Special Edition: Economic Insight:

A Historical Perspective: U.S. Tariffs

May 2025

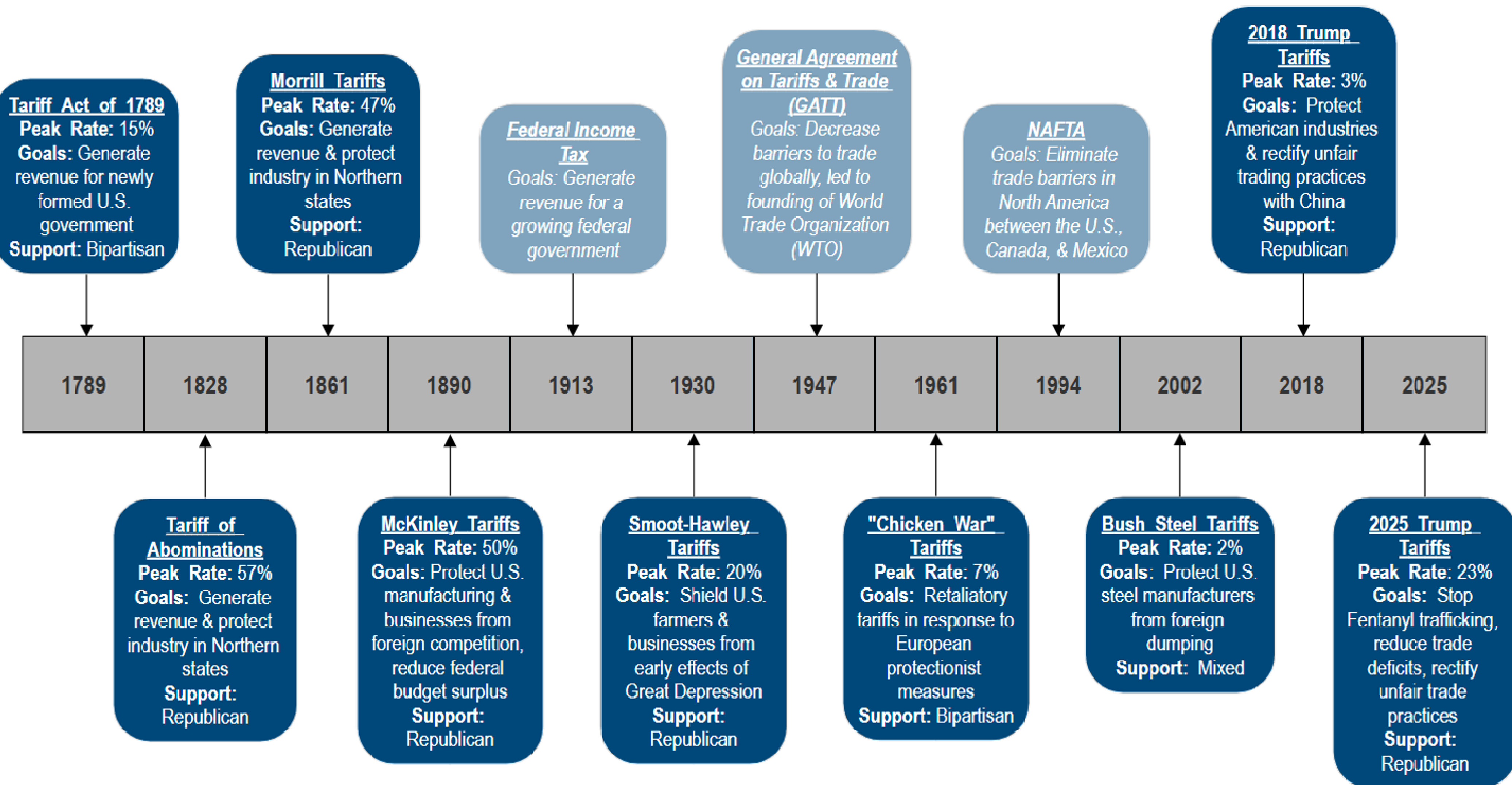
STIFEL

Executive Summary

The policies of the Trump administration continue to drive the outlook for the U.S. economy in 2025.

