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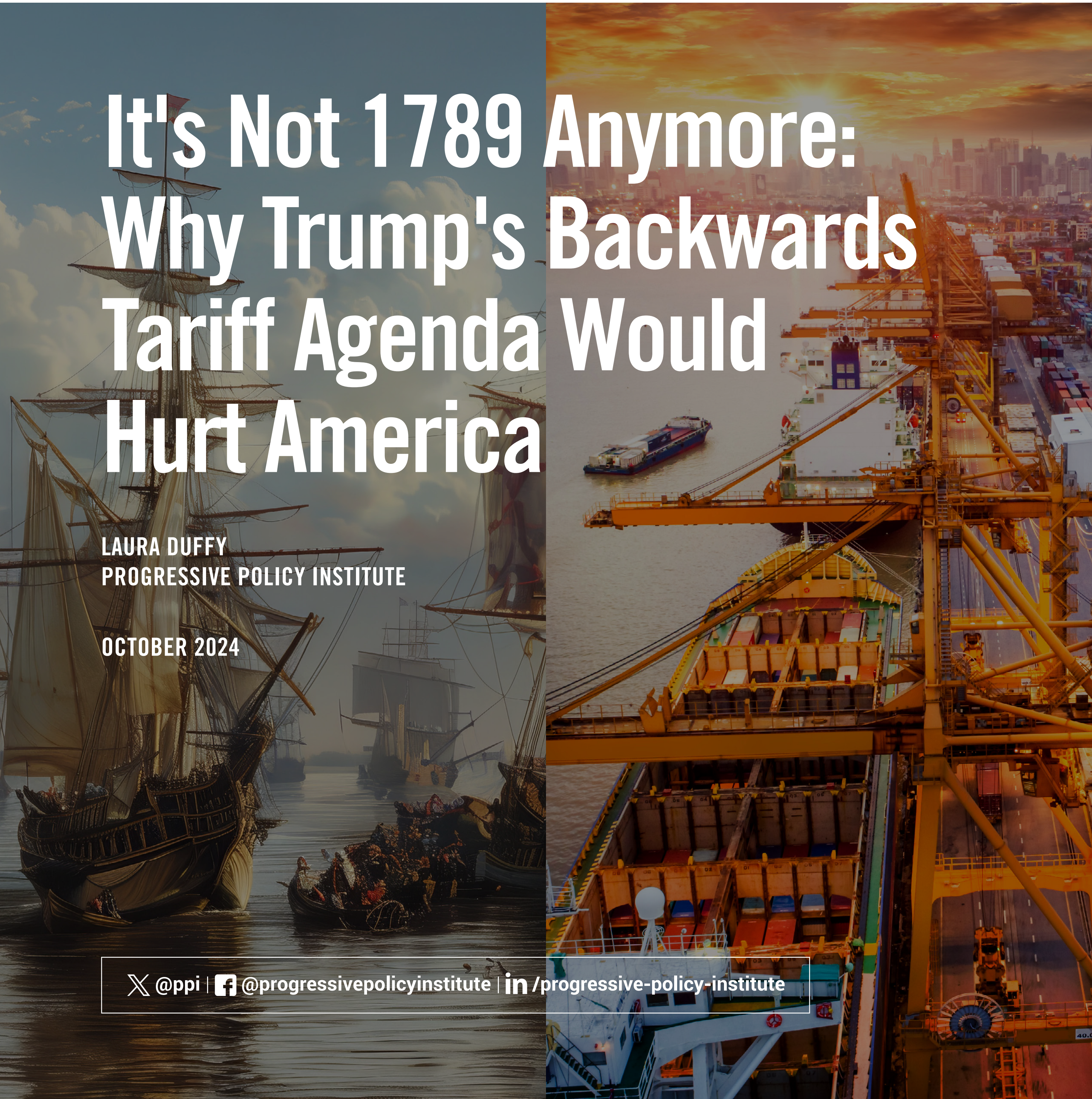

It's Not 1789 Anymore: Why Trump's Backwards Tariff Agenda Would Hurt America

LAURA DUFFY
PROGRESSIVE POLICY INSTITUTE

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INTRODUCTION

> *"[W]e should find no advantage in saying that every man should be obliged to furnish himself, by his own labor, with those accommodations which depend on the mechanic arts, instead of employing his neighbor, who could do it for him on better terms."*
>
> — James Madison[1]

In a stark break from nearly a century of fiscal and trade policy, former president Donald Trump has made imposing significant import tariffs a central part of his policy agenda for a second term. At various times, he has campaigned to put a 10% to 20% tariff on all imports and a 60% tariff on goods from China, and he has even speculated about completely replacing the income tax with tariff revenue.[2] If he were elected and made good on these promises, the average tariff rate would soar to levels not seen since Congress imposed the Smoot-Hawley Tariff of 1930.[3]

Though Trump's proposals to base the tax system on tariffs have been virtually unheard of in the post-World War II era, debates over tariffs are as old as our country itself. During the 18th and 19th centuries, when the federal government's obligations were dramatically smaller than today, tariffs were indeed the major source of tax revenue. Contrary to Trump's claims that imposing Depression-Era level tariffs will restore America to a supposed former state of greatness, leaders of the past long recognized the weaknesses of relying on tariffs for revenue, and their concerns offer valuable lessons today. In particular, tariffs:

1. Fail to raise enough revenue to finance a modern federal government
2. Are especially non-transparent taxes that invite preferential treatment
3. Undermine equity by imposing arbitrarily unequal tax burdens on different households
4. Cause damage to downstream industries and the economy as a whole

As a result of these weaknesses, the United States (in line with every other advanced economy) largely abandoned tariff-heavy fiscal policy by the mid-20th century to facilitate the federal government's expanding socioeconomic goals and greater role in the world. Revisiting the contentious history of tariffs in the United States — going all the way back to the Tariff Act of 1789 — reveals why Trump's promise to return to using tariffs as a basis of tax policy would severely undermine the United States' fiscal stability, tax fairness, and economic growth today.

HISTORICAL BACKGROUND: THE TARIFF ACT OF 1789

In 1789, the Constitution had just been ratified, and the fledgling U.S. government faced a struggle to weather its first decade of existence. In particular, it needed to establish a source of revenue that could both pay off the debts it owed from the Revolutionary War and, going forward, pay for the costs of running the government.[4] Moreover, its mechanism for raising revenue had to be simple, as the weak central government lacked a well-developed bureaucracy to efficiently calculate and levy taxes on people's incomes over its vast nation.

