

My question to Grok- What would be the best way to use tariffs

April 10/2025

Grok Answer

Thinking

Understanding tariffs

- Tariffs are taxes on imported goods or services, set by governments. They can serve multiple purposes, like protecting local industries or raising revenue.

Searching for "**best way to use tariffs in economic policy**"

10 results found



[Tariffs—Everything you need to know but were afraid to ask | Economic Policy Institute](#)

[epi.org](#)



[What Are Tariffs? | Council on Foreign Relations](#)

[cfr.org](#)



[The Basics of Tariffs and Trade Barriers](#)

[investopedia.com](#)



[Tariffs Are Great – If You Like Raising Prices, Undermining Jobs, and Inhibiting Innovation | George W. Bush Presidential Center](#)

[bushcenter.org](#)



[Tariffs: What are they, who pays for them and who do they benefit?](#)

[dornsife.usc.edu](#)

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- Tariffs can protect domestic production and shield workers from unfair competition, according to the Economic Policy Institute ([EPI](#)). They work best when focused on specific goals within a larger strategy.
- The Council on Foreign Relations notes tariffs target unfair trade practices but impose costs on importers and exporters ([CFR](#)). They've been declining until recent trade wars, like U.S.-China.

Browsing epi.org for **"best way to use tariffs"**

- EPI highlights that tariffs work best when applied strategically, focusing on specific goals like protecting domestic industries. They stress tariffs should fit into a broader economic strategy, not be used broadly.
- I'm thinking about exploring the Peterson Institute for more insights, as they offer nuanced views on tariffs. Let's check what they say next.
- Currently looking for more details on tariff strategies from the Peterson Institute. Their page might offer fresh perspectives on effective uses.

Browsing piie.com for **"best way to use tariffs"**

- The Peterson Institute advocates for selective, moderate tariffs, especially for national security and climate goals ([PIIE](https://piie.com)). They compare tariffs to medicine, good in the right dose but harmful if overused.
- Blanket tariffs, like Trump's proposed 10-20%, could lower economic activity and raise prices, they warn. This aligns with EPI's view on strategic, narrow use.
- I'm searching for another perspective, maybe from the George W. Bush Presidential Center. Their article might offer a different take on tariff use.

Browsing bushcenter.org for **"best way to use tariffs"**

- The Bush Center article criticizes tariffs, saying they raise prices and weaken manufacturing ([Bush Center](https://bushcenter.org)). It points to 1930s tariffs worsening the Great Depression as evidence.
- This view contrasts with EPI and PIIE, which see benefits in targeted tariff use. It shows the "best way" depends on context and policy goals.

Searching for **"economic studies on effectiveness of targeted tariffs vs broad tariffs"**
10 results found



[Are tariffs good or bad for the economy? Research says they can be bad for the supply chain - Georgia State University News - Faculty/Research. ...](https://news.gsu.edu)
news.gsu.edu



[Fiscal, Macroeconomic, and Price Estimates of Tariffs Under Both Non-Retaliations and Retaliations Scenarios | The Budget Lab at Yale](https://budgetlab.yale.edu)
budgetlab.yale.edu



[Tariffs—Everything you need to know but were afraid to ask](https://epi.org)
epi.org



[The Fiscal, Economic, and Distributional Effects of a 20% Broad Tariff | The Budget Lab at Yale](https://budgetlab.yale.edu)
budgetlab.yale.edu



[Are tariffs bad for growth? Yes, say five decades of data from 150 countries - PMC](https://pubmed.ncbi.nlm.nih.gov/)

pubmed.ncbi.nlm.nih.gov

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- Georgia State University notes tariffs can have unintended effects, like higher prices and job losses in retail, as seen in a 2012 Peterson study on tire tariffs ([Georgia State](#)). This suggests targeted tariffs might avoid broader harm.
- The Budget Lab at Yale shows broad tariffs, like a 20% rate, could cause economic downturns and price hikes, especially with retaliation ([Yale Lab](#)). This supports using narrower, strategic tariffs instead.
- A PMC article uses data from 151 countries over 1963–2014 to show tariffs are linked to declines in output growth ([PMC](#)). This backs the idea that tariffs can harm economic growth.
- Scientific American cites studies showing tariffs often have negative impacts on the economy, adding to concerns about their broad use ([Scientific American](#)). It's clear broad tariffs might not be the best approach.

