

# Trump Tariffs: Impacts on State and Local Economies

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# High tariffs are a distinct possibility



## Trump threatens 100% tariff on Brics nations if they try to replace dollar

3 days ago

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<https://www.cNBC.com/2024/10/26/trump-joe-rogan-election-tariffs-income-tax-replace.html>

Holly Honderich  
BBC News

## Trump picks Peter Navarro as top trade advisor

("Ricardo is dead")

<https://www.cNBC.com/2024/12/04/trump-picks-peter-navarro-as-top-trade-advisor.html>

PUBLISHED WED, DEC 4 2024•10:51 AM EST | UPDATED 23 MIN AGO



Kevin Breuninger  
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## Trump doubles down on replacing income taxes with tariffs in Joe Rogan interview

<https://www.bbc.com/news/articles/cgrwj0p2dd9o>

PUBLISHED SAT, OCT 26 2024•9:59 AM EDT | UPDATED SAT, OCT 26 2024•3:39 PM EDT



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# Agenda



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REMI MRUS Model

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Q&A

*what does **REMI** say?<sup>sm</sup>*

## Comparative Advantage



Some economies are particularly good at producing a good/service. They can trade that specialty for something they are not comparatively good at producing.

Example: English wool and French wine

**what does *REMI* say?**<sup>sm</sup>

## Diversity of Consumption



International trade widens the availability of various goods and services for consumers.

Example: Taylor Swift (United States) and Ed Sheeran (Britain)

# Tariffs for tax revenue

Figure 1a. Tariffs Revenue as a Share of Total Federal Receipts, 1798-2023

Percentage



Council of Economic Advisers

Sources: White House Historical Tables; Census - Historical Statistics of the United States; CEA calculations.

Note: The data for years prior to 1940 does not match current fiscal year convention.

As of June 20, 2024 at 12:00pm.

what does **REMI** say? <sup>sm</sup>

Found at: <https://www.whitehouse.gov/cea/written-materials/2024/07/12/tariffs-as-a-major-revenue-source-implications-for-distribution-and-growth/>

## What are tariffs supposed to do?



### Protect a mature industry

Example: textiles, to maintain U.S. employment in a mature industry



### Protect an infant industry

Example: shielding emerging US EV industry from foreign competition



### Raise revenue

3.8 trillion in imports in 2023; (10% tariff raises 380 billion in static revenues)



### National security interest

Move toward U.S. self-sufficiency reduces vulnerability to disruption of imports

# Tariff possibilities



Tariffs could  
replace income tax


A few days later, podcaster Joe Rogan asked Trump whether he was serious about replacing federal income taxes with tariffs.

“Yeah, sure, why not?” Trump said during his interview Friday on “The Joe Rogan Experience.”

<https://www.cnn.com/2024/10/26/politics/trump-income-taxes-tariffs/index.html>

Potential 100%  
tariff on BRICS  
Countries



Donald J. Trump   
@realDonaldTrump

The idea that the BRICS Countries are trying to move away from the Dollar while we stand by and watch is OVER. We require a commitment from these Countries that they will neither create a new BRICS Currency, nor back any other Currency to replace the mighty U.S. Dollar or, they will face 100% Tariffs, and should expect to say goodbye to selling into the wonderful U.S. Economy. They can go find another “sucker!” There is no chance that the BRICS will replace the U.S. Dollar in International Trade, and any Country that tries should wave goodbye to America.

8.78k ReTruths 34.6k Likes

Nov 30, 2024, 12:40 PM

**what does REMI say?**<sup>sm</sup>

<https://truthsocial.com/@realDonaldTrump/posts/113573130299319701>




# Tariff possibilities



25% tariff on  
Canada and  
Mexico



Donald J. Trump   
@realDonaldTrump

As everyone is aware, thousands of people are pouring through Mexico and Canada, bringing Crime and Drugs at levels never seen before. Right now a Caravan coming from Mexico, composed of thousands of people, seems to be unstoppable in its quest to come through our currently Open Border. On January 20th, as one of my many first Executive Orders, I will sign all necessary documents to charge Mexico and Canada a 25% Tariff on ALL products coming into the United States, and its ridiculous Open Borders. This Tariff will remain in effect until such time as Drugs, in particular Fentanyl, and all Illegal Aliens stop this Invasion of our Country! Both Mexico and Canada have the absolute right and power to easily solve this long simmering problem. We hereby demand that they use this power, and until such time that they do, it is time for them to pay a very big price!