Then-Congressman James Madison proposed a relatively straightforward tariff system to quickly raise revenue: an even 5% *ad valorem* tariff on nearly all imports, with some minor exceptions for a handful with pre-existing tariffs (mostly on spices or imported beverages) and imports on ships owned by Americans or trade partners.[5] In this simple measure, he wished to raise revenue quickly but also maintain that commerce be as "free as the policy of nations will admit."[6]

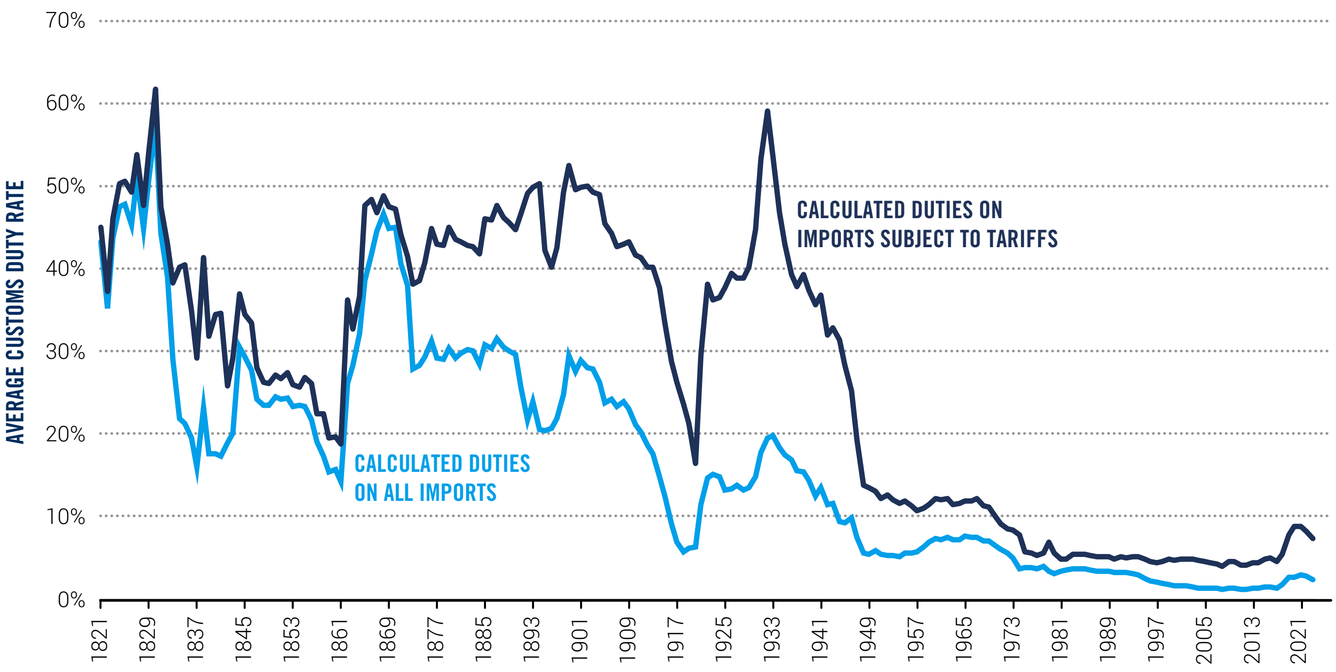
But when Madison introduced this measure, other Congressmen, such as Representative Hartley from Pennsylvania, had much broader ambitions. Instead of limiting Congress' purview to raising revenue alone, he wished the Tariff Act to actively promote nascent domestic industries, for it is "the policy of every enlightened nation to give their manufacturers that degree of encouragement necessary to perfect them."[7] Given there were to be differential tariffs applied to any goods, Hartley argued that the "fostering hand of the General Government should extend to all those manufactures which will tend to national utility."[8]

Madison recognized that the revenue-raising capacity of tariffs was limited and fundamentally in tension with the desire to use them as a protective mechanism. Accordingly, he warned his fellow Congressmen that revenue raising and protectionism "ought not to be too confusedly blended."[9] That is, if a tariff is low, then domestic consumers will choose to continue to import goods and pay the tax. This successfully raises money but does nothing to help domestic industry. Conversely, if a tariff is so high that consumers do switch to purchasing domestically produced goods at higher prices, then it has failed to raise revenue for the government.

Ultimately, Congress needed to raise revenue, so after much debate, compromises were made, and a litany of protective tariffs was added onto Madison's original framework. The Tariff Act of 1789 that was eventually passed had dual purposes: to pay for "the support of government [and] the discharge of debts of the United States," the act levies an *ad valorem* tariff of 5% on a majority of imports.[10] But to promote the "encouragement and protection of manufactures," Congress singled out nearly a hundred other specific goods whose duties would deviate from the 5% baseline.[11] Among these protective tariffs included duties on hemp and cordage (used in shipping); ale, porter, and beer; shoes and boots; nails, spikes, and tacks; and many more items produced in particular states (see the Appendix for a full list of items and rates).[12]

Congress would revise the tariff code several times in the coming decades.[13] For the next hundred years, average tariff rates would remain significant — reaching even as high as 57% on all imports **(Figure 1)**. But everything began to change in the early 20th century, starting with the 16th Amendment to the Constitution, which permitted the federal government to impose an income tax. Then, in the wake of World War II, promoting international trade became an important facet of the United States' expanded economic and political role on the global stage.[14] By this point, the problems with relying on tariffs for both fiscal and industrial policy already evident in 1789 had become simply unworkable.

FIGURE 1: AVERAGE DUTIES ON IMPORTS AS A SHARE OF IMPORTS FOR CONSUMPTION



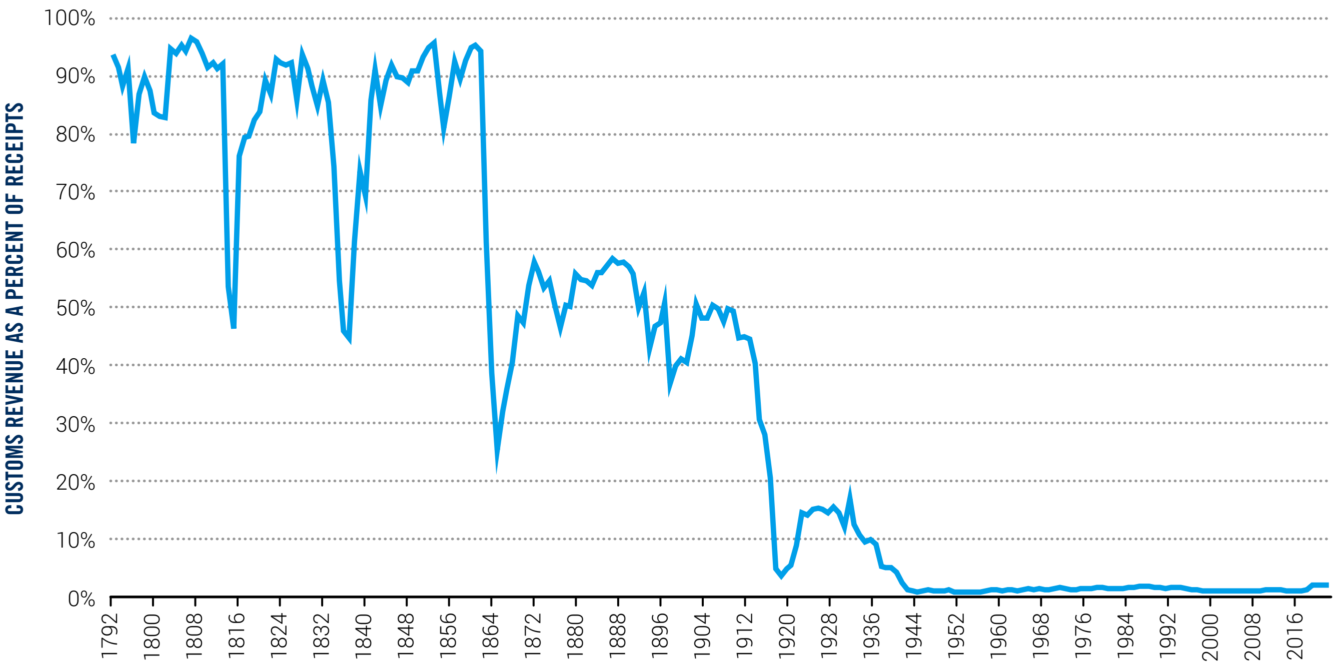
Note: Data on imports and customs revenue after 1970 came from the U.S. International Trade Commission. Prior years' imports and customs revenue data come from the Federal Reserve Bank of St. Louis and the Census Bureau.

