THE WALL STREET JOURNAL.
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DEBATE: TARIFFS AND TRADE

1. Focus Have students find the meaning of each of these words before they begin to read: *attributable, chronic, consumption, deficit, economies of scale, retaliating*, and *specialize*.

Explain to students that they will be conducting a debate on whether the U.S. government should impose tariffs on imported goods. Inform them that they will be responsible for arguing one side of the issue. Remind students that a well-prepared debater supports a position with valid evidence, logical arguments, and responsible appeals to emotion.

2. Instruct The authors have both researched the impact of import tariffs on domestic goods. Have students conduct further research on taxing international trade from credible sources before conducting the debate.

Remind students that they should use the following debate format:
The affirmative side will:
- State the problem to be solved. Why is this problem significant?
- Explain who or what is harmed if the problem is not resolved. Use factual evidence to quantify the harm.
- Propose a plan of action. Explain why it is better than the current system.
- Provide factual evidence to show how this plan will solve the problem.

The opposing side will:
- Refute the arguments of the affirmative side, using factual evidence to quantify and support its position.
- If necessary, support the status quo's ability to solve the problem.

3. Close/Reteach When the debate is concluded, encourage students to discuss their opinions on the issue. Ask them whether they were persuaded by the other side's arguments. Conclude by having students write their own statements supporting or opposing tariffs placed on international goods.

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DEBATING CURRENT ISSUES: *Tariffs and Trade*

Tariffs are taxes on imported goods. Supporters say tariffs protect American jobs, while critics reply that they hurt consumers by making imported products more expensive.

In this debate from *The Wall Street Journal Classroom Edition,* Jock Nash, a lawyer who represents textiles producer Milliken & Co., and Daniel T. Griswold, an associate director of the Center for Trade Policy Studies at the Cato Institute, discuss whether the United States sould set tariffs on imports to protect American industry.

YES *Should industries be protected by tariffs?*

BY JOCK NASH

There is little made in America that cannot be made cheaper and just as well elsewhere. This is made clear by our nation's chronic and growing manufacturing trade deficit—which is running at the rate of $1.4 billion dollars a day. Currently, we are consuming more than we are producing in goods and services, by a margin of a million dollars a minute.

A growing part of this deficit is attributable to U.S.-based companies moving overseas part or all of their production of goods and services destined for consumption in the U.S. market—not in foreign markets, as the companies claim. Obviously, these companies would not be manufacturing offshore if a tariff prevented their products from entering the U.S. market at a profit.

In 2003, U.S. manufacturing employed 16 million people. This was after losing two million manufacturing jobs in 24 months. Most reports indicate that the majority of these newly unemployed workers drop out of the middle class only to join the countless working poor in the service economy. They are not finding new employment at their previous salaries.

The move to put production of goods destined for sale in the U.S. in other countries effectively destroys the ability of many American workers to earn a good living, as they traditionally have, by adding value to a product whose costs and pricing reflect the realities of the U.S. market. Without protection of some kind—like a tariff—U.S. manufacturing workers are forced to compete head-to-head with foreign workers in the same industry who may be earning pennies an hour. This situation applies to every U.S. industrial sector, from advanced technology products to basic industries.

Nations become great by producing, not consuming. Manufacturing, not trade, is the main source of prosperity. Manufacturing is the engine that increases national productivity and creates wealth. It is worth protecting—by a tariff if necessary.

Many factories have closed down as manufacturing jobs have left the United States for countries with cheaper labor. Would higher tariffs help or hurt workers and consumers?

Debate Activity Debating Current Issues folder, p. 23 asks students to determine who is helped and who is hurt by the use of tariffs to protect domestic industries.

Economic Assessment Rubric Economics Assessment Rubrics folder, pp. 14–15 provides sample evaluation materials for participation in debates.

Background

About the Authors

Presenting an argument in favor of tariffs is Jock Nash, a lawyer in Washington, D.C., who represents Milliken & Co., a large producer of textiles based in Spartanburg, S.C. The case against tariffs comes from Daniel T. Griswold, associate director of the Center for Trade Policy Studies at the Cato Institute, a think tank in Washington, D.C.

NO Should industries be protected by tariffs?

By Daniel T. Griswold

An import tariff is a tax, plain and simple. By taxing international trade, tariffs impose higher prices on millions of workers, families, and import-using industries for the benefit of a small number of "protected" domestic producers.

Consider steel and sugar. In 2002, the U.S. government imposed tariffs of as much as 30% on imported steel. But domestic steel producers, to improve their earnings, then raised their prices in line with the now higher-priced imports. As a result, the tariffs kept a few extra U.S. steel mills open by allowing them to raise their prices. However, those higher prices hurt American workers in steel-using industries, such as automobiles, home appliances, and construction. In the same way, restrictions on imported sugar benefit a small number of domestic producers at the expense of candy makers and soft-drink producers. And millions of families suffer because they must pay more for all those products at the store.

