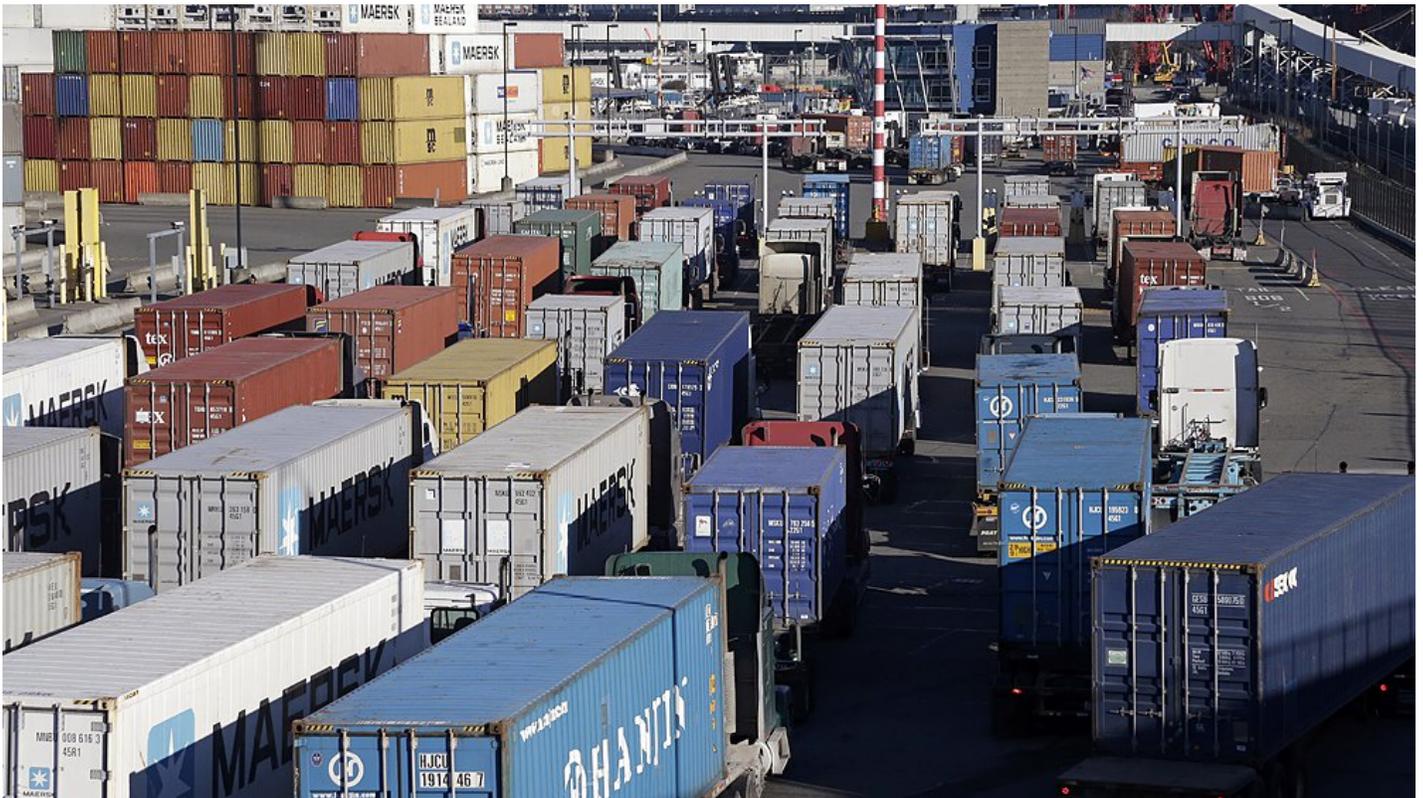


INVESTOR'S BUSINESS DAILY

VIEWPOINT



Loaded container trucks line-up at a gate at the Port of Seattle. Donald Trump has put forward several ideas that would lead to less trade with the rest of the world, including tariffs on some goods. (AP)

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Donald Trump claims his negotiating skills are far better than those of any other candidate, and that these skills will allow him to achieve much better economic and political deals than anyone else.

