Tariffs, Workers, and Democracy

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While the tariffs announced and implemented by the current presidential administration are expected to have wide-ranging effects on the US economy, their likely impacts on workers, and the potential consequences for democracy, are of particular concern. Economic theory, empirical evidence, and most models suggest these tariffs will raise prices and slow economic growth, with negative consequences for workers' wages, employment, and standard of living.[1] This economic damage is particularly significant because it risks reinforcing the backsliding in American democracy that is currently underway.[2] This brief examines how trade and tariff policy influence the ability of US workers to access good-paying jobs and achieve economic stability, and how economic insecurity is closely connected to democratic instability.

We begin by putting the ongoing tariff debate in the context of the role of trade in the US economy and the general approach of US trade policy over recent decades. We then show the anticipated effects of these new tariffs for workers and labor markets, and project how tariffs may suppress long-term wage growth, leading to a reduction of about $1,400 in income per worker annually by 2035. We also illustrate how the tariffs may elevate unemployment for five years or more. We argue that when trade policy fails to prioritize workers—either in the form of these tariffs, or in the form of past policy choices that left workers too harshly exposed to trade—it can undermine American democracy by destabilizing and diminishing opportunity for workers to get ahead. Worker and democratic outcomes have been precarious since well before the new tariffs: for decades, the typical worker has seen meaningful wage growth only sporadically (Congdon 2025), and American democracy has been eroding since at least

2010.[3] However, the increasing speed of democratic decline since the start of 2025 adds urgency to tackling these mutually reinforcing challenges (Carrier and Carothers 2025).

We conclude by highlighting the implications of how trade and tariffs relate to worker and democratic outcomes for economic and trade policy, labor market policy, and democratic reforms. We suggest lessons not only to inform more durable, equitable, and efficient trade policies, but also to guide economic policy that better protects workers and fosters support for democratic institutions. We aim for trade and economic policy that neither reverts to a free trade approach that leaves workers exposed nor broadly restricts international trade and its benefits, but rather best positions workers to thrive within an increasingly global economy. We suggest that policymakers consider:

- reducing the scale, scope, and uncertainty of the current tariffs, instead strategically deploying trade restrictions as part of a targeted economic or national security policy.
- developing new forms of social insurance, such as wage-loss insurance, that better protect workers against longer-term threats to earnings due to forces such as trade.
- offsetting the disruptions of trade policy on affected workers by updating and expanding workforce training and transitional assistance.
- determining policy approaches—such as stronger workplace protections, or policies that build worker power—that can both improve the position of workers in the labor market and in doing so shore up their faith in American democracy.

Trade and Tariffs in Context

The United States has the largest economy in the world, and international trade has historically played an important role.[4] Trade flows are substantial—in 2024 the US exported more than $3 trillion in goods and services and imported more than $4 trillion.[5] In an economy with an overall GDP of about $30 trillion, this makes trade a significant factor in aggregate economic outcomes, although relatively smaller than factors such as domestic production and consumption. However, given the rise of international supply chains, domestic industries also widely rely on international trade—more than half of all imports are intermediate goods and raw materials rather than consumer goods.[6] This integration varies by sector, with manufacturing industries relying relatively heavily on imported inputs.[7]

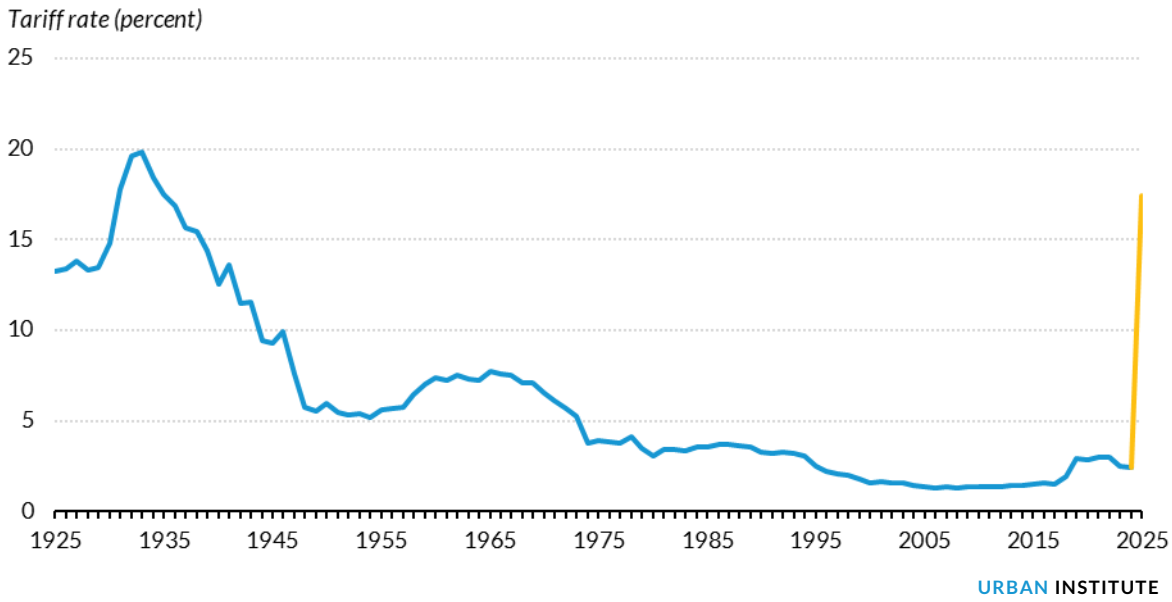
Over the last half century, trade as a share of overall economic activity has risen in the US, as it has for many other nations; goods and services imports as a share of GDP have risen from around 10 percent in 1990 to around 15 percent today.[8] This trend has been partly attributed to the wave of globalization that began in the 1990s—an international economic, technological, and political phenomenon, due to factors such as the increased openness of international trading partners and the establishment of international institutions such as the World Trade Organization (see, for example, Irwin 2025). In the United States specifically, it was also fostered by domestic and international economic policy that sought to liberalize trade through free trade agreements, such as NAFTA with Mexico and Canada, and the normalization of trade relations with China.