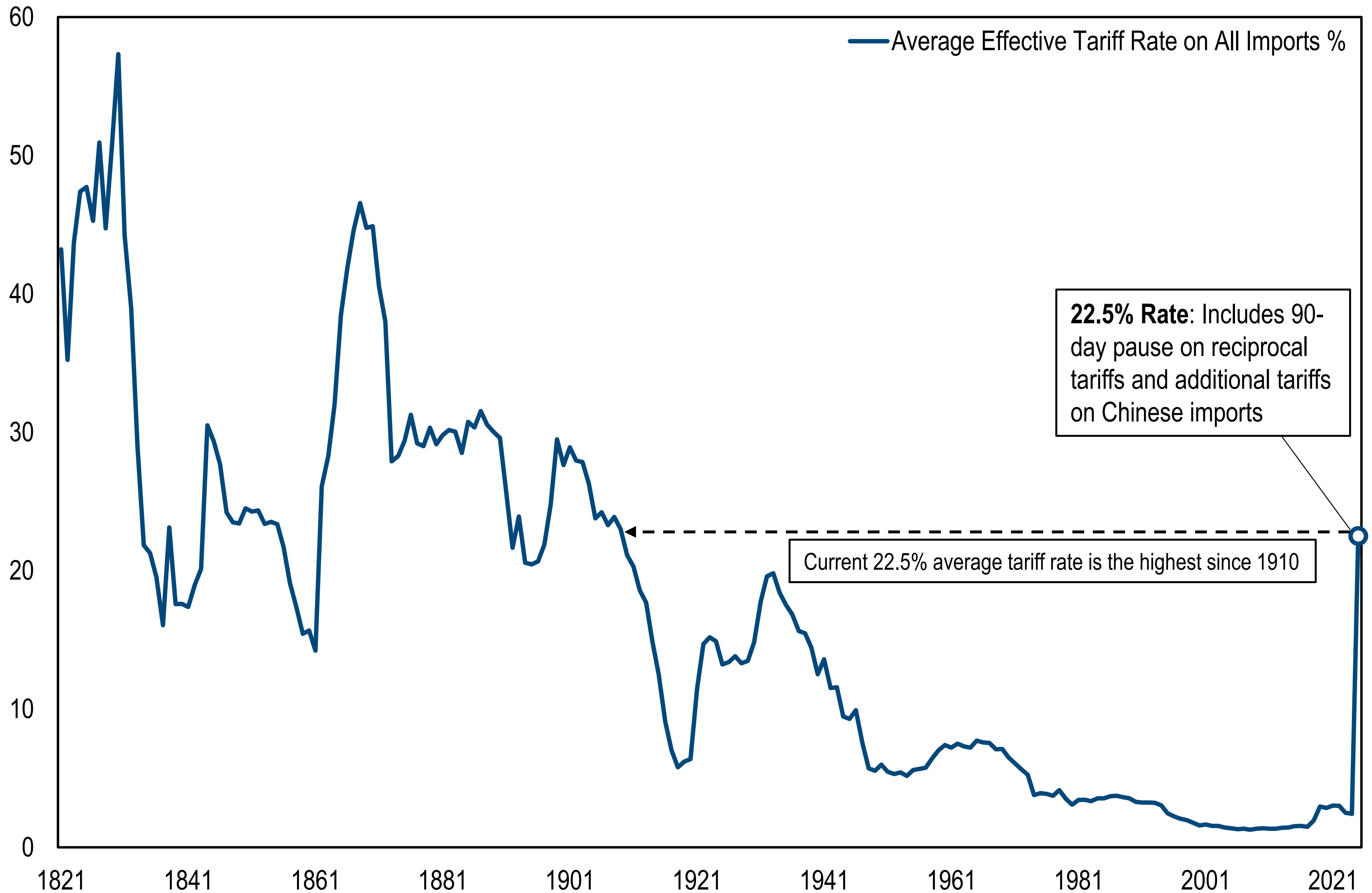
This week, we take a closer look at tariffs, including a spotlight of three different time periods, and the historical impact of tariffs on the U.S. economy.

