

MACROCOSM

The SCOTUS Tariff Decision that Didn't Bark in the Night

Wednesday, January 14, 2026

Donald Luskin

The Court didn't strike down tariffs Friday, or today. But it will.

There's been something of a media frenzy about the imminence of a Supreme Court decision on President Donald J. Trump's tariffs under the International Economic Emergency Powers Act – first it was going to be last Friday, then it was going to be today. But SCOTUS's decisions for today are all out – nothing about tariffs. There was never any reason to expect the tariff decision except that the court had indicated decisions, in general, would be coming on those days.

- It's difficult to read anything into a decision that *didn't* come – it's not like Sherlock Holmes' "dog that didn't bark in the night" in which the absence of a piece of evidence is itself evidence. In this case, evidence of what? Evidence that the decision won't be unanimous because it takes longer to write dissents? Or evidence that it *will* be unanimous, because it takes longer to get a consensus? We never said it would be unanimous ("Tariffs: Supreme Court or Bust" August 31, 2025), but if we had to guess, we think the longer it takes the more unanimity there will be – because writing dissents can be done mostly in parallel, and a unanimous opinion requires building a consensus in sequence? Does anyone even want unanimity? Whether you support the tariffs or oppose them (as we do – see, among many, "Video: What you're not hearing about how tariffs are taxes -- and big new

US goods imports and goods trade deficit (monthly, USD billions, as of November 2026)



Source: Census Bureau, TrendMacro calculations

Scott Adams
1957-2026

We are heartbroken at the death of our friend Scott Adams. Besides delighting millions of people for decades with the "Dilbert" comic strip, Scott's books on persuasion and motivation helped people live better and more productive lives. His "reframe your brain" approach to problem-solving has become central to our economic and market thinking. His mind was facile and unpredictable, making his daily podcast a constant source of surprise, delight and inspiration.

We wish we could link to a published obituary, but they are all contaminated by distorted and malicious accounts of his remarks three years ago that were misconstrued as racist, and resulted in the wholly unjustified destruction of his career in the mainstream media.

We knew Scott well and can testify for him. But his work speaks for itself and will live on in all of us who became better people for having come under the spell of his magical mind.

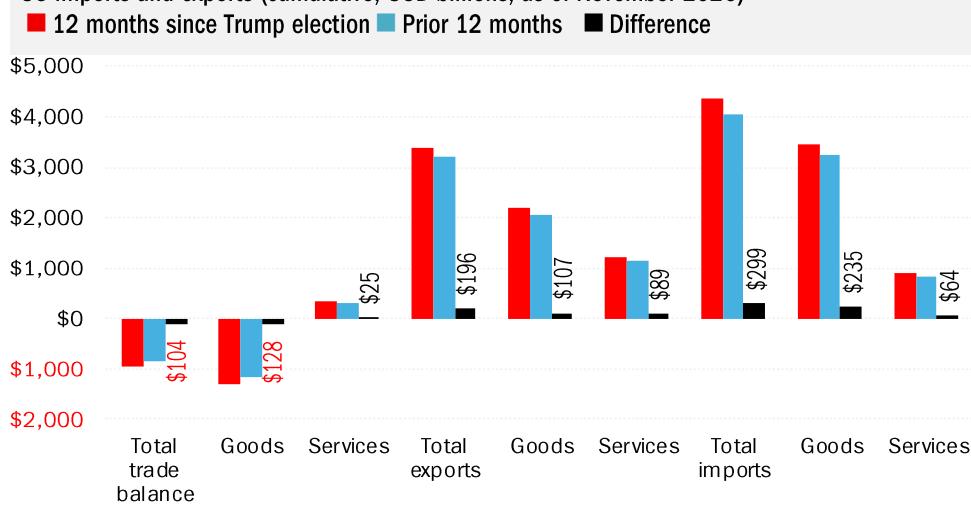
[tariffs are big tax hikes](#)” April 8, 2025), you want a clean and definitive ruling, and a consensus is not likely to yield that.

