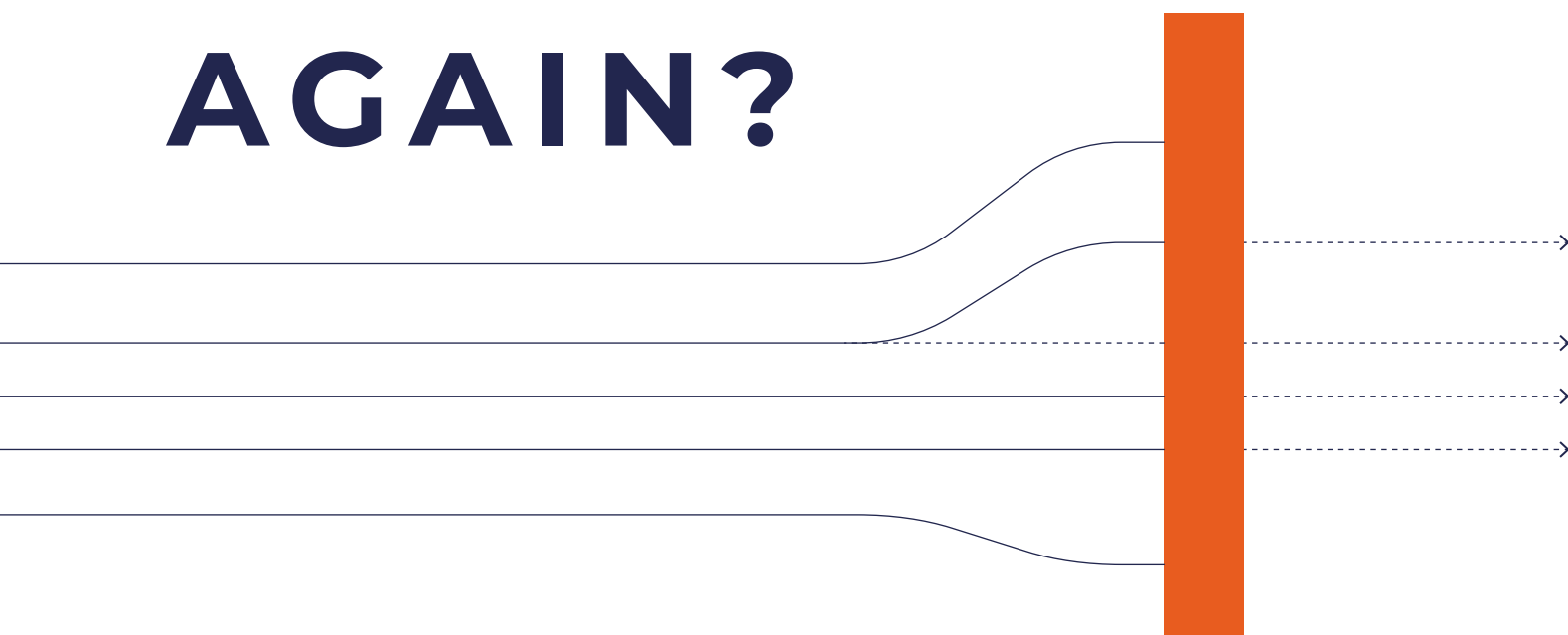




ARE TARIFFS MAKING AMERICA GREAT AGAIN?



The consumer case against tariffs
on steel, aluminum, and copper

POLICY NOTE

BY EMIL PANZARU, SABINE BENOIT,
DAVID CLEMENT & STEPHEN KENT

Tariffs on steel, aluminum, and copper are sold to the public based on two promises: bringing manufacturing back to the United States and raising revenue. The problem is that **these two goals are mutually exclusive**. If tariffs succeed in reshoring production, revenue derived from tariffs on imports would bottom out. If revenue were to stay so high that the Administration could end the income tax (as has been suggested) the US economy would have to be entirely driven by foreign imports, thus defeating the reshoring goal. You simply cannot have your cake and eat it too on tariff and the restoration of U.S. domestic manufacturing.

GOAL 1

Bring back American manufacturing

If it works, imports fall toward zero...

...and tariff revenue falls to zero.

GOAL 2

Raise tariff revenue

Revenue requires imports to stay high or grow...

...which runs directly counter to onshoring them.

What tariffs reliably do instead: act as a tax paid by domestic consumers, inviting retaliation from economic allies like Canada and Mexico — a tit-for-tat cycle that harms American production, innovation, trade and foreign policy.

Key Takeaways

- **Tariffs are a tax on Americans.** Steel, aluminum, and copper tariffs are particularly egregious because they touch so many everyday essentials — cans, cars, appliances, homes.
- **Costs pass straight through.** The USITC found a near-100% pass-through rate in year one; peer-reviewed research this year puts the consumer share at 96–100%.
- **Allies are collateral damage.** Canada is America's largest foreign supplier of steel and aluminum; Mexico is the second-largest steel supplier and third-largest aluminum partner. Middle Eastern alternatives are imperiled by regional instability.
- **The way forward is eliminating tariffs.** Short of that: taxing components rather than the full product value would be an improvement over the status quo. Exempt key defense products, restore Canada/Mexico exemptions, and a genuine sense of stability.

How Did We Get Here? The Escalation Timeline

Start	What happened
Initial tariffs	25% tariff on steel imports; 10% on aluminum.
2025	All country exemptions ended; aluminum raised to 25%; coverage expanded to more steel and aluminum products.
June 2025	Steel tariffs doubled from 25% to 50% and extended to household appliances — washing machines, refrigerators, dishwashers, dryers, stoves.
April 2026	The 50% tariff applied to the full value of a product, not just its metal content — significantly increasing the tax burden on Americans.
June 2026	Two new derivative categories (steel racks, aluminum lithographic plates) hit with 25% duties. The regime runs through December 31, 2027.