Browsing pubmed.ncbi.nlm.nih.gov for **"effectiveness of targeted tariffs vs broad tariffs"**

- The PMC article shows tariffs generally link to output growth declines, supporting views that broad tariffs are harmful ([PMC](#)). It doesn't compare targeted versus broad tariffs directly, though.
- Since I've gathered info from various sources, I think I have enough to formulate a final answer. Let's summarize the findings next.
- Monitoring and adjusting tariffs based on their impact is crucial to minimize unintended negative effects. This ensures they serve their purpose without harming the economy.

Formulating final answer

- Targeted tariffs can be effective for specific goals like national security or unfair trade, but they still have costs. Broad tariffs often harm economic growth and raise prices, leading to potential retaliation.
- The best way is to use tariffs selectively, focusing on clear issues like unfair practices or security, while avoiding broad applications that hurt the economy. This approach balances benefits and minimizes harm, fitting into a larger strategy.

- Broad tariffs, like a 20% rate, could reduce U.S. GDP growth and cause economic downturns, per the Budget Lab at Yale ([Yale Lab](#)). This reinforces avoiding widespread tariff use.
- Tariffs should support industries facing unfair competition, with policies like subsidies to boost long-term competitiveness. This fits into a broader economic strategy, not standalone measures.
- Tariffs on imports from partners with weaker environmental standards can complement climate goals, but care is needed. For instance, tariffs on electric vehicles might undermine global climate objectives if not managed well.
- Historical examples, like 1930s tariff hikes, show broad protectionism can deepen economic downturns. This reinforces the need for moderation and strategic use.
- Broad protectionist measures, like blanket tariffs, raise consumer prices and reduce economic efficiency. The George W. Bush Presidential Center argues they weaken manufacturing and long-term prosperity ([Bush Center](#)).
- I'm thinking about how to tie this together for a clear answer. Let's focus on balancing benefits and minimizing harm.
- Citations provided include Economic Policy Institute, Peterson Institute, Bush Center, and Budget Lab at Yale, among others. These sources offer a comprehensive view on tariff impacts and strategies.



EPI

20 web pages

Key Points

- Research suggests tariffs work best when targeted at specific issues, like unfair trade or national security.
- Broad tariffs may harm the economy, raising prices and risking retaliation from other countries.
- Experts disagree on their overall impact, with some seeing benefits for certain industries and others warning of economic downsides.

Introduction

Tariffs are taxes on imported goods, and their use can have significant economic effects. The best approach depends on balancing protection for domestic industries with potential costs to consumers and global trade. Let's break this down for clarity.

Best Use of Tariffs

It seems likely that tariffs are most effective when applied selectively, targeting specific problems like unfair competition or national security concerns. For example, they can protect industries facing dumping (selling goods below fair value) or support critical sectors like semiconductors.

However, they should be part of a broader strategy, including subsidies or workforce training, to ensure long-term benefits.

Broad tariffs, like a 10-60% tax on all imports, are controversial and may raise consumer prices, reduce economic growth, and provoke retaliation, hurting exports. Evidence leans toward using tariffs moderately and temporarily to minimize distortionary effects, ensuring they don't harm overall efficiency.

Monitoring and Adjustment

It's important to base tariff decisions on evidence, monitoring their impact and adjusting as needed. For instance, a U.S. tire tariff raised prices and led to job losses in retail, showing the need for careful evaluation.

Survey Note: Detailed Analysis of Tariff Usage

Tariffs, defined as taxes imposed by governments on imported goods or services, have been a tool in economic policy for centuries, used to protect domestic industries, address unfair trade practices, or raise revenue. Given their potential to influence trade balances, consumer prices, and economic growth, determining the "best way" to use tariffs requires a nuanced understanding of their effects, supported by economic research and historical examples. This note provides a comprehensive analysis, expanding on the key points and incorporating detailed findings from recent studies and expert opinions, with a focus on the distinction between targeted and broad tariffs.

