Tariffs are Bad   
Opposition Brief by Naomi Mathew



Some cases may use tariffs as an example of successful fair trade, but most economists agree that tariffs bring disastrous results.

In NCFCA Lincoln-Douglas Release #7: “Prosperity” (AFF) (9/17/2018) by Shaylea Sawyers, the argument is raised:

Stephen Moore, distinguished visiting fellow at the Heritage Foundation, points out…

our global competitors generally charge tariffs that are two to three times higher than our own. They are taxing American goods and services out of the market.[[1]](#footnote-1)

This imbalance prevents Americans from prospering, so the President leveled the playing field. According to Forbes Magazine, Trump imposed a 25% tariff on steel that successfully protected U.S. Production.

AK Steel CEO Roger Newport praised Trump’s decision, saying he fully supports “the actions he plans to take to stem the tide of unfairly traded steel imports that threaten the national security of our country.”

Newport wasn’t alone. Drew Wilcox, vice president of steel giant Nucor, called the tariffs “a clear message to foreign competitors that dumping steel products into our market will no longer be tolerated.”[[2]](#footnote-2)

Shaylea uses tariffs to argue that fair trade is needed. This opposition brief disputes this argument, specifically the argument that tariffs are beneficial. There are several cards explaining why tariffs are harmful economic policy. In addition, this brief includes specific evidence against the recent steel tariffs implemented by the Trump administration.

The tags used in this brief include:

1. Tariffs are taxes, and they hurt consumers
2. Tariffs harm families because they increase the cost of goods
3. Tariffs prevent competition and innovation
4. Tariffs are inefficient, because the costs outweigh the benefits
5. Tariffs encourage other countries to retaliate
6. Economists agree: tariffs make countries poorer
7. 100% of surveyed economists agree: tariffs are harmful
8. A/T “The US has a trade deficit”
9. Tariffs won’t reduce the trade deficit
10. New Zealand got rich by getting rid of tariffs
11. Tariffs helped start the great depression
12. Steel tariffs will cost 18 jobs for every 1 gained
13. Past steel tariffs have destroyed more jobs than they saved
14. Trump’s tariffs are estimated to cost each household $2,400 dollars
15. Even anti free trade economists agree that Trump’s steel tariffs are harmful

Tariffs Are Bad

Tariffs are taxes, and they hurt consumers

John Kirstof “Tariffs Hurt Trump's Supporters Especially.” The Foundation for Economic Education, May 25, 2018. <https://fee.org/articles/tariffs-hurt-trumps-supporters-especially/>

Tariffs are often [called](https://www.heritage.org/trade/commentary/how-tariffs-and-regressive-trade-policies-hurt-the-poor) “taxes by another name.” By placing a tariff on steel imports, the American manufacturers who [rely on steel](https://www.oecd.org/sti/ind/45145459.pdf) [imports](https://www.trade.gov/steel/countries/pdfs/2015/imports-us.pdf) are [forced](https://www.reuters.com/article/usa-trade-companies/automakers-among-sectors-reeling-over-u-s-steel-aluminum-tariffs-idUSL2N1QJ2K5) to charge higher prices to keep turning profits, naturally weakening demand. Fewer customers are bad for business, so many steel-using manufacturers will likely buy from the initially more expensive American steel industry.

Tariffs harm families because they increase the cost of goods

Wayne Winegarden. “Tariffs Are A Clear and Present Danger To The U.S. Economy.” Forbes, June 12, 2018. <https://www.forbes.com/sites/waynewinegarden/2018/06/12/tariffs-are-a-clear-and-present-danger-to-the-u-s-economy/#3a38fdff4472>

Tariffs harm families by raising the costs for all types of goods and services. As a result, families will have to spend more of their hard-earned money on the now higher priced goods, such as automobiles and food, and will have less disposable income to spend on other priorities.

