

Time to learn a real-world lesson from tariffs

Tariffs and trade are rarely explained in a way everyone can understand, and we should blame economists for that. There are a few important points that every adult should know.

Tariffs are taxes levied on imported goods and services. Our constitution requires Congress to vote on all tax changes, but Congress gave special powers to the president to set tariffs under a "national security" claim. So, as long as the president claims the tariffs are designed to reduce the risk to national security, he can set tariffs.

This presidential power was created in 1962, and has been used only a few times. President-elect Trump imposed very broad tariffs in 2018, and President Biden continued them throughout his presidency.

Because these tariffs are not subject to normal policy debates, few Americans know about their effects. That's a pity because it permitted Trump to impose heavy and costly tariffs and allowed Joe Biden to keep them.

Tariffs are designed with the hope of pushing down our trade deficit, but they don't have any effect on our trade deficit. The size of the American trade deficit — how much more we import than export — is exclusively the result of the savings rate, or how much more we spend than we produce.

It turns out that the U.S. savings rate is primarily affected by our federal budget deficit. You see, our federal budget deficit is

caused by collecting fewer tax dollars than we spend each year. It is a classic example of spending more than we earn. To finance that, we sell Treasury bonds. This is a type of borrowing that reduces our national savings rate.

In short, Americans are buying more than we produce, and that has caused our trade deficit.

American citizens buy up about a third of the federal deficit each year in the form of bonds. These bonds are held by retirement accounts and pension funds as a safe investment, so we are lending money to our own government. But, for every dollar that we borrow from outside the U.S. each year, American net imports must increase by a dollar.

For example, last year, our federal deficit was about \$1.4 trillion, and roughly \$1 trillion was financed by foreigners buying U.S. treasuries. As a consequence, the trade deficit was roughly \$1 trillion. This is what mathematicians call an identity, such as 2+2=4.

Unless we collect enough money in tariffs to pay down the debt, tariffs will have no effect on our trade deficit. As long as we run federal budget deficits, we will have a trade deficit, and every American should understand that relationship.

Tariff rates would need to be about 150% to eliminate the budget deficit — if we still bought the same number of goods from overseas.

Now, tariffs can affect what we buy, and from whom we buy it. So, tariffs on the People's Republic of China would push domestic firms and consumers to buy goods or services from other countries. This happens because of the price effect of tariffs. Tariffs will increase the price Americans pay on imported goods. You cannot control the incidence of taxation.

No matter what laws you pass, or what claims you make about a tax, the entity that pays a tax on trade is determined by economics, not legislation. The relative responsiveness to price of the buyer and seller determines who pays the tax.

We are a rich country, importing relatively inexpensive items from overseas, so our price sensitivity is very low relative to our suppliers. As a consequence, American consumers will pay most of the tariff costs.

Ironically, retaliatory tariffs on American exporters can be very damaging. We export lots of commodities — think soybeans, corn and oil. These products are produced in many places, so it is very easy for a country upon whom we place a tariff to retaliate by placing a tariff on our soybeans, corn and oil. In that case, almost all the tariffs will be paid by American farmers and oil producers.

Trade wars are not easy to win, and they are darned near impossible to win for rich countries that export commodities. We lost the last one and will lose the next one. And by "we," I mean all of us, though the cost will be more heavily born by U.S. farmers and manufacturers who import parts to assemble here.

That is why the Midwest, with its farms and factories, was so badly hurt by the 2018 round of tariffs.

Trump's proposed tariffs will cause the cost of products to rise in the U.S., and at least one estimate from the Tax Foundation estimates the cost at more than \$2,000 per household each year. That would make this the largest inflation-adjusted tax increase in U.S. history.

The burden of tariffs will also fall most heavily on younger and poorer households. They buy a disproportionate share of goods, such as cars, appliances, consumer electronics and home construction materials.

Tariffs played such a large role in the Trump campaign that arguing against them is pointless. What would be best for the U.S. is to experience them quickly and in full. We should immediately proceed to levy a 20% tariff on all imports and 60% on Chinese imports, as Trump said he would do.

As we learn of the consequences, we should recall Benjamin Franklin's adage that experience is a costly school, but the fool will learn in no other way.

MICHAEL J. HICKS, PHD, is the director of the Center for Business and Economic Research and the George and Frances Ball distinguished professor of economics in the Miller College of Business at Ball State University. Hicks earned doctoral and master's degrees in economics from the University of Tennessee and a bachelor's degree in economics from Virginia Military Institute. He has authored two books and more than 60 scholarly works focusing on state and local public policy, including tax and expenditure policy and the impact of Walmart on local economies.



