



# The Takeaway

Policy Briefs from the Mosbacher Institute for  
Trade, Economics, and Public Policy

## How Americans Read Tariff Policy

### The Role of Partisanship in Economic Expectations

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*On April 2, 2025 —“Liberation Day”— President Donald Trump unveiled a sweeping plan to impose tariffs on imported goods. The tariffs were substantially larger than expected, and financial markets reacted immediately: stock prices fell sharply, while major institutions revised upward the probability of a U.S. recession. Although professional economists broadly anticipated negative macroeconomic consequences, much less was known about how households would interpret the announcement. This Takeaway examines how households understood the tariff policy and how their beliefs changed when they were presented with research-based findings from the previous U.S.–China tariff war. The question matters because these interpretations shape consumer sentiment, saving, investment, and ultimately the transmission of policy shocks.*

#### **BASELINE ECONOMIC EXPECTATIONS**

The return of tariffs raises important questions about how consumers interpret the economic consequences of tariffs. To investigate these questions, we conducted an online survey on April 11, 2025, shortly after the policy announcement, to elicit house-



#### **WHAT'S THE TAKEAWAY?**

Partisanship strongly shapes how Americans interpret tariff policy.

Research-based information can shift household expectations, but deeply held prior beliefs may reinforce partisan divides.

Economic communication matters, but polarization limits its reach.

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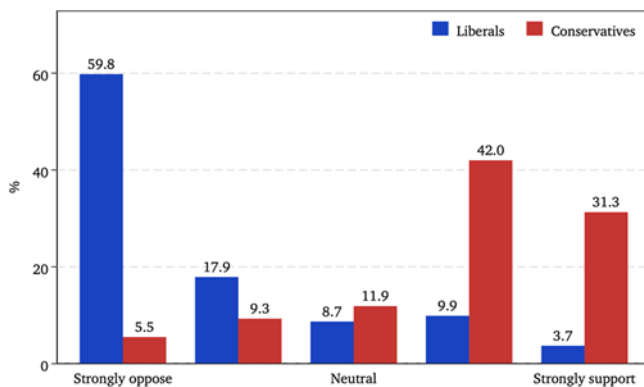
holds' economic expectations. We found that inflation expectations varied across demographic characteristics: women, older respondents, and those with less education reported higher expected inflation and unemployment, consistent with prior research. At the same time, we observed pronounced partisan differences. Self-identified Democrats expected higher inflation and unemployment than Republicans.

### HOW HOUSEHOLDS THINK TARIFFS WORK

Having established baseline expectations, we next examined how respondents thought tariffs affected the broader economy—that is, their subjective models of policy transmission. We first provided respondents with a summary of the Liberation Day announcement and asked whether they had previously heard about the policy. About 87 percent reported prior awareness.

We then asked whether respondents supported the tariff policy. How households across political affiliations would evaluate the policy was not obvious *ex ante*. Historically, tariff protection has often received more support from Democrats than Republicans. In this setting, however, support was sharply divided along contemporary political lines. About 60 percent of liberals strongly opposed the policy while roughly 31 percent of conservatives strongly supported it.<sup>1</sup>

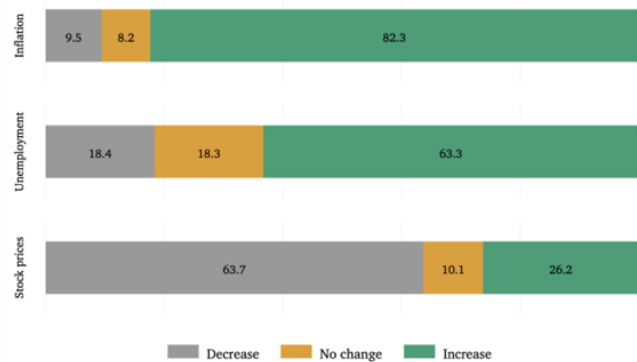
**Figure 1: Support for tariffs, by political orientation**



Source: Hirs-Garzón, Hwang, and Jo (2025)

We next asked respondents how they believed the tariff policy would affect inflation, unemployment, and stock prices. Using a directional question format, respondents indicated whether they thought each variable would increase, decrease, or remain unchanged. Figure 2 shows a broad consensus on inflation: 82 percent believed inflation would increase. There was less agreement, however, regarding unemployment and stock prices. Only 63 percent expected unemployment to rise and 64 percent believed stock prices would decline.<sup>1</sup> This variation suggests that while inflation was widely perceived as a likely consequence of the policy, respondents differed more in how they interpreted the impact on labor markets and financial markets.