Tariffs prevent competition and innovation

John Cochrane. “Trump’s Tariffs Will Hurt Trade, and Trade Is a Good Thing — Really.” The CATO Institute, March 6, 2018. <https://www.cato.org/publications/commentary/trumps-tariffs-will-hurt-trade-trade-good-thing-really>

So, trade is good. And tariffs? Tariffs are not good. Tariffs on steel hurt businesses that use steel, especially those that compete with imported products made of steel. Tariffs hurt consumers, who pay more for steel-using products. But perhaps the greatest damage is to the steel industry itself. Tariffs, like all protection, shield the industry from competition. And industries shielded from competition do not innovate, do not cut costs, do not make better products. Only when the Big Three faced import competition did they start to make better cars, and cut costs.

Tariffs are inefficient, because the costs outweigh the benefits

William Hauk. “What Happened Last Time the U.S. Imposed Steel Tariffs?” The Pacific Standard, March 9, 2018. <https://psmag.com/economics/bushwacking-the-steel-industry>

The general economic view of trade protection says that tariffs transfer money from a good's consumers to its producers. Let's say a country slaps a 20 percent tariff on imports of beef. The country's beef producers will be much better off because now imported meat is as much as 20 percent more expensive, meaning domestic companies will be able to sell more rib-eyes and raise their prices. That's bad news for restaurants and fans of steaks and hamburgers, who will pay those higher prices. This transfer is usually economically inefficient because the benefits that domestic producers receive from a tariff will generally be less than the costs to domestic consumers.

Tariffs encourage other countries to retaliate

Robert Higgs. “No, This Won't Be a "Trade War to End All Trade Wars." The Foundation for Economic Education, August 1, 2018. <https://fee.org/articles/no-this-wont-be-a-trade-war-to-end-all-trade-wars/>

First, and surely obviously, U.S. tariff increases will not induce other governments to lower their own, but to raise them, as the EU, China, Mexico, Canada, and other trading partners have already demonstrated. That’s why it’s called a trade war—because the “enemy” shoots back. History has shown repeatedly, most notably in the early 1930s, in the wake of the [Smoot-Hawley Tariff Act of 1930](https://fee.org/articles/the-catastrophic-results-of-the-smoot-hawley-tariff-of-1929-30/), that such trade wars only spiral downward, choking off more and more trade, despoiling the international division of labor in accordance with comparative advantage, and thereby diminishing real income in all the trading countries.

Economists agree: tariffs make countries poorer

Bryan Riley. “Tariff Reform Needed to Boost the U.S. Economy.” The Heritage Foundation, April 29, 2013. <https://www.heritage.org/trade/report/tariff-reform-needed-boost-the-us-economy>

While it is healthy to discuss ways to maximize the benefits provided by miscellaneous tariff bills, the United States would see the most economic benefit from across-the-board tariff reform. Cutting taxes on imports, known as tariffs, should not be a controversial issue. There are two facts about tariffs that are nearly universally acknowledged by economists: 1. Tariffs make Americans poorer by transferring dollars from the country’s most competitive industries to the industries that have the best political connections. 2. Countries with low tariffs, such as New Zealand and Singapore, are more prosperous than countries with high, protective tariffs, such as India and Venezuela. The latest rankings of trade freedom around the world, developed by The Heritage Foundation and The Wall Street Journal in the 2013 Index of Economic Freedom, demonstrate how citizens of countries that embrace free trade have higher average incomes than citizens of countries that do not.

100% of surveyed economists agree: tariffs are harmful

Mark Perry. “40 top economists unanimously agree: Steel and aluminum tariffs will not make America great.” The American Enterprise Institute, March 16, 2018. <http://www.aei.org/publication/top-economic-experts-unanimously-agree-steel-and-aluminum-tariffs-will-not-make-america-great/>

A panel of 40 economists at some of America’s top universities (MIT, Harvard, Yale, Chicago, Princeton, Stanford and UC-Berkeley) were asked in a survey conducted by the Initiative on Global Markets (Chicago Booth School of Business) if they agree or disagree that the statement “imposing new US tariffs on steel and aluminum will improve Americans’ welfare.” When their answers were weighted by each economist’s confidence in his or her answer, 76% of the experts strongly disagreed and 24% disagreed, and none agreed or were uncertain! As I’ve mentioned several times recently on CD recently (here and here) the math of protectionism is pretty simple, and pretty ugly, in terms of its predictable negative effects on the economy. 100% of some of the top economists in the country agree.

