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Tariffs and the global fallout

A NEWLY UNSTABLE, UNCERTAIN, UNSETTLING FUTURE

CARDIFF GARCIA: Hey everyone, Cardiff here. I am joined in the studio by Trade economist Chad Bown of the Peterson Institute for International Economics.

Chad, I'm not gonna go through your whole resume. Suffice to say that, in my opinion, you are one of the great trade economists and probably my single favorite follower of real time trade activity. You're not one of these dudes who gets like stuck in theory and things like that. You're on this every single day. Is that an accurate way to describe what you do?

CHAD BOWN: Yeah, I'm probably a little bit too much so.

CARDIFF: Too much so?

CHAD: Yeah, the last few days I have been entirely just trying to keep up with tariffs, tariffs, tariffs, tariffs.

CARDIFF: That's a good place to start. How would you describe your emotional situation right now?

CHAD: (LAUGHS) I'm a little tired.

President Trump has been quite busy changing his mind about what he's doing with tariffs. And one of the things that I do is to try to measure them and put them to data.

CARDIFF: Measure the size of the tariffs?

CHAD: Yeah. How much trade is being covered, what countries are being covered, are they going up, going down, whatever.

And he's just been doing a lot of things and it's been a lot of work.

CARDIFF: I have a question that's a little bit tongue in cheek, but there's a serious point there too, which is, you dedicate your life really to following trade activity, describing it, keeping people informed, but also I think advocating for good trade policy. It seems like in the last week we've gotten the exact opposite.

How would you describe it?

CHAD: Yeah, I'm not sure it's been just the last week, but I think that the last week has been particularly bad. Yeah, the rollout on, I think it was April 2nd, of we're gonna do lots and lots of tariffs on lots and lots of countries at levels we haven't seen in a really, really long time, took everybody by surprise. So that's not great.

And then, when certain countries decided to respond, he said, "Well, tariffs on you aren't enough. We're gonna raise them even further." And that wasn't great. And I think markets responded in ways that suggest it wasn't great.

And then—

CARDIFF: That's really understating it.

CHAD: Yeah. (CHUCKLES)

And then yesterday, it all sort of ended, or it seemed it sort of ended, right?

So the President, out of nowhere, on Truth Social in the afternoon posts that, "You know all those tariffs that—or a lot of the tariffs that we were gonna impose on the rest of the world. No, I'm not gonna do that." Or "I'm gonna put them on pause for 90 days" or something. With one exception of course, in that China thing that's out there.

CARDIFF: Where there was an escalation, not a de-escalation.

CHAD: An escalation, yeah. And they just keep going up and up and up and up and up on China.

CARDIFF: Yeah, we should tell listeners, you and I are speaking now at 4:14 PM on Thursday, April 10th, because things are moving so fast that, by the time this comes out tomorrow, Friday, something else might have changed.

I don't know. But here's where, actually, we should begin the meaty part of the chat, which is just explaining to people what happened in the past week and giving some clarity to all of this. Now, I think if anybody has even remotely an interest in listening to this podcast, then they have a good sense of it. But who knows, maybe in three months, like for posterity, we should give some sense of exactly what happened.

So on Wednesday of last week, April 2nd, I think, Donald Trump announced a whole bunch of tariffs. The tariffs were super high on a lot of countries. For example, I think the EU had 20% tariffs. I think other places had 25%. They were in the 40 something percent for Cambodia and even some smaller countries.

And simultaneously, the stock market started collapsing as the announcement was made. It kept collapsing throughout the week, and curiously enough, so did the treasury market in the last few days. It started falling too.

I know that this part of the market, that's not your thing. So lemme just tell everybody how unusual that is. That usually what happens is that when the stock market falls, people rush to treasuries and that's considered a safe haven. So what seemed super alarming in the last few days was that the safeness of treasuries maybe started being called into question.

There may have been a generalized loss of confidence in American assets, period. No matter what they are, even literally the safest ones. And then Trump seems to have changed his mind yesterday. And so what ended up happening was that now all those other countries that had those very high tariffs now have 10% tariffs, but China's have gone even higher.

Where are the tariffs on China as of literally right this second?

CHAD: So as of—and it could change by the time we get done—as of right this second, they are at 135%. So that’s a huge number, right? I mean, it's just—

CARDIFF: If you import something that usually costs a hundred bucks, that now costs 235 bucks. Is that right?

CHAD: Exactly. Yeah, it's a lot. And it's up a lot, right?

So if you think back to the first Trump administration, and this is when you and I got to know each other originally.

CARDIFF: Yeah, the first trade war, which seemed bad at the time. That was nothing.

CHAD: Seemed absolutely terrible at the time. But looking back at that stage, right, we went—US tariffs on China went from 3% starting point to 19%. We thought, “Oh my gosh, that's terrible.”

So the Trump administration, the second one comes around, they're starting off tariffs around 20%, and now they're 135% in a matter of two and a bit months, right? So it's just, these are numbers we haven't seen before, so it's gonna be a big deal.

CARDIFF: I was reading about the estimates that economists at Bloomberg were making about what happens when tariffs go, I think they just pegged it at a hundred percent, and once they go higher, it effectively means that it becomes unprofitable to have almost any trade at all with China.

Is that a realistic possibility that if these tariffs persist where they are, if this trade war doesn't get deescalated, the one with China specifically, that we might just have trade with China going to zero?

CHAD: Yeah, so there's a lot of what economists call variation across products. So some products will have lower tariffs and some will have higher tariffs. And some products are high profit margin products, right? And for those, companies can probably eat a bit more of the tariffs into their profits and continue to the trade, right?

China might continue to be the low cost supplier of someplace 'cause they've got a really efficient supply chain. So even with a reasonable size tariff on some of these products, we may still start, or we may still continue, to import things from them.

But the general point is, you're exactly right. At some level, these tariffs become prohibitive, meaning you're just gonna stop importing the thing from China. And then the question is, where does it go to next? Where does production go to next? Right? It's not as if Americans are gonna stop wanting to purchase physical things. So we're gonna get it from somewhere.

And the question is, well, are those supply chains going to move to other countries? And when we first saw those tariffs rolled out, as you mentioned last week on the Vietnams and Thailands of the world that were in the 40% range, all of a sudden we thought, “Well gosh, that's really bad too.”

And maybe the supply chains won't move out of China into those other places in Asia, which are right nearby. Where are they gonna go to then next? Well, maybe this is part of President Trump's plan, his idea, he wants that stuff to come back to the United States. Okay, maybe some of that stuff would come back to the United States.

But if so, and we're producing a lot of those things here, it's gonna be a lot more expensive than what we're used to paying for a lot of those things. Workers just cost a lot more. There's a lot of expenses in the United States that aren't out there in other countries.

