Transcript of Aug. 12 conversation with Robert Zoellick, the former U.S. trade representative; economist Tyler Cowen, a Bloomberg View columnist; and View editor Paula Dwyer:

Dwyer: Bob, what would a president's authority be in terms of abrogating a trade deal or unilaterally imposing tariffs?

Zoellick: For the U.S.'s first 150 years, setting tariffs was one of Congress's major jobs. Lawmakers would set individual tariffs or taxes on imports for thousands of items. The last time that was done was in the Tariff Act of 1930, which is more commonly known as the Smoot-Hawley tariff. Those were very high tariffs. And that remains the statutory tariff system of the U.S.

In 1934, more than 70 years ago, Congress started giving the president authority to negotiate those tariffs to lower them, or, in some conditions, raise them as part of a new process of making agreements with countries.

If you ended all those agreements, the statutory basis for tariffs goes back to the 1930s Smoot-Hawley bill, which many economists associate with the cause of the Great Depression, along with monetary policy. A president can adjust those tariffs and may even go above the Smoot-Hawley level. So for the past 80 years, presidents have been given considerable authority over tariffs. But the direction for the past 80 years has been to try to lower them.

In addition, there is something called the International Emergency Economic Powers Act of 1977, or IEEPA, which gives the president broad authority to take emergency action to block all sorts of goods coming into the U.S. or financial measures.

And that would be relevant because, if the president wanted to target, for example, U.S. companies that moved abroad, as Trump has said, there could be a legal basis for this.

The bottom line is that the president's authority is quite extensive.

Dwyer: That's pretty scary. A president who wants to do what Trump says he would do would have quite a bit of leeway. He talks about tariffs as high as 45 percent.

Zoellick: Yes, it is indeed scary. I believe he sees it as a negotiating process. The first effect that you would get from raising many tariffs wouldn't be so much on your imports, but in the financial markets, which are going to go nuts. They're going to see it as a return to the isolationist policies that killed growth in economies around the world.

Second, other countries will retaliate. And third, about 50 to 60 percent of imports to the U.S. are intermediate goods. Take steel, for example. If you want raise steel prices by 30 or 40 percent, auto companies and others who use steel are going to have to pay higher input prices.

So the wave effects are potentially enormous. Other countries would also block you. And you now have an integration of our economy with Canada and Mexico. Every dollar of Mexican exports around the world has about 40 cents of American product. For Canada, it's about 25 cents. So if you shoot the Mexican economy, you're also blowing up American production.

The auto industry has a very integrated structure with components, parts and assemblies going across the three borders often six or seven times before a car is completed. You're trying to reverse 80 years of economic liberalization that most people believe is very important for promoting U.S. and global growth.

Cowen: I agree with Bob, but I expect a somewhat slightly more optimistic scenario, that is, I think a President Trump would give us a reality-TV version of a tariff hike. I don't necessarily think he wants to experience the pain of tariffs going up, markets crashing and all the political fallout early in his time in office.

Yet he's promised he would do something and he loves to spar with people and claim he's being done wrong and rail against elites rather than own problems and solve them. So I think what he would probably do is announce that he had abrogated these treaties, not actually do it in a de jure sense. He'd claim he had met his promise and then blame Congress, Democrats, ISIS, whatever, for not going along with this and try to have the best of both worlds. There would be a very high level of uncertainty but I don't think the laws on the books would necessarily change.

Another scenario is that Trump does change the tariffs, they revert back to 1930s levels, and Congress passes a veto-proof bill putting them back to something like where they are now. That's still going to mean a high level of uncertainty.

Under all of these scenarios, the real impact would be on services. So you can send goods to the country and when they're here, they're here. But in terms of meeting the regulatory requirements for being through the U.S. door and future liability and the like, uncertainty is a higher implicit tax on exporting a lot of services to this country than goods.

My guess is we'll end up with the same tariff rates we have now, because I don't think Trump actually wants to do it.

Zoellick: I think that is an extremely optimistic interpretation. One of your scenarios is that supposedly two-thirds of Congress is going to pass a veto-proof law on trade. I don't know where you would come up with those numbers. As a related point, since you believe that Trump would just put the idea out there, remember, he has the authority to act. He can raise tariffs and create havoc.

