputs and consumer goods, as well as access to foreign markets.[4] The post-war American consensus in favor of free trade was bipartisan by historical standards and generally consistent—notwithstanding occasional deviations.

An (unwelcome) revolution in the thinking of politicians began in earnest during the first Trump administration, which initiated a campaign of protectionism, focused primarily, though



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far from exclusively, on China.[5] Denouncing Trump on most policy issues, Joe Biden won the White House and proceeded to continue his predecessor's trade policies, fully embracing their spirit and retaining most of its particulars.[6] The erosion of Democrats' commitment to free trade is not surprising. This is not Bill Clinton's party anymore, and the era of big government is not—and, according to the left, ought not to be—over. Republicans' protectionist turn—which has seen the Grand Old Party forsake its commitment to free markets in favor of a crude caricature of Alexander Hamilton's policies[7]—is far more out of character. "Protectionism is anathema to any genuine conservative," William F. Buckley said in 1983.[8] But just as today's Democratic Party is not Bill Clinton's, today's Republican Party is neither Buckley's nor, for that matter, Ronald Reagan's.[9]

Even considering the speedy protectionist drift of both parties, President Trump's second term has initiated a far more aggressive protectionist policy than anything seen in the last century. According to the Tax Foundation, the weighted average tariff rate the United States applies to most imports has risen by 14.3 percentage points—from about 1.5 percent in 2022 to 15.8 percent today.[10] The second Trump administration is but a year old, but is already dominated by unending announcements of rate changes for myriad U.S. trading partners,[11] threats (serious and unserious) of new tariffs, contradictory economic justifications,[12] the "finalization" of trade deals that are by no means final,[13] and the looming likelihood that the Supreme Court strikes down the tariffs imposed unilaterally by Trump under the International Emergency Economic Powers Act.[14] A sweeping holding by the Supreme Court would reduce the U.S. effective tariff rate by about half.[15] From the first major offensive in the Trump 2.0 trade war—a thrust against Mexico and Canada[16]—to "Liberation Day"[17] to the innumerable trade investigations and tariff adjustments that have ensued since, the Trump administration has deployed protectionism as a policy weapon as never before.

Moreover, Trump has pursued his policies in an aggressively unilateral fashion, sidelining Congress, the branch constitutionally vested with the "Power To lay and collect Taxes, Duties, Imposts and Excises…"[18] The trade powers transferred by Congress to the Presidency were intended largely to facilitate the reduction of tariff rates, but President Trump has utilized his statutorily delegated powers—and discovered creative and likely untenable statutory interpretations—to do the opposite. The last time rates were raised so high, it was the product of the will of Congress: the Smoot-Hawley Tariff of 1930.[19] Thanks to Trump's bellicosity in the trade war, Americans must now consider whether it is desirable—or constitutionally permissible—for one man to remake the U.S. tariff schedule, impose hundreds of billions of dollars in taxes on American consumers and businesses annually, and remake the global trading order, all on a whim. The economic, political, and constitutional questions at hand are monumental.

The economic harms and political and legal disfigurations wrought by Trump's protectionist agenda are, of course, still in flux. The President himself is constantly tinkering with rates, and he may soon be met with a Supreme Court decision rendering many of his actions void. What the next three years of the second Trump administration will bring remains unknown, but the effects of Trump's year of protectionism—economically painful and legally tumultuous—are all too clear.

Are Trump's Tariffs Economically Beneficial?

Despite initial claims that tariffs would serve as a "negotiation tool," it is increasingly evident they are here to stay.

Ahead of implementing his tariff agenda, President Trump promised to bring about "a golden age of America."[20] Likewise, he proclaimed the day he announced his most prominent "reciprocal" tariffs—invoked under IEEPA— "a Liberation Day in America."[21] The only redeeming assurance the Trump administration relied upon to excuse the sweeping tariffs' dubious legal and constitutional underpinnings was the promise that they would deliver remarkable growth and prosperity, which would, the administration said, rectify a purported national emergency. The evidence, however, paints a different picture from the one the administration hoped for.

