

Congressman Ron Paul Wednesday, March 13, 2002 Steel Protectionism

Mr. Speaker, I am disheartened by the administration's recent decision to impose a 30 percent tariff on steel imports. This measure will hurt far more Americans than it will help, and it takes a step backwards toward the protectionist thinking that dominated Washington in decades past. Make no mistake about it, these tariffs represent naked protectionism at its worst, a blatant disregard of any remaining free-market principles to gain the short-term favor of certain special interests. These steel tariffs also make it quite clear that the rhetoric about free trade in Washington is abandoned and replaced with talk of "fair trade" when special interests make demands. What most Washington politicians really believe in is government-managed trade, not free trade. True free trade, by definition, takes place only in the absence of government interference of any kind, including tariffs. Government-managed trade means government, rather than competence in the marketplace, determines what industries and companies succeed or fail.

We've all heard about how these tariffs are needed to protect the jobs of American steelworkers, but we never hear about the jobs that will be lost or never created when the cost of steel rises 30 percent. We forget that tariffs are taxes, and that imposing tariffs means raising taxes. Why is the administration raising taxes on American steel consumers? Apparently no one in the administration has read Henry Hazlitt's classic book, *Economics in one Lesson*. Professor Hazlitt's fundamental lesson was simple: We must examine economic policy by considering the *long-term* effects of any proposal on *all* groups. The administration instead chose to focus only on the immediate effects of steel tariffs on one group, the domestic steel industry. In doing so, it chose to ignore basic economics for the sake of political expediency. Now I grant you that this is hardly anything new in this town, but it's important that we see these tariffs as the political favors that they are. This has nothing to do with fairness. The free market is fair; it alone justly rewards the worthiest competitors. Tariffs reward the strongest Washington lobbies.

We should recognize that the cost of these tariffs will not only be borne by American companies that import steel, such as those in the auto industry and building trades. The cost of these import taxes will be borne by nearly all Americans, because steel is widely used in the cars we drive and the buildings in which we live and work. We will all pay, but the cost will be spread out and hidden, so no one complains. The domestic steel industry, however, has complained- and it has the corporate and union power that scares politicians in Washington. So the administration moved to protect domestic steel interests, with an eye toward the upcoming midterm elections.

It moved to help members who represent steel-producing states. We hear a great deal of criticism of special interests and their stranglehold on Washington, but somehow when we prop up an entire industry that has failed to stay competitive, we're "protecting American workers." What we're really doing is taxing all Americans to keep some politically-favored corporations afloat. Sure, some rank and file jobs may also be saved, but at what cost? Do steelworkers really have a right to demand that Americans pay higher taxes to save an industry that should be required to compete on its own?

If we're going to protect the steel industry with tariffs, why not other industries? Does every industry that competes with imported goods have the same claim for protection? We've propped up the auto industry in the past, now we're doing it for steel, so who should be next in line? Virtually every American industry competes with at least some imports.

What happened to the wonderful harmony that the WTO was supposed to bring to global trade? The administration has been roundly criticized since the steel decision was announced last week, especially by our WTO "partners." The European Union is preparing to impose retaliatory sanctions to protect its own steel industry. EU trade commissioner Pascal Lamy has accused the U.S. of setting the stage for a global trade war, and several other steel producing nations such as Japan and Russia also have vowed to fight the tariffs. Even British Prime Minister Tony Blair, who has been tremendously supportive of the President since September 11th, recently stated that the new American steel tariffs were totally unjustified. Wasn't the WTO supposed to prevent all this squabbling? Those of us who opposed U.S. membership in the WTO were scolded as being out of touch, unwilling to see the promise of a new global prosperity. What we're getting instead is increased hostility from our trading partners and threats of economic sanctions from our WTO masters. This is what happens when we let government-managed trade schemes pick winners and losers in the global trading game. The truly deplorable thing about all of this is that the WTO is touted as promoting free trade!

Mr. Speaker, it's always amazing to me that Washington gives so much lip service to free trade while never adhering to true free trade principles. Free trade really means freedom- the freedom to buy and sell goods and services free from government interference. Time and time again, history proves that tariffs don't work. Even some modern Keynesian economists have grudgingly begun to admit that free markets allocate resources better than centralized planning. Yet we cling to the idea that government needs to manage trade, when it really needs to get out of the way and let the marketplace determine the cost of goods. I sincerely hope that the administration's position on steel does not signal a willingness to resort to protectionism whenever special interests make demands in the future.