Sources: Federal Reserve Bank of St. Louis,[15] United States International Trade Commission,[16] and PPI calculations.

PROBLEM #1: TARIFFS ARE INADEQUATE TO FINANCE A MODERN FEDERAL GOVERNMENT

In 1789, tariffs were a relatively administratively simple way to raise revenue for the U.S. government: there were only so many ports bringing in imports, so taxes could be collected without the need for a large government agency. Accordingly, before the Civil War, the federal government financed 85% of its total spending with customs duties and fees **(Figure 2)**. (The other 15% of revenue came from internal sources like excise taxes.)[17]

FIGURE 2: FEDERAL GOVERNMENT CUSTOMS REVENUE AS A SHARE OF RECEIPTS

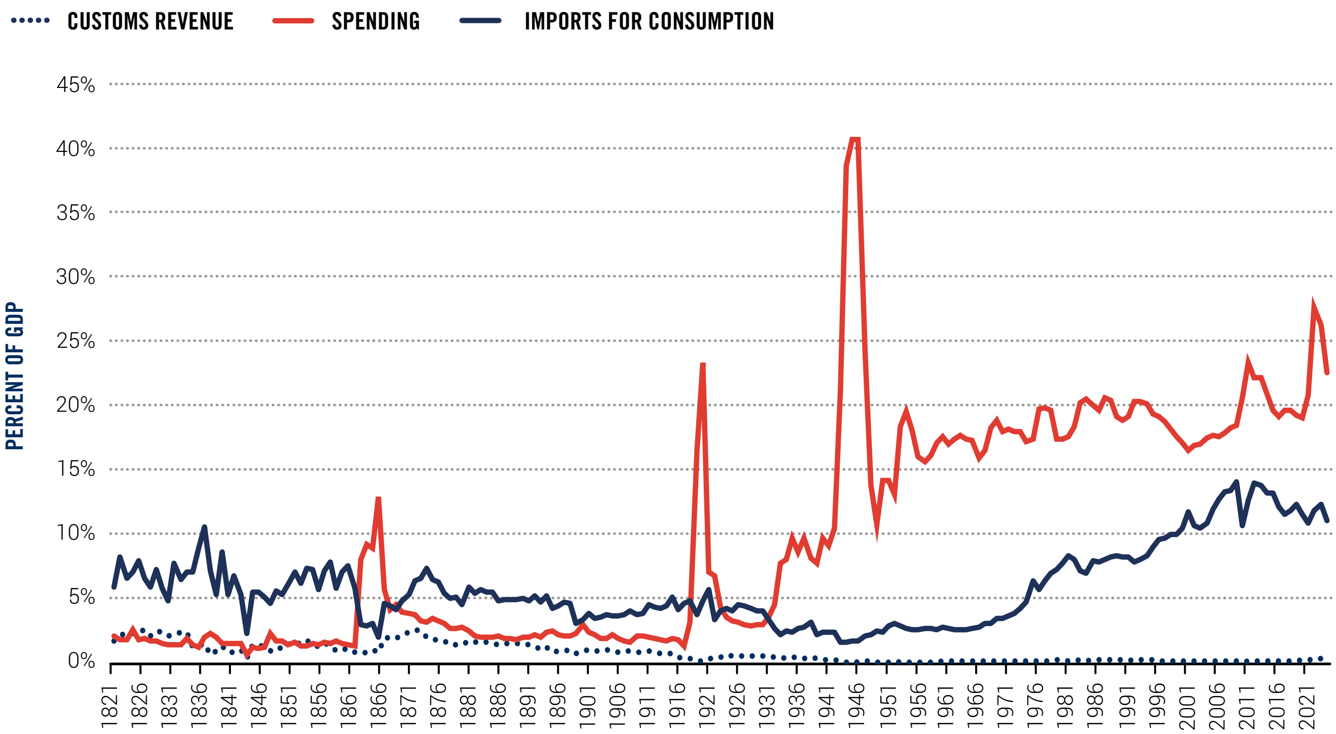


Note: Total revenue data before 1929 comes from the Federal Reserve Bank of St. Louis and the Census Bureau, whereas revenue data in 1929 and after comes from the Office of Management and Budget. Customs revenue data up to 1939 came from the Federal Reserve Bank of St. Louis and the Census Bureau, whereas customs revenue data after 1939 came from the Office of Management and Budget.

Sources: Federal Reserve Bank of Saint Louis,[18] Office of Management and Budget,[19, 20] and PPI calculations.

Aside from expediency, the chief reason that tariffs could finance almost all government spending in this early era was that our expectations of the federal government were very small relative to economic output compared to today. Between 1821 (the first year for which import volume data is available) and 1860, the average annual spending of the federal government was only about 1.7% of estimated gross domestic product (GDP). During that period, imports for consumption as a percent of GDP were about four times higher on average **(Figure 3)**. Even with this minimal spending, tariffs had to be quite high to cover government spending — the average annual tariff on dutiable goods was 35%, for an overall average tariff rate of 29%.

FIGURE 3: UNITED STATES FEDERAL SPENDING, IMPORTS, AND CUSTOMS REVENUE



Note: GDP data before 1929 are estimates made by the MeasuringWorth project, whereas data in 1929 and after comes from the Bureau of Economic Analysis (after the National Income and Product Accounts were established). Office of Management and Budget data were used after 1928 for spending and after 1939 for customs revenue. Data on imports after 1970 came from the U.S. International Trade Commission. Prior years' spending, imports, and customs revenue data come from the Federal Reserve Bank of St. Louis and the Census Bureau.

