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Trump Hits Amazon with 50 Percent Tariffs



Photo by Nico Baum

Since we seem to again be in a tariff-crazy phase of Donald Trump’s presidency, it is worth explaining the meaning of a tariff so that even Treasury Secretary Bessent, Commerce Secretary Lutnick, and New York Times headline writers can understand what they are.

The basic point — contrary to what you read in the paper — is that tariffs are not something Trump “hits” other countries with, they are something he hits US consumers with. They are a tax on *our* imports. The idea of a Trump “tariff” on Amazon’s sales may help make that point.

Before going into the logic of an Amazon tariff, I realize that many readers are likely saying that Donald Trump doesn’t have the power to impose a tax on Amazon sales. That is very

true, but he also doesn't have the power to impose most of the tariffs he is now putting in place. The Constitution very clearly gives the power to impose tariffs and other taxes to Congress.

However, that may matter little given that almost all the Republicans in Congress have taken a sacred vow to do whatever Donald Trump tells them. If Trump were to catch Jeff Bezos ridiculing his idiocy, there is no reason to think he would not try to impose an Amazon tax, just as he is now planning to impose a tax on imports from Brazil because it is pressing charges against a former president who tried to overthrow the government. And virtually every Republican in Congress would say it's just fine.

Jeff Bezos would be very unhappy about sales of Amazon being hit with a 50 percent tax. It would mean a sharp decline in his sales. But the main reason would be that the price of the goods sold by Amazon would rise by close to 50 percent. This would mean that demand for Amazon products would plummet, with most customers shifting to competitors not subject to Trump's tax. These other companies would also raise their price somewhat, taking advantage of the fact that a low-cost competitor was being nailed by the Trump tariff.

The reason the price would rise by something very close to 50 percent is that Amazon's profit margins are narrow on most items. If they didn't pass along the bulk of the Trump tariff, Amazon would be losing money on its sales, and businesses don't operate to lose money.

This means that Bezos would be extremely unhappy about a tax that would seriously downsize his company, if not put it out of business altogether. But Amazon customers would also be very unhappy because they would have to pay higher prices for Amazon products or look to buy goods from companies that charge considerably more than Amazon did before the Trump tax took effect.

This is the same story with the Trump tariffs. We already know that foreign countries are not eating the taxes that Trump is imposing on our imports from them. In May, the first month where many Trump tariffs were in effect, the US collected over \$22 billion in tariff revenues. That would come to almost \$250 billion on an annual basis, or an average of roughly \$2,000 per household.

If foreign countries were eating these taxes, we would see a decline in import prices, which are measured without including the tariff. In fact, non-oil import prices rose by 0.3 percent in May and are up 1.7 percent over the last year.

With Trump preparing for another massive round of tariffs he is promising to hit American households with the largest tax increase in history. And unlike tax hikes by Democratic presidents, big taxer Trump is designing his tax to primarily hit working-class families.

Working-class families spend almost their entire income. Trump's rich friends save much of their income. Furthermore, much of what they do spend is on services like travel and expensive restaurants that are less affected by the Trump tariffs.

At this point, no one, possibly not even Trump, knows how high the tariffs will on Liberation Day III (August 1). That's the way they like to do things on reality TV shows. But one thing we can be certain of is that consumers will be paying considerably more for many of the things we buy.

When Trump threatens to "hit" Brazil, the source of one-third of our coffee, with a 50 percent tariff on its exports, he is threatening to make us pay much more for our morning coffee. How's that for something to start your day with?

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This first appeared on Dean Baker's [Beat the Press](#) blog.

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