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'ONLY YESTERDAY': COMPARING 'SMOOT-HAWLEY' IN 1930 WITH 'IEEPA' AND '232' IN 2025

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Thank you very much. I'm very honored to be here this afternoon and really thank Barbara and Bob for inviting me to talk with you today.

We have a very useful question here: as we think about the Trump administration's tariff increases this year and try to understand its likely impacts, economic modeling helps. Polling helps, as do reports from businesses and official data. But we have no recent experience with similar here or elsewhere. Is it possible then to draw lessons from the further past?

The last general U.S. tariff increase, the Tariff Act of 1930 — typically known as the "Smoot-Hawley Tariff" for its Congressional authors, Senator Reed Smoot and Rep. Willis Hawley — dates back 95 years. With some cautions I'll note in a second, I'd like to pose four questions that can help us compare them:

- What did these two tariff increases actually do?
- What problem did their authors believe they were trying to solve?
- How did they go about doing it?
- What were the results?

As Barbara mentioned, one of this year's surprises is the Commerce Department's decision last August to declare condensed milk and cream to be "steel or aluminum derivative products."[1] That's quite relevant here, as it helps to explain both some of the results the administration is getting and a contrast between its approach and that of Smoot, Hawley, and then-President Herbert Hoover. I'll come to it in a bit, but I want to start more generally, with a caution on context and a look at the nature of tariffs.

For the point on context: In preparing for this event, and wondering about the late-1920s world in which the Smoot-Hawley authors and President Hoover got started, I read Frederick Lewis Allen's 1931 book *Only Yesterday: A Brief History of the 1920s.*[2] It closes with an equivocal

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[1] See Edward Gresser, "Howard Lutnick Suggests Condensed Milk is Made of Metal," *Wall Street Journal*, September 24, 2025.

[2] Frederick Lewis Allen, Only Yesterday: An Informal History of the 1920s, Harper & Brothers, 1931; quotation at the close of Chapter 14.

thought about what the 1930s might bring: "The stream of time often doubles back on its course, but always makes for itself a new channel."

In that spirit, comparisons of the Smoot-Hawley bill and the Trump administration actions can be challenging: though the actions may be very similar, they might bring different results in different circumstances. The 2025 tariff increase, for example, began in a period of strong growth and low unemployment; that of 1930 hit eight months after the stock market crash of 1929 and the opening of the Depression. Trade, if you measure by GDP share, is a larger part of the early 21st-century economy than it was 95 years ago. And the real world of communications, logistics, and physical movement of cargo has changed drastically:

**** Telecommunications:*** The policymakers and businesses of the 1930s had no Internet and no social media – in fact, while drafting Senator Smoot's bill, the Senate was also debating whether it was wise to exchange old two-handed phones for rotary dialers – and though businesses had ready access to international telegraph communications and financial wires, even basic phone connections were rare and expensive until the 1950s.

**** Maritime trade:*** Almost every 21st-century "trade" story comes with a picture of a big container ship. There were no container ships in 1930 — the first launched in 1956 — nor any ro/ros to carry automobiles. The energy industry did use oil tankers, and agricultural exports could use large grain carriers, and flows of agricultural goods and resources dominated trade data. Trade in consumer goods and manufacturing outputs — about two-thirds of U.S. trade today — was much smaller. This, in part, was probably because tariffs were higher, but mainly because manufacturing and consumer-goods trade was slow and expensive, with goods traveling on break-bulk steamers that took weeks to load and unload by hand.

**** Air cargo:*** There was none. Hoover Airfield had opened in Washington in 1926, where Howard University Hospital is today, but mainly for short flights to Philadelphia. If you wanted to fly to Europe, your only choice was a berth on an airship, the *Graf Zeppelin,* which made three flights a year from a hangar in New Jersey.

CONTEXT: NATURE OF TARIFFS

Let's now move to tariffs, what they are, and what they're meant to do. To start with basics:

A tariff is a tax on purchases of goods from overseas, paid by the person or business who buys the product, receives it at the border, and writes the appropriate check to CBP. Example: A cotton T-shirt valued at $2 has a 16.5% tariff rate; the retailer pays 33 cents to CBP, and then marks up from $2.33 plus the transport cost to get the store price.

But though tariffs are fundamentally a form of taxation, governments can use them for many purposes: to limit import competition, to raise revenue, or — as the Trump administration has — to punish or pressure foreign governments. They can also be used at home to reward supporters and/or punish opponents and critics.