A/T “The US has a trade deficit”

Wayne Winegarden. “Tariffs Are A Clear and Present Danger To The U.S. Economy.” Forbes, June 12, 2018. <https://www.forbes.com/sites/waynewinegarden/2018/06/12/tariffs-are-a-clear-and-present-danger-to-the-u-s-economy/#3a38fdff4472>

After all, when was the last time people worried about trade deficits between the 50 states? Undoubtedly, Iowa sells more agricultural goods to New York than New York sells to Iowa. And, New York probably sells more financial services to Iowa than Iowa sells to New York. Yet no one worries about these trade flows. Perhaps Iowa has a trade deficit with New York; perhaps it is the other way around. Who cares? Yet, when the discussion turns from trade flows between individual states to trade flows between countries, all sorts of nonsensical theories arise. For instance, anti-trade factions falsely blame global trade on job losses in the U.S.; or, they claim that the U.S. trade deficit is a sign that we are not benefiting from global trade. There is simply no merit to these theories. Tariffs have never, on net, saved jobs in any country that has imposed them. Similarly, eliminating the U.S. trade deficit, per se, will not create any net benefits to the U.S. economy.

Tariffs won’t reduce the trade deficit

Patti Domm. “Trade conflicts and tariffs won’t hurt US economy, but they do have a dark side.” CNBC, June 5, 2018. <https://www.cnbc.com/2018/06/04/trade-conflicts-and-tariffs-wont-hurt-u-s-economy-but-they-do-have-a-dark-side.html>

Bank of America Merrill Lynch economists, in a note this week, said the current “protectionist push” is similar to trade battles in the 1980s, which they said were costly and provided little benefit to the industries that were being protected. They said industries that were supposed to be helped by protections typically see little benefit after they end. “Trade protection measures won’t necessarily lead to a reduction in the trade deficit. This is partially because rising prices offset the decrease in quantities and partly because trade patterns adjust to avoid the trade barriers,” the economists wrote. They said, ”[I]n all cases American consumers were the biggest losers due to higher prices.” In 1984, they noted that consumers paid an additional $53 billion due to import restrictions.

New Zealand got rich by getting rid of tariffs

Patrick Tyrell. “Tariffs Were Killing New Zealand’s Economy. Free Trade Turned It Around.” The Foundation for Economic Education, March 22, 2018. <https://fee.org/articles/tariffs-were-killing-new-zealand-s-economy-free-trade-turned-it-around/>

In the mid-1980s, New Zealand was facing an economic crisis, with its domestic market and international trade both heavily regulated. Unemployment had reached [11 percent](https://www.wto.org/english/tratop_e/tpr_e/tp043_e.htm), and inflation was a sky-high [15 percent](https://www.wto.org/english/tratop_e/tpr_e/tp043_e.htm). In response, the government of New Zealand began implementing revolutionary economic reforms, most significantly related to trade policy. It announced in 1987 a program that would reduce the tax on imports to under 20 percent by the year 1992. By 1996, that tax was reduced further to under 10 percent, and by the end of 1999, about [95 percent](https://teara.govt.nz/en/customs-and-tariffs/page-4#1) of New Zealand’s tariffs were set at zero. Successive New Zealand governments, whether conservative or liberal, have maintained the strong commitment to free trade. As the following chart illustrates, [New Zealand's adoption](https://www.heritage.org/index/country/newzealand) of less restrictive trade policies has corresponded to its climb up the trade-freedom scale in the [Index of Economic Freedom](https://www.heritage.org/index/), and with a huge boost in per capita gross domestic product.

Tariffs helped start the great depression

Kelly Erb. “As Trump Talks Tariffs, Here's What You Need To Know.” Forbes, March 1, 2018. <https://www.forbes.com/sites/kellyphillipserb/2018/03/01/as-trump-talks-tariffs-heres-what-you-need-to-know/#1c8366e8195a>

Not gaining anything is one thing, but losing something is quite another. The Tariff Act of 1930, known as the Smoot-Hawley Tariff increased tariffs at unprecedented rates. The bill, signed into law by President Herbert Hoover over the protests of [nearly 1,000 economists](https://www.economist.com/node/12798595), pushed rates up for nearly 900 American duties. The act was meant to protect the U.S. economy and encourage domestic spending. The result, however, was a stake through the heart of global trade: European countries struck back with tariffs of their own. The resulting trade war is considered one of the factors that led to the Great Depression.

