

Insights Unwrapped

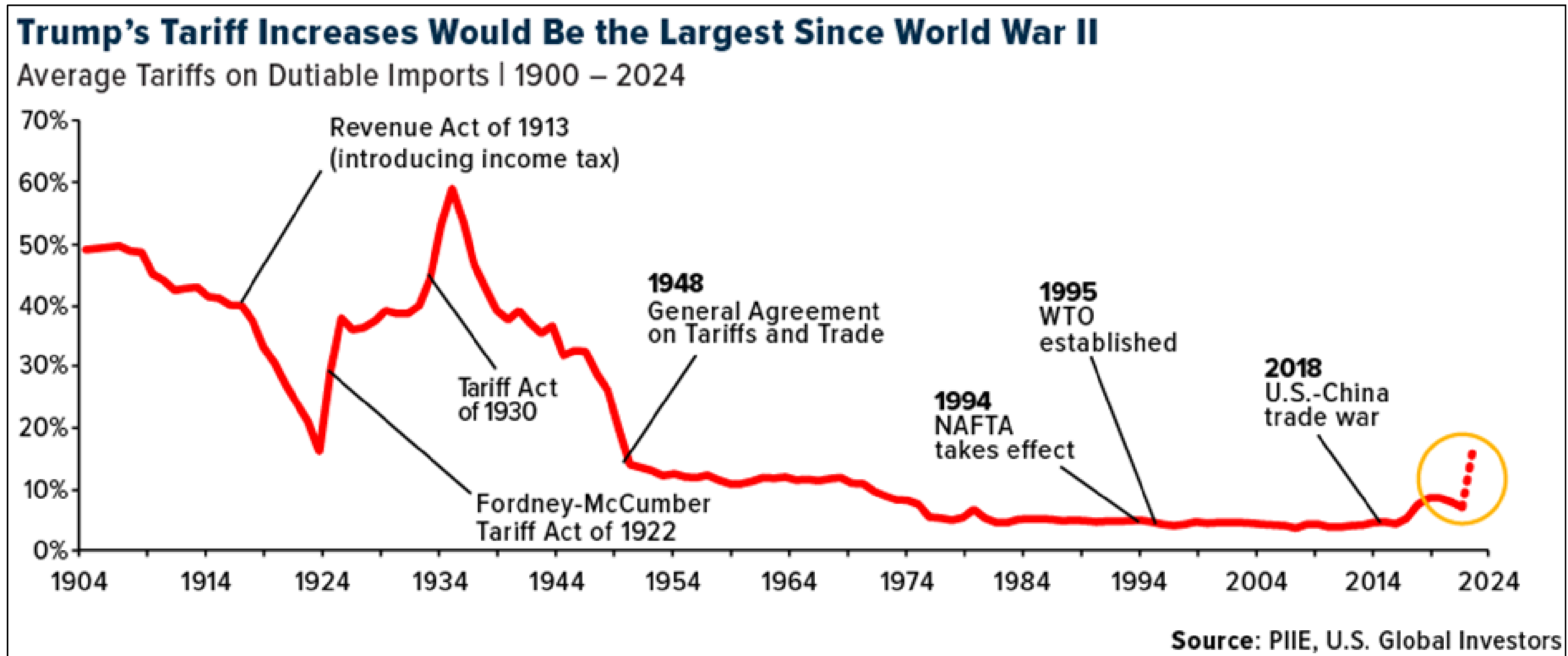
U.S. Tariffs: A Century of Trade Tug-of-War



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A Historical Perspective on Tariffs