**Figure 2: Perceived effects of tariffs on inflation, unemployment, and stock prices**

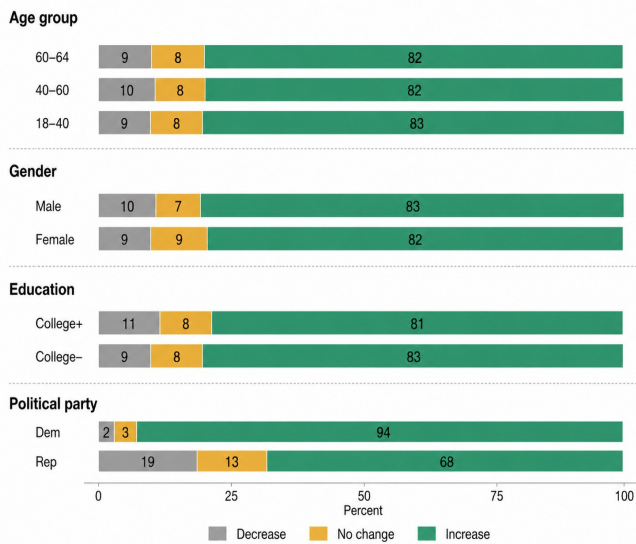


Source: Hirs-Garzón, Hwang, and Jo (2025)

Demographic characteristics explained relatively little of the variation in subjective models. These subjective responses did, however, vary sharply across political groups. Figure 3 shows that among Democratic respondents, 94 percent believed the tariff policy would raise inflation, compared with only 68 percent of Republicans.<sup>1</sup> A similar pattern appeared for unemployment. Figure 4 shows while 83 percent of Democrats believed tariffs would raise unemployment, Republican respondents were much more divided: 40 percent expected unemployment to rise, 26 percent expected little change, and 34 percent believed unemployment would decrease.<sup>1</sup> These responses suggest that Republicans and Demo-

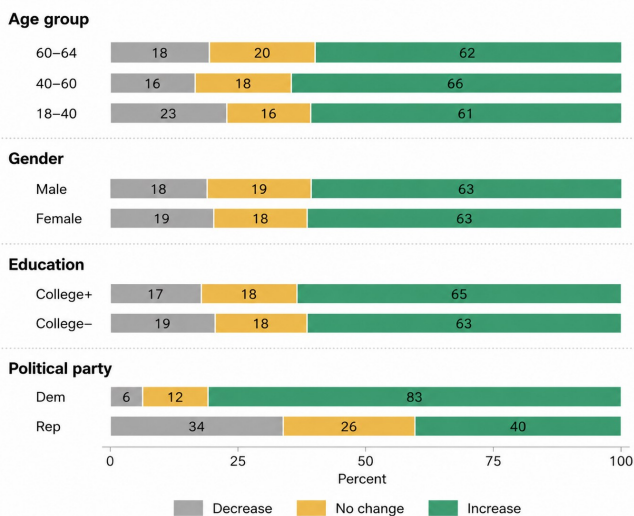
crats interpreted the announcement with fundamentally different economic narratives about how tariff policy works.

**Figure 3: Subjective models of tariffs on inflation, by respondent characteristics**



Source: Hirs-Garzón, Hwang, and Jo (2025)

**Figure 4: Subjective models of tariffs on unemployment, by respondent characteristics**



Source: Hirs-Garzón, Hwang, and Jo (2025)

**CAN RESEARCH-BASED INFORMATION CHANGE THESE BELIEFS?**

Having documented partisan differences in baseline beliefs, we next tested whether evidence-based research findings could reduce this diver-

gence. To do so, we conducted a randomized survey experiment. Respondents were assigned either to a control group that received no additional information or to one of three treatment groups that were shown summaries of research findings from the 2018–2019 U.S.–China tariff episode.