And so, if you want to do more of that manufacturing stuff here, which is maybe what he wants to achieve, it can happen. I'm not gonna say that we—'cause Americans do wanna buy physical things. They're not gonna accept not having iPhones and shirts and things of that nature. It's just that they have to be willing to pay a whole lot more for it.

CARDIFF: The way I was thinking about it was that if some of these policies managed to successfully reemploy a lot of Americans in the domestic manufacturing sector here. It'd be kinda like a monkey's paw situation, right? Like that is a success that you don't necessarily want. It makes people poor, right?

For one thing, those jobs making lower-tech lower-value goods that right now we import from abroad, if we started making them here, right? Well, those aren't gonna pay super high wages, not in inflation adjusted terms. And on top of it, they would be more expensive to make here, which means that they would be sold to consumers for a higher price.

So everybody's poor. Workers, consumers, and of course, workers are consumers. So it just means dragging the economy back into the past. That kind of seems like what you're describing here.

CHAD: Exactly. And some of these jobs, aren't great, right? They aren't things that Americans necessarily want to do. So garment workers, folks that sew together clothing or stitch together sneakers or things like that, they do really, really important work. It's really, really hard work. It's not probably the jobs that a lot of Americans will necessarily aspire to.

It's an important set of jobs and important work. But in a lot of emerging markets, developing countries, having those kinds of jobs is really a step up from what their next best alternative might otherwise be. Which might be subsistence farming, right? Or something else that's even tougher and pays lower wages.

And in the United States, we haven't really focused on those kinds of jobs in that part of the economy, in doing that kind of work, in a really, really long time. It's not because it's not important, it's just because Americans have typically had better employment opportunities, right?

So that's one thing. And then the second is, companies are always looking to make money. And if workers are really, really expensive. Then they'll find ways to automate and use robots to ultimately make those things. And so the argument that, "Well, we're gonna do more of that manufacturing stuff here in the United States 'cause there's all kinds of great jobs that are gonna come alongside it." Not sure that's generally the case. We may just end up, yeah, we may be doing more of the manufacturing, but the jobs may not be there with it. And I think folks sometimes confuse those two things as always coming together.

CARDIFF: Yeah, totally. Your colleague Douglas Irwin, also a great trade economist, trade historian, wrote this great line where he said, "Mr. Trump is a 20th century man presiding over a 21st century economy who wants to take it back to the 19th century."

CHAD: Yeah.

CARDIFF: That sounds like what you're describing here.

CHAD: A hundred percent, and absolutely correct. And one of the other things that Doug and I—actually just before I came in here right now—that he and I are working on together, is trying to make sense of how big the tariffs are that have been announced, reversed, but now we're maybe at a level that we're gonna be at for a while, how big these are in historical perspective.

And so our current estimates are—we talked about US-China tariffs, but the overall tariffs the United States now has on the world writ large, they were about 3% when the Trump administration took over at in the middle of January. And they're now probably somewhere to 15 to 20%. And we haven't seen those levels since the 1930s.

CARDIFF: It also represents just a massive, effectively, tax hike on Americans.

CHAD: Yeah.

CARDIFF: How big? We're talking what, hundreds of billions of dollars here?

CHAD: Yeah. And the other important element about tariffs and imports is they are traditionally applied to the folks that can least afford to pay them.

CARDIFF: Low-income, middle-class types. Yeah.

CHAD: They're regressive tax. It turns out that lower-income folks in society, they tend to benefit from international trade. From access to low-cost t-shirts or sneakers or things like that, than what they would otherwise have to pay domestically.

So it's not only that there's going to be a tax increase associated with the tariffs, but the effect of the tax increase is gonna disproportionately fall on those who can least afford to pay it.

CARDIFF: I was reading something about the categories of goods that we tend to import and it's a lot of clothing, like you said, textiles. I think certain foods. And that just naturally takes up a bigger chunk of the paycheck of lower-income folks than than of everybody else, right?

CHAD: Yeah. And another thing that's different this time around from the first Trump administration and all the tariffs they imposed there was, interestingly, that time around, they mainly applied their tariffs to what economists call intermediate inputs. The stuff, the widgets that you need, the companies need, to make something else.

CARDIFF: So like an American company would import, I don't know, parts or a machine or whatever tools to make goods in America. And if the cost of those things goes up, then the cost of making the good goes up.

CHAD: Exactly. But what happens with that is it takes a while for the end consumers, people like you and me, to actually see the effect of the tariffs. Because we're not the ones buying the thing that now faces the higher tariff. We may buy something that has important parts and components to it that are now having to cost more that these companies are having to pay. So they wanna pass those costs along to us eventually through higher prices, but we're not seeing it directly.

This time around, i's a very different story. That the tariffs, especially on China, are now going on final goods. They're now going on things like iPhones and toys and video game consoles and computers and all that kind of stuff that were completely absent from the tariffs of 2018, 2019.

So the consumer reaction may be very different this time around as well. We'll have to see what the impact is on, ultimately, prices.

CARDIFF: So if people, for example, if the price of electronics or a smartphone goes up 70% or something like that, or more maybe, I don't know. Depending on the tariff, it's up to a hundred and something percent now. The price of your smartphone might double.

CHAD: Yeah. We could see that maybe. That wouldn't be outside the realm of possibility at this stage.

CARDIFF: What are some of the other effects that this can have on the way American businesses themselves also function? Like for example, American businesses that even aren't affected by the tariffs might take that as an opportunity to raise the price of what they do 'cause they have less competition, right?

CHAD: Yeah, exactly. So if you think about—tariffs historically have been imposed on a lot of different sectors. One is steel. If now you face less competition and you make steel in the United States, it's not as if you're gonna continue to offer low price deal.

You're gonna say, "Well, I face less competition, let me raise my prices so I can earn higher profits because of that." And so it's natural for them to do that kind of thing. The challenge though is in a globalized economy, that can ultimately make American companies writ large less competitive, right?

Because if their foreign competitors get access to these cheaper inputs because they don't have to pay tariffs on them. And they're now more competitive, than American companies that are trying to sell their things in Europe or Brazil or Japan somewhere else. They're now less competitive than they would otherwise be. So it can have a negative effect, along that dimension

CARDIFF: I guess it's a double whammy 'cause there's that effect, which makes it harder to export things abroad. But there's also the possibility, the likelihood, and the reality that other countries will just retaliate and have high tariffs on American goods as well.

CHAD: Exactly. And that's what we saw the first time around in 2018, 2019. China has already announced retaliation this time. Canada. The Europeans announced something but then decided to pause it, and so we'll see. Maybe there will be some differences. We're also in a different geopolitical climate this time around than we were last time. Obviously Europe is in a very different situation with the war going on in—

CARDIFF: The Ukraine war.

CHAD: Yeah. And through NATO, I think they're very concerned about what the Trump administration's approach is gonna be to their own military security. And so here you have an example of trade spilling over into other areas.

