

What provoked Trump's tariffs: politics or economics?



Stephanie Rickard analyses recent tariffs imposed by the US, arguing that they fulfil election promises that helped Donald Trump win votes in 2016 and may pay further dividends in 2020.

Politics, not economics, provoked Trump's metal tariffs. While campaigning for the presidency, Trump promised to protect American steel workers from international competition. He made this promise in order to win votes.

To become president, Trump needed to win the numerous Electoral College votes up for grab in two swing states: Ohio and Pennsylvania. Usefully, the steel industry is geographically concentrated in these states. Trump promised to protect the steel industry from low-cost foreign imports in order to improve his chances of winning here. Upon winning these states and ultimately the presidency, Trump launched an investigation into foreign steel imports under Section 232 of the Trade Expansion Act of 1962. Trump used Section 232 because it provides him with the greatest leeway to impose new trade barriers under the pretext of national security.

In March 2018, Trump fulfilled his campaign promise to steel workers. He imposed worldwide tariffs of 25% on steel imports into the United States and 10% tariffs on aluminium. On May 31, 2018, Trump announced that Canada, Mexico, and the European Union would be subject to these tariffs having failed to grant them an exemption.

Tariffs are taxes on imports. Because American-made steel is not subject to the 25% tax, it will be cheaper than imported steel. The price gap allows US producers to raise their prices and in this respect, Trump's tariffs seem to be working. Premiums for American steel and aluminium have surged – by as much as 37% according to some estimates. Higher prices bring greater profits. In this way, Trump's tariffs are putting money into the pockets of US metal producers. Metal producers and workers employed in these industries may thank Trump for his largess by voting for him in the 2020 presidential election. Indeed, Trump's promises to tackle trade imbalances and protect jobs [convinced many union members in Pennsylvania to vote for him in the 2016 election](#).

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Stephanie Rickard of LSE's Government Department asks, what provoked Trump's tariffs: politics or economics?
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Spending to Win

Promises of trade protection provide a useful vote-winning tool in plurality electoral systems, like the US, when the beneficiaries of such protection are geographically concentrated. Conversely, when the beneficiaries are geographically diffuse, such promises are an inefficient means to win elections in these systems. If the US steel industry had been more evenly dispersed across the country, promising tariffs for the industry would have “over bought” support in some states where Trump did not need any additional votes to win. In this way, providing economic benefits to geographically diffuse groups is an inefficient election strategy in plurality systems. As a result, economic support for geographically concentrated groups tends to be more generous than support for geographically diffuse groups in countries with plurality electoral rules and single-member districts, a phenomenon that I explore in detail in my new book [Spending to Win](#).

These political dynamics explain why other US presidents have also supplied steel tariffs. In 2002, President Bush imposed tariffs of up to 30% on foreign steel in an attempt to help Republican candidates win Congressional seats in Ohio and Pennsylvania. In response to these tariffs, the EU and Japan threatened to retaliate by imposing tariffs on American goods. And more than a dozen countries challenged Bush's action at the World Trade Organization (WTO). The WTO ultimately decided that Bush's tariffs did not conform to global rules.

However, Bush's tariffs differ from Trump's. Bush used Section 201 of the Trade Expansion Act, rather than the Section 232 that Trump used. Section 201 allows the president to investigate whether an industry needs “safeguard” protections from imports because so many are flooding into the country that it significantly harms the domestic industry. Bush argued that his tariffs were safeguards for the US steel industry. In contrast, Trump argues that his tariffs are required for national security.

Under intense pressure from the EU, WTO, and others, Bush removed the steel tariffs after 18 months. Will Trump respond similarly to building international pressure? Economic logic would suggest “yes” but Trump is a political animal and as a result, more politically-motivated trade protection may yet lie ahead.

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