

By waging trade war, Trump has driven up prices while failing to revive manufacturing.



POLITICS & IDEAS

The Biggest Inflation Contributor: Tariffs

Donald Trump hasn't kept his promise to "defeat inflation." The consumer price index is up 3.7% in the past year. In September alone it rose by 0.6%, an annualized rate of 7.4%. During the final year of the Biden administration, by contrast, the CPI rose 2.9%. CPI

Year-over-year price increases in many categories have been eye-popping: 34% for gasoline and 74% for fuel oil, which powers trucks and farm equipment and heats homes. Prices rose 28% for computer software, 22% for airfares and nearly 13% for postage stamps. Staples such as coffee, fish and seafood also increased faster than the overall inflation rate, as did consumer electricity prices. Because wages rose more slowly than prices, average earners saw a reduction of 0.5% in their purchasing power last month. Corrected for inflation, average workers' wages haven't risen since Mr. Trump began his second term. Note

The news isn't any better if you look at producer prices, also known as wholesale prices. In September they rose by 1.3%, 2.6% for goods and 0.8% for services. Over the past year, the index rose by 6.3%, the largest 12-month increase since 2022, compared with 3.5% in the final year of the Biden administration.

What's going on? The Iran war's effect on gasoline and fuel-oil prices is well-known, but Mr. Trump's tariffs have played an even more important role. A new analysis from the Federal Reserve Bank of New York finds that for every percentage-point increase in average tariff rates, consumer prices rise by about 0.25% after one year.

By February 2026, several months after Mr. Trump raised tariff rates on much of the world, the bank estimates that these tariffs had added nearly 3 points to consumergoods inflation. Tariffs' effect on the goods price level eased to about 2 points by August, six months after the Supreme Court invalidated the emergency authority on which the president had relied for many of his tariffs.

If Mr. Trump hadn't increased tariffs, inflation since the beginning of his second term would have been much lower, workers would have seen real wage gains, and the playing field for the midterm elections would be more favorable for Republicans.

The president has long said that high tariffs would help restore the U.S. as a manufacturing powerhouse, a key step to restoring America's greatness. But the postwar economy, in which manufacturing employed roughly one-third of the country's nonfarm workforce, can't be restored. Although manufacturing output

has expanded modestly since Mr. Trump took office in January 2025, manufacturing employment has fallen slightly. By any reasonable calculus, the costs of the president's tariff policy have outweighed its benefits. Note

There is a rationale for using tariffs to oppose other countries' unfair subsidies for their domestic producers and to reduce the threat to national security that some trading relationships can produce. But to promote these objectives, the U.S. should use tariffs as a scalpel, not a sledgehammer.

Moreover, we should give appropriate weight to the geostrategic advantage of friendly neighbors. During his first term, Mr. Trump successfully renegotiated the North American Free Trade Agreement by replacing it with the U.S.-Mexico-Canada Agreement, which he hailed as the "most modern, up-to-date and balanced trade agreement in the history of our country, with

the most advanced protections for workers ever developed.” Since 2018, nothing has happened that would render this judgment obsolete.

A trade war with Canada and Mexico makes no sense whatsoever. The real threat to the U.S. and its allies is China, which uses state funds to subsidize its manufacturing sector and suppresses domestic demand to flood the world with cheap exports. China generated a record annual trade surplus of \$1.2 trillion in 2025 and is on track to surpass that this year.

Before the rise of MAGA, traditional Republicans understood all this. I suspect they still do but have been cowed into silence and acquiescence. It falls to Democrats to stand up for a trade policy that targets the real imbalances in our trade relationships and distinguishes between friends and adversaries. If traditional Republicans join forces with mainstream Democrats, they can create a trade policy that bolsters national security and serves the country’s long-term economic interests.

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