In recent decades, this bipartisan trade policy was geared toward trade liberalization, including low tariff rates. This approach was driven by a view that trade between nations is generally positive sum, leaving each nation—including, at least potentially, its workers—better off. This broad framework is based on economic models of trade going back as far as Ricardo and the idea of comparative advantage (Ricardo 1817), which contemporary theories of trade tend to reaffirm. For example, New Trade Theory shows how increasing returns to scale can lead to beneficial trade between countries with similar levels of economic development or factor endowments (Krugman 1981). More recent work shows how offshoring and international supply chains can similarly lead to gains from trade that can also in principle benefit workers overall (Grossman and Rossi-Hansberg 2006).

FIGURE 1

Effective Tariff Rates in the United States Since 1925

Newly imposed tariff rates are well above what has been typical over the last century



Source: Historical effective tariff rates from 1925 to 2024 and projected effective tariff rate for 2025 as are from the Yale Budget Lab, https://budgetlab.yale.edu/research/state-us-tariffs-september-4-2025

Notes: Figure shows the average effective tariff rate in the United States between 1925 and 2024 (in blue) and the effective tariff rate for 2025 (in yellow) as projected by the Yale Budget Lab based on the tariffs announced or currently in place as imposed by the current administration as of September 2025.

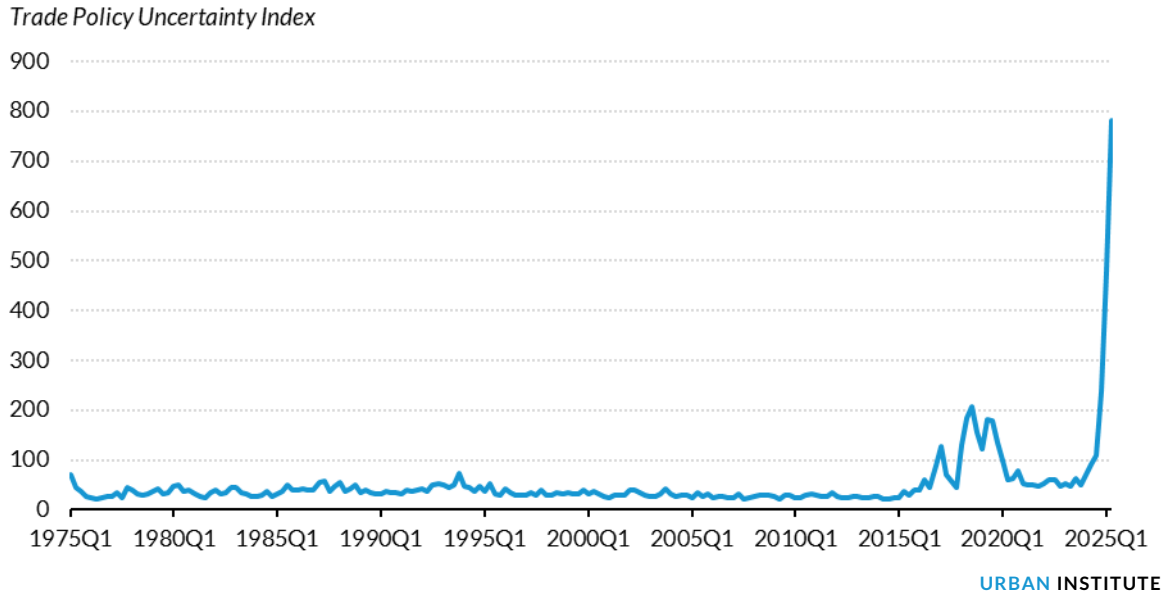
In this context, the trade policy of the current administration can be seen as a dramatic break from prior consensus. Figure 1 shows the effective tariff rates imposed by the United States over the last half century. Prior to the current administration, the effective tariff rate paid by Americans, as a tax levied on goods and services imported to the United States, was about 2.5 percent and had been at least that low going back to the 1990s. While the effective tariff rate for 2025 is subject to a high degree of uncertainty, as administration policy both continues to change and face legal challenges, any tariff rate approximating what has been announced will represent a many-fold increase relative to recent decades.

The round of country-specific tariffs targeting most of the United States' major trading partners announced in August 2025 range as high as 50 percent. These followed a minimum 10 percent tariff rate already imposed on all countries in April 2025. Additional actions have been taken to raise a set of separate commodity- and goods-specific tariff rates hitting steel, aluminum, and copper, as well as products such as automobiles and appliances.[9] The collective scale of these tariffs is without modern precedent: the tariffs in place as of early September 2025 are estimated to reach around 17 percent, a level not seen since the Great Depression.[10]

FIGURE 2

Trade Policy Uncertainty Over Time

The recent degree of trade policy uncertainty is far above levels observed over recent decades



Source: Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo. 2020. "The Economic Effects of Trade Policy Uncertainty." *Journal of Monetary Economics* 109: 38–59; figure derived from updated data series available at https://www.policyuncertainty.com/trade_cimpr.html.

Notes: Figure shows the evolution of the trade policy uncertainty index measure developed by Caldara et al. (2020) between 1975 and the second quarter of 2025. The index is constructed based on media mentions of trade policy uncertainty in major U.S. newspapers, and is scaled so that a value of 100 corresponds to 1 percent of articles mention trade policy uncertainty.

