America's Unfairest Taxes: Tariffs and Quotas

by
James Bovard

NCPA Policy Report No. 171
June 1992

National Center for Policy Analysis
12655 North Central Expy., Suite 720
Dallas, Texas 75243
(214) 386-6272

Executive Summary

If Congress is in the mood to make the tax code "fairer," a good place to start is with America's unfairest taxes: tariffs and quotas.

In 1790, the Tariff Code consisted of a single sheet of paper. Today, there are more than 8,757 tariffs — plus vast numbers of quotas, so-called voluntary import restraints and other import restrictions. All too often these barriers to trade impose their greatest burdens on low-income families. Consider that:

- While children's polyester sweaters are hit with a 34.6 percent import tax, mink coats can be imported duty free.
- Tariffs increase the price of domestic orange juice by 40 percent, but French Perrier water faces a minuscule 0.8 percent tax.
- Mothers who buy imported infant formula must pay 17.2 percent more, but those who can afford it buy lobster duty free.

Tariffs and quotas cost consumers $80 billion per year — about $800 for every American family. Yet the burden of these restrictions does not fall evenly. Some of the tightest restrictions are reserved for food and clothing — which make up a large share of low-income families' budgets. For example, the same U.S. government that currently spends about $28 billion a year on 13 different food assistance programs also makes sure that low-income families don't turn to inexpensive foreign food. On the average:

- Each American is allowed to consume only one teaspoon of foreign ice cream, one teaspoon of foreign butter, one ounce of foreign dried milk, one pound of foreign cheese and four pounds of foreign beef.
- Even though families with incomes below $10,000 spend three times as much of their disposable income on milk as families with incomes of $35,000, U.S. quotas raise the price of dried milk by 161 percent.
- Even though families in the bottom fifth of the income distribution spend almost four times as much of their income on clothes as do those in the top fifth, clothing quotas and tariffs increase retail prices by as much as $40 billion per year.
- Restrictions on imports of foreign automobiles are purported to have saved 22,000 auto workers' jobs but the higher auto prices these restrictions produced cut demand by one million cars per year and resulted in 54,000 layoffs.

Overall, trade barriers almost always hurt more than they help. The U.S. economy would gain even if the United States eliminated trade barriers unilaterally. If other countries also reduced their trade barriers, the United States would benefit even more.

Introduction

Lee Iacocca, America's premier protectionist, recently declared that the United States is "the last bastion of free trade."[1] But, in reality, U.S. trade policy is far more protectionist than most Americans realize:[2]

- According to the Institute for International Economics, trade barriers are costing American consumers $80 billion a year.
- This burden is equal to $800 for every American family.

As politicians propose new trade barriers and import quotas, it is more important than ever to understand the extent of existing U.S. trade barriers. The U.S. tariff code is the accumulated result of more than a hundred years of political payoffs and kickbacks.

- In 1790, the Tariff Code consisted of a single sheet of rates posted at U.S. Customs Houses.
- Now, our tariff code occupies two hefty volumes with 8,753 different rates, a blizzard of arbitrary discriminations against and among products.
- This is equivalent to 8,753 different industrial policies or 8,753 different entitlement programs for protected domestic industries.

"Trade barriers cost each American family $800 per year."

In general, the tariff code makes no sense in terms of well-defined economic or social objectives. Instead, it is an indicator of the historical political clout of various Washington lobbies. While the average tariff is now around 5 percent, some are in the stratosphere. Low-priced watch parts are hit with a 151.2 percent tariff,[3] tobacco stems must pay 458.3 percent,[4] and the tariff on some shoe imports is 67 percent.[5]

The tariff code often helps one American industry by sacrificing another:[6]

- The United States has 193,000 fishermen, but only 1,000 people employed in manufacturing fishnets.
- Yet a 17 percent tariff on fishnets subsidizes the 1,000 people who make them while raising the costs for the 193,000 fishermen who use them to compete every day with foreign rivals.

Overall, the U.S. tariff code looks like a variable value-added tax devised in an lunatic asylum. The tariff on brooms is 42.3 percent, thereby safeguarding dust and dirt; the tariff on flashlights is 25 percent, thereby encouraging people to break their noses in the dark; the tariff on cheap scissors is 23.6 percent, thereby encouraging people to tear things apart with their bare hands.

America's tariff makers perceive vast differences between similar products that ordinary mortals miss. The tariff on duck liver is sixteen times higher than the tariff on goose liver. The tariff on wine with low alcoholic content is six times higher than on wine with high alcoholic content.

"By one estimate, trade barriers cost consumers eight to ten times as much as they benefit producers."

Every trade barrier undermines the productivity of capital and labor throughout the economy:

- A 1979 Treasury Department study estimated that trade barriers routinely cost American consumers eight to ten times as much as they benefit American producers.[7]
- A 1984 Federal Trade Commission study estimated that tariffs cost the American economy $81.00 for every $1.00 saved.[8]
- By one estimate restrictions on clothing and textile imports cost consumers $1.00 for each 1 cent of increased earnings of American textile and clothing workers.[9]
- The International Trade Commission has concluded that eliminating U.S. trade barriers would create a net of 8,000 new jobs for U.S. workers and increase the gross national product by about $10 billion — even if other countries maintained theirs.[10]

Tariffs: America's Taxes on the Poor

The U.S. Tariff Code encourages the poor to raise their standard of living by imposing the highest tariffs on products low-income families are most likely to buy.[11] The following are some examples.

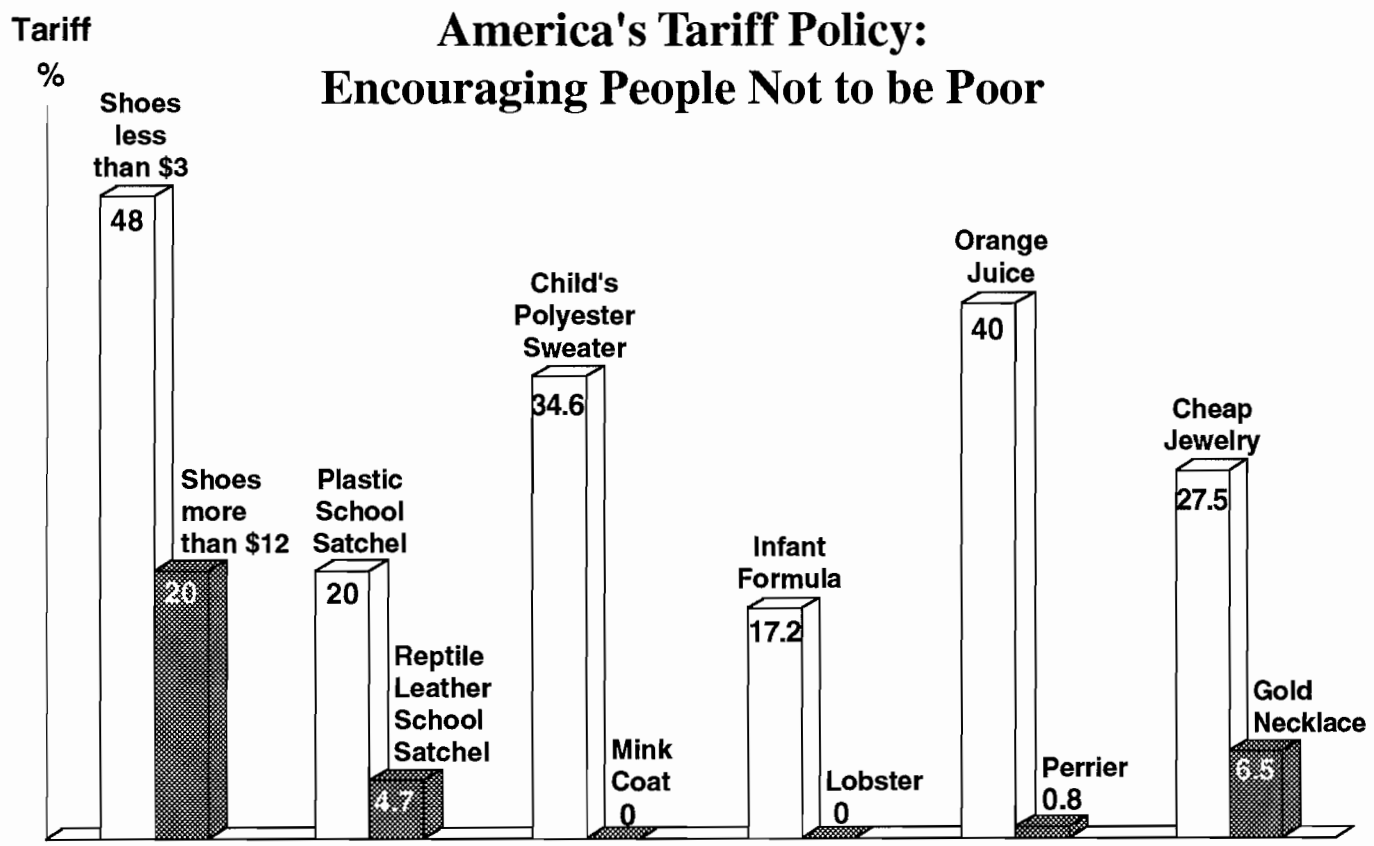
Higher Tariffs for Lower-Priced Goods. As Figure I shows, U.S. tariffs and quotas are much less burdensome for families who buy higher-priced products:

- A family that buys an imported plastic school satchel pays a 20 percent duty, but those who buy satchels of reptile leather pay only 4.7 percent.

"The highest tariffs are on products low-Income families are likely to buy."

- Footwear with outer soles of rubber or plastic, valued at not over $3 a pair, is tariffed at 48 percent, but on footwear valued at more than $12, the tariff is only 20 percent.
- Soda lime drinking glasses valued at less than 30 cents carry a 38 percent tariff, but on glassware valued at more than $5, the tariff is only 7.2 percent.
- Cheap jewelry, imported in lots worth less than $18 a dozen, is tariffed at 27.5 percent, while the tariff on gold necklaces is only 6.5 percent.
- Mink coats are duty free, and with the money a mother saves on her mink, she can buy her baby a polyester sweater — which carries a 34.6 percent tariff.
- Lobster is duty free, and with the savings, struggling parents may be able to afford infant food preparations, which carry a 17.2 percent tariff.
- Orange juice carries a 40 percent tariff, but the tariff on Perrier water is only 0.8 percent.

FIGURE I



- Mushroom imports pay 11 cents a kilogram plus 25 percent ad valorem, but truffles are delightfully duty free.

- Cheap brandy — valued at less than $2.38 a liter — is tariffed at 41.9 percent, brandy valued between $2.38 and $3.43 a liter is tariffed at 9.6 percent, and the highest quality brandy is tariffed at just 1.2 percent.[12]

- The tariff on vodka worth more than $2.05 a liter is thirteen times higher than the tariff on cheap vodka.

Food. U.S. tariff policy implicitly assumes that it is better for the poor to go hungry than to buy inexpensive foreign food. Table I shows a few of the more than 500 different tariffs the U.S. imposes to deter foreign food from invading American stomachs. Ironically, the U.S. government spends over $28 billion each year on 13 different food assistance programs. Taxpayers are hit twice — once to pay salaries of Customs agents to keep out low-priced foreign food and a second time to feed low-income Americans hurt by high food prices.

"Tariff policy implicitly assumes that it is better to go hungry than to buy inexpensive foreign food."

TABLE I

Tariffs on Food

yogurt	**20.0%**	**cucumbers**	**24.7%**
asparagus	**25.0%**	**olives**	**30.8%**
dried garlic	**35.0%**	**dates**	**35.0%**
avocados	**21.6%**	**grapefruit**	**16.0%**
grapefruit juice	**41.3%**	**grape juice**	**24.5%**
in-shell peanuts	**36.3%**	**peanut oil**	**18.1%**
grain cereals	**17.5%**	**frozen chicken**	**28.6%**
milk powder	**17.5%**	**dried egg yolks**	**22.3%**
Brussels sprouts	**25.0%**	**watermelon**	**20.0%**
sardines	**15.0%**	**limes**	**15.0%**
carrots	**17.5%**	**frozen corn**	**17.5%**
dried prunes	**17.5%**	**strawberries**	**14.0%**
tuna	**35.0%**	**fish sticks**	**15.0%**
orange juice	**40.0%**		

Clothing. William Cline of the Institute for International Economics estimates that:[13]

- The combined consumer costs of tariffs and other restrictions on textiles is $20.3 billion on the wholesale level and as much as $40 billion on the retail level.
- This amounts to a hidden tax of almost $400 a year for every American family for clothing quotas and tariffs.

"Clothing quotas and tariffs amount to a hidden tax of almost $400 a year per family."

These burdens hit poor families far harder than rich families. Tariffs and import restrictions are much more punitive for low-cost clothes made of polyester and other man-made fibers than for higher-cost cotton clothing.

- According to a Consumer Expenditure Survey by the Bureau of Labor Statistics, households in the lowest fifth of the income distribution spend almost four times as much of their income on clothing as do households in the highest fifth (15.1 percent versus 3.8 percent).[14]
- Because they spend a higher percentage of their incomes on clothing, the poor are taxed at a higher rate by textile and apparel protection — which costs them 8.8 percent of their disposable income every year.[15]

Tariffs: Resisting the Desire for Health and Safety

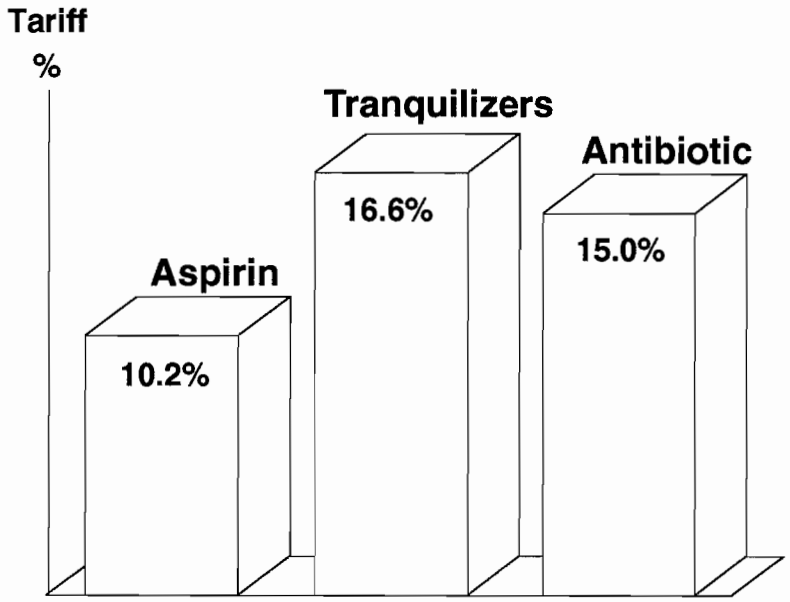
While some agencies are willing to force the private sector to spend tens of billions of dollars to hypothetically save a single life,[16] U.S. customs laws resist mightily this excessive concern with health and safety. The following are some examples.

Vitamins, Drugs and Medical Equipment. Congress apparently believes that not all the malnourished should be treated equally. Vitamin B12, which is necessary to prevent and treat anemia and is no longer produced in the United States, is hit with a 16.2 percent tariff, while vitamin B2, vital for avoiding stunted growth, is tariffed at only 7.8 percent. Vitamin C carries a 3 percent tariff, while vitamin E is hit with a 7 percent levy.

Looking at tariffs on medicine and medical equipment, one might think that tariff policy is secretly controlled by Christian Scientists. Aspirin carries a 10.2 percent tariff, which encourages people not to get headaches. The tariff on antidepressants and tranquilizers is 16.6 percent, encouraging people to see therapists. And Congress deters the import of sulfathiazole, an anti-infective agent, with a 15 percent tariff. [See Figure II.]

