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BACKGROUNDER

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Tariff Reform Needed to Boost the U.S. Economy

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Abstract

Congress routinely makes targeted, short-term tariff cuts through "miscellaneous tariff bills." While conventional wisdom is that unilateral tariff cuts are politically impossible, these bills show that it is possible to reduce tariffs. Proponents of such tariff cuts argue that the cuts support U.S. jobs; critics argue that the economic value of miscellaneous cuts is modest, and that the process is open to abuse. While it is healthy to discuss ways to maximize the benefits provided by miscellaneous tariff bills, the United States would see the most economic benefit from across-the-board tariff reform. The best possible reform would be for the U.S. Congress to eliminate all remaining import tariffs and quotas.

Congress routinely engages in targeted, short-term tariff cuts through "miscellaneous tariff bills." Although conventional wisdom says that unilateral tariff cuts are politically impossible, these bills show that it is possible to reduce tariffs given the right political environment. Proponents of such tariff cuts argue that the cuts support U.S. jobs; critics argue that the economic value of miscellaneous cuts is modest, and that the process is open to abuse because it requires companies that want a tariff cut to ask their legislator to introduce a specific bill on their behalf.

While it is healthy to discuss ways to maximize the benefits provided by miscellaneous tariff bills, the United States would see the most economic benefit from across-the-board tariff reform. Cutting taxes on imports, known as tariffs, should not be a controversial

Key Points

- Congress routinely makes targeted, short-term tariff cuts. While conventional wisdom says that unilateral tariff cuts are politically impossible, these bills show that they are possible given the right political environment.
- Cutting tariffs should not be controversial. There are two facts about tariffs that are nearly universally acknowledged by economists: (1) Tariffs make Americans poorer by transferring dollars from the most competitive industries to the industries that have the best political connections; and (2) countries with low tariffs are more prosperous than countries with high tariffs.
- During the past few years, the United States has seen a dramatic decline in economic freedom. One way the U.S. can reverse this decline is by eliminating its own remaining tariffs.
- Most advocates of free trade have embraced reciprocal trade deals as the only way to build political support for tariff cuts—but there is growing evidence from other countries that unilateral tariff cuts are politically realistic.

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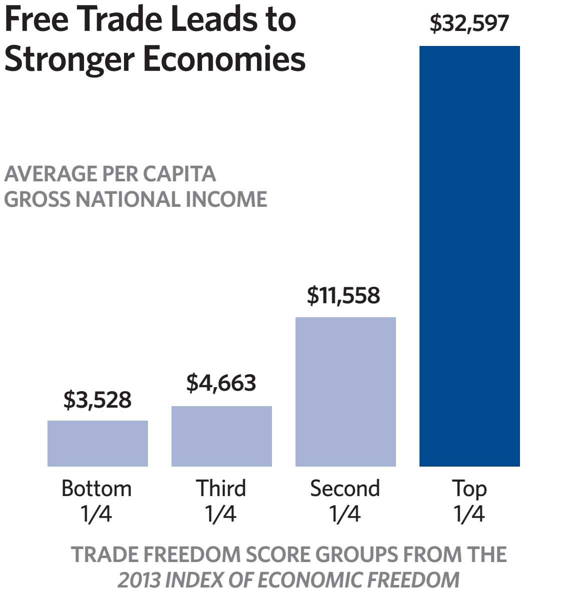
CHART 1

Free Trade Leads to Stronger Economies



Sources: Terry Miller, Kim R. Holmes, and Edwin J. Feulner, *2013 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2013), http://www.heritage.org/index, and The World Bank, "GNI Per Capita, Atlas Method (Current U.S.$)," http://data.worldbank.org/indicator/NY.GNP.PCAP.CD (accessed October 10, 2012). Figures based on 177 countries.

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issue. There are two facts about tariffs that are nearly universally acknowledged by economists:

1. Tariffs make Americans poorer by transferring dollars from the country's most competitive industries to the industries that have the best political connections.