Beyond the tariff levels, the other distinguishing feature of current policy is the rising uncertainty surrounding trade policy. The Administration has continued to announce new tariffs with little notice,[11] for sometimes highly unusual reasons, such as Brazil's domestic policy agenda,[12] and to sometimes largely unprecedented rates, such as a 100 percent tariff on imports from China.[13] To illustrate this unusual degree of uncertainty, figure 2 shows a measure of trade policy uncertainty from Caldara and colleagues (2020), based on contemporaneous news reports related to trade policy. The recent spike in this measure to levels far higher than recorded at any period in the last fifty years captures how the unusual, complicated, and opaque process for calculating, announcing, and implementing the tariffs pursued by the current administration also makes their future path far from clear.[14] This lack of clarity is

further heightened by the legal uncertainty regarding some of the tariffs in their current form, as reflected in recent court decisions ruling against the tariffs.[15]

Trade, Tariffs, and Workers

Focusing on workers is central to understanding both the economic and political effects of tariffs and trade, in both the current debate and the bigger picture. In the near term, these new tariffs will raise prices and uncertainty, and disrupt economic production and labor market relationships, even as workers have been expressing heightened concerns about their economic security and prospects in recent years, and these anxieties have been intensifying as conditions deteriorate.[16] After a period of strong recovery following the pandemic recession, these tariffs arrive as labor markets have recently begun to show signs of weakening, with job growth largely stalling over recent months.[17]

In a broader analysis, advocates of tariffs like those imposed by the current administration argue these effects will ultimately be justified by positive effects they expect the tariffs will have for workers, by reducing international trade and leading firms to reshore manufacturing jobs.[18] This view is based in part on a critique of the effects of trade liberalization that is grounded in evidence on the distributional effects of trade on labor market outcomes. But while past patterns of trade did real harm to some segments of the labor force, research does not support the view that those harms can be effectively redressed through broad reductions in international trade. In fact, the available research suggests that workers will bear some of the most significant costs of the new tariffs, and points to a different set of policy solutions for addressing the negative effects that trade can have on some workers.

Labor Markets in the Era of Globalization

While trade benefits the overall economy, the costs and benefits of trade are not evenly distributed, leading to uneven effects across labor markets. Trade reshapes patterns of production in ways that generate concentrated harm, as domestic firms in import-competing industries lose market share and plants or factories close. The workers who lose their jobs, and in some cases their livelihoods, because of this displacement bear a particularly heavy toll.

Policymakers, advocates, and voters have long contended that the prior consensus on trade policy did not adequately center on workers. Even as the most recent wave of globalization was accelerating in the 1990s, an emerging backlash focused partly on this set of issues (Irwin 2002). Consequently, even as policymakers pursued more expansive globalization during this period, some economists warned that without adequate, corresponding domestic economic policies—such as social insurance and other forms of adjustment support—the true social welfare benefits of trade would tend to be overstated, and, as a result, the political support for free trade and globalization might prove fragile (Rodrik 2007).

Policy did, to some degree, seek to combine broadly free trade with domestic policies intended to compensate the workers, sectors, and regions harmed by globalization. These approaches included a mix of social insurance and job training embodied in policies like Trade Adjustment Assistance (TAA).[19]

In practice, however, these programs have been small in scale and limited in their effectiveness (Baicker and Rehavi 2004). They also ultimately lacked reliable political support, with TAA ending in 2022.[20]

Empirical evidence captures the damage wrought by this combination of exposing workers to these risks while leaving them unprotected and inadequately supported. In particular, studies that analyze the effect for workers in the United States from China's accession to the World Trade Organization in 2001, or what has come to be known as the "China shock," found that local labor markets that were more exposed to import competition from China experienced significantly reduced employment levels and lower wages, with negative employment effects from this shock that were particularly large for workers with less than a college degree (Autor et al. 2013). One set of estimates suggests this import competition and its labor market consequences contributed to the relatively slow overall rate of employment growth during the expansion of the 2000s (Acemoglu et al. 2016).

These negative effects on workers and labor markets were substantial in part because they both diffused widely and persisted. Import competition directly affected manufacturing employment and its workers, but the effects went beyond manufacturing. Other labor markets absorbed initial employment losses with, for example, workers in service industries also seeing employment and earnings losses (Carballo and Mansfield 2025). Evidence suggests this occurred in part as the distribution of employment by occupations shifted in ways that depressed wages (Ebenstein et al. 2014). The effects of these shocks on employment in manufacturing and in overall earnings were evident even many years following the initial wave of import competition (Autor et al. 2021). Moreover, the earnings of affected workers often have not fully recovered (Autor et al. 2025).

The effects of trade on affected workers have also been distributed unevenly across groups. As noted above, workers without a college degree are generally found to have been more negatively affected by trade. Other evidence on the racial and ethnic distributional impacts has found that Hispanic workers were disproportionately harmed (Kahn et al. 2022).

BOX 1

Trade Is Just One of Many Labor Market Disruptions Destabilizing Work and Workers

International trade is only one part of a broader set of labor market disruptions that have imposed costs on, or failed to benefit workers, particularly those on the bottom rungs of the earnings ladder, over recent decades. Declining worker power and changes in the nature of work have similarly contributed to economic insecurity for many workers (Autor et al. 2008; Stansbury and Summers 2020; Weil 2014). Technological changes over recent decades, including automation in manufacturing, have reinforced the unequal effects of trade—both have been most harmful to workers with less than a college degree (Acemoglu and Restrepo 2020; Goldin and Katz 2008).