- Our call is still for six justices to rule against the tariffs, three to support them (again, see [“Tariffs: Supreme Court or Bust”](#)).

For now, the Court has not announced when its next decision day will be. While we wait, [let’s review where the tariffs have taken us](#).

- [Have they been inflationary? There’s no particular evidence that they have](#) – although we suppose one could argue that the disinflation playing out last year would have continued more robustly without the tariffs. No way to really know.
- On the face of it, [you could say the tariffs have “worked” in the sense that the most recently announced monthly US trade deficit in goods, at \\$59 billion in November, is the lowest since April 2016](#). But this comes in the backwash of the highest goods deficits ever, as much as \$163 billion in April last year, as presumably importers were bringing forward their purchases to avoid the tariffs Trump was rolling out (please see the chart on the first page). [It remains to be seen where goods imports will stabilize](#).
- Cumulatively – that is, taking account of the large deficits earlier this year – [the trade deficit in goods is \\$128 billion worse in the 12 months since Trump was elected than it was in the prior 12 months](#) (please see the chart below).

US imports and exports (cumulative, USD billions, as of November 2026)



Source: Census Bureau, TrendMacro calculations

- If the idea is to reduce the US goods trade deficit – that, after all, was the “emergency” Trump cited to impose the tariffs to begin with – then [the report card isn’t really in](#).
- On the other hand, if the real goal was to use the threat of US tariffs in negotiations with other countries in order to get them to reduce [their imports of Chinese goods](#) (see [“What is the Tariff Endgame?”](#) July 21, 2025), the tariffs are looking like a fail. [China just announced its largest trade surplus in history](#), despite something of a fall-off of exports to the US.

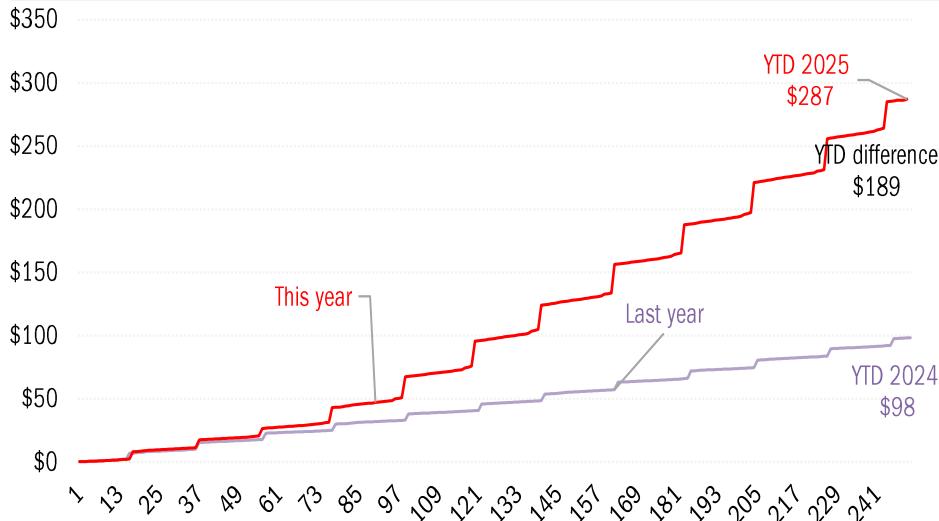
Update to strategic view

US MACRO, ASIA

MACRO: Media expectations that the Supreme Court would announce a tariff decision – first, last Friday and then again today – were spurious to begin with. As of this writing there is no announcement from the Court as to their next decision day, and even when there is, they do not announce which cases will be decided. We think a delay likely points to a split decision, but one with more unanimity than a hastily made one. We still expect a six-to-three decision against the tariffs. There is little evidence the tariffs have been inflationary. The US trade deficit in goods is the smallest since 2016, but that follows a record surge in imports earlier this year – on a cumulative basis, the trade deficit under Trump is larger than it was under Biden. China’s imports to the world are at an all-time high. IEEPA tariffs have reduced the federal deficit by only 13%. Refunds, and inability to collect them going forward, is not a big risk for the debt and deficits – indeed, freedom from tariffs will spur growth that will help the Treasury get out of debt and deficits. After repeal, in today’s “affordability crisis,” Trump will not replace the IEEPA tariffs with others.