So I agree with you on your uncertainty point, but I think you may be a little blithe about the risk to markets. Other countries aren't just going to stand for the U.S.'s blustering. One of about every three acres of farmland in the U.S. goes toward exports, so you would end up crashing the farm sector, too, as happened in the 1920s.

So this is serious stuff. I worked on German unification. I've done a bunch of trade deals. I've had some experience internationally. If you act the way Trump talks you're going to pull down a 70-year-old system that got us out of the Great Depression and helped the U.S. become the strongest economy in the world. This isn't for fooling around with.

Cowen: I agree it would be a disaster, but I'm not sure we would end up with tariffs at 45 percent. So I can imagine a Congressional vote being like the Troubled Assets Relief Program vote in 2008. There's a bill put before Congress to bring tariffs to something like their current level. At first, it fails. Then the stock market tanks. Maybe there are the beginnings of a financial crisis. And then Congress passes the thing.

Keep in mind, also, Trump will need to have a staff. All the details you're outlining, I suspect he doesn't understand or has never even heard of. And the notion that his own staff may try to undermine him, I think we can't completely dismiss. I also could imagine an outcome where what he ends up doing is just raising tariffs on China, or picking out one or two enemy countries and claiming that as a victory.

So I agree all these would be terrible outcomes. I don't mean to minimize the risk. But it's just not actually my best modal forecast that those tariffs will be going up to 45 percent.

Zoellick: When you talk about raising tariffs with China, do you think China is just going to sit there and not raise tariffs on U.S. products or block U.S. products? You're going to get a whole series of effects. And one more thing to keep in mind is that Trump's goal seems to be to have a trade surplus. We had a trade surplus during the Great Depression.

Cowen: Yes, it's not that hard to get a trade surplus. All you have to do is wreck your economy. You don't buy anything from other countries, which is what we did in the '30s. And so we could achieve Trump's goal that way.

Dwyer: If Trump is able to impose tariffs on imports from China, as he says, what would happen to a company like Apple? Would Apple be able to continue assembling iPhones in China and then bring them into the U.S.? How would consumers react?

Cowen: They could. There are plenty of cases where, say, a currency will move by 35 percent over a number of years. And that currency move is like a tax from the point of view of the exporter. It hurts profits terribly and it can be very destructive. But in the short run you often see companies just swallowing it.

So I don't think it's that we'd wake up the next morning and no one could get an iPhone and you have to go on the black market or buy a used one on eBay. I think the long-term effects would be extremely corrosive. The uncertainty effect would perhaps be larger than the tariff effect. It would be a disaster. But in terms of the world around you a week after, I don't think you'd notice that big a difference.

Zoellick: If you have a 25 percent tariff on goods coming in, or a 40 percent tariff, the easiest analogy is to ask yourself if you're just adding a 25 percent or a 40 percent sales tax. What will be the effect? Well, it depends on whether people can buy alternative products. It depends how much people want that product -- what economists would call the elasticity of demand based on price. As a consumer, if you want to pay another 25 or 40 percent, then vote for higher tariffs. But keep in mind the intermediate-goods problem. The prices of many other things will go up, too.

One test of what Americans want is to look at what they buy. On the road, you see cars that aren't made by U.S. automakers, who also make cars in different locations. We're now in a world where BMWs are made in South Carolina and General Motors makes a lot of cars in China and Ford makes cars all over the world.

But I think what you'll find is Americans want to have choice and pay less for goods if they can. You see polls that report that people would be willing to pay more for U.S. goods. And maybe they would, in theory. In practice, you have to look at what they buy and what they do as consumers, which is a little bit different.

For a lot of the goods that we're talking about -- textiles, toys, electronic goods -- I don't think that higher tariffs would necessarily regenerate those industries in the U.S. It would mean you'd buy it from another country. Already, a lot of the low-wage Chinese production is moving out to other countries in Southeast Asia and other places. So if Trump raises tariffs on one country, that isn't going to change production patterns in the U.S. It will just divert the overall trade to other countries.

Now, the other approach would be to raise tariffs on all countries. But then you are really going to have a much more costly set of taxes. The Peterson Institute for International Economics did an analysis of the effects of lower prices, plus the income effects from reducing trade barriers from various trade agreements over the past 20 years or so. And they found that households save about $10,000 a year.

