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Research Article

Reciprocal Rage with Tariff: An Analysis

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Abstract

Forced by the existential crisis permeated by a poor popular mandate, the American administration has been compelled to engage in an opaque tariff policy, high governmental borrowings, and a difficult balance of payments, with proposed populist subsidy measures aggrandizing its position. It is true that such a change forced by a black swan effect caused by the futility of the Ukraine war and Gaza-Iran engagements has created ambivalence, as a result of which a hurried and uncompromising makeover in the economic sector as a whole emerged and, more so, became relatable in the purchasing power of the individuals. The proposed research work has the aim of analyzing quick-fix solutions being applied to tariffs in the light of frequent reciprocal tariff trends with an anachronistic view. An antediluvian scan of literature indicates that analysis of a topic of this nature has not been attempted, being a recent phenomenon much against the age-old declaration by President Ronald Reagan. Studies carried out on the efficacy of altering the tariff rates all over the world (in whichever form) lead us to the important point that the aspirations of neither the industry nor the people are met because of the apocryphal attitude of major players such as defense equipment manufacturers and financial policy think tanks to collaborate in an effective way. Thus, it was found that such a study would be not only enriching and useful but also interesting giving approbation to reciprocal tariff rage which has come to the present world. The findings will give an arcane insight into the relevance of practicable methods to deal with the problem and support further research on the subject. The methodology used has been an archetypal explanatory study.

Keywords

Reciprocal Tariff, Monetarism, Fiscal Policy, Demand-pull Effect, Purchasing Power

1. Introduction

Reciprocal tariffs directly affect the purchasing power. Various countries may calculate reciprocal tariffs by their own yardsticks, but the most commonly adopted technique is to identify a deficiency in the trade balance and relate the price change over a specific period of time. Hence, effectively, it is an illogical estimate based on a trend indicated. Emerging economies like China have replaced the age-old domination by Western countries, especially America; hence, it is seen as a dominance of the East. It is true the identification and elements of export vary widely from one country to another. Does this pose a problem? Definitely yes, because the remedy or solution found by all economists, despite the difference in the definition of trade deficit, is the same, which is to raise the tariff rates. So considering these aspects, it may be prudent to venture into the practical world and step out of the shoes of a stereotypical economist and bring about long-lasting solutions for tackling reciprocal tariffs and reciprocal tariff trends. "Boyett and Boyett, Guru Guide to the Knowledge Economy" [1] "U.S. Bureau of Labor Statistics." Consumer Price Index: Data & Sources. https://www.bls.gov/opub/hom/cpi/data.htm" [2].

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As per the identified present set of classifications, reciprocal tariffs have three forms, which are Europe-centric reciprocal tariffs, Asia-centric reciprocal tariffs, and hegemonic reciprocal tariffs. It is how an individual appreciates; it may be positive or negative. Reciprocal tariff has the objective of compelling competitive economies to liquidate trade surpluses to facilitate subsidies in favor of authoritarian states, which this time is the USA [United States of America]. In Europe-centric reciprocal tariff considerations, other than trade, other factors come into play, and these countries are generally subjected to nominal reciprocal tariffs. Such an act would result in a lesser number of nations protesting against an unrealistic trend. This often snowballs into a bullwhip type of phenomenon, causing these nations to target other countries into compromises, like the European Union's demand to India. We can call this type of reciprocal tariff as not related to monetary aspects but rather to industry-related problems. It is often said that such reciprocal tariffs are generally psychological to canvas support from certain developed nations who sing the same tune as the USA. This cannot be carried forward long because soon other nations will opt out and inventory limits will prohibit it. In the case of the Asia-centric reciprocal tariff effect, it is the excess of resources deployed for a particular product that accelerates its costs and, as a result, those of other items. An example can be products that are exported by China, Taiwan, India, and other Southeast Asian countries. In such an eventuality, the alternate sourcing is needed to control the commodity prices, which will be cost prohibitive. Many strong economies may resort to reciprocal retaliatory tariffs, like those announced by China. The third category of reciprocal tariff is hegemonic reciprocal tariff, which is largely related to other issues like Canada and Mexico. In this case, people are speculating to believe that reciprocal tariff trends are likely to continue for a longer time, which is made use of by traders to increase the cost of commodities. In this case, after a point of no return, alternative suppliers are chosen to fill in the gaps. "Don Tapscott, The Digital Economy: Promise and Peril in the Age of Networked Intelligence" [3].