History of U.S. Tariffs and Trade



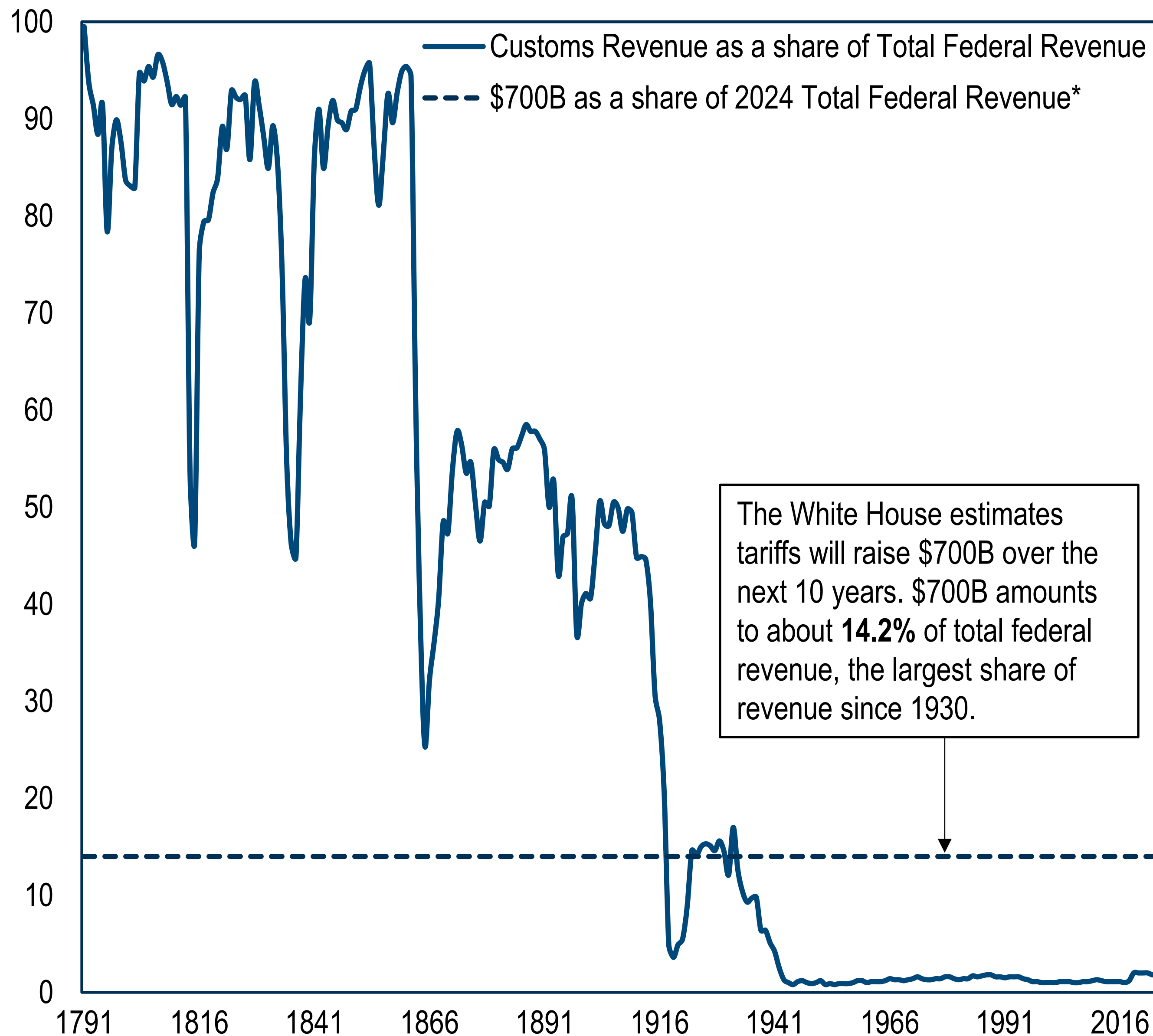
*Peak Rate denotes the total weighted average rate following the implementation of the tariff.

U.S. Tariff Rate Hits Highest in Over a Century



Source: International Monetary Fund/Bloomberg

Tariffs Historically Were the Largest Source of Federal Revenue



Source: Bloomberg

Prior to the American Civil War, tariffs made up between 80-100% of total federal revenue.

However, following the adoption of the income tax in 1913, reliance on customs revenue declined to about 40% of total federal revenue.

Since the end of World War II, tariffs have averaged just 1.3% of total federal revenue.

