

Trump Is Herbert Hoover

Bart S. Fisher*

Protectionism, Donald Trump's answer to America's trade deficit, is the most dangerous of his economic nostrums

Trump states that he would counter China's economic prowess by raising the U.S. tariff applying to China by an eye-popping 45% to give American workers a "level playing field." Really? How do you think America's consumers would like that? From 2002 through 2012, 15.3% of America's trade in goods deficit with China was accounted for by Wal-Mart's imports from China. How do you think Wal-Mart's shoppers would like paying 45% more for their purchases from China?

Apart from raising prices for American consumers Trump's simple-minded protectionism would risk economic disaster for the United States. Why? China would surely retaliate by imposing higher tariffs and other nontariff barriers to trade, which would in turn cripple U.S. exports to China such as wheat, soybeans, and our high-technology exports.

The Republican Party *was* the party of protectionism as America entered the twentieth century. **The Republicans contended that American prosperity was due to the new trusts organized in the last third of the nineteenth century and the protection given them by the tariff.**

The movement away from the protectionism of the Republican Party began with the election of Woodrow Wilson in 1912. When Wilson entered the White House in 1913, protection from foreign import competition had become to many a “right.” The “vested interest” case for protection was premised on the notion that established manufactures ought not to be disturbed. When Wilson entered office, the first priority of his “New Freedom” was reform of the tariff. The key evil to be remedied, he said, was “(a) tariff which cuts us off from our proper part in the commerce of the world, violates the just principles of taxation, and makes the government a facile instrument in the hands of private interests.”

Wilson said that “[w]e must abolish everything that bears even the semblance of privilege or any kind of artificial advantage,” and make our producers “better workers and mechanics than any in the world” by constantly sharpening their skills in competition with foreign producers. When an army of special interests threatened to turn Wilson’s reform measure into a protectionist bill, he publicly rebuked the “insidious lobby” at work in Washington. **As a result of Wilson’s insistent pressure Congress passed the Underwood-Simmons Bill in 1913, the first piece of tariff reform since the Civil War.**

Wilson’s 1913 victory over the Republican protectionists was short-lived, as the Republican party, first under President Harding, and later under President Hoover, enacted two bills later believed to have been major causes of the American depression—the Fordney-McCumber Tariff of 1922 and the Smoot-Hawley Tariff of 1930. As a result of log rolling by members of Congress, the protectionist Smoot-Hawley Tariff increased duties on more

than 1,000 articles. Despite a petition signed by more than 1,000 economists, begging President Hoover to veto the bill, it was signed and enacted into law.

In 1934 Franklin Roosevelt and his Secretary of State Cordell Hull renewed the Wilsonian free trade policy by prodding Congress to enact the Reciprocal Trade Agreements Act. This Act authorized the President to cut tariffs when he found that existing import restrictions of the United States or of any foreign country were unduly burdening our foreign trade. Congress authorized the President on 11 occasions between 1934 and 1962 to enter trade negotiations by renewing the Trade Agreements Act authority.

Democratic Presidents Truman, Kennedy, Carter, and Clinton followed the free trade policy path that Woodrow Wilson and Franklin Delano Roosevelt had blazed for the Democratic Party. Successful rounds of multilateral trade negotiations, which were held under Kennedy and Johnson (Kennedy Round, 1962-1967), Carter (Tokyo Round, 1974 to 1979), and Clinton (Uruguay Round, 1986-1994), promoted U.S. and global prosperity.

Fast forward to the current presidential campaign, with Donald Trump now leading the Republican Party to a return to the failed protectionist trade policies of Herbert Hoover. As Yogi Berra would say, it is déjà vu all over again. The Republican Party should think twice before handing over its nomination to Trump. The reason is that for most recent politicians--think Wilbur Mills, John Connally, Walter Mondale, and Pat Buchanan—protectionism and the advocacy for trade wars has been a losing formula American politics. This is because Americans are a nation of consumers, and we like the lower prices provided

by foreign trade, which now accounts for 30% of the U.S. Gross National Product in 2015, up from 18% in 1999. Thus, while specific parts of the American manufacturing base have suffered from relentless competition from China and other foreign competitors, the *overall* prosperity of the country is enhanced by free and open trade, even though unilateral tariff reduction.

The Republican Party appeared last year to have learned the lessons history teaches about the price of protectionism. Eighty percent of the votes in the Senate and 87% of the votes in the House for the Trade Promotion Authority legislation authorizing President Obama to negotiate the Trans-Pacific Partnership, the Transatlantic Trade and Partnership, and other international trade agreements came from the Republican Party last year.

It is likely that the politics of political expediency turning the Republican Party from a champion of free and open trade to the party of protectionism will not be well received by voters who are smart enough to know that trade generally works well for them.

It is one thing for Donald Trump to be Herbert Hoover. It is another for the Republican Party to blindly follow him down this historical rat hole.

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