To create good jobs for workers at all educational levels—jobs that pay well, are safe, stable, and secure—policymakers cannot focus narrowly on any one of these disruptions while ignoring the others. Tariffs that limit the role of trade in the economy are an unlikely mechanism for helping workers both on their own terms, and because they do not address these other factors. For instance, tariffs will not turn manufacturing into an engine for good jobs for workers with less than a college degree in part because manufacturing jobs were lost substantially due to technological change (Fort, Pierce, and Schott 2018;

Strain 2025), and because diminishing union coverage has simultaneously reduced job quality in the sector. Restabilizing work and workers will instead require a more comprehensive approach to rebuilding labor market institutions that effectively respond to these collective disruptions to the modern economy (see, for example, Congdon 2025).

Near Term Costs of New Tariffs for Workers

While patterns of trade have hurt some workers in the past, it does not follow that high tariffs and lower trade will improve outcomes for workers now. Evidence and analysis consistently suggest that the main effect of tariffs in the near term will be to raise prices. The Yale Budget Lab estimates that the overall price level will rise about 1.7 percent because of these tariffs.[21] The additional costs to households from the rise in prices is estimated to be about $2,300 annually, while the annual cost to the economy in foregone production is estimated to be roughly $120 billion.

The most direct and immediate effects of the tariffs on workers will be declines in real earnings as prices rise due to tariffs. The rise in prices due to tariffs may be more painful for workers than the most recent episode of inflation driven by supply-side constrictions, during which tight labor markets kept wages growing more quickly than prices for the average worker (Blanchard and Bernanke 2023). Wage growth in a weakening job market is less likely to rise alongside rising prices.[22] Worse, while wage growth in recent years was strongest for workers earning lower wages (Autor et al. 2023), the costs of tariffs are expected to hit low-wage workers relatively harder.

Rising prices tend to lead to rising unemployment and falling labor force participation over time. When tariffs dampen consumption and economic activity, this reduced demand can push unemployment higher in the context of an already deteriorating job market. The Yale Budget Lab estimates the tariffs will increase unemployment by 0.7 percentage points above what would otherwise be expected in 2026 and cost the economy roughly half a million jobs.[23] Effects on overall employment may be compounded by forces that will tend to also depress labor force participation, which Rodríguez-Clare and colleagues (2025) estimate will decrease by 0.65 percent in the near term.

Additional price effects will emerge through other channels that will also tend to depress employment. Tariffs will hit businesses that import intermediate goods with higher costs. Exporting businesses may also face pressure as global trading partners impose retaliatory tariffs (Autor et al. 2024). As employers become less profitable, layoffs and closures will likely follow. Affected workers who lose their jobs may face lasting hardships from which they never fully recover (Autor et al. 2025; Davis and Von Wachter 2011). Evidence from the most recent prior round of trade wars indicates that these negative effects tended to offset any protective benefits of tariffs, leading to net employment losses in exposed industries and regions (Flaaen and Pierce 2019; Peake and Santacreu 2020).

Over the intermediate term, the economy and labor markets would normally adjust to shifts in relative prices, but this adjustment will likely be protracted assuming the heightened degree of trade policy uncertainty continues, prolonging and exacerbating negative employment effects. This policy

uncertainty is expected to hinder investment and hiring, which would negatively impact workers even in the long term. This type of policy uncertainty has been found to depress economic activity and employment (Baker et al. 2016; Caldara et al. 2020). Instead of reshoring production, firms may adopt a wait-and-see approach and defer significant investment until the policy environment stabilizes. Evidence from recent tariff episodes has found that heightened trade policy uncertainty directly depresses employment levels (Flaaen and Pierce 2019).

Considering the Long-Term Impact of a New Trade Era

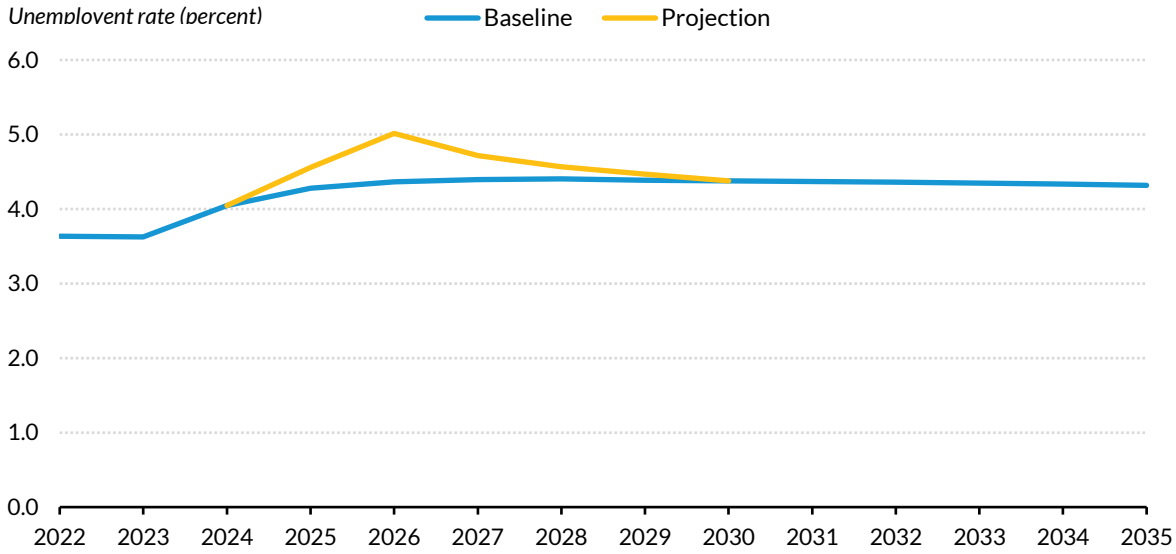
While the long-term effects on the economy and labor markets remain uncertain, the available evidence suggests that the current approach to trade policy will negatively impact workers and impair labor market performance.[24] If the economy transitions to a new high-tariff, low-trade equilibrium, worker outcomes are likely to worsen further. Productivity will be expected to decline, generating sustained economic pressures that will tend to reduce worker prosperity. Tariffs have been found to lower labor productivity, harming workers in general because the value of workers' output determines their ability to command higher wages (Furceri et al. 2022). This occurs partly through reduced capital intensity, driven by both diminished international capital flows and decreased investment (Baqaee and Malmberg 2025).[25] Additionally, production efficiencies achieved through gains from trade are lost, lowering total factor productivity (Alcalá and Ciccone 2004). Slower productivity growth will, in turn, tend to depress wage growth (Stansbury and Summers 2017).

