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COMMENTARY

Trump Tariff Regime: Economic Outcomes, Cost Burdens, and Structural Implications One Year After “Liberation Day”

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President Donald Trump’s April 2, 2025, declaration of a national emergency on foreign trade, popularly branded “Liberation Day,” initiated one of the most sweeping tariff regimes in modern U.S. history. Average effective tariff rates surged to levels unseen since the early twentieth century, reaching 22.5 percent at their peak.¹ The administration justified these measures as necessary to reduce the U.S. trade deficit, restore industrial capacity, and force foreign governments into renegotiated trade arrangements. Yet, one year later, the empirical record suggests that these objectives remain largely unmet, while the domestic economic burden has proven substantial.

Month-over-month trade data throughout 2025 and early 2026 shows that the tariffs have caused a modest reduction in the U.S. goods and services trade deficit at least in the short term. The last publicly released data from February 2026 shows the trade deficit for February at 57.35B.² This value boasts a significant reduction from the 119.78B deficit recorded for February in 2025.³ However, these values do not reflect the whole story. The trade deficit data in late 2024 and early 2025 showed an extremely elevated trade deficit, with multiple months exceeding 100B, whereas between July 2022 and August 2024 the monthly trade deficit did not exceed 80B.⁴ In analyzing the data, the monthly trade deficit has recently reflected some lower-than-normal values, but whether the trade deficit will continue to fall or stagnate remains to be seen. Should the trade deficit stabilize around 50-60B, as it has in the last few months, the tariffs are unlikely to be seen as successful. Despite the administration’s insistence that higher tariffs would narrow the imbalance, the deficit instead has shrunk modestly, underscoring the limited elasticity of U.S. import demand and the global complexity of supply chains.

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¹ *Fiscal, Economic & Distributional Effects of ‘25 US Tariffs*, THE BUDGET LAB (Apr. 2, 2025), <https://budgetlab.yale.edu/research/where-we-stand-fiscal-economic-and-distributional-effects-all-us-tariffs-enacted-2025-through-april>.

² *US Trade Deficit (Monthly)*, YCHARTS (Apr. 2, 2026), https://ycharts.com/indicators/us_trade_deficit_monthly.

³ *Id.*

⁴ *Id.*

A central claim of the administration was that foreign exporters would absorb the bulk of tariff costs. Evidence contradicts this. According to the Yale Budget Lab, tariff pass-through to U.S. consumer prices ranged from 46 to 86 percent for core goods and 51 to 115 percent for durable goods, indicating that U.S. households and firms bore most of the burden.⁵ Similarly, industry analyses reported that 80 to 85 percent of tariff costs were absorbed domestically, either through reduced corporate margins or higher consumer prices.⁶ These findings align with longstanding economic theory: tariffs function as taxes on importers, not foreign governments.

The broader economic effects have been mixed. Tariff-exposed industries exhibited signs of weakness relative to pre-2025 trends, though aggregate labor-market impacts remain inconclusive. Inflationary pressures persisted, particularly in goods categories directly affected by tariff schedules.⁷ Meanwhile, tariff revenue increased sharply, with estimates suggesting an additional \$214.7 billion collected above the 2022–2024 average by early 2026.⁸

One of the most consequential questions is whether the tariff regime produced structural changes in business behavior. Evidence suggests that while firms did adjust, these shifts were largely reactive rather than transformative.⁹ Many companies diversified supply chains, explored alternative sourcing regions, and invested in scenario-modeling to manage policy volatility.¹⁰ However, these adaptations reflected short-term risk mitigation rather than long-term reshoring or industrial renewal. The rapid and unpredictable tariff changes, more than fifty adjustments within the first year, created an “uncertainty tax” that discouraged major capital investments.¹¹ Analysts observed that while some firms explored capital investments in relocating production to the United States, such moves remained limited and gradual, constrained by cost structures and global competitive pressures.¹²

The legal landscape further complicated matters. On February 20, 2026, the Supreme Court invalidated country-specific tariffs imposed under the International Emergency Economic Powers Act, casting doubt on the administration’s legal authority and prompting significant policy recalibration.

Taken together, the evidence indicates that the tariff program increased domestic costs, provided a minimal reduction to the trade deficit, and induced only incremental structural change. As policymakers and scholars assess the long-term implications, the Trump tariffs stand as a case study in the economic and legal limits of unilateral trade action.

⁵ *Tracking the Economic Effects of Tariffs*, THE BUDGET LAB (Apr. 2, 2026), <https://budgetlab.yale.edu/research/tracking-economic-effects-tariffs>.

⁶ *Id.*

⁷ *Who is paying for Trump's tariffs? So far, it's US businesses.*, PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS, (Sept 16, 2025), <https://www.piie.com/blogs/realtime-economics/2025/who-paying-trumps-tariffs-so-far-its-us-businesses>.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*