And so they might be saying to themselves, “Look, there's a chance we don't want to actually escalate things with President Trump. We've seen how he reacts when other countries retaliate against his tariffs by escalating further. We're worried about that because it could spill over and affect our military security and other dimensions too.”

CARDIFF: I have a question about services as well. Because I think, as I understand it, most of the tariffs right now, both ours and the ones that other countries have imposed on us, are in the goods trade.

But the US makes a lot of services. Produces a lot of services, and also exports a lot of services to other countries. How might this end up affecting that?

CHAD: That's I think one direction that this could head that we, or maybe the Trump administration, hadn't anticipated. Europe especially has talked about how they might retaliate in ways that go outside of goods. So outside of just putting a retaliatory tariff on American farm exports or American cars or American bourbon. And you're right, we export a lot of both financial services, but obviously then internet services as well.

CARDIFF: Tech. Yeah.

CHAD: Tech. So Google, Apple, Facebook, Amazon, Netflix. Historically, they just have been able to do their things right. It's really hard—that since they don't cross a physical border, they don't have to go through customs checks. They're not assigned what the customs officials call a tariff code for their good, so they don't get a tariff.

But now countries might think about, “Are there creative ways that we could tax them, that maybe we haven't in the past, that might be a form of retaliation against the United States?” So I think that's something that the Europeans, especially, that they're exploring. I'm not sure where they'll end up on that.

But I think what you've raised is an issue that is in this imbalanced world, right? Where President Trump is obsessively focused on the trade in goods, and that's sort of all that he looks at. The idea that the United States imports more physical stuff from the world than we export to the world.

He doesn't consider other things, one of which is services. But he doesn't also consider other vulnerabilities that are out there as well, where other countries might retaliate. And another one, aside from services is, other countries deciding they want to cut us off from things through their exports.

They might voluntarily say, “Ah, you really need this thing. Well, we're gonna stop sending it to you.” And so, the big worry that has been out there for a number of years now, I think probably especially since the pandemic kicked in, when we had all kinds of product shortages, are for things like critical minerals from China, right?

So these are—nobody knows what these things are, but lithium, cobalt, nickel, we say the words—

CARDIFF: (LAUGHS) Yeah, we need them to make a lot of really advanced stuff. Weaponry, even the defense sector uses them. I think advanced electronics, stuff like that.

CHAD: Exactly. For the future, we need all of them. And the challenge is China makes all of them.

CARDIFF: Yeah. Where do you find them otherwise?

CHAD: Yeah, so they're in the ground all over the world, but then you gotta take the rocks outta the ground and send them somewhere to be processed into something. And all that processing basically takes place in China. And so the concern is that they might cut us off.

And my colleague at the Peterson Institute, Adam Posen had a really nice piece in *Foreign Affairs*, earlier this month where he's basically making that point, which is, it's not clear that you wanna poke in the eye this country that you think you have leverage over because you buy a lot of their stuff. They could sell their stuff to other countries. They could sell their stuff domestically. When really, they might have leverage over you because they can cut you off from things that you need where there are no alternative sources.

CARDIFF: You know what's super interesting about that is that it's the exact opposite of what I think some Trump administration officials have been claiming, which is that because we are the buyer of those goods, that China and other countries won't be able to find somebody else to take them. And so therefore they are strategically vulnerable.

But this goes back to the fact that we import a lot of different kinds of things, including those intermediate goods, but also including, for example, some components that go into medicines and pharmaceuticals and things like that. In addition to our exporting some of those things as well.

This is really complicated. These supply chains are very sophisticated and if you look at some things that we buy a lot of from China, it won't be so easy to find somewhere else to get them.

CHAD: Yeah, yeah. And I think that's exactly it. And it's things that are—it's not only things that you're like, "Ah, we could live without that thing." Some of those things are essential.

You mentioned medicines and certain pharmaceutical products, right? You can't live without that stuff, if you're sick. So that's, I think a big worry, that we're a lot more interdependent and maybe dependent than we'd like to be. And probably certainly than you might like to be when you're starting a trade war with a country like that.

CARDIFF: We've got this 90 day period during which tariffs on non-China countries are gonna be 10%. The administration, as of right now, is claiming that 10% might just be the thing that's here to stay while we negotiate with those countries. But what's weird about that to me is that 10% is still a lot higher than the tariffs that we had on them going into last week.

What is the incentive for other countries now to lower their trade barriers against us? Which is what we claim to want. What the administration claims it wants is to use the threat of these tariffs to then get them to lower their trade barriers. But they already have lower trade barriers than the ones we've just said are permanent.

So, as a negotiation strategy, I just don't quite get that, do you?

CHAD: You're not the only one.

CARDIFF: Okay, there we go. (LAUGHS)

CHAD: Well, I mean, I think one motivation would be that it could get worse. That maybe he is serious about, at the end of the 90 day pause—

CARDIFF: President Trump, you mean?

CHAD: Yeah. Raising the tariffs back to those higher rates that he had threatened. And they were technically enforced for like a 24 hour period. So I'm not gonna let anybody forget that they were actually there. I calculated them and they were actually there for a while. And so, I think that is a real fear that some countries have.

And so they may be willing to make deals just outta second best. It's not as good as it once was, or it could be, but they're really fearful that maybe President Trump is serious and maybe he will put those higher tariffs on unless they—

CARDIFF: But they're anchored at that higher figure.

CHAD: But they will be anchored at the higher figure. Yeah. And I don't mean to dismiss this at all. That's a huge, huge thing.

CARDIFF: Especially for these smaller countries that really depend on the American consumer. I get why that threat could be real and they might lower their trade barriers, but those countries also don't buy that much from America relative to the size of the American economy. But the European Union, for example, we do have a lot of trade with them. And so I guess for the big players in the global economy, I still don't quite get it. But fair enough.

I wanna do something before we start talking about some of what I see as the contradictions in this trade policy, which is I want to talk about the other tariffs that were already in place, which I think people are starting to forget about, but those were pretty big too.

And those also apply to Canada and Mexico, but they're a little bit tough to disentangle. So I just, I wanna make it clear for everybody what's going on. So let's start with Canada and Mexico specifically. We have a trade agreement with the two of them, the USMCA, which President Trump himself negotiated. It was essentially NAFTA 2.0.

A lot of goods that are compliant with that agreement, those still go back and forth across the border at 0%. And compliance in this case means that the goods were made somewhere within North America. Is that how that works?

CHAD: Yeah, so roughly there's what the trade nerds call rules of origin. And what it basically means is there has to be enough content, enough of the stuff that's been done in Canada, Mexico, or the United States that makes up the total value of a good for it to qualify for getting a zero tariff crossing a border.

And it depends on the product. And so for automobiles, for example, I forget what the exact rate is. I think it's in the 70%. that high, like that much of—

CARDIFF: 70% of an automobile is composed of parts that were sourced somewhere in North America. That car can go back and forth across the border, within Canada, US, Mexico at zero tariffs.

