Free trade is natural trade;
given the speculative price of land, all trade restrictions may cost us jobs

by Billy Fitzgerald

"Trade means jobs. Trade means that those people who want to work are more likely to find jobs." The President of the United States, George Bush, made this statement on his tour of Central America in March 2002. It is difficult to reconcile the President's words with his recent actions imposing trade restrictions on imports of steel to the United States.

The two most common forms of trade restrictions are a tariff (a tax on the value of the item imported) and a quota (a limit on the quantity of an item that can be imported).

If trade means jobs, why is the U. S. government restricting trade?

U. S. steel manufacturers say that they are losing business—customers are buying the cheaper imported steel rather than the more expensive American steel. U. S. steel manufacturers claim that foreign governments subsidize steel production. A subsidy means that foreign steel producers' costs are artificially low, and therefore they can sell their steel at a lower price. U. S. steel manufacturers say they cannot compete against these subsidized imports, and hence jobs in the U.S. steel manufacturing are being lost.

American steel producers lobbied Congress for, and received, trade protection from these cheap imports of steel.

Imported steel will be assessed a tariff of up to 30%. This means that the cost of imported steel used in buildings, homes, refrigerators, microwave ovens, cars, aircraft and the like will, all other things being equal, rise by nearly 30%. Prices of goods containing imported steel will rise.

Faced with higher prices, consumers reduce the quantity of goods and services that they purchase. Businesses react to falling demand for their products by scaling back production and cutting costs. Workers are among the first to feel the cost cuts; initially, overtime is eliminated,, then "short-time" working is introduced, and finally there are layoffs.

Trade restrictions reduce the general level of productivity and make the price of land less affordable. This in turn reduces the number of new jobs throughout the community. Trade without restrictions is called free trade. Free trade is the most efficient trade. Free trade means choice. Free trade means lower prices.

Let us look at the steel industry more closely. Various types of steel are required for different purposes, and steel making is a complex and costly process. Certain types of steel can be made cheaply in the United States, while other countries, such as China and Korea, can make other types of steel much more cheaply than the United States.

Why not let the consumer decide by voting with his/her money who should make the steel? If the consumers' needs are best met by foreign made steel, let him/her buy it. If U.S. steel is a better value for a particular purpose, let the consumer buy it.

A rational consumer will keep his/her costs low allowing him/her to buy and enjoy many goods and services for his/her money.

You can be certain that businesses, both foreign and domestic, will monitor the market for steel. If someone sees an opportunity to make a profit, he/she will enter the steel-making business. Equally, if a steel-making company foresees continuing financial losses, that company will leave the steel industry. The natural resources, labor and capital employed by that company might be put to another, and more profitable, use.

Of course if an American steel company's products cannot compete on quality and price in the marketplace, that company will be forced to close resulting in the loss of jobs. Every business in a competitive marketplace faces this problem. Why should steel be a special case?

Businesses like restrictions on trade because reduced competition enables them to charge higher prices than they could change in a free market. So when there was talk of tariffs for steel, others came forward complaining about foreign competition. Florida citrus growers are upset about imports from Latin America. Textile manufacturers are still unhappy about cheap imports from Asia despite an average tariff on textile imports of 17%. Softwood manufacturers complain that Canada subsidizes wood grown there. Movie makers are unhappy that the cost to shoot a movie in Canada has fallen and are looking for trade protection!

Softwood, a vital raw material in the construction industry, will be subjected to a tariff of approximately 29% when it is imported into the United States from Canada. Prices for new homes, offices, factories, and other buildings and renovations will be increased as a result of the tariff.

Why should these taxes called tariffs fall on consumers when they serve only to protect inefficient producers? The author may be reached at billyfitzgerald@yahoo.com.

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