In advocating tariffs to fulfill the announced promises, the administration advanced several—largely contradictory—arguments.

The President insisted that tariffs would make foreign countries pay "their fair share,"[22] even though U.S. Customs and Border Protection bills U.S. importers directly. This is not merely a matter of law. Evidence shows that the burden of tariffs falls on the domestic economy at large: tariff incidence—who actually pays—is borne primarily by consumers and U.S. importers. By October, they were absorbing 55 percent and 27 percent of the burden, respectively, while foreign exporters bore only 18 percent.[23] Subsequent estimates are even starker: as much as 96 percent of the cost of tariffs on U.S. imports has been borne domestically.[24]

A price-level analysis corroborates this pattern. In the short run, prices on imported goods rose roughly twice as much as those on domestic goods—together contributing about 0.7 percentage points to inflation by September 2025.[25]

While Department of Treasury Secretary Scott Bessent has argued that exporters would partially absorb the cost of tariffs through currency depreciation and that market dynamics could shift consumer preferences—leading to oversupply and lower prices—the available evidence points in the opposite direction: tariffs function predominantly as a consumption tax.[26] The Tax Foundation finds that, on average, the Trump tariffs cost households $1,100 in 2025—constituting the largest U.S. tax increase since 1993, equal to roughly 0.47 percent of GDP.[27]

The administration also alleged that tariffs would help to reduce the budget deficit. President Trump claimed in December 2025 that tariffs are delivering "trillions of dollars in growth and prosperity."[28] In reality, the federal budget shortfall in 2025 still totaled about $1.67 trillion, albeit the smallest in three years. Tariff revenues reached a record $264 billion, up $185 billion from the year before.[29] Even so, that incremental surge attributable to the Trump tariffs offset only about 10 percent of the 2025 shortfall, underscoring tariffs' negligible benefit as a fiscal remedy. Even under more generous revenue assumptions, the Committee for a Responsible Federal Budget (CRFB)[30] still projects a $22.7 trillion cumulative deficit over the next decade—due in no small part to significant increases in spending.[31]

Unlike other tax increases, tariffs do not simply redistribute income from businesses and households to the federal government. They also generate deadweight loss—a pure efficiency cost—and, by extension, slow GDP growth.

An analysis by the Peterson Institute for International Economics estimated that the tariffs in place as of September 11 would cut GDP growth by about 0.23 percentage points in 2025 and, if maintained, by 0.62 points in 2026, relative to a no-tariff baseline. While these figures are not precise forecasts and may change as policy evolves, research institutions are unequivocal about the direction of the effect: tariffs reduce long-term GDP. The only uncertainty is by precisely how much.

Far from creating a "level playing field for American workers," as President Trump contended, tariffs have harmed more industries than they have helped—and, consequently, have harmed the workers affected industries employ. Historically, protective tariffs have failed to reinvigorate the industries they shield—at least over the long term—but they instead "succeed" in hampering the many downstream sectors that depend on them.[32]

Contrary to the President's assertions that tariffs are making the United States "an economic power again,"[33] the manufacturing sector struggled throughout 2025. Institute for Supply Management surveys show that U.S. manufacturing activity contracted every month after

"Liberation Day" and reached its lowest point of the year in December.[34] Factory employment declined for 11 consecutive months, consistent with Federal Reserve data showing a net loss of roughly 68,000 manufacturing jobs in 2025.[35]

While subsector data reveal that industries tied to primary metals were among the few to post net job gains after tariffs on aluminum, steel, copper, and their derivatives rose to 50 percent,[36] more than half of all U.S. imports consist of capital goods, intermediate inputs, and raw materials.[37] When the market price of these imports rises due to protectionism, the industries—including manufacturing—that rely on them suffer.

68,000
manufacturing jobs lost in 2025.

