The Upcoming Trump Tariffs:
What Americans Expect and How They Are Responding

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As the Trump inauguration looms, the prospect of new tariffs on our trading partners grows ever nearer. What do Americans expect that Trump will do with these tariffs and what effects do they anticipate these might have? In a recent survey, we asked Americans to tell us about what they thought would happen under Trump's tariff policies and how this might affect their decisions. The results point toward widespread anticipation of tariffs being imposed on our trading partners, especially China, with significant expected passthrough into the prices of both imported and domestically produced goods and a general acknowledgment that American consumers will bear an important share of the cost of tariffs. In response to higher future tariffs, many Americans, and particularly Democrats, report that they would increase their purchases of foreign goods in anticipation of the upcoming tariffs and higher prices, while simultaneously trying to save more in the face of higher uncertainty about future policies. Managers report that their firms would become more likely to raise prices, change their mix of products and seek out alternative suppliers as the rise in tariffs approaches. While Republicans in our survey report positive, albeit tepid, support for these tariff policies, Democrats strongly oppose their enaction. But the divisions is not just across parties. Even within each party, there is a wide range of views about moving away from the post-WWII era of trade liberalization.

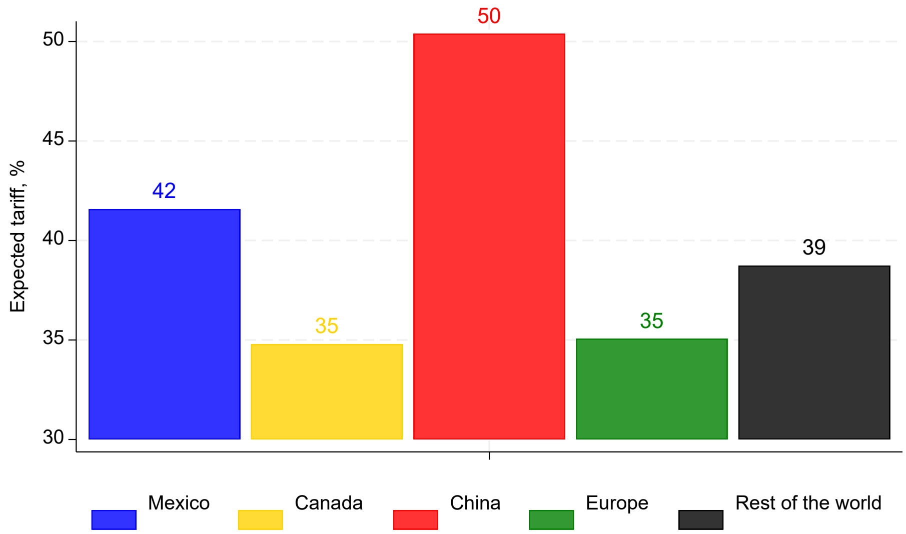
The Survey

Between December 13, 2024 and January 6, 2025, we fielded a survey of American consumers through Nielsen IQ. The response rate was high, around 22%, yielding approximately 13,500 responses. This is much larger than standard opinion surveys and allows to provide a much more detailed and precise view of Americans' perceptions than is otherwise possible. The survey included a wide range of questions on respondents' expectations about future tariffs, their consequences for the economy, and how the possibility of future tariffs is affecting their decisions.

