



Why Protectionist Trade Policies Still Won't Deliver for U.S. Workers

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Over the last fifteen years, the politics of trade in the U.S. has changed significantly. Starting in the 1990s, economic production became increasingly global and automated as companies built production networks across borders and utilized new technologies at home (e.g. robotics and computer software). Both Republican and Democratic presidential administrations supported these trends, pursuing lower barriers to trade and opportunities for U.S. firms abroad. As a result, middle class, middle-skill jobs, most notably in manufacturing, disappeared, negatively affecting industries, occupations, and communities. These economic trends have been associated with a variety of political grievances.

After campaigning on protectionist messaging designed to appeal to these sentiments in 2016, the first Trump administration marked a turning point in U.S. politics, with trade and globalization now facing significant critique from both the right and left. In contrast to previous administrations, President Trump implemented protectionist measures such as tariffs and renegotiated NAFTA (now USMCA). The Biden administration largely maintained or increased tariffs on China, signaling bipartisan alignment on protectionism as a strategy to protect American jobs and industries. In his second administration, President Trump has promised a variety of tariffs plans, including tariffs on all imports, not just those from China.

However, protectionist policies, especially blanket tariffs such as those proposed by President Trump, have consistently fallen short in delivering meaningful benefits for American workers. Indeed, if implemented, they are likely to have negative impacts on U.S. firms, U.S. workers, and U.S. policy goals. It is necessary to acknowledge the legitimate concerns about economic integration and national security that have surfaced in the wake of the Covid-19 pandemic and rising geopolitical tensions. However, tariffs on allies (e.g. Mexico and Canada) are inconsistent with that goal, as they erode trust and reduce cooperation on shared economic and security challenges.

The Misguided Promise of Protectionism

Protectionist trade policies, like those by promised by Donald Trump during the 2024 campaign are unlikely to address the root causes of economic vulnerability and lack of opportunity for middle-income and working-class Americans. While tariffs and trade barriers are often presented as tools to revive domestic manufacturing and “protect workers,” they often fail to achieve these goals due to three key issues.

First, firms have many strategies to reduce labor costs. Firms operating in a globalized economy have developed diverse strategies to minimize labor costs, such as offshoring, and adopting labor-saving technologies (e.g. automation). When tariffs increase the cost of foreign labor or goods, firms often respond by automating production or relocating operations to other low-cost regions, bypassing the intended effects

of trade barriers.

Indeed, technological advancements and digitalization have broadened the range of offshorable and automatable tasks, exposing workers in occupations beyond traditional manufacturing to competition, including call center operators, software developers, accountants and more.

Second, new jobs created at home under protectionist policies often require different skills and knowledge than the jobs held by workers previously displaced by automation or global competition. For instance, jobs in highly automated factories demand advanced technical skills that traditional manufacturing workers may not possess. Without targeted retraining programs, the promise of “bringing jobs back” will remain out of reach for many.

Finally, tariffs have unintended economic consequences and broad economic costs. Firms that rely on imports become less competitive and grow less due to higher input costs. Protectionist measures frequently lead to retaliatory actions from trade partners, which harms exporting firms and makes them less competitive. Consider the impact of steel tariffs levied by the first Trump administration in 2018 on manufacturing job creation. A study by economists found that the small positive effect on job creation in steel production was offset by larger negative effects on job creation for both downstream industries that face higher costs and exporters facing retaliation. Lastly, consumers can face higher costs as well, with the burden disproportionately impacting lower-income families. Together, these pressures further strain American workers by driving up the cost of living and limiting economic opportunities.

Toward Better Policies for U.S. Workers

The challenges faced by American workers require solutions that go beyond protectionism. Policymakers must address the structural forces of globalization and automation by:

1. *Investing in Job Retraining and Education*: Focus on equipping workers with skills for non-routine, future-oriented occupations that are less susceptible to offshoring and automation (broadly defined). This could include expanding community college programs and providing incentives for private sector partnerships that help workers transition into fields like green energy, healthcare, and advanced manufacturing.
2. *Promoting Inclusive Industrial Policy*: Design policies that account for firms’ production decisions, including automation and location choices, to ensure broader worker benefits. This could include tax credits for firms that invest in high-quality domestic job creation or changes to U.S. tax policy that incentivize investing in capital rather than labor.
3. *Recognizing Occupational Vulnerabilities*: Tailor support programs to address the specific needs of workers in routine, offshorable, and automatable jobs, fostering resilience in the face of economic change. Current programs, such as Trade Adjustment Assistance, define eligibility too narrowly, while portable benefits could help workers transition to new roles while minimizing financial disruption.
4. *Expanding the Social Safety Net*: Strengthen unemployment insurance and wage support programs to cushion the economic impacts of job displacement. This could include extending benefits to cover gig and contract workers, providing vital support to a growing segment of the workforce that is often excluded from traditional safety nets.

Trade and other economic policies must adapt to the realities of a globalized and automated economy. By prioritizing workers' welfare through comprehensive support and retraining, policymakers can create a more inclusive and equitable future for American workers—one that addresses their needs more effectively than protectionism alone ever could.

Until we do this, we will continue to live in a world of grievance-based politics, which threatens to deepen political polarization, undermine democratic institutions, and weaken the country's ability to craft effective, forward-looking economic policies, including meaningful immigration reform.

Read more in Erica Owen and Noel Johnston, "Occupation and the Political Economy of Trade: Job Routineness, Offshorability, and Protectionist Sentiment" *International Organization* 71, no. 4 (2017): 665-699; Erica Owen, "Exposure to Offshoring and the Politics of Trade Liberalization: Debate and Votes on Free Trade Agreements in the U.S. House of Representatives, 2001-2006" *International Studies Quarterly* 61, no. 2 (2017): 297-311; Aaron Flaaen and Justin Pierce, "Disentangling the Effects of the 2018-2019 Tariffs on a Globally Connected U.S. Manufacturing Sector" *The Review of Economics and Statistics* 106, no. 5 (2024) 1-45; Erica Owen and Rena Sung, "Labor and Trade Protection in Comparative Perspective" *Oxford Research Encyclopedia of Politics* (2020); and Erica Owen and Noel P. Johnston, "Occupation and the Political Economy of Trade: Job Routineness, Offshorability, and Protectionist Sentiment" *International Organization* 71, no. 4 (2017) 665-699