To illustrate how these effects might play out in the longer run, we show projections of the trajectory of both unemployment and wages over the next ten years, using estimates of short- and medium-term effects drawn from published modeling estimates and the literature. Figure 3 illustrates one projected path of annual average unemployment rates over the next decade, compared with the January 2025 Congressional Budget Office (CBO) baseline forecast. Estimates for the rise in unemployment in 2025 and 2026 are from Yale Budget Lab (2025). The projection then assumes a smooth return to baseline by 2030. Note that the rise in unemployment potentially understates the impact of the tariffs on overall employment levels, because tariffs may in addition lead to lower rates of labor force participation (Rodríguez-Clare et al. 2025). These projections also extrapolate from the effects of heightened trade policy uncertainty, which would likely exacerbate the employment effects of the tariffs and may delay a return to baseline trends (Poilly and Tripier 2025).

FIGURE 3

Unemployment Projections 2025–2035

Unemployment rates are expected to rise and then return to baseline as labor markets adjust



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Source: Congressional Budget Office, January 2025, *The Budget and Economic Outlook: 2025 to 2035*, data available at: https://www.cbo.gov/publication/60870; the Yale Budget Lab, September 2025, https://budgetlab.yale.edu/research/state-us-tariffs-september-4-2025; authors' calculations.

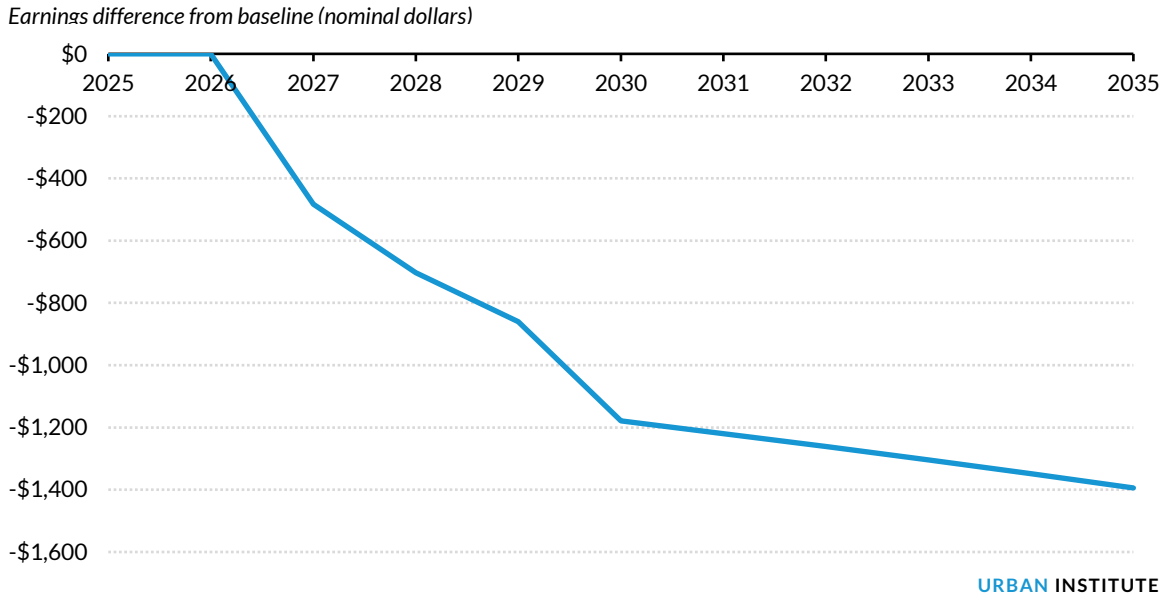
Notes: Figure presents the CBO baseline forecast for overall unemployment from 2025 to 2035 as published in January 2025, including actual unemployment figures for 2022 and 2023, compared with projected values for the overall unemployment rate that reflect modeled estimates for the effects of tariffs on overall unemployment published by the Yale Budget Lab for 2025 and 2026, with unemployment effects for 2027 through 2029 assuming a smooth rate of decay of 50 percent per year and an assumed return to baseline rate of unemployment by 2030.

Wages are likely to deteriorate further in the longer term even as unemployment returns to baseline levels. Figure 4 illustrates one projected path of average annual (nominal) wage and salary income, compared with the 2025 CBO baseline projection. The projected path assumes that productivity growth slows from 2025 through 2030, using point estimates for the effects of tariffs on labor productivity from Furceri et al. (2022) and assuming these effects pass through to wage growth incompletely (Stansbury and Summers 2017), with a relatively conservative estimate for the ultimate change in effective tariff rates.[26] The projection assumes that wage growth returns to baseline forecasted rates thereafter. Under this scenario, wages and salaries are slightly more than 1 percent lower than baseline in 2035. This aligns with effects estimated from modeling such as Penn Wharton Budget Model, which found that under the tariff schedule announced in April 2025, wages would be between 1 and 2.2 percent lower than baseline in 2039.[27] This represents a reduction in nominal annual average wages of nearly $1,400 in 2035. Note these are differences in nominal wages and do not reflect the additional effect of tariffs on real wages through prices levels.

