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Trump's plan to make steel expensive again

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President Donald Trump has devoted his first term to helping Americans increase their economic well-being, and he's largely succeeded. His tax cuts and regulatory rollbacks have all contributed to a healthy economy.

Mr. Trump's decision to impose new steel and aluminum tariffs, however, will take the country in the opposite direction.

On Thursday, the president announced a 25 percent tariff on imported steel and a 10 percent tariff on imported aluminum. While Mr. Trump had rhetorically flirted with protectionism throughout his campaign, he had — with the exception of new duties on solar panel equipment — resisted his protectionist urges. Not anymore. The tariffs would be an elementary economic mistake, and they would damage the U.S. economy. This is especially true if other countries retaliated with higher tariffs of their own.

Free trade has dramatically increased the standard of living in the United States and around the world. It does this by allowing nations to specialize in what they do best. Specialization increases the amount of product an individual, company or country is able to produce. A greater supply reduces costs. Cheaper inputs allow other companies to offer final products for less or increase the quality of a product without price hikes.

If you doubt the benefits of free trade, consider that the main U.S. efforts to punish North Korea for its nuclear weapons pursuit have been to restrict its ability to trade internationally.

The White House rationale for tariffs is that China has flooded the global market with cheap steel. It claims this endangers national security and undercuts the ability of domestic U.S. steel companies to compete.

Think about this argument. The assertion is that China is hurting the United States by diverting money from its own citizens to lower the global cost of steel. There are people being hurt in this scenario, but they live in China. Most Americans greatly benefit by the Chinese government's decision to artificially lower the price of steel. It means cheaper cars, appliances and large buildings. If China ever decided to stop subsidizing the market, the higher prices would signal to American companies that it's time to start producing again.

Artificially low steel and aluminum prices do hurt American workers in those industries, and that's where politics looks poised to overtake good economic policy. Part of Mr. Trump's appeal

in Pennsylvania, where he pulled off an unlikely upset, were his promises to bring back the steel industry. Tariffs would do that and shares of steel companies surged after the announcement.

That's the problem, however. Tariffs would accrue large, noticeable benefits to a small segment of the population and a handful of special-interest groups at the expense of tens of millions of American consumers and workers. As Colin Grabow of the Cato Institute pointed out in a recent op-ed for The Hill, "While Trump argues that the steel and aluminum tariffs will produce employment gains in those sectors, he fails to recognize that these will be dwarfed by job losses among steel-consuming industries which account for a vastly greater number of workers."

The tariffs are a bad idea that risk undermining the administration's economic progress. The president should reconsider.