

Trump Forgets That Protectionism Always Harms the 'Protected'

Allan Golombek

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During his blow-up after the G7 summit, Donald Trump made it clear he is increasingly obsessed with the Canadian system of supply management for dairy and poultry. Canada's agricultural policies do indeed undermine trade – but to an even greater degree, they undermine the Canadian economy. No more so, however, than U.S. sugar protectionism undermines the U.S. economy. If Trump studied the issue, he might understand that it is protectionist interests (such as the U.S. sugar lobby) that are actually robbing Americans, just as Canada's dairy and poultry industries rob Canadians.

Crony capitalism has favored a few growers at the expense of hundreds of millions of consumers and thousands of intermediate producers. For example, the U.S. program to control the production and importation of sugar for the favored sugar cane and sugar beet growers have driven up the price of sugar in the United States to twice the average world price, prompting many candy and cookie makers to shift operations to other countries where sugar is cheaper – such as Montanez's decision to shift production of Oreo cookies from Chicago to Mexico, and Kraft's decision to move production of Life Savers from Michigan to western Canada. About 140,000 jobs have been lost at sugar-consuming companies since 1997, according to the U.S. Census Bureau. (Ironically, that's about as many jobs as are provided by the entire U.S. steel industry, which is somehow deemed entitled to protection.) The Commerce Department has estimated that for every job saved by high sugar prices, about three American jobs are lost.

U.S sugar protectionism also hits American consumers at the check-out counter. High sugar prices cost American consumers and businesses up to \$3.5 billion a year, a form of government-mandated price fixing. And keep in mind: Every extra dollar that is wrung from consumers because of the artificially-inflated cost of sugar is one less dollar they could otherwise use to spend on other products – many of which probably create more domestic jobs.

This largesse has made the federal government “in essence, the leader of a nationwide sugar cartel,” in the words of Colin Grabow of the Cato Institute. If the sugar controls weren't mandated by Washington, it would probably be deemed an illegal monopoly.

This largesse may taste sweet to the approximately 18,000 growers who are favored by sugar protectionism. But it leaves a sour taste in the mouths of the roughly 600,000 Americans

employed in direct manufacturing in sugar-using industries and the roughly 330 million Americans who consume sugar.

Similarly, the biggest cost for supply management policies favoring Canada's dairy and poultry industries is paid by Canadian consumers. By limiting dairy and poultry imports and setting fixed prices, Canada's supply management system ensures a floor price for farmers – and adds to the weekly food bills of consumers. These rents hit consumers where it hurts most. An especially steep price is paid by low-income Canadians, especially single parents, who spend a disproportionate share of their income on food. Basically, supply management benefits a few thousand Canadian farmers at the expense of 34 million Canadian consumers.

It's easy to understand why American dairy farmers are upset by these Canadian policies. But U.S. producers could have gotten a foot in the door of the Canadian dairy market – if it wasn't for the Trump Administration's decision to exit the trade Trans-Pacific Partnership. Under the TPP, Canada would be obligated to take in a minimum amount of dairy imports. This is a clear example of how the best antidote to protectionism is free trade, not more protectionism.

There is more than a kernel of truth to the argument that Canadian supply management unfairly hurts U.S. farmers – as well as Canadian consumers. But the same is certainly true of U.S. sugar policies, and its impact on American consumers. If Trump wants to live in a protectionist glass house, he shouldn't try to throw stones to the north – or in any direction.

Allan Golombek is a Senior Director at the White House Writers Group.