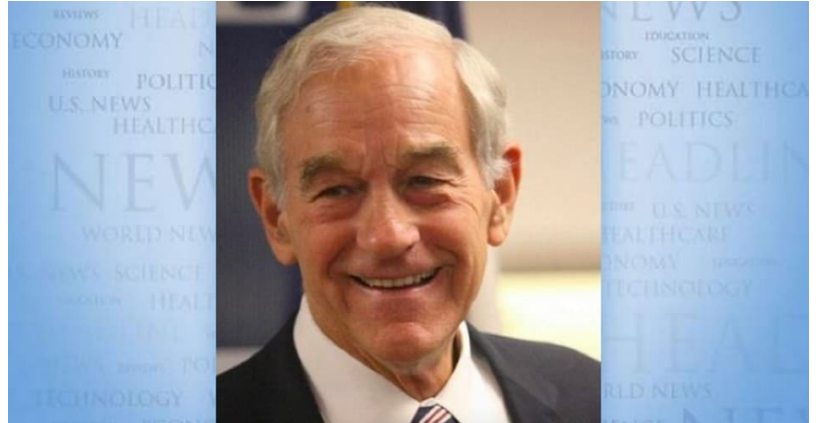




Tariff and Spend

President Trump has proposed using the revenue from his increased tariffs to lower or even eliminate income taxes — with a priority on removing Americans making less than 200,000 dollars a year from the tax rolls. Exempting more Americans from income taxes — and lowering taxes on other Americans — is certainly a worthwhile endeavor. However, replacing income taxes with tariffs may have negative consequences for the very Americans President Trump wants to help.



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Replacing with tariffs what the government raises from income taxes may require raising tariffs even higher than President Trump's "liberation" tariffs. This would cause more price increases and encourage other governments to retaliate by raising their tariffs, further disrupting supply chains and leading to even higher prices and shortages. The negative impacts of tariffs could dwarf the benefits of lower, or even no, income taxes.

Consumers can try to avoid tariffs on goods. Massive avoidance of tariffs could lead to the imposing of higher tariffs or new taxes. The reason politicians must play the game of "offsetting" tax reductions with tax increases is they refuse to make meaningful reductions in government spending. The politicians' favorite tax is the Federal Reserve's inflation tax because it is hidden. It is also regressive, making it the worst type of tax.

The media and big spenders in both parties are screaming about how President Trump's budget proposal contains large reductions in federal spending. However, even if all of President Trump's 163 billion dollars of proposed cuts are enacted in law, the federal government will still spend about 1.7 trillion dollars next year in its "discretionary" budget. The cuts would be less than eight percent.

While President Trump is proposing many necessary cuts in federal agencies and programs, including those concerning the use of taxpayer money to promote "wokeness," his budget increases military spending to around a trillion dollars. It also makes no changes to Social Security or Medicare. This means President Trump's supposed radical spending plan does not reduce spending on three of the four largest items in the federal budget. The fourth is interest payments on the national debt, which Congress cannot reduce except by cutting spending.

Of course, it is unlikely that all, or even most, of President Trump's spending cuts will be enacted into law. Prominent Republicans have already announced opposition to some of President Trump's spending cuts. Some Republican defense hawks, including the chairman of the Senate Armed Services Committee, have criticized President Trump's budget plan for not spending enough on the military!

The truth is that, if the president and Congress were serious about cutting spending, they would start by slashing the Pentagon's budget. Very little of the military spending actually goes to defending the American people. Instead, much military spending goes to maintaining a global empire and lining the pockets of the military-industrial complex. Does anyone believe the safety of Americans depends on the US government maintaining over 700 military bases abroad?



Written by [Ron Paul](#) on May 5, 2025

The fiscal crisis facing America is rooted in a larger philosophic crisis. Too many Americans have embraced the notion that the US government has the moral right and competence to run the economy, run the world, and even run our lives. This system will not change until a critical mass of people embrace the ideas of liberty. Those of us who know the truth must do all we can to spread the message of liberty, peace, and prosperity.

Ron Paul is a former U.S. congressman from Texas. This [article](#) originally appeared at the Ron Paul Institute for Peace and Prosperity and is reprinted here with permission.



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