Tariffs and Trade-Offs

Trace who gains and who pays when governments tax imports.

AWH.P.2.4.C "Evaluate the impact, both intended and unintended, of government policies on market outcomes at national and global levels, past and present."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline each policy's intended effect, circle unintended effects, and number the groups affected. Use your marks to compare outcomes at home and abroad.

When Import Taxes Cross Borders

1 In 1930, the United States passed the Smoot-Hawley Tariff Act, raising taxes on many imported goods. Supporters wanted to protect American farmers and factories from foreign competition during an economic crisis. Higher import prices could help some U.S. producers sell more at home, but they also raised costs for buyers. Canada and other trading partners raised tariffs on U.S. products in response, making American exports harder to sell. World trade contracted sharply during the Great Depression. Historians do not treat the tariff as the sole cause of that collapse; falling incomes and other barriers mattered too.

2 In 2018, the U.S. government imposed a 25 percent tariff on many imported steel products, with some countries receiving exceptions. Officials aimed to strengthen domestic steel production and protect an industry they considered important to national security. U.S. steelmakers could benefit when imported steel became more expensive. Yet manufacturers that use steel to make cars, tools, and other products faced higher material costs. Other governments placed tariffs on U.S. goods, including farm products, in response. This put pressure on American exporters and connected a policy intended to help one U.S. industry to losses in another.

3 These two episodes show why the effects of a tariff depend on whose market you examine. A steel producer may gain customers while a carmaker pays more for supplies; an overseas farmer may gain sales if buyers seek alternatives to tariffed U.S. crops. Retaliation can spread costs across borders, even when a policy is aimed at domestic markets. Today, governments still consider tariffs when they want to support an industry or address security concerns. To judge a proposal, compare its stated goal with changes in prices, sales, and jobs, and ask whether gains for one group outweigh losses for others.

2 ANSWER WITH EVIDENCE

Use the passage

1. Did the 1930 tariff affect only the U.S. market? Evaluate its intended domestic benefit and one unintended effect beyond U.S. borders.

2. How could the 2018 steel tariff help one U.S. industry while hurting another? Judge whether higher steel prices benefited every domestic producer.

3. Evaluate one unintended global effect of the 2018 steel tariff. Explain how another government's response could change sales for producers in two countries.

4. Based on both episodes, is protecting one domestic industry enough to show that a tariff improved market outcomes overall? Support your judgment with evidence from each episode.

3 YOUR TURN

Your own words

Suppose your government offers a tax-funded payment to domestic electric-bicycle makers for each bike they produce, while imported bikes remain untaxed. In four sentences, predict an intended and an unintended effect on your national market, predict one effect on a foreign market, and judge whether the policy is worth the trade-off.

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PART 1 · READ AND MARK

Underline each policy's intended effect, circle unintended effects, and number the groups affected. Use your marks to compare outcomes at home and abroad. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Did the 1930 tariff affect only the U.S. market? Evaluate its intended domestic benefit and one unintended effect beyond U.S. borders.	**No. Supporters intended to help U.S. farmers and factories sell more at home, but trading partners raised tariffs on U.S. goods, making American exports harder to sell.**
2	How could the 2018 steel tariff help one U.S. industry while hurting another? Judge whether higher steel prices benefited every domestic producer.	**Costlier imported steel could help U.S. steelmakers gain sales, but it raised material costs for U.S. manufacturers that use steel. It did not benefit every domestic producer.**
3	Evaluate one unintended global effect of the 2018 steel tariff. Explain how another government's response could change sales for producers in two countries.	**Other governments taxed U.S. goods, including farm products, putting pressure on American exporters. Foreign farmers could gain sales if buyers chose their crops instead of tariffed U.S. crops.**
4	Based on both episodes, is protecting one domestic industry enough to show that a tariff improved market outcomes overall? Support your judgment with evidence from each episode.	**No. The 1930 tariff could help some U.S. producers, but buyers faced higher costs and trading partners retaliated. The 2018 tariff could help steelmakers, but it raised costs for steel users and put pressure on exporters.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

The payment could help domestic electric-bicycle makers lower prices and sell more bikes, as intended. Funding it with taxes could leave households with less money to spend on other products, hurting those sellers at home. Foreign bicycle makers might lose customers in this country and seek buyers in other markets, changing competition there. I would support the policy only if the added jobs and sales outweighed the tax costs and harm to other sellers.

Accept other plausible, explained effects that follow from the policies. For the open task, look for distinct national and foreign market effects, an unintended consequence, and a judgment supported by a trade-off.