Who Pays the Price?

Trace the effects of trade policy at home and abroad.

OKH.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 Read the passage, then underline each policy's intended market effect, circle unintended effects at home, and write 1 beside effects abroad from the 1930 tariff and 2 beside effects abroad from the 2018 tariff.

A Tariff's Reach

1. In 1930, the United States raised tariffs, taxes on imported goods, through the Smoot-Hawley Tariff Act. Lawmakers hoped higher import prices would steer shoppers toward American products and protect American jobs during a severe economic slump. Some American businesses gained a shield from foreign competition. But consumers and businesses that used imported materials faced higher costs. Other countries raised tariffs on American goods, making it harder for U.S. exporters to sell abroad. World trade also fell in the early 1930s, although the tariff was only one factor among many, including the Great Depression itself.

2. In 2018, the U.S. government placed a 25 percent tariff on most imported steel. Officials wanted to strengthen domestic steel production and protect an industry they considered important for national security. American steelmakers could charge more when imported steel became more expensive, and U.S. steel production rose. Yet firms that buy steel, such as makers of washing machines and car parts, faced higher input costs. Some had to raise prices or accept lower profits. Trade partners also put tariffs on U.S. exports in response, including farm products, so the effects crossed borders rather than stopping at steel mills.

3. By 2024, the United States still taxed steel imports from some countries, while steel from certain partners could enter without that tariff, sometimes within set limits. These different rules affected which foreign sellers faced the extra cost. The two tariff policies took place in different economies, but both show how protecting one group can shift costs to another. A steel tariff can support domestic mills while making finished goods costlier for buyers at home. Retaliatory tariffs can hurt exporters who never buy steel. To judge either policy, compare its intended gains with costs at home and abroad, while considering other causes of changes in trade.

2 ANSWER WITH EVIDENCE

Use the passage

1. Who was the 1930 tariff meant to help, and what unintended cost did it create for people or businesses in the United States?

2. How did other countries' response to the 1930 tariff affect the U.S. market? Why would it be inaccurate to blame the entire drop in world trade on that tariff?

3. Did the 2018 steel tariff have the same effect on steelmakers and businesses that use steel? Use evidence from the passage to evaluate the trade-off.

4. How could the different tariff rules in place by 2024 affect competition among foreign steel sellers in the U.S. market?

3 YOUR TURN

Your own words

Imagine a country pays its solar-panel factories for every panel they produce. In four or five sentences, predict an intended effect at home, an unintended effect at home, and a possible effect abroad. Judge whether the policy is worth its costs, and name one fact that could change your judgment.

ANSWER KEY

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HIGH SCHOOL · OKH.P.2.4.C

PART 1 · READ AND MARK

Read the passage, then underline each policy's intended market effect, circle unintended effects at home, and write 1 beside effects abroad from the 1930 tariff and 2 beside effects abroad from the 2018 tariff. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Who was the 1930 tariff meant to help, and what unintended cost did it create for people or businesses in the United States?	**It was meant to help American producers and protect jobs. Consumers and businesses using imported materials faced higher costs.**
2	How did other countries' response to the 1930 tariff affect the U.S. market? Why would it be inaccurate to blame the entire drop in world trade on that tariff?	**Their tariffs made it harder for U.S. exporters to sell abroad. The Great Depression and other factors also contributed to the decline in world trade.**
3	Did the 2018 steel tariff have the same effect on steelmakers and businesses that use steel? Use evidence from the passage to evaluate the trade-off.	**No. U.S. steel production rose, but businesses that use steel faced higher costs and sometimes raised prices or accepted lower profits.**
4	How could the different tariff rules in place by 2024 affect competition among foreign steel sellers in the U.S. market?	**Sellers whose steel could enter without the tariff might have a cost advantage over sellers whose steel was still taxed, though some untaxed imports faced limits.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

The payment could help local factories make more solar panels and hire workers. An unintended cost at home is that the government must pay for the program, leaving less money for other needs. If local factories export cheaper panels, factories abroad could lose sales. I think the policy could be worth the cost if it leads to much more solar power. I would reconsider if the payments mostly increased factory profits without increasing panel production.

Accept supported judgments that weigh benefits against unintended costs. For the 1930 tariff, do not accept a claim that it alone caused the decline in world trade.