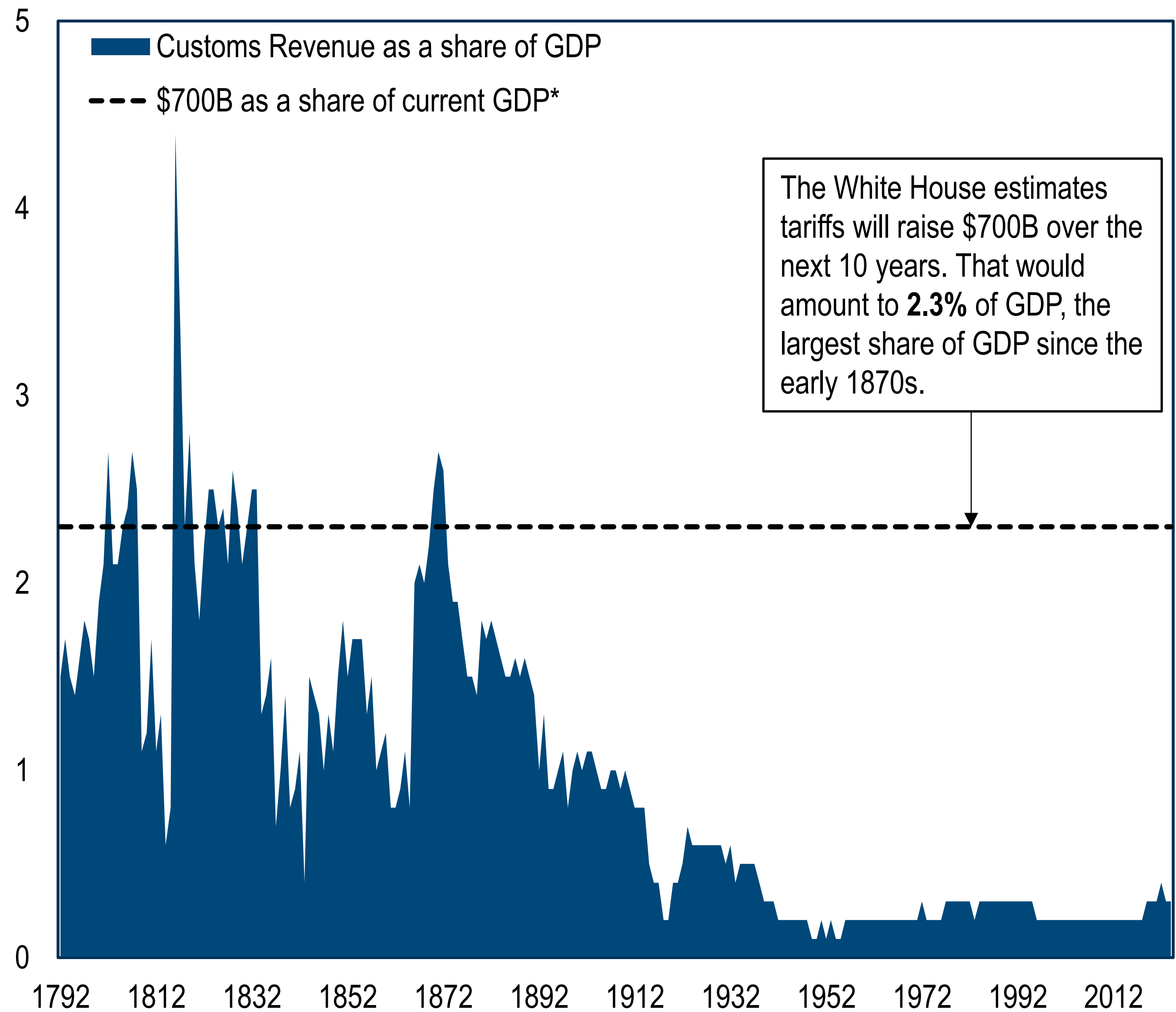
In fiscal year 2024, the U.S. collected roughly $77 billion in net customs duties, or 1.8% of total federal revenue.

According to the White House, tariffs will potentially generate about $700 billion in revenue a year, potentially amounting to about 14% of total revenue, in the next 10 years.

