Steel Tariff Tradeoffs

Trace the effects of a trade policy at home and abroad.

MWH.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 one intended market effect of the tariff and circle two possible unintended effects. Write N beside an effect on the U.S. market and G beside an effect that crosses borders.

Who Pays When Steel Costs More?

1. In 2018, the U.S. government placed a 25 percent tariff on many imported steel products. A tariff is a tax on imports, paid by the importer. Officials argued that relying heavily on foreign steel could threaten national security. They intended to make imported steel less attractive, increase sales for U.S. steel mills, and protect domestic steelmaking capacity. The policy did not cover every country or every steel product in the same way. Still, a higher price at the border changed choices beyond steel mills: U.S. firms that used steel had to decide where to buy it and what to charge customers.

2. Consider a U.S. company that makes washing machines. If imported steel costs more, the company may switch to a U.S. supplier. That shift can help the supplier sell more steel, an intended result. But if domestic suppliers also charge more as demand rises, the washer maker faces higher costs no matter where it buys steel. It may raise washer prices, accept lower profits, or delay hiring. These are possible unintended outcomes, not proof that every factory made the same choice. A tariff that supports one industry can therefore put pressure on other industries and on households buying their products.

3. The effects also crossed borders. After the 2018 U.S. steel tariffs, the European Union placed retaliatory tariffs on selected U.S. goods, including motorcycles and bourbon. Those taxes made the targeted exports more expensive for buyers in Europe and threatened sales for U.S. exporters. Foreign steel producers also faced reduced access to some U.S. buyers. Over time, some U.S. trading partners negotiated different tariff arrangements, showing that the rules were not fixed. To judge this policy, compare the intended gain for domestic steel production with possible costs for U.S. manufacturers, consumers, exporters, and trading partners.

2 ANSWER WITH EVIDENCE

Use the passage

1. How was the steel tariff intended to change buying decisions in the United States, and which industry was meant to benefit?

2. How could the tariff help a U.S. steel supplier but hurt a U.S. washing-machine maker? Explain the price connection.

3. How did the European Union's response create a possible unintended outcome for U.S. exporters?

4. Why might U.S. steel mills and U.S. exporters judge the same tariff differently? Use an outcome for each group.

3 YOUR TURN

Your own words

A government today proposes a tax credit for companies that build electric buses in its country. In four or five sentences, predict an intended national market outcome, a possible unintended national outcome, and a possible global outcome, explaining how the credit could cause each.

ANSWER KEY

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HIGH SCHOOL · MWH.P.2.4.C

PART 1 · READ AND MARK

Underline one intended market effect of the tariff and circle two possible unintended effects. Write N beside an effect on the U.S. market and G beside an effect that crosses borders. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How was the steel tariff intended to change buying decisions in the United States, and which industry was meant to benefit?	**It was meant to make imported steel less attractive so more buyers would purchase from U.S. steel mills, increasing their sales.**
2	How could the tariff help a U.S. steel supplier but hurt a U.S. washing-machine maker? Explain the price connection.	**A washer maker might switch to a U.S. steel supplier, increasing that supplier's sales. If steel prices rise, the washer maker's costs could also rise.**
3	How did the European Union's response create a possible unintended outcome for U.S. exporters?	**Its retaliatory tariffs made selected U.S. goods more expensive in Europe, threatening sales for exporters of goods such as motorcycles and bourbon.**
4	Why might U.S. steel mills and U.S. exporters judge the same tariff differently? Use an outcome for each group.	**Steel mills might welcome increased sales to U.S. buyers. Exporters might oppose the tariff because retaliation threatened their sales in Europe.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

The credit could lower production costs for domestic electric-bus makers, helping them sell more buses and hire more workers. If those factories buy more batteries, higher demand could raise battery prices for other domestic buyers. Foreign electric-bus makers might lose orders if locally built buses become cheaper, reducing sales abroad. The government would need to weigh the intended gains in jobs and sales against these possible costs at home and abroad.

Accept other passage-supported effects in Part 2. For Part 3, look for a plausible causal link between the credit and each of three distinct outcomes, including one that crosses borders.