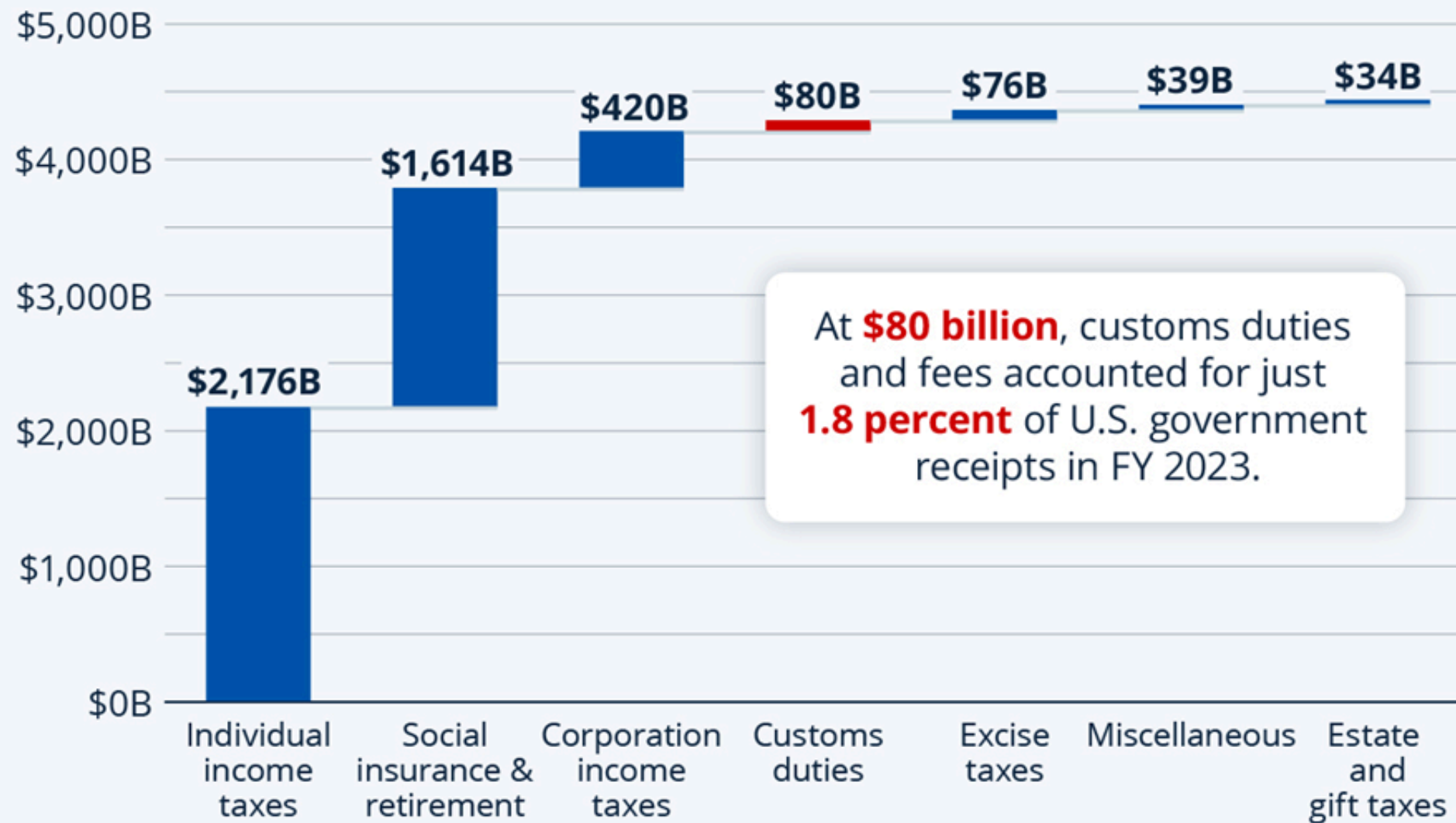


Since the 1930s, the U.S. shifted from protectionism to trade liberalization, driven by the Reciprocal Tariff Act (1934) and agreements like GATT (1947) and the WTO (1995). These reduced average U.S. tariffs from 50% to 2–5%, with ~70% of imports now duty-free, fostering global trade but sparking debates over job losses and trade deficits

Tariff Revenue: A Small Fraction of U.S. Revenue

Tariffs Are Not a Meaningful Source of Government Revenue

U.S. government receipts in FY 2023, by source



At **\$80 billion**, customs duties and fees accounted for just **1.8 percent** of U.S. government receipts in FY 2023.

Sources: U.S. Department of the Treasury

Tariff revenue represents only a small fraction of U.S. federal income—about 2% in 2024—dwarfed by the government’s primary revenue source: income taxes.

In 2023, tariffs generated \$80 billion (1.8% of receipts), increasing to \$98 billion (2% of receipts) in 2024.

Source: Statista

But That's Changing: The Comeback of Tariffs?