FIGURE II

America's Tariff Policy: Encouraging People Not to Get Sick



Death by Tariff. Higher prices caused by tariffs often result in fewer people using lifesaving drugs or equipment. In 1984, a West German company developed a lithotripter that destroys kidney stones with shock waves. This might have been seen as a blessing. More than 250,000 people a year enter hospitals for kidney stone treatment, 1,149 people died of complications resulting from kidney stones in 1985,[17] and the German machine was a vast improvement over the surgical removal of kidney stones. Although no American companies were producing competing machines, the U.S. levied a 7.9 percent tariff on the German product. The Saint Joseph Medical Center of Burbank, California, paid a $189,964.32 tariff on a single lithotripter. The high tariff strongly discouraged more American hospitals from purchasing the machine. As a result, thousands of Americans in the mid- to late-1980s had to undergo painful surgery and relatively long recuperation.[18] (The recuperation time for shock-wave treatment is less than half that for traditional kidney surgery.) Many deaths from kidney stones and kidney stone surgery could have been avoided if the U.S. tariff code had not discouraged the adoption of this new technology.

"One hospital paid a $189,964.32 tariff on a single lithotripter."

Safety. The tariff on a special wool blend fabric used to make firefighters' protective garments is 33 percent.[19] When Rep. Robert Roe (D-NJ) proposed in 1988 to reduce this tariff, the American Textile Manufacturers Institute (ATMI) objected. Even though American companies did not

produce the fabric, ATMI thought some might do so if the tariff were kept high. A few more singed firemen was apparently a small price to pay for the possibility that a domestic firm might deign to make a fabric already supplied by foreign companies.

Tearing the Shirt Off Americans' Backs

The U.S. now imposes more than 3,000 separate quotas on clothing and textiles from 40 nations.[20] The government restricts imports of tampons, typewriter ribbons, tarpaulins, twine, table linens, tapestries, ties and hundreds of other items. U.S. textile trade policy is based on the view that clothes are among the most dangerous objects a nation can import — thus imports of mittens, socks and handkerchiefs must be more strictly controlled than imports of pistols, rifles and nuclear reactor parts.

Commerce Department officials could not tell the author the precise number of different items covered by import quotas. Some of the items listed as restricted in Commerce's guide to textile import quotas are shown in Table II. Even the plastic net in which oranges are sold is a textile product, subject to quota restrictions.[21]

"Imports of mittens, socks and handerchiefs are more strictly controlled than imports of pistols, rifles and nuclear reactor parts."

TABLE II

Selected Items Subject to Textile Import Quotas

cotton balls	**labels**
backpacks	**leg warmers**
cigarette cases	**needlecraft sets for retail sale**
cloth eyeglass cases	**pillows**
cotton footwear	**sanitary napkins**
curtains	**scarves**
dish towels	**sun blinds**
dress patterns	**surgical towels**
electric blankets	**tablecloths**
fishnet	**tampons**
handwoven tapestries	**tents**
hairnets	**ties**

The MFA Agreement. In 1973 and 1974, the leading textile exporters and importers gathered in Geneva to hammer out new international rules for textile trade. The Multifiber Arrangement (MFA) was the result. The preamble announced that the MFA sought "the reduction of [textile] trade barriers and the liberalization of world trade."[22] Developing nations were enticed to sign the MFA because it promised that exports to developed countries would be allowed to increase "*at least* 6 percent per year for those imports subject to specified limits."[23]

Clothing production requires little skill or capital; its main requirement is people who need to work. Since low-wage Third World nations have a natural competitive advantage in labor-intensive activities, the MFA was supposed to be a transitional arrangement to help richer countries phase out of an uncompetitive industry.

"Sri Lanka was allowed to export only a dozen men's and boys' coats to the U.S. in seven months."

Instead, the MFA allowed wealthy importing nations to shackle poorer exporting nations. The MFA was extended in 1978, in 1981 and again in 1986, and each extension further emaciated the 6 percent growth pledge.[24] The 1986 extension expanded the types of clothing covered by the arrangement to include silk, ramie and even glass fibers.

Avoiding "Market Disruptions." The MFA allows nations to restrict textile imports if a threat of "market disruption" occurs. Market disruption is defined as a significant increase of imports of particular products from a particular country at prices below those prevailing in the importing nation's market.[25] If clothing prices decrease — or if there is any chance that prices could decrease — the market is "disrupted". But if clothing prices increase, the market is judged to be doing just fine. Imports are presumed guilty until proven innocent. Poor countries must prove that their exports are not disrupting the rich nation's economy, while rich nations need not prove the harm.

U.S. Vigilance. In general, the MFA protects Americans only from low-price clothing. Those who purchase expensive clothes are usually permitted to buy duty free.

- While the MFA restricts the exports of poor nations (and Japan), the U.S. imposes no import textile quotas on Canada, western Europe or Australia.
- U.S. textile regulations shackle imports of cotton socks from Peru while permitting unlimited imports of Paris designer dresses.

The United States is also vigilant against even trace elements of textile imports:

- Foreign nations are routinely prohibited from sending more sweaters to the U.S. each year than are sold in a single New York department store.
- The U.S. government decreed on April 8, 1988, that Sri Lanka could ship only one dozen men's and boys' cotton coats to the U.S. in the following seven months.[26]
- Trinidad and Tobago is forced to restrict its exports even though it provides less than 0.05 percent of the U.S. clothing supply.
- Czechoslovakia may ship the U.S. only 96,000 men's and boys' wool coats and 82,020 women's and girls' wool coats a year.[27]
- Uruguay was permitted to ship the U.S. only 29,498 women's cotton coats in 1988.[28]
- Mexico was allowed to ship the U.S. only 35,292 bras in 1989 — not even enough to supply the neighboring city of El Paso.[29]

"Federal policy endangered over 700 diaper service jobs for every job protected at a South Carolina diaper factory."

Diapers. In 1988, only one U.S. factory produced cotton diapers. The factory employed only 60 workers, and even the factory owner conceded that imported cotton diapers were of higher quality. Yet the United States imposed an extremely low diaper quota on China, the only supplier of cotton diapers to America. Gary Holmes, a spokesman for the U.S. Trade Representative, said the quotas were imposed because the domestic diaper industry "told us they were being killed by imports."[30] The quota caused a severe diaper shortage, and the domestic manufacturer quickly raised prices 27 percent. Nan Scott, a spokesperson for the domestic diaper service businesses, told columnist Warren Brookes, "Our orders have been cut by 50 to 75 percent, we have to turn down new customers, and we are piling up the overtime. The U.S. suppliers have done nothing to give us a quality product at any price. They just wanted to shut the competition in Asia down."[31] Roughly 40,000 people are employed by diaper services, including drivers, office and sales personnel and people who launder and package diapers.[32] Thus, federal textile policy endangered over 700 jobs in the diaper service business for each job protected at the South Carolina diaper factory.

Luggage and Handbags. In 1984, a U.S. government employee apparently awoke one morning with the realization that the U.S. should be

restricting imports of luggage and handbags. Now, because a foreign handbag or piece of luggage has a small amount of cotton or polyester in its cover — perhaps only 10 percent of its total value — it can be banned in order to protect the U.S. textile industry. The United States has practically no companies producing low-priced, relatively low quality luggage and handbags — the types hit hardest by import quotas. Handbag quotas have been an effective recycling policy, encouraging the poor to carry their belongings around in grocery bags.

"30,000 pairs of tennis shoes from Indonesia were barred because each box had an extra pair of shoelaces."

Tennis Shoes. Importers have also been hammered by constant changes in the textile import classifications. For example, Customs Service officials worked overtime in late 1989 to protect America against foreign shoestrings. Customs prohibited the import of a shipment of 30,000 pairs of tennis shoes from Indonesia because each shoe box contained an extra pair of shoelaces. One Customs official decided the extra laces were a clothing product that required a separate quota license for importing, and his decision set a precedent for the entire Customs Service.[33] None of the tennis shoe importers were thinking of the extra laces as anything but part of the tennis shoe and thus were caught without quota rights for shoestrings.[34] (Some new tennis shoes have eyelets for more than one set of laces.) Customs proceeded to establish intricate rules for shoelace imports, and the U.S. government judiciously announced that an extra pair of laces would be permitted in a box of tennis shoes as long as they were laced into the shoes and were color-coordinated with the shoes.