Specifically, baseline and country-specific tariffs (10 to 15 percent on major exporters of high-end capital goods such as Japan and the European Union, and around 45 percent on China once Section 301 surcharges are layered in) along with product-specific tariffs (25 percent on semiconductors and auto parts and 50 percent on metals) cascade into capital goods, which account for roughly 30 percent of U.S. imports, and function like a negative investment tax credit. The complexity of the Trump tariff regime is astounding.[38]

This chiefly disadvantages export-oriented U.S. producers, since America's top export categories—energy products, machinery, electronics, vehicles, and aircraft—are all capital-intensive and depend on imported inputs.[39]

Illustratively, Caterpillar—the U.S.-based world's largest manufacturer of heavy equipment—has warned of a roughly $1.5 billion hit from tariffs on imported inputs over a full year, even when half of final assembly is domestic. Those costs will ultimately cascade downstream to its customers—primarily in construction, mining, and oil and gas.[40]

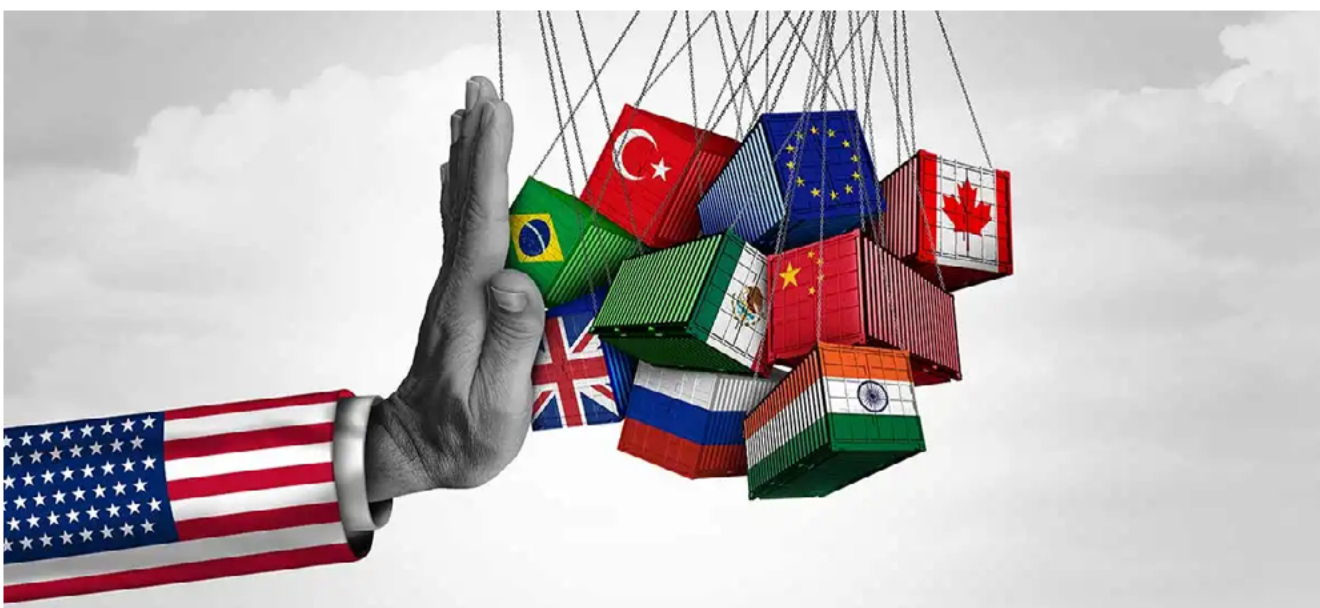
Purely domestic industries will be affected as well. Baseline reciprocal tariffs, a 10 percent duty on softwood timber and lumber, and 25 percent tariffs on upholstered wooden products, kitchen cabinets, and vanities raise upstream input costs for residential construction.[41] Under the pretense of "national security,"[42] protecting wood industries through tariffs will exacerbate housing shortages by placing additional strain on the supply side.

