

Tariffs Cause Americans to Accept Inferior Deals

Suppose I decided to go back into the business of being a professor of economics specializing in economic history in the USA. Suppose further that 100 jobs are available, and 101 applicants for these jobs have been ranked by the hiring institutions. Everyone agrees that I am the worst of the lot. Each of the applicants is willing to work at the going rate.

However, before any hires can be made, the government lays a 500% tariff on the services of imported economic historians, and it turns out each of the applicants except me is a foreigner. Given the tremendous increase in the salary that would have to be paid to (superior) foreign sellers of the service, I get a hundred job offers even though I am by general agreement the worst of the bunch.

This is how tariffs work. They make superior offers less desirable for buyers by making them more costly. The result is that buyers end up with goods and services that, absent the tariff, they would not want to buy. Everyone is worse off—except me, of course. I am the sort of shoddy substitute that ends up being chosen despite my manifest inferiority for doing the job.

If directly or indirectly the government uses its power to get you to Buy American, the slogan might as well be, Buy Crap. You don't need to put a gun to someone's head to get him to exercise the option that in his judgment is best for him.