

FEATURES

UMass Economist Says New Tariffs Could Balloon Inflation

By **Joseph Bednar** February 28, 2025

Trade Talk

With President Trump moving quickly to make good on promises of widespread tariffs on products from U.S. trading partners, consumers and businesses are left trying to understand the ramifications.

But while the mechanisms behind tariffs can be complex, Anna Nagurney says the impact on consumers is easily explained.

“The tariff works like a tax,” she told BusinessWest. “It’s essentially paid by the importers of the particular product, but consumers will ultimately bear the cost.”

Nagurney, the Eugene M. Isenberg chair in Integrative Studies in the Isenberg School of Management at UMass Amherst, is a supply-chain expert who has spoken at length in a number of outlets about tariff policy and how it might play out.

“Tariffs on products from our major trading partners will be felt quickly — prices for our favorite fresh produce along with beef and dairy will rise, and even certain alcoholic beverages will cost more, challenging consumers already dealing with inflation,” she said. “We can also expect increases in costs for housing, cars, clothes, laptops, and smartphones.”

The other factor involves how U.S. trading partners will respond — or have already responded, she added. “Retaliatory tariffs will cause further pain for U.S. producers and consumers. Before long, workers in the underlying supply chains will lose their jobs.”

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ANNA NAGURNEY

One concern among economists is what’s known as the US-Mexico-Canada Trade Agreement, or USMCA, which Trump’s administration negotiated during his first presidential term, and is up for renegotiation in 2026.

Elmore Alexander, dean emeritus of the Ricciardi School of Business at Bridgewater State University and a member of the Board of Economic Advisors at Associated Industries of Massachusetts (AIM), recently posted an article on the AIM website, to be published in the spring issue of the Bridgewater Review, explaining the potential impacts of Trump’s promised — but currently delayed — tariffs of 25% on goods from Canada and Mexico.

“It is likely that this will create major disruptions in trade and relations among the three countries. The impact of these tariffs will be felt across the entire spectrum of U.S. manufacturing and service industries,” he explained, noting that the U.S. imports large amounts of energy — both oil and electricity — from Canada and a majority of automobiles and automobile parts from Mexico.

“Since the tariffs proposed by President Trump violate USMCA, these actions will throw the entire agreement into flux. The agreement governs many elements of North American business and economic relationships. Thus, the implications of the tariffs could reverberate well beyond just U.S. imports from Mexico and Canada.”

Nagurney agreed. “Ironically, in Trump’s first administration, he signed the USMCA agreement to supersede NAFTA,” she said, referring to the North American Free Trade Agreement. “Now he’s violating his own agreements.”

Alexander notes, however, that rhetoric and action are two different things, and the tariff threats could be a means to extract concessions from trading partners — as evidenced when Trump delayed the proposed 25% tariffs on Canada and Mexico when those countries promised to address his border concerns.

Threats and Realities

Trump has long been enamored of tariffs, and has deployed them — or the threat of them — for essentially three reasons: to increase revenue, to balance trade, and as leverage in negotiations with other nations.

In a keynote address to the annual meeting of the World Economic Forum in January, he issued a call for businesses to make their products in the U.S. and benefit from promised lower taxes, with the tax revenue in U.S. coffers offset by external tariffs.

“If you don’t make your product in America, which is your prerogative, then, very simply, you will have to pay a tariff — differing amounts, but a tariff — which will direct hundreds of billions of dollars, and even trillions of dollars, into our treasury to strengthen our economy and pay down debt,” the president said.

Political rivals disagree — often vehemently. After Trump announced 25% tariffs on all steel and aluminum imports on Feb. 10, U.S. Sens. Richard Neal and Linda Sánchez issued a blistering joint statement.

“Tariffs alone will do little to stop the unfair trade practices in these industries or bring back American jobs,” they said. “Our workers and producers in steel and aluminum deserve relief that will deliver results, and we could do that by working with our allies who are also being hurt by the flood of steel and aluminum in our markets from bad actors. Unfair trade practices undercut our workers and businesses and warrant more than the president’s dithering and façades of victory. Thoughtful action builds effective strategy that will re-establish fair trade for these products, and that’s what the people deserve.”

One of the major issues with tariffs, Nagurney said, has to do with economic stability and certainty, and an environment that mixes threatened, delayed, and active tariffs isn’t doing businesses any favors.

“What businesses really care about, where they thrive, is with is certainty and confidence. They can hire the right number of people, and they know the kinds of prices they can expect to get. Now, the volatility is extremely disorienting and very, very uncomfortable for everyone who’s involved in manufacturing and trade, and retailers as well.”

As for Trump’s call to manufacture in America, “we can’t produce all the aluminum here,” Nagurney noted. “We can’t produce all the aluminum we need for cans and cars and airplanes. We can’t grow all our fruits and vegetables we get from Mexico. Our North American allies are very important.

“And it’s important not only for the health and well-being of people and the economy, but also security. When we talk about having enough aluminum and steel, that affects military planes and other products that are really important,” she added. “We can’t just go it ourselves. It’s a global marketplace.”

Cause and Effect

Nagurney noted that Trump’s tariffs on steel during his first administration did benefit U.S. manufacturers and increased wages and employment in the steel industry. But the landscape isn’t the same for aluminum, as the U.S. depends on foreign trading partners for much of its supply.

And, as noted earlier, tariffs are considered inflationary by most economists, and inflation has already started to tick back up in 2025.

“It’s generating so much confusion among businesses and our close allies, and people are worried about inflation,” she said. “I mean, look what happened to eggs. Yes, that’s the avian flu, but eggs are now over \$8 a dozen. Stores and restaurants are charging 50 cents extra for each egg. And people care about the cost of food.

“So when you slap these tariffs on Mexican produce, people will notice that, and will be extremely fast because we’re dealing with perishable products,” she added. “And now you’re talking about semiconductors and pharmaceuticals as well. We’re living in very interesting times.”

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