

*He says yes, but let's look at the evidence that voters feel.*



## Are Trump's Tariffs Winning?

### REVIEW & OUTLOOK

President Trump wants you to know his tariffs are working, and he took to our pages Saturday to make his case. We thought we owed him the opportunity after our criticism of his tariffs, and we'll pay him the additional compliment of parsing his claims.

Mr. Trump starts by torching a straw man—to wit, that critics were wrong to say tariffs would produce a recession. We can only speak for ourselves, but we never predicted that. We said tariffs are a tax that would hurt growth, but their overall impact would depend on whether tax reform and deregulation outweighed the tariff harm.

So far they have. Congressional Republicans last year spared the economy an enormous tax increase, and the Administration is taking aim at burdensome regulations. The artificial intelligence boom is boosting investment.

The question is: How much better would the economy be now without the tariffs and their on<sup>Note</sup>again, off-again imposition? Prices on many goods would be lower, for one thing. Tariffs don't cause general inflation, but they do raise relative prices. Mr. Trump says foreigners bear the costs of the import taxes. He claimed in his essay for us that researchers at Harvard had found that "foreign producers and middlemen, including large corporations that are not from the U.S." pay "at least 80% of tariff costs."

We published that claim because readers should know that's what the President believes, but the paper he cites says something different. In an updated version released after Mr. Trump wrote, the authors note that the "retail passthrough" of the tariffs has been 24%—a measure of the extent to which a given tariff rate feeds through to consumer prices, given that the cost of the good at the border is only one part of the final price. This passthrough rate is higher than under Mr. Trump's 2018-19 China tariffs.

But that doesn't tell the full picture of how the tariff cost is distributed. The Harvard economists note in the same paragraph that U.S. consumers are bearing up to 43% of the tariff burden, with U.S. companies absorbing most of the rest. That aligns with other research, such as a recent paper from Germany's Kiel Institute that found Americans pay 96% of the cost of tariffs. Foreign exporters either pass on the full cost of the tariffs to their U.S. customers, or they ship smaller quantities of goods.

Americans pay one way or the other—via higher prices or less choice. Mr. Trump admitted as much when he said last year that tariffs mean Americans might have to buy fewer dolls for their children at Christmas.

Mr. Trump also ignores that the tariffs he's imposing are a far cry from what he proposed. The rates he declared on "Liberation Day" created a market swoon that quickly caused him to back down and promise to negotiate 90 trade deals in 90 days. Some of those have been announced, and most of those are far below his "liberation" rates.

Mr. Trump also quickly made a major carveout for consumer electronics, including Apple's iPhones. His full or partial exceptions have since included bananas, coffee, cocoa, jet engines and rare-earth minerals. The President who promised to "drain the swamp" has flooded a new bog with lobbyists seeking tariff exceptions from the trade rep and Commerce Department. And be sure to bring your campaign checkbook. Perhaps this explains why global retaliation has been relatively mild, and thank goodness for that. Most trading partners have understood that if they sit tight, Mr. Trump might think better of some tariffs.

The big exception is instructive: China. Beijing called Mr. Trump's bluff with hefty retaliatory tariffs of up to 140% on American goods and a squeeze on rare-earth exports. The result has been a crisis for American soybean farmers who lost their Chinese market—cue hefty subsidies from Treasury—and a scramble by Mr. Trump to sue for trade peace without any behavior change from China.

Harder to quantify is the diplomatic cost of tariffs, as allies conclude the U.S. is an unreliable economic partner. Countries are rushing to negotiate new trade deals with each other without the U.S. China and Southeast Asian countries in October upgraded their previous trade agreement. The European Union and India have signed a free-trade agreement far more extensive than Mr. Trump's hurried "truce" with New Delhi. The Europe is trying to conclude a major agreement with Mercosur countries in South America. Over time U.S. companies will be at a disadvantage as they compete for foreign markets.

All of this for what benefit? Mr. Trump points to the rising stock market, which is true—but it tends to rise when Mr. Trump dials back a tariff threat, and fall when he issues a new one. The S&P 500 index nearly tumbled into a bear market in the days after Mr. Trump's April "Liberation Day" announcement of across-the-board tariffs. Stocks saw some of their biggest gains of the year on the days when he announced a pause on the China tariffs, and then a "deal" with Beijing. Tariffs are a market loser. Mr. Trump also says the tariffs are spurring investment into the U.S. (as a result of his "deals") and creating a manufacturing renaissance. Back in reality, manufacturing employment declined by some 63,000 jobs in 2025 despite a modest boost early in the year, thanks to reductions in every month after Liberation Day. Some companies have little choice other than to build plants in the U.S. to avoid tariffs, but look for much of that work to be automated. Small U.S. manufacturers in particular have been hurt by higher costs for foreign components that make them less competitive.

Mr. Trump boasts about higher American steel output relative to Japan as a result of tariffs. But employment in steel production has barely budged during his year in office, and employment in industries that use steel such as auto manufacturing is declining.

Higher tariff costs imperil the investments of which Mr. Trump is so proud. Volkswagen's chief executive recently warned that his company may ditch plans for a new Audi plant in the U.S. You can't blame him, when his supply chain would be vulnerable to willy-nilly tariffs.

Voters elected Mr. Trump to revive economic growth and tame inflation. His biggest successes have come despite his tariffs, not because of them. He isn't going to repeal them. But if he froze them in place now and declared victory, he'd have a better chance of persuading Americans that he's fulfilling his promise.

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