

Trump's washing machine tariffs take consumers to the cleaners

One of the Trump administration's first trade moves was to impose safeguard tariffs on imported washing machines of up to 50 percent in January 2018. The tariffs were implemented in response to a complaint from Michigan-based Whirlpool about competition from South Korea's Samsung and LG.

A study by two economists at the University of Chicago and a Federal Reserve Board Governor found US consumers spent an additional US\$1.5 billion last year on washers as a result of the tariffs -- money that could have been spent on other things.

The US Treasury took in an extra US\$82 million in levies and about 1,800 jobs were created in response to the tariffs, but at a total cost to consumers of about US\$1.5 billion that works out to approximately US\$815,000 for every new job created -- even after the economists deducted the tariff revenue.

The outcome is not surprising; nor is it unique to the Trump Administration. President Barack Obama slapped tariffs on Chinese tires and got even worse results, saving around 1,200 jobs at a cost of at least US\$900,000 per job.

The study found that domestic manufacturers raised prices on their washing machines by a range of 5 percent to as much as 17 percent. This is because when competition is stifled, companies don't have to worry as much about being priced out of a market if their products are more expensive.

More surprising is that although dryers aren't subject to the tax, their prices rose a similar amount. The economists speculate that since washers and dryers are often sold as a pair, at similar cost, manufacturers split the mark-up between them.

Another recent study by economists from Princeton and Columbia universities and the New York Fed found that the combined impact of all the Trump administration's trade sanctions costs Americans US\$1.4 billion each month.

Last week Whirlpool reported a quarterly profit of US\$471 million, up 400 percent from a year earlier, even as shipments sank. The CEO credited "margin expansion" due to "pricing actions." In other words, US consumers now pay more because of government barriers to competition.

Source: Trade & Prosperity