The Tax Policy Center shows how tariffs cascade through the economy, revealing that even services absorb about one-sixth of the total tariff burden.[43]

The U.S.–China trade war has made the playing field even less level. Escalating tariffs on Chinese goods have left some American manufacturers facing effective rates approaching 70 percent as successive duties are stacked atop one another—exceeding headline rates.[44] The administration's suspension of the de minimis provision for shipments from China (and later globally), which had allowed tariff-free imports under $800, disrupted entire e-commerce business models. Small sellers on Etsy and Shopify and mom-and-pop importers suddenly faced mounting tariff and compliance costs, while navigating an increasingly complex tariff regime became prohibitively expensive for small operations.

China's predictable retaliation compounded these effects. Its halt of U.S. soybean purchases forced the latest multi-billion-dollar farmer bailout, while its 2025 export controls on rare earth and other critical minerals threatened access to essential inputs for high-end U.S. manufacturers.

Not only have tariff rules continuously evolved since President Trump first imposed them on Canada, China, and Mexico, they are convoluted by design. Duties vary by country, product, and content, and depend on how multiple regimes—IEEPA, Section 301, Section 232, and trade-deal exceptions—are stacked on, or offset by, one another. Layered with carve-outs and special penalties, the final duty on any given good becomes highly contingent and unpredictable.



Source photo: bccresearch.com

The automotive industry exemplifies the damage of this system. It now faces a uniquely convoluted regime in which tariffs on vehicles range from roughly 10 to nearly 30 percent, depending on country of origin and the sourcing of automotive parts. Auto parts—once subject to a modest 2.5 percent MFN duty—now face rates ranging from roughly 10 to 25 percent—with the exception of auto parts exempt under the United States–Mexico–Canada Agreement (USMCA). In addition, other duties can stack on top of this regime for vehicles and auto parts sourced from China. Even U.S. manufacturers that produce and assemble vehicles domestically are affected if they import metal inputs, as product-specific metal tariffs have surged to 50 percent, extending even to derivatives. The result is already visible: manufacturers report billions of dollars in losses, with more projected.[45] Ultimately, consumers will pay. New vehicle prices are expected to rise by 6 to 22 percent—$3,000 to $10,500 on top of the average $48,000 car.[46]

Importers, producers, and investors can no longer base decisions on a stable foundation. The U.S. Economic Policy Uncertainty Index hovered above pandemic-era highs throughout 2025,[47] while trade policy uncertainty surged to unprecedented levels.[48] Compounding this instability is the pending Supreme Court decision on the constitutionality of IEEPA tariffs.

The full effects of tariffs—driving businesses' decisions to relocate, pass costs on to consumers, and revamp supply chains—have not yet fully materialized. Import prices have risen, though not as significantly as some early estimates, because U.S. firms have been exhausting pre-tariff stocks of imported parts and products and partially absorbing tariff costs. Yet, economists expect importers and producers to internalize uncertainty as the new normal and adjust accordingly. Tariff pass-through will likely fully catch up in 2026, and some reduction in import consumption will follow. Tariff incidence will increasingly be borne by consumers, while importers are expected to bear only about 8 percent of tariff costs.[49] Households are projected to pay, on average, between $1,500[50] and $2,100[51] more in 2026 due to tariffs.

In reality, none of the objectives declared by the administration have come to fruition, nor can they be expected to do so. This outcome is predictable. Tariffs are a crude and blunt policy instrument—made ever more so under this administration—that increase costs on taxpayers and consumers.

Are Trump's Tariffs Legal?

The Supreme Court will likely soon issue a decision on the legality of President Trump's far-reaching tariffs imposed under IEEPA, his favorite tool of protectionism. Learning Resources v. Trump (a consolidated case) stemmed from several businesses' challenges to the series of tariffs enacted by the Trump administration beginning in February of 2025.[52] In addition to imposing burdensome costs on firms, these tariffs kindled debate over the statutory and constitutional limits of executive power. The Trump administration has warned that losing the case would be a "terrible blow," while many firms risk being driven out of business if the tariffs remain in effect. One question before the Supreme Court is whether IEEPA authorizes the President to impose the tariffs introduced under that statute since the start of his second term. If it does, the justices will likely also consider whether the statute unconstitutionally delegates legislative power to the President.

