

Suddenly, during the Trump administration, tariffs became a hot-potato topic. So what's that all about?

Well, first, just what are tariffs? Tariffs are a tax put on specific products by a national government. In American history, tariffs played a very large role in funding the Federal government for well over a century—tariffs were a key core to raising revenues for the government in Washington DC to operate.

What changed? Well, the Federal income tax was ratified in 1913 as the 16<sup>th</sup> Amendment to the U.S. Constitution—and that opened the floodgates for raising a lot of revenue apart from tariffs. So the importance of tariffs diminished during the unfolding of the 20<sup>th</sup> century. But tariffs are not just a revenue-raiser...tariffs can become the way that politics are played, for better or for worse.

First, let's talk about the better side, the truly essential side of politics—national security. Of course, a Federal Government's primary duty is the security of the nation.

For decades, steel has been a vital element in the foundation for any large nation's strong defense—needed for the most vital large equipment. In the late 1970s and early 1980s, America became concerned that steel companies in Japan and in European countries were selling steel below their costs of actually making that steel—in effect, Japan and key European nations were believed to be subsidizing their steel industries—not simply just pumping out steel more efficiently than Americans. Those perceived subsidies and the selling of steel below cost is called “dumping.”

The concern to the United States, of course, always should be whether the U.S. steel industry could or would be critically weakened in its ability to meet its needs when the country might find itself on war footing. Having dependency on foreign steel at a time like that, especially to the extent of allowing vital elements of a war effort to need to be shipped across oceans and therefore vulnerable to shipping-lane losses by military foes—well, that is simply not an option in the most basic planning for possible war.

The deep irony of this whole story is that, after World War II, the U.S. had worked diligently for some time significantly helping rebuild the economies of its defeated World War II enemies, Germany and Japan! Those amazing, virtually unprecedented, and very costly rebuilding actions taken by the U.S. through programs such as the Marshall Plan—that is, truly helping their just-defeated enemies, Japan and Germany—had, over thirty years or so, fostered and actually help create the very problem U.S. officials felt they might be confronted with: a potentially crippling erosion of the American steel industry that could compromise the defense of the United States.

The truth is, tariffs on foreign goods that help protect those few industries truly vital to national defense and security can and should be of prime concern and focus of a nation's leaders.

Now, U.S. President Donald Trump has focused a lot on trade relations with mainland China. Beijing's current policies and practices appear to be problematic for the U.S.—especially in the digital technology era. Digital-era issues are far more complex and intricate than steel production capacity—the sharing, access, or stealing of the latest digital capabilities and intellectual property elements vital to a nation's defense must be the concern of the leaders of every nation. Whether tariffs are exactly the best approach to be a part of the solution to the national security puzzle or not, they certainly should be considered a very possible key element.

Now, let's move from the "better" side of tariff politics and talk about the "worse" side—that is, simply favoring some constituents over others for political gain. Have you heard of the "chicken tax"...? Yes, you heard that right—the chicken tax! Well, in the 1960s, France and West Germany placed a tariff-tax on imports of American chicken. The very powerful Arkansas Senator J. William Fulbright strongly objected because there were so many chicken producers in Arkansas. U.S. President Lyndon Johnson responded in 1964 with American tariffs on potato starch, brandy, and light trucks. Those tariffs were later lifted—except for the tariffs on light trucks—and that was a tariff of 25 percent. 25 percent of the truck price!

Of course, President Johnson had an agenda—he wanted the support of auto union leader Walter Reuther to help the President's other political agendas, so Johnson installed and kept the light-truck tariff. So, light trucks manufactured in Europe have a 25% tariff-tax history, even into our current era. This, of course, was all designed to help the U.S. auto manufacturers like General Motors and Ford Motor Company and all their workers.

A new irony here. Ford, obviously an intended beneficiary of the policy over the many years since President Johnson signed the tariff into law, has a recent history of making Ford vehicles in the country of Turkey that qualify as "passenger vans"...not "light trucks." The strategy? Take Ford vans off the ship arriving in America and remove and shred those parts of the passenger vans to then functionally make the vehicles what...? Light trucks! But since the vehicles arrive in customs under the "van" category, Ford's savings total over 20% in tariffs. This type of activity by Ford is known as "tariff engineering." The U.S. Government and Ford's dispute over this practice is legendary. Tellingly, tariffs are common enough in changing the behavior of companies like Ford that the term "tariff engineering" was coined! Of course, the American jobs "saved" in this recent scenario were ones destroying the just-completed work of the workers in Europe who actually built the passenger vans. But Ford's actions are simply a rational response to current markets and tariffs that make no sense...and never did.

That brings us to the current debates about tariffs. After national security concerns are handled, tariffs are really about what is called "protectionism"—that is, protecting certain industries or companies from international competition. In contrast, "free trade"—like NAFTA, the North American Free Trade Agreement—generally allows free choices by the participants in the marketplace—consumers and producers—to decide where to put their respective resources.

Federal governments use tariffs to pick winners and losers: the winner is the industry or company being protected. And the losers are, first, the producers being tariff-taxed, and, second, all those consumers who must pay uncompetitive, higher prices for products protected by the government. Many tariffs are pure constituent politics—a federal government overriding free choice in the marketplace, deciding who is given the favors controlled by powerful politicians in reallocating everyday household resources. Government really loves to make the choice about just who is deserving of its largesse.

But now, Christians listen up! Christians are commanded to "love your neighbor as yourself." So, beyond national security into Government-favoritism politics, tariffs present a real conundrum: just who is your neighbor? Just who is your neighbor? Is it the producer in the neighboring community who receives favoritism by the federal government regarding competitive pricing pressures? Or...is it the consumers in your community who pay more for goods produced by the government-favored producer? Or...is it the workers in another country who are ready, willing, and able to produce those goods at a much lower price? Government chooses who to love, one over another. So, Christian...which neighbor do you love?

## *A&A: Application & Action*

1. Apart from truly legitimate national-security issues, should elected officials show financial favoritism benefitting one citizen over another via tariff policies? Why or why not?
  
2. Innovators often disrupt the established order via the freedom exercised by individual choice. Should established industries, companies, or workers be protected by the Federal government as these innovators arise and consumers want the choices the innovators offer? Why or why not?
  
3. The next-door producer in an established industry is threatened by a far more price-competitive producer halfway around the world. Just which producer should a Christian support?

Does the answer change if only one of the producers is a Christian? Why or why not?

And, should a Christian favor a producer's financial well-being over a consumer's financial well-being? Or vice versa?