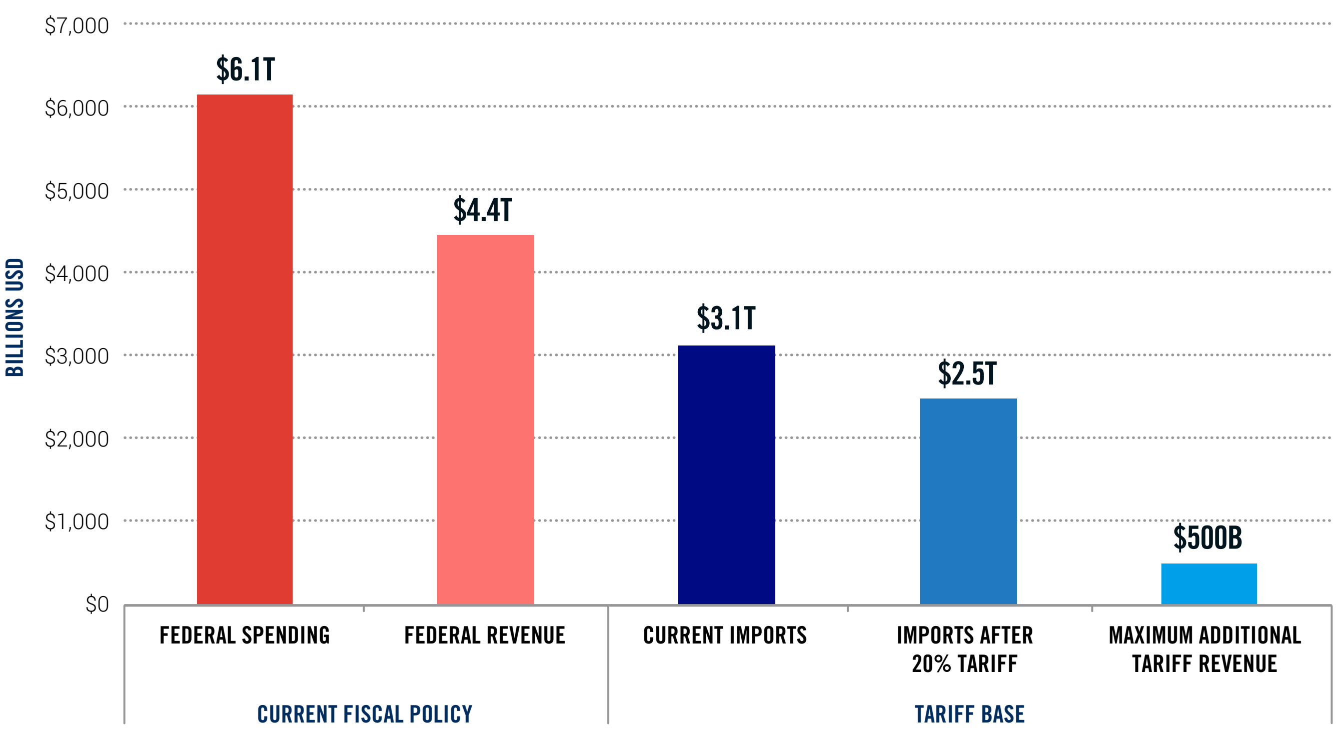
Sources: MeasuringWorth,[21] Office of Management and Budget,[22, 23] Federal Reserve Bank of St. Louis,[24, 25, 26] U.S. International Trade Commission,[27] Bureau of Economic Analysis,[28] and PPI calculations.

By contrast, in 2023, the federal government spent $6.1 trillion (22.7% of GDP), far more than the $3.1 trillion in goods the United States imported.[29, 30] Over 70% of this spending went towards interest on the debt and mandatory programs, such as Social Security and Medicare, that did not exist even a hundred years ago — let alone at the founding — when supporting elderly and vulnerable Americans was not a core expectation of the federal government.[31]

Relying on tariffs to both finance today's spending and protect domestic industries becomes even more infeasible when considering that imports are highly "elastic," or responsive to changes in price. The Peterson Institute for International Economics estimates that a one percentage point increase in the tariff rate could feasibly lower imports by roughly one percentage point, putting the revenue-maximizing rate at 50%.[32] The average tariff rate was already around 2.6% in 2023, so even assuming perfect tax compliance, a revenue-maximizing global tariff could have only brought in around $780 billion in 2023.[33, 34]

Likewise, imposing a global tariff of 20% on top of all goods as candidate Trump suggests could have only raised up to $500 billion in 2023 under similar assumptions, and likely less when considering noncompliance and the economic harms caused by the policy **(Figure 4)**. In comparison, the federal government raised just under $2.2 trillion in income taxes in 2023.[35] As such, Trump's proposed tariff could not even pay for the over $10 trillion in income tax cuts and spending increases Trump has promised over the next decade — let alone replace the income tax entirely — without blowing a hole in the (already unsustainable) federal budget.[36]

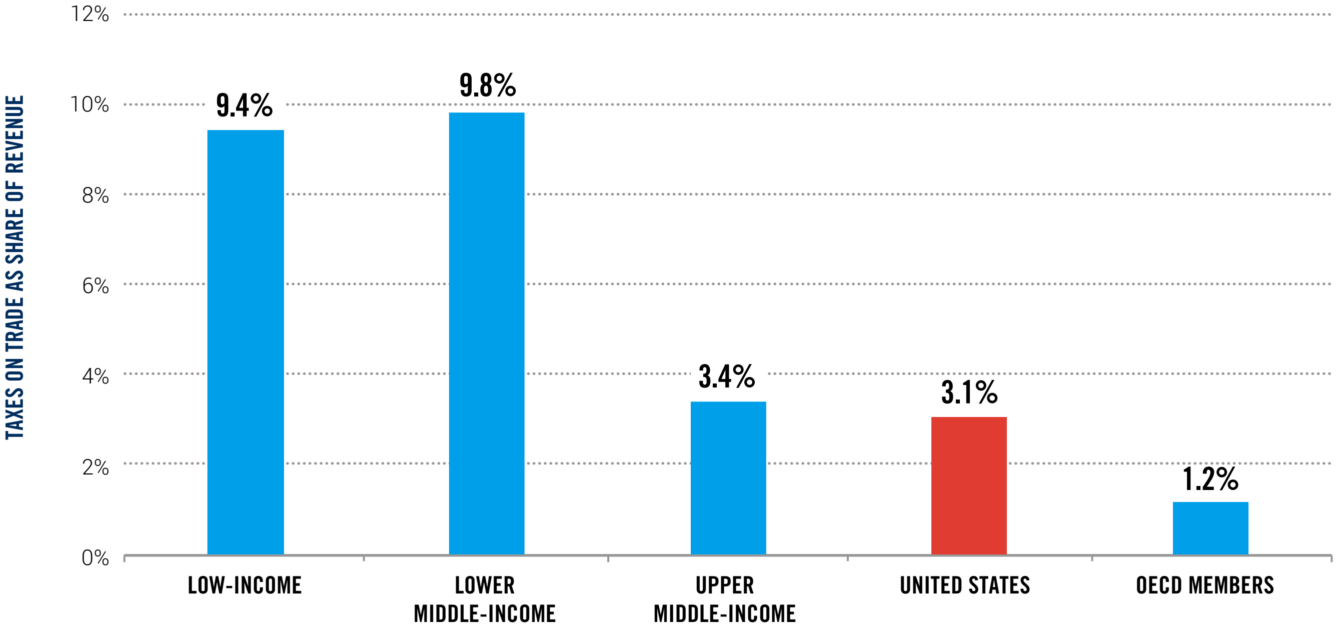
FIGURE 4: FEDERAL SPENDING VS. REVENUE FROM A HYPOTHETICAL 20% GLOBAL TARIFF, 2023 IMPORTS



Sources: Tax Foundation,[37] Congressional Budget Office,[38] and PPI calculations.