What Americans Expect the Tariffs Will Do

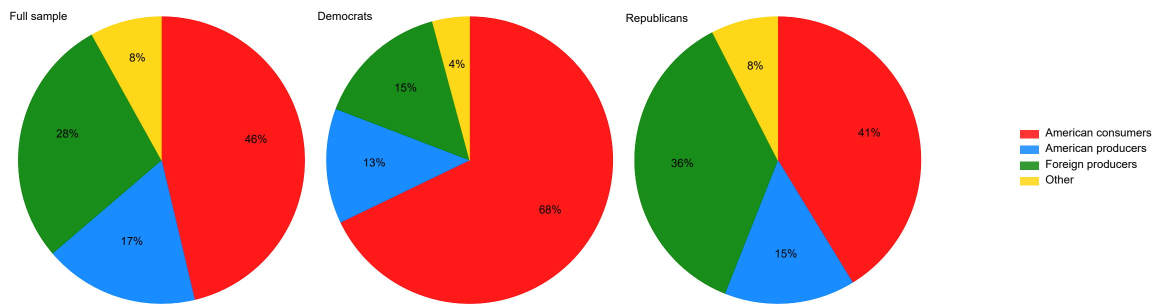
Americans expect that the incoming Trump administration will apply heavy tariffs on our trading partners. For example, respondents expect the Trump administration will apply (on average) a tariff of 42% on Mexico and 35% on Canada, our two largest trading partners. Europe is not expected to be immune, with an expected tariff of 35% as well. The rest of the world is also not to be spared, with Americans expecting an average tariff of 39%. But the largest expected tariff by far is for China, with Americans predicting the Trump administration will apply a 50% tariff on average.

Figure 1. Expected tariff by region.



To understand what economic consequences Americans foresee from rising tariffs, we asked them how they expected the cost of tariffs to be allocated between American consumers, domestic firms, and foreign producers. As shown in Figure 2, respondents reported on average that they expected almost half of the cost of a hypothetical 20% tariff would be borne by American consumers, with the remaining cost split close to equally between domestic and foreign producers. But the partisan divide here is quite large: Democrats predicted that consumers would bear a significantly large share of the cost whereas Republicans expected that a larger fraction of the cost would be taken on by foreign producers.

Figure 2. Who pays for tariffs?



Economists typically predict that tariffs, as a tax on imports, first raise the price of imported goods, then, by reducing competition with domestic producers and by increasing the cost of imported inputs, also tend to raise the price of domestically produced products. Americans seem to agree with this prediction. As shown in Figure 3, tariffs are expected to raise the average price of imports by 11% in the next year, with the predicted effect on domestically produced goods to be even higher, at 13%. Given the size of the predicted increase in tariffs, this implies a passthrough of tariffs into domestic prices that is large: for every 10 p.p. increase in tariffs, American consumers expect 2 percent higher prices for locally-produced or imported goods. Hence, Americans expect the Trump tariffs to have pronounced inflationary effects in the near term. Both Republicans and Democrats expect the tariffs to have positive effects on the production of domestic firms. On average, they expect production to rise 17%, a very large and positive effect of tariffs.

Figure 3. Expected effects of tariff increases.