Whatever governments are using them for, though, tariffs also have big economic flaws well established in literature. As compared to other taxes, they are especially costly to the public, inequitable for businesses, and regressive.

Costly: Tariffs cost the general public more than most other taxes, not only because businesses pass their payments on to the public when they can, but because they encourage domestic producers of similar things to raise prices. For example, the average world price of steel this spring, according to the Commerce Department, was $440 per ton. In the U.S., with our 50% "national security" tariffs, it is $960.[3] So while the government has gotten about $5 billion from metal tariffs this year,[4] metal-using businesses such as automakers, construction firms, and machinery manufacturers are paying a lot more than that.

Inequitable: As taxes on purchases of physical goods, tariffs fall heavily on goods-using businesses such as retail, restaurants, manufacturers, farmers, and clinics; but lightly on services- and investment-centered businesses such as law firms, real estate, financial services, and media.

Regressive: Tariffs likewise will fall more heavily on low-income families than on upper-income families. This is because poor families spend more of their money on physical goods than rich families: 30% of an "average" American household's budget, 20% for a top-10% household above $250,000, but 40% for a single-mom family.[5] So a "flat" tariff, like the administration's 10% worldwide IEEPA tariff, hits the single moms harder than average, and twice as hard as the wealthy family.

In practice, real-world tariff systems are actually much more regressive than that, since tariffs virtually everywhere are highest on life necessities. U.S. rates spike for clothes and shoes — 48% on cheap sneakers, 32% for polyester shirts — while the EU, Japan, and China are lower on clothes and shoes but higher on food.

With that, let's move to the questions.

1: WHAT DID THEY DO?

First of all, what did Sen. Smoot and Rep. Hawley then, and the Trump administration now, actually do?

To start with a big similarity (though with the proviso that about half of the Trump tariffs will be getting a Supreme Court review next month), the 1930 tariff bill and the Trump administration's decrees created tariff rates that are very close.

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[3] "Steel Executive Summary," U.S. Department of Commerce, 2nd quarter 2025, p. 4, at https://www.trade.gov/data-visualization/us-steel-executive-summary

[4] "Trade Statistics," U.S. Customs and Border Protection, as of September 30, 2025, at https://www.cbp.gov/newsroom/stats/trade. Viewed October 13, 2025.

[5] Bureau of Labor Statistics, Consumer Expenditure Survey (2023 data), at https://www.bls.gov/cex/tables.htm

The U.S. International Trade Commission says the Tariff Act of 1930 left the Roosevelt administration in 1933 with a 19.8% trade-weighted tariff — up by about 6% from the 14.0% average under the previous 'Fordney-McCumber Tariff' of 1921, though levels of course varied by product.[6]

By comparison, as of September 26, Yale BudgetLab thought the Trump decrees produced a tariff averaging 17.9%, up from 2.4% in 2024 – that is, a jump of 15%[7]. For context, the EU's similar "weighted mean" tariff is 1.3%, China's 2.2%, and Japan's 1.6%. The countries with similar rates are small islands or least-developed countries: the Solomon Islands' 20.7%, Equatorial Guinea's 18.1%, or Chad's 16.8%. The first really big economy, India, shows up at 12.0%.[8]

So, both leave about the same tariff rate, but the Trump administration's jump to get there is much larger.

QUESTION 2: WHAT WERE THEY TRYING TO DO?

Then second, what problems were they trying to solve? Here, there are some differences of emphasis – my perception is that the Trump administration has more goals than Smoot and Hawley, or President Hoover, had in the 1930s – but the thinking overlaps noticeably.

Smoot-Hawley originated in Herbert Hoover's 1928 campaign pledges to raise farm tariffs and some manufacturing tariffs. Its name comes from Reed Smoot, a Republican Senator from Utah and Finance Committee Chair since 1923, and Rep. Willis Hawley, from Oregon, Ways and Means Committee Chairman since mid-1928, who, as Committee Chairs, managed the bill on the floor and (as was traditional in tariff legislation) put their names on it.

