



Trump's Tariffs to Take Effect

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On Thursday, **President Trump signed an order imposing a tariff of 25 percent on steel and 10 percent on aluminum imports** from all foreign countries, with exclusions for Mexico and Canada. The tariffs will become effective in 15 days but their effect on the American economy remains a matter of intense debate.

For some observers, **Trump's tariffs were a political move** aiming to help Republican Rick Saccone in Pennsylvania's 18th district. On March 13, Saccone faces Democrat Conor Lamb in a special election to replace Republican Tim Murphy, who resigned last October. For unions, Trump's proposal is all about jobs.

"The admin's steel & aluminum tariffs are **good steps towards fixing predatory practices that hurt workers & cheat companies that produce in US.**" tweeted AFL-CIO president Richard Trumka, warning of "opposition from the Wall Street wing" of the administration. The United Steel Workers supported the move and said "We want to work with the administration as it finalizes relief to ensure that cheaters are held accountable so we can rebuild our nation's manufacturing sector & protect national security." For other observers, deeper issues are in play.

The Constitution gives Congress the power to regulate commerce, but for Tori Whiting, a research associate in the Center for International Trade and Economics at the Heritage Foundation, **"significant pieces of that power have been outsourced to the executive branch over the last four decades."** She cited Section 232 of the Trade Expansion Act of 1962, which gives the president the authority to impose import tariffs without the input of Congress, and "President Donald Trump is now using Section 232 to impose tariffs on steel and aluminum."

This section, Whiting argues, does not clearly define "national security," does not require a cost-benefit analysis, and does not require the Commerce Department to consult with Congress if trade barriers are proposed. Therefore, "Congress should take this opportunity to reclaim and reassert its constitutional authority, both in Section 232 and in other laws that hand over trade authority to the executive branch."

For John H. Cochrane, senior fellow at the Hoover Institution and an adjunct scholar with the Cato Institute, Trump has succeeded in uniting economists on several issues: **"Trade is good. Why? Follow the money.** If China sells us, say, a solar panel, what does it do with the dollars? There is only one thing to do with dollars — buy American goods, invest in America, or buy our government debt. Oh, and we also get a nice cheap solar panel."

Tariffs, “like all protection from competition, are great for the protected business and its workers, at least for a while.” According to Cochrane, such protection comes “at the expense of consumers, and the damage is worse than the gain. What is good for an individual business is not good, scaled up, for the economy as a whole.”

For Marc Thiessen, American Enterprise Institute fellow and *Washington Post* columnist, Trump’s tariffs **“undermine his ability to deliver on many other important promises he made in the 2016 campaign.”** The measures will create “incentives for manufacturers to move across the border to Canada in order to avoid the tariffs.”

As Thiessen sees it, the tariffs will “drive up the cost of virtually every infrastructure project,” and harm the effort to achieve energy independence. Higher steel and aluminum prices “will increase the cost of new ships, planes and other military hardware — which means we can afford to procure fewer of them, harming our national security.” Such arguments did not deter the president from imposing the tariffs, but he does allow some flexibility.

“I’ll have a right to go up or down depending on the country and I’ll have a right to drop out countries or add countries,” he told reporters. “I just want fairness, because we have not been treated fairly by other countries.” Trump also tweeted that any exemptions would be for “real friends” that “treat us fairly on both trade and the military.”

Despite ongoing negotiations over the North American Free Trade Agreement (NAFTA), some analysts might question the president’s exemption for Mexico. From January to November 2017, **Mexicans abroad, the vast majority in the USA, sent back \$26.1 billion**, the most ever recorded. Economists opposed to the Trump tariffs might calculate whether that would be possible without massive inputs from American taxpayers. A single Mexican illegal, Andres Anduag, ripped off an American’s identity and over four decades **grabbed \$360,000 in U.S. government benefits.**

Meanwhile, those economists who consider cheap Chinese steel an unalloyed benefit might check out the California experience. For the new span of the Bay Bridge the state used Chinese steel and Chinese welders. The bridge came in **10 years late, \$5 billion over budget, and riddled with cracked welds, bolts and rods.** When apprised of the safety issues, governor Jerry Brown said **“I mean, look, shit happens.”** This is the hereditary, recurring governor who failed in three president bids and remains a strident attacker of President Donald Trump.