Imagine how much poorer your family would be if you had to grow your own food and make all your own clothes, furniture, and appliances. The same truth applies to nations. Trade allows people and countries to specialize in what they do best, exchanging their surplus production for what others can produce most efficiently. Through economies of scale—meaning the more you produce of any given product, the less each item costs to produce—trade reduces the cost of such goods as automobiles, jet airliners, and medicines by spreading the high, up-front costs of research and capital among millions of consumers worldwide. Trade brings new technology to poor countries and protects consumers from domestic monopolies.

It's a myth that manufacturing has declined in the U.S. because of trade. American workers can and do compete successfully with lower-paid foreign workers because better-educated Americans produce so much more per hour of work. Indeed, U.S. factories today produce a greater volume of goods and more sophisticated products than in decades past. Those jobs that have migrated overseas tend to be the lower-paying manufacturing jobs in industries that have been in decline for decades. Protecting such industries with tariffs just keeps wages down by slowing our transition to higher-skilled and better paying jobs.

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U.S. Trade Deficit, 1994–2004

Period	Balance (millions of dollars)	Exports (millions of dollars)	Imports (millions of dollars)
1994	-97,188	702,622	799,811
1995	-95,069	793,725	888,794
1996	-102,869	850,877	953,746
1997	-107,048	933,873	1,040,920
1998	-163,153	932,558	1,095,711
1999	-261,202	957,146	1,219,383
2000	-375,384	1,070,054	1,445,438
2001	-357,819	1,007,580	1,365,399
2002	-418,038	974,107	1,392,145
2003	-495,508	1,020,503	1,517,011
2004	-617,075	1,147,181	1,764,256

Source: U.S. Census Bureau

The trade deficit has widened as more and more manufactured goods sold in the United States are imported from other countries.

DEBATING THE ISSUE

1. What is a manufacturing trade deficit?
2. Both authors focus on the loss of U.S. manufacturing jobs. What impact do you think competition from foreign workers has had on these jobs?
3. **Distinguishing Fact from Opinion** Agree or disagree with Jock Nash's statement: "There is little made in America that cannot be made cheaper and just as well elsewhere." Be sure to support your answer with facts.
4. **Recognizing Consequences** According to Daniel T. Griswold, what happens to consumption when tariffs are placed on imported goods?
5. **Reading Graphs** By how much did U.S. imports increase, in dollars, from 1994 to 2004?

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Differentiated Instruction L3

In 1994, the North American Free Trade Agreement (NAFTA) was ratified. NAFTA established a free trade zone among Mexico, Canada, and the United States for the purpose of eliminating or reducing trade barriers by 2009.

Many other countries have entered into regional trade agreements. In groups, have students select one of the following trade zones and research the pros and cons of eliminating or reducing trade barriers within that zone. Some trade zones to include are NAFTA; APEC, the Asia-Pacific Economic Cooperation; MERCOSUR, the Southern Common Market; and CARICOM, the Caribbean Community and Common Market.

Ask students to prepare a report to the class on the member nations of the chosen trade zone and the impact of trade on their economies. How have trade agreements affected political stability, economic growth, unemployment, business investment, exports, and imports?

Go Online PHSchool.com Students can find additional links related to the debate by visiting the *Economics: Principles in Action* site at **PHSchool.com.**

Interdisciplinary Connections: History

Trade Barriers The Smoot-Hawley Act of 1930 imposed stiff tariffs on a wide variety of goods imported into the United States But when foreign countries sold fewer goods in the United States as a result, their own purchasing power and willingness to buy United States goods were also reduced, which helped fuel a global economic depression. Trade barriers returned most recently in 2002 when the United States government imposed tariffs of as much as 30% on imported steel.

Making the Connection Trade barriers protect industries from foreign competition. Ask students to research the history of other trade barriers and the outcome of imposing these tariffs. Why were these barriers imposed? What happened to prices and jobs as a result of these tariffs? Then have students apply the concepts of voluntary exchange and specialization to determine if trade barriers support economic growth and productivity.

Answers to . . .

1. A deficit indicates that the United States is consuming more than it is producing in goods and service.
2. Many manufacturing jobs have moved overseas because foreign workers will often work for low wages.
3. Answers will vary.
4. Tariffs impose higher prices on millions of workers, families, and import-using industries. Higher prices cause families to consume less of a given product whether it is made in the U.S. or in foreign countries.
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