Brief History of Tariffs & How It Affects U.S. Consumers - Consumer Dynamics

The history of U.S. import tariffs dates back to the early days of the nation. One of the first significant legislative actions of the newly formed United States was the Tariff Act of 1789, also known as the Hamilton Tariff. This act imposed tariffs primarily to generate revenue for the federal government and to protect burgeoning American industries from foreign competition. Alexander Hamilton, the first Secretary of the Treasury, was a strong advocate for using tariffs to promote industrial growth and economic independence.

When the U.S. imposes tariffs on imports, the immediate effect is an increase in the cost of those imported goods. Importers typically pass these increased costs onto consumers, leading to higher retail prices.

Machinery and equipment, including computers and hardware encompassed the largest amount of imports in volume valued at $475.9 billion in 2023. Electrical machinery and related equipment reached $477.1 billion in 2023. These two categories make up the bulk of the imports that U.S. consumers buy, which include televisions, computers, phones, computer equipment, appliances and electrical accessories and components. Automobiles and vehicle parts were the third largest category of imports in 2023 valued at $329.6 billion.

As savings have diminished following the subsidies and assistance programs during the pandemic, consumers have borrowed more adding to credit card and personal loan balances. Elevated rates have placed an additional strain on consumers leading to an increase in delinquencies.

Economists are concerned that newly imposed tariffs on many of these imported products would impose even greater strain on consumers and their spending behavior. Tariffs would be considered inflationary should importing companies pass along the tariffs to consumers in the form of higher prices.

Sources: Office of the Historian; U.S. Dept. of State, Tax Foundation, National Bureau of Economic Research