

Viewpoints on Tariffs

By Megan Wangerin

Tariffs are one topic that was explored at Concordia University Wisconsin-Mequon's first annual Liberty, Virtue, and Economics Summit. Dr. Jacobson, Dr. Watts, Dr. Mobley, who is also the village president of Thiensville, and Dr. Niederjohn, who is the Dean of the School of Business at Lakeland University took part in a panel discussing tariffs. Similarly, another panel featured industry leaders in manufacturing sectors facing tariffs impacting their operations.

The time and place when tariffs are implemented creates room for controversy, making them a continuous contemporary issue. Tariffs are a limitation to free markets due to their nature but are designed, in theory, as a political tool to help a country flourish. Throughout the Liberty, Virtue, and Economics Summit the notion of keeping the *common good* and respecting humanity was stressed. These must remain at the heart of economic decisions and policies, but seldom are in the 21st century as shown by some outcomes with recent events regarding tariffs. Tariffs are circulating media by means of information and securing of NAFTA, USMCA, politicians meandering about bringing back jobs, and the ongoing trade-war with China. Tariffs play an impactful role on the economy, impacting limitation on the "free market" around them, but are also an excellent way the notion of the *common good* can remain in place. Arguments for and against tariffs can be made including their use for diplomacy, shifts of tax burdens, national security, preservation and allocation of finite resources, and accessibility to markets.

Every individual has their own unique sets of beliefs on the ethics of limiting a free market, the way to help impoverished people, and their ideals on the running of an economy. Often, these issues are politicized. The World Trade Organization (WTO) governs tariffs and the fairness of implementation. The WTO consists of 164 members. They encompass 98% of world trade and monitor for political corruptness and pettiness. These members include ministers, ambassadors, and delegates who meet in Geneva, Switzerland. They strive to open world trade for all, acting as a forum for negotiating trade agreements and settling trade disputes between members, and supporting the needs of developing countries (World Trade Organization, 2020).

The World Trade Organization defines tariffs as custom duties on imported merchandise. Tariffs raise revenue for governments and give a price advantage to locally produced (sourced) goods over similar imported goods (World Trade Organization, 2020). Tariffs even out the playing field amongst countries that may not have ease of access to the global economy, offer protection to countries, and provide limits to markets. Sometimes they are used as a political tool to address unfair trade practices, like noncompliance with international intellectual property regulations or currency manipulation. Sometimes these limits can be good or necessary, like avoidance of ecological economic issues such as externalities and the tragedy of commons.

Economics is how a society uses their limited resources. There are finite resources on the planet and in any society. Economics studies choices consumers make and the allocation of goods and services in a market. Tariffs can limit and discourage the overuse of non-renewable resources by the barriers they create. Tariffs are taxes on any imported goods. Humans naturally are more apt towards opportunities to use another person's goods and time instead of their own, if the cost is lower. Acting on self-interest is demonstrated by use of oil and other non-renewable resources. Tariffs can force a nation to start tapping into their own resources, making them more conscientious.

The faculty panel discussed various uses of tariffs. Tariffs may be used for political purposes, for diplomacy and they can preserve certain job sectors, but they come with tradeoffs. Tariffs can be used to get another person or country to agree with something and can be used to save a certain industry, such as steel.

Historical beliefs from Adam Smith, the father of economics, were discussed amongst Dr. Niederjohn, Jacobson, and Mobley. Dr. Niederjohn pointed out that Adam Smith believed tariffs are of no use for economists. Dr. Jacobson further developed this; he believed tariffs restrict free trade and urged the need for further data collection and examination. Dr. Mobley disagreed, saying Smith was not entirely against tariffs. He pointed out they were not as bad of a sin in Smith's eyes as the labor tax. He justified this saying Smith was a tariff collector who wrote about it. Smith knew that corporations are cunning enough to weasel their way out of higher corporate taxes and wrote the *Wealth of Nations* to avoid the Revolution. According to Dr. Mobley, Smith was a patriot who loved his country.

Finding an optimal tax and balance to taxation is difficult. Tariffs are one way an administration can levy taxes, or as Dr. Watts showed, it is a way to preserve different job sectors.

Dr. Watts said saving some jobs for some time is a possibility that happens with tariffs, but it may jeopardize all industries such as with steel. Steel tariffs have a trickling down effect to indirect consumers of steel, which may be an unfair tradeoff to save 10,000 jobs. Dr. Mobley mentioned, there are such things as over trade and specializing, indicating that certain industries may need to be preserved. He believed preservation of some jobs may be necessary to keep certain industries alive and well, especially those that maintain national security and defense, as in the case of steel.

Like anything, markets and economic policies must be skillfully crafted to avoid extremes. Tariffs may help even out playing fields for trade in developing nations as pointed out by the WTO, or to address unfair trade practices. However, they may do more harm than good in more developed countries. Whatever economic policies utilized in a nation must keep the *common good* as its central goal.

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