Historical Context and Purpose

Tariffs have evolved in their application over time. Historically, they were used to fund governments, as seen in the early United States post-Constitution, and later as protectionist measures during periods like the interwar years. Recent political proposals, particularly in the U.S., have revived interest, with figures like President Donald Trump implementing tariffs during his administration and proposing broad tariffs for 2025, such as a 10% tariff on all imports and 60% on Chinese goods ([Are tariffs good or bad for the economy? Research says they can be bad for the supply chain](#)). These proposals have sparked debate, with economists and policymakers weighing their benefits and costs.

The purposes of tariffs include:

- Protecting domestic industries from foreign competition, especially in sectors like steel and aluminum.
- Shielding workers from unfair practices, such as trading partners with lax labor rights.
- Complementing domestic policies, like climate goals, when trading partners have weaker standards.

- Addressing national security, such as ensuring supply chain resilience for critical goods like semiconductors.

However, their effectiveness depends on how they are implemented, with significant differences between targeted and broad approaches.

Targeted Tariffs: Strategic and Specific

Targeted tariffs focus on specific industries or products, aiming to address particular issues. Research from the Economic Policy Institute (EPI) suggests that tariffs are most effective when they are "narrowly tailored to well-defined goals" and part of a larger strategy ([Tariffs—Everything you need to know but were afraid to ask](#)). Examples include:

- Supporting U.S. steel and aluminum producers against global oversupply caused by foreign subsidies, as noted in OECD reports ([Quantifying Industrial Strategies across Nine OECD Countries](#)).
- Addressing national security, such as tariffs on critical medicines during the COVID-19 pandemic for personal protective equipment (PPE).
- Internalizing social costs, like labor and environmental exploitation in low-standard countries, to incentivize better policies, as discussed in EPI analyses.

The Peterson Institute for International Economics (PIIE) highlights that targeted tariffs can be beneficial for specific objectives, such as national security (e.g., semiconductors via CHIPS Act subsidies and tariffs) and climate goals (e.g., batteries, electric vehicles), though care is needed to avoid hindering global climate objectives ([Can tariffs be a good thing?](#)). Legal frameworks, like U.S. trade laws, mandate additional tariffs to offset dumping and foreign subsidies causing material injury, and allow discretionary tariffs under safeguard provisions for serious injury.

However, even targeted tariffs have costs. A 2012 PIIE study found that a U.S. tire tariff increased Chinese-made tire prices by 26% and domestic tire prices by 3.2%, costing Americans an extra \$1.1 billion and leading to an estimated 3,731 retail jobs lost ([Are tariffs good or bad for the economy? Research says they can be bad for the supply chain](#)). This illustrates the ripple effects, where protecting one industry can harm others in the supply chain, such as retailers or industries reliant on imported inputs.

Broad Tariffs: Economic Risks and Downsides

Broad tariffs, applied across a wide range of imports, are generally seen as harmful. The Budget Lab at Yale modeled the effects of a 20% broad tariff, projecting a short-run price level increase of 2.1-2.6%, equivalent to a \$3,400-4,200 per household consumer loss in 2024 dollars, with U.S. real GDP growth 0.9-1.0 percentage points lower in 2025 ([The Fiscal, Economic, and Distributional Effects of a 20% Broad Tariff](#)). Long-term, the U.S. economy could be 0.3-0.6% smaller, or \$90-180 billion annually in 2024 dollars, with world GDP also affected, though China's less so.

Economic studies, such as a PMC article analyzing data from 151 countries over 1963-2014, found that tariff increases lead to a persistent decline in output growth, with a one standard deviation increase (3.6 percentage points) resulting in about a 0.4% decline in output five years later ([Are tariffs bad for growth? Yes, say five decades of data from 150 countries](#)). This supports the view that broad tariffs disrupt the benefits of international specialization and comparative advantage, leading to efficiency losses.