CHAD: Exactly.

CARDIFF: Okay, great. So those goods are still going back and forth at zero tariffs, but there's a lot of other goods that are not covered by that trade agreement. Those goods do have some tariffs on them, right?

CHAD: Yeah. And so let me give you an example, but let's go back to cars. So the challenge is, if you didn't meet those, what are called rules of origin requirements, so maybe you get your engine and maybe you're a German automaker and you assemble the vehicle in Mexico. But you really like the engines that come outta some plant in Germany. And so you don't wanna produce 'em locally.

Okay, but the engine is a big part of the value of a car, and so maybe it doesn't satisfy that 70 something percent requirement. Well, what did you have to pay in the old days?

The tariff you had to pay in the old days was only two and a half percent. So sometimes for these car companies, they would say, “It's just not worth it for us to redo our whole supply chain, and who cares? So we'll just pay the two and a half percent.” Well now all of a sudden with the set of tariffs that have been announced so far, some tariffs on the Canada-Mexico thing, if they're not compliant, there's 25% right there.

CARDIFF: Yeah. So that two and a half percent might now be 25%, and now it's a big deal to bring that engine in from Germany. You don't want to do that.

CHAD: But it's even worse, because in addition to the USMCA, the Canada-Mexico tariffs that you mentioned, there's a separate set of tariffs that President Trump has imposed as well onn cars, on automobiles. Also 25%.

So now, you've gone from 2.5% at 25, 27.5% to now at another 25, 52.5%. And for those cars coming into the United States from Mexico that just might not have been quite compliant with those rules.

CARDIFF: Now they're way more expensive.

CHAD: Now they're way more expensive. And so some of these car companies may be saying to themselves, “I gotta shut down this production line, because it's just not worth it for me to roll these cars off anymore 'cause I'm not willing to eat the costs of selling these things into the US market.”

So that's a real thing that may be happening as we speak. It's too early to look at the data to know for sure. But you hear rumblings and announcements from car companies saying they're thinking about things. I think this is really one of the worrisome things that has gone un der the radar so far.

CARDIFF: It's interesting too because cars are a big ticket item for a lot of people, so it's a problem if the cost of cars goes way up, you know? And the supply chains for cars, as I understand it, are very dense and complex going back and forth. It's not like you just build the thing in Mexico, send it to the US to sell to an American consumer, and you're done.

It's like the parts themselves get assembled in all three countries.

CHAD: That's exactly right. And so the concern is that some car brand that you or I would know about, whether it's GM or Ford or Stellantis or Toyota or one of the car companies that's doing this kind of thing, maybe they're making these decisions, and maybe they're doing it in Mexico.

And so President Trump maybe thinks, "Ah, well, that's only gonna hurt things in Mexico." But no, no, no, the company in Mexico was buying a huge chunk of their parts from suppliers in the United States who all of a sudden are losing their business because the companies have had to shut down their production lines.

And if those suppliers, maybe transmissions or tires or wheels, all the things that go into car, they suddenly aren't gonna be able to sell anymore to the companies in Mexico, then their suppliers are gonna lose businesses too. And that's the real big concern, that this just feeds back through the supply chain and hurts lots and lots of companies, lots and lots of workers, and really spills over.

CARDIFF: And those tariffs are in place now and they have not been deescalated the way everything else was yesterday, right? Those are still there.

CHAD: They're still there. The Canada-Mexico ones went into effect in March. The autos ones were kind of caught up—they went into effect on April 3rd. So they were kind of caught up in the frenzy of that April 2nd announcement.

And I think folks forgot about them and really haven't been paying attention to them 'cause it's been so many news about other kinds of tariffs. But yeah, those are very much tariffs that are now there, that these companies and people, essentially, have to pay.

CARDIFF: And then in addition to those tariffs on Canada and Mexico, there was also a steel and aluminum tariffs. Those also are in place, right? And those have not been changed. What are those about?

CHAD: So, this one is an old story too. Back in the first Trump administration, they imposed tariffs on steel and aluminum. And then for some of the countries, mainly partners and allies, so Canada, Mexico initially, then Japan, the UK, European Union, later on under the Biden administration, they basically got deals.

And were able to get the tariffs taken off of them, under certain special arrangements. President Trump came back in and he said, "Nope, all those deals are now done. We're basically gonna reapply all the tariffs on steel and aluminum that we applied during the first term and we're actually gonna raise the tariffs on aluminum, they were only at 10% before, to now 25%." So yeah, that's basically reestablishing a lot of tariffs, for that particular sector.

CARDIFF: That's aluminum coming in from any country?

CHAD: Aluminum coming in from any country. And so, going back to autos again, autos use a lot of steel and aluminum, right? To build these cars. Bumpers for an F-150 or something like that.These metals. Now all of a sudden their costs for a lot of these inputs are 25% higher too.

CARDIFF: That's an easy one to understand too. Steel and aluminum. You use it for cars, you use it for like big things, you know? I think that's easy to understand. And at the same time, I think we were contemplating at some point putting tariffs on lumber. That's still up in the air. Have those been put in place yet or is that still—

CHAD: So they've announced investigations for lumber. Again, primarily we import lumber from Canada, so there's a little bit of, a President Trump has—

CARDIFF: Something going on with the Canadians.

CHAD: Yeah, the administration—

CARDIFF: Because we bring in aluminum and steel from, a lot from Canada.

CHAD: Exactly. They're the main source of a lot of these things that we buy. So yeah, lumber is an investigation that's ongoing. Copper is another one that's ongoing.

CARDIFF: Copper's, by the way, used for a lot of electronics and all kinds of other things.

CHAD: Piping that goes into your houses. Yeah, exactly.

And then, they haven't been announced yet, but if you read the fine print of these executive orders for the tariffs that have been announced over the last week or so, they also mention sectors like semiconductors and pharmaceuticals. And so the anticipation is that they will soon start investigation in those as well and could lead to more tariffs in those places too.

CARDIFF: Wow. And now think about some of the things that we just mentioned. Steel, aluminum, lumber, copper, these are all things, for example, that you might use in the construction or improvement of a home, right? Like these are definitely things that are gonna hit American's pocketbook.

CHAD: Yeah. Home building construction, and then, I mean, this isn't part of the tariff story as well, but the administration has been doing a lot to try to discourage migration into the United States, and a lot of workers in the construction industry in particular are oftentimes migrant workers. And so if that share of the workforce disappears, that's another factor which could significantly increase building costs, construction costs, and have challenges in that sector of the economy as well.

CARDIFF: All right, so we've got these tariffs on Canada and Mexico. We've got steel and aluminum tariffs. We've got sort of looming tariffs on lumber and copper, and that's all separate from the big events of the past week, which I now wanna return to. There were some things that also didn't make sense about a lot of these tariffs, and I'll give you just a simple one.