2. Countries with low tariffs, such as New Zealand and Singapore, are more prosperous than countries with high, protective tariffs, such as India and Venezuela. The latest rankings of trade freedom around the world, developed by The Heritage Foundation and *The Wall Street Journal* in the *2013 Index of Economic Freedom*, demonstrate how citizens of countries that embrace free trade have higher average incomes than citizens of countries that do not.[1]

Why Tariff Reform?

U.S. efforts to reduce tariffs started with the Declaration of Independence, which cited England's attempts to cut off U.S. trade with the rest of the world as a major grievance. Eleven years later, the U.S. Constitution was signed, establishing a historic free trade area among all U.S. states.

More recently, the United States led the largest global tax cut in history through creation of the World Trade Organization (WTO) in 1995, and the U.S.–Canada Free Trade Agreement and the North American Free Trade Agreement (NAFTA) spurred new free trade agreements across the globe.

But during the past few years, the United States has seen a dramatic decline in economic freedom. In 2010, for the first time, the United States fell from the ranks of the economically "free" as measured by the *Index of Economic Freedom*.

Trade is a mainstay of the U.S. economy, equaling nearly one-third of U.S. gross domestic product (GDP). More than 57 million Americans are employed by firms that engage in international trade.[2] But America can do better. Thirty-seven economies, including Hong Kong, Switzerland, Canada, and Germany, outperform the United States in trade freedom. Some countries have eliminated tariffs completely.

One way the United States can reverse its decline in economic freedom is by eliminating its own tariffs. Eliminating tariffs would add 3.6 points to the U.S. trade freedom score in the *Index of Economic Freedom*. The United States would jump from 38th place to first place in the trade freedom rankings, and almost certainly move up from its current 10th place in the overall rankings.

An Agenda for Action

To improve trade freedom and ensure U.S. competitiveness, policymakers should eliminate all remaining tariffs and import quotas. The conventional wisdom is that political pressures make it impossible to engage in such unilateral tariff

1. Terry Miller, Kim R. Holmes, and Edwin J. Feulner, *2013 Index of Economic Freedom* (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2013).

2. Diana Furchtgott-Roth, "The Great Debate," Reuters, June 19, 2009, http://blogs.reuters.com/great-debate/2009/06/19/starting-a-trade-war-with/ (accessed April 18, 2013).

cuts. As a result, most advocates of free trade have embraced reciprocal trade deals as the only way to build political support for tariff cuts. However, there is growing evidence from other countries that given leadership, unilateral tariff cuts are politically feasible. In many countries, leaders have emerged to successfully take on protectionist special-interest groups:

- Economist Richard Baldwin lauded unilateral tariff cuts in developing countries beginning in the 1980s as a "pervasive" and "curiously universal phenomenon."[3]
- Economist Pierre-Louis Vezina observed: "Moreover, the two decades of unilateral tariff-cutting in emerging economies accompanied the most successful trade-led development model of the past 50 years, i.e. 'Factory Asia.'"[4]
- A World Bank study concluded that tariffs in developing countries fell by 21 percentage points between 1983 and 2003. Two-thirds of these cuts were unilateral in nature and did not result from trade negotiations.[5]
- Moises Naim, Venezuela's former Minister of Trade and Industry, wrote in *Foreign Policy*: "Indeed, one of the surprises of the past 20 or so years is how much governments have lowered obstacles to trade—unilaterally."[6]

Many countries have cut tariffs unilaterally because they realized it was in their own self-interest to do so**.** Some notable examples include Australia, Chile, China, and New Zealand.

Case Study in Tariff Reform: Australia

The Australian government emphasizes the benefits of tariff cuts in its official trade policy:

> Since competition provides strong incentives for innovation and price restraint, opening up an economy to competition will increase national prosperity over time. Pro-competitive economic reform should be pursued in its own right; it should not be conditional upon other countries reforming their economies. Adopting a bargaining-chip approach of refusing to liberalise at home unless other countries offer trade barrier reductions as a quid pro quo only damages the home country's long-term prosperity. Using domestic reform as a bargaining chip in negotiations is akin to an athlete refusing to get fit for an event unless and until other competitors also agree to get fit.[7]