Moreover, the United States' decision to move away from tariffs as a major source of revenue as its economy and tax collection capabilities advanced mirrors the fiscal policy of every other advanced economy on Earth. For instance, in 2022, taxes on trade comprised a weighted average of 1.3% of revenues collected by the 27 European Union members.[39] By contrast, the countries that still rely upon tariffs and other taxes on trade for a significant portion of their revenues tend to be much poorer, have more unstable political systems, and/or have lower state capacity than the United States **(Figure 5)**.[40] According to the International Monetary Fund, taxing income or consumption in these economies is difficult for several reasons, including: workers are often paid in cash, money is spent at small stores that don't keep detailed records, and the government doesn't have enough trained personnel or technology to administer taxes over the entire nation.[41] As a result, levying tariffs at a few border entry points is often a more administratively feasible way to collect revenue in developing countries.

FIGURE 5: MEDIAN TAXES ON TRADE AS SHARE OF REVENUE (EXCLUDING TRUST FUNDS) BY LEVEL OF COUNTRY DEVELOPMENT



Note: These data from the World Bank do not include dedicated sources of revenue that go into trust funds. Country income classifications are defined by the World Bank and International Monetary Fund by Gross National Income (GNI) per capita. In 2024, low-income countries are those that had GNI per capita of $1,135 or less in 2022, lower middle-income countries had GNI per capita of $1,136 to $4,465 in 2022, and upper middle-income countries had GNI per capita of $4,466 to $13,845 in 2022. Data are from the most recent year available: 2020 for low-income countries; 2021 for lower middle-income countries; 2022 for upper middle-income countries, the United States, and members of the Organisation for Economic Cooperation and Development. The International Monetary Fund defines taxes on trade as "import duties, export duties, profits of export or import monopolies, exchange profits, and exchange taxes."

Source: World Bank.[42, 43]

By contrast, modern America has the capacity to raise revenue efficiently through having employers withhold taxes and individuals file tax returns overseen by the Internal Revenue Service. As such, returning to tax collection methods common in much smaller and less-developed nations, like the Bahamas, Ethiopia, or the United States of the 19th century, would be highly undesirable and inefficient. Equally importantly, doing so would undermine basic notions of tax transparency and fairness that the United States have evolved over the past two centuries.

PROBLEM #2: TARIFFS ARE ESPECIALLY NON-TRANSPARENT TAXES THAT INVITE PREFERENTIAL TREATMENT

In the debates over the Tariff Act of 1789, what started out as a relatively simple system ballooned into an extremely complicated patchwork of dozens of differentiated duties (see Appendix). For example, distilled spirits were generally taxed at a rate of 8 cents per gallon, but if they were from Jamaica, they were taxed at a rate of 10 cents per gallon. Wax candles were taxed at 6 cents per pound, four cents higher than tallow candles. Buttons and clothing were taxed at 7.5% *ad valorem*, but shoe buckles were taxed at 10% *ad valorem*. Twelve different tariffs were applied to teas according to country of origin and type. Tariffs on silk slippers were 10 cents a pair, in contrast to 50 cents for boots and 7 cents for leather galoshes. The list goes on.[44]

Tax policy experts typically agree that a good tax system is simple and transparent.[45, 46] But the seemingly inevitable political tendency to use tariffs for protectionism makes them an especially opaque form of taxation that facilitates political favoritism over democratic accountability. Today's tariff code has over 11,000 different rates based on product type, composition, and country of origin — none of which show up on a receipt or pay stub. Moreover, the ability of presidents like Trump to use their executive authority to impose new tariffs means that these taxes can suddenly change. All these complexities are such that few policy experts — let alone ordinary consumers and voters — can reasonably tell how much they're paying in import taxes when they make decisions at the grocery store or ballot box. And because these significant information burdens make holding political leaders accountable for their impact on people's everyday lives difficult, trade policy then becomes susceptible to rent-seeking from affected industries who can keep easier track of policy changes and lobby for preferences.[47]

PROBLEM #3: TARIFFS UNDERMINE BASIC NOTIONS OF TAX FAIRNESS AND EQUITY

Relying on tariffs as a tax policy mechanism often comes at the expense of especially less politically powerful consumers, a reality not lost to Congress when debating the Tariff Act of 1789. Representative Bland from Virginia cautioned against strong protective tariffs by stating that "you lay a tax upon the whole community in order to put the money in the pockets of a few whenever you burden the importation with a heavy impost."[48] Representative Lawrence also cited equity when opposing a high tariff on molasses, stating: "In some parts of the United States this article is used as a necessary [sic] among the poorer classes of citizens, consequently if you tax it high you unequally burden that part of the community who are least able to bear it."[49]

Economists agree that consumers ultimately bear a substantial share of the burden of tariffs in most cases.[50] When a tariff is imposed, foreign producers often do not lower the price of their exports to entirely offset the new tax. So, if consumers (either businesses or individuals) continue to buy imported goods subject to tariffs, then they pay higher prices, and the federal government collects some of the revenue. If consumers switch to buying a domestically produced alternative, then the protective tariff creates an incentive for domestic producers to charge higher prices like the competition is forced to do. Either way, tariffs increase prices for domestic consumers, rather than being paid fully by foreign exporters.[51]