Then why does government machinery resort to reciprocal tariffs? Reciprocal tariff is a technique adopted by financial policy changes in the hope of bringing in economic stability. It is with the belief that trade deficit is the cause of all economic woes and the availability of easy money in the form of tariffs in an economy can approbate the prime determinant of nominal expenditure in the economy. Here the concept is that aggregate demand fluctuations can be managed by monetary policy rather than fiscal policy. The leading point here is that an increase in aggregate demand stimulates growth by job creation. The unemployment rate rises or falls based on the economic indicators. Unemployment rates increase in this case. The proposed idea is to relate money accrued in the economy as a result of reciprocal tariffs with nominal gross domestic product. This is with the presumption that reciprocal tariffs can have an impact on exports, thus resulting in a potential deceleration of economic activities. This, like the case of trade barriers, is a temporary phenomenon that can be circumvented by alternate sourcing. Soon the supply chain will get adjusted to the change, and in the long run it may be detrimental for nations indulging in reciprocal tariffs, because their products are no longer sought after. After a temporary gain in nominal GDP [Gross Domestic Product], there would be a greater fall. As nominal GDP is not adjusted for inflation, reciprocal tariffs would be influential for a temporary period. The length of this period will depend upon the ability of the nations affected to find alternate supply chains. The additional money derived from reciprocal tariffs would be substantial in the beginning and thereafter reduced. Unless the nation that adopts the policy of reciprocal tariffs can sustain domestic production and competitiveness, it is likely to result in inflation. Another aspect to be considered is the ability to manufacture products with world-class technology. Whatever it may be, in case this additional money is used for subsidies, it will bring in monetarism and result in inflation. Then the chain as provided in the Phillips curve begins. There is also a belief that subsidy can influence the aggregate demand and price level. Aggregate demand would rise, and so would the price level for a short period of time. Subsidies can make domestic products more affordable, leading to an increase in demand both internally and an increase in competitiveness abroad. It could also be a consideration that reciprocal tariffs could be based on the assumption that production is slowing down, which can be due to various reasons, resulting in lower exports.

2. Literature Review

The fair trade reciprocal plan is based on the assumption that such a policy can reduce trade deficit and improve national and economic security by aiming at home production. The US is of the view that 133 countries charge higher tariffs on more than four lakh product lines. This is despite the fact that the trade-to-GDP ratio of the US is one of the lowest among developed countries, but its ratio of 26.9% is far less than China, Japan, India, the UK [United Kingdom], France, Germany, and South Korea. Merchandise exports of the US [United States] are low as compared to service exports. The reason probably is that they are not able to achieve economies of scale in the merchandise sector [4].

This book is an analysis of monetary policy and its implications for reciprocal tariffs, economic fluctuations, and welfare. Various aspects of monetary policy, such as optimal monetary policy, extensions of the baseline model, and open economic factors, are considered. Linking of production levels with an overall increase or decrease of price level is also made in this book [5].

The concept of Philip's curve and the idea that inflation tariff brings about a drop in employment bring in a different perspective about reciprocal tariff. It is also believed that policymakers go by their beliefs. These priors are updated by empirical observations. Reciprocal tariffs can be controlled by shifts in policymaking and changes in policymakers' beliefs [6].

The book brings out the changes in tariffs brought out by President Trump's Tariff Executive Order of 02 April 2025. It starts with country-level tariff changes and then brings in product- and sector-level insinuation. Presumption in this case is a very genuine problem that countries often find it difficult to understand about trade deficit, price stability, and therefore the methods to achieve it. For certain countries, overall reciprocal tariff targeting appears to be more effective than import bans [7].

