

# On trade, Trump team shows Ivy League schooling no match for common sense

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Being well-credentialed is not the same as being well-educated. Donald Trump (Wharton), [Wilbur Ross](#) (Harvard) and Peter Navarro (Harvard) are living proof of that assertion when it comes to trade policy. Having been associated with both institutions, I can vehemently state that I had never met a student or faculty member who seriously believed that protectionism is the answer to correcting trade imbalances.

No less than three prominent conservative Republican economists — Larry Kudlow, Arthur Laffer and Stephen Moore — have called out the folly and danger of raising tariffs as a tool for combatting U.S. trade deficits. And their prime example is the case of steel, where 150,000 jobs the administration seeks to protect puts in jeopardy 5 million jobs dependent on steel as inputs in the manufacturing process.

Walk into any Target, Best Buy, Home Depot or car dealership and think about the millions of people whose jobs involve products for which steel is an input: household appliances, cars and trucks, cookware and replacement parts of scores of products we use in our daily lives.

Moreover, the foolishness of instituting tariffs on imported steel — and other products for that matter — is compounded by two other key factors. One is the certainty that those countries whose exports to the U.S. are subjected to tariffs will retaliate with tariffs on U.S. exports.

This puts at risk the over \$1 trillion in manufactured exports from the U.S., including transportation equipment, chemicals, computers, machinery, electronic products and medical devices.

Losing price competitiveness in markets of our trading partners means they will turn elsewhere for their sourcing. This will result in lost sales, a drop in market share, a decline in profitability and dismissal of U.S. workers employed by these export-oriented manufacturers.

The second factor is the indirect impacts of “spillover” effects for both consumer and industrial products. Whether machinery, autos (we export vehicles to Canada, China, Mexico and Germany, for example) or cookware, there are hundreds of thousands of workers in the services sector whose jobs are at risk.

These include accounts payable/receivable, transportation (air, sea, truck), advertising and digital media, customer service, warranties and repairs and other areas that support the sale of a manufactured product.



To be clear, this is not a purely Republican versus Democrat issue. Nearly 10 years ago, the Obama administration provided aid to domestic tire producers for a three-year period due to increased competition from China.

Rather than unfair competition, Chinese inroads into the U.S. tire market were due to increased productivity which reduced employment in both the Chinese and U.S. tire industries.

The subsequent tariffs imposed by the U.S. resulted in consumers spending over \$1 billion more on tires than they otherwise would have and led to China imposing huge tariffs on U.S. poultry exports, costing \$1 billion in fewer export sales by American producers.

Admittedly, [President Trump](#) has broad authority to impose tariffs under Section 122 of the Trade Act of 1974. This means across-the-board tariffs on all imported products that may have an "adverse impact on national security." Lost jobs could be such an impact.

There is one stipulation, however. The tariff can only be up to 15 percent on all goods, and it's only good for 150 days unless extended by Congress.

There is no better example of the flawed thinking and disastrous consequences of raising tariffs than the Smoot-Hawley Tariff Act of 1930. Although over 1,000 members of the American Economic Association signed a statement vigorously opposing the act, Congress ignored their pleas and passed the legislation.

The act raised U.S. tariffs on over 20,000 imported goods at the height of the Great Depression in which real national income fell by over one-third, one-in-four Americans became unemployed and over 40 percent of banks shuttered their doors.

An Ivy League degree is no substitute for common sense and verifiable economic facts. The president is dead wrong in stating that “trade wars are good.” On the contrary, they are the worst kind of conflict because there are no winners — everyone loses.

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