One of the justifications given by supporters of Donald Trump, or not just supporters, but officials, was that the US runs bilateral trade deficits with a lot of other countries, and it's important to close those. Now economists disagree that that matters, that bilateral trade deficits matter, but what was interesting to me was that we also imposed those higher tariffs on some countries that the US runs trade surpluses with, bilateral trade surpluses with. Australia was the one that comes to mind. But they got hit too.

CHAD: Yeah. That's absolutely right. So it's hard for economists to make sense of—

CARDIFF: Yeah, the consistency of it. But the point here is that these tariffs went up seemingly indiscriminately, right? Like the tariffs themselves were set at different higher levels, but for everybody, they went up a ton.

CHAD: Even if you didn't have a trade surplus with the United States, even if you don't export more to the United States than you buy from the United States, and

Australia and all those countries of the world, you still were hit with a new 10% tariff.

And that is just astonishing.

CARDIFF: There was a lot of commentary on the specific formula that the administration used in order to set the tariff rate on different countries. At this point, it's become clear that not only was that formula super inappropriate for what they were trying to do, but they also applied it incorrectly. I'll let people look that up rather than trying to do a math equation via podcast.

But had you ever seen something like that? What would be a more normal approach if you're trying to figure out what the right tariff is, given the motivation of the administration?

CHAD: Yeah, as an economist, economists are always looking for rationality and so it was sort of—

CARDIFF: You can't apply rationality to something that exists purely in this—

CHAD: And so it's like if we could just figure out the formula, and we gave them the right formula, maybe they would do the right—I think the answer is more simple, and it's just that the President wanted to apply tariffs.

CARDIFF: High ones.

CHAD: High ones too. So, I think what's different in this administration and in maybe others is, I do think there is sometimes a role for tariffs, right?

And I think, oftentimes economists get shut out of these conversations because the thinking is, “Ah, economists are only concerned about efficiency.” And anytime—

CARDIFF: They think if they just ask an economist, the economist will just say, “No, never tariffs,” that kind of thing?

CHAD: Exactly. And I think the answer is more nuanced than that.

It's no, there's a better p—tell me what your objective is. Usually there's a better policy than a tariff to help you get to that objective. And in the sense of we can do it at less cost. To workers, to consumers, to whatever. Rarely is a tariff the first best thing to help you get there.

CARDIFF: We should actually give an example of this. Because I think there is a very big difference between a kind of broad-based tariffs-on-everybody approach versus having a specific objective, where a tariff could maybe be used after other ideas have been exhausted. It's limited, right? Very limited.

CHAD: Yeah, so let me let give you what I think is the best one, which is, something like semiconductors, right? So the argument coming out of the pandemic and with some of the geopolitical conflict around the world is maybe we need more semiconductor production in the United States, right?

CARDIFF: For national security reasons.

CHAD: For national security, even for resilience

CARDIFF: Oh yeah. If there's another pandemic, we have some at home that we can—

CHAD: We have some at home, and honestly right now, for high-end chips, right? The ones that go into the data centers that run all the large language models for AI and things like that, the GPU, that NVIDIA stuff, they're all essentially made in one spot. Some more than 90% are made on the island of Taiwan.

CARDIFF: Which itself is a sort of a risky geopolitical place.

CHAD: It's geopolitical risk, but also, they suffer from typhoons and wildfires and droughts and earthquakes, and you just think that's, wow. It's not good to have all the production of one thing in one place. You want more diversification, right?

So, how do you get that diversification? You could use tariffs, right? The way an economist thinks about tariffs is tariffs affect basically two things. Yes, they increase domestic production, they're sort of like a subsidy, but the challenge with them is they also raise prices to consumers. And so ideally, if what you want, what you're worried about is we want to increase production here in the United States, well then why not just do the subsidy thing right?

And then not have the suffering of the higher cost to consumers. And so that's where the industrial policy comes in, right. This was the CHIPS Act in the United States. United States is not the only country that's doing this kind of thing. Japan has also been subsidizing TSMC to get more production outside of Taiwan. Germany was doing the same thing as well.

And so there's arguments to, if you're worried about geographic concentration, there's arguments for using policy to help get that diversification, get production elsewhere. It's just, let's think smartly about how we do it. Subsidy is a cheaper way of doing it than something like a tariff.

CARDIFF: I'd also say that even in the example that you just gave, if you want to include some tariffs as part of a strategy to get more resilience and to have more domestic production of semiconductors, what you're describing is a tariff applied in a very particular way to one specific product, not even to one country, to one product from one country.

That is so, I mean, it almost sort of gives a sense of what a dramatic economic mistake it is to apply such massive tariffs everywhere else, indiscriminately, across the world. When the one example where tariffs *maybe* could be part of a reasonable strategy, and I agree that's a worthy conversation to have, the application of them is so targeted and limited. You know what I mean?

CHAD: Yeah. A hundred percent. And that's, I think, a big difference here, right?

There doesn't seem to be, looking at this from a strategic perspective, it is very nondescript or non-discriminatory. They're just going on to everything. And when you're doing that, you're not showing preference or trying to incentivize the things that you're most worried about, right?

Which is maybe some things like semiconductors. Now, if they impose extraordinarily high tariffs for those products, right? These are the things that they have so far hinted at that they may do separately down the line, tariffs for those kinds of sectors. Then, yeah, I guess relative to the 10% ones, like if they're gonna do a 500% tariff on semiconductors to try to incentivize more of that here in the United States, that would be differentiating a bit.

I think the challenge here, when you start to think about, I don't mean to go on and out about semiconductors, but the other challenge is at this moment in time in the United States, when we're worried about AI and building up our capacity and making sure that we have global leadership in something like that, and you want to have all the data centers being located here, it seems to me the last thing you want to do is to raise the cost to all the companies that are building those data centers in terms of the semiconductors and all that kind of equipment that you would need to install in those facilities to make that kind of thing work.

And if you use tariffs, that's effectively what you're doing right, you're raising the cost of the buyers of those things, in ways that aren't ultimately gonna allow them to be competitive.

CARDIFF: What do you see as the role of the US dollar and its strength versus other currencies versus its weakness versus other currencies? How it fluctuates, how it affects trade, and in particular, what do you make of essentially what's happened to the dollar in roughly the past week since all this chaos began?

CHAD: So I'm gonna be honest, this is one of these areas that's not my area of expertise. Luckily, I work at a place, the Peterson Institute, where we're basically split in half. You have people like me that are the trade nerds, and we get to look at tariffs and just look at tariffs, tariffs, tariffs all day.

And then I have these amazing colleagues that all they do is look at macroeconomic issues and the dollar and focus on those kinds of things. So luckily I have not been the one that's been tasked with tracking that part of the economy over the last week. But I think, to be fair, it's a huge issue.

And this is part of the motivation as well that the Trump administration has put forward, worried about the relative position of the dollar. And it's an area that's, I think, up for important debate. Certainly the strategy and whether this strategy of using tariffs to try to tackle some of the underlying concerns that they might have is, is really the right way to go.