12.6k ReTruths 50.8k Likes

Nov 25, 2024, 6:35 PM

<https://truthsocial.com/@realDonaldTrump/posts/113546215051155542>

what does **REMI** say?<sup>sm</sup>



# Tariff Reactions



## The Art of the Tariff Deal—Another Way Trump Can Boost Our Economy

Oct 24, 2024 3 min read

← The Heritage Foundation

<https://www.heritage.org/trade/commentary/the-art-the-tariff-deal-another-way-trump-can-boost-our-economy>

## Trump's tariff plan is an inflation plan

New tariffs on Mexico, Canada, and China could make life more expensive.

by **Ellen Ioanes**  
Nov 26, 2024, 1:00 PM EST



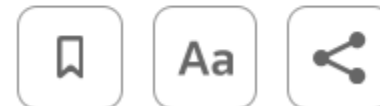
← Vox

<https://www.vox.com/commerce/387800/trump-tariffs-inflation-economy-china-global-trade>

## Trump tariffs would harm all involved, US trade partners say

By Reuters

November 26, 2024 9:31 PM EST · Updated 19 hours ago



← Reuters

<https://www.reuters.com/markets/us-trade-partners-warn-trump-tariffs-would-harm-all-involved-2024-11-26/>

**What does REMI say?**

# Regional Economic Effects of Tariffs



- Tariffs are a national policy that have differential effects on U.S. states
- We use a Multiregional US Model to illustrate how to model the impacts of tariffs on states
  - This allows an increase in import costs (tariffs) for all states; with economic interactions among states and Federal Reserve monetary policy responses to changing national macroeconomic conditions

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# What is a MRUS Model?

