Press Release

Understanding Tariffs and GDP Growth

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Treasury Secretary Bessent recently stated that every $300 billion collected in tariff revenue would contribute 1 percentage point to gross domestic product (GDP) growth. In a new insight, Trade Policy Analyst Jacob Jensen explains why this statement misrepresents how a tariff interacts with the fundamental components that constitute GDP.

Key points:

> - *The Trump Administration argues its tariffs are necessary to reduce U.S. imports, which it views as negatively impacting GDP growth.*
> - *While the impact of tariffs on growth is difficult to estimate, as is always the case with taxes, Secretary Bessent's claim is mistaken because reductions in imports simultaneously lead to reductions in household spending and business investment.*
> - *This insight discusses the way in which GDP is calculated, as well as the impact tariffs might have on each of the components that make up GDP, in order to get a better understanding of the relationship between tariffs and economic growth.*

Read the analysis.