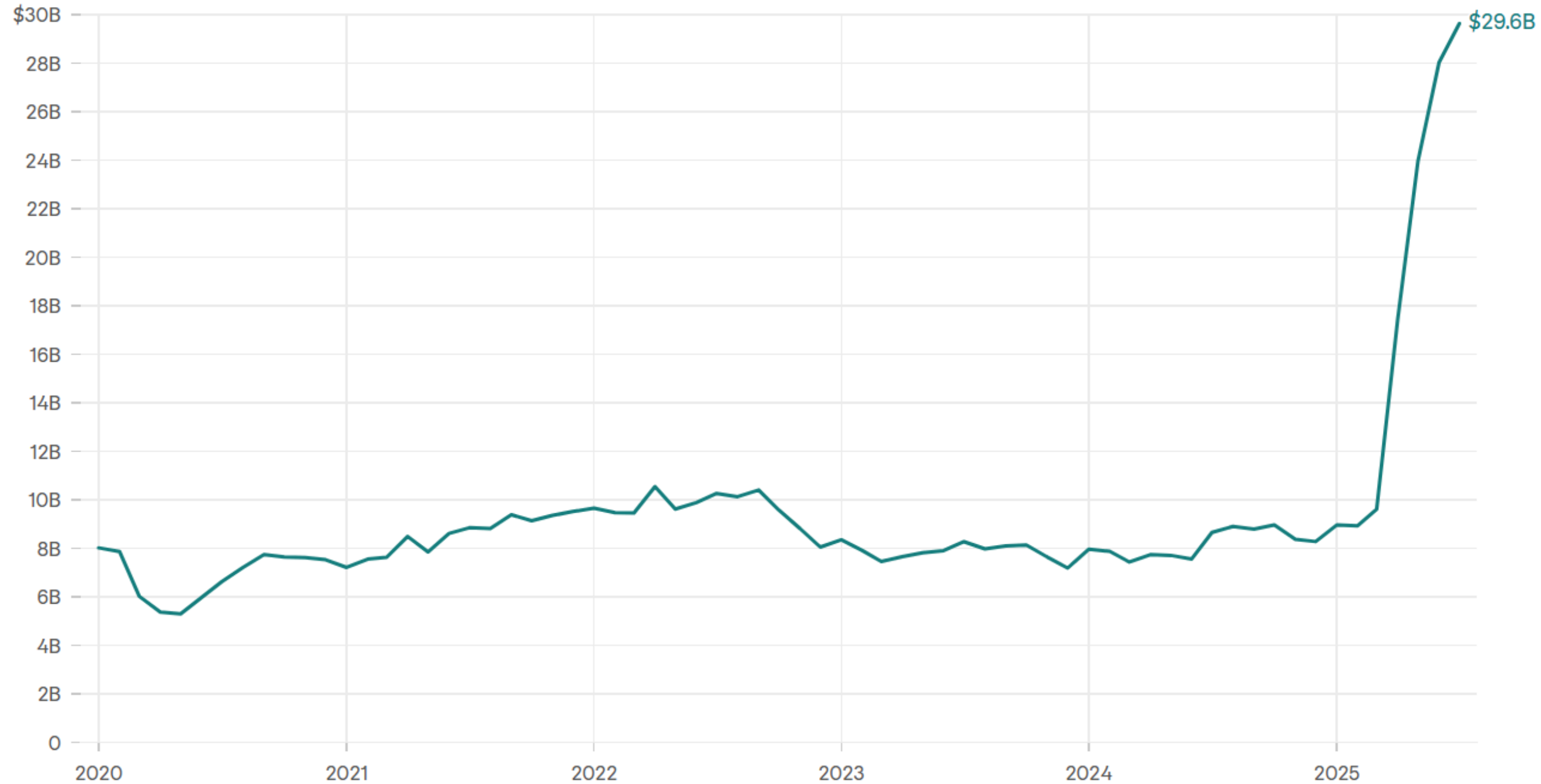
| | Fiscal 2024 (Oct-July) | Fiscal 2025 (Oct- July) | July'2025 |
|--|---------------------------|----------------------------|-----------|
| Total Receipts (USD Bn) | 4,084 | 4,347 | 338 |
| Custom Duties (USD Bn) | 63 | 136 | 28 |
| Tariffs (as a % of Total Receipts) | 1.5% | 3.1% | 8.3% |
| Data Source: https://fiscal.treasury.gov | | | |

Since taking office, President Trump has imposed a growing range of tariffs on select countries and commodities to protect U.S. interests. Despite early delays and reversals, recent moves have sparked international pushback. The average effective U.S. tariff rate now stands at 15.8%, up from 2.3% at the end of 2024, and is expected to reach 18–20% later this year with additional sectoral tariffs.

