

Mr. Beat coming at you like a slap in the face. I've made a video about every type of tax, and so far 188,029 people have watched it. (on phone) Hello? What? Oh. Ok, thanks for letting me know. Goodbye to you. So apparently that number is now 188,030. Mike from New Jersey just started watching. Thanks, Mike.

Anyway, in that video, I briefly explained tariffs, or taxes on stuff crossing an international border. Put another way, a tariff is a tax on an import or an export. But usually tariffs are on imports, or stuff brought into a country.

I've never made a video explaining in greater detail about tariffs, though. And I never will. Goodbye. (walks off and then back on) Just kidding. This is that video.

Tariffs can be a fixed percentage of the price or change according to the price, and tariffs are just one way governments can implement protectionism, or the restriction of trade to PROTECT domestic industries from foreign competition.

Now, the vast majority of economists argue that tariffs are bad.¹²³ Specifically, they argue tariffs cause inflation and just have an overall negative effect on both economic growth and economic welfare.

Oh, and if you follow me on social media, you probably know that I'm generally not a fan of tariffs either.⁴

But mostly due to the backlash to extreme wealth inequality we are seeing around the world today, tariffs are back in fashion, baby. That's right. Tariffs haven't been this en vogue since the 1890s.

(laughs) (abruptly stop as things suddenly get serious) We are living in dark times.

That all said, some people think tariffs are great. (sigh) So yeah...uh...I guess I have to do something I didn't think I'd ever have to do. Make a video explaining WHY most economists say tariffs are bad but also explaining WHY some people push for more and more tariffs.

(Title card)

Before I try to teach your butts about tariffs, this video is once again sponsored in part by DeleteMe.

1

<https://www.reuters.com/world/us/16-nobel-prize-winning-economists-say-trump-policies-will-fuel-inflation-2024-06-25/>

2

<https://www.piie.com/blogs/realtime-economics/2024/how-much-would-trumps-plans-deportations-tariffs-and-fed-damage-us>

³ Mankiw, N. Gregory (24 April 2015). "Economists Actually Agree on This: The Wisdom of Free Trade"

⁴ <https://x.com/beatmastermatt/status/1758711253512405499>

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Ok, so first, I want to stress that we've tried tariffs before. Oh boy have we tried them.

(A Brief History of Tariffs)

In fact, tariffs have historically been an important source of revenue for governments. They've been around at least since Ancient Greece,⁵ but really started to pick up momentum thanks to the British starting to limit international trade during the Middle Ages. During the Industrial Revolution, the British government decided to be all protectionist in an attempt to protect British manufacturing.

You remember what protectionism means. What? You DON'T?!? I gave the definition at the beginning of the video. Oh you weren't paying attention then. I see. You know what? You're lucky I'm not giving a test on this stuff.

Anyway, so yeah, during the Industrial Revolution the British government sharply increased tariffs on imported manufactured goods. But they didn't just increase tariffs to limit international trade. They also increased export subsidies, or economic policies meant to favor domestic industries through stuff like cheap loans, free international advertising, or even free money to domestic companies to make them not import stuff. They even straight up had embargos, or bans on trading with certain countries.

So why did many in Britain favor tariffs so much? Well, since the Industrial Revolution STARTED in Britain, they had an early advantage over the rest of the world, so they figured they'd better hang on to that advantage as long as they could, eh? But...sorry Britain...the rest of the world caught up and is still catching up with you whether you like it or not. But other countries embraced tariffs, too. After all, at the time the most based economic policy was mercantilism, or an economic policy that's all about exporting stuff but NOT all about importing stuff. Mercantilism meant one country needed to hoard all the resources in the world in order to have leverage with other countries.

But then this Scottish dude named Adam Smith came along and was like, "What's up, why are you tripping?!?" "What about free markets?!?"

Smith was generally NOT a fan of tariffs nor protectionism...nor mercantilism really. Ok, well who the heck did this Adam Smith guy think he was anyway? Well, cool people today actually

⁵ Michell, H. (2014). *The Economics of Ancient Greece*. Cambridge University Press. p. 253.

call Smith the “Father of Economics,” because he was a pioneer in the entire field of economics who helped develop how we understand it today. Huh. No big deal. In his book *An Inquiry into the Nature and Causes of the Wealth of Nations*, or just *The Wealth of Nations* because come on, Smith work on your titles, Smith said that competition and our own self-interest help a marketplace function. And the freer the marketplace, the better off we all were. This meant that free trade was far better than protectionism. He wrote, “Very good grapes can be raised in Scotland, and very good wine too can be made of them at about thirty times the expense for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines, merely to encourage the making of claret and burgundy in Scotland?”⁶ That said, it’s worth noting that Smith said sometimes tariffs might be needed to support domestic industries that are important to national defense or in retaliation to other countries being shady with trade.