In the early 1980s, Prime Minister Bob Hawke and Treasurer Paul Keating revitalized the country's stagnant economy by pushing through unilateral tariff cuts. For example, tariffs on manufactured goods fell from 22 percent to less than 5 percent. According to the country's Department of Foreign Affairs and Trade:

> These policies required enormous political courage and the understanding of a visionary trade union movement. But, as an essential part of the overall economic reform program, they helped lay the platform for almost 20 years of sustained economic growth and job creation.[8]

Indeed, Australia's economy, measured by real GDP, grew 57 percent faster in the 10 years after

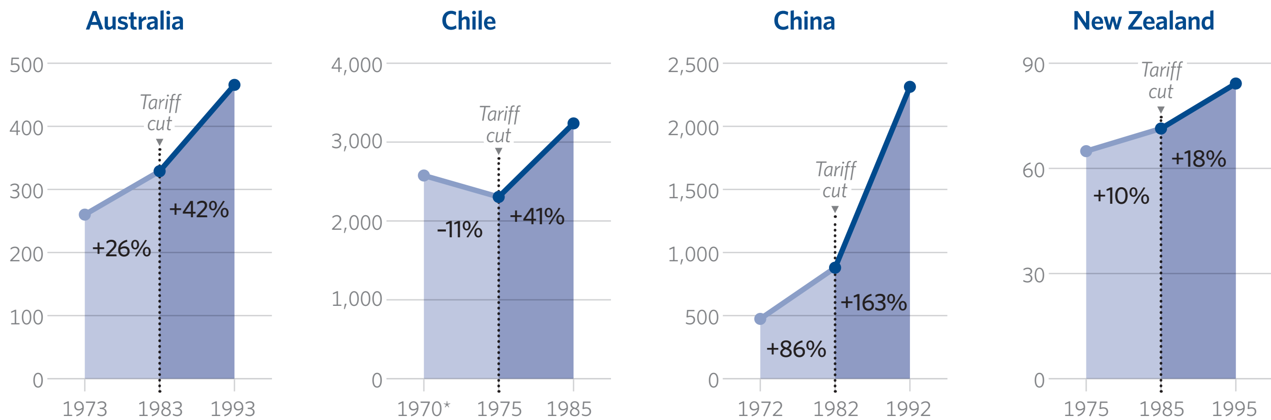
3. Richard Baldwin, "Unilateral Tariff Liberalisation," Centre for Trade and Economic Integration *Working Paper*, April 2011, http://graduateinstitute.ch/webdav/site/ctei/shared/CTEI/working_papers/CTEI-2011-04.pdf (accessed April 18, 2013).
4. Pierre-Louis Vézina, "Race-to-the-Bottom Tariff Cutting," Graduate Institute of International and Development Studies *Working Paper* No. 12/2010, July 2010, http://repec.graduateinstitute.ch/pdfs/Working_papers/HEIDWP12-2010.pdf (accessed April 18, 2013).
5. International Bank for Reconstruction and Development—World Bank, "Global Economic Prospects: Trade Regionalism, and Development," 2005, http://siteresources.worldbank.org/INTGEP2005/Resources/gep2005.pdf (accessed April 19, 2013).
6. Moises Naim, "The Free Trade Paradox," *Foreign Policy*, August 17, 2007.
7. Australian Department of Foreign Affairs and Trade, "Gillard Government Trade Policy Statement: Trading Our Way to More Jobs and Prosperity," April 2011, http://www.dfat.gov.au/publications/trade/trading-our-way-to-more-jobs-and-prosperity.html (accessed April 18, 2013).
8. Ibid.

CHART 2

The Benefits of Major Tariff Cuts

These four countries saw their economies grow faster after enacting major tariff cuts.

GROSS DOMESTIC PRODUCT, IN LOCAL CURRENCIES, IN BILLIONS



* Data for Chile only goes back to 1970.

Source: International Monetary Fund, World Economic Outlook Database, September 1999, http://www.imf.org/external/pubs/ft/weo/1999/02/data/ (accessed April 10, 2013).