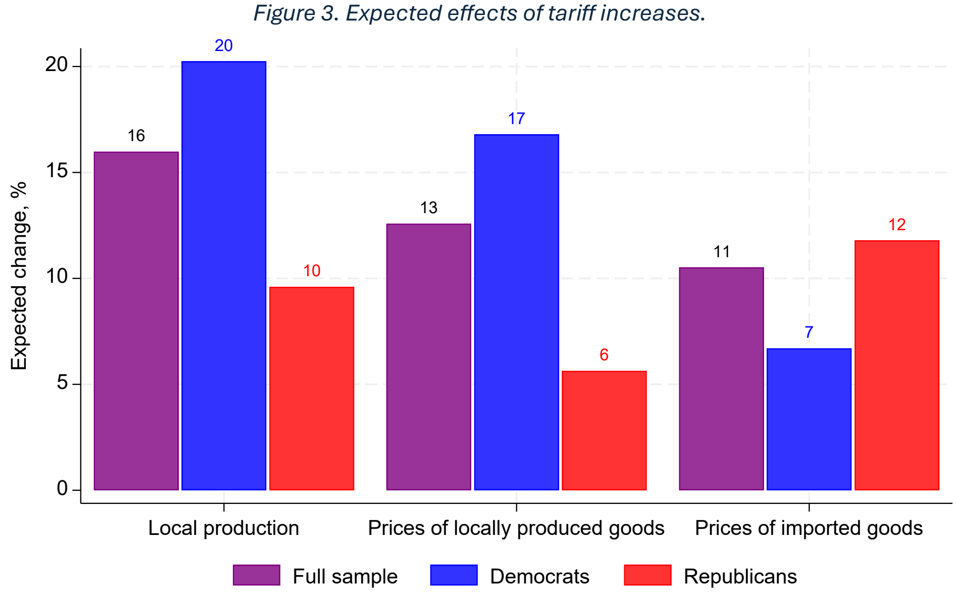
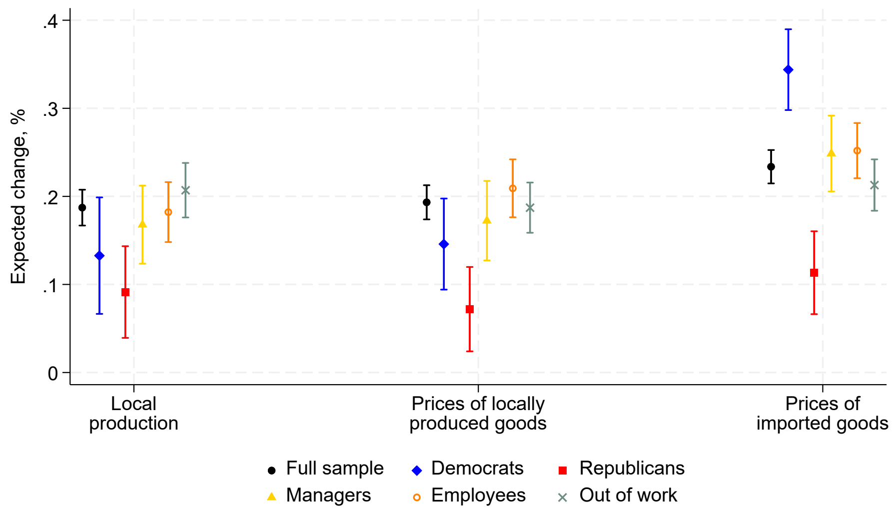


Figure 4 plots the predicted passthrough of tariffs into foreign and domestic prices, as well as domestic production, for different subsets of survey participants. Overall, Democrats perceive a higher passthrough of tariffs into both prices and production than do Republicans. In contrast, we see little difference in perceived passthrough based on whether respondents are managers, employees, or not working.

Figure 4. Predicted Passthrough of Tariffs into Prices and Production.