From Modest to Massive: Tariff Revenues Surge

Tariff revenue has skyrocketed

Monthly totals of customs and other excise taxes



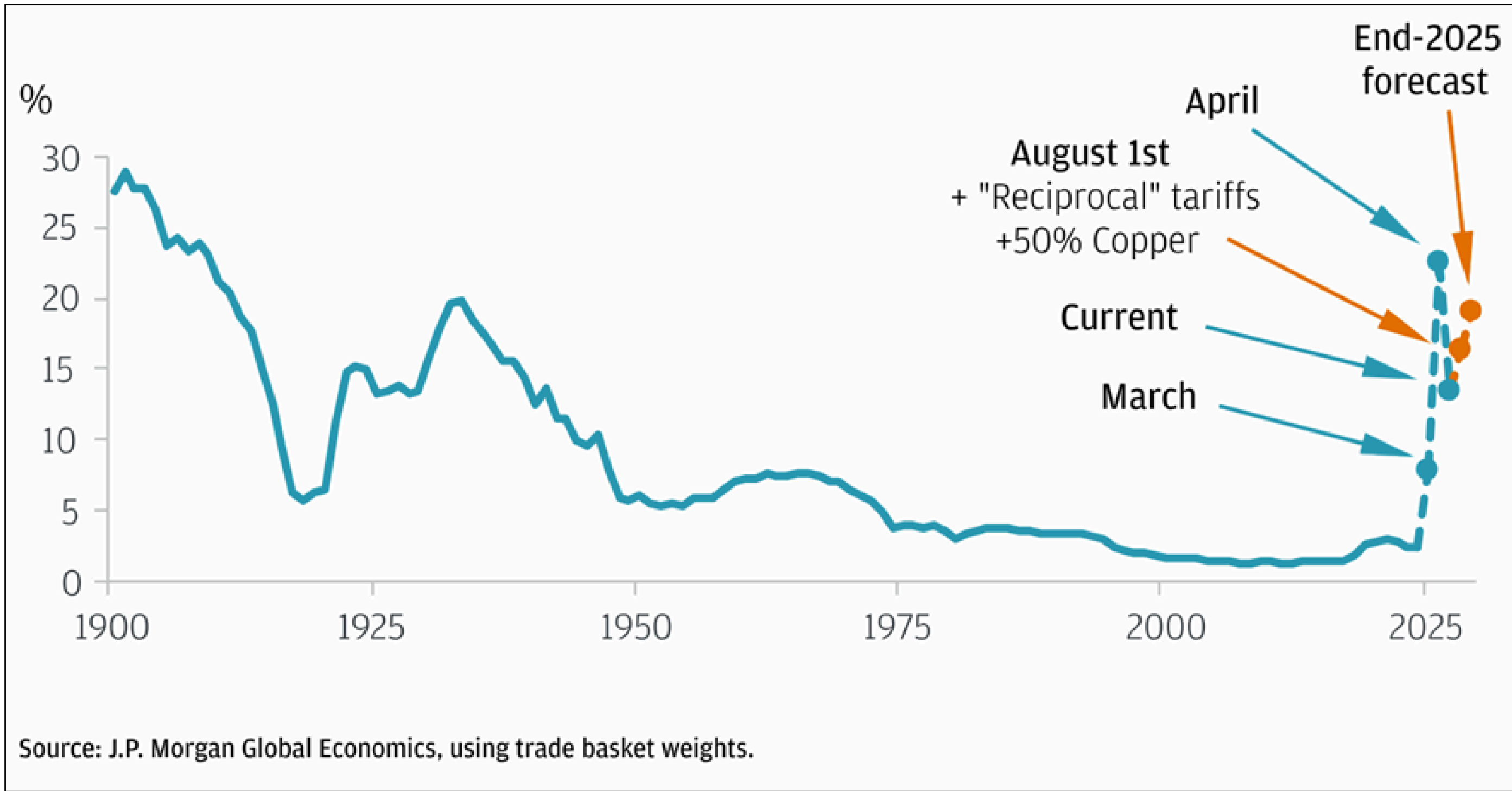
In July 2025, the U.S. collected \$29 billion in tariff revenue and excise fee, with new tariffs on India effective late August and on China by November. At this pace, the government could match its 2024 customs and excise revenue of \$98 billion in just a few months.

Source: U.S. Treasury Department

Credit: Danielle Kurtzleben and Connie Hanzhang Jin/NPR

Source: www.npr

Sharp Spike in Overall Tariffs



Even if tariff revenue eventually reaches 8-10% of federal income (from 2.3% in 2024), it would be noteworthy but still far from sufficient to deliver on some of Trump's more ambitious pledges—such as his recent claim that tariffs could be used to pay down the national debt (USD 37 Trillion as of August)

Much debate surrounds Trump's push for tariffs to boost U.S. manufacturing by encouraging domestic production.

- *Yet fewer imports mean less tariff revenue*
- *Money ultimately paid by Americans, adding to inflation*
- *With the economy growing at only half the forecasted rate, will this revenue simply be offset by lower income tax receipts?*

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