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tariff cuts were initiated in 1983 than in the 10 years before tariffs were reduced.

Case Study in Tariff Reform: Chile

In the 1970s, Chile unilaterally cut its average tariff rate from 105 percent to 10 percent.[9] A 1997 WTO review concluded: “Chile’s liberal and transparent trade regime—in place now for almost 20 years—and its successive unilateral reforms have resulted in strong economic growth and lower inflation.”[10]

In 2003, Chile enacted further unilateral tariff cuts, bringing the average tariff rate down to 6 percent.[11] As a result of such economic policies, Chile is one of the most economically successful countries in Latin America. According to the BBC: “Chile is one of South America’s most stable and prosperous nations. It has been relatively free of the coups and arbitrary governments that have blighted the continent.”[12]

Chile’s economy shrank by nearly 11 percent from 1970 to 1975, but in the five years after the government started radically cutting tariffs, the economy grew more than 40 percent. (See Figure 2.)

Case Study in Tariff Reform: China

China’s rise to economic power would never have happened without the country’s unilateral tariff reform. China cut its average statutory tariff rate from 56 percent in 1982 to 15 percent in 2001. According to Nicholas R. Lardy, by 1994 China’s average tariff rate was lower than that of any other developing country.[13] Lardy concluded: “China is perhaps the best example of the positive connection between openness and economic growth. Reforms

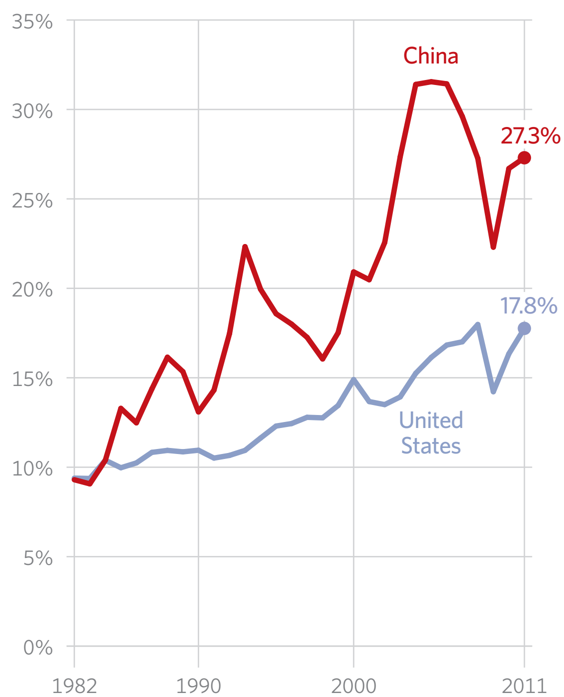
9. J. Rodrigo Fuentes, “Trade Reforms and Economic Growth: The Chilean Experience,” presentation in Seoul, South Korea, August 2007, http://www.kdi.re.kr/data/download/attach/8223_1-3.pdf (accessed April 19, 2013).
10. News release, “Chile’s Trade Regime Leads to Strong Economic Growth, But Increasing Emphasis on Regional Agreements Complicates Trade Policy,” World Trade Organization, September 10, 1997, http://www.wto.org/english/tratop_e/tpr_e/tp60_e.htm (accessed April 18, 2013).
11. WTO Trade Policy Review, Report by the Secretariat, “Chile, Chapter III: Trade Policies and Practices by Measure,” November 5, 2009, http://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm (accessed April 19, 2013).
12. “Chile Profile,” BBC, April 2, 2013, http://www.bbc.co.uk/news/world-latin-america-19357497 (accessed April 18, 2013).
13. Nicholas R. Lardy, *Integrating China into the Global Economy* (Washington, DC: Brookings Institution Press, 2002), pp. 34–35.

CHART 3

Using Trade to Grow an Economy

In 1982, the United States and China both had imports make up about 9.3 percent of their economies. As China cut tariffs, imports and economic growth both took off.

IMPORTS OF GOODS AND SERVICES AS A PERCENTAGE OF GDP



Source: The World Bank, "Imports of goods and services (% of GDP)," http://data.worldbank.org/indicator/NE.IMP.GNFS.ZS (accessed April 25, 2013).