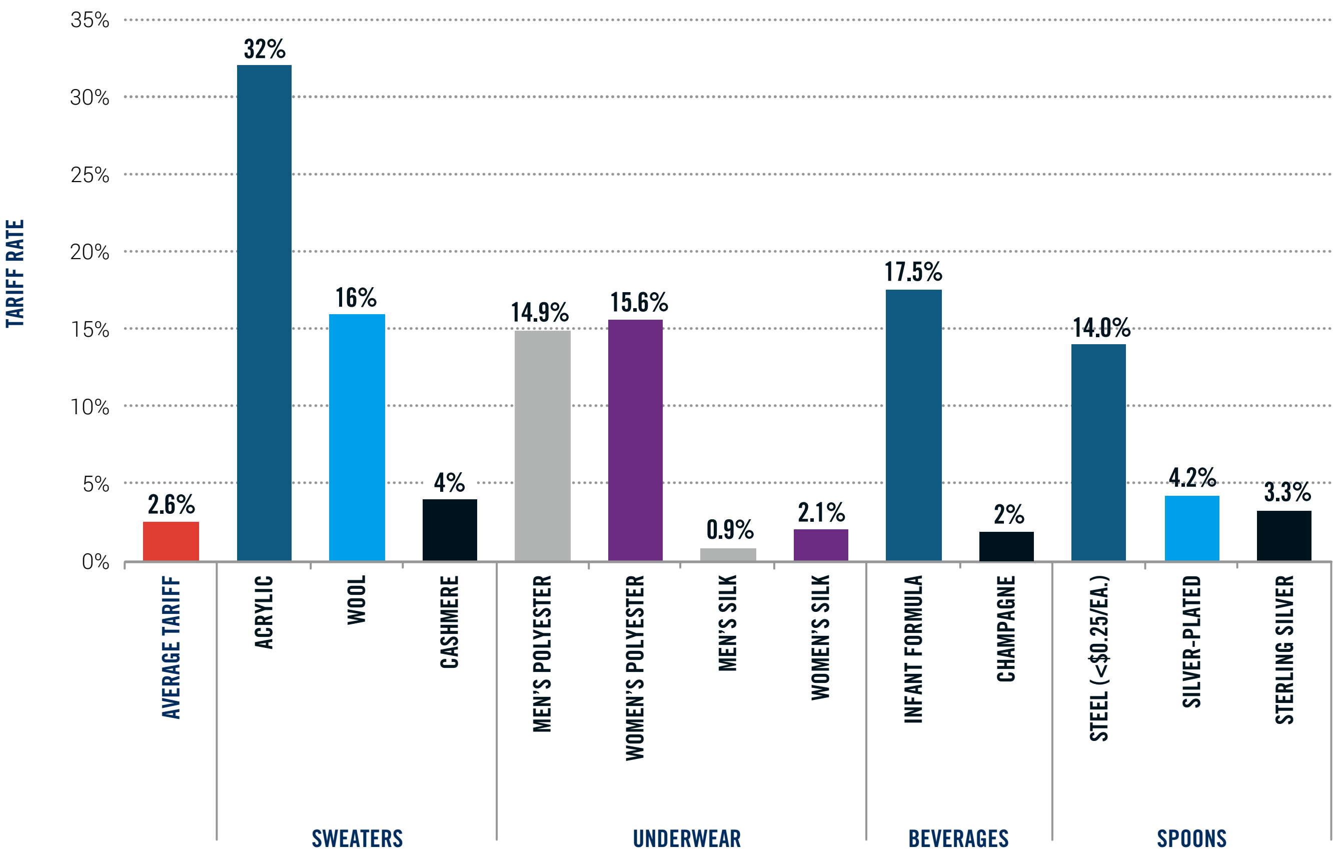
As a result, tariffs can create significant inequalities in tax treatment between households that have similar incomes but consume more or fewer imported goods. Additionally, research suggests that lower-income households spend a higher proportion of their incomes on imported goods, whereas higher-income households spend more on domestically produced services.[52] As such, beyond arbitrarily taxing households with similar incomes differently based on what kinds of goods they buy, imposing a blanket tariff of 10 to 20% would likely be quite regressive.[53]

Additionally, from the Tariff Act of 1789 to today's 11,000-plus line-long Harmonized Tariff Schedule, tariffs rarely are applied equally across the board and can last far longer than they provide protection.[54] Take clothing: The United States in the 21st century imports about 97% of its clothes. Nevertheless, clothes face some of the highest trade-weighted tariffs of around 13%, a rate far exceeding the average tariff rate on all other imports.[55] Some families — particularly households with kids — spend a greater share of their incomes on clothing than others and would be disproportionately hit by a higher tariff on these goods.[56] Clothes are just one example that illustrates how easily tariff policy can evolve into a patchwork of taxes that impose higher burdens on some households while having a very minimal protective impact.[57]

Even more egregious, the Harmonized Tariff Schedule is littered with provisions that explicitly tax cheaper items and necessities at higher rates than luxury items in the same category **(Figure 6)**.

For instance, infant formulas face tariffs of 17.5%, compared to 2% for sparkling wines. Sweaters made of affordable acrylic face a tariff of 32%, compared to 4% for those made of cashmere. Most poetically, tariffs on cheap steel spoons are 14% but those on silver spoons are only 3.3%. These layers of inequality can combine to impose particularly strong tax burdens on those with the fewest means or access to political influence.

FIGURE 6: TARIFFS IMPOSE DISPROPORTIONATELY HIGH BURDENS ON GOODS PURCHASED BY WOMEN AND WORKING FAMILIES



Sources: United States International Trade Commission[58] and PPI calculations.

PROBLEM #4: TARIFFS CAUSE DAMAGE TO DOWNSTREAM INDUSTRIES AND THE ECONOMY AS A WHOLE

Since these early days of U.S. history, one of the most important objections to using tariffs as an economic or tax policy has been that protecting certain favored industries comes at great expense to others, and the economy overall. Though he acknowledged there can be exceptions, Madison himself argued against strong protectionism, saying "if industry and labor are left to take their own course they will generally be directed to those objects which are the most productive, and this in a more certain and direct manner than the wisdom of the most enlightened legislature could point out."[59]

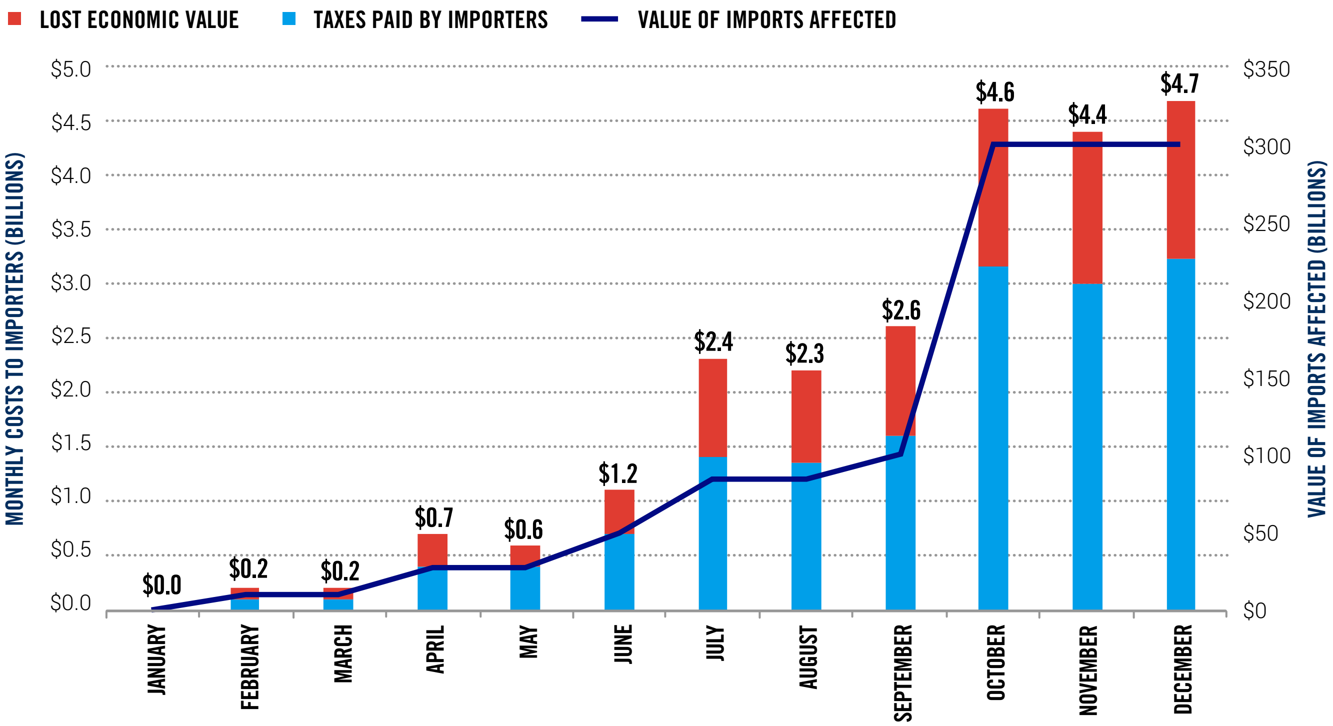
Some industries are affected by tariffs by having to pay higher input costs. During the negotiations over the Tariff Act of 1789, one particular sticking point for some was the tariff on molasses. Originally set at six cents per gallon, the tariff on molasses eventually got negotiated downwards to five cents, then 2.5 cents in the Senate, after a substantial outcry from New England Congressmen. Their reasoning? Molasses was a key ingredient in manufacturing rum, so taxing it would harm New England's industry.[60, 61]

