

INSIGHTS

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"The great American Economist, Henry George, said in his book 'Protection or Free Trade' What protection teaches us is to do to ourselves in time of peace is what enemies seek to do to us in time of war." Mortimer Zuckerman, Editor, U.S. News & World Report

CONFUSION REIGNS ON TARIFF BATTLEFRONT

The tariff question made chaotic by mixed signals flashing from Washington, congressmen crossing party lines, and odd coalitions arising threatens to be a major issue in the 2,000 elections as it has been for two centuries.

Conventional liberals, labor leaders, environmentalists, and consumer groups are in large part opposing barriers to free trade while large sections of big business, afraid of retaliatory attacks by tariff injured nations have come over to the free (or at least freer) trade side.

Federal Reserve Chairman Alan Greenspan has expressed concern that Americans are losing faith in the benefits of free trade and warning that protectionist barriers are "unwise, and surely self-defeating." On the other side, we find that super-activist Ralph Nader's *Public Citizen* rhetorically asks "Were those Mexican strawberries contaminated by heavy metal runoff from U.S. manufacturers, harvested by children paid 25¢ a day and shipped across the border by a U.S. trucking company that pays its Mexican employees \$5 per day?" *Public Citizen* also complains that the World Trade Organization forced the U.S. to abandon its dolphin protection law which bans sale of tuna nets that kill dolphins and Nader's newsletter states that "On the racks of your local department store, most designers shirts and tennis shoes might be the product of sweatshops promoted by global trade policies."

Robert Reich, Clinton's secretary of labor from 1993-1997 noted that support for free trade is dropping fast with a recent poll showing that 58% of Americans believed that foreign trade is "bad for the U.S. economy because cheap imports hurt wages." Only 32% agreed with the statement that trade is "good for the U.S. economy; it creates foreign demand, economic growth and jobs." Reich deplors the fact that not only is Presidential aspirant Pat Buchanan spouting his anti-trade dogma loudly, but President Clinton, frightened by the polls, is cooling off in his support of freer trade. ●●●●●●●●●●

☞ Clinton now says that he will support new trade agreements only if they are linked to stronger guarantees on worker rights.. "We have to build a system that is both free and fair and not just to workers in the United states. Future free trade agreements have to lift everybody up, not pull everybody down."

REICH REBUTS FORMER EMPLOYER

Seemingly refuting the position of his former boss, Reich attacked Clinton's lift-up arguments as follows: "Nice sentiments. But, how do you pull everybody up when millions of people around the world are eager to work for a few dollars a day? Should we demand that every nation's workers be paid at least the equivalent of America's minimum wage, work no more than 40 hours a week (with time-and-a half for overtime) and be as safe at the workplace as Americans? Poorer nations couldn't possibly afford these things. Such requirements would effectively ban most imports and cost American consumers a fortune."

BIG STEEL IMPORT RESTRICTIONS ATTRACT MOST ATTENTION

While current trade squabbles about apples from China and bananas from Africa may affect supermarket prices, the row on hot-rolled steel imports could eventually cost consumers more out of pocket tribute. The International Trade Commission recently voted 6-0 that Japanese hot-rolled steel was sold at an unfairly low price, forcing U.S. companies to close plants and eliminate thousands of jobs. Under this ruling, Kawasaki Steel Corp. will have its shipments slapped with a 67.14% tariff, Nippon Steel will pay duties of 19.65% and NKK Corp. will pay 17.86% more—all duties retroactive to February. ●●●●●☞

☞ Masaki Sato, President of Nippon Steel, USA Inc., a division of Nippon Steel, the world's second largest steelmaker complained: "The decision is unjustified, ill-conceived, and counter-productive. Facing the overwhelming political pressures, the International Trade Commissioners ignored the facts." Saito complained that the decision ignored the fact that Japanese company sold hot-rolled steel to US steelmakers in a substantial amount, that the Japanese steel industry has invested heavily in the U.S. and has joint ventures with U.S. companies across the U.S.

U.S. steel companies complain that the U.S. Commerce Department recently reached voluntary tentative agreements with Brazil and Russia to curb steel exports to the U.S. and escape duties.

About 25% of the steel imports into the U.S. are by large American steelmakers themselves. Wall Street Journal reporter Chris Adams inquired of Bethlehem Steel's Chairman, Curtis Barnett, whether it was hypocritical for the U.S. steel companies to complain about steel imports when they were importing so much of it themselves and got this answer, "Some will say, 'Gosh, its wrong of you to be complaining about imports when you import so much yourself.'" That view really misunderstands the marketplace and the issues. Adams also quotes Weirton Steel's chief executive, Richard Riederer as saying in defense of Weirton's steel imports: "There is a big difference between imports and illegal imports."

Insights may be dense, but the big difference is not clarified to us. ●●●☞

KEY CONGRESSIONAL VOTE ON STEEL QUOTA BILL

On June 22, Congress voted on a steel quota bill, that already had passed the House, which would limit steel imports for three years to a mere 20% of the U.S. market. Commerce Secretary William Daley said that the bill might backfire on U.S. steelmakers if a trade war erupted. He stated, "This quota bill would violate our international trade obligations and give other other countries the right to retaliate." The bill was rejected by the senate in a 57 to 42 vote. Such powerful senators as majority leader Lott, and other conservatives warned against the reciprocal protectionism against American goods. Lott stated, "Free trade has been shown time and time again to benefit American consumers. We should not start down the trail of imposing quotas here and there.

Hundreds of American steelworkers rallied on the capital grounds in support of the bill while farmers pleaded with their senators to vote against it.

Senator John D. Rockefeller IV, a West Virginia Democrat and lead supporter of the bill, announced that its supporters would devise a new strategy for a steel import restriction, possibly by attaching amendments to other legislation.

CENTURY LONG BATTLE OVER STEEL TARIFFS

The battle over tariffs against steel imports has been going on for over a century with the same arguments employed by both sides. The claim of tariff proponents that steel tariffs were responsible for the high wage standards of the industry were somewhat weakened when Andrew Carnegie, a leading proponent of steel tariffs, announced his support for trade restrictions during a period when he reduced the wages of steel workers. During the course of the resulting strike, Carnegie's Pinkerton detectives killed and wounded many strikers.

HENRY GEORGE QUOTED IN TARIFF DEBATES

Passages from *Protection or Free Trade* were quoted at length during the debates on steel tariffs during the 19th century. Congressman Tom Johnson, a Single Tax advocate and a steel magnate himself, caused the entire book to be printed in the *Congressional Record*. • • • • •

George concluded that "though the abolition of protection would increase production, the tendency to unequal distribution would be unaffected and would soon neutralize the gain. . . Protection is a little robber. . . The great robber is so well entrenched, and people have so long been used to his exactions, that it is hard to arouse them to assail him directly. But to help those engaged in a conflict with this little robber will be to open the easiest way to attack his master. . . To secure to all the free use of the power to labor and the full enjoyment of its products, equal rights to land must be secured . . . by resorting for public revenues to economic rent, or ground value." • • •

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