The Price Tag: What Consumers Actually Pay

When a tariff is imposed, industry doesn’t pay it — consumers do. A study of the 2018 tariffs found higher prices were borne entirely by US importers and consumers, not foreign companies. And tariffs don’t just raise prices on imports: by limiting the pool of producers, they let domestic firms raise prices too.

96–100% of tariff costs are passed to consumers (USITC; NBER 2026)	\$600–\$700 per year in Section 232 costs for the average household (Tax Foundation)	+5.7% rise in canned fruit & vegetable prices vs. 2% for all food at home (NYT)
\$2,500–\$4,500 added to the sticker price of a US-assembled vehicle — up to \$12,000 for a fully imported one	+\$10,900 added to the cost of each new home (Wells Fargo via NAHB); materials up 40% since Dec 2020	\$1.7B+ in excess costs paid by the US beverage industry through 2023 — before the 2025 escalation

- **Appliances:** \$30–\$100 in added material costs per appliance, passed through nearly in full per the USITC.
- **RVs:** Elkhart County, Indiana builds ~80% of the world’s RVs; with over a thousand pounds of steel in an average travel trailer, the industry warns prices could rise more than 25%.
- **Housing:** 94 million households (70%) can’t afford a \$400,000 home — and the median new home is \$460,000. Incomes would need to be 80% higher than in 2020 to comfortably buy.

Producers, Jobs, and Defense

Tariffs are sold as a jobs program, but the jobs they protect are dwarfed by the jobs they endanger. Every dollar of tariff not passed to consumers drags on business profits, cutting investment and capital expenditure — and constant rule changes push companies into a “wait and see” freeze.

80 : 1	104,000	\$650,000
Americans working in steel-using industries for every one in steel production (Mercatus) — ~12 million jobs made precarious	jobs lost to steel tariffs, with long-term GDP reduced by 0.3% (2025 report)	annual cost to consumers for each job created by tariffs — no cost-benefit test survives that

- **Real companies, real losses:** Thor Industries, the world’s largest RV maker, reported a 470-basis-point margin compression and 25% drop in North American shipments, citing tariff-driven material costs. BRP faces over \$365 million in added costs this year on Canada/Mexico-built vehicles. Alcoa has already paid \$115 million in tariffs.
- **Buying American is penalized:** a 10% charge still applies to foreign products made with US steel — punishing foreign manufacturers for choosing American inputs.
- **Retaliation bites:** Ontario — the world’s largest buyer of US alcohol through its monopoly wholesaler — banned US alcohol sales, cutting Kentucky bourbon producers off from their largest international buyer.
- **Defense is exposed:** the US imports half of all its aluminum, which goes into military electronics, aerospace, combat aircraft, and lightweight armor. A 25% full-value tariff leaves the defense industry struggling to meet its needs.

Allies in the Crossfire: Canada and Mexico

The numbers tell a story of mutual dependence, not leverage. Tariffs on America's two most integrated trading partners boomerang directly back onto American consumers, workers, and the defense industrial base.



CANADA

#1 steel supplier — 3.6M+ tons, 28% of US imports

#1 aluminum supplier — 50% of US imports

0% → 50% tariff on Canadian steel in just five months

No US substitute — America can't replace Canadian aluminum until 2030 at the earliest, amid energy constraints

Critical minerals leverage — top-3 supplier of tellurium, copper, indium, germanium, and silicon for semiconductors and batteries

Steel & aluminum are only ~0.5% of Canadian GDP — the pain ratio favors Ottawa, not Washington



MEXICO

#2 steel supplier — 3.52M tons, \$3.53B in 2024

#3 aluminum partner for the United States

America's largest export market — bigger than Germany, France, Italy, Spain, and the UK combined

\$860B in bilateral trade — more than Japan, the UK, Germany, and Korea combined

Deeply co-productive — 30¢ of every dollar of Mexican exports is American-made; up to 74% of the value of vehicles imported from Mexico originates in the US

Tariffs on Mexico tax Americans — auto and aerospace parts cross the border repeatedly before final sale

The fallback isn't safer: with Canadian supply taxed, Middle Eastern producers (UAE, Bahrain) now account for a quarter of American aluminum imports — shipments endangered by the war with Iran and complications around the Strait of Hormuz. Canadian producers, already at capacity and facing US tariffs, won't be keen to fill the gap.

The Way Forward

The best way forward is to eliminate tariffs on steel, aluminum, and copper entirely and let the market improve alliances and serve consumers. Short of full elimination, these steps would spare consumers the worst:

- **Tax components, not products.** Return to applying tariffs only to the metal content rather than the full value of a finished product.
- **Exempt critical sectors.** Eliminate aluminum duties for the defense industry.
- **Restore ally exemptions.** Reapply country exemptions for Canada and Mexico — especially heading into the July 2026 USMCA review.
- **End the uncertainty.** Publish a clear, trustworthy plan for tariff application so businesses can invest instead of waiting and seeing.

The Bottom Line

Tariffs cannot simultaneously onshore production and raise revenue — but they reliably raise prices, cost jobs, and alienate allies. Americans pay more for groceries, cars, appliances, and homes so politicians can claim symbolic victories. These artificially created price hikes make American consumers poorer overall and are inherently regressive.

Sources cited in the full report: USITC (Pub. 5405) • NBER (w26610, w34620) • Tax Foundation • Mercatus Center • Anderson Economic Group • S&P Global Mobility • NADA • Beer Institute • NAHB / Wells Fargo • USGS • RBC • C.D. Howe Institute • Fraser Institute • CSIS • Atlantic Council • Brookings • The New York Times • The Wall Street Journal • Bloomberg