FIGURE 4

Wage Projections 2025–2035

Average nominal wage and salaries are expected to grow more slowly than baseline



Source: Congressional Budget Office, January 2025, *The Budget and Economic Outlook: 2025 to 2035*, data available at: https://www.cbo.gov/publication/60870; Furceri, Davide, Swarnali A Hannan, Jonathan D Ostry, and Andrew K Rose. 2022. "The Macroeconomy After Tariffs." *The World Bank Economic Review* 36 (2): 361–81; authors' calculations.

Notes: Figure presents the nominal average wage and salary differences projected under the new tariffs, relative to the CBO baseline forecast for nominal average wage and salary compensation from 2025 to 2035 as published in January 2025, and calculated as total wages and salaries divided by total employment. Projected values for wage and salary assume that wage growth rates fall at 0.7 times the negative impacts on productivity, using published estimates from Furceri et al. (2020) for the impact of the tariffs on productivity through 2030, and assuming growth rates return to baseline trend forecasts thereafter.

Workers, Economic Security, and Democracy

Trade policy has repercussions not only for our economy and labor markets but also for our democracy. Backlash against free trade has fueled support for populist candidates, some of whom espouse anti-democratic messages. Perceived threats to American global economic dominance, combined with demographic changes rapidly diversifying the population, have generated insecurity among members of groups who previously held considerable power (Mutz 2018). Because status threats extend far beyond trade policy alone, restricting trade will not reverse this risk to democracy—just as such restrictions will not ameliorate the harms that liberalized trade caused some workers. Instead, the new economic harm to workers from trade barriers risks amplifying Americans' mistrust of democratic institutions.

Anti-Trade Sentiment Turns Anti-Democratic

Nearly thirty years ago, economist Dani Rodrik predicted the risk of political backlash against globalization. Without effective policies to support those whose jobs disappeared, workers would grow

increasingly concerned about their standard of living and their precarious place in the world economy (Rodrik 1997). When combined with declining labor protections and other forces putting downward pressure on wages and job quality, Rodrik argued that workers' faith in democratic governance as a mechanism for delivering shared prosperity would erode (Rodrik 2018). Today, we are witnessing exactly this scenario unfold.

In 2024, less than a quarter of Americans trusted the government to "do what is right" always or most of the time, the lowest level in more than fifty years (Bell 2024).[28] As faith in democracy has declined along with workers' economic fortunes, populist political candidates with anti-democratic views have gained traction both in the United States and abroad (Autor, Dorn, and Hanson 2025; Choi, Kuziemko, Washington, and Wright 2024; Barone and Keuter 2021; Cramer 2016; Acemoglu and Robinson 2005).

Paired Erosion of Economic Security and Democracy

Democracies thrive in societies characterized by high levels of trust in institutions, civic engagement, and inclusive political participation (Acemoglu and Robinson 2012). However, workers experiencing or perceiving barriers to opportunity consistently demonstrate lower levels of trust, engagement, and political participation as compared to those with higher earnings and more secure employment. The connections between workers' economic well-being and their faith in democracy are well-documented both in the US and around the globe (Rodrik 2021; Rodrik 2018).

The relationship between economic status and political engagement manifests in multiple ways. Workers with low pay and unemployed workers have long been less likely to vote than those faring better in the labor market (Schlozman and Brady 2012). "Bad" jobs, characterized by high levels of earnings instability and uncertainty, reduce electoral participation (Azzolini and MacMillan 2023). Financially secure Americans are more likely to vote, to participate in other forms of civic engagement, and feel satisfied with democracy (Garon and Stacy 2024). Economic uncertainty emerges as a significant predictor of workers' mistrust in both government and private institutions. Workers facing job insecurity or stagnant wages lose faith in democracy's ability to represent their interests (Rohde 2023; Ivanov 2023). Workers need not actually experience precarity at work to question the value of democracy—simply expecting job insecurity and instability corresponds with gloomy assessments of democracy (Loveless and Binelli 2018).

Similarly, workers experiencing downward mobility—those who achieve worse economic outcomes than their parents—are more likely to support candidates with anti-democratic positions, or to abstain from voting (Kurer and Van Staaduinen 2022). These downwardly mobile workers also report significantly lower levels of social and political trust than workers whose economic trajectories have surpassed those of their parents (Daenekindt, van der Waal, de Koster 2018).

The relationship between economic conditions and democracy extends beyond individual experiences to broader labor market characteristics. Increases in income inequality erode democratic engagement for all but the most affluent. Rising economic inequality corresponds with lower levels of

interest in politics, depressed participation in elections, and more negative views of government's responsiveness amongst workers at the lower rungs of the earnings ladder (Solt 2008). This also translates into geographic impacts. States with higher levels of income inequality consistently show lower levels of civic engagement (Lim and Sander 2013). People living in areas with high levels of downward mobility are similarly more likely to express preferences for less-inclusive politics and policies (Kim and Hall 2023; Paskov, Prag, and Richards 2021).

America's Joint Rise of Economic and Democratic Insecurity

The rising economic–democratic crises manifest in a broad distrust of American political institutions. Nearly three in ten Americans hold unfavorable views of both major political parties (Pew 2024). Congressional approval ratings have plummeted from 53 percent in 2006 to just 26 percent in 2023 (Pew 2025). Even the Supreme Court has lost its shine in the eyes of the American public, with approval falling from 80 percent in the mid-1990s to just 48 percent in 2025 (Copeland 2025).

