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Biden Weighs Tariff Rollback to Ease Inflation, Even a Little Bit

[The New York Times](#) Jim Tankersley Alan Rappeport Ana Swanson

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WASHINGTON — President Biden is weighing whether to roll back some of the tariffs that former President Donald J. Trump imposed on Chinese goods, in hopes of mitigating the most rapid price gains in 40 years, according to senior administration officials.

Business groups and some outside economists have been pressuring the administration to relax at least a portion of the taxes on imports, saying it would be a significant step that the president could take to immediately cut costs for consumers.

Yet any action by the administration to lift the tariffs is unlikely to put a large dent in an inflation rate that [hit 8.6 percent in May](#) — while the political ramifications could be severe. An influential study earlier this year predicted a move to lift tariffs could save households \$797 a year, but administration officials say the actual effect would likely be far smaller, in part because there is no chance Mr. Biden will roll back all of the federal government's tariffs and other protectionist trade measures.

The tariff discussion comes at a precarious time for the economy. Persistent inflation has shattered consumer confidence, driven stock markets into bear territory — down 20 percent from their January high — and inflamed fears of recession as the Federal Reserve moves quickly to raise interest rates.

Some administration economists privately estimate the tariff reductions that Mr. Biden is considering would reduce the overall inflation rate by as little as a quarter of a percentage point. Still, in a sign of how big a political problem inflation has become, officials are weighing at least a partial relaxation anyway, in part because the president has few other options.

The China tariffs are raising the price of goods for American consumers by essentially adding a tax on top of what they already pay for imported goods. In theory, removing the tariffs could reduce inflation if companies cut — or stopped raising — prices on those products.

Mr. Biden has said taming inflation rests mainly with the Federal Reserve, which is trying to cool demand by making money more expensive to borrow and spend. The Fed is expected to raise interest rates on Wednesday, possibly making its biggest increase since 1994, as it tries to get persistent inflation under control. The prospect of big rate increases has spooked Wall Street, which entered [bear market territory](#) on Monday before [steadying on Tuesday](#).

Any move to tweak the tariffs could carry significant trade-offs. It could encourage companies to keep their supply chains in China, undercutting another White House priority to bring jobs back to America. And it could expose Mr. Biden — and his Democratic allies in Congress — to attacks that he is letting Beijing off the hook at a moment when America's economic relationship with China has become openly hostile, deepening a wedge issue for the midterm elections and the next presidential race.

China has yet to live up to the commitments it made as part of the U.S.-China trade deal that Mr. Trump negotiated, including [failing to purchase](#) significant amounts of natural gas, Boeing airplanes and other American products. Mr. Trump imposed tariffs on the bulk of products the United States imports from China as part of a pressure campaign aimed at forcing China to change its economic practices. More than two years later, the United States retains a 25 percent tariff on [about \\$160 billion](#) of Chinese products, while another \$105 billion dollars, mostly consumer goods, are taxed at 7.5 percent.

While Mr. Biden has criticized the way in which Mr. Trump wielded tariffs, he has also acknowledged that China's economic practices pose a threat to America.

Business groups like the U.S. Chamber of Commerce and economists like Lawrence H. Summers, the former Treasury secretary under President Bill Clinton, have urged the White House to repeal as many tariffs as possible, saying it would help consumers deal with rising prices.

Mr. Summers and others have approvingly cited the March study on the issue from economists at the Peterson Institute for International Economics, who [argued](#) that a “feasible package” of tariff removal — which includes

repealing a range of levies and trade programs, not just those applied to China — could cause a one-time reduction in the Consumer Price Index of 1.3 percentage points, amounting to a gain of \$797 per American household.

In an interview, Mr. Summers said reducing tariffs was “probably the most potent microeconomic or structural action the administration can take to reduce prices and inflationary pressure relatively rapidly.”

But even those inside the administration who support easing the tariffs are skeptical that the move would produce anywhere close to the amount of relief that Mr. Summers and others have predicted.

“I think some reductions may be warranted and could help to bring down prices of things that people buy that are burdensome,” Janet L. Yellen, the Treasury secretary and an advocate of some tariff rollbacks, told a House committee last week. “I want to make clear, I honestly don’t think tariff policy is a panacea with respect to inflation.”