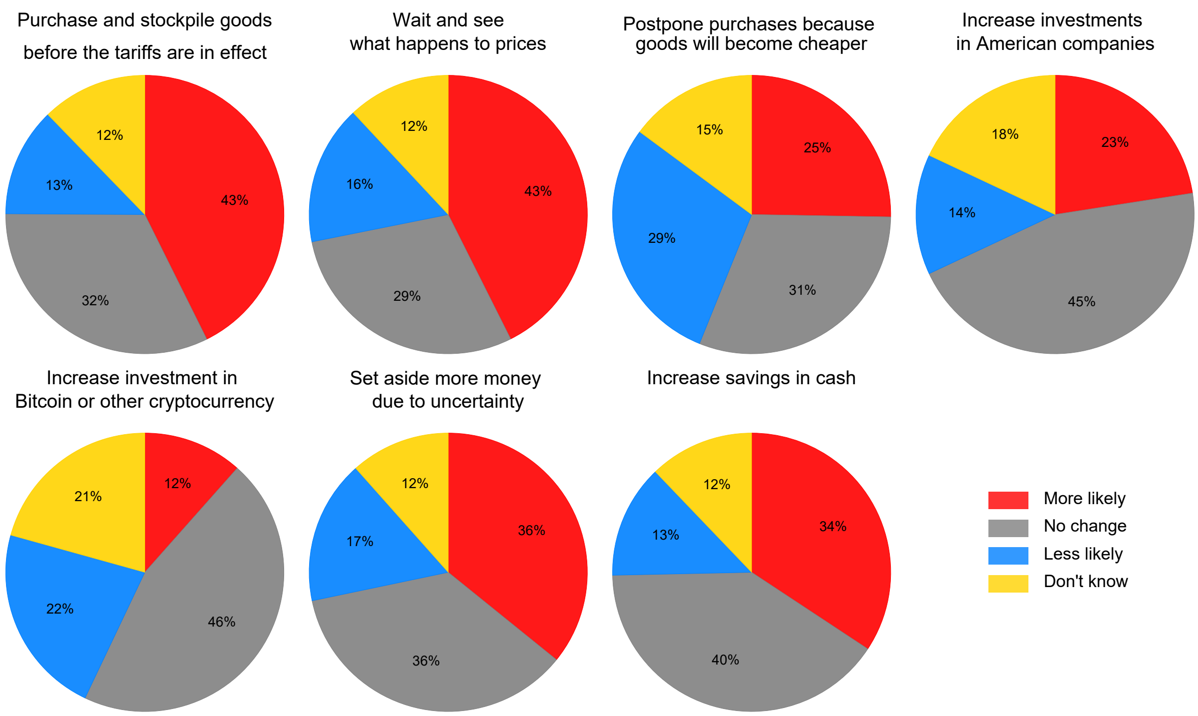


Notes: The estimates come from regressing expected changes in outcomes (prices, production) on expected change in tariffs (average across regions) across respondents. The markers show the point estimates of the slope and whiskers show 95% confidence intervals.

How Are Americans Likely to Respond?

As part of the survey, we asked respondents to tell us whether the possibility of higher tariffs could hypothetically make them more or less likely to engage in certain decisions. We report the results of this question in Figure 5. There are two key dimensions along which Americans' actions are likely to be affected by the upcoming tariffs. First is stockpiling behavior. Over forty percent of Americans report that the possibility of tariffs would make them more likely to purchase and stockpile goods in anticipation of higher future prices. This behavior is more common among Democrats, but close to a third of Republicans also report that they would like to purchase goods before their prices start rising.

Figure 5. Consumers' responses to future tariffs.

