

Episode 269: Tariffs, Trade War, and American Jobs

Lizzy: Hi, I'm Lizzy Ghedi-Ehrlich

Lisa: and I'm Lisa Hernandez.

Lizzy: and we are your hosts for Scholar Strategy Network's No Jargon. Each month we discuss an American policy problem with one of the nation's top researchers without using jargon.

Lisa: And obviously, with all the news increasing, we had to increase the frequency of our podcast, which is now going to be released twice a month.

Lizzy: So even more explainers, hearing from top researchers, jargon free for the masses, and importantly, to help us with our increased production, we're really excited to announce that we're being joined by a new co-host. Everyone welcome, Avigail Oren.

Avigail: Thanks for inviting me to join you guys as co-hosts. I'm really excited. I am the Director of Development at SSN and before joining the organization, I earned a PhD in American History which prepared me to talk to researchers but didn't entirely prepare me to talk about this episode's topic.

Lizzy: And that's international trade. This is something that definitely none of us are experts in, but that's the point. Neither are most Americans, whether you're a consumer, a worker, or the multiple identities that we all have, like

tariffs and trade and all these things that we're talking about right now, they are gonna matter, it sounds like.

Avigail: Indeed. So for this episode I spoke to Dr. Erica Owen, who's an expert in international trade and the global economy, whose work focuses on how things like tariffs and trade policies affect workers and industries. Dr. Owen is an associate professor at the Graduate School of Public and International Affairs at the University of Pittsburgh. Here's our conversation.

Avigail: Hi, Professor Owen. Thank you so much for coming on No Jargon. We're actually recording this on February 10th and things are changing really fast. President Trump has proposed and implemented some tariffs and walked back others, so I was wondering if you could briefly give our listeners an overview of what you've been seeing when it comes to U.S. trade policy.

Erica: Great. Yeah. Thanks so much for having me. As you said things have been changing rapidly since President Trump was inaugurated. What we've seen are threats of tariffs against key allies, although they haven't been implemented yet, some tariffs implemented on China and the plan to implement more tariffs including on steel and aluminum.

Avigail: Before we get into the nitty gritty, I'd love to ask you, for those of us, for whom trade policy is not an area of expertise, what exactly is a tariff and why do they matter to, both the country and to the average American consumer?

Erica: So a tariff is a tax on an import. So when we say we're gonna have a 10% tariff on a good that we import from China, that is basically a 10% tax that the importer will pay. So if we import a laptop that costs a hundred dollars, there's gonna be a \$10 tax on that the importer will pay.

What that means for consumers is that we could see prices go up depending on whether or not the business that imports the product that we buy passes that cost onto us. Then there's sort of a range of effects that tariffs can have on U.S. workers and U.S. businesses.

Avigail: So I would love to hear you talk a little bit more about the effect on workers, because it seems to me like the conversation has really focused on the effect on consumers. So, I wanna back up a little bit and ask you about how Trump's moves are meant to push back against globalization and open trade.

In many ways, this is like a backlash to trends in jobs and global trade that we've seen over recent decades. How did we get from an open trade policy to this backlash?

Erica: That's a great question. For several decades, starting in the '80s and throughout the '90s and early 2000s, the U.S. on both sides of the aisle, Republican and Democratic presidential administrations, were pro-trades. So sort of very pro-globalization and sort of an open economic system. That trend towards a more global economy, towards more global production, came along with some not-so-nice outcomes for workers, especially workers in

traditional manufacturing jobs. A lot of those jobs that we thought of as sort of middle-class, middle-skill jobs started to disappear.

It wasn't just trade. It wasn't just offshoring that contributed to this, but there's an important role for technological change as well. But that's all sort of background that can sort of explain why we started to see folks pushing back—U.S. workers, U.S. families, U.S. communities starting to push back when they realized and experienced some of the negative effects of trade.

And so you saw this pretty profound shift that started with President Trump's first campaign where he came out very negatively against trade in favor of tariffs and making jobs in America and bringing production back to America as a goal that he stated and since then you've seen a realignment with both Democratic politicians, democratic administrations and Republican administrations, taking this more—what we would call protectionist, where we wanna protect, American businesses and protect American workers—protectionist position that is more anti-globalization. And it was really because of political backlash, as you noted, against this openness and this perception that American workers are being hurt by globalization.