Article 1, Section 8 of the Constitution gives Congress the authority to "regulate Commerce with foreign Nations."[53] Indeed, the very notion of taxation and appropriation being powers of the legislature stretches back for centuries in the Anglo-American political tradition.[54] For the

Source photo: U.S. Supreme Court Center

first 150 years or so after the founding, Congress retained sole control of tariff powers even during wars and financial crises. Since that time, Congress occasionally delegated limited tariff powers to the President; however, even into the mid-20 century, when the President gained significant tariff powers, Congress maintained clear constraints on any authority delegated to that office.[55]

IEEPA delegates economic powers to the President, but its provisions stipulate that these powers may only be used to respond to emergencies. The law allows the president to use a variety of means "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, if the President declares a national emergency with respect to such threat."[56]

Despite its broad language, IEEPA was intended to rein in the sweeping economic authority presidents had exercised under the 1917 Trading with the Enemy Act (TWEA), which was used extensively by presidents such as Franklin Delano Roosevelt, Lyndon Johnson, and Richard Nixon to control trade through embargoes and tariffs.[57] Despite being intended for use only during wartime, the bounds of TWEA were continually stretched for the convenience of the executive. Subsequently, Congress responded with the 1974 Trade Act and IEEPA in 1977 in an effort to clarify and curtail executive power. Since that time, presidents have used their authority under IEEPA to impose economic sanctions against nations and individuals in response to national emergencies. Trump is the first to use IEEPA to impose tariffs.[58]

Unsurprisingly, the President's actions caused an uproar, resulting in several cases challenging the legitimacy of the tariffs. The first of these was filed in the Court of International Trade (CIT) by V.O.S. Selections, a wine importer in New York, and several other companies that were seriously harmed by the tariffs.[59] A separate challenge was brought in the U.S. District Court for the District of Columbia by Learning Resources and hand2mind, two small businesses that produce educational toys.

In May, the CIT ruled that President Trump's "Liberation Day" tariffs were an unlawful exercise of executive authority under IEEPA.[60] The legal reasoning of the CIT centered on constitutional issues surrounding the separation of powers. In its decision, the court quotes James Madison in Federalist No. 48, writing that "the powers properly belonging to one of the departments ought not to be directly and completely administered by either of the other departments."[61] Because the Constitution vests tariff power in Congress, the CIT concluded that any lawful delegation of this power must impose meaningful restrictions. Moreover, any interpretation of

IEEPA that, like the one argued by the Trump administration, delegates unlimited tariff authority to the president is unconstitutional.

For example, the "Worldwide" and "Retaliatory" tariffs exceeded executive authority because they lacked identifiable limits consistent with the court's narrow reading of IEEPA's provision to "regulate … importation." Although the language "regulate … importation" was used in TWEA – a broader statute than IEEPA—the court emphasized that neither law delegates unlimited tariff authority to the president.

In addition, the opinion's discussion of the Major Questions Doctrine[62] stipulates that when Congress delegates powers of "vast economic and political significance," it must "speak clearly." Since the word "tariff" does not appear in IEEPA's provisions, the court concluded that Congress did not intend for the statute to delegate that power to the President. Furthermore, the court pointed out that the phrase "regulate … importation" does not authorize the president to enact tariffs in response to balance-of-payments deficits because Congress has "cabined" this authority within Section 122 of the Trade Act of 1974.

The CIT struck down Trump's "Trafficking" Tariffs because they failed to satisfy IEEPA's second limiting provision, which stipulates that its powers may not be used for any other purpose than to "deal with an unusual and extraordinary threat with respect to which a national emergency has been declared." According to the court, "the Orders aim to create leverage to 'deal with' those objectives" rather than addressing them as required by the statute.

