

## **The Myth of Protectionism**

### **I. Introduction**

As of July 2025, the United States is engaged in a fierce trade war. President Donald Trump declared a national emergency in order to impose a 10% tariff on all imports starting on April 5<sup>th</sup>, 2025 (The White House, 2025). Over 180 countries are also facing reciprocal tariffs which will exceed the 10% universal tariffs (Breuninger, 2025). Of these countries, China, Lesotho, and several East Asian countries are facing the steepest rates, reaching close to 50%, with threats of over 100% tariffs on the horizon (Loh & Tan, 2025). This is not a new phenomenon in America. The U.S. has had tariffs on foreign goods as far back as 1789. The Tariff of Abominations, instituted in 1828, raised tariffs up to 50% for many goods. In 1930, Herbert Hoover instituted the Smoot-Hawley tariffs, which increased tariffs on over 20,000 imported goods to an average of 40% (Bishop-Henchman, 2025). Some industries, like sugar, have had some form of tariffs applied to them for centuries.

These actions did not come without consequences, however. The Tariff of Abominations hurt American consumers and damaged Southern plantation owners who were largely dependent on European trade (Silverbrook, 2025). The Smoot-Hawley tariffs triggered retaliatory tariffs, which worsened the effects of the Great Depression (Bishop-Henchman, 2025).

But why do problems always seem to follow the introduction of tariffs? John Maynard Keynes, a pivotal economist of the 20th century, had an answer. In his words, “In a regime of Free Trade and free economic intercourse it would be of little consequence that iron lay on one side of a political frontier, and labor, coal, and blast furnaces on the other. But as it is, men have devised ways to impoverish themselves and one another; and prefer collective animosities to individual happiness (Keynes, 1971).” Keynes does not mince his words. He believes that restrictions on free trade often make all countries involved worse off. On this point, both economic theory is in agreement. Since the end of Mercantilism, modern economic theory has strongly supported the idea that trade is not a zero-sum game. Instead, if both parties are rational economic actors, both parties will gain from engaging in trade. While there are select goods which should have a degree of trade restriction, the historical and theoretical evidence supports the idea that trade should be free unless there are extremely compelling reasons to act otherwise, and the present so-called “national emergency” is not one of these reasons. Therefore, Keynes is correct in his assessment, and a dose of his beliefs would be a welcome change in the current administration.

## II. The Fallacy of the Zero-Sum Game

Competition is a fundamental component of American culture. This past February, over 100 million people flocked to their televisions to watch the Kansas City Chiefs face the Philadelphia Eagles in the Super Bowl. As the Eagles scored touchdown after touchdown, Chiefs fans groaned, not because their team’s score was decreasing, but because their opponent’s score was increasing. This is because football, like most major sports, is a zero-sum game. A win for your opponent is a loss for you.

This is the prevailing narrative surrounding trade. Many voters believe that trades inherently have winners and losers. After all, unless the goods being exchanged are of exactly equal value, then one country is gaining wealth at the other's expense. This way of viewing exchange comes from believing that goods have an objective value, which is a shockingly common belief among Americans. When prices at McDonald's increase, people become upset because "a Big Mac shouldn't cost that much." Likewise, consumers often refer to corporations with high profit margins as "greedy" or "money hungry." Both of these responses reflect ignorance of the fact that the value of goods is subjective, an idea which emerged in the 1870's under Carl Menger.

At a time in which most economists believed that the labor used to produce a good is what gave it value, Menger developed the idea of subjective utility. According to Menger, goods only have as much value as consumers attribute to them (Mueller, 2021). If one day, everyone permanently had no desire to purchase gold, then gold would lose its value. Because of this subjectivity, Menger argued that when two parties engage in exchange, both groups benefit. When a consumer pays \$10 for a T-shirt, they are demonstrating that they value the T-shirt more than their \$10. However, the fact that the store was selling the T-shirt for that price means that they value the \$10 more than the T-shirt. Thus, when a T-shirt is purchased, both parties benefit. This is not a ground-breaking concept. After all, why would either the consumer or the producer undergo the effort of being a part of this transaction unless they both benefited from it.

But simply acknowledging that trades can be mutually beneficial does not completely show why the producer would value the T-shirt less than the consumer. The answer to this arose in economic theory nearly 100 years prior to Menger's insight in Adam Smith's "The Wealth of Nations." In this work, Smith identified the importance of division of labor. Smith describes the

division of labor as the term for specializing certain areas of the workforce into specific parts of the production process (Bylund, 2019).

To illustrate, imagine a man lost in the forest, without any way to contact outside help. While in this state, this man will have to catch his own food, gather water, start a fire, and build a shelter. He must be reasonably competent at each of these things if he wants to have any hope of survival. Now, imagine there were four people on the island. While they would have to gather four times as much food and water, each person could specialize in a specific task. One could spend their time becoming skilled at building shelters, while another could hone their ability to obtain food. When they meet at the end of the day to exchange resources, each is gaining because they could not have completed the other people's tasks as effectively. Even if one man is more talented at all of the tasks compared to the others, it is still in his best interest to specialize in food gathering if he is best at that task relative to the group. To do otherwise would be an inefficient use of his time because he has a comparative advantage in food gathering.

