TEF NEWS RELEASE

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FOR IMMEDIATE RELEASE
November 5, 2018

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NEW STUDY BOLSTERS ARGUMENTS AGAINST TARIFFS

CHICAGO—The non-partisan, Washington-based Tax Foundation has publicized a new study that supports the contention that tariffs are bad for productivity and output.

According to the foundation, a recent study by the International Monetary Fund (IMF) finds that tariff increases have negative effects on output and productivity that are magnified "when tariffs rise during expansions, for advanced economies, and when tariffs go up."

The research looked at tariff changes across 151 countries from 1963 to 2014, and the effects on output, productivity, employment, inequality, exchange rates, and trade balances.

Some conclusions of the study:

• Tariff increases lead to declines of output and productivity in the medium term

• The wasteful effects of protectionism eventually lead to a meaningful reduction in the efficiency with which labor is used, and thus output

• Tariffs encourage the deflection of trade to inefficient producers in order to avoid tariffs, along with encouraging smuggling to evade tariffs; such distortions reduce welfare [by reducing economic output, efficiency, etc.]

• Consumers lose more from a tariff than producers gain, so there is "deadweight loss"

• The longer-term consequences of tariffs are likely higher than the medium-term effects

"It's important that people realize that tariffs are a hidden form of tax increase," said Jim Tobin, president of Taxpayers Education Foundation (TEF). "A few narrow industries may be helped, but consumers overall end up paying higher prices."