But Customs warned importers, "We note that where multiple pairs of laces of *like* colors and/or designs are imported, ... a presumption is raised" that the shoelaces are not actually part of the shoe.[35]

Detecting Evasions. MFA quotas force American retailers and importers to rely on island-hopping — jumping from ocean to ocean to stay ahead of U.S. government prohibitions against their suppliers' exports. The U.S. is currently importing trousers and shirts from more than 130 countries, including Oman, Laos and the Tokelau Islands.[36] As import sources have proliferated, so too have Customs Service investigations of possible transshipping of products from nations that have exhausted their quota to those which have not. When Customs sent a team to Kuwait in July 1990, it considered the operation a great success because inspectors found a small amount of transshipped clothing. It was regrettable that the U.S. team, "preoccupied with counting sweaters, failed to notice and warn of the impending Iraqi invasion, which occurred a few days later."[37] In 1990, Mozambique — a

war-torn, dirt-poor southern African nation — made the list of Customs Service textile evasion suspects. One trade expert predicts, "The next thing you know, Customs will be investigating exports from Antarctica — you know you can't trust those penguins."[38]

Promoting "Fair" Trade. The United States has peculiar notions of injury when it judges our imports from foreign nations and our exports to them. For example, the U.S. government perennially badgers the Thai government about the alleged harm that Thai cotton apparel is inflicting on the U.S. market, imposing one new restriction after another. At the same time, the United States Trade Representative was indignant when Thailand refused to allow U.S. cigarette exports. (The Thai government is running an extensive antismoking campaign and feared that a flood of advertising by American companies would counteract its efforts.) Apparently, a minuscule decrease in shirt prices can harm a nation, while an increase in lung cancer and emphysema cannot.

"Restrictions produce an average effective tariff charge of more than 50 percent for apparel imports."

Cost to Consumers. Quotas transfer money from American consumers to foreign producers and quota-holders and to American textile and clothing companies. They help American textile and clothing companies by restricting their competition and allowing them to charge higher prices. The 1989 *Economic Report of the President* concluded that tariffs and quota restrictions produce an average effective tariff charge of over 50 percent for apparel imports.[39] Tariffs for clothing items vary sharply, and some quota categories are far more restrictive than others. According to the International Trade Commission:[40]

- Although the tariff on imported cotton handkerchiefs is 23 percent, quota restraints produce a tariff equivalent of 42.2 percent.
- On women's, girls' and infants' polyester and acrylic coats, the tariff is 27.3 percent, but quotas impose a tariff equivalent of 51.9 percent.
- Quota restraints produce a tariff equivalent of 63 percent on cotton hats, ski suits, overalls, scarves and bow ties, although these items have widely differing tariffs.

Quotas have become extremely valuable in themselves. Hong Kong has a quota auction at which private companies bid for government sanction to export clothing and textile products. In some cases, companies spend more to buy the quota right than to produce the export item:

- In 1988, the cost of buying a quota right to ship cotton trousers from Hong Kong to the United States was about $8, while the cost of producing the trousers was only $7.[41]

- The quota price for wool knit sweaters in 1984 was equal to 120 percent of the cost of the sweater.[42]

Protecting Consumers From Foreign Food

For cotton, sugar, cheese, ice cream and peanuts, "fair trade" now consists of numbers pulled out of a hat by politicians and bureaucrats. Jan Tumlir, former chief economist of the General Agreement on Tariffs and Trade (GATT) organization, estimated in 1985 that quotas were affecting up to 50 percent of all world trade.[43]

Dairy Products. The United States allows only minuscule imports of most dairy products. [See Figure III.] For example:[44]

- U.S. dairy import quotas permit each American citizen to consume the equivalent of only one teaspoon of foreign ice cream and one pound of foreign cheese per year.

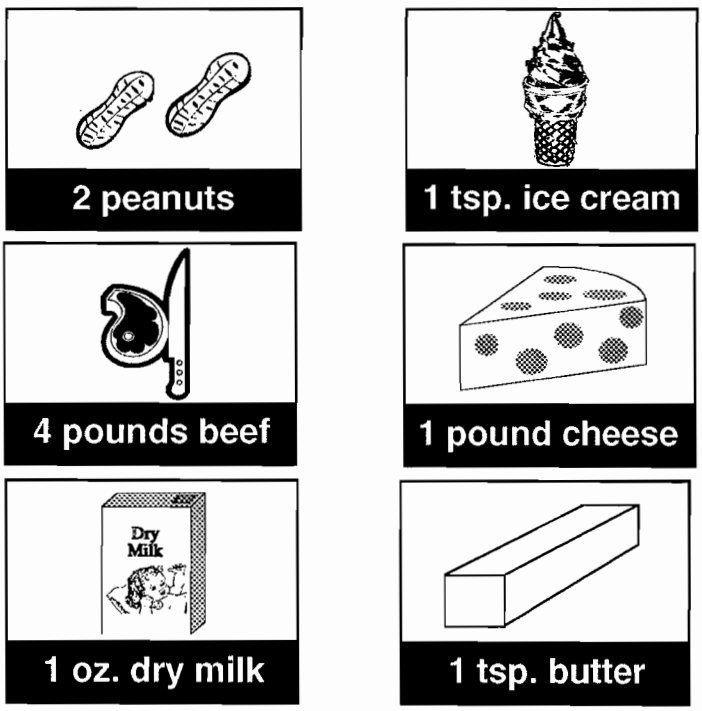
- Nonfat dry milk imports are limited to about one ounce per person per year, and only Canada and Australia are allowed to provide that meager amount.

"On the average, each American is allowed to import one teaspoon of ice cream."

FIGURE III

Protecting Americans From Foreign Food

Amount of Imports Allowed Per Person Per Year



In early 1989, world nonfat dry milk prices were (for the first time in decades) higher than U.S. prices. The United States Department of Agriculture (USDA) provided generous export subsidies, and U.S. companies quickly exported 370 million pounds of nonfat dry milk — 40 percent of annual U.S. production. By late 1989, world dry milk prices had plummeted, while the U.S. dry milk price had almost tripled. But our strict quotas prevented imports from entering the U.S. and driving United States prices down to world price levels. As a result, the U.S. experienced a severe domestic shortage of dry milk.

Dry milk is a key ingredient in bakery products, chocolate, cake mixes, dog biscuits and crackers. The dry milk shortage prevented many American companies from purchasing milk at any price, and food production workers were laid off as factories slashed production. The Chocolate Manufacturers Association, American Bakers Association and National Confectioners Association petitioned USDA Secretary Clayton Yeutter to temporarily waive dairy import quotas. The Agriculture Department denied the request. A high-ranking USDA official declared that the agency did not want to "micro-manage" the dairy supply. In other words, it was okay for the government to subsidize the export of dry milk, but allowing the import of unsubsidized dry milk would interfere in the marketplace.[45]

"182 nations combined may sell us only two pounds of Edam and Gouda cheese."

Dairy quotas originated in the Defense Production Act of 1951, when Congress apparently decided that allowing Americans to consume sufficient amounts of calcium might undermine the national defense. In the late 1940s and early 1950s, the U.S. provided millions of dollars in aid under the Marshall Plan to help Danish, Dutch and other European dairy farmers rebuild. Then a Wisconsin Republican congressman stuck a rider onto an appropriations bill and, with a few sentences, torpedoed thousands of European dairy farmers. A *New York Times* editorial condemned the new dairy quotas: "We destroy the confidence of our European friends in the consistency — even the sanity — of American trade policy and we violate our own commitments in the GATT."[46] President Lyndon Johnson expanded the cheese quotas on January 6, 1969 to include chocolate crumb cheese imports.[47] In 1979, the dairy regulatory system imposed quotas on almost all cow's. milk cheeses that had previously entered quota-free. Dairy trade issues have long been a major bone of contention with foreign nations.

Each cheese quota decrees the precise number of pounds of each type of cheese other nations are allowed to sell to Americans. For example:[48]

- The quota for Edam and Gouda is allocated primarily between the European Community (EC), Argentina and Sweden, and *182 nations may sell us only two pounds total.*

- Most of the quota for blue-mold cheese is allocated between the EC and Argentina, but the rest of humanity may sell us only one kilogram.