On the analysis of the literature, it is seen that certain key issues of reciprocal tariff in the global environment being a recent phenomenon have been left out without consideration. These facets have been considered as the knowledge gap in existence and analyzed to provide suitable methods to overcome them. Increased challenges and risks are an important consequence of globalization, and that retains its position in understanding reciprocal tariff trends. The evolution of optimum economic policies for a causative nature of reciprocal tariff trends is an aspect that needs deliberation, and this knowledge gap needs attention. An intuitive approach as related to fiscal policies is another important factor. Monetary policies are different from one country to another. It is a matter of fact that a large number of countries are dependent on the dollar as an exchange currency. There is no panacea that binds all nations affected by reciprocal tariffs; hence, in the absence of uniformity, there is a need to understand the position of each country as it pertains to global economic downturns. We would find that procedures adopted by the US would be different from European nations, and within these nations there are variations. Under such a scenario, it is important to understand the procedures of affected countries while undertaking global policies such as increasing the treasury rates of the dollar. Another important aspect is the effect of foreign exchange exposure on global currencies. Monetary fluctuation is a constant phenomenon, and while dealing with reciprocal tariffs in a global environment, it is a matter of important consideration. The exposure can be any of the four types, but then the risk posed needs to be understood for natural termination of the reciprocal tariff trends. Another recent introduction in the field of economic policy that can counter retaliatory reciprocal tariff policies is delinking the dollar. The dollar has its own peculiarities that need to be understood while dealing with monetary policies. This may at times even go to the extent of temporarily resorting to trade outside the dollar. The nuances of such a step at a global level need consideration. Hence, within the scope of the deliberation in this paper, which is reciprocal tariff and monetarism, important factors that are not considered in the literature on the subject are thus considered as objectives of the research paper and deliberated upon. . "Malone and Laubacher, The Dawn of E-Lance Economy" [8] "Melissa Ling, How does Inflation Work?"Investopedia" [9].

3. Methodology

Methodology used has been explanatory research considering reciprocal tariff trends, which arise at various stages of the economic cycle and become more critical at the later stages. There is also industry-related skewness on reciprocal tariff and monetary policies; hence, the characteristics of economic fundamentals are identified and analyzed from the point of view of reciprocal tariff trends globally. Explanatory research has been used to consider the various facets of the economy as a result of reciprocal tariffs adopted by countries to boost domestic production. Here, the characteristics of such a step are identified and analyzed from the point of view of its ultimate aim of boosting nominal GDP without fallacious reasoning. In descriptive research, the progression does not answer questions about how/why/when the characteristics occurred but describes the features of the system under analysis and suggests a step forward. Descriptive research is a methodology that concentrates on unfolding the characteristics of a phenomenon without seeking to determine cause-and-effect relationships. It aims to provide a detailed and accurate portrayal of the subject under investigation, answering "what," "who," "where," and "how" questions. In the context of our topic, these characteristics channelize us to follow descriptive research methodology. Our primary focus is on describing the existing reciprocal tariff strategies and exploring the reasons behind them happening. Moreover, the topic under consideration is observed, and data is collected without attempting to influence or manipulate the subjects or environment. After systematically gathering data to provide a comprehensive description of the subject, a detailed investigation of policy is carried out to understand its efficacy as a panacea for trade deficit. It can be summarized that descriptive research provides a picture of a situation or phenomenon as it exists, offering constructive insights without delving into the reason behind it.

With the growing concern about the efficacy of reciprocal tariffs and anxiety in exports and nominal GDP, there is a pertinent recognition of organizational change in the matter of supply chain management design. It is quite evident that the plaudit generated has a potential scope towards inequity of treatment and opportunity. While the world has witnessed hegemonic restrictions, industry has been punctilious due to its sanctimonious outlook as regards moment in time and usefulness. The severity and downturn in the economy are forcing businesses to choose alternate avenues or close altogether, supported by governmental support. Hence, the bigger questions are, is industry revitalization an option better than reciprocal tariffs? What are the change mechanisms? How the transfer of knowledge should take place. Some even go to the extent of indicating the practical difficulty due to financial considerations.