Now, when he was alive a lot of people criticized Adam Smith and his ideas, saying he didn’t know what the heck he was talking about. But Smith would have the last laugh. Oh yeah.

50 years after Smith’s death, protectionism was becoming less fashionable, in part because people were realizing that Smith’s ideas made countries MORE rich. In 1846, the British government got rid of tariffs and other trade restrictions on imported food, marking a dramatic shift towards free trade.

Meanwhile, here in the United States. (turning) Yeah, I’m a bloody American here in the United States...you didn’t know that? (turning) Anyway, here in the United States, people generally just didn’t like paying taxes at all, let alone tariffs.

But hey, the federal government still needed to raise money somehow, especially since it had war debt. The first big law Congress passed after the ratification of the United States Constitution was the Tariff of 1789. The law put a tariff of around 5% on most imports.⁷ Founding Father Dude Alexander Hamilton was a big fan of tariffs and protectionism, as were most Americans at the time, as they felt their young country had to catch up with British manufacturing, and tariffs were the only way to do it. American companies generally did not have the same economies of scale, or cost advantages companies have due to being so big, as British companies. So Hamilton and others argued tariffs had to be put into place until American industries caught up with the rest of the world. Notice, though, how Hamilton only wanted tariffs to be TEMPORARY.⁸

For most of the next 100 years or so, tariffs were the main way the United States federal government could actually pay its bills. And for much of that time, the United States had some of the highest tariffs in the world. Not all Americans favored tariffs. In response to the Tariff of Abominations, a law that ultimately pushed the average tariff rate in the country to more than

⁶ *The Wealth Of Nations*, Book IV, Chapter II, p. 458, para. 15.

⁷ Bairoch (1993). [*Economics and World History: Myths and Paradoxes*](#). University of Chicago Press. ISBN 978-0226034621.

⁸ <https://www.marketplace.org/2017/08/11/why-american-protectionism-still-rings/>

60%, South Carolina rebelled by trying to not pay the tariffs, leading to the Nullification Crisis. I made a video about that. Long story short, it nearly led to a war.

But after 100 years of tariffs, the United States now had the biggest economy in the world, and many politicians began calling for them to be reduced. In fact, throughout the 1880s and 1890s, this was THE big issue during presidential campaigns. I know, it sounds freaking boring. But ya know what WASN'T boring? The Panic of 1893, the biggest economic crisis in American history up to that point. During it, unemployment got up to 19% nationwide and 43% in Michigan. Holy crap, Michigan. There were crop failures and bank failures but also a decrease in imports, meaning tariffs weren't even able to remotely pay the government's bills anymore. During the Progressive Era, that period of widespread reform and activism between the 1890s and 1920s, more and more people argued that tariffs hurt competition and only helped large corporations. In fact, they said tariffs even made monopolies more likely. A monopoly is when a single seller dominates a market. During this time, tariff rates began to trend downward and the income tax replaced the tariff as a big way for the federal government to raise revenue.

Flash forward to 1930, and Congress was freaking out due to what we now call the Great Depression, the worst global economic crisis in modern world history. So what did they do in response? They raised tariffs! Oh no. The Smoot–Hawley Tariff Act increased tariffs on more than 20,000 imported goods.

You know what? That dorky teacher was right. These tariffs were SUPPOSED to encourage people to buy American-made stuff by increasing the cost of imported stuff. Instead, it led to trading partners retaliating by raising THEIR tariff rates and ultimately froze international trade, causing companies' sales to drop everywhere. After this, Congress reversed the tariffs and negotiated a bunch of free trade deals with countries around the world. After World War Two, the decline of authoritarianism around the world combined with the fact that American influence had widely expanded made free trade more popular than ever. And as the American economy prospered, fewer and fewer Americans saw the need for tariffs. By the 1990s, most industrialized countries around the world had dramatically reduced tariffs and this led to many goods getting cheaper for consumers.

That didn't mean everything was gravy...baby.