Dairy quotas were imposed because politicians resolved that American farmers should receive far more than market value for their milk — and the only way they could politically do this was to restrict foreign competition. Without quotas, the actual subsidy that dairymen received would be stark and politically untenable.

- According to the U.S. International Trade Commission, the quota on dry whole milk in 1986 was the equivalent of a 160.6 percent tariff, the butter quota was equal to a 190.2 percent tariff, and some cheese quotas were equivalent to a 172.5 percent tariff.[49]

- The USDA estimates that dairy import quotas, price restrictions and marketing restrictions have cost American consumers between $5 and $7 billion per year in higher prices since 1980 — roughly $600 per American family.[50]

- For the same amount, each American family could have bought its own cow.

- On top of that, dairy farmers have received over $15 billion in direct subsidies since 1980.

Dairy products account for 13 percent of the average consumer's food budget.[51] Sen. Richard Lugar (R-IN) notes, "Families with incomes below $10,000 spend three times as much of their disposable income on milk as do households with incomes between $30,000 and $40,000."[52] Thanks in part to the dairy program, calcium has long been the nutrient that poor people lack most. Higher milk prices have also contributed to osteoporosis in the elderly. But since the poor and elderly don't contribute $2 million a year to political campaigns as the dairy lobby does, malnourished ghetto children and brittle-boned elderly are largely ignored.

"American sugar prices have been double, triple or quadruple the world sugar price."

Sugar. The U.S. government has been heavily protecting or directly subsidizing the sugar industry since 1816. For almost the entire history of the United States, American sugar prices have been held at double, triple or quadruple the world sugar price. In the 1820s, sugar plantation owners complained that growing sugar in the U.S. was "warring with nature" because the U.S. climate was unsuited to sugar production.[53] Naturally, the plantation

owners believed that all Americans should be conscripted into the "war." Because the sugar lobby makes generous campaign contributions, politicians seemingly resolved that consumers should pay any price and bear any burden for domestic sugar production.

"Since 1980, the sugar program has cost consumers and taxpayers more than $2 million for each American sugar grower."

Since 1980, the sugar program has cost consumers and taxpayers more than $2 million for each American sugar grower. Congress justifies the sugar program as a protection from the "roller-coaster of international sugar prices."[54] Unfortunately, Congress protects consumers against the effects of the ride by pegging American sugar prices on a level with the Goodyear blimp. U.S. sugar prices have been as high as or higher than world prices for 39 of the last 41 years.

The sugar program has been a great inflationary success. At one point, sugar sold for 21 cents a pound in the U.S. when the world sugar price was less than 3 cents a pound. In general:

- Each 1 cent increase in the price of sugar adds between $250 and $300 million to consumers' food bills.
- A 1988 Commerce Department study estimated that the sugar program was costing American consumers more than $3 billion a year.[55]

"The number of jobs destroyed by sugar quotas since 1980 exceeds the total number of sugar farmers."

The Brach Candy Company announced in early 1990 plans to close its Chicago candy factory and relocate 3,000 jobs to Canada because of the high cost of sugar in the United States.[56] Thanks to the cutback in sugar imports, ten sugar refineries have closed in recent years and 7,000 refinery jobs have been lost.[57] Overall, the number of American jobs destroyed by sugar quotas since 1980 exceeds the total number of sugar farmers in the United States:[58]

- The Commerce Department estimates that the high price of sugar has destroyed almost 12,000 U.S. jobs in food manufacturing between 1981 and 1988.
- Yet the U.S. has only 11,000 sugar farmers.
- In addition, the program costs consumers over $3 billion per year — an annual subsidy of almost $260,000 per farm.

The U.S. government's generosity to sugar farmers has victimized other American businesses. Brazil retaliated against the U.S. for cutting its sugar quota by reducing its purchases of American grain. In the Dominican

Republic, former sugar growers are now producing wheat and corn in competition with American farmers. American candy producers are disadvantaged because foreign companies can buy sugar at much lower prices. Since 1982, dextrose and confectionery coating imports have risen tenfold and chocolate imports are up fivefold.

The sugar program has also decreased soybean exports. In the Red River Valley of Minnesota, heavily subsidized sugar growers have bid up the rents on farmland by more than 50 percent. As a result, relatively unsubsidized soybean farmers can no longer obtain enough land for soybeans — America's premier export crop.[59] This illustrates how restrictions on imports become restrictions on exports.

Peanuts. Since 1953, Americans have been permitted to buy only 1.7 million pounds of foreign peanuts each year.[60] This amounts to two foreign peanuts per year for each American citizen. The peanut import quota helps keep U.S. peanut prices far higher than world prices. The U.S. International Trade Commission estimated that the import quota was the equivalent of a tariff of up to 90 percent on peanut imports in 1988.[61] The import quota, along with federal price supports and feudal restrictions on who is allowed to grow peanuts, guarantee peanut farmers generous profits.

"Each American is allowed to import two peanuts per year."

The stringent peanut quota is a serious hazard to U.S. food processors. In 1990, a severe drought hit Georgia, where almost half of all U.S. peanuts are grown, causing a severe shortage and a doubling of peanut prices. When the International Trade Commission announced that it was considering investigating the peanut industry, it was besieged by comments from desperate food processors. Ed Goodrich, president of Plantation Peanuts in Wakefield, Virginia, observed, "We are now faced with the possibility of having to shut down."[62] King Nut Co. of Solon, Ohio, complained, "We have been [unable to purchase any] Jumbo runner peanuts for three weeks." A Southeast peanut confectionery company saw its sales fall 80 percent. Barcelona Nuts, a Maryland company, was forced to lay off 20 percent of its workers. Even so, the Agriculture Department opposed additional peanut import allowances.[63]

Beef. The U.S. also imposes quotas on beef and veal imports. Congress first restricted beef imports in 1965, then revised the quota system in 1979. Today, the beef quota is based on the ratio of current beef production to average beef production for the years 1968-1977.[64] The restraint on beef exports from Argentina has contributed to that nation's repeated default on interest payments on its $65 billion foreign debt. The USDA estimates that these restraints cost American consumers $873 million in 1987.[65]

Slamming the Brakes on American Consumers

In 1981, the Reagan administration arm-twisted the Japanese government into restricting Japanese auto exports to the United States. Consumers suffered as a result:

"Japanese cars sold for 45 percent more in the Uniited States than in Japan."

- An International Monetary Fund study estimated that the auto voluntary restraints resulted in an average increase of $1,650 for new car prices (domestic and import) in 1984, costing American consumers $17 billion between 1981 and 1984.[66]
- New car prices rose 49 percent from 1981 to 1984, nearly twice as fast as overall consumer prices.
- The Organization for Economic Cooperation and Development noted that identical models of Japanese cars were selling for 45 percent more in the United States than in Japan.[67]
- Between 1980 and 1989, the cost of a new car rose from 18.7 weeks of the median household's earnings to 24.7 weeks of earnings.[68]
- The higher price of new cars drove many more Americans into the used car market — which helped inflate prices for used cars.

Since imports were not the main cause of Detroit's problems, quotas did not solve them.

