



Economic Review

How Did the 2018–19 U.S. Tariff Hikes Influence Household Spending?

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Young, Black, and Hispanic households spent higher shares of their total spending on goods affected by increased tariffs in 2018–19.

In 2018 and 2019, U.S. tariffs on imports from other countries rose significantly, particularly on imports from China. Although higher tariffs may raise costs for both foreign and domestic firms, recent studies suggest most of the burden fell on U.S. businesses and consumers due to higher prices and fewer imports. But tariffs do not affect all categories of goods evenly, nor do all households spend the same share of their income on tariff-affected goods. As a result, the ultimate effect of tariff increases on household spending may differ across households.

Jun Nie, Alice von Ende-Becker, and Shu-Kuei X. Yang construct a tariff intensity measure to assess the uneven effects of the 2018–19 tariff increases across different types of households. They find that low-income households were more exposed to tariff increases than high-income households; younger households were more exposed than older households; Black households were more exposed than white or Asian households; and Hispanic households were more exposed than non-Hispanic households. In addition, they find that the tariff increases led to only a small shift in household spending from categories that were more exposed to tariff increases to categories that were less exposed to tariff hikes by the end of 2019.

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