



The Daily Dish

# Labor (is less valuable) Day Weekend

DOUGLAS HOLTZ-EAKIN | SEPTEMBER 3, 2019

## Eakinomics: Labor (is less valuable) Day Weekend

It was just another Labor Day weekend. Americans barbecued, watched baseball, visited family — oh, and watched the cost of consumer imports from China go up by 15 percent on September 1. The *Washington Post* [noted the occasion](#): “At 12:01 a.m., U.S. customs will begin collecting a 15 percent tax on products such as clothing, footwear, pens, pencils, diapers, Bluetooth ear buds, televisions, golf clubs and fishing line. The official list of affected items runs 114 single-spaced pages.” Recall that when the Chinese announced their retaliation on the new consumer tariffs, the president upped the new tariffs from 10 percent to 15 percent and raised the existing 25 percent tariffs to 30 percent. The most recent tranche is largely consumer goods, and the costs will not simply disappear into smaller profit margins, currency revaluations, or lower China revenues.

The consumers *have* been watching and they understand the ramifications. The [Reuters/University of Michigan consumer sentiment](#) index decreased 8.6 points, from 98.4 in July to 89.8 in August, which is the biggest drop in points since December 2012 (when the concern was the so-called “fiscal cliff” of rising taxes). The current conditions component was down 5.4 points, to 105.3 in August from 110.7 in July, while the consumer expectations part was down 10.6 points, to 79.9 from 90.5 in July. Why? Tariffs. As Richard Curtin, chief economist for the Survey put it: “The recent decline is due to negative references to tariffs, which were spontaneously mentioned by one-in-three consumers. Unlike concerns about the fiscal cliff, which were promptly resolved, Trump’s tariff policies have been subject to repeated reversals amid threats of higher future tariffs. Such tactics may have some merit in negotiations with China, but they act to increase uncertainty and diminish consumer spending at home. Unlike the repeated tariff reversals, negative trends in consumer sentiment cannot be easily reversed.” The fallout of the tariffs on household spending is the most critical issue for the near-term outlook for growth.

On top of that, the direct cost of U.S. tariffs is significant, but it misses important economic fallout from the retaliation of the targeted countries. And focusing on China misses the existing steel and aluminum tariffs (as well as repeated threats by the president to levy tariffs on imported cars and car parts). For these reasons, AAF’s Jackie Varas continues to tally a [comprehensive](#) measure of the costs.

Tariffs diminish the value of a good day’s work. One has to appreciate the irony of implementing them on Labor Day weekend.