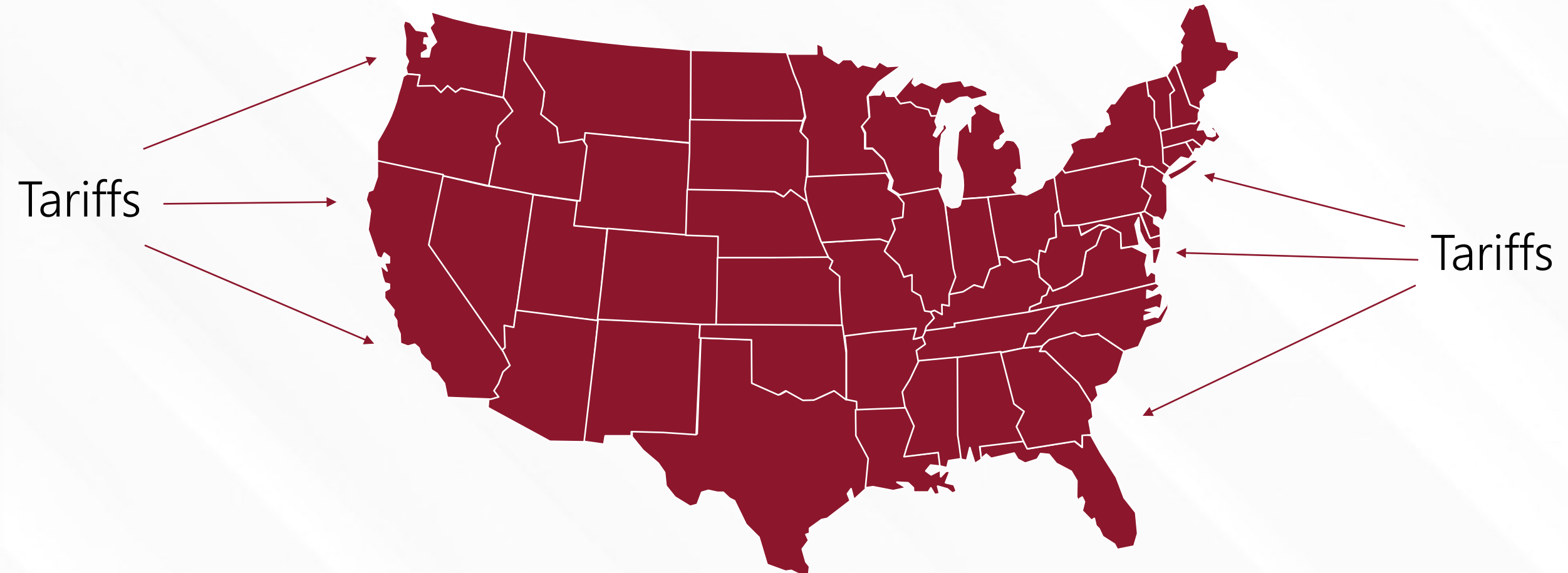


- The Multiregional US (MRUS) Model is a REMI model with states and regions that add up to the entire United States.
  - This structure allows analysts to simulate national economic policies in a model that produces state and regional impacts
  - Model closures allow for a monetary policy response which is likely to occur with a major policy shift
- Applications: tariffs, immigration, federal tax policy

# MRUS Model



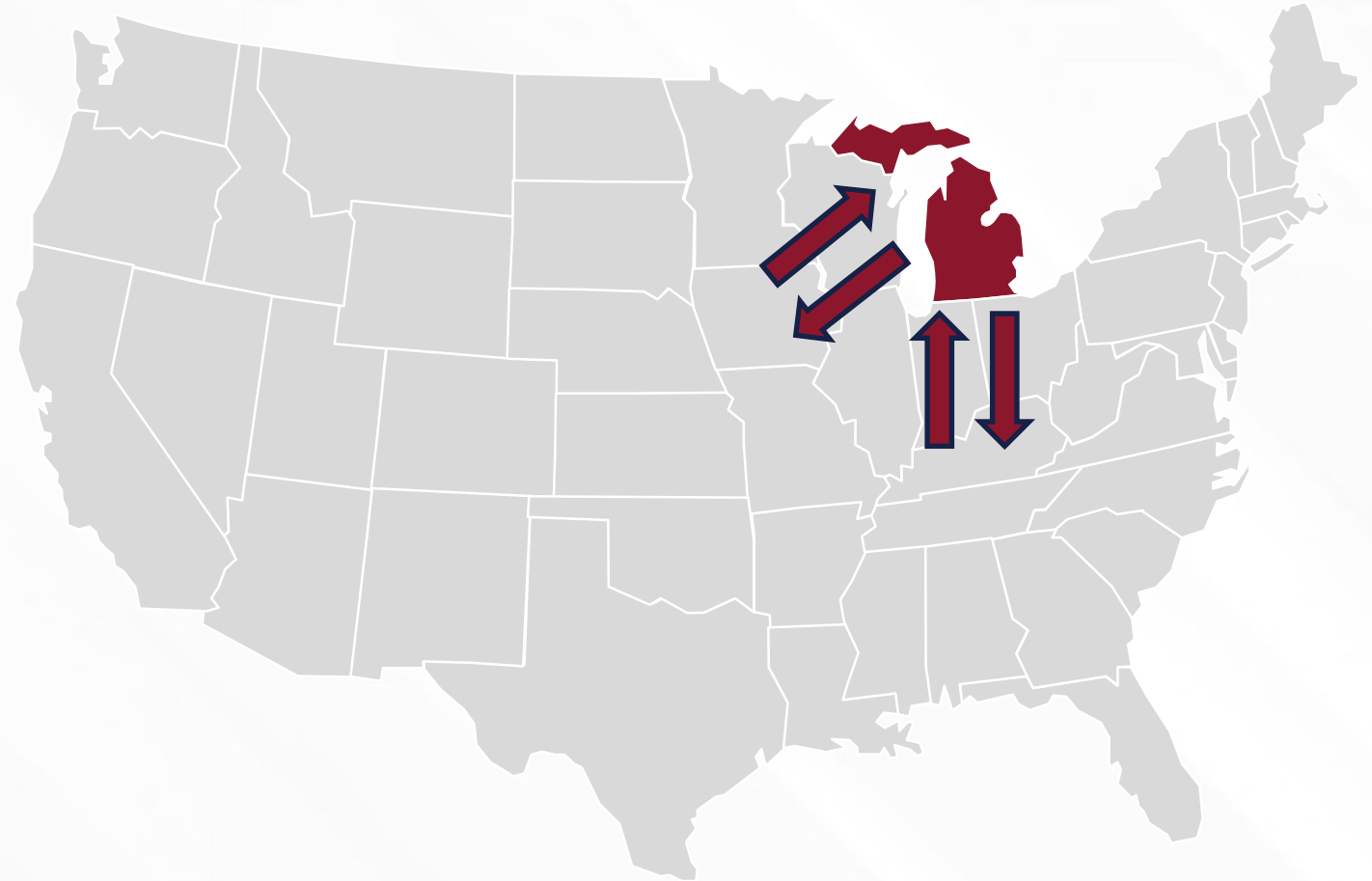
This allows analysts to analyze the national economic impacts of tariffs