CARDIFF: When we were setting up, by the way, you mentioned that you've had some stories of the past week, lots of sleepless nights, a lot of like surprise events. What's a good story of just trying to keep up with all this stuff?

CHAD: Well, we've been trying to calculate what the changes in the tariffs are. And, this administration is not great about providing the details. So President Trump tweets something or put something out on Truth Social, but it's lacking a little bit of granularity as to what's actually happening.

So we gotta wait for the executive order, and are there gonna be products carved in? Which countries are affected? I guess the exception to that was last week when he made the announcement, right? And he was holding up the big posters of which countries are gonna get hit with—which, that was the one exception where the visual aid’s right there in the announcement.

But for the most part, that's not how policy in the Trump administration gets rolled out. So there's just a lot of late nights putting those kind of things together.

My favorite story though was Kai Ryssdal, right?

CARDIFF: Sure, the host of Marketplace.

CHAD: The host of marketplace. Somebody that we all know and love as the voice of radio in the United States. I've been on Marketplace talking about trading nerdy stuff lots of times, but had never before talked to Kai one-on-one. And so I had the opportunity for the first time yesterday, and this was on Wednesday, April 9th.

This was the day the tariffs were going on. And so we spoke, and we were speaking at 1:15. And—

CARDIFF: Oh no! (LAUGHS)

CHAD: —at 1:18, it's when President Trump made the announcement that basically all, or, most of those tariffs were now off. And so we got done with the interview, and then I saw that announcement and I said, "Oh, my bucket list item of talking to Kai Ryssdal has now been made moot."

CARDIFF: (LAUGHS) Oh, you guys didn't run it back?

CHAD: So he called me back two minutes later and said, we've gotta figure out how to talk about this now given that it's all changed. So we managed to figure it out. But it was great. But it just reminds me as well that in this era, you can't have any conversation without, if you're a trade nerd like me, without first checking Truth Social to see if, have the tariffs changed in the last 10 minutes before I go live on something.

Because, at least more than a handful of times, it actually has. And you just have to be prepared for almost anything to come out of the White House these days.

CARDIFF: To be honest, I'm a little nervous because we're recording this. It's now almost five o'clock on Thursday, April 10th. We have to do a lot of like mechanical stuff to the recording before we publish it live. It'll probably go out sometime Friday afternoon when people can finally hear this, and I'm very nervous that tomorrow everything's gonna just change and it'll wipe out this entire interview.

CHAD: I'm sure it won't. This will be—

CARDIFF: We're still gonna run it. We're still gonna run it. And that's me telling the listeners right now, we're still running it. But that's really funny that after a week of assessing these extraordinary announcements, those moves in the markets that were just mind blowing, you're having this conversation with Kai on like this very high profile radio program and three minutes into the interview everything gets undone.

CHAD: Everything gets undone. It was absolutely amazing.

CARDIFF: Did the interview run?

CHAD: It did, it did.

CARDIFF: The retake?

CHAD: Well, it included a bit of both of it, and I think it was great. It kind of showed also the moment, that this is the world in which we now live, right? Yeah. This is the reality that we have to confront.

CARDIFF: Yeah, the perils of doing this kind of thing too, that everything changes in real time.

CHAD: Yeah. I mean. I've had the fortunate opportunity to work in government for two different administrations. So I was in the White House in the Obama administration, and then more recently, in the State Department in the Biden administration.

And it's just very interesting to watch how different administrations announced policy. In those administrations, there was so much preparation for the rollout of a policy and then making sure everybody was on board. And it was maybe over the top in terms of letting countries know that it was, and of course, with President Trump, it just seems like it's the exact opposite.

Sometimes it seems as if the President is announcing things that maybe his cabinet officials don't even know are happening.

CARDIFF: Yeah, the most amusing thing was after he did the reverse of course, right? Yesterday. After he reversed course yesterday, his supporters, his officials, went out there and were starting to say, “Oh, this was all part of some grand plan. This was what we were planning to do all along.”

And then he himself went out in public and said, “No, no, I just saw that everybody was freaking out. So I just changed my mind and decided this is the approach we're gonna take.” (CHUCKLES)

CHAD: Yeah. What’d he say?

CARDIFF: Tough situation.

CHAD: Yeah. It was instinct or something like that.

CARDIFF: Yeah. "I'm just going by instinct more than anything else really." And that's how you know things can change at any moment.

I was reading through your resume before we started, just to get the background, get ready for the intro and all that stuff. And I saw something that I didn't know about you, actually, which is that you once did a year in residence at the World Trade Organization. The WTO. The WTO is, of course, this legendary institution that has been a part of the rules-based global trading order that emerged essentially after the Second World War.

And back then it was called something else, and then later it became the WTO. But it has existed in some shape or form for decades now, and it's a place where essentially countries can agree on the rules. When they have disputes, they can take it to the WTO. And it's pretty clear that Trump administration has no time for that. That that's been kind of sidelined.

It still exists, but my question for you is, do you think that that world might be lost to us? That the sort of rules-based liberal trading order has suffered now a permanent blow because, well, I mean, President Trump essentially feels free to ignore previous trade agreements altogether.

And by doing these things almost whimsically, by his own admission by instinct, there really just is no certainty there. There is no agreement on what the rules are. It's over, right? How worried about this are you?

CHAD: Yeah. No, I'm very worried. I probably spent the first 15, 20 years of my career, not only getting the opportunity to spend some time in Geneva at the WTO, but that was what my research was all about.

Trying to understand what makes countries be able to cooperate and get along and live in a rules-based. When does it work and when does it not work, kind of things. And we're clearly now in a moment where it's not working. And so there is this big question of why. A big part of it is President Trump, certainly.

But I don't think that's all of it. At some level, and I saw this in my own time in government, there kind of is a bipartisan consensus in Washington now that the WTO hasn't been a great fit for some of the challenges that are facing the global trading system. And I think the big one is probably China, right?

As I look at it, China's an amazing country and has been able to do incredible things in the last 40 years. Pulling hundreds of millions of people out of poverty. And it's an incredible success story, but it's an economic model and it's a system that doesn't really align well with ours and with the market-oriented democracies of our traditional friends and allies in Europe and Japan, all these kind of things.

So I think there is a fundamental underlying there there, when it comes to China. And it's pushed us into a challenging situation. President Trump has forced the issue. And it may blow up and we'll see where things go. But it's definitely the case that we're in a new world.

It's much less rules-based. In many respects, it was a better world. It was a more orderly world when we were sort of all playing by—or at least when China was less important, say, and everybody else was playing by a different set of rules. As China became a bigger player on the scene and was playing by a different set of rules, the rules kind of didn't work anymore.