4. Analysis

The purchasing power of an individual can vary depending upon various conditions. These include value of currency, availability of goods, availability of labor, bargaining gap, etc. While considering the purchasing power, it is a common belief that everyday baskets of goods and services are taken into account. It is rare that the PPP [purchasing power parity power] is considered as an indicator of economic prosperity because the common basket of goods and services is not universal. Nevertheless, unless the fixation on the dollar as a universal currency has a competitor as an alternative, considering PPP as defined by economic theory would not be meaningful. The hegemonic attitude of US and European countries is seen in the fact that many of the top economic powers, such as India, Japan, China, or, for that matter, Russia, are not part of the G7 (Group of Seven Nations). China and India are ranked 2 and 3 in PPP. Most commonly, when the value of currency goes down and is implicated as lower purchasing power, the consideration is inflation. But reciprocal tariffs can upset this inference, especially when earnings from reciprocal tariffs are used for increasing PPP and manufacturing subsidies. With monetarism and lower production coupled with increased cost of imported goods, the cumulative effect of reciprocal tariffs would be inflation. Inflation, thus considered as natural fallout of reciprocal tariffs, reflected as an increase in nominal GDP or, for that matter, per capita income, would be a mirage, which can be detrimental unless it is kept under control. "Milton Friedman, A Monetary History of the United States 1867–1960" [10].

Reciprocal tariff provides a government with a temporary solution to bridge the trade deficit. It cannot go on forever, and thus a temporary budget. Before exhausting this condition, if the country is able to boost its production, then the economy can improve, and so can the nominal GDP. But then the other side is watching. They would resort to subsidy for the affected export-oriented sectors, and it is a common technique adopted by countries to counter reciprocal tariffs or reciprocal tariff trends. Reciprocal tariff is the trade policy of a government to reduce trade deficit. Even though it is a trade policy, it has the potential to manipulate interest rates. As witnessed in the recent past, reciprocal tariffs bring with them economic improbability. Volatility of currency and economic uncertainty can signal the central banks to interfere with interest rates. In such a scenario, the presumption of recession as a consequence of reciprocal tariffs can compel the central banks to reduce the interest rates. A change in interest rates announced by central banks may be either due to inflation or to prevent deflation. In case because of the reciprocal tariff the step taken by central banks is to increase the interest rates, the reason attributed is for dampening the aggregate demand. On the other hand, in case the interest rate is lowered, it may counter deflation and increase economic activity. When there is a rise in aggregate demand, it will then increase reciprocal tariffs. It is a usual practice to model wages with reciprocal tariffs. As the wages increase, so does the HR department in a similar manner set new wage rates. Tagging with this, we find that there is an increase in the cost of goods, which may be real or doctored. Whatever may be the reason, the resultant fallout is lower purchasing power of individuals. If the reciprocal tariff trend continues for a longer duration, then it may not effectively result in apparent changes without lowering the unemployment rate. Cost spiraling is another phenomenon observed in this context because of the shortage of supply in comparison to demand. There is a complex relationship between the reciprocal tariff and unemployment. Reciprocal tariffs introduced with the secondary aim of protecting domestic employment can direct job losses in other sectors, resulting in economic unsteadiness. In such a scenario, if the government decides to lower unemployment, it would have to increase reciprocal tariffs. Even though it is a temporary correction, the consumers can adapt their expectations, which may prevent this convoluted relationship from holding for only a short time. [11, 12]

Phillip's curve is an economic concept where it is considered that inflation and unemployment maintain a stable and inverse relationship. It is assumed that with economic growth and a lesser trade deficit, the reciprocal tariff tends to fall. Such a fall is in no way detrimental because it leads to growth and thus creates more job opportunities. The exception may be the case of stagflation, wherein there can be high inflation and high unemployment, as observed in 1970. Hence the apparent belief that a fiscal boost would increase aggregate demand and that in turn would lower unemployment, resulting in an increase in purchasing power, which would lead to a scarcity of demand unless production is accelerated, remains vindicated. So in this way, reciprocal tariffs may finally lead to an increase in the cost of items, in which case the need arises for modifying reciprocal tariffs. During stagflation, in case monetary policies are introduced, it will give an indication to the consumers that reciprocal tariffs are likely to continue for some more time, which may be contrary to the expectations of the policymakers. This would therefore cause the result in the negation of the concept of Phillip's curve in the shorter term as well. On the contrary, if the unemployment is below the market equilibrium and wages go up, the marketing department will increase the cost to compensate, and that may result in a wage spiral. But the general belief is that the economy can have an effect on unemployment, but reciprocal tariffs have a transitory effect on unemployment. At this time another theory that came up was that reciprocal tariffs can occur due to a regime change. It was considered that because of a lack of change in policymaking, reciprocal tariffs have occurred. Policy makers behave according to their beliefs. These beliefs can be due to some priors in the understanding of the functioning of the economy. Now the game based on priors is applied by the policymakers to the economy. After employing the policy, it is a wait-and-watch phenomenon where the empirical evidence after applying the priors is keenly watched, and the outcome is used to improve the beliefs, and the cycle continues. The question is should it be such a procedure or a procedure based on knowledge? Probably the latter is more advisable but rarely happens. “Federal Reserve Bank of San Francisco, Natural Rate of Unemployment Past 100 Years, Investopedia [13]. “Some precepts of the digital economy. Productivity, Innovation, and Technology eJournal” [14].