So keep in mind that the issue isn't only do you want to protect producers, but it's also do you want to add taxes to consumers. Of course, a lot of the goods we're talking about are bought more by low-income people. If you charge more for food, school supplies, clothes and toys, you're going to have what economists call a regressive tax effect.

Cowen: The effect on Wal-Mart and Apple, I think, are quite different. Apple has unique products and a lot of its buyers are willing to pay higher prices. I have an iPhone. If it costs me $300 more, I would still buy another iPhone. Not everyone would do that, but Apple has a lot of room to eat part of the new tax itself and raise the price of its products. Its core business model can persist.

Wal-Mart, though, has sold customers on the notion of always lower prices. So I think it's hard to imagine a Wal-Mart, which claims to have something better and fancier than anyone else, convincing people to buy the same goods at higher price. Retail markets tend to be more competitive, so I think it's a graver issue for them.

The other thing I would point out is we buy from China a lot of rare minerals and rare earth materials, which have significant military uses. The pressure from the military on Trump not to disrupt that, I think, would be extreme. How he would respond to that, I don't know. But I think that's a whole other part of the equation, not just the consumer side, but the foreign policy side. China could just stop selling them to us.

Dwyer: So it sounds like both Wal-Mart and Apple could manage, though it would be harder for Wal-Mart?

Cowen: Wal-Mart has been losing a lot of business already for other reasons. They cannot survive as a high-priced retailer, in my opinion, given the kind of experience they're offering customers. I'm not saying they would go bankrupt the next day, but I think in the long run, a lot of what Wal-Mart does just wouldn't make sense.

Zoellick: One other point on Apple. I agree with Tyler that there could be much stronger effects that go beyond Wal-Mart as a retailer. Look at how hard companies fight to lower costs by 2 percentage points. Profits are often in single digits. When you apply a tax of 30 or 40 or 50 percent, that's a significant hit.

Would people pay more? I think the answer is some would, some wouldn't. The real question is: Would Apple feel it must move its production? Remember, these are never one-off effects. The question is, when China retaliates -- and they're going to retaliate -- what will the ripple effect be?

To give you a real life example, the U.S. was obligated under Nafta to open up to Mexico's long-distance trucking firms. The Teamsters and other groups said no, no, no, it's unsafe. So the U.S. government did various pilots and found out that it was safe and, indeed, the environmental effects of forcing trucks to change their loads and idle at the border was very negative. Nevertheless, we kept blocking Mexican Teamsters from driving on U.S. roads.

So Mexico did the same thing to the U.S. Other countries will retaliate. Canada has also retaliated when the U.S. has raised barriers against agreed rules. The goal in a trade area is not just to export, but to make your economy more efficient by reducing costs for consumers and intermediaries. Those are also the benefits of free trade.

Workers become more productive and efficient if they can compete in global markets. On average, U.S. manufacturing workers in export industries earn 18 percent more, because they're more productive.

If you go to a country and say "We demand that you do this, transform this, block this," don't expect that they're going to capitulate. You'd get a much better response if you make the case for why lowering barriers together is in the common interest. So that's exactly what happened in the case of Mexico and Canada.

Dwyer: What are the chances that Apple or any other company that does a lot of manufacturing or assembly in Asia would shift that to the U.S., which is Trump's goal?

Cowen: Apple could not make what it makes in the U.S. It's not just low wages, but also a question of how the labor market works, how rapidly you can hire so many people of a given technical proficiency. If the choice was to double the price of an iPhone coming in from China or to make them in the U.S., I think Apple would sooner double the price.

We have data on this. If you look at the value of the U.S. dollar in 1985, it was about 3.45 German marks. Over the course of about two years, it fell to 1.7 German marks. So that's a 50 percent decline in the value of the dollar, which is economically identical to a tax on German exports, because the German mark is so strong. Did that hurt Mercedes-Benz? Yes. Did Mercedes go under? No. Did they raise their prices much? It's surprising, but they didn't raise them that much. Did it hurt them? Yes. Do we still have Mercedes? Yes.

So I think tariffs on Apple iPhones would be like the stronger German mark in the mid- to late- '80s on Mercedes. They hated it. It would be bad. The uncertainty would be horrible. It's an experiment you never wish to run. For products with market power, there's a lot of evidence they're still going to be available. They're going to cost a bit more, but not as much as people might think.