MICHAEL HICKS



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The News Sun
102 N. Main St.
P.O. Box 39
Kendallville, IN 46755
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The Star
118 W. 9th St.
Auburn, IN 46706
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The Herald Republican
107 N. Martha St.
Angola, IN 46703
Email: mmarturello@kpcmedia.com

Letters to the Editor

Contemplate biblical truths associated with Christmas

To the Editor:

I would like to express my conviction that the biblical Christian worldview is the true worldview, and to encourage the devotional observance of Christmas by believers.

Humans were created to reflect the image and glory of God. God commanded them to tend the garden and to multiply and replenish his creation.

Adam and Eve, the first couple, rebelled against God. They assumed the autonomy to define ultimate reality and morality for themselves, without reference to God. In essence, they became their own gods and created their own faulty worldview.

We find ourselves in a creation with those who possess ungodly worldviews. Some want to force their worldview and its principles upon the rest. Wokeness aka Neo-Marxism is one such worldview.

Humanity has a long history of ungodly worldviews. A philosopher forms a worldview. It becomes the prevailing one. Society conforms to its claims. Ultimately, cracks appear in the foundation and the system collapses. The worldview cannot bear the weight of reality.

A period of widespread disillusionment, skepticism, and despair ensues.

Another clever philosopher stumbles on the scene with a new or modified worldview.

This cycle continues ad infinitum. Man's attempt to form a coherent, all-encompassing worldview without reference to God, in whose image he is created, is futile.

Some secular worldviews are better than others, but all have an expiration date.

The Creator-God reveals man's true history, purpose, nature, destiny and ethical implications in Scripture.

The Bible is a narrative with four chapters: Creation, Fall, Rescue (Redemption), and Consummation (Restoration).

Man was created in the image of God, male and female, and placed in the Garden of Eden. They were commanded to multiply and fill the earth with their descendants.

The first couple, under the influence of the Serpent, Satan, rebelled against God. Their natures became corrupted, no longer accurately reflecting the image and glory of God. They were exiled from the Garden and the manifest presence of God.

The corruption of the Fall affected more than Adam. As our federal head (representative), his rebellion affected all his descendants.

Mankind was not left without hope of restoration, though. God promised a Seed of a woman who would crush the Serpent and destroy the works of the devil (Genesis 3:15, Romans 16:20, 1 John 3:8).

This Serpent-Crusher is Jesus Christ, miraculously born to the virgin Mary.

He lived a pure, sinless life and died an agonizing, substitutionary death on the Cross to redeem his people. He was resurrected on the third day, vindicated as the sinless Son of God.

He rules from heaven, and will return at the close of this present age to gather his people, and to execute ultimate judgment upon Satan, the demons, and unrepentant mankind.

Essential (definitional) biblical Christianity includes monotheism, the Trinity, original sin, the true humanity and deity of Jesus Christ, the virgin birth, the substitutionary atonement accomplished at the cross, the bodily resurrection, the indwelling presence of the Holy Spirit in believers, salvation by grace through faith, the inerrancy and inspiration of Scripture, and the eternal reward of believers and eternal punishment of unrepentant mankind.

I encourage believers to contemplate biblical truths associated with Christmas, including the Incarnation, the true humanity and deity of Christ, the virgin birth, and our need for a Savior-Redeemer.

Some believers don't observe Christmas for reasons of conscience related to secularization, commercialization and sketchy claims of pagan origins. I understand their position and formerly held it myself.

Observance of holidays is a Romans 14 issue that sincere Christians can disagree upon.

However, devotional observance can be an effective teaching tool. It reinforces vital concepts in the minds of well-instructed believers and their children.

For a detailed version of this letter, see my blog at christiannewsjunkie.com.

Robert Sparkman
Rome City

JFK's time was an era never to be forgotten

To the Editor:

On November 22nd, 1963, John F. Kennedy, 35th President of the United States, was assassinated by Lee Harvey Oswald in Dallas, Texas.

Lyndon Baines Johnson was sworn in as President on board Air Force One before departing for Washington.

JFK served in the House of Representatives and the Senate. He defeated Richard Nixon in 1960.

His Bay of Pigs invasion of Cuba was a failure. He steered us through a nuclear standoff with the Russians in the Cuban Missile Crisis.

He founded the U.S. Peace Corps. In a visit to Berlin, he said, "Ich bin ein Berliner."

U.S. "advisers" were introduced in Vietnam. The Kennedy administration was called "Camelot."

The nation stood grief stricken during his funeral and committal at Arlington Cemetery.

It was an era never to be forgotten.

Stephen Kummernaus
Auburn

C.C.O.A. appreciative of Duesy Award

To the Editor:

Recently, the Heimach Senior Center/DeKalb County Council on Aging received "The Duesy" award in the not-for-profit category.

We were very pleased to receive the recognition. It is a recognition of the programs, staff, volunteers and board members that make up our organization. We strive to have quality programs and activities for the communities to share.

Again, thank you to all who made this possible. We enjoy serving DeKalb County.

Cameron Moore
Board president
D.C.C.O.A.

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