

Shoe Tariff Amounts to a Hidden Tax on Poor Families

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TRADE RESTRICTIONS Rep. Joe Crowley, who represents the Bronx, has come up with an idea so reasonable, so helpful, and so ethical that it will almost certainly die of neglect. Crowley's proposal is simple: Repeal the tariffs that jack up the price of inexpensive shoes.

The case for repealing the tariffs is, to borrow a term, overdetermined: There are several reasons to do so, any one of which ought to suffice. The tariffs are regressive: They apply to \$15-a-pair generic-brand shoes, but not to \$300-a-pair Ferragamos or Jimmy Choos. They reach as high as 67.5 percent, and cost consumers -- mostly low-income families -- more than \$4 billion annually.

What's more, although in theory a tariff protects an industry in the country that imposes the tariff, that is not the case with the shoe import duty. The vast majority of shoes worn by Americans -- 98.5 percent, according to the American Apparel and Footwear Association -- are made overseas. The shoes made domestically, such as New Balance running shoes, are not what anyone would consider cheap, and their makers are not threatened by foreign competitors. So the tariffs do protect a domestic industry that doesn't exist -- and don't protect a domestic industry that does.

But even if a large domestic shoe manufacturing industry did exist, tariffs still would be a lousy idea. Protecting an industry from competition insulates it from consumer demand and puts distance between what consumers want and manufacturers produce. By muffling market signals and tilting the playing field, tariffs give mediocrity breathing room and punish striving competitors.

Not only that -- they're just plain wrong. Coercion has no place in a free market. A willing buyer should be able to purchase goods from a willing seller at a price they both can live with. There is no good reason for a third party -- the government -- to step in and insist the price the other two agree on is wrong and should be higher.

UNFORTUNATELY, government does things like that all the time. And once Washington starts interfering, it almost never stops. The shoe import You can set Hinkle straight on the Barticles blog on inRich.com.duty began in the 1930s, and continues today long after it outlived whatever dubious justification gave it life. The federal government began subsidizing wool and mohair back in the 1950s to ensure an adequate supply of material to make uniforms for American soldiers. Uniforms aren't made out of wool any longer. But despite attempts to kill the mohair subsidy -- Bill Clinton zeroed it out, to his credit -- it keeps coming back to life like the undead bad guy in a horror flick.

Politics often plays a role -- as in 2002, when the Bush administration imposed import tariffs on foreign steel in a clever move to build support for the GOP in Democratic strongholds such as Pennsylvania and West Virginia. (The threat of retaliatory tariffs against Florida goods forced the White House to back down.)

Such distortions in the market often have tragic consequences largely hidden from American view. Cotton subsidies in the U.S. have so depressed the price for cotton on the global market that cotton

farmers in Uganda, Burkina Faso, and other nations who could compete on a level playing field are undersold. In blunt terms, U.S. taxpayers pay to help U.S. farmers cheat.

THE SYSTEM persists because of a phenomenon Jonathan Rauch has termed, in a book of the same name, demoscclerosis. The benefits of government interference in the market are concentrated, while the costs are dispersed. So a few thousand beneficiaries have a strong incentive to lobby for tariffs and subsidies, while the millions of consumers who pay more as a result don't have much incentive to lobby against them.

That's assuming, of course, that consumers even know the tariffs and subsidies exist, which they usually don't. Why should they -- when even Washington experts don't know for sure what trade controls apply to which products? In an interview earlier this week on National Public Radio, Ed Gresser -- former policy adviser to the U.S. Trade Representative during the Clinton years -- said: "There [is] no one who is assigned to look at the [tariff] system as a whole." So Heaven only knows how many other programs like the shoe tariff are still out there, flying on autopilot and costing U.S. consumers billions a year.

Crowley's bill doesn't face outright opposition (at least not yet), but he doesn't hold high hopes for its passage, either. Shoe fashions come and go -- but shoe tariffs might last forever.

My thoughts do not aim for your assent -- just place them alongside your own reflections for a while. -- Robert Nozick

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