

Funding the Future

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Tariffs will not liberate the USA. Most people will be a lot worse off. Their taxes will have risen. So too will inflation. Yesterday was madness day.

<https://www.youtube.com/watch?v=nwOrTz8Epgs?si=blgCP1Eg6w0qQn8d>

This is the audio version:

https://www.podbean.com/player-v2/?i=zdgab-186c93e-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

Tariffs only liberate the rich.

They do not, as Donald Trump would have it, liberate the USA from the burden of international competition. Nor do they provide it with a free source of revenue, which will reduce the tax burden in the USA. They don't do anything like that at all. In fact, tariffs will increase the price of a great many consumer goods inside the USA and in those countries who retaliate by imposing tariffs on products from the USA as well.

Why is that? Because tariffs are a charge made on an importer of goods, which they will inevitably have to recover by increasing their retail prices for whatever the product that they import is. It is as simple and straightforward as that.

So why do these tariffs only liberate the rich? That's for another very simple and

straightforward reason. The rich spend less on consumption goods out of their total available net income after tax than do those who are on lower income. This is obviously true.

There's a reason why the rich are rich, and that is that they have money left over at the end of week, month, or year.

Those who are on lower incomes, by and large don't. That's because they spend everything that they have on consumption, and if the rate of tax on consumption goes up, they will therefore suffer the highest overall rate of increase in tax as a consequence of the imposition of tariffs and the rich will suffer the lowest overall rate of increase in tax as a result of those tariffs, and therefore we will have a pure regressive tax as a result inside the USA, which is of course exactly what Trump and Musk and all his cohort want. They are passing the tax burden of the very richest in the USA onto the mass of people in that country.

And that is not by chance. I suggest that is entirely by design.

So, tariffs are not about liberation.

Tariffs are about putting impediments in the way of trade. You can argue that's a good thing if you want to reduce the volume of world trade.

You can argue that's a bad thing if you think that actually having access to goods and services at the lowest possible price, which is what trade theory suggests we should do, is a good thing.

But whichever way you look at it, tariffs are always going to be imposed most heavily on those with lowest incomes because they consume not only more out of their total income, but more goods out of their total income as well. And tariffs only apply to goods, and not services.

So, what is Trump doing by imposing tariffs? He is declaring war not on the other countries of the world, but on the poorest people in the USA - who include most of the US middle classes by the way, because right now the gap between the wealthiest in the US and everybody else is so big that this will also hit middle class America very hard indeed.

Is this what those who voted for Trump wanted? I very much doubt it.

Did they understand that this was the consequence of tariffs when he said that tariff was the most exciting word in the dictionary? I doubt it very much indeed.

Did they realise that the price of their cars would go up? I suspect not.

Did they realise that they will pay more for their computers? I doubt it, and that will be

true of so many other things as well.

So, Liberation Day for the USA as a result of tariffs? Pull the other one, Donald. This is only Liberation Day for the very wealthiest who won't be paying the taxes that they should be paying to support the state that they are utterly dependent upon if they are to continue to generate the wealth that keeps them in the luxury to which they have become accustomed, because they need everybody else to spend because the spending of the other people in the USA is the source of their wealth and tariffs are actually going to reduce their wellbeing.

As a consequence, if anybody could get something wrong, Donald Trump can.

He's got tariffs very wrong indeed.