Since the 1970s, a rising number of Americans became concerned about the sharp decline of American manufacturing, and understandably so.

https://www.youtube.com/watch?v=qBm7SZ_WjYY That's Pat Buchanan, "PITCHFORK PAT," a dude who ran for President multiple times and ended up becoming quite influential on the Republican Party of today. <https://www.youtube.com/watch?v=LmjG2kYKEfg> Buchanan regularly freaked out about trade deficits. Oh, a trade deficit happens when a country imports more than it exports, by the way. Keep in mind those clips are from 1992. The manufacturing

decline has only gotten much worse since then. In 1979, manufacturing made up 22% of all non farming jobs in the United States. By 2024, it made up just 8%.⁹¹⁰

https://www.youtube.com/watch?v=AYi_-dehkfo Sound familiar? Yep, looks like Pat Buchanan's old talking points are now in the mainstream. Anyway, the sharp decline in manufacturing, combined with the decline of the influence of labor unions in wealthier countries, made it so that it was more difficult for many Americans to get decent-paying jobs.

Another trend that has happened since tariffs have gone down has been Congress delegating more and more power to the President to set tariffs, especially after it passed the Trade Expansion Act in 1962 and International Emergency Economic Powers Act, aka IEEPA, of 1977. Ever since, all the president basically has to do is declare an emergency and boom! Just like that, he can create new tariffs.

This brings us to today. Today, free trade and low tariffs have led to the world arguably becoming more prosperous than ever before, mostly because it has led to cheaper goods than ever before.

-Yeah, But Things Still Suck-

Goods may be cheaper but incomes still haven't kept up with inflation in recent years. Not only that, most of the rise of prosperity in recent years has gone to either those in developing countries or to those who were already rich. They are the ones who have seen their real income dramatically go up over the past few decades. The ones who have NOT seen their real income dramatically go up? The working class of the Western countries who have gone away from tariffs and protectionism. And yep, this is the group freaking out now. I guess I'm in that group, too. Aaaaahhh! Aaaaaaah!

You may have noticed a rise in political unrest around the world. Ya know, a backlash against those in power. Well, much of this backlash has been a response to too much free trade. I've been frustrated, too. I'm 43 years old, and for the vast majority of my life, real income has barely gone up at all. But a big reason why the backlash hasn't been bigger or why the backlash didn't happen sooner was because many goods have stayed cheap or even gotten cheaper. However, after the sharp rise of healthcare, housing, and higher education costs in recent decades, compounded with all the other inflation of the early 2020s, people have had enough. They're fed up, man.

Should the response be more protectionism? Most economists say no because that would make inflation much worse. You see, when a country raises tariffs, it's the people IN that country that actually has to pay the tariffs. When an American company has to pay higher tariffs on T-shirts, those companies are going to dramatically raise prices on those T-shirts in order to still make a profit. Are you, as a consumer, more likely then to buy a T-shirt made in the USA? Well, maybe. But that's not the point. The point is now anyone who wants to buy a T-shirt will now be paying MORE for a T-shirt. Not only that, other countries often pass their own tariffs in retaliation, which

⁹ <https://www.bls.gov/opub/btn/volume-9/forty-years-of-falling-manufacturing-employment.htm>

¹⁰ <https://www.bls.gov/emp/tables/employment-by-major-industry-sector.htm>

leads to American companies exporting FEWER T-shirts. By the way, when countries go back and forth passing higher and higher tariffs and more and more trade restrictions, we call this a trade war. And we've already been in a trade war with China since January 2018, when President Donald Trump began setting tariffs and other trade barriers with China. He Tweeted [this](#), implying that trade wars were easy to win. They are NOT easy to win. The next president, Joe Biden, kept those tariffs in place, and now Trump is promising an additional 60% tariff on ALL Chinese goods after his return to office. Why is this a big deal? Well, because nearly half a TRILLION dollars worth of goods are imported to the United States from China each year. 60% across-the-board tariffs on all Chinese imports would, simply put, tank the American economy. The ongoing trade war with China has been a complete and utter failure so far for the American economy.¹¹¹² According to one study, the tariffs cost American consumers about \$1.4 billion per month.¹³ The United States has lost the trade war because no one wins in a trade war. Trump has implied that more tariffs means we could further lower income taxes. However, that wouldn't matter. We'd be paying way more for stuff than we'd be saving by not paying income taxes.

