

# No, Tariffs Won't Ruin Christmas

President Trump says he will impose a 10 percent tariff on \$300 billion worth of Chinese imports beginning September 1. The tariff would affect consumer goods primarily, according to an analysis by Goldman Sachs.

Cue the histrionics.

The [Washington Post](#) laments that these tariffs will ruin America's "holiday" shopping season. The *Post* cites a study claiming that the price of toys will rise by 17 percent, while the cost of laptops and tablets could increase by \$120. Basically, President Trump is the Grinch who will steal Christmas by making toys too expensive. How could he do this to poor little Cindy Lou Who – who is no more than two? Monster!

This is America's [Pravda](#) at its finest. Trump will not ruin Christmas, and the price of toys will not rise perceptibly. Why? Because tariffs don't work like sales taxes and therefore don't affect prices in the same way. The media pundits are either willfully ignorant of this fact, or ignorant in general.

## **Time-Traveling to Roast Chicken Little**

Every time President Trump raises tariffs, the media clucks that American consumers will pay the price. This hasn't happened yet and it won't happen now. Consider the great washing machine debacle of 2018.

President Trump in January 2018 announced that he would impose tariffs on imported washing machines, and that the effective tariff rate would be [40 percent](#). On top of this, he announced in March that he was imposing tariffs on imported steel and aluminum. The media said this would hurt domestic

manufacturers, too.

Liberals lost their collective mind. Low-income Americans would not be able to afford washing machines, they shrieked, and soon we'd be living in a nation of grungy, soiled masses – the average American would look like [Pig-Pen from the Peanuts gang](#).

That never happened.

In fact, the price of washing machines hasn't really changed since January of 2018. This is obvious when looking at the [Consumer Price Index](#) (CPI). The CPI tracks the prices of over 80,000 consumer goods and services in cities across America. They do this every month. How? They contact stores and get actual sale prices.

So what does the CPI have to say about the price of washing machines since President Trump's insidious wave of tariffs? [Not much](#).

In 2018, the price of laundry equipment increased by [6.8 percent](#), compared to an overall inflation rate of [2.44 percent](#). So far in 2019, the price of laundry equipment has decreased by 0.48 percent, compared to an expected inflation rate of 2 percent. Overall, the cost of laundry equipment will likely increase by 6.32 percent, as compared to 4.44 percent for everything else – nowhere near the 40 percent price increase predicted by the media and, if we're being honest, not even that out-of-the-ordinary.

Consider that in 2012 the price of laundry equipment increased by 8.56 percent. Tariffs were not to blame for that increase. It is entirely possible that Trump's tariffs had no effect on laundry equipment price – this may be yet another example of a [random walk](#) confusing the Chicken Littles that run our media.

In my spare time, I like to time travel. In particular, I like

to visit archived versions of webpages to see how they've changed. On [August 18, 2017](#), before the washing machine tariffs were a twinkle in Trump's eye, Home Depot advertised the General Electric GTW680BSJWS model washing machine for \$629. Today, Home Depot is [advertising](#) the same model for \$597.

Sure, this observation is anecdotal – but the experience of most shoppers is anecdotal, too. The fact is that no individual shopper actually noticed that washing machine prices increased in 2018 (or that they decreased in 2019), and they won't notice if prices increase by pennies this Christmas, either.

### **Tariffs 101**

The reason Trump's tariffs don't have much (if any) observable effect on consumer prices is that the tariff rate is not applied to the product's retail price, wholesale price, nor even its import price. Instead, tariffs are levied on the [first sale price](#) – the price paid to foreign vendors by American companies or their middlemen.

This method of calculation reduces the tax burden on American consumers, but preserves the tariff's punitive effect on foreign producers. For example, suppose President Trump were to impose a 10 percent tariff on all Chinese toasters.

Black & Decker makes toasters in China. These toasters sell for [\\$60](#) in America. That's the retail price. Are tariffs imposed on retail prices? No. This means that the price of toasters will not rise by 10 percent—\$66 toasters are a media-concocted boogeyman.

So just how much would this hypothetical tariff increase the price of toasters?

American stores buy their toasters from Chinese manufacturers. But because of China's (intentionally) convoluted regulatory framework, they often buy them via middlemen located in Hong

Kong, Singapore, or Taiwan. These middlemen charge somewhere in the neighborhood of [\\$14](#) per toaster.

And of course these middlemen don't work for free: they buy the toasters directly from Chinese factories for [seven dollars](#) per toaster. This is the first sale price, and tariffs are calculated on this figure. Thus the hypothetical 10 percent tariff charged on a Black & Decker toaster that retails for \$60 works out to just 70 cents.

American consumers don't pay 10 percent more for toasters – they pay just 1.15 percent more. And that's assuming Black & Decker doesn't simply source its toasters from one of China's competitors, in which case consumers may not see any prices increase whatsoever.

This same rule applies to component pieces, meaning that toasters assembled elsewhere using Chinese parts would only increase in price relative to their proportion of Chinese origin. So, if a Taiwanese factory assembles \$7 toasters using foreign parts, half of which are from China, then tariffs would apply only to half of the value. The final retail price of this hypothetical Taiwanese toaster would increase by just over one-half of 1 percent.

Despite the media's grumbling, Trump's tariffs just won't affect consumer prices all that much.

### **Cards on the Table**

Finally – and I cannot emphasize this point enough – you can avoid paying tariffs entirely by buying American. As such, there is no reason to oppose tariffs unless you want to buy “cheap” Chinese junk. Why would anyone want to do that?

To begin with, China is our greatest economic, political, and military rival. Can you imagine American journalists griping that they couldn't buy the latest toy from the USSR at the height of the Cold War? No. They would be tarred-and-feathered – and probably accused of treason.

And what of the fact that China produces [50 percent of global pollution](#)? All these journalists claim to be environmentalists, and yet they support policies that shut down relatively clean American factories and replace them with industrial monstrosities that rival a Charles Dickens environmental and social dystopian nightmare. Pure hypocrisy.

The media also pretends to care about American workers, and yet they support the offshoring of [millions](#) of good-paying, middle-class American jobs to China. Say what you will about tariffs, but there is no debate that tariffs boost demand for American labor – this is the part of the economic argument for opposing them in the first place.

What about the social consequences of the economic dislocation caused by offshoring? It's a fairly obvious fact that [unemployed people vote for socialism](#) – this is why the formerly red Republican Rustbelt turned blue. Could this be the real reason the media supports free trade? I wouldn't doubt it.

I can think of no good reason why anyone would actually want to buy anything from China. They only do so because they have few, if any, other options. By invoking tariffs to level the economic playing field President Trump is carving out a space for American industry – he is giving us options.

Now it's up to us: buy American.

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