

The Folly Of Tariffs

By **Alexander Baron** - Feb 15, 2015



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This month, Conservative Party Chairman Grant Shapps published an article in *City A.M.* wherein he attacked the tariffs that are imposed by nations on imported goods. He was alluding specifically to trade between the United States and the EU, which he said could boost the economy by £10 billion and create up to two million jobs if they were lifted. Although we should always be wary of politicians who throw statistics at us saying that if we do X, the result will be Y and we will all live happily ever after, he made out an impressive case, primarily because he is right.

What is a tariff anyway? It is a tax imposed on an import because...Those who support tariffs would have you believe they are desirable or even necessary to “protect” jobs –

including yours – entire industries, or the nation as a whole. What is the truth?

Suppose you have a passion for collecting porcelain ornaments, you see one in a local shop for £75, but on a shopping trip to a nearby town you see the exact same ornament for £40. Which would you rather buy? Unless your arithmetic is extremely poor, you will probably opt for the latter, because even after allowing for travel costs, time and effort, it is the better buy.

How would it be different if the goods you were buying were produced by a Japanese firm? Should you buy the same or even an inferior product for the sake of supporting a domestic producer? Let us not forget that if you pay less you will have money left over to buy something else, or to invest. The tariff on the foreign product may make a similar domestic product look more attractive, but that is an illusion. Furthermore, it does not benefit the economy over all. The local producer may benefit in the short term, but what do you think the government does with the money from tariffs? Most of it is eaten up paying lawyers, inspectors, enforcers, and so on, and let us not forget, this money was actually stolen from you, and is a fine in all but name.

It is also in effect a subsidy. One of the indisputable truths of economics is that if you subsidise something, you get more of it. Here, what is being subsidised is inefficiency. Both businessmen and unions like tariffs on imports, and have been vocal in supporting them. In this [1984 speech](#), Murray Rothbard explains how businesses lobby governments for tariffs, then he goes on to explain how American bankers used the same dishonest rhetoric – arguing for the public good – to create their own monopoly, the Federal Reserve.

Many ordinary people oppose the liberalisation of trade for the wrong reasons; they believe because multinationals, powerful businessmen and politicians are in favour of it, that it must be detrimental to the rest of us. Frankly, this is silly. Back in the 19th Century the French political theorist Frédéric Bastiat penned a scathing attack on protectionism, the [satire of the candlemakers and their petition](#). Unfortunately, tariffs are also favoured by many governments, including that of China, which is currently involved in an [acrimonious dispute](#) with both the EU and Japan. It is only to be hoped that the country's

rulers will soon recognise the folly of their intransigence in the face of strong international opposition.

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