If a tariff is passed on T-shirts imported from China, it's not China that pays those tariffs. It's American companies that want to sell those T-shirts. And those American companies pretty much ALWAYS raise their prices to make up for the fact that they now have to pay more to sell those T-shirts. That's just how it works, man. The importer pays the tariff, which means the consumer....YOU...yes you watching this...pays the tariff.

But what about trade deficits? Well, if you've ever heard someone say they are concerned about trade deficits, please politely tell them to calm down. It's ok. There is little evidence that proves that trade deficits are something to be concerned about. If the United States has a bigger trade deficit, that just means that more and more Americans are getting what they want from foreigners who make stuff faster, cheaper, and BETTER.

<https://www.youtube.com/watch?v=HY7xwfsPxcY>

Goodness, what an astoundingly silly video. Who the heck IS the guy? Wait 825,000 views?!? Oh no. The referral analogy doesn't make any sense. You simply can't compare it to trade between the United States and China because BOTH win in the relationship. Sure, Americans give China lots of money, but Americans get LOTS of cheap goods in return.

Now...

Does this mean the United States can DEPEND TOO MUCH on another country for certain goods? Of course. But fortunately for the United States, there's more than one other country.

But what about manufacturing? Well, manufacturing OUTPUT has never been higher. Machines just now do the work that humans once did. This is a good thing. Many of those manufacturing jobs that once existed sucked. It's true that most manufacturing jobs are not coming back, but we shouldn't WANT them to come back. No, the problem isn't manufacturing jobs being gone. It's the fact that OTHER good-paying jobs haven't taken their place. And that's a problem that

¹¹ <https://www.cfr.org/blog/cost-trumps-trade-war-china-still-adding>

¹² <https://www.annualreviews.org/content/journals/10.1146/annurev-economics-051420-110410>

¹³ <https://www.cnbc.com/2019/03/26/ny-fed-trump-tariffs-costing-us-consumers-1point4-billion-per-month.html>

deserves a whole other video, and we really should wrap this video up since it wasn't supposed to be this long dangit.

-The More Freedom, The Better-

Simply put, human beings have survived and thrived by sharing our skills and talents, and any time we limit our ability to share our skills and talents, it hurts our SPECIES. History tells us that the more free an economy, the better off human beings are. Now, that doesn't mean the only way to get that freedom is NO government intervention. Sometimes governments have to intervene to make an economy more free.

And the fact remains, many people currently DO NOT FEEL FREE. People are still hurting, man, especially in rural areas where so many factories have long shut down. Young people have consistently fled these rural areas for bigger cities seeking a higher income. So something absolutely has to be done for these folks in rural areas. Unfortunately, most economists say higher tariffs will just hurt these folks even more.

Look, every country has tariffs, but most economists say tariffs should be the exception, not the norm. Oh, and they say tariffs should be TEMPORARY, not permanent. And if you gotta have them, they ought to be low.

The reason why we often learn history is to not repeat the mistakes we made in the past. Governments creating high tariffs is one of those mistakes. I mean. Come on. What's next? Not vaccinating our children? Heh. (pause) Wait a second, what?

But I could be wrong about tariffs. Let me know down below if you think tariffs are tubular. Thank you to all of my Patreon supporters and channel members. One perk ya get if you donate \$15 or more a month to my channel is a monthly shout out, and now it's time for that, eh? Starting with my biggest donors and reverse alphabetically, thank you to Trevon Jones, Sean Conant, Robert Kandell, Psycho, Patrick Steward, Pat Iapicca, Nik Everett, Nicolas Dronsky, NeoR14, Michael Cortez, Joe Cook, Jesus Carillo, Jeremy Dunham, Isaiah Warfield, Isabelle, HistoryNerd, Fletch Fick, emptymachine, Derek Williams, Corey Rieman, Chums McGuffey, Austin Siros, Anthony Beckett, Andrew B., Alvino V, Alicia Solberg, Zachary F Parker, Victor McClean, Ty Marwitz, Thomas Oppenheim, T C, Steve Bryan, Stacey, Salty, Raquell Jones, Ralph, Oliver E., Navincitron, Naterade, Michael Schillo, Michael Burt, Justin Love, Joshua Jackson, Jennifer, Jakob Birnbaum, Jack L, Erik Hernandez, Erik Davey, Emily Glover-Wilson, Elias Pierce, Andrew Schneider, Aditya Anand, and Adam Christians. Hey thanks to ALL my Patreon supporters, and thank YOU for being curious.

Sources/further reading:

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The Tariff History of the United States by F.W. Taussig

Download a free copy here:

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