To put some human color to this, Hawley was a stocky, burly-looking individual and an intellectual: President of Willamette College at age 29, owned an original copy of Hugo Grotius' 17th-century international law compendium, and taught political science.[9] Smoot was more tall and thinner, and based on photographs had a kind of gloomy "undertaker" look. A journalist at the time said he "spoke with a dry holy passion for financial soundness," and during the Senate debate in 1930, he threatened to read passages from the D.H. Lawrence book *Lady Chatterley's*

[6] U.S. International Trade Commission, "U.S. Imports for Consumption, Duties Collected, and Ratio of Duties to Value, 1890-2024", at https://www.usitc.gov/documents/dataweb/ave_table.pdf

[7] Yale BudgetLab, "State of U.S. Tariffs: September 26, 2025", at https://budgetlab.yale.edu/research/state-us-tariffs-september-26-2025

[8] World Bank, "Tariff Rates, Applied, Weighted Mean, All Products," at https://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS?most_recent_value_desc=true . Viewed October 13, 2025

[9] "Two Booklovers and the Laws of War, Peace, and Tariffs", Doreen Simonsen, Willamette University Libraries, 2025, at https://library.willamette.edu/wordpress/blog/2025/05/12/two-booklovers-and-the-laws-of-war-peace-and-tariffs/

Lover, to show them how important it was to preserve the Customs Service's right to detect and censor indecent international mail.[10]

They lived in a different time — airships, radio, silent movies, two-handed telephones — but they thought in ways that are pretty familiar today. The Smoot-Hawley theory was a longstanding Whig and Republican doctrine dating to the 1820s: America as a high-wage country would lose in manufacturing competition with lower-wage countries. Hoover's 1928 platform phrased it this way:

> "[C]ertain industries cannot now successfully compete with foreign producers because of lower foreign wages and a lower cost of living abroad, and we pledge the next Republican Congress to an examination and where necessary a revision of these schedules to the end that the American labor in these industries may again command the home market, may maintain its standard of living, and may count upon steady employment in its accustomed field."[11]

The Committee reports and hearings preparing the actual — meticulously prepared — bill in 1929 follow this logic, with 43 days of hearings featuring all sorts of personalities, from rice millers and radio manufacturers to cigar-makers, labor union heads, watchmakers, and goldfish farmers. The watch guy points out how low Swiss wages are, the rice miller how low wages are for paddy farmers in Burma and Siam, and so on. Here is E.C. Shireman, then the head of the American Goldfish Producers Association:

> "In this country [America] the work is almost all done by hired labor. In Japan, the labor is produced by the man, his wife, and his family. Their labor costs are very low, and they depend almost entirely on natural food, that is, the minute crustaceans that breed in the water. We feed an average of 50 tons [of commercial fish-food] a week. These two items, labor and food, make it almost impossible to compete with the Japanese."[12]

The Trump tariffs have a variety of public motives. Some seem pretty different — in particular, neither Hoover, nor Smoot and Hawley, as far as I know, talked much about restoring the tariff as a main revenue source.

Some rhetoric is exactly the same, just with different numbers: U.S. Trade Representative Jamieson Greer, for example, views the gap between Vietnamese and American wage rates as creating unfairness:

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[10] "Banned! Lady Chatterley's Lover", J. Willard Marriot Library, University of Utah, 2021, at https://blog.lib.utah.edu/banned-lady-chatterleys-lover/

[11] 1928 Republican Party Platform, at https://www.presidency.ucsb.edu/documents/republican-party-platform-1928

[12] Quoted in Edward Gresser, *Freedom from Want: American Liberalism and the Global Economy*, Soft Skull Press, 2007.

> "The average monthly salary in Vietnam is about $340, while the average in the United States is $5,000. This pulls our factories to Vietnam."[13]

That would fit very easily into the Smoot-Hawley bill hearings. The administration's main theme is somewhat different: a trade deficit is evidence of 'unfairness' and discriminatory policies overseas, and tariff increases are meant to offset this. The main decree so far, Executive Order #14257, which imposes the 10% worldwide tariff and dozens of new rates for particular countries, reads as follows:

> "[L]ack of reciprocity in our bilateral trade relationships, disparate tariff rates and non-tariff barriers, and US trading partners' economic policies that suppress domestic wages and consumption, as indicated by large and persistent annual US goods trade deficits, constitute an unusual and extraordinary threat to the national security and economy of the United States … Permitting these asymmetries to continue is not sustainable in today's economic and geopolitical environment. [Therefore] I have declared a national emergency."[14]

Finally, in terms of what they hope to achieve, the administration often talks in vague slogans: "production society," "new golden age", and so on. Amb. Greer, at a Ways and Means Committee hearing in April, and speeches since then, has however, given a much clearer and more measurable definition of "success":

> "The deficit [i.e., trade balance] needs to go in the right direction. Manufacturing as a share of GDP needs to go in the right direction."[15]

So, Hoover and the bill authors in 1930 wanted less competition with lower-wage countries; the Trump administration in 2025 wants that, plus heavier reliance on tariffs for revenue, but especially lower trade deficits.