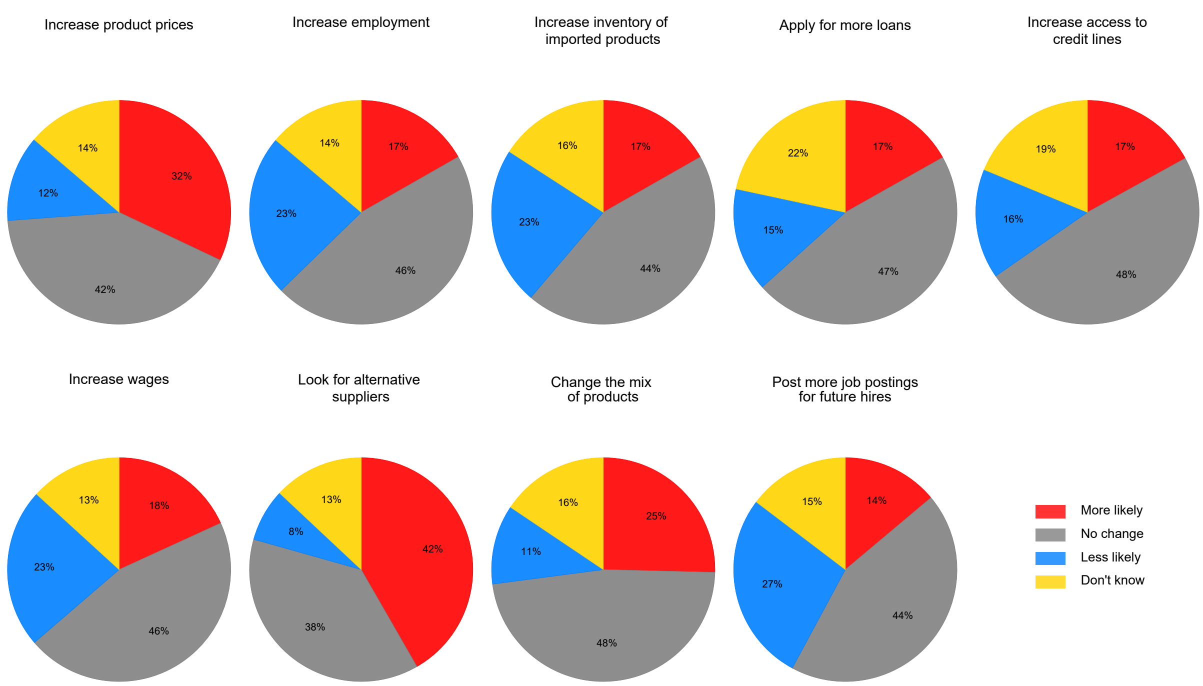


The second main channel is a precautionary one. More than one in three Americans report that they would try to set money aside due to the higher uncertainty coming from tariff policy. Over forty percent report that they would wait to see what actually happens with prices. The most desired form of saving is highly liquid, again with around one in three Americans reporting that their target form of saving right now would be cash. Both characteristics are again more prevalent among Democrats, but over a quarter of Republicans still report engaging in this type of behavior.

Managers of firms who participated in the survey (approximately 2,500 responses) were also asked about what behavior their firm would enact in anticipation of future tariffs. The results differ markedly from what households would tend to do, as shown in Figure 6. First, firms would not be engage in the kind of stockpiling that households would. For example, only 17% of surveyed managers say that the future tariffs would make them more likely to stockpile imported goods, with 23% reporting that they were less likely to engage in this behavior. Second, firms would not follow consumers in their precautionary behavior. For example, while consumers report that they would try to increase their liquid savings, firms would not apply for more loans or new credit lines.

Instead, firms report that higher future tariffs would lead them to respond directly to the possibility of higher imported goods prices. First, managers report that they would become more likely to raise prices because of the upcoming tariffs (32%), as expected if their costs are rising or they face less competition. Second, some managers say that they would become more likely to change their mix of products (25%) and look for alternative suppliers (42%), which can serve as ways to minimize the disruption coming from tariffs that are targeted at specific region. Some managers also report a decreased likelihood of posting vacancies, increasing employment or raising wages, but these effects are less pronounced.

Figure 6. Managers' responses to future tariffs.



