



The Daily Dish

Iran and Tariffs

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Eakinomics has heard some speculate that there is a method to the seemingly erratic rollout of President Trump's tariffs. The argument is that the on-again, off-again, let's-change-the-number, here's-an-exemption nature of his policy numbs the public to what is actually going on. This makes it easier, they argue, for the president to get to the tariffs he actually wants.

There may be something to this.

On Monday the president announced that countries that trade with Iran would face a 25-percent tariff on their exports to the United States. As it turns out (big thanks to AAF tariff guru Jacob Jensen), in 2023 Iran exported to roughly 119 countries, accounting for almost 90 percent of U.S. imports. Taken at face value, this would be a tariff of about \$350 billion. If compliance with the U.S.-Mexico-Canada (USMCA) trade agreement qualifies for exemption, it is still \$250 billion. Or, if the tariffs apply only to the major Iranian trade partners (Mexico, for example, purchased just \$11,000 in goods from Iran while China imported \$5 billion), tariff revenue falls to \$100 billion.

Whether it is \$100 billion or \$350 billion, this is a big deal. And there has been nary a peep about this enormous new tax. Granted, there have been a few things going on - the acquisition of a new state in the oil patch, military preparations - to do what, exactly? - for Iran, and public scheming about the best way to wrest Greenland away from the Danes. So, some people have probably been distracted. But it is still a big deal and worth noting for the record.

And to top it off, if, say, *China* has the nerve to import from Iran, *U.S.* households and businesses pay a tax on their purchases of Chinese products. How the domestic American pain is going to induce the mullahs to allow political demonstrations in Iran is not spelled out exactly. How tariffs are the solution to this problem, especially, is completely mysterious.

So, a friendly reminder: The president just raised taxes by between \$100 billion and \$350 billion, further damaging the growth of after-tax income and pushing up costs at a time when inflation failed to decline during 2025.