

“Tariffs, Dogs & Cats”

By Tommy Williams, CFP®

I'd like to get off of the tariff subject, but it remains in headline status. Just two weeks ago, the U.S. government lifted tariffs on Mexico and Canada. So, it was a surprise last week when President Trump tweeted that the United States would impose an escalating tariff on all goods imported from Mexico until the flow of migrants to the United States' southern border stops.



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The pending tariffs have potential to hurt both American and Mexican economies, reported *The Economist*. *“Two-thirds of American imports from Mexico are between related parties, where one partner owns at least 10 percent of the other, so any tariff will cause*

problems along tightly integrated supply chains.”

In 2018, Mexico was the second largest supplier of imported goods to the United States. It provided 13.6 percent of U.S. imports. In addition, Mexico was the second largest importer of U.S. goods. The country took in 15.9 percent of overall U.S. exports, including machinery, electrical machinery, mineral fuels, vehicles, and plastics, according to the Office of the United States Trade Representative.

The new tariffs (a.k.a. import taxes) may increase costs for ordinary Americans. Last week, Liberty Street Economics explained the costs associated with Chinese tariffs:

“U.S. purchasers of imports from China must now pay the import tax in addition to the base price. Thus, if a firm (or consumer) is importing goods for \$100 a unit from China, a 10 percent tariff will cause the domestic price to rise to \$110 per unit...it is not a true cost for the U.S. economy because the money is

simply transferred from buyers of imports to government coffers and thus could, in principle, be rebated.”

A different type of cost occurs when companies find new suppliers. For example, a company that chooses not to pay tariffs can buy goods elsewhere. They might choose to pay a Vietnamese firm \$109 for a product rather than pay a Chinese firm \$110 (\$100 plus a 10 percent tariff). In this situation, the consumer pays a higher price and there is no tariff revenue that could be rebated. This is called a deadweight loss.

In total, Liberty Street Economics estimated the cost of 2018 tariffs on Chinese goods at \$419 a year for the typical household (\$132 in deadweight loss). The tariffs imposed in 2019 are expected to cost \$831 a year (\$620 in deadweight loss). Liberty Street Economics did not estimate the potential consumer cost of new tariffs on Mexico.

The last few weeks have been pretty heavy on the analytical, quantitative

side. So, let's take a bit of a breather. Did you know that some people love cats. Some people love dogs. Some people believe your preference offers insight to your personality. You have probably heard variations on this idea. WebMD offered the example that cat owners are open, curious, creative thinkers, while dog owners are outgoing, enthusiastic, self-disciplined planners.

Recently, a bit of data emerged that may please dog owners in Britain. It seems canines in the United Kingdom are outstanding personal trainers. A University of Liverpool study, published in April in Scientific Reports, found:

"The odds of [dog owners] meeting current physical activity guidelines of 150 minutes per week were four times greater than for [people who don't own dogs]. Children with dogs reported more minutes of walking and free-time (unstructured) activity. Dog ownership is associated with more recreational walking and considerably greater odds of meeting [physical activity] guidelines...It is recommended that adults undertake at least 150 minutes of moderate-to-vigorous intensity

physical (MVPA) activity per week."

British dogs are better at ensuring their owners get enough exercise than American and Australian dogs. In both the United States and Australia, a significant number of dog owners reported their dogs live outside and exercise on their own.

Few cats are willing be leashed and taken for walks, so cat ownership is less likely to help owners meet physical activity goals. Regardless, cat owners may realize some health benefits. A University of Minnesota study found cat owners were 30 percent less likely to die from heart attacks or strokes than non-cat owners. It remains unclear whether cats help lower stress and anxiety or cat owners tend to have low-stress personalities. If you were to meet my purebred alley cat, Fuzzy, you would see the epitome of lack of stress.

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