Dwyer: The ultimate cost would be borne, obviously, by the American consumer and companies wouldn't necessarily repatriate their manufacturing to the U.S. What would that mean?

Cowen: Apple shareholders would lose a lot. So would all the pension funds that hold Apple stock. Those stakeholders are people too, and often they are workers. The state of Illinois, which needs the money, will lose a great deal. That's a cost, too.

Zoellick: It's not just harmful to consumers. Producers would have to pay more to obtain intermediate goods through imports. They become less efficient. Producers who export will be hit by the retaliation. Income in the U.S. is likely to fall and that means less tax revenue.

So everyone would be affected. People sometimes look at one individual producer who loses out to foreign competition and feel empathetic. That's understandable. But once you start to run through the effects of losing what economists call the comparative advantage of having production around the world, the costs to countries, growth, other producers and consumers becomes quite significant.

There are many reasons why the world economy is richer today than it was 40 or 50 years ago. But no doubt the expansion of trade and global supply chains, to say nothing of expanded choice, are among them. Americans have gotten used to better goods at reasonable prices. When I grew up we didn't have fresh fruits and vegetables year round. Now we do, partly because of the supply chains that have been set up under trade agreements.

Cowen: The biggest thing at stake here is uncertainty. The notion that a president would do this or think about doing it would be highly disruptive. The biggest negative impact would be to the fragile foundations of international-trade relations.

Zoellick: As best you can understand Trump, it seems his goal is for the U.S. to sell more abroad than it imports and thus have a surplus.

Many economists would say what's more important is the unemployment rate, income levels, productivity, the increased choice consumers have. You could have a nice big surplus, as we did in the 1930s, but the U.S. economy wasn't doing so well on all those other fronts.

So one of Trump's mistakes is that he's not looking at the right objectives. His goal seems to be a surplus in all bilateral trade relations. Every country can't have a surplus in bilateral trade; the numbers just won't add up. And most economists would suggest that you want to look at the overall picture, not bilaterally. The U.S. has a surplus with Australia. Australia has a surplus with China. China has a surplus with the U.S. Is one the winner -- or do they all win?

Cowen: My core model of Trump is what he really enjoys is getting a charge out of an audience. It's what he keeps on doing. It's what he can't get away from. It's what he did all those years on TV. And if that's your model, rather than a policy-driven model, then I think Trump would rather keep the issue in play than have to sort out the consequences.

That's not a very optimistic optimism and it actually drives the risk premium higher than some of the other scenarios, where he just does it and gets it over with.

Dwyer: If Wal-Mart, which imports about $50 billion of products from China a year, tried to shift to U.S.-sourced goods to get around steep tariffs, would they be able to do that?

Cowen: I would say it leads to their demise, not immediately, but over time.

Zoellick: I share Tyler's view. The problem with Trump's notion is this zero-sum idea -- one wins, one loses -- and he thinks the U.S. is losing. In economics, people can grow together. Indiana might sell something to Illinois and Indiana might have a surplus with Illinois. That doesn't really matter to the state or the overall U.S. economy if consumers have more choice and people can produce more and they can be more efficient.

So that's the challenge to apply internationally. And obviously, what may be motivating Trump is the "unfairness" of barriers against the U.S. But he's got that wrong. Under free-trade agreements, the barriers to U.S. exports are much lower. The evidence shows this in terms of export growth with free-trade partners, which in the first five years after an agreement is in place has been about three times faster than export growth with other countries.

So I think Trump's frame of reference of winners and losers is going to make everybody a loser. We have about 11 million people whose jobs depend on exports. In the farming area, we have another million people. He's playing with a lot of people's lives.

Dwyer: What goes through your mind when Trump says the deficit with China is $500 billion (that's high -- in 2015 it was $367 billion) and that the Chinese are eating our lunch?

Tyler: He is poorly informed and doesn't understand economics. There is a genuine issue with some parts of the middle class in this country who have seen lower or negative wage growth because of Chinese imports. I accept that. But it's still been a significant net plus for the American economy as a whole.

Zoellick: I agree with what Tyler said, but here's a variation. Trump is always looking for someone to blame. Economic relationships should be mutually beneficial. Instead of trying to solve a problem -- such as helping people adjust to change through education, skills, job relocation, getting them back into jobs or supplementing their wages -- Trump says it's the fault of the Chinese, I'm going to sock them. Well, they may sock you back.