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[13] U.S. Trade Representative Jamieson Greer, "Opening Statement of Amb. Jamieson Greer Before the House Committee on Ways and Means", April 9, 2025, at https://ustr.gov/about/policy-offices/congressional-affairs/congressional-hearings-and-testimony/2025/opening-statement-ambassador-jamieson-greer-house-committee-ways-and-means

[14] Executive Order 14257, April 2, 2025, at https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/

[15] See video from House Ways and Means Committee April 9th "President's Trade Agenda" hearing, at 2:30: https://waysandmeans.house.gov/event/full-committee-hearing-on-the-trump-administrations-2025-trade-policy-agenda-with-united-states-trade-representative-jamieson-greer/; also Greer, "Remarks at the Reindustrialize Summit," July 16, 2025, at https://ustr.gov/about/policy-offices/press-office/speeches-and-remarks/2025/july/ambassador-jamieson-greer-remarks-reindustrialize-summit-detroit-michigan

QUESTION 3: HOW DID THEY GO ABOUT IT?

In sum, the actual tariff levels are similar, though the Trump administration's increase is much larger from one year to the next than Smoot-Hawley's. Their motivations overlap. The drastic difference is in the way they went about it.

In 1930, Congress passed a law. They held hearings in 1929, drafted bills and held markups that fall, debated on the floor in early 1930, and passed a "conference bill" in June of 1930, which President Hoover then signed. So, very much a regular order.

In 2025, the administration has used a series of Executive Orders and social media posts to create new tariff rates. Five of these Executive Orders create country-by-country rates under the "International Emergency Economic Powers Act," a law dating to 1974 meant to address sudden events like the outbreaks of wars or pandemics. Six impose product-by-product under "Section 232," a 1962 law authorizing presidents to "adjust" import levels for particular commodities to meet national security needs. All are being constantly revised and rewritten, so rates continually vary.

This is a profound contrast with the 1930 approach. No previous president had used these laws in such a way, and, in fact, no previous president ever claimed a right to set tariff rates personally. I'll come back to this, but one implication is that Trump's tariffs are legally fragile in a way Smoot-Hawley wasn't: they are more vulnerable to court challenge, and they can be overturned by any future president.

QUESTION 4: WHAT WERE THE REAL-WORLD IMPACTS?

Then question four: what was the result? This is obviously a speculative question. We know what followed the Tariff Act of 1930, and the question is how much the tariff increase contributed to it. For 2025, we have some early analysis of the impacts, but there will be a lot more information over the next year.

For 1930, economic historians generally believe the Smoot-Hawley Tariff was a bad idea that got bad results, though probably less bad than popular memory suggests. For example, Douglas Irwin notes that the Smoot-Hawley damage to trade flows was large, but since trade was not a very large part of the U.S. economy, the law's impact wasn't the core issue in the Depression experience:

> "The Smoot-Hawley Tariff did not cause the Depression … [but] made the Depression worse for the United States than it might otherwise have been" as foreign retaliation "diverted world trade away from the United States and made the economic recovery … more difficult." [16]

[16] Douglas Irwin, *Peddling Protectionism: Smoot-Hawley and the Great Depression*, Princeton University Press, 2011, pg. 183.

What might happen now? Economically, Mr. Trump inherited a high-growth, low-unemployment economy rather than one already in crisis, so that may limit the impact. On the other hand, we're somewhat more trade-reliant now — more exports for income, more use of imported parts and raw materials, more reliance on imports for consumer goods — which could mean a larger impact. In "macro" terms, the International Monetary Fund has a useful assessment this morning, in its October 2025 World Economic Outlook report:

> "Past experience suggests that it may take a long time before the full picture emerges. So far, the incidence of the tariffs seems to fall squarely on US importers, with import prices (excluding tariffs) mostly unchanged, and limited retail price increases. … [Overall] the tariff shock is further dimming already lackluster growth prospects. We expect a slowdown in the second half of this year, with only a partial recovery in 2026, and, compared to last October's projections, inflation is expected to be persistently higher. In the US, growth is weaker and inflation higher than we projected last year—hallmarks of a negative supply shock."[17]

In terms of distributional impacts, the tariff increase and accompanying tax bill last summer shifts some costs off wealthier households and onto lower-income ones. Yale BudgetLab's modeling suggests that this combination is likely to raise the count of Americans in poverty from about 7.3 million last year to 8.2 million.

