

## Trump on tariffs: Consistent, and consistently wrong

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Recently, a decades-old video of Donald Trump on “Oprah” circulated, in which Trump offered up all the same trade policy views he holds today: Our trading partners are cheating us, bilateral trade deficits are hurting the U.S. economy, U.S. negotiators have done a bad job with trade deals, and higher tariffs would help the U.S. economy.

Politicians often get criticized for flip-flopping, as they change their policy positions over time in an attempt to please voters or interest groups. On tariffs, Donald Trump has not flipped or flopped at all. As president, he is implementing the exact same policies he has talked about for years. Unfortunately, they are bad policies, based on a misreading of history and a misunderstanding of economics.

Trump may be looking at U.S. tariff history in the following way. In the 1800s, the United States had relatively high tariffs. Also in the 1800s, the United States experienced strong economic growth and industrialization. Therefore, tariffs always lead to a good economy.

The reality is that economic cause and effect is much more complicated. The telegraph also played a big role in the 1800s, but bringing back the telegraph today would not be a boon to the economy. In the 1800s, governments used tariffs as a primary source of revenue. Administratively, it was easiest to collect taxes on products as they entered a country, so for most countries tariffs were a main source of government funding. However, over the years governments found other alternatives, and tariffs as revenue became less important.

Tariffs were also used to protect domestic industries. In this way, they were the original “swamp” policy. The Constitution gives Congress power of tariffs, and during this period companies that wanted protection from foreign competition would go to their member of Congress and ask them to push for tariffs on the products of their competitors. An individual tariff could cause harm to consumers in other districts, but all those seeking protection would join forces: All the members looking for protection would support each other’s tariff requests, so that they could all deliver for the interest groups they represented.

Of course, other groups were hurt by this: U.S. consumers, who paid higher prices; and U.S. exporters, who were hit with retaliatory tariffs imposed by our trading partners. But this kind of “log-rolling” was able to generate the majority needed for Congress to pass high tariffs.

This approach culminated in the infamous Smoot-Hawley tariffs just after the start of the Great Depression. That disaster led Congress to delegate some of its power over trade to the president, so as to avoid constantly caving in to special interests.

Giving the president more power over trade was successful for a while. However, there was a flaw: It only worked if the president supported trade liberalization. Most presidents did, at least to some degree, but now we have a president who genuinely believes it is good policy to give special interests what they want. Steel and aluminum producers get protection from competition; and farmers get subsidies to make up for the harms they suffer in the tariff war. All the while, consumers and taxpayers pay the price.

Many people — inside and outside the administration — have explained to Trump why he is wrong about tariffs and trade, but he does not want to hear about it. And for now, the economy and the stock market are doing well, with the impact of tax and spending policy dwarfing the harms caused by the trade wars. Ultimately, only an economic downturn might be enough to convince Trump to abandon his love of tariffs.

The silver lining to all of this is a better understanding of how tariffs work. For decades, there was a consensus that free trade was good, but people had forgotten why. But now we have testimony from farmers who are suffering from the retaliatory tariffs imposed by Mexico, Canada, the EU, China and others; manufacturers facing higher steel prices due to the Trump administration's steel tariffs; and lower- and middle-class consumers who will soon notice price rises in their basic necessities as the administration's tariffs on Chinese products increase.

Trump's tariffs are the most aggressive tariff policy since Smoot-Hawley. Just as Smoot-Hawley led to a long-term shift towards trade liberalization, the lessons of Trump's trade policy could provide a similar impetus towards open trade. Trump may never learn this lesson, but his trade legacy may be teaching everyone what not to do.

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