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Tariffs, Trade Deficits, and the Dollar:
Why Global Finance Tames Trade Wars

Prof. Dr. Oleg Itskhoki

Thursday
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6:00 PM

University of Bern
Main Building – Room 201
Hochschulstrasse 4
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Registration is required
to guarantee your seat:

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We are pleased to invite you to the lecture by Prof. Dr. Oleg Itskhoki:

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Abstract

Tariffs are back at the center of world politics, frequently presented as a solution to ongoing trade deficits. Can they actually achieve this? Should countries that run trade deficits introduce higher tariffs? Oleg Itskhoki demonstrates that the answers depend on a country's international assets and liabilities. A tariff strengthens the currency, which in turn increases the value of foreign-owned domestic assets and results in a transfer of wealth overseas. In the case of the United States, this financial effect reduces the optimal tariff from 35 to 9 percent. Closing a persistent 2 percent trade deficit would require a tariff of 64 percent, at a considerable cost to welfare. More generally, financial globalization diminishes incentives to engage in trade wars and alters the consequences of protectionism.

About the professor

Prof. Dr. Oleg Itskhoki is the Slusky Family Professor of Economics at Harvard University and a leading scholar of macroeconomics and international economics. His research focuses on globalization, labor markets, currencies, and exchange rates. He is a Fellow of the Econometric Society and the 2022 recipient of the John Bates Clark Medal.

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