Recent polling data connects this institutional erosion with workers' economic insecurity. In 2024, 17 percent of financially insecure Americans believed their vote didn't matter in presidential elections, compared to 10 percent of financially secure citizens. Over half of financially insecure Americans are pessimistic about the future of American democracy. The participation gap reflects these attitudes. Americans who are financially secure are more likely to vote, volunteer for a campaign, or participate in other forms of civic engagement than those who are financially insecure. They are also more likely to be satisfied with democracy, and to trust election results (Garon and Stacy 2024).

Lessons for Policy

The challenge facing policymakers and society is this: On the one hand, the tariff regime now being pursued in the US is unlikely to address the fundamental problems workers face in the labor market. By further destabilizing labor markets, and perpetuating workers' inability to secure high-quality jobs, current trade policy threatens to continue the downward spiral away from democracy. On the other hand, the failure of economic policy to respond to the unequal gains, and real harms, from liberalized trade over the past 25 years left many workers behind, fueling an anti-democratic turn in American politics. A fundamentally new direction is required to achieve better outcomes for workers and avoid intensifying the crisis of democracy facing the country today. This will require a new and integrated approach to trade policy, economic policy, and labor market policy.

Trade Policy and Tariffs

With respect to trade policy and the tariffs themselves, in the near term the most direct set of policy implications is that the recently imposed tariffs should be reduced substantially in both their scope and scale. Policy approaches to rationalizing tariffs and other elements of trade policy should minimize the uncertainty surrounding the current tariff regime, which brings its own economic costs. Especially in the context of current macroeconomic conditions, which exhibit both persistent inflation and rising

unemployment, tariff reductions represent a valuable policy lever that would reduce pressure on both prices and unemployment simultaneously.

In the longer term, however, policymakers should not simply return to the trade policy of the past. Trade policy should seek to maximize the gains from free trade while also mitigating the risks and costs recent decades have made salient. This policy orientation could include the use of targeted, strategic tariffs and other forms of trade restrictions with clear economic or other policy objectives; for example, seeking to protect key links in supply chains where a high degree of offshoring may create economic, political, security or other vulnerabilities.[29] It could reconsider the terms of negotiated trade agreements with an eye to similar objectives. And it could be better coordinated with industrial policy, where designed in part to respond to the effects of trade, to efficiently support key domestic industries through a mix of investment and protection.[30]

Research can advance these objectives by tracking the impacts of the current tariffs as well as future proposals for strategic trade restrictions, showing the benefits and costs of tariff policies, and identifying the distribution of those impacts across geographies, industries, and groups of workers.

Economic Policy and Collective Well-Being

Trade policy alone, however, cannot adequately or efficiently protect workers' economic security from the impacts of international trade. One necessary policy direction is to better support labor market adjustment to offset the economic shock of dislocation due to trade and other forces. This could include, for example, reviving, updating, and expanding policies like the Trade Adjustment Assistance program, which combined opportunities for training, support for finding new work, and transitional income support. Policymakers should improve and modernize workforce programs and worker supports to serve two critical goals: support workers' material needs in the short- to medium-term *and* build resilience for a rapidly evolving labor market. Today's workforce faces unprecedented changes that include not only globalization, but also AI, demographic shifts, and other transformative forces.

A complementary policy response recognizes that these adjustment supports alone will likely be insufficient to the scale and nature of the challenges workers face. Policy should both strengthen existing forms of social insurance, such as unemployment insurance, and also develop new and expanded forms of insurance that better protect workers against larger, longer-term threats to earnings. One promising example with some precedent in policy and support from the research is wage-loss insurance, which provides dislocated workers with ongoing income support even after reemployment (Hyman et al. 2024). This kind approach can also empower workers to better weather other disruptive forces, such as automation and technological advances.

Labor Market Policy and a Resilient Democracy

Finally, for the best chance of reversing long-term harms to workers and building a more resilient American democracy, an updated approach to trade and economic policy should be combined with labor market policies that improve worker economic security. Because economic security corresponds to

greater faith in democracy, policy that strengthens workers' access to high-quality jobs can achieve both goals. Extending beyond trade policy, the failure of economic and labor market policy to ensure that the benefits of a dynamic economy are widely shared has been a general and longstanding problem (Congdon 2025). Updated and strengthened workplace protections and regulations, such as raising the minimum wage, paired with worker power in the form of collective bargaining and more competitive labor markets can deliver results for workers—and help workers see how the economy can deliver for them. This, in turn, could shore up support for American political institutions.

While available research connects economic forces, policy responses, and democracy, many questions remain unanswered. We need to better understand the degree to which specific economic forces produce specific or different political consequences. For example, does displacement due to international trade affect support for democratic institutions differently from displacement due to technological advancements? Similarly, researchers must learn much more about the connections between policy design and democratic support. Evidence suggests, for example, that workers prefer policies that operate through market outcomes (Kuziemko et al. 2023). In the current economic and political environment, we need to go further by understanding in greater breadth and detail how specific pro-worker policy options translate into faith in American democracy.

Notes

[1] On the tariffs themselves see, e.g., here: https://taxpolicycenter.org/features/tracking-trump-tariffs; on their projected effects see, e.g., here https://budgetlab.yale.edu/research/state-us-tariffs-september-4-2025.

[2] "*Democracy Index 2024*, Economist Intelligence Unit, accessed October 27, 2025, https://www.eiu.com/n/campaigns/democracy-index-2024.

[3] Vanessa Williamson, "Understanding Democratic Decline in the United States," October 17, 2023, Brookings, https://www.brookings.edu/articles/understanding-democratic-decline-in-the-united-states.