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in China transformed it from a highly protected market to perhaps the most open emerging market economy by the time it came into the World Trade Organization at the end of 2001."[14]

In 1984, import penetration was the same in China and the United States, at about 10 percent of GDP. By 2011, imports were 18 percent the size of U.S. GDP, but in China, imports were 27 percent of GDP.[15]

Critics may argue that many of China's tariff cuts were not truly unilateral, because they were intended to promote the country's entry into the world trade system under the General Agreement on Tariffs and Trade (GATT) and later the WTO, and to respond to international pressure following the Tiananmen Square Massacre in 1989. It is also the case that China eventually backtracked on its commitment to economic reform.[16] Nevertheless, China's economy grew 90 percent faster in the 10 years after it started cutting tariffs in 1982 than in the prior 10 years.

Case Study in Tariff Reform: New Zealand

The Office of the U.S. Trade Representative reports: "Tariff rates in New Zealand are generally low as a result of several rounds of unilateral tariff cuts that began in the mid-1980s."[17] The country's unilateral tariff cuts from an average of about 30 percent in the 1980s were part of "Rogernomics," named for Finance Minister Roger Douglas. Douglas advised:

> Define your objectives clearly, and move towards them in quantum leaps, otherwise the interest groups will have time to mobilise and drag you down.
>
> Winning public acceptance depends on demonstrating that you are improving opportunities for the nation as a whole, while protecting the most vulnerable groups in the community.
>
> Before you remove the privileges of a protected sector, it will tend to see change as a threat which has to be opposed at all costs. After you remove

14. Nicholas R. Lardy, "Trade Liberalization and Its Role in Chinese Economic Growth," November 2003, p. 13, http://www.imf.org/external/np/apd/seminars/2003/newdelhi/lardy.pdf (accessed April 19, 2013).
15. The World Bank, "Imports of Goods and Services (% of GDP)," http://data.worldbank.org/indicator/NE.IMP.GNFS.ZS (accessed April 5, 2013).
16. Dean Cheng and Derek Scissors, "Why China is Worse off Than It was a Decade Ago," Heritage Foundation *Commentary*, November 9, 2012, http://www.heritage.org/research/commentary/2012/11/why-china-is-worse-off-than-it-was-a-decade-ago.
17. Office of the U.S. Trade Representative, "2012 National Trade Estimate Report on Foreign Trade Barriers," http://www.ustr.gov/sites/default/files/New%20Zealand_0.pdf (accessed April 19, 2013).

> its privileges and make plain that the clock cannot be turned back, the group starts to focus on removing the privileges of other groups.[18]

According to one analysis: "Between 1984 and 1993, New Zealand underwent radical economic reform, moving from what had probably been the most protected, regulated and state-dominated system of any capitalist democracy to an extreme position at the open, competitive, free-market end of the spectrum."[19] A WTO review of New Zealand's trade policy concluded: "Radical macroeconomic and structural reform, including unilateral trade liberalization, commencing in the mid 1980s, have transformed New Zealand from a rather closed economy into one of the most open in the world. The outcome has been a substantial improvement in its economic performance."[20]

Case Studies in Tariff Reform: Canada and Mexico

Canada is working to make the country a tariff-free zone for manufacturers. Eliminating tariffs on imported inputs used by Canada's manufacturers will give them a competitive edge over manufacturers in the United States and elsewhere. According to Canada's Economic Action Plan:

> Through Canada's Economic Action Plan, the Government has committed to eliminate all remaining tariffs on manufacturing inputs and machinery and equipment used for manufacturing by 2015. This tariff relief will affect more than $7 billion in annual imports and provide close to $400 million in annual duty savings for Canadian businesses when fully implemented. Canadian producers will observe lower costs when purchasing specialized equipment from overseas. Sectors such as forestry, energy, and food processing, will be able to modernize their operations and enhance their competitiveness. Our objective is to make Canada the first tariff-free zone in the G-20 for manufacturers, which is expected to result in creating up to 12,000 jobs over time![21]

