



Biden's Protectionist Trade Agenda Will Increase Prices. In Fact, It Already Has.

Biden says reducing prices is his "top priority" but his economic agenda suggests the opposite.

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3.2.2022 12:05 PM

With annual inflation running higher than it has in 40 years, President Joe Biden announced during Tuesday night's State of the Union address that "my top priority is getting prices under control."

In Biden's telling, rising prices are the result of monopolies and near-monopolies in the economy taking advantage of consumers by jacking up prices. "Capitalism without competition isn't capitalism. It's exploitation—and it drives up prices," he said during [Tuesday's address](#). Later, he promised a "crackdown on these companies overcharging American businesses and consumers."

There's not a lot of evidence to support that diagnosis, but let's just go with it for a moment. If concentration in the marketplace was somehow to blame for rising prices, then it *would* make sense to attack that problem by expanding competition. Give consumers more choices and they will naturally flock to lower-priced alternatives, putting pressure on other sellers to keep prices down.

The problem, for Biden, is that so much of his economic agenda is pointed in exactly the opposite direction. In one breath, he complains about the lack of consumer choice driving up prices. With the next, he proposes to further restrict consumer choice.

"We will buy American to make sure everything from the deck of an aircraft carrier to the steel on highway guardrails are made in America," Biden said, before promising that his administration would make some of the "biggest investments in manufacturing in American history" to bring about "the revitalization of American manufacturing."

So much for his supposed "top priority."

Even Larry Summers, a top economic adviser in former President Barack Obama's administration, called out Biden for trying to pass off this economically illiterate attempt to combat inflation.

"Shifting demand to American producers with 'Buy America' policies [sic] that stop firms and consumers from buying at the lowest cost, no matter how politically attractive, are inflationary. This is something all economists should agree on," Summers tweeted. "Blaming inflation on corporate greed or holding out the prospect that capacity can be expanded rapidly is at best diversionary."

Biden's "Buy American" policies—which, in fairness, have governed federal purchasing deals for years, though his administration has tightened loopholes and talked up those policies for political gain—are perhaps the best example of how the current White House is fighting its own policies as it tries to combat inflation.

But that's hardly the only one. Tariffs are also contributing to inflation by artificially raising the prices of imported goods, including products like raw steel, aluminum, and lumber that are necessary inputs for American manufacturers and home builders.

Many of those tariffs were already in place when Biden took office, but his administration has expanded, extended, and maintained those price-hiking policies. In November 2021, Biden doubled existing tariffs on Canadian lumber imports. Instead of repealing former President Donald Trump's tariffs on steel imported from Europe, Biden replaced them with a quota system that will keep prices artificially high. Earlier this year, he extended Trump-era tariffs on imported solar panels that were set to expire. There has been no indication that the Biden administration is seriously considering undoing Trump's failed tariffs on Chinese imports—even as it frets about rising prices in the economy.

It's fairly certain that these protectionist policies will continue to put upward pressure on prices, because that's what they have done so far.

"Tariffs imposed by the U.S. government on materials used by the domestic construction sector cause a significant increase in the cost of those goods," argue economists Alessandro Barattieri and Matteo Cacciatore in a paper published last month by the Cato Institute, a libertarian think tank. "These results suggest that lifting trade restrictions on intermediate inputs could help dampen recent increases in U.S. construction material costs."

The two researchers found that costs imposed by trade barriers were passing along nearly in full to consumers. For every 1 percentage point increase in the cost of imported construction materials caused by tariffs, for example, they found domestic price increases of 0.9 percent after six months.

While the study was focused mostly on home prices, other research has shown that much of the cost of Trump administration tariffs on a wider set of imports have also been passed along to consumers. By continuing those policies, Biden is forcing importers, manufacturers, and consumers to continue swallowing higher prices.

It's not just tariffs. As *Reason's* Scott Shackford highlighted yesterday, other trade restrictions like the Jones Act—which is naked protectionism for America's dismal shipping industry—also contribute to high prices by severely limiting competition. What was that Biden said about wanting to increase competition to lower prices? Abolishing the Jones Act would be a good place to start.

Don't expect relief to come anytime soon. In a 312-page report released this week outlining trade policy goals for the upcoming year, the Biden administration promised a mixture of trade restrictions and domestic subsidies that will variously protect and promote politically connected industries and firms at the expense of consumers and taxpayers. Whatever the merits of the administration's "worker-centric trade policies" might be, reducing inflation—supposedly Biden's "top priority," remember—is unlikely to be one of the consequences.

But the specifics won't add up until the administration can figure out which direction it wants to go at a high level. As Summers pointed out on Tuesday night, there's a clear and obvious tension between Biden's plan to combat inflation and his politically motivated "Buy American" promises.

At one point, Biden helpfully laid out the contradiction in fairly stark terms.

"One way to fight inflation is to drive down wages and make Americans poorer," Biden said. "I have a better plan to fight inflation. Lower your costs, not your wages."

A lot of American businesses would surely love to lower their costs. Too bad the Biden administration won't help them do it.