Cowen: Bob, did you ever think it would come to this, where a party's nominee would place the foundations of the world trading order into such question?

Zoellick: No, I never expected this. But I also don't believe he will become president. The problem is, even Hillary Clinton says she's totally against the Trans-Pacific Partnership agreement, which she once called the gold standard.

The even bigger issue will be the Trump effect. He has undercut Republican support for opening markets. Much of the Democratic Party -- the elected ones -- had already moved against trade.

Last year, when Congress passed Trade Promotion Authority allowing the president to negotiate trade agreements, only 28 Democratic House members, a courageous group, voted for it. The Trump effect means we are going to have less Republican support unless people explain how these trade agreements have worked and, as Tyler and I have suggested, help people adjust to change.

I think the greatest fraud is trying to tell people you can prevent change. A lot of the transformation that we're talking about in the economy is driven as much or more by technology than trade. And the two are clearly interrelated.

I think Trump is lying to people by pretending that raising tariffs or threatening other countries is going to solve the problem. At the same time, I don't think Hillary Clinton's approach is going to be successful, either. If people want to support trade and openness, you're going to have to get the business community to explain to their workers the benefit of imports, exports and international trade rules.

Let me give you two practical examples. I was always struck that Boeing aerospace workers were against our trade negotiations and agreements, even though they probably sell 90 to 95 of their product abroad.

Or Silicon Valley. I talked about this recently with Mike Froman, the current U.S. trade representative. Neither of us could ever get the two congresswomen from Silicon Valley to vote for trade, and you would think that the technology industry would have some interest in open markets.

Businesses are going to have to explain the effects of trade and open markets. And I think younger people want more choice in where they travel, the food they eat and where they work. The technology industry should use some of its Big Data to understand how to make this case more effectively, because Trump is capitalizing on anxieties that are deep and have infected Clinton and other Democrats.

Dwyer: How long before the U.S. enters into another trade deal?

Cowen: I don't expect America to be signing any new trade agreements anytime soon. Maybe 20 years, I don't know.

Zoellick: It's of some note that Kevin Brady, the chairman of the House Ways and Means Committee, which oversees trade, put out a release this week -- and he's a Republican -- disagreeing with Trump, his party's nominee, on Nafta and free-trade agreements.

I recently wrote that the U.S. should offer to negotiate a free-trade agreement with Britain, even as Britain negotiates its exit from the European Union, to give Britain some optionality. I got very good reactions to that from members of Congress because they generally like Britain. So we could possibly negotiate a free-trade agreement with Britain over the next five years. And that success might help regain political momentum for other trade agreements.

It comes down to presidential leadership. I've watched this process since the Ford administration. I'm pleased that President Obama is fighting for TPP. But for his first five years, he did nothing on the topic. Last year, when he went to Congress to get trade-negotiating authority, he expected his own party caucus to turn on a dime. To be fair to them, he hadn't been making the case for six years. And that's one of the reasons why he ended up relying primarily on Republican votes.

So ultimately it's the responsibility of a president to make the case. Clearly, that's not going to be Trump. It doesn't look like it's Hillary Clinton, either.

The question is whether there are enough voices in Congress to keep open the possibility and whether someone like Clinton might be convinced that, gee, maybe the labor rules in Britain aren't so bad, so maybe our unions don't have to be afraid of poor labor standards in Britain or Europe.

Cowen: I'll modify my previous claim and make an exception for Britain. I agree with Bob on that. But let me say why I think it could be 20 years or longer. Politicians in other countries face their own interest groups. Trade agreements aren't always popular in their countries. They have to do a lot of heavy lifting even to bring one to the table. But they do, because they think there's something at the end of it for them, namely, the U.S. signs the deal and they get some goodies. But when we send mixed signals, they drag their feet. These things take a long time to negotiate.

Zoellick: Modern trade agreements are much more than tariffs and quotas and the things we're talking about. They're about intellectual-property rights, service industries, government procurement, anti-corruption, fisheries conservation and the environment, core labor standards and better transparency. Not surprisingly, because the U.S. is a more advanced economy, it has usually been on the cutting edge in trying to get high quality rules for its producers.