Customs Revenue as a Share of GDP Dwindles

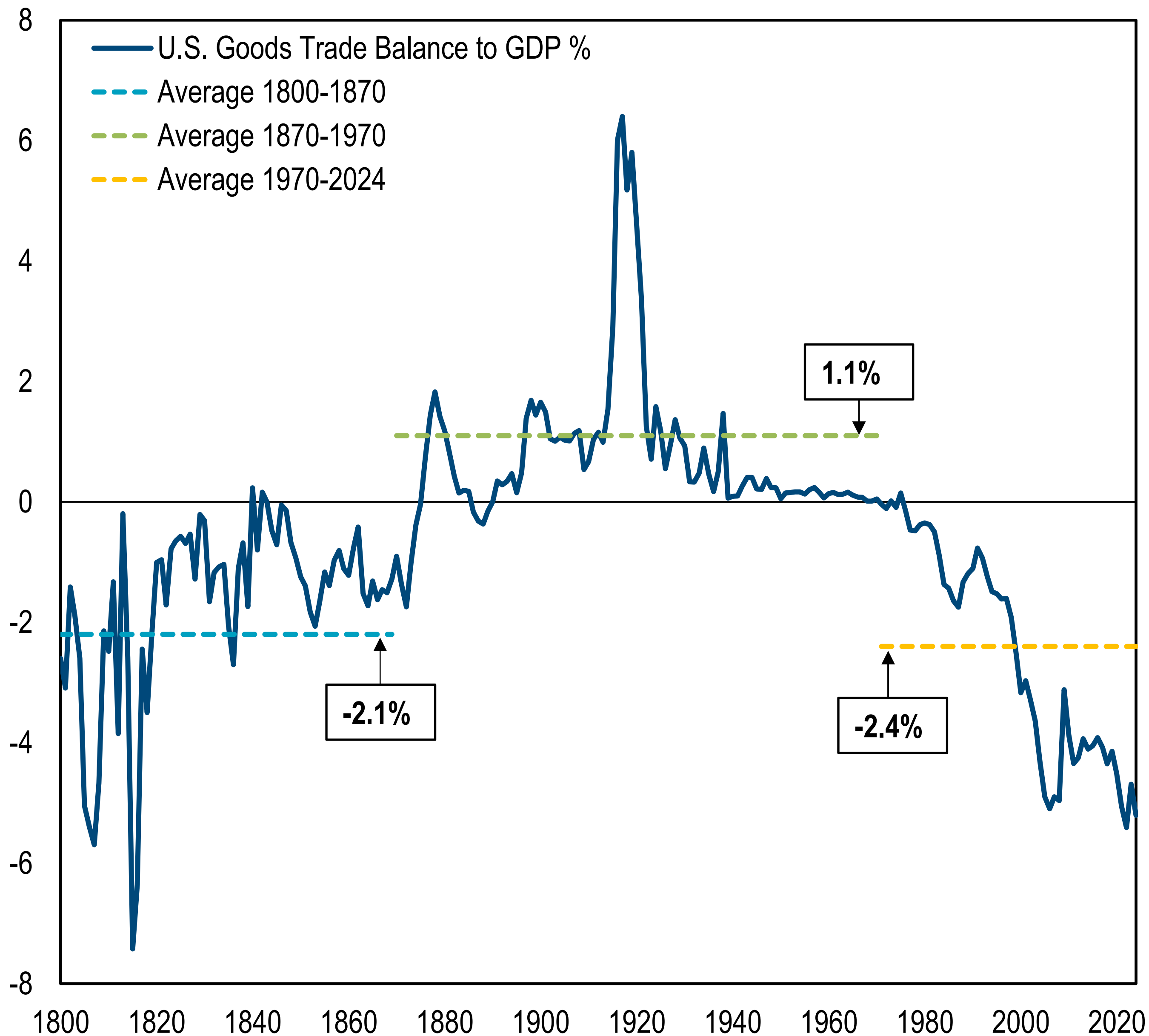
As a percentage of GDP, customs revenue totaled to 0.3% 2024, and has averaged 0.3% over the past decade, down significantly from the peaks in the early 1800s and in the aftermath of the Civil War.