At a more "structural" level, we can probably expect some longer-term changes in the economy. Again, tariffs are a tax on purchases of physical goods. So a high and prolonged tariff is likely to reduce American use of physical goods and shift the economy more toward services. To illustrate, we can look at the recent policy decision Barbara mentioned and a statistic.

The policy decision: Last August, the Department of Commerce declared condensed milk and cream to be "steel or aluminum derivative products." This was in response to an appeal from the National Aerosol Association, the people who make whipped cream canisters, perfume spritzers, mosquito repellent cans, and so on. They told the DOC that the "232" tariffs on metals make it impossible for them to compete with foreign rivals:

> "[P]roducers of metal aerosol packages in the US face increased prices for their key inputs … as tinplate steel, laminate steel, aluminum, and empty aerosol containers made from those metals are all subject to Section 232 tariffs. As a result, these U.S. industries are at a material disadvantage compared to foreign producers of empty and filled metal aerosol products, none of which face increased prices associated with Section 232 steel and aluminum tariffs."[18]

So the aerosol people and other metals users are struggling and seeking help. The Department of Commerce responded by declaring that condensed milk, along with perfume, bug spray, and, in

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[17] Gourinchas, Pierre-Olivier, "Global Economic Outlook Shows Modest Change Amid Policy Shifts and Complex Forces," IMF Blogs, October 14, 2025, at https://www.imf.org/en/Blogs/Articles/2025/10/14/global-economic-outlook-shows-modest-change-amid-policy-shifts-and-complex-forces

[18] National Aerosol Association, "Section 232 Inclusion Request", June 2025 amendment, at https://www.regulations.gov/document/BIS-2025-0023-0049.

different contexts, things like balance beams and home propane in tanks, are metal products and should also get 50% tariffs. So they will cost more (though some of the cost will be pushed off of aerosol manufacturers and onto bakeries, restaurants, gym clubs, and so forth), and people will likely buy less of them.

The statistic: The "manufacturing share of GDP" Amb. Greer referred to as a gauge of success was 9.8% in 2024, and has dropped to 9.4% this year.[19] So, to date, the tariff increase has not been increasing the size of the manufacturing sector, and is probably shrinking it.

CONCLUSION: LEGAL AND CONSTITUTIONAL IMPLICATIONS

Fundamentally, in an economic sense, if this stands, I'd expect some damage to growth, some additional tax regressivity, and probably a relatively smaller goods-using and goods-producing economy, though with some winners.

But I'm not sure economic consequences are the most important here. And so let me close by returning to the different ways the Smoot-Hawley authors and the Trump administration have raised tariffs.

Constitutionally, tariffs are a Congressional power. Per Article I, Congress's first "enumerated" power is to "Lay and collect Taxes, Duties, Imposts, and Excises," and the third is to "regulate Commerce with foreign Nations."

The second clause involves shades of grey and practical compromises: Presidents negotiate agreements, Congress approves or disapproves them. But the first is black and white. No president until now has ever claimed a right to set tariff rates himself whenever he wants. I doubt anyone in the Constitutional Convention ever imagined a president could do that, or envisioned one overriding legislated tax rates by declaring a state of emergency and trying to impose his own by decree.

The reasons for this are sound: if a single person can set tax rates, and change them whenever he or she likes, we're more likely to have instability of policy; every president would face a standing temptation to use tariffs in corrupt ways to punish foes and reward friends and so on, or even to solicit personal and family favors. Congress acting as a whole can also do those things, but it's much harder.

So that's the final contrast between the Tariff Act of 1930 and Mr. Trump's 2025 decrees. Smoot and Hawley were Members of Congress. Their bill got extensive debate and fair votes. Many at the time disliked it, and most since view it as a bad mistake, but it was constitutionally legitimate. The Trump administration may have reached a similar tariff rate (depending, of course, on the Supreme Court's opinion later this year), but — per Allen — though the course of time may be doubling back, it is doing so in a separate and quite different stream.

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[19] GDP by Industry Database, Bureau of Economic Analysis, Commerce Department, Q2 2025, at https://www.bea.gov/itable/gdp-by-industry. Viewed October 13, 2025.

The administration's path to this result is, in my opinion, a radical departure from the Constitutional approach to taxation, and I think it thus poses political-system risks far beyond the strictly economic risks his 95-year-ago predecessors took. Or, to highlight one particular decree, it is pretty comical to find the U.S. government declaring milk to be made of metal — but if the U.S. government can do this whenever it wants, it's also something to worry about.

Thank you very much.