But the big question is, what do we do next? And that's where I don't think anybody really knows. And it's not clear what the Trump administration's vision for the future is. If it's not the WTO thing, what is their thing? And that's where I think a lot of us are a little bit scrambling, is what their vision of a future—

CARDIFF: They're suggesting they want to individually negotiate with 70 countries or whatever. That sort of thing is really hard.

CHAD: It's so hard.

CARDIFF: Especially if you do business in the US by the way. It's like—what kind of certainty does that give? You have no idea what something's gonna cost.

CHAD: Exactly, and I think that's one of the really big challenges that a lot of businesses and companies and are facing at the moment, is they don't know what markets they're gonna have access to in the future and under what terms, right? What are my costs gonna be if I have a plant in the United States and I'm trying to make stuff. I'd ultimately like to be making things not just for American consumers, but for the world.

But am I gonna be able to afford it if tariffs are really high? And so I gotta pay really high costs to get all the inputs of the things that I need to make stuff. Is that gonna be leaving the United States an attractive place to make my investment compared to somewhere else?

And if other countries are gonna be retaliating, how does this play out? Right? So I think there's just a lot of uncertainty that businesses face when you move out of a rules-based world, that they had been comfortably inhabiting for a long period of time, into this one where it's all about whimsy and who knows what when it comes to tariffs.

CARDIFF: This is kind of a personal question, but given all the time you've spent at the WTO, presumably you've gotten to know a lot of people who work there, there has to be some sense of just personal disappointment that the world is taking this turn.

CHAD: Oh yeah, absolutely. There's a lot—me personally, and a lot of my friends worked in, were kind of developing and trying to understand a system to try to create a better place for the world.

And the challenge with the WTO is, even though it's not working great for the United States at the moment. And I think a lot of the challenges there, again, go back to China and by extension a lot of other countries as well. Europe, Japan, Korea; it's not just the United States that has these issues with China, but for a lot of countries in the world, the WTO is a extraordinarily important thing, right?

These small countries can't come to the United States and say, “We're gonna have leverage over you, we're gonna bargain with you.” No. They're reliant on an open rules-based certainty-guaranteeing environment, which is what the WTO provided for them. So the really big concern is, if you're a humanitarian, right? Is that kicking away the WTO and the rules-based system, we will be able to live with it in the United States. We'll figure it out. The big guys will be able to figure it out.

It's really all the little countries in the world that are super reliant on something like that. What are they gonna do in this new environment? And that's, I think, what's most concerning.

CARDIFF: And interestingly though, it's not just if you are a humanitarian, it's if you believe that commerce, that markets, capitalism, can work to make people better and that there are some glorious virtues to a market space system. Well, this provided a global market space system. It was a part of it, I should say.

Presumably, if you are of that disposition, then you also believe that that's a better way to go about it than things like foreign aid. Which can be very tricky and which is also frankly sort of out of favor right now as well. And so you're destroying, in some sense, the market option, the markets-based option.

CHAD: Exactly. It's markets, it's the rule of law. The WTO, maybe went a little over the top, in terms of stressing the role of legal disciplines and lawyers as as opposed—(CHUCKLES)

CARDIFF: That's another podcast. (CHUCKLES)

CHAD: Yeah. But, I think that's exactly right. It creates that certainty and allows for markets and incentives to allow countries to trade, which then allows them to take advantage of foreign markets for their economic development and their growth and to be able to engage with the rest of the world.

And if you're looking for a world that isn't built on favoritism, but is is built on the rule of law and markets and incentives to make progress. The WTO has actually done a really tremendous job at contributing to that world.

And it would be terrible—I'm not saying it's gonna disappear, but it's certainly in a situation where it's tough times for the organization at the moment.

CARDIFF: I've been thinking about the intellectual atmosphere that preceded this moment, not just over the last few years or even the rise of populism or anything like that in the last decade, but even going back multiple decades. One of the things that's been interesting is that because I think that liberal rules-based order existed for so long in the wake of the Second World War that, like anything else, it can become quite easy to take it for granted.

And a number of economists have pointed out that while trade can be wonderful, it also has had some side effects in that a lot of countries, or excuse me, a lot of individual counties, small towns that had maybe one big factory that then lost out to trade with China or to trade with the rest of the world. That those places, when they de-industrialized, were unable to essentially adapt.

And a lot of people in those individual communities really suffered for it, for generations. And I think when people talked about trade increasingly over time, members of both parties started with that story instead of the story, "Trade is good. Free trade is excellent. It has benefits that are diffuse, but they're enormous and they're great for the world. And by the way, there are these side effects and we absolutely must do something better."

And I think what ended up happening was that people started with the side effects, and they sort of gave some acknowledgement that, "Yeah, yeah, trade has these positive effects. It's fine." But they didn't start with, "Trade has amazing positive effects, big effects. And, by the way, we absolutely must deal with these people who are suffering in these places."

Now, I would argue that policymakers did not do enough for the people suffering in those places. But the story wasn't balanced or it became more imbalanced over time. And I think what ended up happening was that we just started leaving off the trade is good part of it when that should have been the first sentence, the more heavily emphasized sentence.

And now we're in a situation where it's kind of hard because folks on the left, left of center, people who describe themselves as liberals or left wing, I should say progressives, for many years have made the case, and with some justification that, "Hey, we've gotta do something about these terrible side effects." But they were not making the case that like we have to preserve the open trading system.

And so now that it is folks on the right, or at least a contingent of the right, the right wing populist, the Trump administration, their followers, their voters, who are now the protectionists, it has become kind of a politically lonely situation to be the one saying, "Trade is amazing, trade is awesome." And I wonder to what extent that contributed to the world we're in now.

This is outside of the thing you studied directly, but I'm just kind of curious to know, as somebody who follows trade all the time, what you think about that?

CHAD: Yeah. I think about that probably far too much. And I don't have a good answer for you, and you characterized it absolutely perfectly. The way I think about it is trade is complicated. And so every time I try to have a conversation with somebody about trade, I try to have the nuanced discussion of pointing out the amazing parts of it.

We get access to goods and services at lower cost than we would otherwise. We get access to products that wouldn't otherwise exist but for trade and that's all great. But, at the same time, not everybody benefits from trade. And so if we want those good things, we probably need to do more to address the fact that not everybody benefits.

And I think you nailed it. But we have been very bad, especially in the United States at acknowledging that piece is acknowledging it with policy. We've done a really good job of talking a lot about it over the last 15 years, especially. It's been a very big part of the American conversation.

CARDIFF: Talking about those places that have suffered from more trade.

CHAD: The China shock and the places that have suffered. But we've seen very little in terms of actual policy to do something about it. I would say that trying to do something about it isn't tariffs. To the extent that we've done something about it, it's President Trump's approach with tariffs.

The challenge with tariffs is you might raise protection and that might incentivize that industry to come back into the United States, the thing that left to go to China or somewhere else. But there's no guarantee that it's gonna end up back in that same spot where it once was or—

CARDIFF: Or that it won't impoverish people in other places.