# MRUS Model



Interregional interactions:  
primarily trade  
and migration



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# Scenario 1: Higher Import Costs for Specific Sector (Automobile Manufacturing)

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## Assumptions:

- No retaliatory effect
- Did not do anything with revenues
- Model closures applied: Keynesian and anticipatory fed
  - Keynesian – No response from federal reserve due to economic changes
  - Anticipatory Fed – Fed changes cost of capital to maintain "full-employment" or NAIRU

# Auto Industry Results Summary – "Keynesian" Closure



*No action from the Federal Reserve*

- Higher import costs for automotive manufacturing
- Price of imports increases
- Domestic production increases (over time), due to less foreign competition
- Prices of imports increases consumer prices and input prices broadly
- Lower consumer demand due to direct and indirect consumer price increases (price elasticity of demand)
- Higher employment in protected industries, lower employment in other industries
- National macroeconomic job and GDP decline, a few states and industries are positive

- What is the "anticipatory fed" closure?
  - If employment declines significantly, the REMI model reduces the cost of capital to increase employment to the baseline national employment forecast
  - This assumes that the Federal Reserve will manage monetary policy to maintain employment at "full employment" or NAIRU.
  - These assumptions also focus on the **relative** output and employment impacts of tariffs for industries and regions

# Auto Industry Results Summary – Anticipatory Fed Closure



*Federal reserve reduces cost of capital to maintain "full-employment"*

- Higher import costs for auto mobile manufacturing
- Price of imports increases
- Domestic production increases (over time), due to less foreign competition
- Prices of imports increase consumer prices and input prices broadly
- Lower consumer demand due to direct and indirect consumer prices (price elasticity)
- Higher employment in protected industry, lower employment in other industries, more mixed
- **With anticipatory fed, we see net increase in GDP gains, as it shifts employment from low-productivity sectors to high-productivity sectors, however real disposable personal income per capita goes down due to price increases**

**what does *REMI* say?<sup>sm</sup>**

# Results in Live Model Demo

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# Additional Tariff Scenario

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- Assumes 10% tariff on all private, non-farm imports
  - For demonstrative purposes, includes all goods and service producing sectors
  - Ran two scenarios with Keynesian and Anticipatory Fed model closures



# Results in Live Model Demo

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# Conclusion

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- Trump will raise tariffs
- States need to know the economic and fiscal effects of these changes
  - State budget planning
  - Economic development planning
  - Influencing federal policy
- The REMI MRUS model provides the appropriate framework to evaluate the effect of tariffs on state and local economies

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**Thank you for attending!**

For more information, please contact [info@remi.com](mailto:info@remi.com).

Stay tuned for [upcoming webinars](#) on immigration and fiscal policy evaluating using the MR-US REMI model.