- One study found that the quotas boosted U.S. auto employment by 22,000 in 1982.[69]
- A second study concluded that, because American auto companies responded to the quotas by sharply increasing their prices during the mid-1980s, Americans bought over one million *fewer* cars each year than they otherwise would have — resulting in 50,000 fewer jobs for American workers.[70]

William Niskanen, chair of the Reagan administration's Council of Economic Advisers, asserted that the voluntary restraint agreement "increased the cost of the domestic industry labor contracts negotiated in 1984 and 1985, probably preventing the domestic industry from being competitive in the production of small cars."[71]

Despite more than ten years of protection, American cars continue to be less reliable than Japanese cars: American cars still have over 50 percent more defects.[72] The 1990 *Consumer Reports* survey of car quality "found that 28 of the 31 best-rated models for quality were Japanese. Likewise, of the 33 worst-rated models, all but one were Big Three products."[73] *Consumer Reports* noted that "for each GM owner who said he liked his car and would buy the same model again, six others said just the opposite."[74] J.D. Powers and Associates, a California market research company, found that "Japanese car makers widened their quality advantage over U.S. car makers by 11.4 percent in 1989, based on problems in the first 90 days of new car ownership."[75] When Lee Iacocca was asked about Japanese comments about the comparative low quality of American cars in early 1992, Iacocca replied, "We don't have to apologize to anybody. We're the leaders of the world."[76]

In early 1991, Ford and Chrysler announced demands for new cutbacks in the level of Japanese imports. Rep. Dick Gephardt (D-MO) sent a letter to Japan's Prime Minister Taichi Kaifu urging a "meaningful" restraint on auto exports. Ford and Chrysler even sought restraints on the combined number of cars sold by Japanese auto plants both in Japan and in the U.S. Then Secretary of Commerce Robert Mosbacher, in a speech in Tokyo on April 3, 1991, complained that the U.S. auto market was suffering from "oversupply" and warned that the U.S. "will be enforcing our laws ... concerning anti-dumping."[77] Japan's largest financial newspaper reported that Mosbacher asked the Japanese government to further restrain auto exports.[78] Officials at Japan's Ministry of International Trade and Industry (MITI) declared last year that they were pressuring Japan's auto makers both to hold back exports to the U.S. and to hold down output at their U.S. auto plants — which meant fewer jobs for American workers.[79] MITI again reportedly asked Toyota in late January 1992 to reduce its car exports to the U.S.[80]

"Ford and Chrysler even sought restraints on the combined number of cars sold by Japanese auto plants both in Japan and in the U.S."

Unfair Trade

Tariffs, quotas and voluntary restraint agreements are direct and obvious ways of limiting imports. But Customs' arsenal contains other weapons as well. For example, imports can be halted if the exporting county is found guilty of "dumping."

Recently, the U.S. Commerce Department accused Korean and Hong Kong sweater producers of dumping because they sold sweaters more cheaply in the United States than in other countries:[81]

- One company sold sweaters in the U.S. for only 1.2 percent less than in Mexico.
- Another sold sweaters for 3.2 percent less than in Australia.
- A third sold them for only 0.7 percent less than in Britain.

There are other ways of committing dumping "crimes." Under U.S. law, any foreign company earning less than 8 percent profit on a product is judged to be prima facie guilty of selling at a loss.

Because of the Commerce Department's protectionist actions:[82]

- At least 40 million fewer sweaters from Hong Kong, Taiwan and Korea were sold in the United States in 1990.
- As a result, more than two-thirds of all Taiwanese acrylic sweater companies have closed down and thousands of Taiwanese have lost their jobs.

The U.S. vs. Japan: Who is More Protectionist?

Sen. Donald Riegle (D-MI) recently declared that the U.S. has "the most open [economic] system" and that "Japan has the most closed system" and denounced "the persistent pattern of Japanese trade cheating."[83] But, in reality, Japan is far less protectionist than some American politicians claim.

"Any foreign company earning less than 8 percent profit on a product is judged to be prima facie guilty of selling at a loss."

The average U.S. tariff is between 5 and 6 percent, while the average Japanese tariff is between 3 and 4 percent. More importantly, the U.S. has far more products (over 3,600) restricted by import quotas than does Japan. The Japanese impose import quotas on American agricultural products, while the U.S. imposes import quotas on Japanese machine tools, autos, textiles and steel, and on such dairy products as cheese, ice cream and cream.

There is no question that the Japanese have often been as creative with trade barriers as they have been with manufacturing processes. Dutch tulip bulb exports to Japan were long stifled because Japanese customs inspectors insisted on personally opening and inspecting each tulip bulb. Japanese restrictions on foreign investments have justifiably infuriated many American corporations.

Partly because U.S. criticism of Japan increased sharply after President Bush's recent visit to Tokyo, MITI announced in mid-March that it was reducing by 80,000 the number of autos that Japanese companies could ship

to the United States (from 1.73 million cars to 1.65 million). The Japanese government reportedly did this to alleviate criticism of Japan in the United States. But, predictably, the tactic backfired. Chrysler Corp. quickly issued an official statement declaring, "We believe that to be meaningful the Voluntary Export Restraint levels should be significantly reduced, perhaps to one million units a year or less, to get back to a level playing field for everybody."[84] General Motors criticized the Japanese government for giving "the misleading impression that something meaningful is being done to reduce the U.S. trade deficit with Japan."[85] The United Auto Workers denounced the export cutback as "yet another hollow gesture from Japan."[86] Yet the cutback in auto exports could have a heavy impact on American consumers. The U.S. International Trade Commission's Walker Pollard estimates that the cutbacks could add up to $1,000 to the cost of a new Japanese car in the United States.[87]

"The typical Japanese spends more on American products than the typical American spends on Japanese products."

Listening to current rhetoric, one would think that no U.S. company is selling a single widget in the Land of the Rising Sun. The facts say otherwise. The typical Japanese spends more on American products ($372) than the typical American spends on Japanese products ($357).[88] Coke and Pepsi dominate the soft drink market, and Oreos are the most popular cookie in Japan. Schick commands 70 percent of the safety razor blade market.

Many American businesses have blamed the Japanese when the fault lies with their own feeble sales efforts. In Japan, most cars have the steering wheels on the right side. Yet American car makers continue to denounce the Japanese for not buying American-made autos with steering wheels on the left side. Chrysler spends only a million dollars in advertising in Japan — less than one-fourth of Lee Iacocca's salary.

The General Accounting Office reported that American pork exports to Japan are lower than they otherwise could be because American pork packers refuse to cut the pork into the smaller portions that Japanese consumers prefer. Maybe the next trade war will seek to force Japanese consumers to take Texas-size slabs of ham and pork chops at their evening meals.

In 1990, Congress imposed a log export ban primarily to attempt to force Japan to buy more cut lumber instead of logs from the United States. Rep. Peter DeFazio (D-OR) complained, "Unfair trading nations like Japan are buying every American log they can lay their hands on." Apparently, it is not enough for the Japanese to buy American products; they must buy exactly the products that congressmen choose. Seeking to force the Japanese to buy American cut lumber instead of logs is as senseless as trying to force other nations to buy barrels of American wheat flour instead of bushels of American wheat.

Similarly, Sen. Max Baucus (D-MT) complained in 1989, "Invisible barriers that we should define as cultural restrictions, a preference of a Japanese to do business with another Japanese, these take time to bring down." Preferring to do business with people who speak your language is apparently unfair discrimination against all those who have not bothered to learn it.

"If all Japanese trade barriers against the U.S. were abolished, the U.S. trade deficit with Japan might actually increase."

Many politicians want to pillory Japan because the Japanese had a trade surplus of more than $41 billion with the U.S. last year. But a 1985 Federal Reserve Bank of New York study estimated that only $5 billion to $8 billion of the U.S. - Japan trade deficit is due to Japanese trade barriers.[89] A U.S. International Trade Commission study of a proposed free trade zone with Japan noted that if all trade barriers were abolished the U.S. trade deficit with Japan might actually increase.[90]

The recent auto trade agreement between the United States and Japan vivifies the hypocritical nature of managed trade. Both Ford and General Motors are now receiving financial aid from the Japanese government to build up their operations in Japan.[91] If the Japanese provided the same type of aid to Japanese companies, American auto makers would almost certainly file a lawsuit to punish Japanese imports that benefited from the subsidies. But apparently it is okay for American companies to accept handouts from foreign governments.

Many Americans believe that Japan is hopelessly protectionist because of the *keiretsu* system, a system of interlocking corporate ties, with corporations owning large blocks of one another's shares, and with the same people on their boards of directors. But, as the Boston Globe reported in January, "A survey of American companies operating in Japan found that 74 percent considered that the *keiretsu* either had a beneficial effect on their own businesses — long-established American businesses have developed strong connections with Japanese counterparts, becoming *keiretsu* themselves — or no effect at all."[92]

We should postpone penalizing the Japanese for their trade barriers at least until American companies build equally good products and until American companies work as hard at exporting. Between 1970 and 1985, manufacturing productivity increased almost three times as fast in Japan as in the United States. The Japanese have made a cult of quality control, while U.S. companies have long scorned quality considerations and now offer them lip service only.