The president of the Canadian Manufacturers and Exporters association observed: "We worked with the government directly to reduce tariffs for manufacturing and I believe this is an important cost-savings mechanism for companies. This is a bottom-line boost to the balance sheet of Canadian manufacturers."[22]

In a 2008 government decree, Mexican President Felipe Calderón announced unilateral tariff cuts for thousands of products in order to boost employment and economic growth:

> The 2007–2012 National Development Plan provides that in order to raise the potential growth of the Mexican economy and its productivity, it is essential to continue the process of trade liberalization.... The federal government should renew its commitment to freer trade to strengthen the purchasing power of households and business competitiveness, which leads to legal certainty, equity, efficiency, transparency, and free competition. It is necessary to complement free trade agreements with unilateral trade liberalization.... The measures adopted by this decree are aimed at encouraging investment, increasing productivity, and increasing employment in our country, in order to strengthen the purchasing power of households and to reduce production costs.[23]

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18. Roger Douglas, *Unfinished Business* (Auckland: Random House New Zealand, 1993), pp. 220–226.
19. Jack H. Nagel, "Social Choice in a Pluralitarian Democracy: The Politics of Market Liberalization in New Zealand," *British Journal of Political Science*, Vol. 28, No. 2 (1998), pp. 223–267. http://www.jstor.org/discover/10.2307/194306 (accessed April 19, 2013).
20. World Trade Organization, "Trade Policy Review: New Zealand," Contents and summary observations, http://www.wto.org/english/tratop_e/tpr_e/tp214_e.htm (accessed April 19, 2013).
21. Government of Canada, "Canada's Economic Action Plan," March 7, 2012, http://actionplan.gc.ca/en/blog/tariff-relief-manufacturing-inputs-machinery-and-equipment (accessed April 19, 2013).
22. Canadian Manufacturers and Exporters, "Tariff Announcement Good News for Canadian Manufacturers," November 28, 2011, http://www.cme-mec.ca/?lid=JCKNC-E742G-1W6JA&comaction=show&cid=81DGB-1ZZXR-PQEHH (accessed April 19, 2013).
23. Felipe Calderón, "Decreto por el que se modifica la Tarifa de la Ley de los Impuestos Generales de Importación y de Exportación" (Decree Amending Tariff Law), December 24, 2008 (quotation translated by Heritage Foundation staff), http://www.diputados.gob.mx/LeyesBiblio/ref/ligie/LIGIE_tarifa07_24dic08.pdf (accessed April 19, 2013).

TABLE 1

Big Tariffs on Shoes and Clothing

Shoes, clothing, and related items make up a small share of U.S. imports, but they have high tariff rates.

	Shoes, clothing, etc.	Everything else
Percent of Total Imports	5.7%	94.3%
Percent of U.S. Jobs	0.9%	99.1%
Percent of U.S. Industrial Production	1.0%	99.0%
Average Tariff Rate	10.0%	0.7%
Tariff Revenue	$14.1 billion	$15.8 billion

Sources: Author's calculations based on data from U.S. International Trade Commission, Imports for Annual Consumption, http://dataweb.usitc.gov/ (accessed April 25, 2013); Federal Reserve Bank, Industrial Production and Capacity Utilization, http://www.federalreserve.gov/releases/G17/current/table4.htm (accessed April 25, 2013); and U.S. Department of Labor, Bureau of Labor Statistics, Occupational Employment Statistics, http://data.bls.gov/oes/datatype.do (accessed April 25, 2013).