In another case, brought by Learning Resources and hand2mind at the U.S. District Court for the District of Columbia, the court also ruled against Trump's tariffs, because "the power to regulate is not the power to tax."[63] Although the District Court arrived at the same ultimate conclusion as did the CIT, the ruling in favor of Learning Resources and hand2mind was much more limited in scope than the CIT's broad holding.

Many scholars responded to the decisions of the lower courts. An amicus brief from the Cato Institute reiterated the CIT's separation of powers concerns and emphasized the court's critical role in statutory interpretation.[64] Drawing on history and the Constitution's enumeration of powers, the authors condemned governmental efforts to stretch the law. The authors remained unconvinced by the administration's dubious "discovery" of untapped executive power within IEEPA and highlighted the absence of the words "tariffs" and "duties" in the statute.

Scholars at the American Enterprise Institute offer evidence that the trade deficit does not constitute a national emergency, because consideration of historical evidence demonstrates that deficits have been a common feature of many nations' economies in recent years.[65] Although trade deficits in particular industries could raise national security concerns, aggregate trade deficits are ubiquitous and pose no direct threat to national security.

In September, the U.S. Court of Appeals for the Federal Circuit upheld the CIT's ruling, striking down the majority of the President's tariffs in a 7–4 decision.[66] Subsequently, due to numerous requests from those involved in the tariff cases, the Supreme Court granted review to the tariff challenges and consolidated the aforementioned cases into Learning Resources Inc. v. Trump in September.

The Supreme Court heard oral arguments on November 5. The U.S. Solicitor General, D. John Sauer, argued for a broad interpretation of "regulate … importation."[67] He emphasized the role of the President in international affairs and stressed the harmful effects of the trade deficit and drug trafficking. Further, he contended that the tariffs are merely regulatory and not the result of taxing power. Conversely, Neal Katyal, arguing on behalf of tariff challengers, rejected Sauer's broad interpretation of IEEPA, pointing out that no other president has ever attempted to use IEEPA to levy tariffs. Furthermore, Katyal stressed that Congress delegates power intentionally and explicitly. According to the small businesses, the government's sweeping interpretation of IEEPA's language disregarded the intentions of Congress and would enable a radical expansion of executive power.

Most justices seemed skeptical of the government's arguments. Justices Elena Kagan and Sonia Sotomayor were adamant that tariffs are fundamentally a type of tax and that the Constitution vests taxing power in Congress—not the President. Similarly, Justice Neil Gorsuch expressed concern that a broad interpretation of IEEPA would initiate a "one-way ratchet toward the gradual but continual accretion of power in the executive branch."

Although the Court pushed back on many of the government's arguments, the challengers' arguments were scrutinized as well. Justice Amy Coney Barrett cited several instances in which IEEPA has authorized the President to utilize broad powers. Similarly, Justice Brett Kavanaugh evinced skepticism of the challengers' literal interpretation of the statute. Several justices, including Justices Alito, Barrett, and Kavanaugh, also expressed interest in how the President's power under IEEPA would operate during an emergency.

The public now waits with bated breath for the Supreme Court to issue its opinion. Although the legal and constitutional arguments seem clear, seasoned Court watchers are loath to count their votes before a decision is hatched.

Growing Frictions Impeding Digital Trade Flows

In the 21st century, international trade is a fast-shifting landscape. Digital trade in particular is on the rise. For most of the internet era, digital trade in goods and services has been characterized by its relative seamlessness and dynamism, mostly thanks to a light-touch regulatory framework that has enabled free trade among businesses in different nations.[68] Most notably, the Clinton administration's landmark Framework for Global Electronic Commerce explicitly stated that "[g]overnments should avoid undue restrictions on electronic commerce."[69] This mindset dictated the global logic of digital trade relations for the better part of the past thirty years.

