



The Daily Dish

No Two-Handed Economists Needed

DOUGLAS HOLTZ-EAKIN | MAY 25, 2018

Eakinomics: No Two-Handed Economists Needed

The Trump Administration has [announced](#) a truly harebrained and damaging policy initiative. Specifically, the president tasked the Department of Commerce to investigate the desirability of a 25 percent tariff on imported automobiles — on the grounds that imported autos threaten national security. The proposal is grounded in the same authority that the president used to impose [steel and aluminum tariffs](#) earlier this year. Recall that in that case, the Pentagon released a memo that found no national security threat from steel or aluminum trade. There is no threat from auto trade either. (And what about imported buses? They are even bigger and more threatening!)

This policy is a bad idea because it will damage consumers and hurt growth. Steel and aluminum tariffs raise the price of cars. Tariffs on cars also raise the price of cars and reduce competitive pressures on domestic producers. The upshot is a policy that harms households and innovation. This is a u-turn from the pro-growth regulatory and tax policies that the same administration espouses.

It is a bad idea because it is backward-looking. It seems to envisage a global economy where each country makes cars and then swaps them. But the global car industry has supply chains that stretch across multiple borders. These tariffs would be a costly disruption. Indeed, BMWs are manufactured both in Germany (presumably subject to tariff) and South Carolina (presumably not). Such distortions are the hallmark of bad policy.

It is a bad idea because it harms relations with allies. *The New York Times* [reported](#): “Trade experts said a finding by the administration that imported autos pose a national security threat would most likely prompt legal challenges at the World Trade Organization. The European Union, Japan and other allies are already challenging the Trump administration’s claim that imports of steel and aluminum put American national security at risk. Extending that argument to automobiles would probably be met with even greater skepticism.”

It is a bad idea because it harms relations with Congress. *The Wall Street Journal* [reports](#): “Sen. Orrin Hatch (R., Utah), chairman of the Senate committee that oversees trade, called the Trump administration’s move ‘deeply misguided.’ ‘Taxing cars, trucks and auto parts coming into the country would directly hit American families who need a dependable vehicle, whether they choose a domestic or a global brand,’ said the Finance Committee chairman, a Republican ally of Mr. Trump.”

It is a bad idea because it is an abuse of executive authority, since it really is not about national security. “‘There is no reason to use this provision to consider imposing tariffs on the automobile industry, and this appears to be either an attempt to affect domestic politics ahead of the election or for some other transactional purpose regarding ongoing trade discussions,’ [said](#) Sen. Bob Corker, a Republican of Tennessee.”

It is a bad idea. But it is also amazing. It is pretty hard to find an unambiguously bad idea that relieves one of balancing the merits and demerits.