The $700 billion of projected revenue from customs duties this year is about nine times the current customs revenue and equates to 2.3% of the most current U.S. GDP figure, amounting to the largest share of GDP since 1872.



Source: Bloomberg

Trade Balance Again Shifts to a Deficit Starting in 1970s



Source: St. Louis Fed/BEA/MeasuringWorth/World Trade Historical Database

From 1800 to 1870, the average goods trade balance to GDP ratio was -2.1%, as the U.S. economy was focused on growth, but it could not yet match Europe's industrial innovations and lower prices.

Due to advances in manufacturing and increased global trade, the trade balance-to-GDP ratio gradually turned positive, averaging 1.1% over the next 100 years.

Starting in the 1970s, however, the U.S. again began posting a negative trade balance to GDP ratio, averaging -2.4% as a result of increased domestic consumption and large comparative increases in services industries.

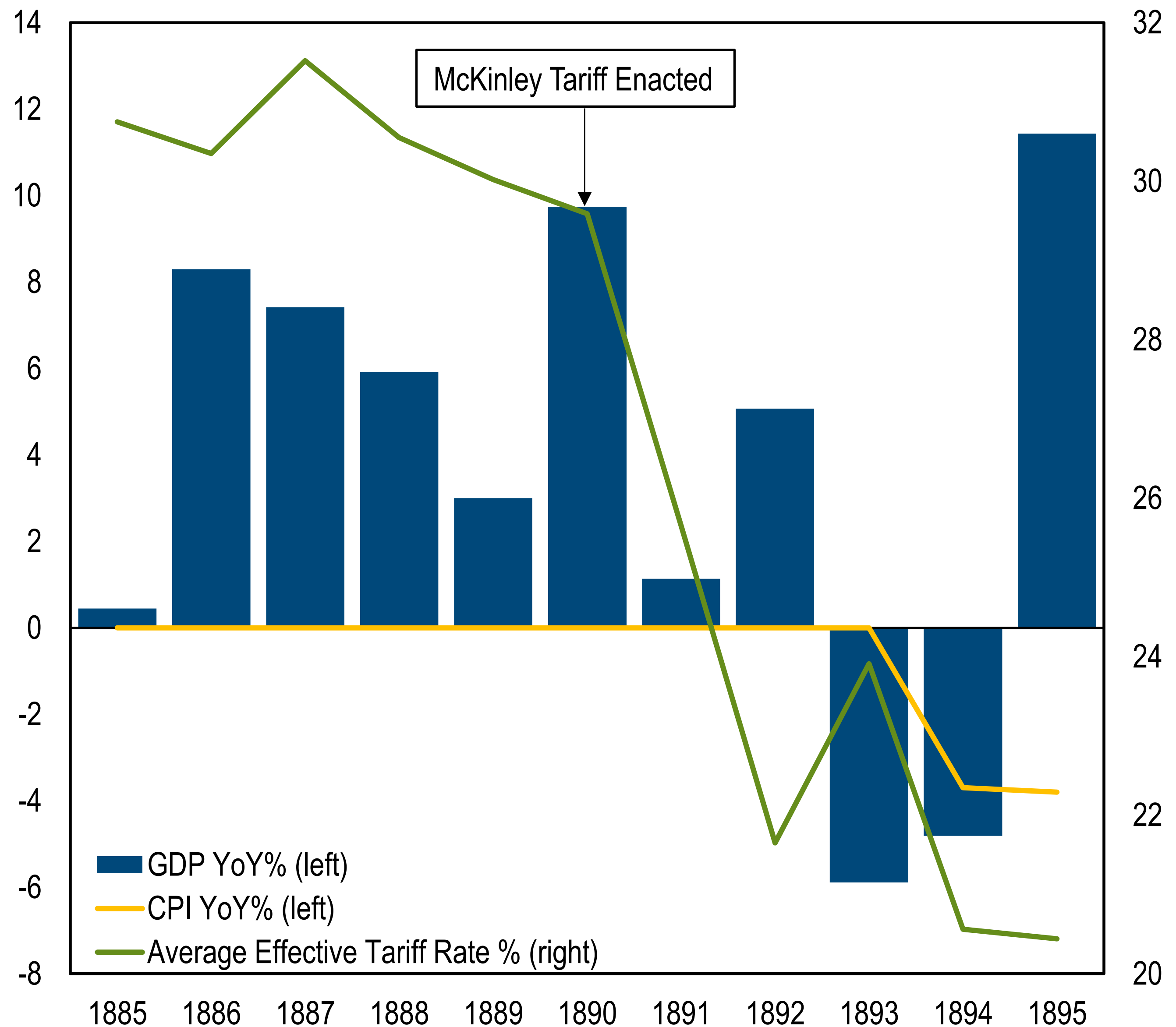
Spotlight: The McKinley Tariff of 1890

The McKinley Tariff of 1890, enacted in the *"Gilded Age of Manufacturing"* increased the average tariff rate to 50% in order to protect domestic industries.

Following the increase in levies, GDP slowed to an average of 1.4%, down from an average of 5.0% five years prior, with the Consumer Price Index (CPI) averaging -1.5%.

Additionally, reduced international trade as a result of the McKinley Tariff helped contribute to the Panic of 1893, one of the most severe financial crises in history.

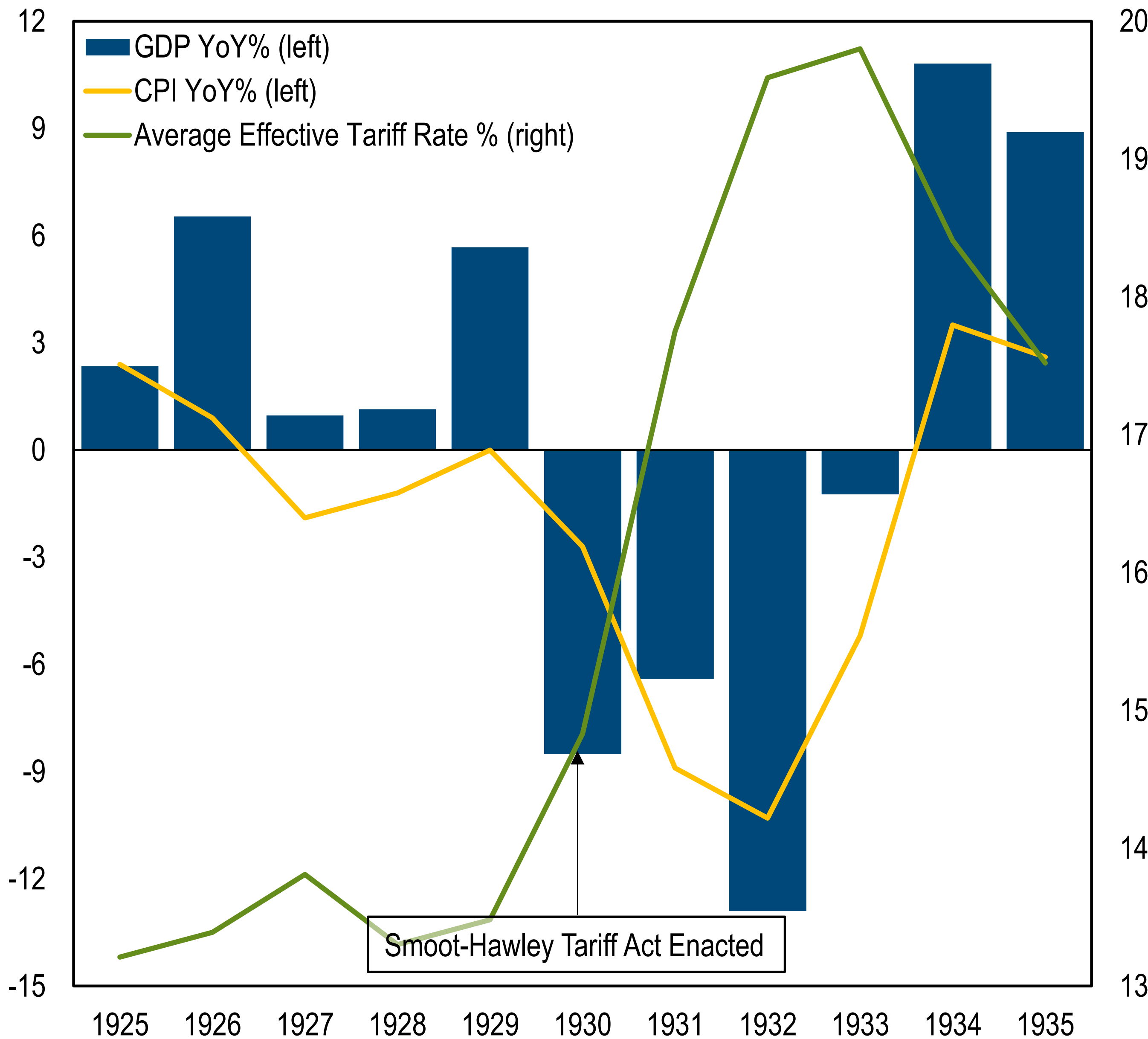
McKinley Tariff (1890)		
	Average 1885-1889	Average 1891-1895
GDP YoY%	5.0	1.4
CPI YoY%	0.0	-1.5