Recent experiences with Trump's tariffs on steel and aluminum paint a similar picture of the economic costs of tariffs for businesses that use affected imports as manufacturing inputs. In 2018, former President Trump imposed a sweeping 25% tariff on most steel imports and a 10% tariff on most aluminum imports.[62] A 2023 study by the International Trade Commission (ITC) found that "importers bore nearly the full cost of these tariffs," and consequently steel and aluminum imports fell by 17% and 19%, respectively.[63] The ITC's models showed that these tariffs did successfully boost the United States' domestic steel and aluminum production by approximately $2.3 billion by 2021. But this increased production came at an even greater cost of $3.5 billion in lost output during the same year from downstream industries that produce high-value goods like machinery, auto parts, and tools.[64]

In addition to imposing higher input costs on businesses, export-oriented industries, like agriculture, have long been especially harmed by tariffs. For one, by reducing demand for foreign goods, tariffs also reduce the demand for the foreign currency used to buy those goods. This in turn makes the dollar more valuable and United States exports more expensive (and less attractive) in foreign markets.[65] For example, in the debate over the Tariff Act of 1789, some Representatives opposed the tariff on molasses because it would lower demand for American fish in the West Indies, a particularly important market for molasses importers and fish exporters alike.[66] Additionally, other countries often impose retaliatory tariffs that worsen the market for American-made goods.

Because of these multifaceted impacts on exporters, representatives from agricultural areas were an important part of the coalition that successfully pushed for tariff reform and income taxation in the early 1900s. And these impacts on exporters are just as real today: for instance, amidst President Trump's trade war with China in 2018, American soybean exports to China fell by 75%.[67] Trump chose to partially offset these costs imposed on farmers with $28 billion in subsidies, which gave away most of the additional revenue his tariffs took from American taxpayers.[68, 69]

FIGURE 7: MONTHLY COST TO IMPORTERS FROM TRUMP'S TRADE WAR, 2018



Note: The dark blue line and right axis represent the monthly value of imports subject to Trump's 2018 tariffs, which came in several "waves" over the year as his trade war escalated. As a result, the total monthly cost of Trump's 2018 tariffs for American importers mounted with each tariff wave. Approximately two-thirds of this additional cost was captured by the U.S. government as tax revenue (light blue). However, about one-third of the cost to importers was simply lost economic value (red) as a result of the tariffs' effects on downstream industries and consumers. The estimates of the deadweight loss (lost economic value) of Trump's 2018 tariffs do not include the impacts of any foreign retaliatory tariffs imposed on American exports.

Source: Journal of Economic Perspectives.[70]

Economy-wide, all these negative effects mean that tariffs may — and often do — encourage investment in less productive sectors at the expense of consumers, workers, and other businesses. For instance, one study of the 2018 Trump tariffs found that the tariffs may even have caused manufacturing employment to *drop* in the United States because foreign retaliation and higher input costs cost more jobs than the protection from imports created.[71] Another found that, for every dollar raised in tax revenue, more than 50 cents of economic value were lost, even without counting the negative impacts of retaliation **(Figure 7)**.[72] The magnitude of these effects on employment and growth thus makes tariffs a particularly economically damaging form of taxation above and beyond their negative fiscal and distributional impacts.

THE MOVE TO INCOME TAXATION WAS A SIGNIFICANT PROGRESSIVE WIN

The inadequacy, inequity, and inefficiencies of tariffs were at the heart of why the United States eventually moved away from tariffs during the Progressive Era of the late 1800s and early 1900s. To win the Civil War, the federal government needed to ramp up spending as a share of GDP by about six-fold above pre-war levels.[73] Customs duties were raised, but trade could not keep up with the heightened expenditures, so in 1861 the United States' first income tax was passed.[74]

Though this first income tax was repealed a decade later and subsequent attempts to revive it in the 1890s were deemed unconstitutional, the momentum to overhaul the tax system was significant. For one, the rapid industrial expansion in the North brought economic prosperity to many manufacturers benefitting from protective tariffs at the expense of consumers. At the same time, low commodity prices rocked farmers who, being export-oriented, were already hit harder by tariffs. Seeking both greater justice and relief, Progressive Republicans and Democrat-leaning farmers joined forces in demanding a revision of the tariff system and a constitutional amendment to allow income taxation.[75]

In 1913, the 16th Amendment to the Constitution was passed, and the income tax that was established soon after permanently undercut the case for centering the tax system around tariffs. Woodrow Wilson, in his first inaugural address, emphasized the importance of this reform, stating in no uncertain terms that the current system of tariffs "cuts us off from our proper part in the commerce of the world, violates the just principles of taxation, and makes the government a facile instrument in the hands of private interests."[76] Between 1918 and 1920, the share of federal revenue that came from customs duties plummeted from above 40% pre-WWI to under 5% for the first time in United States history. The average tariff rate, too, fell to record-low levels, briefly reaching as low as 6%.