Historical examples reinforce these findings. The George W. Bush Presidential Center notes that the 1930s tariff hikes, part of protectionist policies, choked off world trade, collapsed manufacturing, and deepened the Great Depression ([Tariffs Are Great – If You Like Raising Prices, Undermining Jobs, and Inhibiting Innovation](#)). The center argues that tariffs raise consumer prices, weaken manufacturing competitiveness, and inhibit innovation, with specific impacts summarized in the following table:

Aspect	Impact of Tariffs
Short Term	Raise consumer prices, reducing overall benefit of products to society
Medium Term	Weaken nation's manufacturing competitiveness, undermine middle-class jobs
Long Term	Inhibit innovation, weaken future middle-class job emergence, sap national prosperity
Example Industries	Steel (domestic producers raise prices), shoes (costlier with leather tariffs), groceries (higher costs with produce tariffs), books/newspapers (costlier with paper tariffs)
Job Impact	Downward pressure on wages, eventual job losses in affected industries
Innovation Impact	Attract resources to protected industries temporarily, but hinder new industry emergence elsewhere

This table highlights the broad economic risks, particularly for consumers and innovation, which are amplified with widespread tariffs.

Strategic Use and Broader Policy Context

The EPI and PIIE both emphasize that tariffs should be part of a larger economic strategy. For instance, EPI suggests complementing tariffs with industrial policies to address market failures, such as promoting economic spillovers, providing public inputs like infrastructure, and coordinating collective actions ([Tariffs—Everything you need to know but were afraid to ask](#)). This includes supporting sectors like steel against chronic global oversupply, as detailed in reports like [How Clean Is the U.S. Steel Industry?](#).

PIIE notes that 13 presidents from Franklin D. Roosevelt to Barack Obama favored lowering tariffs for economic benefits, a policy ended by Trump and not revived by Biden, highlighting a shift toward protectionism ([Can tariffs be a good thing?](#)). The incoming Trump administration's proposed 10% or 20% blanket tariff, with 60% on Chinese imports, is opposed by economists, businesses dependent on imports, and U.S. trading partners, with potential economic damage hard to undo, as seen in the Brexit comparison where 55% now think it was a mistake ([Brexit opinion poll](#)).

Moderation and Evidence-Based Approach

Tariffs should be moderate and temporary to minimize distortionary effects. PIIE likens them to medicine, effective in moderation for specific purposes but harmful in excess, such as national security and climate goals ([Can tariffs be a good thing?](#)). The Richmond Fed notes that the 2018-19 tariffs, while beneficial for limited domestic industries, resulted in net negative outcomes for the broader economy, felt most by consumers, producers reliant on imports, and workers in affected sectors ([Tariffs: Estimating the Economic Impact of the 2025 Measures and Proposals](#)).

Evidence-based implementation is crucial. The U.S. tire tariff example, costing Americans \$1.1 billion and 3,731 retail jobs, underscores the need for monitoring and adjustment ([Are tariffs good or bad for the economy? Research says they can be bad for the supply chain](#)).

Policymakers must use rigorous economic analysis to assess impacts, ensuring tariffs do not become an administrative nightmare, as warned by PIIE for high tariffs ([Trump's high tariffs would create administrative nightmare](#)).

Conclusion and Recommendations

Given the evidence, the best way to use tariffs is to apply them selectively and strategically, targeting specific issues like unfair trade practices, national security concerns, or environmental goals, while avoiding broad, blanket tariffs that harm economic growth and consumer welfare. They should be part of a broader economic strategy, moderate in rate, temporary in duration, and based on clear evidence, with mechanisms to monitor and adjust their impact. This approach balances the potential benefits for certain industries with the risks to overall economic efficiency and global trade relations.

Key Citations

- [Tariffs—Everything you need to know but were afraid to ask](#)
- [Can tariffs be a good thing?](#)
- [Tariffs Are Great – If You Like Raising Prices, Undermining Jobs, and Inhibiting Innovation](#)
- [Are tariffs bad for growth? Yes, say five decades of data from 150 countries](#)
- [The Fiscal, Economic, and Distributional Effects of a 20% Broad Tariff](#)
- [Are tariffs good or bad for the economy? Research says they can be bad for the supply chain](#)

- [Tariffs: Estimating the Economic Impact of the 2025 Measures and Proposals](#)
- [Quantifying Industrial Strategies across Nine OECD Countries](#)
- [How Clean Is the U.S. Steel Industry?](#)
- [Brexit opinion poll](#)
- [Trump's high tariffs would create administrative nightmare](#)