

Great Investors Find a “Smoot” Point

It’s been a wild ride lately. The S&P 500 dropped nearly 20% in just two days after the administration announced new tariffs. Then, in a single day, the market rebounded 10% after news of a 90-day delay.

Not surprisingly, many are drawing comparisons to the Smoot-Hawley Tariff Act of 1930 — a name that’s almost always linked with the Great Depression. But let’s remember: Smoot-Hawley didn’t *cause* the Depression. The market had already crashed. What the tariff did was prolong the recovery and spark an actual trade war. At a time when many countries around the world were already experiencing depression-like conditions, these tariffs caused international trade to grind to a halt while most domestic economies struggled as well.

The landscape has evolved, and the current economic backdrop is much stronger than it was in 1930. Unlike Smoot-Hawley’s offensive aim to protect agriculture, today’s defensive tariffs seek reciprocal trade to address unfair deficits. Our economy is stronger than before, so while we don’t anticipate a repeat of the Depression, Smoot-Hawley’s lesson warns against resisting economic progress, such as trying to revive manufacturing jobs.

While tariffs may feel like a strong, strategic move in the moment, history reminds us that turning inward rarely results in long-term growth or prosperity.

That said, today’s tariffs have a different intent. They’re not about isolationism; instead, they aim to promote fairer trade and correct long-standing imbalances. If that strategy is successful and we achieve a better, more reciprocal deal, this period of volatility could prove to be a short-term cost for a long-term gain.

But there’s a fine line. If it escalates into a cycle of retaliation, we risk repeating the missteps of the past. Smoot-Hawley was a policy rooted in fear, an effort to protect the status quo in a rapidly changing world.

As investors, we need to think differently. We should focus on the future, not the past. The winners in markets—and in life—are those who adapt and see change not as a threat but as an opportunity.

So, here’s the takeaway: stay calm, stay informed, and resist the urge to overreact.

Volatility is uncomfortable, but it’s also part of the journey. In the long run, progress rewards those with perspective and patience.