Further, the U.S. has difficulty competing with Japan partly because U.S. taxes are much higher. Government spending accounts for over 43 percent of the U.S. gross national product and only 28 percent of Japan's GNP. The Japanese savings rate is more than double the U.S. savings rate, partly because the Japanese government commandeers far less of its workers' paychecks.

Conclusion

"Poorer but nobler" is the implicit motto of federal trade policy makers. Although U.S. trade policy means that Americans have fewer sweaters, coats and autos and less cheese and orange juice, America is supposedly a better place because of these trade restrictions. And what is their sole effect? Higher prices for some domestic goods. That is the only thing most protectionist measures have achieved and the only thing they will ever achieve.

"The only thing most protectionist measures have achieved is higher prices for consumer goods."

U.S. trade policy has been an unending war against abundance. Do we really need tens of thousands of government bureaucrats working to reduce the living standard and buying power of Americans? Do we need federal employees counting each arriving handkerchief from the Third World, weighing each keg of incoming cheese and numbering the shoestrings in each box of tennis shoes? Nothing in the preamble of the U.S. Constitution mentioned forming "a more perfect Union" in order to prevent Americans from eating foreign ice cream.

Restricting Americans' opportunity to buy and sell cannot make America richer. Protectionism is the ultimate "less is more" policy — based on the idea that the U.S. will become richer if the government forces Americans to pay higher prices for fewer goods. Every trade barrier imposes an opportunity cost on the American economy.

The fewer trade barriers the U.S. has, the more competitive American companies will be. The fewer crutches the government provides, the faster American industry will run. Should we hold U.S. productivity hostage to the stubbornness or stupidity of foreign trade policy makers? Should the U.S. wait until it receives a foreign bribe before it follows its own interest? Are the tattered clothes of poor Americans something we should be proud of? Is a federal sugar policy that drives American food manufacturers overseas a national asset?

Trade allows consumers everywhere a chance to benefit from increases in productivity anywhere. As Emerson observed, "If a talent is anywhere born into the world, the community of nations is enriched."[93] Trade binds humanity together in laboring for mutual benefits. The expansion of trade between the end of World War II and the 1980s produced the greatest era of prosperity in world history.

The fundamental issue is not whether foreign governments treat American companies fairly, but whether the U.S. government treats American citizens fairly. We should cease punishing American consumers for other nations' alleged sins. The question is not whether trade barriers exist abroad, but whether we should allow them to persist here.

The time has come to deregulate our national borders — to end the medieval pursuit of a "just price" for imports — and to cease allowing government officials to have economic life-and-death power over American businesses. Charging low prices to American consumers should not be a federal crime.

Footnotes

[1] Federal News Service, headline, press conference with Lee Iacocca, chairman of Chrysler Corporation; Harold "Red" Poling, chairman of Ford Motor Company; and Robert Stempel, chairman of General Motors Corporation, during President Bush's Asian Tour, Tokyo, Japan, January 7, 1992.

[2] Paul Blustein, "Unfair Traders: Does the U.S. Have Room to Talk?", *Washington Post,* May 24, 1989.

[3] Office of the U.S. Trade Representative, "U.S. Proposal for Uruguay Round Market Access Negotiations," March, 1990, p. 416 (tariff line 9108.91.20). The official *Harmonized Tariff Schedule of the United States* does not provide the ad valorem percentage for many tariff categories, listing instead only the kilogram or piece rate. The "U.S. Proposal for Uruguay Round Market Access Negotiations" provides ad valorem rates for all tariff categories. This is a confidential document obtained by the author.

[4] Ibid., p. 88 (tariff line 2401.30.60).

[5] Office of the U.S. Trade Representative, Trade Policy Staff Committee, hearing on Uruguay Round Tariff Reduction Proposals, November 1, 1989, p. 2-237.

[6] U.S. Congress, Senate Finance Committee, *Miscellaneous Tariff Bills 1986,* May 8, 1986, (Washington: Government Printing Office, 1986), p. 21.

[7] Dave Larsons, "The Cost of Import Protection in the United States," U.S. Treasury Department, 1979; cited in Michael Finger, H. Keith Hall and Douglas Nelson, "The Political Economy of Administrative Protectionism," *American Economic Review*, Vol. 72, No. 3, June 1982, p. 453.

[8] David Tarr and Morris Morkre, "Aggregate Cost to the United States of Tariffs and Quotas on Imports," Federal Trade Commission, 1984.

[9] Martin Wolf, "Why Voluntary Export Restraints? An Historical Analysis," *The World Economy*, 12, No. 3, September 1989, p. 284. Wolf was citing a 1984 study by the Trade Policy Research Centre.

[10] U.S. International Trade Commission, "The Economic Effects of Significant U.S. Import Restraints, Phase III: Services, " ITC Publication No. 2422, September 1991, p. vi.

[11] U.S. Customs Service, *Harmonized Tariff Schedule of the United States 1990* (Washington: Government Printing Office, 1990); and other sources.

[12] But on imitation brandy the Customs Service levies a 97.7 percent tariff, a policy that has helped persuade street people to stop drinking imitation brandy.

[13] William R. Cline, *The Future of World Trade in Textiles*, p. 193 (Washington D.C.: International Economics, 1987)

[14] Brief of the National Retail Merchants Association, "The Economic Effects of Significant U.S. Import Restraints," filed with the U.S. International Trade Commission, Investigation No. 332-262, April 17, 1989, p. 10.

[15] Estimate of the United States Association of Importers of Textile and Apparel. See Office of the U.S. Trade Representative, Trade Policy Staff Committee, "Statement of United States Association of Importers of Textiles and Apparel on Reduction of Duties and Elimination of Nontariff Measures in the Uruguay Round," October 17, 1989, p.13.

[16] See Task Force Report, "Progressive Environmentalism: A Pro-Human, Pro-Science, Pro-Free Enterprise Agenda for Change," National Center for Policy Analysis, NCPA Policy Report No. 162, April 1991.

[17] Interview with Mary Harris, Information Office, National Institute of Health, Washington, D.C., January 25, 1991; also, interview with Pat O'Connor, National Kidney Foundation, New York, January 25, 1991.

[18] U.S. Congress, House Ways and Means Committee, *Written Comments on Certain Tariff and Trade Bills,* November 10, 1989 (Washington: Government Printing Office, 1989), p. 8.

[19] U.S. International Trade Commission, "Memorandum to the Committee on Ways and Means of the United States House of Representatives on H.R. 4411, A Bill to Reduce the Duty on Certain Fabrics for Use in Making Fire-Protective Garments for Firefighters," July 14, 1988.

[20] Interview with U.S. Customs Service spokesman, October 21, 1990 .

[21] U. S . Commerce Department, *Textile and Apparel Categories Correlation with the Harmonized Tariff Schedule of the*

United States (Washington: Commerce Department, 1991).

[22] General Agreement on Tariffs and Trade, "Arrangement Regarding International Trade in Textiles, " 1974, p. 9 .

[23] Ibid.

[24] Craig R. Giesse and Martin J. Lewin, "The Multifiber Arrangement: Temporary Protection Run Amuck," *Law and Policy in International Business,* 19, No . 1, 1987, p. 125 .

[25] Gary P. Sampson, "Pseudo-Economics of the MFA — A Proposal for Reform," *Journal of World Trade,* 10, No. 4, December 1987, p. 455.

[26] *Federal Register,* April 8, 1988, p. 11693.

[27] *Federal Register,* June 2, 1989, p. 23682.

[28] *Federal Register,* April 8, 1988, p. 11693 .

[29] *Federal Register,* September 5, 1989, p. 36851.

[30] Clyde Farnsworth, "Fuss Over a Diaper Import Quota," *New York Times*, May 31, 1988.

[31] Warren Brookes, "The Deadly Legacy of Trade Quotas," *Washington Times*, June 24, 1989.

[32] Farnsworth, "Fuss Over a Diaper Import Quota."

[33] *International Trade Reporter,* January 3, 1990, p. 10 .

