Steel Ripple Effects

Trace how one trade policy affected markets at home and abroad.

E.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 the result the U.S. government wanted from its steel tariff. Circle two other market effects, then number each circled effect 1 if it happened in the United States or 2 if it happened abroad.

What Happened When Steel Cost More?

1. In 2018, the U.S. government placed a 25 percent tariff on many imported steel products. A tariff is a tax paid by U.S. importers when goods cross the border. Officials said the policy would protect domestic steel production, which they considered important to national security. If imported steel costs more, U.S. buyers may turn to American mills instead. That can raise sales and support jobs at those mills. The policy did not ban imported steel, and some countries later received exemptions or other arrangements. Still, the tariff changed the prices that companies faced when choosing where to buy steel.

2. The tariff also affected U.S. businesses that use steel. When steel costs rose, some manufacturers paid more for materials used to make products such as appliances and machinery. Those costs could shrink profits or lead firms to charge customers more. A steel mill might benefit while a factory buying its steel might struggle, even though both employ American workers. Higher prices alone do not show whether the entire economy gained or lost. To evaluate the policy, compare benefits to steel producers with costs to steel users and shoppers, and ask who bears each cost.

3. The policy also crossed borders. The European Union answered U.S. steel tariffs with tariffs on certain American products, including bourbon. That made those U.S. goods more expensive for European buyers and put pressure on American exporters. Foreign steel sellers could lose access to part of the U.S. market, while U.S. steel buyers faced higher prices. In 2021, the United States and the European Union agreed to let a set amount of European steel enter the United States without the 25 percent tariff. This later change eased some trade friction, but it did not remove every cost or benefit of the original policy.

2 ANSWER WITH EVIDENCE

Use the passage

1. How was the tariff intended to help U.S. steel mills? Explain the link between the tariff and buyers' choices.

2. Why might a U.S. steel mill and a U.S. appliance maker judge the tariff differently?

3. How did the European Union's response turn a U.S. steel policy into a problem for some American exporters?

4. How might the 2021 agreement help U.S. steel buyers while creating a concern for U.S. steel mills?

3 YOUR TURN

Your own words

Imagine a government gives grants to domestic bicycle factories so they can sell bikes for less. In four or five sentences, predict an intended market effect, one possible unintended effect at home, and one abroad, then judge whether the policy seems worth its costs and explain why.

ANSWER KEY

Steel Ripple Effects

HIGH SCHOOL · E.P.2.4.C

PART 1 · READ AND MARK

Underline the result the U.S. government wanted from its steel tariff. Circle two other market effects, then number each circled effect 1 if it happened in the United States or 2 if it happened abroad. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How was the tariff intended to help U.S. steel mills? Explain the link between the tariff and buyers' choices.	**The tariff made imported steel more expensive, so buyers might choose U.S. steel instead. That could increase domestic mills' sales and support their jobs.**
2	Why might a U.S. steel mill and a U.S. appliance maker judge the tariff differently?	**The mill might gain sales when buyers switch to U.S. steel, while the appliance maker might pay more for steel, reducing profits or raising its prices.**
3	How did the European Union's response turn a U.S. steel policy into a problem for some American exporters?	**The European Union put tariffs on some U.S. goods, including bourbon. Those goods became more expensive for European buyers, putting pressure on American exporters.**
4	How might the 2021 agreement help U.S. steel buyers while creating a concern for U.S. steel mills?	**Buyers could obtain some European steel without the 25 percent tariff. U.S. mills might face more competition for those buyers.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

The grants could help domestic bicycle factories lower prices and sell more bikes, as the government intends. Taxpayers would fund the grants, even if they do not buy bikes. Foreign bicycle makers might lose sales in this country when shoppers choose cheaper domestic bikes. Lower prices would help riders, but lost foreign sales could hurt workers abroad. I would support the grants only if the gains for riders and domestic workers outweigh the tax cost and harm to foreign sellers.

Accept supported predictions that explain how the policy could change prices, sales, or costs. For the open task, either judgment is valid if it weighs an intended benefit against domestic and global effects.