But are Trump's negotiating skills really better? Not unless you count subterfuge as a negotiating skill.

Trump describes his negotiating skills in his 1986 book "The Art of the Deal." When he was building his Atlantic City casino, he recalls telling his construction crew to "round up every bulldozer and dump truck" to create the "the most active construction site the history of the world" to coincide with a site visit by the board of directors of Holiday Inn.

The crew complied, and the construction site overflowed with heavy equipment. But the construction activity was not advancing Trump's casino project. Rather, Trump writes, the equipment was digging holes and then filling them back up.

Trump's deception was designed to impress the directors he was making terrific progress on his casino. This burst of construction activity, Trump hoped, would persuade the board to invest. The subterfuge worked, the deal closed, and the rest is Chapter 11 history.

But the best negotiators are able to credibly threaten to walk away from an offer they don't like. Credibly walking away means the negotiator has a valuable alternative to the other side's proposal.

This will not be the case for Trump's proposed negotiations with China on trade, which is one of Trump's main economic policy proposals.

Trump argues that China keeps the value of its currency, the yuan, artificially low, which in turn keeps the dollar prices of imported Chinese goods low. Whether or not this is accurate, Trump states that he will declare China a currency manipulator should he become president. Trump promises to bring China to the bargaining table – or else face new trade barriers.

By declaring China a currency manipulator, Trump's only real negotiating threat is to increase domestic protectionism, which would reduce Chinese imports. But that's an idle threat: doing so would be shooting ourselves in the foot.

An important reason behind the recent surge in populism among both Republican and Democratic voters is the mistaken view that low-priced imports are bad because they destroy American jobs.

The historical record of American protectionism is one of chronically declining domestic industries, higher consumer prices and destroyed jobs. Protecting the U.S. auto and steel industries, which began in the 1970s, did not allow them to succeed.

Both industries are much smaller today than they were in the past. Auto and steel trade barriers subsidized industry inefficiencies for decades at the expense of higher consumer prices and less consumer choice.

The history of the protection of the American sugar industry highlights how absurd and damaging protectionism can be. Protectionism is sometimes justified to provide a fledgling domestic industry the opportunity to grow and become internationally competitive.

But the U.S. has protected domestic sugar growers since 1789, when the first U.S. Congress placed a tariff on foreign sugar. The industry will never be competitive.

Today's protection raises domestic sugar prices about 60% above the world price. A recent Iowa State study estimates that higher sugar prices cost American consumers around \$3 billion a year. The U.S. Commerce Department estimates that three jobs are lost in the candy industry alone for every sugar job that is "saved" by protection.

What about Trump's claim that currency manipulation keeps Chinese import prices artificially low? Protectionism is frequently defended as a response to dumping, or the selling of imports at prices below those in the exporting country's domestic market.

Developing political support for protectionism requires creating sympathy for the allegedly aggrieved industry by asserting dumping and then playing on voter's senses of fairness.

But the consumer benefits of low-priced imports are the same whether the import is produced by a highly competent foreign firm, or the foreign firm is subsidized by its government. The latter case essentially means that foreign governments write U.S. consumers rebate checks every time we buy a dumped import.

While there are theoretical arguments for protecting an industry against dumping, the empirical record of protectionism suggests that we're probably better off to let foreign governments keep writing us those checks.

Those who are convinced that the U.S. should raise trade barriers to fight foreign subsidies should also fight the roughly \$100 billion of federal subsidies paid to domestic producers, ranging from agriculture and energy to finance and utilities.

The U.S. – and the rest of the world – would have more economic opportunities if there were fewer subsidies and fewer trade barriers. It is in our interest to elect a candidate who will work with other countries to reduce trade barriers and production subsidies in order to expand global opportunities and economic freedom.

It's not in our interest to elect a candidate who uses smoke and mirrors to deceive others, or who will negotiate using threats that we will not credibly execute. This is never the sign of an effective negotiator, even the author of "The Art of the Deal."

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