



Are Tariffs Good for America?

On Thursday of last week, President Trump, using power delegated to him by Congress (which many constitutionalists contend is an unconstitutional act in itself — the Constitution nowhere allows Congress to delegate to the president any of its powers to regulate commerce with foreign nations), slapped a tariff on the importation of steel at 25 percent and on the importation of aluminum at 10 percent.

Reaction was immediate. Predictably, the CEO of United States Steel, David Burritt, was ecstatic: “This feels like the beginning of a renaissance for us.” Just as expected, the doctrinaire “free-traders,” for whom protective tariffs are anathema, were incensed. In an article in Mises.org, the late Murray Rothbard was quoted: “The tariff principle is an attack on the market.... It is a goal that, if realized, would spell poverty for all.... It would be a regression from civilization to barbarism.”

So which is it? Are *protective* tariffs, designed to protect American industry from foreign competition, a good thing? For businesses and workers in the protected industries, they would no doubt answer in the affirmative. In the case of U.S. Steel, Trump’s action was a direct boost to 500 employees who will be rehired in the coming weeks. “Our Granite City Works facility and employees, as well as the surrounding community, have suffered too long from the unending waves of unfairly traded steel products that have flooded U.S. markets,” U.S. Steel’s Burritt argued.

Of course, many — for whom “free trade” has become an idol almost more important than just about any other issue — argue that protective tariffs do more damage to the American economy than good. Trump’s top economic advisor, Gary Cohn, even resigned after the president’s announcement. Cohn, a former executive with Goldman Sachs, and a strong opponent of protective tariffs, was jokingly referred to as a “globalist” by Trump.

Tariffs were the main source of revenue for the federal government until the passage of the federal income tax in 1913. Of course, that was before the creation of the modern welfare state and the modern military establishment, so the government’s activities at the time were much more limited, and the tariff was quite adequate to meet its revenue needs.

But there have always been advocates for using the tariff for protection of American industry, as well as revenue, and this has always been accompanied by controversy. The first secretary of the treasury, Alexander Hamilton, believed protective tariffs were necessary, and said so in his famous “Report on Manufactures.” Before the Civil War, Southerners were often indignant at protective tariffs, arguing



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that it constituted a transfer of wealth from the South to the more industrial North, even referring to one such tariff as “the tariff of abominations.” The tension became so great over this issue that a military confrontation between South Carolina and the federal government was only averted after a compromise was reached lowering the protective nature of the tariff over a period of years.

Since the Franklin Roosevelt administration, the reduction of protective tariffs has been the prevailing policy of the U.S. government. In fact, it is almost dogma among the elites, much like the alleged necessity of foreign aid and international agreements and institutions such as NATO and the United Nations. The argument has been that allowing imports without a protective tariff raises the standard of living for Americans, because consumers benefit from less-expensive goods from foreign countries. And as Frank Shostak argued in a Mises article on March 5, “By raising a protection wall to various inefficient domestic industries, Trump’s policies are going to promote inefficiency, thereby undermining the process of real wealth generation.”

While many “free traders” argue that their policy is simply an extension of the concept of free enterprise, multilateral trade deals are government-managed trade, not free market arrangements. As a case in point, ardent free trade advocate President John Kennedy railed against a 1962 price increase by U.S. Steel as “inflationary,” which is not at all what one would expect from a staunch advocate of allowing the free market to determine prices.

Among the most articulate of advocates for protective tariffs is paleo-conservative commentator Pat Buchanan. Responding to the criticism of Trump’s move, Buchanan argued, “The U.S. relied on tariffs to convert from an agricultural economy in 1800 to the mightiest manufacturing power on earth by 1900.” He also offered the example of Germany in the 19th century, which adopted protective tariffs, and “swept past free trade Britain before World War I.”

Moving to more recent history, Buchanan noted that, since President George H.W. Bush, the United States has run \$12 trillion in trade deficits, and in just the first decade of the 21st century “lost 55,000 factories and 6,000,000 manufacturing jobs.” And there is much evidence that the free traders’ arguments that trade deficits are actually a good thing are flawed, as is explained in *The New American’s* article entitled “[So I’m Told Trade Deficits Are Good.](#)”

And, despite the rhetoric of “free trade,” the facts are that other nations voice their opposition to protective tariffs while practicing their own forms of protectionism. Buchanan offers the example that European Union nations impose a value-added tax, or VAT, on imports from America, “while rebating the VAT on exports to the USA.” In short, it “works just like a tariff.”

Today, the EU imposes a 10-percent tariff on U.S. cars, while the United States imposes a much lower 2.5 percent tariff on EU cars.

Yet, the “free traders” will argue something like, “Well, if other countries want to provide us with cheaper stuff, that is still good for the consumer.”

But, this issue is really much more complicated than that. As Buchanan argued, “Production comes before consumption. Who consumes the apple is less important than who owns the orchard. We should depend more upon each other and less upon foreign lands.”

This raises some extremely important questions: Is obtaining consumer items more cheaply more important than our national security and our national sovereignty? Do we really want to be dependent upon other nations, some of which are hostile and some of which might become hostile in the future, for basic items necessary to our ability to provide a national defense — such as the steel industry? Is trade



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with other nations, even when this does boost our material wealth, of greater importance than maintaining our nation's independence?

It would appear that many "free traders" have either answered the above questions in the affirmative, or they have not closely examined the multilateral trade deals with other nations that reduce our nation's sovereignty.

No one is calling for an international "trade war," with every nation throwing up barriers to all imports. But a closer examination of this issue reveals that it is a much more complicated issue than the one-liner opposition to tariffs we usually hear from advocates of unfettered free trade.

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