Avigail: I'd love to talk more about what exactly these types of jobs are that are most affected by trade. Or what makes some jobs more or less vulnerable?

Erica: For a long time, the types of jobs that were sort of negatively affected by this global competition were jobs that could be done more cheaply by

foreign workers abroad. So if we're talking about an assembly line and the production of certain manufactured goods, it started to be the case that those jobs could be done more cheaply abroad, and so it was cheaper to produce abroad and import back into the United States. And so that includes a variety of manufacturing.

So think about washing machines, think about steel and aluminum, auto manufacturing and the like. Those are sort of some classic examples. A more recent example would be solar panel manufacturing. The United States manufacturers very few solar panels because it's just so much cheaper to do in some other countries. And so that's down to the cost of labor as well as the economic policies of countries like China, which have been accused of unfair trade practices. So there's the cost of labor plus other surrounding policies that can shape where it makes the most economic sense for these businesses to do their production.

Even in the 2010s and forward, there began to be this focus on China. So China joined the World Trade Organization (WTO), and the U.S. normalized trade relations with China in 2000 and 2001, respectively. And so when China came in, it was still classified as a non-market economy, but it was supposed to be making these changes and the belief at the time was that if China joined the global economy, it would become more market-oriented. And that really wasn't realized. There was this sense that Chinese businesses were receiving unfair subsidies or that the exchange rate was kept artificially low and in a variety of other policies something that we call “forced

technology transfer”—where, to do business in China, you have to share your technology with Chinese companies. So all of these things created an atmosphere where there's this feeling that China is not competing on a level playing field. That's a big factor, especially when we see the ire or animosity or targeted focus on China.

Avigail: Can you give me a quick definition of what a non-market economy is?

Erica: Sure. That's just an economy where, for instance, the government is directing funds or giving privileged subsidies to companies that export, for instance. And so that gives those companies an advantage because they can produce either at a lower cost or they're less concerned with cost because they're receiving these subsidies and it allows them to export goods more cheaply to a country like the United States.

Avigail: So you've also mentioned technology. In what ways do technological advancements also affect workers' perception that these protectionist policies are needed in order to give them the economic advantages that they feel like they used to have in the American economy?

Erica: So technology is one way for firms to reduce their labor costs. And when you make it harder or less attractive for firms to trade, they might invest in automation. And this makes it a really tricky problem for workers. And so I'll give you an example.

In 2016, Carrier, an Indiana company that manufactures air conditioning units, was thinking about closing down one of its factories and moving it to Mexico. They received a bunch of state incentives. Then candidate Trump was talking about Carrier and how he wanted to keep those jobs and prevent Carrier from moving to Mexico. So Carrier accepts about \$17 million in incentives to keep those 600 jobs here in the United States. But within a year, they closed down a plant just down the road, still in Indiana. They closed down a plant, moved those jobs to Mexico and invested the amount, roughly, that they got in incentives in automation technology at the original location.

And I think that example just illustrates how hard it is to keep those kinds of jobs here and to sort of dictate the way that firms do their production. And so to your question, why is this policy attractive to many workers who feel like they've been harmed by global competition? I think the answer is it's easier to blame foreigners than it is to sort of blame technology, which can sometimes seem like an inevitable thing that's happening. And there's a bunch of research suggesting that that kind of logic is really appealing to voters—when they experience this negative economic shock, wages go down, they may lose their job. When they experience that, they look for someone to blame. And so tariffs certainly can feel like and seem like a panacea that will solve the problem, but it's harder to do than that.

Avigail: Okay, so this is so interesting because you're really pointing to how intractable of an economic problem this is, not just a political problem. And I'd love to hear you talk about the research you've done. So you've done some

research into the idea of tasks and occupations and what makes certain jobs vulnerable to being off-shored or eliminated from the U.S. workforce. So can you tell us a little bit about your findings?

Erica: So one of the things that economists and political scientists think about a lot is who benefits from and who is harmed by economic changes. So, thinking about global production. That could be trade, it could be offshoring, where a company moves abroad. What we've been talking about so far is who are those folks that have been negatively impacted and what are the characteristics, not only of their industry, but of the type of job that they do. And so in some of my work, I have argued that it's really about the characteristics of your occupation—the types of things that you do day to day in your job that can make you vulnerable to global production or even automation.