Protectionism would re-emerge in the 1920s when Congress passed the Emergency Tariff of 1921, the Fordney-McCumber Tariff of 1922, and the Smoot-Hawley Tariff in 1930.[77] Nevertheless, without a fiscal justification for tariffs, the political power of the pro-tariff constituency gradually eroded. The tide began to turn when Congress, eager to recover from the Great Depression and strengthen America's role in the world, passed the Reciprocal Trade Agreements Act in 1934. This landmark law empowered the President to negotiate trade agreements and served as a model for post-World War II trade negotiations, helping usher in a new era of American-led trade liberalization that largely continued for the next seven decades.[78]

Replacing tariffs with direct taxes on income was also a huge step in making American public finance both more rational and equitable — advances that Trump's tariff proposals would seriously undermine. Unlike tariffs, income taxes (or broad-based consumption taxes) can allow revenue to be raised without risking that people of similar means are arbitrarily taxed based on what types of goods they prefer to buy. Income taxation also, for the first time, allowed for a more comprehensive way to institute progressive taxation, or taxing people with higher incomes at higher proportional rates.[79] Doing so facilitated the redistributive and social welfare goals that became more important during the 20th century, and to this day, the U.S. income tax code is highly progressive.[80] Replacing income taxes (in whole or in part) with tariffs, as Trump suggests, would be a highly regressive and inequitable reversion in public policy.[81]

Rather than relying on tariffs, virtually all other developed countries, including Canada and all of those in the European Union, raise significant revenues through a different type of consumption tax known as a value-added tax (VAT). Producers pay a VAT on their total sales, but they can deduct the tax paid on the supplies they bought to create their product. And though the VAT is ultimately paid by consumers, a VAT that applies equally to most products (whether produced domestically or abroad) would be much less regressive than tariffs and wouldn't redirect investment towards certain industries. Rather than imposing tariffs under the guise of boosting the United States' competitiveness, PPI recommends the United States reorient the tax code around a value-added tax (offset by expanded refundable tax credits for lower-income families).[82] Doing so would raise revenue and reduce our unsustainable budget deficits in a much less economically destructive manner.[83]

CONCLUSION

The early debates over the Tariff Act of 1789 highlight the severe limitations of Trump's proposal to reinstitute tariffs as a major source of revenue. While tariffs were a necessary means of funding the fledgling nation, they became woefully insufficient as the United States developed and began providing a greater social safety net to American citizens. To meet these greater revenue needs, more equitable and efficient taxation systems, such as income taxes, replaced tariffs as the cornerstone of the United States' fiscal policy. Returning to tariff-heavy policies, as suggested by Trump, would be fiscally irresponsible and counterproductive.

Beyond their revenue-generating limitations, tariffs are extremely susceptible to lobbying from protected industries at the expense of other businesses, workers, and consumers. Finally, the distortionary effects of returning to pre-modern tariff rates would be extremely damaging to the American economy and undermine the strong wage and job gains the country has seen in the past three years. Other modern alternatives common in other countries, like value-added taxes, further demonstrate that there are better ways to raise revenue without the severely negative economic and distributional effects of tariffs.

ABOUT THE CENTER FOR FUNDING AMERICA'S FUTURE

Launched in 2018, the Progressive Policy Institute's Center for Funding America's Future works to promote a fiscally responsible public investment agenda that fosters robust and inclusive economic growth. To that end, the Center develops fiscally responsible policy proposals to strengthen public investments in the foundation of our economy, modernize health and retirement programs to reflect an aging society, transform our tax code to reward work over wealth, and put the national debt on a downward trajectory.

ABOUT THE AUTHOR

Laura Duffy is a Policy Analyst with PPI's Center for Funding America's Future. Prior to joining PPI, Laura was the Executive Research Coordinator at Rethink Priorities and a Community Organizer for Forward Montana in her hometown of Great Falls. She also served on the steering committee for the Center for New Liberalism, a grassroots organization that advocates for center-left policies that will create a more open and prosperous society. Laura graduated from the University of Chicago with a Bachelor of Science in Statistics.

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Appendix

DUTIES INCLUDED IN THE TARIFF ACT OF 1789 THAT DEVIATED FROM 5% AD VALOREM BASELINE[84]

GOODS	RATE
TEAS	• Bohea teas: 6c/lb (Chinese or Indian, on US ships), 8c/lb (European, on US ships), 15c/lb (other) • Black teas: 10c/lb (Chinese or Indian, on US ships), 13c/lb (European, on US ships), 22c/lb (other) • Hyson teas: 20c/lb (Chinese or Indian, on US ships), 26c/lb (European, on US ships), 45c/lb (other) • Other green teas: 12c/lb (Chinese or Indian, on US ships), 16c/lb (European, on US ships), 27c/lb (other)
OTHER DRINKS	• Ale, beer, porter: 5c/gal (in casks); 20c/doz bottles • Coffee: 2.5c/lb • Spirits: 8c/gal (non-Jamaican), 10c/gal (Jamaican) • Cider: 20 c/doz bottles • Wine: 18 c/gal (Madeira), 10 c/gal (other)
FOODS	• Fish: 50c/quintal (dried, smoked), 75c/barrel (pickled) • Cheese: 4c/lb • Cocoa: 1c/lb • Molasses: 2.5c/gal • Sugar: 1c/lb (brown), 3c/lb (sugar loaves); 1.5c/lb (other) • Salt: 6c/bushel • Malt: 10c/bushel
INPUTS	• Coal: 2c/bushel • Hemp: 60c/cwt • Cotton: 3c/lb • Cordage (ropes): 75c/cwt (tarred), 90c/cwt (untarred) • Nails: 1c/lb • Spikes: 1c/lb • Iron cables: 75c/cwt • Twine: $2/cwt. • Indigo: 16c/lb • Wool and cotton cards: 50c/doz • Unwrought steel: 56c/cwt

GOODS	RATE
SHOES	• Boots: 50c/pair • Silk slippers: 10c/pair • Leather: 7c/pair
HOME GOODS	• Soap: 2c/lb • Playing cards: 10c/pack • Tallow candles: 2c/lb • Wax candles: 6c/lb
TOBACCO	• Manufactured: 6c/lb • Snuff: 10c/lb
CARRIAGES	15%
ALL NON-TEA GOODS FROM CHINA OR INDIA ON SHIPS NOT BUILT IN THE U.S. OR OWNED BY U.S. CITIZENS	12.5%
SHOE BUCKLES, KNEE BUCKLES, CHINAWARE, STONEWARE, EARTHENWARE, GLASSWARE, GOLD LEAF, SILVER LEAF, GOLD LACE, SILVER LACE, GUNPOWDER, OIL PAINTS	10%
ANCHORS, BLANK BOOKS, BRUSHES, BUTTONS, CABINETWARE, CANES, WHIPS, CLOTHING, LEATHER GLOVES, GOLD PLATED WARE, SILVER PLATED WARE, HATS (BEAVER, FUR, WOOL, OR A MIXTURE), ROLLED IRON, IRON CASTINGS, JEWELRY, LEATHER, MILLINERY, WOOL MITTENS, PAPER, PEWTER PRODUCTS, SADDLES, TIN PRODUCTS	7.5%
POTASSIUM NITRATE, TIN INGOTS, TIN PLATES, LEAD, OLD PEWTER, BRASS, IRON WIRES, BRASS WIRES, COPPER PLATES, DYING MATERIALS, RAW HIDES AND FURS	Duty-free

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PROGRESSIVE POLICY INSTITUTE
1919 M Street NW,
Suite 300,
Washington, DC 20036

Tel 202.525.3926
Fax 202.525.3941

info@ppionline.org
progressivepolicy.org