Reciprocal tariff targeting is a concept that is followed by many economies to keep a check on trade deficits. How does it affect? Reciprocal tariffs and trade deficits are interrelated. When reciprocal tariffs aim to negate trade deficits and look after national industries, they can harmfully influence the economies of both countries. Some of the European countries do not go in for reciprocal tariff targeting, so does it give any relief to reciprocal tariffs? Probably yes! It is advisable to keep tariffs within reasonable limits but never to target reciprocal tariffs. The concept that is closely related is stabilizing the price level. A central bank may find it difficult to stabilize the price level. So, effectively, rather than stabilizing price levels or targeting reciprocal tariffs, it would be prudent to arrest higher levels or fluctuations of price levels so that a process of disrupting the economy is not reached.

Let us now try and understand the impact of black money on reciprocal tariffs. When people have money but the government has no record, the status is "black money." Black money results in unprecedented demand for goods, which would result in an increase in demand. In the case of black money, the purchasing power of a few individuals increases, whereas the large majority of average citizens find it difficult to survive, so in effect the PPP is reduced. Hence their living standards decrease and inflation becomes more prominent. Another way to look at it is that when the production is less, imports are restricted, and money in circulation reduces. This gap is compensated by the government by pumping in more money as a subsidy, which might have come from reciprocal tariffs. Even though the step is legitimate, this would result in a larger amount of money in circulation and thus inflation. There is a group of people who believe that subsidy can bring down the effect of reciprocal tariff. As a matter of fact, reciprocal tariffs have no unswerving impact on black money. However, economic tumult as a result of reciprocal tariffs can influence individuals to resort to tax evasion and bring in illicit financial flows. Also, it is a fact that reciprocal tariffs can compel industry to resort to underreporting of imports and exports that can generate black money.

When there is a shortage of exports, there is an increase in the trade deficit, thus resulting in a poor balance of payments. Similarly, unemployment will lead to surplus money, which can lead to scarcity of goods as demand cannot be matched with supply. When the government expenditure increases, it can lead to increased borrowing, and thus reciprocal tariffs are considered a panacea to bridge the gap. Asia-centric reciprocal tariffs can lead to a scarcity of vital commodities that would result in a rise in the overall cost of living and thus inflation. When the demand for goods outpaces the supply, it results in a shortage of goods, which will result in an increase in price and thus inflation. The recent reciprocal tariff rage is specifically against Asian countries. China has been dumping goods all over the world. The USA is one country affected by it. Even though the trade deficit with Russia is huge, the USA remains silent, which is an interesting consideration. So it may also be interpreted as a tariff against Asian countries because their economic growth is seen with a covetous view. China has taken a right step because this out-of-the-box step is likely to be aped by more nations in Europe whose economies are on the verge of collapse, like the USA. When an economy is growing and people repose faith in the economy, thus impelling increased spending and taking loans, the demand would outbeat the supply, resulting in price increases. In the US during the mid-sixties, inflation increased from 2 to 6% due to rapid economic growth. The general tendency of witnessing Asia-centric reciprocal tariffs was rare in the past, but there were small incidents of reciprocal tariffs in 2001 & 2008 due to cost-push factors. The reason is considered to be due to secular stagnation, deflation, and the introduction of technology. Recently the Indian government permitted the export of food grains, but at the same time the exchange value of the rupee in foreign markets came down. Both these factors resulted in the increase in the cost of cereals domestically, and thus a reciprocal tariff was brought in to control prices. It may also be possible that when reciprocal tariffs are found in a leading nation, manufacturers tend to believe in a fait accompli and increase the cost of items produced domestically, thus spiraling the cost leading to inflation. In another scenario, take the case of a low unemployment rate and a low interest rate paving the way for the government to provide incentives to boost the real estate sector. Such an incentive would increase the cost of housing schemes because in a short time builders are not able to provide an adequate number of dwellings. This would result in more demand and less supply, leading to demand-pull inflation. In the USA, the reverse is happening now. In such a scenario, to control reciprocal tariffs, by beliefs that have been considered to influence fiscal and monetary policies, the central bank resorts to monetarism, then the opportunity would be lost, leading to a chaotic situation. The Asia-centric reciprocal tariff would witness a decrease in GDP of these countries, but aggregate demand in the USA will be much above the capacity of the domestic industry to supply, resulting in reducing the reciprocal tariff. Hence, monetarism has no role in the Asia-centric reciprocal tariff. Rather, the trade deficit should be tackled by industrial policy measures rather than monetary and fiscal policies. [15].