There's a lot of research, including my own, on this concept known as “Routineness.” And Routineness is where you do tasks in your job that are either repetitive or sort of follow a process or a script. And so an example that I give sometimes is about some manufacturing jobs that might fit into that category, but there's lots of other jobs that could fit into that category as well.

So one example is call centers. Prior to the rise of chatbots, we saw a lot of call centers actually move offshore. And that's because call centers typically follow just a script where there's not a lot of innovation in the conversation. And so it can be done more cheaply by someone who lives in a less

well-developed country, but that can speak English. So the Philippines and India are some examples where we see this. Another example are other business services that can be quite repetitive and routine. And so accounting is another example of this. And we've actually seen cases where U.S. businesses will offshore the accounting portion of their workflow to a country like India that has sort of a big, business services sector.

Another example that maybe you hear more about these days is the reading of radiology reports that could be read by a doctor in another country, and increasingly it could be read by an AI kind of tool. We really have to start to rethink who is vulnerable to these negative economic pressures.

What I argue in my work and find in my work is that it's not just the traditional manufacturing workers that are experiencing these pressures. It actually goes beyond that into certain services. Unless we do something as a country to support folks and communities experiencing this, we're gonna continue to see sort of this sentiment from voters that is sort of angry about the state of the world, the state of the economy, supporting protectionism, and things like that.

Avigail: I would be very curious to hear you talk about how unions, for example, which is like one of the main ways that American workers have had a voice historically, are supporting routinized workers, who are being displaced.

Erica: Sure. I'd be happy to talk about unions, which, as you note, are really one key way that workers have a voice both economically, it gives them economic power, and also political power.

The most prominent example, certainly, is steelworkers where steel work is that sort of routinized work, especially in older factories that don't have the latest technology. And so those unions become a very powerful, economic and political voice, advocating for protection and being quite successful—in this case U.S. steel workers are. But I think what's also interesting and important to note is that there are—we've talked a lot about those who have been negatively affected by trade—there are lots of workers in the United States that benefit from trade. I think like the United Auto Workers is a really interesting case because you do have workers in those firms doing that more routinized work, but they also rely on imported inputs to produce their final product. And so there's this distinction that I think is important. It sort of depends on the combination of the work that you do—like are your job tasks routinized—and where you are in the global supply chain, how much you rely on those imported inputs, becomes really important.

Avigail: Well, that's so interesting because just thinking about how companies these days are, —you sort of mentioned this with the accounting departments that are being offshore—most companies don't have beginning to end production or service, just within one country. How does this make it really complicated for companies to respond to protectionist or just more general trade policies?

Erica: That's a great question and you think it makes it really complicated. And so some studies of the previous Trump administration steel tariffs found that while those tariffs did protect a small number of jobs in steel manufacturing, it actually had a negative effect on job creation more broadly among those like IT firms and industries that rely on steel imports to produce further products.

When companies are uncertain about what trade policy is, they sort of adopt a wait and see attitude. They're not gonna add jobs, they're not gonna engage in investment. So that uncertainty can have a negative effect on business activity. And again, there are many, many jobs in the United States that are supported by trade in two following ways: one, as you mentioned, there are these global firms, and they import goods and then they use that imported intermediate good to produce final products. The auto manufacturers are a great example of that. There are other businesses and workers that are engaged in export-oriented trade. And so those are the folks that are vulnerable to retaliation where a trade partner like China will implement tariffs of its own to try and respond to the protectionist policies of the United States.

Avigail: I would love to hear a little bit more about how the implementation of tariffs affect the U.S.' relationship with key trading partners like Canada, Mexico, and China.

Erica: So what we saw from the first U.S.-China trade war was that imports shifted and Mexico became an even more important trade partner for the

United States. And so one of the things that have happened, sort of as a result of the first, U.S.-China trade war during the previous Trump administration, something that's happened as a result of the pandemic, when we saw that the US was vulnerable to its supply chain vulnerabilities where we couldn't get certain, personal protective equipment (PPE), where we couldn't get syringes, and other things that we needed to respond to the pandemic. When we have become concerned about our access to semiconductors, which might be produced largely in a more adversarial country like China, is that the U.S. has sought, especially under the Biden administration, to build more resilient supply chains.