These conditions created a global boom of digital trade among far-flung nations, with worldwide exports of digitally delivered services growing fourfold from 2005 to 2022.[70] Additionally, cross-country data flows have seen a continuous incline that has been sustained even after the Covid-19 pandemic–era boom.[71] Despite significant measurable growth statistics, it is likely that the measurable volume of digital transactions is actually underestimated. Non-monetary transactions and data flows, such as the ones undergirding email or banking communications or the trade of digital assets for in-game currency between videogame players, cannot be measured and are thus not reflected in the statistics.[72]

Unfortunately, the permissive trade and regulatory environment has been slowly eroding in recent years, with added frictions in the form of both monetary and non-monetary digital trade barriers. Various countries in Europe have passed or proposed digital services taxes, taxing transactions such as online advertising or data-related transactions.[73] Another dozen or so of non-OECD countries have also enacted or proposed similar legislation. Discussions about global digital service taxation have reached the point at which groups like the G20 have proposed having formal discussions for a uniform global tax deal in order to simplify the global digital tax regime.[74]

Aside from direct digital tax laws, countries like Australia, Canada, Germany and Spain have passed "link taxes," laws that require social media platforms to pay local journalism outlets for linking their content on social media feeds. These laws have been passed with the justification that social media has led to the downfall of traditional media and thus should compensate journalists for their economic distress. While countries like Spain have seen feeble enforcement—mainly because journalists value additional digital distribution over potential monetary payments—in countries like Canada or Australia, these laws have led to significant payments from platforms to well-heeled media conglomerates.[75] For audio and video streaming services, countries around the world are also introducing laws creating local content quotas or minimum investment mandates that force platforms to invest part of their local revenue in the development of local content.[76]

Aside from explicit taxes, countries have also used other types of regulations to either extract resources from tech companies or disrupt their operations. Regulations such as the EU's Digital Markets Act (DMA) and Digital Services Act (DSA)—which apply disproportionately to American tech firms—are costing technology companies billions of dollars in fine and compliance costs.[77] These policies have also damaged tech firms' business models by removing competitive advantages, such as removing their ability to curate content or prohibit certain privacy-preserving technologies.[78] The DMA and DSA's strategy of setting up of American tech companies for failure, coupled with the extraction of onerous fines, are being replicated in various countries around the world.[79]

Another popular approach to implementing non-tariff barriers is data localization mandates, a regulatory tool that forces companies to store data within a country's borders. This tool will likely become increasingly onerous in the era of artificial intelligence.[80]

While the internet started largely as a free-trade zone, the deregulatory environment that allowed the digital economy to flourish is now under siege. Governments around the globe are enacting an array of taxes and other regulatory barriers poised to undermine the dynamism of digital trade. President Trump has pushed back against the EU's regulatory predation, but as of yet few tangible results have been secured.[81]

Qui Bono? Who Benefits from Tariffs?

The age-old question that follows the imposition of seemingly nonsensical economic policy is: Qui bono? Who benefits? For protectionism, there is an obvious answer: protected industries. Steel tariffs help steel manufacturers, agricultural tariffs help farmers, auto tariffs help automakers, etc.—even though the harm inflicted on downstream industries far surpasses the assistance rendered to favored ones.

There is yet another class of beneficiaries: the lobbyist class. Tariff lobbyists have taken in staggering profits since Trump took office—$8.8 million in the second quarter of 2025, compared to $1.3 million in the same period in 2024.[82] This is no cause for surprise. The cronyism inextricable from deliberations over tariff rates played no small part in the rise in popularity as the income tax and the delegation of tariff authorities to the executive branch.[83] When the U.S. tariff schedule becomes more capacious and more complex, firms gain new opportunities to influence the process of policymaking.

Even before President Trump returned to the White House, the tariff-related lobbying game was byzantine. And its workings indicate less a process of prudent economic policymaking than a rat race consisting of the disposal of favors to favored companies. Studying firms' applications for tariff exemptions, researchers have found that "contributions to Republican candidates increase the chance of approval" and that politicians "punish companies for contributing to their political opponents."[84] Moreover, the sheer scale of the game betrays its arbitrary—and, as noted above, often capricious—nature. "The Commerce Department keeps a handy list of over 425,000 company requests just for steel and aluminum tariff exclusions in the last five years," the Manhattan Institute's Judge Glock reported in January 2025, on the day after Trump took office.[85] "More than 200,000 such exclusions have been granted." Tariffs tend to beget more tariffs as lobbyists flood Washington, D.C. in search of exemptions or, often, new tariffs to offset the damage of previous tariffs.[86]