When reciprocal tariffs are transferred to certain countries due to geographical considerations, it results in hegemonic reciprocal tariffs. When the cost of labor and raw materials increases, it forces the manufacturer to increase the cost of products to break even. In 1973, when the OPEC [Organization of Petroleum Exporting Countries] reduced its output, the prices of petroleum products increased, which led to the balance of payments going awry. Hegemonic reciprocal tariffs reduce the purchasing power of the consumers. To control the hegemonic reciprocal tariff, it would be necessary to come to terms with drivers of the tariff. Hegemonic reciprocal tariffs can weaken in case the government interferes with transparent marketing policies such as retaliatory reciprocal tariffs, price caps on monopolies, devaluation of currency, and reducing transport bottlenecks. Hence, to hegemonic reciprocal tariffs, the supply side requires attention. In case the government adopts deflationary monetary policies, that will result in recession. As regards the supply side, the time lag is a constraint. Hence, in a case of hegemonic reciprocal tariff, monetarism would not be ideal, but industrial policy to push up the supply side to even out the demand-supply gap would be recommended. In the current scenario, the rising cost of auto products due to short supply as a result of retaliatory tariffs has created an uneven demand-supply relationship. Added to this is the increased dependency of the country on American goods, resulting in an adverse position for Canada and Mexico. Here, even though the whole world is facing the brunt of reciprocal tariff monetary policies being advocated by central banks, they can lead to recession. In such a stage, a reduction in the interest rate or leaving it as such may be better than an increase in the interest rate. “Timothy Jerome Kehoe and Juan Pablo Nicolini, Monetary and Fiscal History of Latin America” [16]. “Greenstein, Shane Nagle, Digital dark matter and the economic contribution of Apache.” [17]

Such a type of reciprocal tariff is carried over from the past. A supply shock or a persistent demand-pull can lead to a built-in reciprocal tariff. The tendency of the employees and the employers to believe in a state of reciprocal tariff or expect reciprocal tariff can push up the costs, resulting in inflation. Here, reciprocal tariff encourages reciprocal tariff to exist by chain events including subjective and objective elements. So the commonly used methods of monetary policies can lead to recession. Here, more than monetarism, wages and prices would be more appropriate. Apparently this is a self-made inflation with reciprocal tariffs increasing the cost of the goods. When some of the businesses undertake this measure, it tends to have an effect on others, bringing in an overall increase of goods. In a capitalistic system, it is more difficult to adjust the demand and supply in a short time span; hence, the effect persists for some time. “Wienclaw, Ruth A., B2B Business Models” [18].

We have analyzed that unaccounted money (black money) can cause increased purchasing power to a section of the population, resulting in an increase in prices leading to inflation. Along with this is the case of devaluation of local currency against foreign currencies. Such a scenario would result in less expensive goods in the country with devalued currency. The opportunity is utilized by other countries to go in for cheaper imports caused by devaluation. Subsidies also cause the increase in demand for goods whose prices have been lowered, resulting in reciprocal tariffs. Probably protectionism is ideal when there is a reciprocal tariff [19].