CHAD: Yeah, exactly. So if you really want to do something to help those people that were suffering, you've gotta do something for them explicitly. And that's just not something that we've really ever tried to do in the United States in terms of policy in any really really big way. And so my concern is we've just never gotten around to that.

We keep talking about it, blaming thing, but we're never actually focused on helping the workers in the communities that have suffered. And that's where I think the emphasis should be. Not that it's an easy policy problem, it's really not. It's not like there's some off the shelf policies that if we just did this, it would all work out.

There's been a big debate in economics over the last for years, it's especially come back probably over the last five years or so, about place-based policies and whether or not they can work or not. We don't have a lot of evidence like that they have been effective in the past, but it's also partly because we haven't done a lot of experimentation to really try to figure out what works and what doesn't work, and we haven't really tried.

And so I think there's scope there to at least make more effort than we have in the past to try to really target the things that are troubling us.

CARDIFF: I think it's clear that we haven't tried enough and across enough of the US. Some things seem to have worked, right? I think immigration to these places, certainly high-skilled immigration, seems to work quite well as place-based policy. Some other things that have been tried, again, not everywhere and not enough of it, like have also worked in some places and in some other countries, by the way.

CHAD: That's another point too, is that other countries do this much better than we do. The United States has been for 50, 60 years, just kind of hands off. We opened up the trade, but we really didn't have the social safety net there to help workers that were negatively impacted that may have lost their jobs because of having to face competition from workers or imports coming from other places.

But also because we don't do that for other reasons why people lose their jobs either. Whether you lose your job because of a robot or some new technology, or people just decide they don't want the thing that making. That you're a bank teller. Back in the day, we're old enough to remember what bank tellers were right before ATMs—all the bank tellers lost their job. We didn't have special programs to—we're bad at that in the United States.

Other countries do better at that kind of thing. Helping workers and people have lifelong training. To make sure that they can transition into new jobs, into parts of the economy that are growing. Just an area of the US that we've never been particularly good at.

CARDIFF: Lemme see if I can try to end on a hopeful note. And by hopeful I don't mean I actually expect this to happen, but it might happen and it would be a happy outcome. And I'm just wanna get your take on it. We've run this week long experiment. That appears to be continuing in some shape as a months long experiment now.

And if you look at the big movements in the markets, if you look at the way that so many people have responded, the emergence of some problems that I think are gonna get worse, the longer that this uncertainty about trade continues, one possible silver lining. And I say it's a silver lining 'cause it's not the main thing. The main thing is that people are gonna suffer from it.

But one possible silver lining is that it might end up discrediting these protectionist impulses, these protectionist ideas for a very long time. The thing that sucks is that it's possible that you need a lot more destruction than we've had so far, and that more people have to suffer. And that's just awful.

And then on the other side of that, it's possible again that people will see this and say, "Yeah, we can't do that anymore. Like we gotta go back to the rules-based approach or we have to lower these trade barriers. Trade is actually good." If you look at surveys of the American public, a lot more of them actually think that trade with other countries is an opportunity than think it's a threat.

And so I wonder if this experiment, as destructive as it might prove to be, might at least as a silver lining, have the effect that we'll go back to a better way of doing this stuff, lower trade barriers, and that some of the ideas, more importantly, will be discredited for a very long time.

CHAD: I'm hopeful, and I want to be optimistic. And as a researcher and a scholar and somebody who's in favor of evidence-based policy making, this is hopefully a teachable moment.

We didn't want to have to go through this. We wanted our models to say, "If you do this, these bad things will happen. And so please don't even try." That wasn't enough. They wanted to try. We got now some real world evidence about how great things didn't go, and so hopefully that's enough.

But I'm not sure. I think we have to keep our guard up and have to keep working and keep making the arguments about when policy ideas are really bad, continue to make those arguments. But now we do have another data point that we can point to and say, "The last time we tried to do this, that's what happened. And I don't think we wanna have that happen again."

So maybe let's think of it a different idea to try to tackle whatever it is that the problem is that you're worried about today.

CARDIFF: Any parting thoughts for our listeners? You've had a hell of a week and you're gonna have a hell of a month and it's gonna continue. Trade is so important and in a way that I think maybe we didn't appreciate before. One of the reasons I wanted to talk to you was precisely that I think it has been until this point kind of underappreciated as a part of the economy.

What would you want to leave people with given not just the lessons of the last week, but something maybe about trade that you think is really important to emphasize that maybe people just don't appreciate.

CHAD: I think it's what you just said. I want people to pay attention. There will be fallout over the next couple of weeks as some of the tariffs—there's a lot of new tariffs out there, that have kind of gone under the radar because it's like they're not as high as they as they could have been. So people have kind of forgotten about them.

There's a lot of tariffs out there that are really high. There are gonna be some bad things that happen in the economy. I want folks to be paying attention and trying to figure out why. If you can't—you go to the store and you can't get something, or suddenly it's more expensive. I want you to investigate why it may not be because of the tariffs, like all kinds of shocks happen in the economy. But be inquisitive and look and try to get to the bottom of it.

And if it is because of the tariffs, I think we want to think about that a little bit and say, “Is that the kind of thing? Is there a reason why? Maybe I'm willing to accept that.”

Or maybe our economy should be willing to accept a higher cost or something for that, but maybe not. And a lot of these instances, the really indiscriminate use of the tariffs aren't necessary. And I think there are lessons learned for us as individuals and as voters to make responsible choices for who we elect to be as our leaders out there in the world.

And, how we want to have them leading us on the world stage.

CARDIFF: Where can people find your stuff?

CHAD: So you can go to the Peterson Institute website. My writing is–

CARDIFF: PIIE.com.

CHAD: You got it. And, I also host a podcast called Trade Talks, where we talk about trade.

CARDIFF: Great show. Former co-host, Soumaya Keynes, was on the show recently. She's now at The Economist. She’s a–

CHAD: She's actually now at the Financial—

CARDIFF: Oh, I'm sorry. She's at the FT. I'm sorry. She's a columnist at the FT and she hosts a podcast at the FT. An excellent economic show.

CHAD: You got it. She's fantastic.

CARDIFF: I got so used to saying she was at The Economist for so long, but no, I definitely know she's at the FT and she does great work.

CHAD: Yeah, and she and I created the podcast back in the first Trump administration and when there was such demand about trade and given all of the craziness on the tariffs last week, I had to bring her on to help me explain to the world again, to help me co-host to, in a sense, relive some old times. It wasn't quite as crazy in the first Trump administration, but it was a little bit crazy.

CARDIFF: It's an intensification of old times rather than a—

CHAD: But this past week has just been really crazy. I'm looking forward to the 90 day pause on the tariffs. I hope it's an actual pause and I'm looking forward to getting some sleep.

CARDIFF: Chad Bown. Thanks so much, man.

CHAD: Thanks for having me.