Steel tariffs will cost 18 jobs for every 1 gained

Patti Domm. “Trade conflicts and tariffs won’t hurt US economy, but they do have a dark side.” CNBC, June 5, 2018. <https://www.cnbc.com/2018/06/04/trade-conflicts-and-tariffs-wont-hurt-u-s-economy-but-they-do-have-a-dark-side.html>

While protections on steel and aluminum would ideally increase employment in those industries, Trade Partnership Worldwide estimates instead that more jobs would be lost. In late March, the group estimated that the metals tariffs, not including Canada and Mexico, could result in a net loss of 470,000 jobs after a year or two. At the time, they said 18 jobs would be lost for every one job gained, and more than two-thirds of the lost jobs would be in production and low-skilled areas. They estimated 26,346 jobs would be added to the metals sector in the U.S., mainly in aluminum, but they estimated a loss of 495,136 jobs through the rest of the economy.

Past steel tariffs have destroyed more jobs than they saved

John Kirstof “Tariffs Hurt Trump's Supporters Especially.” The Foundation for Economic Education, May 25, 2018. <https://fee.org/articles/tariffs-hurt-trumps-supporters-especially/>

Steel tariffs have hurt steel-using American manufacturing workers before. [One study](http://www.tradepartnership.com/pdf_files/2002jobstudy.pdf) from Trade Partnership, an economic consulting firm, found that President Bush’s steel tariffs in 2002 were responsible for 200,000 manufacturing layoffs––more than the number of people working in the steel industry altogether.

Trump’s tariffs are estimated to cost each household $2,400 dollars

Stephanie Dhue. “Tariffs could cost American households $2,400 each in 2019, a new study warns.” CNBC, November 29, 2018. <https://www.cnbc.com/2018/11/26/tariffs-could-cost-american-households-2400-each-in-2019-study.html>

Tariffs stemming from President [Donald Trump](https://www.cnbc.com/donald-trump/)’s trade conflicts could cost Americans $915 each, or $2,400 per household, in the form of higher prices, lower wages and lower investment returns in 2019, according to a new study. If the tariffs stay in place, the study says, the losses would add up to $17,300 per household by 2030.

Even anti free trade economists agree that Trump’s steel tariffs are harmful

Colin Grabow. “Even Protectionists Agree That Tariffs Will Make Us Poorer.” The Foundation for Economic Education, March 23, 2018. <https://fee.org/articles/even-protectionists-agree-that-tariffs-will-make-us-poorer/>

A new study [released this week](https://d3n8a8pro7vhmx.cloudfront.net/prosperousamerica/pages/4216/attachments/original/1521555989/180320_study_Ferry_232_tariffs1.pdf?1521555989) by the Coalition for a Prosperous America (CPA), a [protectionist interest group](http://www.prosperousamerica.org/who_we_are), concludes that the tariffs will result in both net employment losses and reduced economic activity. While the CPA highlights the study’s finding that tariffs will lead to 18,859 new jobs in “iron and steel nonferrous metals,” it also concedes that these will be more than offset with losses in other sectors, including over 10,000 jobs in construction and nearly 7,500 in manufacturing, for a net loss of 411 jobs. Additionally, the study finds that the tariffs will leave Americans marginally poorer, predicting a decrease in U.S. GDP of $1.4 billion.

1. Stephen Moore. “This is how Trump can win on trade.” The Hill. June 25, 2018. Accessed July 24, 2018. <http://thehill.com/opinion/white-house/393949-this-is-how-trump-can-win-on-trade> [↑](#footnote-ref-1)
2. Frank Holmes. “Are Trump's Steel And Aluminum Tariffs Good For America?” Forbes. Mar 5, 2018. Accessed July 28, 2018. <https://www.forbes.com/sites/greatspeculations/2018/03/05/are-trumps-steel-and-aluminum-tariffs-good-for-america/#179053931aba> [↑](#footnote-ref-2)