The Daily Dish

Steel Silly Season

DOUGLAS HOLTZ-EAKIN | MARCH 18, 2024

You gotta hand it to a presidential election. Nothing produces bipartisan unity on horrific policy like facing the voters, especially when the two candidates have economic visions frozen in the 1950s. The latest example is the proposed Nippon Steel acquisition of U.S. Steel Corporation. Candidate Trump got out of the gate in January, announcing: "I would block it. I think it's a horrible thing, when Japan buys U.S. Steel. I would block it instantaneously." Friday, President Biden matched the sentiment: "'It is important that we maintain strong American steel companies powered by American steel workers,' he said in a statement released by the White House."

The question is, why? The numbers are a yawner. While U.S. Steel is the second largest steel producer (behind Nucor) in the United States, in the global steel market it is an inconsequential 24th largest company. The $14 billion acquisition by Nippon is peanuts by the standards of U.S. capital markets. U.S. Steel employs only 21,000 people – less than the estimation error in a monthly jobs report. Granted, these employees are unionized (cue the president) and located in key swing states such as Ohio (cue both candidates), but if it was named Nickelodeon Steel nobody would give a hoot.

On top of it all, Nippon Steel has pledged to maintain employment levels and honor the labor contracts. There is literally no economic danger produced by the acquisition. There is no genuine national security threat, either, although Mr. Trump has already imposed steel tariffs on the basis of putative national security conditions and President Biden has indicated it would be under review by the secretive Committee on Foreign Investment in the United States. Japan is a reliable ally. Nippon Steel took on this argument, saying in a statement: "Through increased financial investment and the contribution of our advanced technologies to U.S. Steel, Nippon Steel will advance American priorities by driving greater quality and competitiveness for customers in the critical industries that rely on American steel while strengthening American supply chains and economic defenses against China."

So, there you have it. Pointless opposition for the shallowest of reasons, which has only the effect of interfering with economic efficiency and offending U.S. allies.

Buckle up. It is a long way to November.