[\[Strategy dashboard\]](#)

Tariff revenues collected (daily, cumulative, USD billions)



Source: US Treasury, TrendMacro calculations

Contact TrendMacro

On the web at trendmacro.com

Donald Luskin
Dallas TX
214 550 2020
don@trendmacro.com

Thomas Demas
Charlotte NC
704 552 3625

tdemas@trendmacro.com
Michael Warren
Houston TX
713 893 1377
mike@trendmacro.energy

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- Have the tariffs at least unambiguously succeeded in lowering the US federal deficit? In 2025, tariff collections at \$287 billion exceeded 2024's collections by \$189 billion (please see the chart above). We don't know how much of that difference was attributable to the IEEPA tariffs – as opposed to lawful tariffs promulgated under different authorities. Say it was \$125 billion – that's 13% of 2025's \$1.7 trillion deficit. We don't think that's a big deal, either in terms of the government being obligated to make refunds or being unable to collect the tariffs in the future. We think that tariffs hold back economic growth, which itself is ultimately the only way (other than default) that any country ever got out of deficits and debt.

Will Trump simply replace the IEEPA tariffs with others, made under other authorities? Maybe – and he'll certainly act like he will, and make a lot of noise about it when he does, even to a small degree. But we think it will be to a small degree.

- The other authorities a president has are slower and weaker than the authorities Trump seized by being the first president to ever use IEEPA for tariffs. He chose that risky path because he thought it gave him the greatest power – so every other path gives him less.
- But more critically, in today's political environment with Trump submerged in the "affordability crisis" that has been proclaimed by the media ever since the election of Zohran Mamdani as mayor of New York City, tariffs don't seem like such a good idea for a populist president. The day after Mamdani's election, Trump proposed a \$2,000 per person "tariff dividend," which can only be seen as an attempt to assuage the public by returning to them the money seized by tariffing them to begin with (see "[How to Make Tariffs Inflationary – and How Not To](#)" November 11, 2025).
- And ever since then (see "[Did We Just See Peak Tariffs?](#)" November 17, 2025), Trump has either removed tariffs on consumer staples (on

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Remember – AI can be funky. This is still experimental. Check it out and let us know what you think.

coffee, beef, pasta) or delayed them (on furniture). After a SCOTUS decision striking down the IEEPA tariffs, Trump will make a lot of noise, but take little action.

We continue to expect – but we don't know when! – that SCOTUS will strike down the tariffs. We think the market expects that too, so it won't be a market-moving surprise when it happens. We think refunds will be made, and we think markets expect that with less conviction, so it will be an upside surprise. And we think that in the “affordability crisis,” Trump will not choose to replace the IEEPA tariffs to the limited extent he could have anyway. We think that will be a substantial upside surprise, and one that will only come with time as Trump doesn't do what markets fear he will do. That will be a dog that didn't bark in the night.

Well, this is Trump. The dog will bark. But it won't bite.

Bottom line

Media expectations that the Supreme Court would announce a tariff decision – first, last Friday and then again today – were spurious to begin with. As of this writing there is no announcement from the Court as to their next decision day, and even when there is, they do not announce which cases will be decided. We think a delay likely points to a split decision, but one with more unanimity than a hastily made one. We still expect a six-to-three decision against the tariffs. There is little evidence the tariffs have been inflationary. The US trade deficit in goods is the smallest since 2016, but that follows a record surge in imports earlier this year – on a cumulative basis, the trade deficit under Trump is larger than it was under Biden. China's imports to the world are at an all-time high. IEEPA tariffs have reduced the federal deficit by only 13%. Refunds, and inability to collect tariffs going forward, is not a big risk for the debt and deficits – indeed, freedom from tariffs will spur growth that will help the Treasury get out of debt and deficits. After repeal, in today's “affordability crisis,” Trump will not replace the IEEPA tariffs with others. 