And so trade policy under the Biden administration, in some ways, was aimed at that goal of building trade relationships with allies and close economic partners and sort of trying to diminish U.S. reliance on China as a trade partner. A real challenge that I see with the current administration's approach to this is that the Trump administration is not seemingly distinguishing between allies that we rely on for sort of close economic ties and so much more and so it was really shocking, I think, to a lot of folks and including to those countries, to see the U.S. go after, you know, Canada, for instance.

So I think it can lead to an economic restructuring—companies will rethink their investment strategies, certainly—but also sort of a more foreign policy diplomatic reshuffling where, whether countries and which countries rely on

the United States and the U.S.' reputation in the world, I think is, going to shift dramatically.

Avigail: So you've talked about how tariffs will not exactly help to protect U.S. jobs in the same way that people think or that politicians argue. But are there other rationales of tariffs that we haven't talked about yet?

Erica: The one thing that the Trump administration has talked about is using the revenue from tariffs, to pay for other initiatives that the administration wants to pursue. And so one thing that's been talked about is can those revenues from tariffs be used to offset, you know, future tax cuts or to pay for the supports that those hurt by retaliatory tariffs might need? In the previous U.S.-China trade war, the Trump administration had to pay soybean farmers huge amounts of subsidies to offset the way that they were negatively impacted by trade. It's important to note that tariffs are attacks paid by U.S. businesses and citizens that import the product. But it is a source of revenue for the government. But the one thing that we didn't talk about was how tariffs are regressive tax. They negatively impact consumers because they can lead to higher prices and at a time when inflation is a really big concern, attacks that make prices higher is something that I think a lot of families would be unhappy about. It negatively affects lower- and middle-income families more because they have less discretionary income to pay for items.

Avigail: I would love to shift us towards policy solutions. We've explored this giant ball of wax that is the complexity of American trade. But focusing back on workers, it sounds to me that it is not so simple to “bring back jobs.”

What are some proactive policies that could actually help push back against the negative effects of globalization and automation?

Erica: I think there's a couple of really key things that we should be focused on. First is job retraining and education. We have to focus on equipping workers with the skills that they need for those non-routine jobs of the future. So this can include things like expanding community college programs and providing incentives for private sector partnerships to sort of help workers transition into things like green energy, healthcare, and advanced manufacturing.

This also will require some investment in expanding our social safety net. The U.S. does have a policy, it's called Trade Adjustment Assistance, that is meant to ease the transition for workers who have lost their jobs due to trade competition and ease their transition into a new occupation, a new industry, but often the wages aren't as good as what they were receiving before. Or these are folks who can't afford to take time off school. And so we really have to think about how we expand that safety net and strengthen unemployment insurance and wage support programs cushion the impact for workers that experience this job displacement. And so I think there's really that two-pronged strategy of setting up educational offerings and training offerings that look towards the future and the jobs of the future while providing support for workers who are negatively impacted now.

Avigail: I would sort of frame it as ,looking towards the future, but also not punishing those who were influenced by past decisions based on past conditions.

Erica: Yeah, absolutely. And I think one thing that will be interesting, and I don't know, maybe I've missed it, but I haven't heard much about, is sort of how the new administration will view things like place-based industrial policy. You know, under the Biden administration there was a lot of effort to invest in a green energy economy, especially in places where the transition away from fossil fuels will be a challenge and negatively hurt those communities.

And so, it will be interesting to see how the Trump administration views those policies. Especially because it's often workers in more Republican leaning states that were going to benefit from those sort of what we might call place-based industrial policy.

Avigail: So if there's one takeaway about tariffs or trade that you want people to remember from this conversation, what would it be?

Erica: I think it would be the following: That many, many American workers and families benefit from trade, and for the ones that have been negatively affected by global production, unfortunately, tariffs are not going to be the thing that moves the needle too much because again, firms have a variety of ways of managing their labor costs.

And so we really have to think more about investing in American workers rather than trying to protect them from foreign labor competition or from automation.

Avigail: Alright, well thank you so much Professor Owen for coming on the show.

Erica: Thank you so much for having me. I really enjoyed having this conversation with you.

Avigail: And thanks for listening. For more on Professor Owen's work, check out our show notes at scholars.org/nojargon. No Jargon is the podcast of the Scholars Strategy Network, a nationwide organization that connects journalists, policymakers, and civic leaders with America's top researchers to improve policy and strengthen democracy.

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