Ms. Yellen met on Tuesday with the board of directors of the National Retail Federation, which has long argued against the tariffs and recently made the case that [eliminating them would ease inflation](#).

One key question is whether companies that are given tariff relief would actually pass those savings on in the form of lower prices or choose to absorb them as profits. Consumers have so far continued [to pay more for everyday items](#), a fact that corporations have cited in earnings calls with investors as a reason they can charge more.

David French, senior vice president of government relations at the National Retail Federation, said the administration has been trying to understand how quickly tariff cuts would translate into pricing changes, and seeking assurances from retailers that any savings would be passed along to American consumers.

“I think in the administration’s mind, there’s going to be a price rollback, and money is going to come off the price tag,” he said. “I’m not sure you’re going to see a dramatic change like that.”

Instead of price decreases, for example, stores may choose to hold off on increasing prices even more. Retailers “will do as much as they can to demonstrate dramatic changes in pricing where possible,” but they still face pent-up pressures in the supply chain in terms of cost, he said.

Rising prices have socked Americans across the economy, draining families' purchasing power and contributing to a steady decline in Mr. Biden's approval ratings. The Consumer Price Index was up 8.6 percent in May from a year earlier, its fastest growth rate in 40 years. Mr. Biden says he has made fighting inflation his top economic priority.

Last week, Mr. Biden announced [a two-year pause](#) on tariffs on imported solar panels, which could reduce costs for domestic consumers but which effectively pre-empted a Commerce Department investigation into illegal trade practices by Chinese manufacturers.

Domestic trade groups, labor leaders and populist Democrats like Representative Tim Ryan of Ohio, who is locked in a competitive Senate race, have pushed Mr. Biden to keep the tariffs. Mr. Ryan held a news conference on Tuesday urging Mr. Biden not to yield any economic ground to Beijing.

Economists disagree on how large that increase is — and on how much inflation relief the administration could get by removing the taxes.

In part that's because the inflation calculations cited by Mr. Summers and others include a far broader relaxation of policies than what Mr. Biden is actually considering, including popular "Buy America" programs that require the federal government and certain contractors to buy American-made goods, even if they are more expensive.

The Peterson Institute study is "something between fiction or an interesting academic exercise" that does not capture the real pain Americans are feeling, the United States Trade Representative, Katherine Tai, said [in an interview last month](#).

Kim Glas, the president of the National Council of Textile Organizations, which has lobbied the administration to keep the tariffs, said that in her industry the tariffs amount to "pennies on the dollar" for Chinese goods that are already priced far below alternatives from other countries.

Tariff prices are applied to the price of the good coming in at the border, not to the final retail price charged at a store. For a pair of jeans from China, that import price was \$4.28 in the first two months of 2022, meaning the 7.5 percent tariff added just 32 cents to the consumer's cost, Ms. Glas said. It was the markup at retail — which can bring jeans to \$30, \$40 or \$100 — that represents the bulk of sticker shock, she added.

The issue has divided Mr. Biden's closest advisers. Ms. Tai; Jake Sullivan, the national security adviser; Tom Vilsack, the secretary of agriculture; and others have argued that dropping the levies is unwarranted at a time when Beijing has offered no concessions and [has failed](#) to meet commitments in the trade deal.

But Ms. Yellen, Commerce Secretary Gina Raimondo and other officials have argued in favor of reducing levies on certain household goods that they say have little strategic importance, people familiar with the discussions said.

At a House Ways and Means Committee hearing last week, Ms. Yellen said that the Biden administration was reviewing the tariffs and that rollbacks or exclusions could be unveiled in the coming weeks.

A White House spokesman declined to say how much of an inflation reduction administration economists believe might be possible from a tariff rollback, citing the ongoing nature of the discussions. Another senior administration official said the White House had been examining several models of how lifting tariffs affect inflation, which had produced a range of estimates, depending on factors like whether the tariffs were eliminated through an exclusion process or in one fell swoop, and whether China responded by lifting its own tariffs.

Keith Bradsher contributed reporting from Boston.