Take the Trans-Pacific Partnership. It includes 12 economies. We already have free-trade agreements with six of them. So we're building on top of those deals and modernizing the rules. The big addition really is Japan. But you also have Vietnam, Malaysia, New Zealand and Brunei. One of the real questions, and Prime Minister Lee of Singapore made this point during his recent visit to the U.S., is whether the U.S. wants to make the rules for these new topics, or wants to let somebody else do so.

In the case of East Asia, China particularly could shape the new rules if the U.S. doesn't. There will be security implications to that, too. And that's the case that the president has tried to make. It need not be hostile to China. There are people in China who also want better rules for investment and to boost internal economic reforms.

Dwyer: A lot of the commentary today concerns the research that David Autor did, concluding that the communities that suffered the most when China entered the WTO in 2000 have not recovered. That changed the consensus over how beneficial trade is to the U.S. economy. Is there something that can be done -- wage insurance or a better package of trade-adjustment assistance -- to make trade deals go down with a spoonful of sugar?

Cowen: I'm typically willing to do whatever it takes. What actually works, though, is people leaving distressed areas. That's a tough political sell, but that's by far more effective than retraining or phasing things in or all the other ideas you hear. It's a fig-leaf issue. What you need to do to sell the trade agreement, within reason, is figure out the cheapest way to do it.

Zoellick: If you're going to have an open economy that adapts to change -- whether that change is driven by technology or trade -- it's good policy and good politics to have a range of activities that help people make that adjustment.

There's a certain irony to trade-adjustment assistance, which goes back to the 1960s. It isn't as effective as other programs and it's also expensive, but the Ways and Means and Finance committees in Congress, which have jurisdiction, stick with it because they can vote for trade agreements and adjustment money at the same time.

Most of the worker-adjustment programs -- and there are about 40 of them -- come out of the Labor Department and under the jurisdiction of Congress's labor committees. These programs aren't designed just for trade but for any job loss. So part of the problem has been that the committee structure in Congress has kept supporting the most expensive, least effective program.

We've had many job programs but unlike businesses or academic researchers the government doesn't try pilot programs and measure effectiveness.

The most important thing is to help people get back into the workforce. I would be comfortable with a wage subsidy for a certain period of time for those who get a new job but take a wage cut. Or use the Earned Income Tax Credit to get people back in the workforce and supplement their income, because work is part of dignity and probably the best way to learn additional skills.

Tyler mentions relocation. There are steps we could take to make it easier for people to relocate. A lot of this goes back to basic schooling and education. If people have eighth-grade educations or even high-school educations, they're going to be less adaptable. It's an economy-wide responsibility.

There's now a new conventional wisdom that the American people are against trade. This is not what many of the polls show. In a recent piece in the Wall Street Journal, I wrote about a poll taken a couple months ago in which 55 percent of registered voters said free trade is good for America, while 38 considered it bad. And that is an increase of 7 percent over a couple of months before, despite Trump.

The Gallup Polls are very similar. Only 18 percent of Americans said that leaving Nafta would help the economy. And if you look at younger people, they tend to be more pro-trade. Of course, a lot depends on how you ask the question. Earlier I made the point that if you ask people, are you willing to pay a little bit more for American goods than foreign goods, most people say yes. I'd probably say yes. But the question is, how much is a little more?

One of the ironies is that polls show Democratic voters are now more pro-trade than Republican voters, even though Democrats in Congress are more against trade. Unions may only be 10 percent of the workforce, but they're very powerful in the Democratic Party. And the unions have convinced themselves that trade is bad.

You have to ask yourself, if you're a service worker and trade primarily gives you lower-priced goods and more choice, why is trade bad? If you're a government worker, I don't think we're going to displace your job with a foreigner. Some people have undoubtedly been hurt. We should try to help them and try to prevent that sort of disruption again. But we're not going to help people by shutting America off from the world. We're 4 percent of the population. We're about 18 percent of the world's GDP. A lot of growth opportunities are going to be abroad.

The reason the polls are important is that the so-called Establishment is cutting and running. It's like oh, everybody is against trade. Well, that's not so clear. But one thing is clear: If you don't fight for it, you're not going to win it.

One of the things that I found so disgusting about Trump is that he's lying to people. He's setting up a false bugaboo about what has threatened them. And people who are scared, understandably, often look abroad to find fault elsewhere. That's not new in American history.