



Protectionism won't make America great

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The Office of the United States Trade Representative (USTR) sent a report to Congress this summer detailing the Trump administration's trade enforcement priorities. Heading the list is "aggressive defense of U.S. trade remedies laws." This means actively seeking to restrict imports.

The report proclaims that "enforcement actions undertaken by USTR will be designed to increase our economic growth, promote job creation in the United States, . . . [and] strengthen our manufacturing base."

That statement flies in the face of economic reality.

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Economists from both the left and the right of the political spectrum have agreed for decades that a country always will lower its own economic welfare whenever it imposes import restrictions. This means the nation's overall level of prosperity and living standards will fall, not rise.

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USTR argues that trade remedy laws "have been a critical aspect of the bargain between the U.S. government and American workers, farmers, ranchers, and businesses (large and small) that has long supported this country's free and fair trade system." It's not clear that there ever was such a bargain. USTR is expressing a common fallacy – that combative use of such measures will help to build support among U.S. citizens on behalf of free trade.

Public support for free trade has dwindled as the United States has imposed more and more import restrictions. Protectionism begets more protectionism, not more trade liberalization.

Over 400 trade-remedy restrictions now are in place on a wide range of products from more than 40 countries. It is a weak argument, indeed, to suggest that imposing a few more tariffs will make Americans more confident of their ability to succeed and prosper in an open global marketplace.

The Trump administration's rationale for pursuing enforcement of trade restrictions is that some imports are sold at prices the Department of Commerce (DOC) has determined to be unfairly low. The law allows the government to step in and place duties on those imports so they can only be sold at prices the government deems to be fair.

As might be imagined, the government isn't very good at achieving fairness in the marketplace. It doesn't even try to balance the interests of producers and consumers. This law considers only the producers' interests – consumers are left to fend for themselves. This may not seem like such a big deal, if it just means the price of imported tomatoes goes up a few cents per pound. Consumers either will choose to pay the price, or perhaps will buy cucumbers instead.

But what if the restricted product is hot-rolled steel, and the buyer paying the artificially high price is a manufacturer of washing machines struggling to compete with imported washers? U.S. steel prices already are well above those in other major countries. How can U.S. factories succeed in the marketplace against foreign firms that have access to world-price steel?

Since half of America's imports are used as inputs by manufacturers, it isn't surprising that many companies see these duties as being quite unfair and burdensome. It certainly can be hard to run a competitive manufacturing business when U.S. policies are giving an advantage to foreign companies.

Rather than pursuing protectionism, the government should develop a better set of trade priorities. Here are some suggestions:

First, help to increase public understanding of trade economics. For example, USTR could explain counterintuitive concepts, including the idea that even unfairly priced imports are beneficial to the U.S. economy. Consumers are helped more by imports than producers are hurt. The implication for trade policy is obvious: The United States would be better off if it simply ended all of its trade restrictions unilaterally.

Second, give higher priority to adjustment assistance. Companies and workers dealing with overseas competition can be eligible for transitional assistance to overcome import challenges. The administration should consider upgrading assistance for firms to encourage them to increase their competitiveness through restructuring or adopting best practices. Since no government can bring factory jobs back to every town, workers should be empowered to find new employment through a combination of education, retraining, and relocation assistance.

Third, reform U.S. trade remedy laws. These statutes are severely flawed. They should be changed so that import restrictions only could be imposed after there has been a finding that doing so will increase economic welfare. It makes no sense to implement policies that make the American economy weaker.

Fourth, have more faith in open and competitive markets. They provide greater opportunities for people to earn good livings, to invest, and to pursue their dreams. Capitalism spurs economic growth; government protection for favored industries slows it down. Instead of imposing new import restrictions, the Trump administration should strive to expand economic freedom for all Americans.

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