"Welcome to Tariff Complexity Hell," reads the headline of a December 2025 piece by the Cato Institute's Scott Lincicome.[87] Since the Trump administration began its latest offensive in the trade war, the complexities of the U.S. tariff schedule have proliferated with leporine fecundity. Myriad products have been assigned their own specific rates, and many such rates differ between different countries. Multiply good-specific tariff rates by country-specific rates, and the result is nearly unimaginable complexity and confusion. As demonstrated by charts outlining these wildly varying rates,[88] the Trump administration has designed a compliance regime that would make Franz Kafka blush.[89] Worse still, Trump's continuous revisions to the tariff schedule (on a by-country basis) as deals are negotiated and struck, new perceived slights are committed by trading partners,[90] and other events have made it far more difficult to know what the U.S. tariff code might be today, much less tomorrow.[91] As one importer put it, "How can we plan if we do not know what the tariff situation is for the next five years? Factory and supply chain sourcing decisions cannot be changed at moment's notice."[92]

The eye-popping dollar figures that companies must pay to ensure compliance bear all this out. July 2025 estimates from Federal Reserve economists "indicate that additional trade compliance costs, expressed as an ad valorem tariff, can range between 1.4 and 2.5 percent. This implies potential annual costs between $39 and $71 billion faced by the manufacturing sector due to the 2025 tariff actions." The process has become so complex that, in certain cases, even U.S. Customs and Border Protection seems not to know how much money importers owe.[93]

Besides the net-negative economic effects of tariffs, it is worth asking what incentives—and, ultimately, what kind of economy—sprawling protectionism fosters. Under the second Trump administration, the focus of firms engaged in international trade has shifted—certainly not entirely, but significantly—from the transport and provision of goods to a lobbying and compliance bonanza. No market—whether domestic or international—experiencing such a change will thrive to its fullest capacity.

Conclusion

Americans are an adventurous people—and always have been, since the boldest Englishmen began to land and create new lives on the Eastern Seaboard. Americans' ambition, hard work, and ingenuity carried them from sea to shining sea, and—throughout her entire history—across the seas to trade with foreign lands. The idea of Fortress America, a quasi-autarkic nation in which "millions and millions" of little boys and girls grow up to "screw[] in little, little screws to make iPhones"—all because the federal government has raised artificial economic barriers to international free trade—is anathema to the national spirit.[94] Likewise, an American Dream in which citizens are too poor to afford more than two dolls for their children to play with is a nightmarish vision of the nation's promise.[95] However much Trump invokes the men and women left behind by the creative destruction of modern economic life—whose hardship ought not to be handwaved away—the true Forgotten Man is the employee put out of work because his company has been hit hard by trade policy from faraway Washington, D.C. bureaucrats.[96]

Nor can this constitutional republic be reconciled to the idea that legislative powers are not, in fact, vested in Congress—but rather subject to the executive's whim. The cries of "No Taxation Without Representation!" meant that Americans would only accept the taxes enacted by their elected legislative agents. These cries ring back, in sentiment if not in verbiage, from the American Revolution to 17th-century colonials, the Englishmen who fought and died to overthrow the Stuart tyranny, the subjects of Edward I, and the barons who confronted King John at Runnymede, "the meadow, near Windsor, where Magna Charta was signed."[97] This, for the Americans and their English forefathers, was at the heart of the principle of the consent of the governed, from which all rightful political authority derives.

President Donald Trump has piloted the American ship of state into uncharted and dangerous waters. The protectionism of Trump's first year back in office has done much damage—cataloged above—but what the final three years of his term will bring remains uncertain. And yet, uncertainty is a perpetual fact of life—political life included. Markets are resilient, and Americans have never shied away from plunging headfirst into the unknown and embracing the difficulties and opportunities it holds.

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