Reasons for boom and bust cycles. Boom and bust economic cycles occur when there is rapid economic growth and inflation followed by falling GDP and a rise in unemployment. The USA is presently facing such a situation. The first and foremost reason is loose monetary policy, which means that real interest rates are too low compared to actual, which results in more disposable income. This would lead to a rise in consumer spending, causing a rise in aggregate demand and a trade deficit. In the UK, 1980 saw a boom, and by 1990 it was bust. When the economic growth is above the long trend, it will result in a rise in reciprocal tariffs, as in the case of China and South Korea. To reduce reciprocal tariffs, central agencies would resort to subsidies, which will result in an economic downturn. It can also be caused by loose policy, such as excessive government borrowings and incorrect fiscal policy. Boom and bust in asset prices and credit swaps are other reasons for this phenomenon, as was noticed in the UK. There is also evidence linking boom and bust to the multiplier effect.

5. Findings

Reciprocal tariff has an effect on the economy, and whether the effect is positive or negative should determine the method by which we tackle reciprocal tariff. A functional approach to reciprocal tariffs classifies them into three groups, such as soft (Europe-centric, Russia), hard (Asia-centric), and hegemonic (Canada, Mexico) reciprocal tariffs. Certain other parameters can promote reciprocal tariffs to include certain other categories, such as black money, boom and bust cycles, deflation, and stagflation. Many of the planners get into the concept of an economic growth model that targets reciprocal tariffs. It has been predominantly seen that targeting reciprocal tariffs will develop into a cycle of events that may lead to recession; hence, it would be prudent to take reciprocal tariff rates as an unnecessary evil and counter them like China and wait for them to be tamed. Also monitor it based on other parameters such as economic growth, GDP, planned devaluation, and poor supply side of certain items. It has been generally identified that rarely do economic planners adopt reciprocal tariffs despite the fact that causative reasons are different. The technique of adopting monetarism would not be prudent except in the case of a soft reciprocal tariff. For issues such as hard reciprocal tariffs, industrial policy would be more appropriate and not subsidies. Hegemonic reciprocal tariffs would be related to the restricted production or natural disasters that have made items not easily available, resulting in spiraling costs. Here the monetarism would lead to recession rather than controlling reciprocal tariffs. [20].

Each of these individual factors can cause a damaging effect individually and compound when they create the bullwhip effect. Despite the fact that the current reciprocal tariff is due to the inability to meet economies of scale in developed countries, they have chosen to treat it as a case of dumping and hence reciprocal tariff. Most of these countries have targeted the reciprocal tariff, making structural adjustments with subsidies. The result would be more and more developed countries resorting to reciprocal tariffs. This is bound to translate the short-term reciprocal tariff to long-term in a period of time, considering the monetary policy adopted and lack of industrial policy in tune with the causative factors. Petroleum product-related industries can have a reasonable assumption of high input costs, which can be a plausible reason for the increase in the cost of products, but not the others. With the money supply reducing, the purchasing power of people reducing, and devaluation of certain currencies taking place, reciprocal tariffs would result in recession. There is another important point to be considered: with higher institutional control on subsidy and diversion of substantial amounts by way of relief to people, the governments, by and large, would have to make higher borrowings or print paper money without substantial ground support. Hence the present trend can be arrested by adopting industrial policy and reversing the reciprocal tariff. As has been seen before, the policymakers are largely driven by feelings and beliefs that are based on strong reflections of the past. The opaque nature of such belief will be understood only after the recession. Hence it is not too late for the reciprocal tariff policy adopted by the USA to be changed with the aim of avoiding the apocalypse.

6. Conclusion

A short-term reciprocal tariff is acceptable as it reduces trade deficit, but if it persists, the effect is nullified, and the resulting trend would be a reduction of purchasing power. Management of the economy of Western nations has been a difficult proposition considering their inability to meet economies of scale in industrial production. Notwithstanding considering examples from the past, a reciprocal tariff adopted by the USA in such a manner would translate into a recession, which may lead to a retaliatory reciprocal tariff.

Abbreviations

GDP	Gross Domestic Product
G7	Group of Seven Nations
HR	Human Resources
OPEC	Organization of Petroleum Exporting Countries
PPP	Purchasing Power Parity
UK	United Kingdom
US	United States
USA	United States of America

Author Contributions

Sankar Rajeev is the sole author. The author read and approved the final manuscript.

Conflicts of Interest

The author declares no conflicts of interest.

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