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These tariff cuts in Canada and Mexico led one observer to comment: "The significant unilateral tariff cuts by the United States' two NAFTA partners raise the issue of whether the United States should consider similar tariff reductions in an effort to spur manufacturing, investment and employment."[24]

Trade Is Better than Aid

Former WTO Director-General Mike Moore observed: "You know, the least-developed countries account for less than 0.5 percent of world trade, yet where they have areas of excellence, they're not allowed to export to the United States or to Europe."[25]

In the United States, the average tariff on products from developing countries is much higher than on products from developed countries. For example, imports from Bangladesh faced an average U.S. tariff of 15 percent in 2012, but imports from Belgium faced an average tariff of just 0.7 percent. The overall U.S. average tariff on products from the U.N.'s Least Developed Countries list in 2012 was 3.9 times higher than the average tariff on products from other countries.[26]

Imposing tariffs on imports from developing countries makes it more difficult for people in those countries to escape poverty, and keeps them dependent on U.S. aid dollars. In 2011, the U.S. government sent Bangladesh $218 million in economic aid, and collected $746 million in tariffs. If the U.S. government cut the 15 percent effective tariff on imports from Bangladesh, it could keep some aid dollars at home.[27]

In 2011, U.S. the government collected $28.6 billion in tariff revenue, and spent $31.7 billion on foreign economic aid.

Time to Eliminate Two-Tiered U.S. Tariff System

Although some people argue that it is politically impossible to cut tariffs unilaterally in the United States, in fact most U.S. tariffs are already close to zero. The United States' tariff problem stems from the country's two-tier regime consisting of shoes, clothing, and related items on one tier, and everything else on the other.

Tier One items including shoes and clothing account for less than 6 percent of total imports, but tariffs on these items account for 47 percent of U.S. tariff revenue.[28] As the liberal blog ThinkProgress

24. Lewis E. Leibowitz, "Tariff Cuts as Economic Stimulus," April 14, 2010, http://www.law360.com/articles/159689/tariff-cuts-as-economic-stimulus (accessed April 19, 2013).
25. Online NewsHour, "Talking Trade," January 20, 2000, http://www.pbs.org/newshour/bb/international/jan-june00/moore_1-20.html (accessed April 28, 2013).
26. Author's calculation using data from: U.S. International Trade Commission, Interactive Tariff and Trade DataWeb, http://dataweb.usitc.gov (accessed April 22, 2013).
27. United States Agency for International Development, U.S. Loans and Overseas Grants, http://gbk.eads.usaidallnet.gov/query/do?_program=/eads/gbk/countryReport&unit=N (accessed April 19, 2013).
28. Author's calculation based on chapters 50 to 65 of the Harmonized Tariff Schedule of the United States using data from: U.S. International Trade Commission, Interactive Tariff and Trade DataWeb, http://dataweb.usitc.gov (accessed April 22, 2013).

observed, tariffs are highly regressive: "The kinds of goods where freer trade would mostly benefit the poor are exactly the kinds of goods where trade is least-free."[29] A study in the *Journal of Diversity Management* found that tariffs are higher for clothing purchased by low-income consumers, and also higher for women's clothing than for men's clothing:

> Based on these two types of discrimination, the government should eliminate the gender differences in tariff, but also reduce their levels. There is no justification for gender difference of 16 percentage points for swimwear, as well as no justification for a low income consumer paying an ad valorem tariff of 32 percent on a manmade fiber t-shirt when the average ad valorem tariff on all goods is 1.6 percent.[30]

Tariff Reform Needed to Boost the U.S. Economy

The experience of other countries shows that tariff reform is possible with leadership. The best possible reform would be for Congress to eliminate all remaining import tariffs and quotas. Eliminating these barriers would remove protection for small, privileged sectors of the economy, such as clothing and sugar production. Other tariff reform options include:

- **Elimination of tariffs on products from developing countries.** Existing programs, such as the Generalized System of Preferences, the African Growth and Opportunity Act, and the Andean Trade Preference Act, promote mutually beneficial trade and growth by reducing U.S. tariffs. These programs should be expanded to include all categories of imports and extended on a long-term basis.