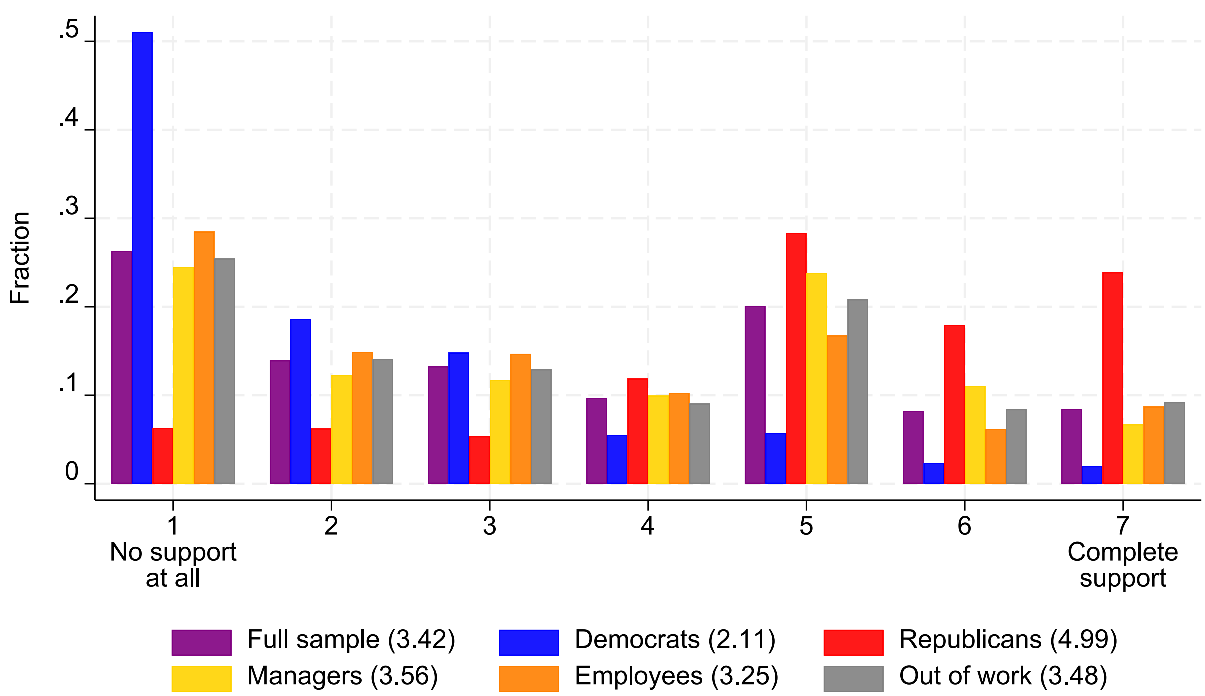
Another interesting difference between consumers and managers is that the role of partisanship appears to be more limited among the latter. While Republican managers are somewhat less likely to increase prices, change their product mix or seek out alternative suppliers than are Democratic managers, the quantitative differences are much smaller than with households.

It appears that the need to maximize profits may dampen some of the ideological impetus that otherwise motivates beliefs and behaviors.

Support for Tariff Policies

Finally, we asked survey participants to gauge how supportive they were of imposing tariffs on our trading partners, on a scale of 1 (not supportive at all) to 7 (completely support). As shown in Figure 7, Americans are quite split on the issue, with the average answer being exactly in the middle of the support (3.4 out of 7). Partisanship is an important driver of this heterogeneity, with Democrats much more likely to report that they oppose this policy (average support of 2.1 out of 7) than Republicans, who display some support (average of 5 out of 7). However, even within each party, there is a wide range of views about the wisdom of imposing tariffs on our trading partners.

Figure 7. Support for tariffs.



Notes: the average score for each group is reported in parentheses.

Conclusion

We are likely on the brink of one of the most momentous changes in global trade policies that we have seen in decades. Ever since World War II, the key development in trade policy has been the very gradual but persistent reduction in trade barriers, interrupted only by brief spats among major trading partners. Starting on January 20th, 2025, the largest economy in the world is slated to start imposing large tariffs on its most important trading partners, a policy decision that will almost certainly lead to reprisals and may drive a surge in trade protectionism around the world. How these new tariffs ultimately affect consumers and firms is therefore at the heart of understanding the economic dynamics of the next few years.

One key finding from our survey is that the anticipation of the coming Trump tariffs is likely already affecting the decisions of households and firms. Survey participants anticipate that high tariffs will be imposed in the near future on our trading partners and that high future tariffs would lead them to change their behavior along specific dimensions. This suggests that consumers have likely already begun to stockpile imported goods and are trying to increase their saving due to their concerns about the economic outlook. Firms have likely already started raising their prices even though tariffs have not yet gone up, and are also likely revising their supplier and product mix to limit their exposure to coming policy changes. This suggests that the inflationary consequences of the tariffs will manifest themselves even before the tariffs are put in place, further complicating the Federal Reserve's job of bringing inflation back down to its target.