The first treatment presented evidence on tariff pass-through to consumer prices, demonstrating that during the 2018-2019 episode, tariffs were passed through almost one-for-one into import prices: a 10 percent tariff resulted in import prices rising by roughly 9.4 percent, with little spillover to untargeted goods.<sup>2</sup>

The second treatment addressed employment outcomes, illustrating that tariff protection failed to generate job growth in newly protected industries, while retaliatory tariffs from trading partners resulted in job losses, particularly in agricultural regions.<sup>3</sup>

The third treatment highlighted stock market responses, revealing that stock prices dropped sharply following major tariff announcements.<sup>4</sup>

**MAIN RESULTS**

The main question is whether these evidence-based treatments changed respondents’ expectations. Table 1 shows that respondents who received information about tariff pass-through significantly revised their one-year-ahead inflation expectations upward—by roughly half a percentage point relative to the control group. In contrast, information about employment effects or stock market responses produced little movement in inflation expectations.<sup>1</sup> This suggests that households responded most strongly when the information directly maps into a salient and intuitive channel.

The second treatment, focused on unemployment expectations, generated the largest upward revisions. Respondents became more likely to expect labor market deterioration once they were informed that retaliatory tariffs had produced measurable job losses during the previous tariff war.<sup>1</sup>

**Table 1: Revisions in inflation and unemployment expectations**

	Revisions in One-Year-Ahead Expectations	
	(1) Inflation	(2) Unemployment
T1: Inflation	0.537** (0.271)	0.0148 (0.109)
T2: Employment	-0.172 (0.260)	0.191* (0.112)
T3: Stock	0.191 (0.242)	-0.00563 (0.106)
Observations	1,019	972
R <sup>2</sup>	0.07	0.06

Source: Hirs-Garzón, Hwang, and Jo (2025).<sup>1,5</sup>

Did these information treatments reduce partisan disagreement? The answer is mixed. For inflation, partisan gaps widened because Democrats—who were already more likely to believe tariffs would raise prices—adjusted their inflation expectations upward more strongly after receiving the price pass-through evidence. For unemployment, however, those differences partially narrowed, as Republicans became more likely to expect labor market deterioration after learning about retaliatory tariff job losses. In other words, research-based information can sometimes reduce disagreement, but it can also reinforce existing asymmetries when prior beliefs are firmly held.

Finally, we asked whether these exogenous shifts in economic expectations translated into political support. We found that updating economic expectations did not necessarily translate into changes in political support. Although the treatments meaningfully changed inflation and unemployment expectations, we found little effect on approval of the current administration or on broader policy-support measures.

The broader lesson is that households do not process economic facts on a blank slate. They interpret policy announcements through prior beliefs that are often shaped by partisanship. As a result, providing accurate information can move expectations, but it does not automatically produce a shared understanding of policy.

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Notes:

<sup>1</sup>Hirs-Garzón, Hwang, and Jo (2025), “How Partisanship Shapes Economic Expectations: Evidence from the 2025 U.S. Tariff Announcement,” working paper. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=6684421](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=6684421)

<sup>2</sup>Cavallo, A., Gopinath, G., Neiman, B., & Tang, J. (2021). Tariff pass-through at the border and at the store: Evidence from US trade policy. *American Economic Review: Insights*, 3(1), 19–34. <https://pubs.aeaweb.org/doi/pdfplus/10.1257/aeri.20190536>

<sup>3</sup>Autor, D., Beck, A., Dorn, D., & Hanson, G. H. (2024), “Help for the heartland? The employment and electoral effects of the Trump tariffs in the United States,” NBER Working Paper 32082. <https://www.nber.org/papers/w32082>

<sup>4</sup>Amiti, M., Gomez, M., Kong, S. H., & Weinstein, D. (2024), “Trade protection, stock-market returns, and welfare,” NBER Working Paper 28758. [https://www.nber.org/system/files/working\\_papers/w28758/w28758.pdf](https://www.nber.org/system/files/working_papers/w28758/w28758.pdf)

<sup>5</sup>This table reports the effects of information treatments on revisions in one-year-ahead inflation and unemployment expectations. The dependent variable is the individual-level change in expectations before and after treatment. T1 provides information on pass-through to import prices, T2 on employment, and T3 on stock prices; the control group received no additional information. R<sup>2</sup> reports the proportion of variation explained by the regression model. Heteroskedasticity-robust standard errors are reported in parentheses. \* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01.

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