[4] See: https://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORLD.

[5] Bureau of Economic Analysis, Imports of goods and services [IEAMGSA], https://fred.stlouisfed.org/series/IEAMGSA, and Exports of goods and services [IEAXGSA] https://fred.stlouisfed.org/series/IEAXGSA, retrieved from FRED, Federal Reserve Bank of St. Louis; September 9, 2025.

[6] See 'Exhibit 8. U.S. Imports of Goods by End-Use Category and Commodity', in Bureau of Economic Analysis, "U.S. International Trade in Goods and Services July 2025": https://www.bea.gov/sites/default/files/2025-09/trad0725.pdf

[7] Christopher Bangert-Drowns, "Tariffs Impact U.S. Industries Differently, with Manufacturing the Most Exposed," July 29, 2025, Washington Center for Equitable Growth.

[8] Bureau of Economic Analysis, Shares of gross domestic product: Imports of goods and services [B021RE1Q156NBEA], https://fred.stlouisfed.org/series/B021RE1Q156NBEA, and Shares of gross domestic product: Exports of goods and services [B020RE1Q156NBEA], https://fred.stlouisfed.org/series/B020RE1Q156NBEA, retrieved from FRED, Federal Reserve Bank of St. Louis;, September 9, 2025.

[9] See the Tax Policy Center data feature, "Tracking the Trump Tariffs," last updated August 27, 2025, at: https://taxpolicycenter.org/features/tracking-trump-tariffs.

[10] Tariff rates and calculations presented and discussed throughout this paper are as announced as of the first week of September. As noted in the text, the administration continues to announce new tariffs. Effective tariff rate estimate from the Yale Budget Lab, "State of U.S. Tariffs: September 4, 2025," at: https://budgetlab.yale.edu/research/state-us-tariffs-september-4-2025.

[11] Michael Lowell, Philippe Heeren, Justin Angotti, Lizbeth Rodriguez-Johnson, Kirsten Lowell, and Courtney E. Fisher, October 27, 2025, Trump 2.0 Tariff Tracker, https://www.tradecomplianceresourcehub.com/2025/09/25/trump-2-0-tariff-tracker.

[12] https://www.federalregister.gov/documents/2025/08/05/2025-14896/addressing-threats-to-the-united-states-by-the-government-of-brazil

[13] See: https://www.nytimes.com/2025/10/10/us/politics/trump-xi-china-tariffs-rare-earth.html

[14] On the calculation of, for example, the so-called 'reciprocal' tariffs, e.g.: https://econofact.org/factbrief/fact-check-are-the-trump-liberation-day-tariffs-reciprocal; on the evolution of announced and implemented tariffs by the current administration to date see, e.g.: https://taxpolicycenter.org/features/tracking-trump-tariffs

[15] See: https://www.nytimes.com/2025/08/29/business/economy/trump-tariffs-appeals-court.html

[16] "Americans Lose Faith That Hard Work Leads to Economic Gains, WSJ-NORC Poll Finds," Linsay Ellis and Aaron Zitner, *Wall Street Journal*, September 1, 2025. https://www.wsj.com/economy/wsj-norc-economic-poll-73bce003

[17] Bureau of Labor Statistics, All Employees, Total Nonfarm [PAYEMS], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/PAYEMS, September 9, 2025.

[18] See, e.g.,: https://www.whitehouse.gov/fact-sheets/2025/04/fact-sheet-president-donald-j-trump-declares-national-emergency-to-increase-our-competitive-edge-protect-our-sovereignty-and-strengthen-our-national-and-economic-security/

[19] On Trade Adjustment Assistance (TAA), see: https://www.dol.gov/agencies/eta/tradeact/

[20] See: https://www.nytimes.com/2022/07/20/business/economy/trade-adjustment-assistance-jobs.html

[21] Yale Budget Lab, "State of U.S. Tariffs: September 4, 2025," at: https://budgetlab.yale.edu/research/state-us-tariffs-september-4-2025

[22] See, e.g.: https://www.bls.gov/opub/ted/2025/payroll-employment-little-changed-in-august-2025.htm

[23] Yale Budget Lab, "State of U.S. Tariffs: September 4, 2025," at: https://budgetlab.yale.edu/research/state-us-tariffs-september-4-2025

[24] Note that here and throughout this discussion we abstract from the revenue raising effects of the tariffs, which in principle could be used to offset some of the price effects of the tariffs for workers, through either offsetting reductions in burdens from other forms of taxation, or the use of tariff revenue to fund new or additional public investments that might benefit workers.

[25] On effects due to capital flows, see discussion by Penn Wharton Budget Model: https://budgetmodel.wharton.upenn.edu/issues/2025/4/10/economic-effects-of-president-trumps-tariffs

[26] For the projection exercise as shown, the change in the effective tariff rate is set as one half of the difference between the effective tariff rate in 2024 (2.42 percent) and the Yale Budget Lab estimate of the effective rate under current policy (17.4 percent) as cited above, which gives a value of 7.49 percentage points.

[27] Penn Wharton Budget Model: https://budgetmodel.wharton.upenn.edu/issues/2025/4/10/economic-effects-of-president-trumps-tariffs

[28] "Public Trust in Government: 1958-2024," June 24, 2024, Pew Research Center,

[29] Elaine Dezenski and John C. Austin, "Rebuilding America's Economy and Foreign Policy with 'Ally-Shoring,'" June 8, 2021, Brookings, https://www.brookings.edu/articles/rebuilding-americas-economy-and-foreign-policy-with-ally-shoring.

[30] For a discussion of such an approach, see, for example: https://www.nytimes.com/2025/07/14/opinion/china-shock-economy-manufacturing.html

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