Source: Federal Reserve/MeasuringWorth/Bloomberg

*While the average tariff rate increased to 50% in 1890, due to the exemption of several key goods as well as substitution effects, the average effective tariff rate declined after 1890.

Spotlight: The Smoot-Hawley Tariff Act of 1930



Source: Federal Reserve/MeasuringWorth/Bloomberg

The Smoot-Hawley Tariff Act of 1930 was introduced at the onset of the Great Depression in order to protect U.S. farmers and manufacturers from foreign competition.

The legislation raised duties on imports to the U.S. by about 20% on average.

Following the increase in levies, GDP declined an average of 0.2%, with the CPI averaging -3.7% as a deflationary period took hold as the U.S. was in the midst of the Great Depression.

Smoot-Hawley Tariff (1930)		
	Average 1925-1929	Average 1931-1935
GDP YoY%	3.3	-0.2
CPI YoY%	0.0	-3.7

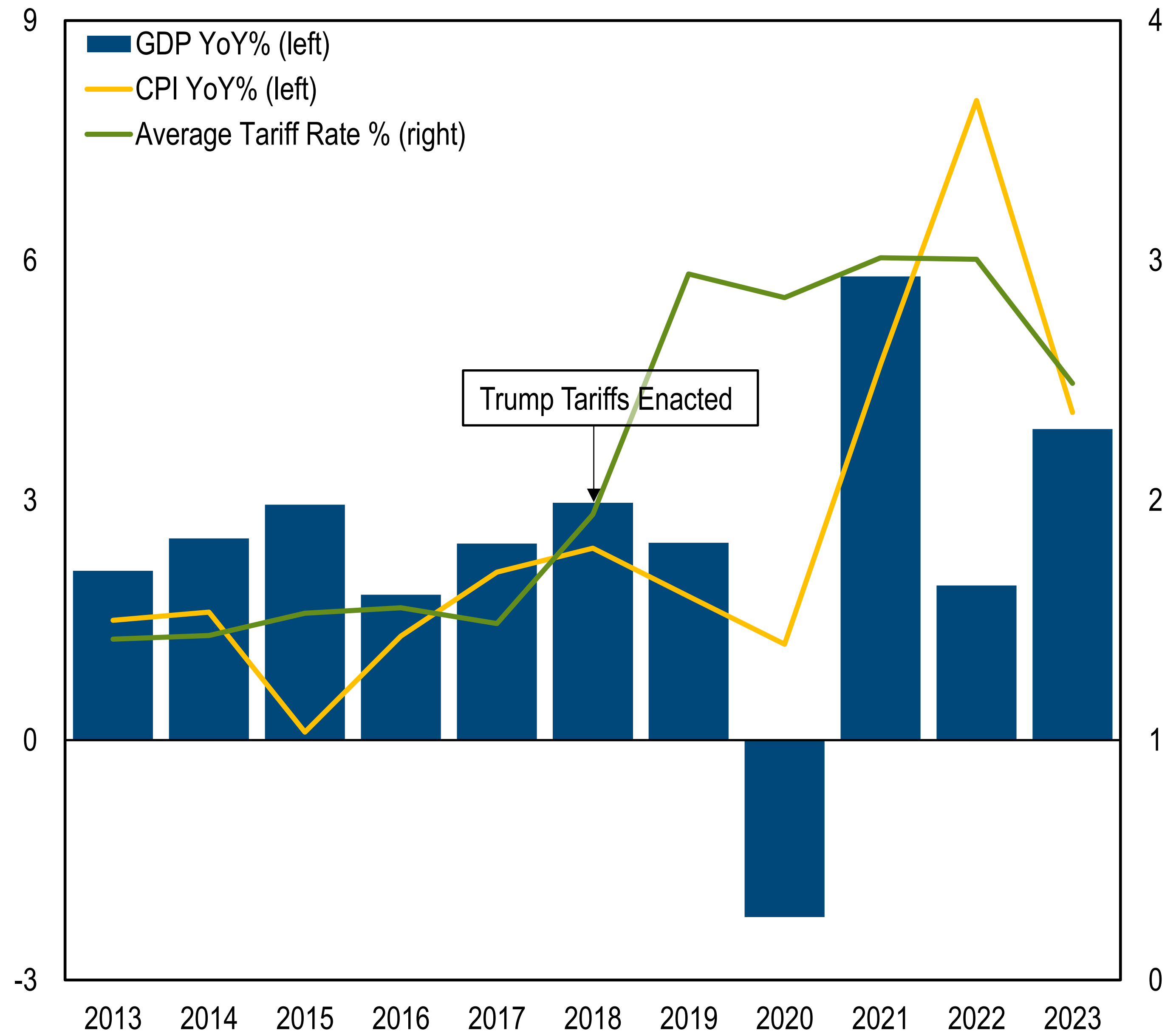
Spotlight: 2018 Trump Tariffs

In 2018, President Trump imposed a series of tariffs in order to renegotiate trade agreements, protect national security interests, and shield domestic industries from foreign competition.

The tariffs resulted in a small reduction in GDP of 0.04% and a modest 0.3% increase in inflation, according to the Tax Foundation.

Note: The COVID-19 pandemic had outsized effects on growth and inflation in the years following the 2018 tariffs.

2018 Trump Tariffs		
	Average 2013-2017	Average 2019-2023
GDP YoY%	2.4	2.4
CPI YoY%	1.3	4.0



Source: Federal Reserve/MeasuringWorth/Bloomberg

Disclosures and Disclaimers

The Fixed Income Capital Markets trading area of Stifel, Nicolaus & Company, Incorporated may own debt securities of the borrower or borrowers mentioned in this report and may make a market in the aforementioned securities as of the date of issuance of this research report. Please visit the Research Page at www.stifel.com for the current research disclosures applicable to the companies mentioned in this publication that are within Stifel's coverage universe.

The information contained herein has been prepared from sources believed reliable but is not guaranteed by Stifel and is not a complete summary or statement of all available data, nor is it to be construed as an offer to buy or sell any securities referred to herein. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of investors. Employees of Stifel or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed within. No investments or services mentioned are available to "private customers" in the European Economic Area or to anyone in Canada other than a "Designated Institution". The employees involved in the preparation or the issuance of this communication may have positions in the securities or options of the issuer/s discussed or recommended herein.

Stifel is a multi-disciplined financial services firm that regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as a placement agent in private transactions. Moreover, Stifel and its affiliates and their respective shareholders, directors, officers and/or employees, may from time to time have long or short positions in such securities or in options or other derivative instruments based thereon.

Stifel Fixed Income Capital Markets research and strategy analysts ("FICM Analysts") are not compensated directly or indirectly based on specific investment banking services transactions with the borrower or borrowers mentioned in this report or on FICM Analyst specific recommendations or views (whether or not contained in this or any other Stifel report), nor are FICM Analysts supervised by Stifel investment banking personnel; FICM Analysts receive compensation, however, based on the profitability of both Stifel (which includes investment banking) and Stifel FICM. The views, if any, expressed by FICM Analysts herein accurately reflect their personal professional views about subject securities and borrowers. For additional information on investment risks (including, but not limited to, market risks, credit ratings and specific securities provisions), contact your Stifel financial advisor or salesperson.

Our investment rating system is three-tiered, defined as follows:
Outperform - For credit specific recommendations we expect the identified credit to outperform its sector specific peers over the next six months.
Market perform - For credit specific recommendations we expect the identified credit to perform approximately in line with its sector specific peers over the next six months.
Underperform - For credit specific recommendations we expect the identified credit to underperform its sector specific peers over the next six months.

Additional Information Is Available Upon Request

I, Lauren Henderson, certify that the views expressed in this research report accurately reflect my personal views about the subject securities or issuers; and I certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

© 2025 Stifel, Nicolaus & Company, Incorporated, One South Street, Baltimore, MD 21202. All rights reserved.

STIFEL | Fixed Income Capital Markets

0525.7928287.1

STIFEL | Fixed Income Capital Markets