[34] Interview with textile trade expert who wished to remain anonymous, February, 24, 1990.

[35] U.S. Customs Service, Ruling Letter HQ 086022, February 15, 1990.

[36] "Statement of United States Association of Importers of Textile and Apparel on Reduction of Duties and Elimination of Non-Tariff Measures in the Uruguay Round," brief submitted to the Trade Policy Staff Committee, Office of the U.S. Trade Representative, October 15, 1989.

[37] Dennis Melamed, "U.S. Textile Laundering Probe Big Shot in Arm for Customs," *Journal of Commerce,* March 11, 1991.

[38] Interview with textile trade expert, January 24, 1991.

[39] The White House, *Economic Report of the President* (Washington: Government Printing Office, 1989), p. 172.

[40] U.S. International Trade Commission, "The Economic Effects of Significant U.S. Import Restraints, Phase 1: Manufacturing," ITC Publication No. 2222, October 1989, p. 4-2.

[41] *Congressional Record*, September 8, 1988, p. 511971.

[42] Irene Trela and John Whalley, "Unraveling the Threads of the MFA," in Carl B. Hamilton, ed. *Textile Trade and the Developing Countries* (Washington: World Bank, 1989), p. 24.

[43] Jan Tumlir, *Protectionism* (Washington: American Enterprise Institute, 1985), p. 2.

[44] USDA, "Handbook on Section 22 Dairy Quotas," p. 1, ff.

[45] James Bovard, "Blame Export Subsidies for High Milk Prices," *Newsday*, November 20, 1989.

[46] Editorial, *New York Times,* September 15, 1951.

[47] USDA, "Handbook on Section 22 Dairy Quotas," p. 10.

[48] *Code of Federal Regulations,* 6.44 Subtitle A, January 1, 1989 edition (Washington: Government Printing Office, 1989), p. 222.

[49] *Estimated Tariff Equivalents of U.S. Quotas on Agricultural Imports and Analysis of Competitive Conditions in U.S. and Foreign Markets for Sugar, Meat, Peanuts, Cotton and Dairy Products* (Washington: U.S. International Trade Commission, 1990), p. xvi.

[50] *Estimates of Producer and Consumer Subsidy Equivalents. Government Intervention in Agriculture, 1982-87* (Washington: U.S. Department of Agriculture, 1990), p. 310. The consumer costs per year ranged from a low of $5.1 billion in 1983 to a high of $7.025 billion in 1984.

[51] Ibid., p. 38.

[52] *Congressional Record,* March 19, 1991, p. 5 3505.

[53] Henry Lee, *An Exposition of Evidence in Support of the Memorial To Congress* (Boston: Boston Press, 1832), p. 25.

[54] Rep. Byron Dorgan (D-ND) in the *Congressional Record,* September 26, 1985, p. H7823.

[55] U.S. Department of Commerce, *United States Sugar Policy - An Analysis* (Washington: Government Printing Office, 1988), p. v.

[56] Clyde Farnsworth, "Candymaker Dealt Blow on Sugar Quotas," *New York Times,* May 8, 1990.

[57] *Congressional Record,* May 17, 1989, p. E1738. Insert by Rep. John Porter (R-IL).

[58] U.S. Department of Commerce, *United States Sugar Policy,* pp. vii ff.

[59] Bruce Ingersoll, "Inequities in Farm Program Anger Minnesota Farmers," *Wall Street Journal,* June 26, 1990.

[60] Gary Hufbauer, Diane Berliner and Kimberly Elliott, *Trade Protection in the United States* (Washington D.C.: Institute for International Economics, 1986), p. 315.

[61] *Estimated Tariff Equivalents of U.S. Quotas on Agricultural Imports and Analysis of Competitive Conditions in U.S. and Foreign Markets for Sugar, Meat, Peanuts. Cotton and Dairy Products* (Washington: U.S. International Trade Commission, 1990), ITC Publication No. 2276, p. xvi.

[62] James Bovard, "Trade Nuttiness," *Wall Street Journal,* December, 1990.

[63] Ibid.

[64] Hufbauer, Berliner and Elliot, *Trade Protection,* p. 24.

[65] *Estimates of Producer and Consumer Subsidy Equivalents,* p. 298.

[66] Charles Collyns and Steven Dunaway, "The Cost of Trade Restraints: The Case of Japanese Automobile Exports to the United States," *International Monetary Fund Staff Papers,* 34, No. 1, March 1987, p. 159.

[67] Organization for Economic Cooperation and Development, *The Costs and Benefits of Protection* (Paris: Organization for Economic Cooperation and Development, 1985), p. 97.

[68] Joseph White and Jacqueline Mitchell, "Detroit Rolls Out Old Ploy: Quotas," *Wall Street Journal,* January 14, 1991.

[69] OECD, *The Costs and Benefits of Protection,* p. 15.

[70] Study by Winston and Associates, "Blind Intersection?," pp. 64-65. Cited in Robert Crandall, "The Effects of U.S. Trade Protection for Autos and Steel," *Brookings Paper on Economic Activity,* 1987, No. 1, p. 287.

[71] William Niskanen, *Reaganomics* (New York: Oxford University Press, 1988), p. 140.

[72] Bradley Stertz, "Big Three Boost Car Quality But Still Lag," *Wall Street Journal,* March 27, 1990.

[73] Ibid.

[74] Ibid.

[75] Ibid.

[76] Fred Bruning, "Demand for Action; Auto Execs Target Japan, Defend U.S. Workmanship," *Newsday,* January 8, 1992.

[77] Paul Blustein, "Japan Takes Some Heat on Car Exports," *Washington Post,* April 4, 1991.

[78] Christopher Chipello, "U.S. Tells Japan to Use Restraint in Auto Prices," *Wall Street Journal,* April 4, 1991.

[79] A.E. Cullison, "Japan Unlikely to Heed Big 3's Plea on Autos," *Journal of Commerce,* March 27, 1991.

[80] Michael Hirsh, "Nissan Chief Critical of U.S. Automakers," Associated Press, January 28, 1992.

[81] James Bovard, *Wall Street Journal,* October 15, 1990.

[82] Ibid.

[83] Federal News Service, news conference with Sen. Donald W. Riegle, Jr. (D-MI) regarding Japan and the U.S. Economy, Senate Radio and TV Gallery, Washington, DC, January 10, 1992.

[84] PR Newswire, statement from Chrysler Corporation regarding new Japanese VER, March 19, 1992.

[85] PR Newswire, GM spokesperson's statement on Japanese voluntary export restraints, March 19, 1992.

[86] Japan Economic Newswire, "Congress, Detroit React Caustically to Export Restraint," March 20, 1992.

[87] Interview with Walker Pollard, March 27, 1992.

[88] International Trade Commission, *International Economic Review,* cited in *Capitol Comment,* No. 77, January 23, 1992.

[89] Dorothy Christelow, "Japan's Intangible Barriers to Trade in Manufacturers," *Quarterly Review*, Federal Reserve Bank of New York, Winter 1985-86, pp. 11-18.

[90] U.S. International Trade Commission, "Pros and Cons of Initiating Negotiations with Japan to Explore the Possibility of a U.S.-Japan Free Trade Area Agreement," ITC Publication No. 2120, September 1988, p. 24.

[91] Kyodo News Service, "Ford to Apply to Japanese Development Bank for Low-Interest Loan," January 13, 1992.

[92] Colin Nickerson, "Many Firms in Japan Prove Tough Trade Barriers a Myth," *Boston Globe*, January 9, 1992.

[93] Ralph Waldo Emerson, *The Conduct of Life* (Boston: Houghton Mifflin, 1888), p. 85.

About The Author

JAMES BOVARD is the author of *The Fair Trade Fraud* (New York: St. Martin's Press, 1991), which questioned America's restrictive trade practices with other countries, and *The Farm Fiasco* (San Francisco: ICS Press, 1989), a challenge to the nation's agricultural policies. Japanese editions of both books are being prepared for publication. He is a frequent contributor to the *Wall Street Journal* and *New York Times* and has written for *New Republic,* the *Washington Post* and *Newsweek*. Bovard attended Virginia Tech. He lives in the Washington, DC area.