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Steel dumping decision might be good politics in Minnesota, but it's bad economics

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By Louis D. Johnston | 08/25/14

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REUTERS/Pichi Chuang

Columns of steel are stacked inside the China Steel production factory in Kaohsiung. China Steel is Taiwan's top steel maker.

Friday, the United States International Trade Commission issued a news release with the bland headline, "Certain Oil Country Tubular Goods From India, Korea, Taiwan, Turkey, Ukraine, and Vietnam, But Not Philippines And Thailand, Injure U.S. Industry, Says USITC."

Translation: the USITC agreed with the Department of Commerce that these countries were "dumping" steel products — selling them below costs — in the United States, and that tariffs will be imposed to eliminate the price difference between U.S. and foreign producers.

Gov. Mark Dayton and Sens. Amy Klobuchar and Al Franken were unanimous in their praise for the decision. "This is a major victory for hardworking miners in Minnesota and across the country," Klobuchar declared. She went on to say that "these new penalties will help crack down on illegal trade practices and protect steelworker jobs, and I'll keep fighting to ensure that our businesses are competing on a level playing field."

Franken added, "American iron and steel producers and our workers can compete with anyone in the world on a level playing field. But we can't accept when other countries dump their goods here at anti-competitive prices, undercutting Minnesota's producers."

The Republican challengers to Dayton and Franken, Jeff Johnson and Mike McFadden, were silent about the decision. I'm not surprised that they would refrain from publicly supporting the ruling, but one would think that the traditional Republican commitment to free trade would prompt them to decry the imposition of tariffs. Perhaps McFadden's experience with endorsing the use of Chinese steel in the Keystone XL pipeline tempered his response.

Unfortunately, economics got trounced by politics on this issue. The USITC decision is not a victory for the economic well-being of Minnesota steelworkers and their families. It's a victory for those who think international trade is a zero-sum game, one in which the gains of American workers must be purchased by losses extracted from the labor forces of other nations. And it's a loss for those of us who see international trade as a win-win proposition.

As I pointed out six weeks ago, when the Commerce Department made its initial finding on steel dumping, imposing tariffs is an ineffective way to help workers. "The only group that is certain to gain from all of this is the army of lawyers, accountants, economists and other consultants who work on antidumping cases," I wrote then.

If anyone else gains, it's likely to be the steel companies. They are assured a minimum price for their products without the need to compete on price with international competitors. And, yes, tariffs *might* help Iron Range communities by keeping plants open that might close, or keeping processing facilities running longer hours, meaning a few more hours for existing workers.

But a more effective way to help Minnesota's workers is to equip them and their communities with the human and physical capital needed to compete for jobs in new industries and break the hold of the steel industry on the economy of northeastern Minnesota. That would be a "major victory."

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Louis Johnston writes Macro, Micro, Minnesota for MinnPost, reporting on economic developments in the news and what those developments mean to Minnesota. He is Joseph P. Farry professor in the Eugene J. McCarthy Center for Public Policy and Civic Engagement at Saint John’s University. He is also a professor of economics at the university.

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