# Discussion of **Tariffs, Manufacturing Employment, and Supply Chains** by Joe Steinberg

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Bank of Canada, September 2025

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- *"Jobs and* ***factories*** *will come roaring back into our country, and you see it happening already"*
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Can the Trumplanner deliver on his promises?

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- But none of Trump's statements talks about income.
  - People may read between the lines that it has to do with income...
  - But they all talk about boosting manufacturing only
  - The objective of our "Trumplanner" here is to increase manufacturing

# Joe's (phenomenal) paper

- builds a state-of-the-art general equilibrium model with:
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  - overall employment does not change much, mostly reallocation

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- Tariffing oil boosts output.
  - Underlying assumption: oil sector can expand its output **enough** if tariffs in place.
  - I suspect we would not have oil crisis if that assumption was reasonable
  - The modelling of all sectors makes sense for machinery and toys, and in small departures from equilibrium prices, elsewhere. For larger departures, maybe not?

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  - Formalize the Trumplanner.
  - What's the least harmful combination of policies to increase employment in steel and cars?
- The underlying tone in Trump's statements, is that some household types (low-skilled, trades, manufacturing) in some regions (rustbelt) will benefit.
  - Introduce heterogeneous households (Waugh has started to work on it already)
  - Introduce regions

# Some thoughts III

- Do Canada
  - All the effects that the paper finds have a direct counter-part to Canada and its Provinces
  - Does AB win with these tariffs, thanks to oil?
  - How large are the costs for Ontario's manufacturing?
- Changes in aggregate employment?
  - in the long run, I don't see a reason why tariffs should produce meaningful changes in aggregate employment
  - When Trump took office, unemployment was at record lows
  - Tariffs don't seem to matter for aggregate hours in any country
  - Bringing back Prescott, most long-run changes in hours worked are driven by labour income distortions
  - Isn't the result that tariffs only reallocate labour almost necessary to be true?