



Trump's Plans For Steel, Aluminum Tariffs Trashed Widely And Often

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The steep tariffs on steel (25%) and aluminum (10%) imports that President Donald Trump announced he'll impose will fulfill a campaign promise — and may temporarily play well to a constituency that feels displaced or disenchanted with the American Dream of continued upward mobility. But many economists, congressional Republicans and his own advisors — along with staunch allies and major trading partners — are warning that the move will exacerbate the trade wars and raise prices for American consumers in many categories (including automobiles, as *Marketing Daily's* Tanya Irwin reports this morning).

One of the President's most hallowed bellwethers of his success, the Dow, plunged more than 400 points on the news yesterday.

"4:02 p.m. So there you have it folks, another bloody day for the market in the books," posted *Barron's* live blog of the day's trading. "The ostensible reason for the drop was President Donald Trump's announcement that he would place tariffs on steel and aluminum. No one really seemed to take the threat seriously, and even this morning it was unclear whether [he] would actually hit imported steel with a 25% tariff, and aluminum with a 10% hit. But he did. And while that may help a small number of U.S. companies — U.S. Steel, AK Steel, and Alcoa among them — it hurts plenty more."

"Trump has repeatedly criticized trade deals struck by his predecessors and argued that they hurt American workers. He has therefore pledged to make trade more fair to the U.S.," reports CNBC's Saheli Roy Choudhury. "He was given cover for imposing the levies when secretary Wilbur Ross's Commerce Dept. last week issued a report that recommended 'imposing heavy tariffs or quotas on foreign producers of steel and aluminum in the interest of national security.'"

In a meeting with industry executives at the White House yesterday, Trump said: “We're going to rebuild our steel industry. We're going to rebuild our aluminum industry. The U.S. hasn't been treated fairly. Next week, we'll be imposing tariffs on steel imports and aluminum imports.”

He'd tipped off the direction he was planning to take — reportedly against the adamant pleas of his top economic advisor, Gary Cohn, among others — in an early-morning tweet yesterday.

Early today, Trump tweeted: “When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win. Example, when we are down \$100 billion with a certain country and they get cute, don't trade anymore — we win big. It's easy!”

Not really, say many, for many reasons.

“This is just straight up stupid,” Adam Posen, president of the Peterson Institution for International Economics, said on CNBC this morning. “This is fundamentally incompetent, corrupt or misguided.”

Posen served at the Federal Reserve Bank of New York in the mid-1990s and currently sits on the panel of economic advisors to the U.S. Congressional Budget Office, writes CNBC's Natasha Turak, quoting Posen further: “Steel is just a tiny input in the U.S. gross domestic product (GDP) — which is why [Trump's plan is] so crazy. You mess up your entire trading system for an industry that has a total of 80,000 jobs.”

“The flimsiness of Trump's justification raises the risk of retaliation by the United States' trading partners, many of whom have lobbied against the tariffs since the earliest days of the Trump presidency and are expressing their frustration with the tariffs now,” observes Annie Lowrey for *The Atlantic*. “Trade experts expect tit-for-tat actions, meaning lower sales for American businesses abroad.”

“Typically, the importer — not the end user, as with sales tax — pays the tariff. However, the end user may absorb the cost, since the price-to-market is impacted,” writes *Forbes*'s Kelly Phillips Erb, in a piece tracing the historical roots of tariffs in the U.S. “So do tariffs work? Not always as intended. Noted American economist Frank Taussig found hardly any advantage in the early use of tariffs, saying, “Little, if anything, was gained by the protection.” (The Taussig quote came from a commentary by Bruce Bartlett published two decades ago by the Cato Institute, the libertarian think tank funded by the Koch brothers.)

Back in the present, “From beer cans to cars, Americans will feel the cost of trade sanctions,” reads the headline over a piece by *St. Louis Post-Dispatch* business columnist David Nicklaus this morning.

Wow. When you start messing with the price of a Budweiser six pack, you may be opening a real can of worms.