- **Elimination of tariffs on inputs used by U.S. manufacturers.** Since Canada is eliminating all tariffs on inputs used by its manufacturers to produce goods, Canadian producers will soon have an edge over their U.S. competitors. The United States should adopt similar tariff reforms in order to boost U.S. manufacturing. A recent study by the Federal Reserve Bank of St. Louis concluded: "Many industry, labor, and political leaders believe that boosting manufacturing growth will require limiting imports through favorable preferences for domestic purchasing and raw material and capital goods sourcing, perhaps through quotas, tariffs, domestic content legislation, or simply discriminatory preferences. However, reliance on imports has been a strong positive influence on manufacturing output and productivity."[31]

- **Quicker resolution of pending trade deals.** One of the best ways in which the U.S. promotes trade and economic prosperity is through free trade agreements. Congress should direct the U.S. Trade Representative to adopt Australia's policy for negotiations including the Trans-Pacific Partnership, the Transatlantic Trade and Investment Partnership, the International Services Agreement, and other trade agreements: "Pro-competitive economic reform should be pursued in its own right; it should not be conditional upon other countries reforming their economies."[32]

More than 1,000 economists urged Congress not to increase tariffs in 1930:

> The undersigned American economists and teachers of economics strongly urge that any measure which provides for a general upward

29. Matthew Yglesias, "U.S. Tariff Structure Is Highly Regressive," June 3, 2010, http://thinkprogress.org/yglesias/2010/06/03/197433/us-tariff-structure-is-highly-regressive/ (accessed April 19, 2013).
30. Uros Andrejevic et al., "Tariffs in Apparel and Footwear: A Gender Approach," *Journal of Diversity Management*, Vol. 3, No. 3 (2008), http://journals.cluteonline.com/index.php/JDM/article/view/4990/5081 (accessed April 18, 2013).
31. Kevin L. Kliesen and John A. Tatum, "U.S. Manufacturing and the Importance of International Trade: It's Not What You Think," Federal Reserve Bank of St. Louis *Review* (January/February 2013), p. 47, http://research.stlouisfed.org/publications/review/13/01/Kliesen.pdf (accessed April 22, 2013).
32. Australian Department of Foreign Affairs and Trade, "Gillard Government Trade Policy Statement: Trading Our Way to More Jobs and Prosperity," April 2011, http://www.dfat.gov.au/publications/trade/trading-our-way-to-more-jobs-and-prosperity.html (accessed April 18, 2013).

> revision of tariff rates be denied passage by Congress, or if passed, be vetoed by the President. We are convinced that increased protective duties would be a mistake. They would operate, in general, to increase the prices which domestic consumers would have to pay. By raising prices they would encourage concerns with higher costs to undertake production, thus compelling the consumer to subsidize waste and inefficiency in industry. At the same time they would force him to pay higher rates of profit to established firms which enjoyed lower production costs. A higher level of protection, such as is contemplated by both the House and Senate bills, would therefore raise the cost of living and injure the great majority of our citizens.[33]

Congress listened to special interests instead of economists, and the resulting Smoot-Hawley tariff contributed to a "drastic decline in international trade."[34]

Economists were right in 1930, and they are right today. Although eliminating all remaining tariffs and quotas might sound like a radical idea to lobbyists for the sugar industry and other special interests, it is the consensus recommendation from U.S. economists. In 2006, 87.5 percent of respondents to a survey of 210 PhD members of the American Economic Association agreed that the United States should eliminate remaining tariffs and other barriers to trade.[35] More recently, a 2012 survey of prominent economists found that 85 percent agreed with the following statement: "Freer trade improves productive efficiency and offers consumers better choices, and in the long run these gains are much larger than any effects on employment."[36] Congress should listen to the economists, not the special interests, and engage in broad-based, permanent tariff reform.

*—**Bryan Riley** is Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation.*

33. "Economists Against Smoot-Hawley," May 5, 1930, *Econ Journal Watch*, September 2007, p. 348.
34. U.S. Department of State, "Smoot-Hawley Tariff," http://future.state.gov/when/timeline/1921_timeline/smoot_tariff.html (accessed April 22, 2013).
35. Robert Whaples, "Do Economists Agree on Anything? Yes," *Economists' Voice*, November 2006.
36. Initiative on Global Markets Forum, "Free Trade," March 13, 2012, http://www.igmchicago.org/igm-economic-experts-panel/poll-results?SurveyID=SV_0dfr9yjnDcLh17m (accessed April 18, 2013).