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# HANDBOOK ON AFFORDABILITY

# 9. Clothing, Household Goods, and Labor Services

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Government policies artificially inflate the prices of everyday essentials, shrinking American workers' real incomes and lowering their living standards.

Chapters 3 and 8 in this handbook address how government policies raise the cost of housing and food, respectively. But the same is true of other important products and services, including clothing, household goods, home services, and popular leisure activities.

Higher prices for household necessities are often misattributed to corporate behavior. Policies targeting US companies, such as price controls or “gouging” bans, risk creating shortages and various market distortions without fixing the problem.

In reality, suppliers of household goods face cost pressures from tariffs and other trade restrictions on the inputs they need to provide their product or service. There are also direct tariffs on finished clothing and household goods, while entrepreneurs trying to offer lower-priced household service sectors are often confounded by restrictive licensing regimes that keep out new market entrants. The cost of doing business further increases due to mandated price floors on labor, with evidence suggesting that in some sectors much of this is passed on to consumers in the form of higher prices.

Rather than imposing price controls, mandating employer behavior, or engaging in risky and questionable antitrust cases—which inflate certain prices and distort the efficient allocation of resources—policymakers at the federal, state, and local levels could improve affordability by removing artificial restrictions on trade, work, and competition.

## FEDERAL POLICIES TO IMPROVE CLOTHING, HOUSEHOLD GOODS, AND LABOR SERVICES AFFORDABILITY

- **Cut most-favored-nation tariffs and tariff-rate quotas (TRQs) on apparel, footwear, accessories, and their inputs.** Clothing and footwear are aggressively taxed in the US tariff schedule, often 10–20 percent and exceeding 30 percent on some items. Inputs like cotton, leather, and wool also face high tariffs or TRQs. These taxes are regressive, disproportionately hitting low-income households and buyers of mass-market goods. For example, cashmere sweaters face a 4 percent tariff while polyester faces 32 percent. Men's leather dress shoes are tariffed at 8.5 percent—mass-market rubber or plastic shoes at 48 percent. Repealing these tariffs would deliver immediate savings, especially for low- and moderate-income consumers.
- **Roll back punitive and add-on tariffs.** Section 301 tariffs, Section 232 tariffs, and Section 122 tariffs stack on top of existing duties for imports from China. Because lower-income Americans purchase a disproportionate share of Chinese imports, tariffs on those imports weigh heavily on the poor. In total, the average applied tariff on Chinese imports (the US's third-largest source of imports) is 37.8 percent. Between 2018 and 2022, Section 301 tariffs imposed billions in annual costs on apparel, footwear, and furniture, all of which consume an outsized share of low-income household budgets. Other Section 232 and Section 122 tariffs further raise the price of necessities imported from other countries.

Repealing these tariffs would directly lower prices for goods at the core of household budgets.

- **Restore the de minimis exemption.** The de minimis rule (Section 321) allowed duty-free entry for low-value parcels, facilitating smooth e-commerce and lowering costs. Eliminating the exemption raises consumer costs by an estimated \$13 billion annually. That tax burden again falls disproportionately on low-income areas: 73 percent of the imported parcels destined for the lowest-income ZIP codes were de minimis-eligible, compared to 52 percent in the wealthiest ZIP codes.
- **Relax restrictive rules of origin in US trade agreements.** Many US free trade agreements contain “yarn-forward” rules requiring sourcing within member countries at every stage of production. Complicated yarn-forward rules and similar restrictions limit sourcing flexibility and raise costs. Producers pay on either the front end for pricier inputs or the back end when they lose preferential (lower) tariff rates. Both outcomes raise consumer prices. Relaxing these rules would allow producers to source more efficiently and pass savings on to consumers.
- **Eliminate tariffs on household appliances.** Appliances have faced repeated tariff increases in the past decade, with concomitant increases in domestic retail prices. After 50 percent tariffs on washing machines were imposed in 2018, for example, US washer prices rose 12 percent. The tariffs also caused the prices of dryers (which were not directly tariffed) to rise, as sellers tried to recoup tariff costs through complementary items. Government-inflated appliance prices are especially burdensome for two reasons: because these goods are already expensive, and because new-home purchases trigger spending spikes—averaging \$7,000—in home-related goods and services including appliances. Removing appliance tariffs would provide immediate relief on big-ticket household spending, especially surrounding high-cost life transitions.
- **Remove input tariffs that cascade into household appliance prices.** Section 232 metal tariffs, raised to 50 percent in June 2025 (with a United Kingdom

exception), increased input costs for metal-intensive goods. Appliance prices were nearly 4 percent higher in June 2025 compared with pre-2025 trends. Earlier metal tariffs, according to one report from the US International Trade Commission, raised steel-product and aluminum-product prices by 2.4 and 1.6 percent, respectively; reduced production in downstream industries; and cut total output by \$3.5 billion. Repealing input tariffs would reduce downstream price pressures by both eliminating the direct cost of tariffs and spurring expanded output and appliance abundance.

- **Expand and liberalize the H-2B worker visa route.** The H-2B program grants a capped number of visas to temporary, nonagricultural workers in sectors like landscaping, hospitality, construction, and forestry. Few native-born Americans take these temporary jobs, so year-round labor squeezes persist. For many American employers, the only source of legal foreign workers is this restricted program. Employers must also pay government-calculated prevailing wages that exceed all state minimum wages and are nearly double the federal minimum wage. Removing visa caps, allowing year-round employment, and eliminating prevailing wage mandates would ease labor pressures and reduce service prices.

## FEDERAL AND STATE POLICIES TO IMPROVE CLOTHING, HOUSEHOLD GOODS, AND LABOR SERVICES AFFORDABILITY

- **Repeal minimum wage laws.** Mandating a higher hourly wage increases businesses’ cost of providing services. There are many ways businesses can and do react to this regulation, including by cutting jobs, hours, or opportunities for young and/or low-skilled workers relative to more experienced workers. But in some popular service industries, such as fast food, childcare, grocery retail, hairdressing, and limited-service hotels, there is empirical evidence that much of the cost increase is passed through into higher consumer prices.

## STATE AND LOCAL POLICIES TO IMPROVE CLOTHING, HOUSEHOLD GOODS, AND LABOR SERVICES AFFORDABILITY

- **Eliminate unnecessary occupational licensing barriers and the boards that enforce them.**

Licensing laws restrict competition in transportation, food service, medical care, and home services, muting the price reductions that typically accompany an expanded supply of affected goods and services. The boards that enforce these laws often have substantial powers to interpret the laws and are eager to use that power to keep out competitors, particularly in cases where the board members are themselves service providers who choose to exercise their veto power over the market. Research finds that:

- Stringent nurse-practitioner licensing raises child checkup prices by 3–16 percent.
- Comparing strict licensing regimes to more lenient ones for home technicians, prices are over 15 percent higher for low-cost jobs and up to

50 percent higher for jobs exceeding \$1,000.

- After Virginia deregulated hair braiding in 2012, the number of beauty shops grew 7 percent faster than in bordering states.

Licensing affects 22 percent of US jobs as of 2024.

Easing or eliminating license requirements would expand supply and reduce prices in the most heavily regulated fields such as health care, personal care, and maintenance.

- **Repeal gig economy restrictions.** Reclassifying independent contractors as employees increases labor costs by 29–39 cents per dollar of pay. After California reclassified its workers, self-employment in the state fell 10.5 percent and total employment in affected occupations fell 4.4 percent. When New York City extended its minimum wage laws to food delivery freelancers, Uber raised delivery fees by 58 percent. Mandates like these increase costs and reduce the supply of workers who value flexible work opportunities, both of which raise consumer prices.