The same situation occurs on a global scale. Countries specialize in the production of certain goods because they have a comparative advantage relative to other countries. Coffee beans are most effectively grown close to the equator, in a region called the "coffee belt." Growing high-quality coffee in America would be close to impossible given the climate. The same occurs around the globe. Guinea-Bissau specializes in cashews, Lesotho in diamonds, and Belize in sugarcane. Producing any of these things within U.S. borders would be far more costly for producers, and thus each of these goods would be more expensive for consumers. If it were less expensive to produce these goods in the U.S., then these goods would be produced in the U.S., because there would be a profit motive for producers to enter the market.

Even seemingly simple goods require imports from many countries to produce. The famous 1958 “I, Pencil” essay details the steps required for a pencil to be created. As the essay details, a pencil’s wood is obtained from Oregon and shipped to a mill in California. The eraser rubber is obtained using rapeseed oil from Indonesia, while the graphite is mined in Sri Lanka, and hardened using wax from Mexico (Read, 1958). While this pencil may have a “Made in the U.S.” engraving on it, numerous countries from around the globe coordinated to produce it. It would simply be impossible to produce pencils at the current price and quality solely within the U.S.

This is why the producer of T-shirts values the product less than the consumer. The producer specialized in the production of T-shirts by obtaining the necessary equipment and labor to make apparel. Because of this specialization, the producer can produce a T-shirt far cheaper than the consumer can, while maintaining a high-quality. If the T-shirt buyer were to instead put his \$10 towards producing a T-shirt by himself, he would not come close to the specialized producer’s quality. This difference in value allows for mutually beneficial exchange.

But this picture of trade is not the one that is presented to the public. Instead, people see images of countries battling over resources, some coming on top, while others lose wealth and jobs to their competitors. China has been framed as this kind of adversary for decades. However, like trade on the deserted island, when America trades with foreign nations everyone wins. Both countries’ producers engage in a mutually beneficial exchange, and consumers reap the benefits of better goods at cheaper prices.

### III. The Myth of Saving Domestic Jobs

When confronted with the evidence of the inefficacy of tariffs, the most common protectionist reply is that the restrictions are preserving American industry and preventing American jobs from being taken overseas. This is a central talking point for a number of political campaigns which are focused on putting “Americans first.” However, whether intentionally or not, these politicians are accomplishing the exact opposite.

In the prior section, the harm done to consumers by tariffs was established. But what about the effect on producers? Initially, it may seem logical to agree with the politicians that national jobs can be saved through tariffs. But with protectionism comes other unwanted effects. The sugar industry is a classic example. America has had some form of sugar tariffs since its inception, giving a huge advantage to domestic sugar producers, which largely operate in Florida. While some jobs are created by these farms, many more are lost. Sugar tariffs double the price of sugar in America relative to the rest of the world. Thus, industries which use sugar as an intermediate part in their production process, such as the confectionary industry, have seen significant job losses. In total, these tariffs cause the loss of 17,000 to 20,000 jobs every year (Bustamante & Hale, 2025).

A protectionist proponent might interject that at least the sugar industry is creating American jobs. However, this effect is overstated. If the U.S. sugar industry was not propped up by tariffs, that same farmland would go toward more productive uses. Oranges thrive in Florida’s climate, so if sugar stopped being produced domestically, at least some of those lost jobs would be counteracted by increases in orange farmer employment.

A similar situation occurred in 2016 when Trump instituted tariffs on foreign steel and aluminum manufacturers. In a White House statement, the administration claimed that “the steel tariffs that President Trump implemented led to thousands of jobs gained and higher wages in the

metals industry (The White House, 2025).” While this may be true, just like the sugar tariffs, domestic companies which used steel and aluminum in their production process found it less profitable to be in the U.S., and often either moved jobs overseas or cut them entirely. In total, approximately 75,000 jobs were lost due to these tariffs (Durante, 2024).

The claim that tariffs save domestic jobs simply a myth. The increase in cost of domestic products simply passes the buck down to other areas of manufacturing. These job losses are in addition to the increases in prices consumers inevitably face when tariffs are introduced. Tariffs even work contrary to the goals they were intended to fulfill.

#### IV. Conclusion

Tariffs harm countries and consumers by increasing prices, reducing quality, and decreasing domestic jobs. Therefore, Keynes was correct in his assessment that tariffs allow “collective animosities” for other countries to supersede the “individual happiness” of the citizens in one’s own nation.

With the seemingly obvious nature of the flaws of tariffs, it may seem a marvel that millions of Americans support the policy today. The root of this problem is a misunderstanding of mutual benefit and comparative advantage. Paul Krugman wrote about the difficulty that people have with recognizing these aspects of trade in his article “Ricardo’s Difficult Idea.” In this piece, Krugman argues that so few people grasp the idea of comparative advantage and mutual benefit because it is considered complex, economic jargon for laypeople, while academics find it “intellectually fashionable” to disagree with fundamental economic principles (Krugman, 1996). Regardless of the reason, the election of an openly protectionist president reflects a public which still views tariffs as a zero-sum game.

Perhaps economic theory is not tangible enough to sway public opinion. As the brunt of Trump's tariffs begin to take effect, and prices and unemployment rates begin to rise, then the realization of what protectionism actually entails might hit. Hopefully then the myth of protectionism will be laid bare, and future generations can look back at the foolish society which believed that economic isolationism was preferable to global cooperation.

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