

Clemson economist: Tariff harm offset by

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One of the advantages of growing up in a college town is that you get to know a lot of people who are experts in some field that you may need to know something about later on.

Bruce Yandle, of Clemson, one of the most highly regarded economists in the country, is a nice enough guy that I

could probably get him on the phone even if I hadn't taught his sons guitar, but it doesn't hurt to have a family connection.

Dr. Yandle is dean emeritus of Clemson University's College of Business and Behavioral Science and alumni distinguished professor of economics emeritus — and former executive director of the Federal Trade Commission, among other things.

I knew he is a free-market conservative, so I was curious about what he thought of President Donald Trump's

new tariffs. I caught up with him by phone at his summer home in the countryside near where I used to live in Macon, Georgia.

"It doesn't get hot enough there in Clemson, so we had to find a little warmer climate," he joked.

OK, so what about this tariff policy?

"It certainly is not, on the surface, beneficial to South Carolina," he said.

He pointed to a study by the U.S. Chamber of Commerce that says South Carolina is the eighth-most severely affected state in the nation because of our

other policies

heavy reliance on foreign trade.

"We also happen to be heavily international with the countries that have been frowned on and cussed and discussed, negatively, by the Trump administration — namely China, Mexico, Germany and Canada," he said.

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hardball and lots of frowns but ultimately there's a happy ending," he suggested. But he added, "That's probably an overly optimistic view of the process."

What about that enormous trade imbalance we have with China? Is this going to do anything to fix that?

To my surprise, Yandle said he doesn't think it necessarily needs to be fixed.

"Trade imbalance (with China) is not a problem any more than if I say I have a trade imbalance with Publix," he said. "I buy a lot of groceries there, but they never hire me to do a lecture. I could say that's unfair."

You've got my attention, professor. Please continue.

"If I went around giving speeches like that, people would say Yandle is insane. But if we go around saying China ought to buy as much from us as we do from them and every other country ought to do the same, in a way it's just as odd."

I'm beginning to see, maybe, but the light bulb hasn't quite switched on yet. Keep going, sir.

He referred me to an op-ed piece he wrote the other day for the Washington Examiner that I had somehow overlooked. Here's how he explained the gist of it to me:

"I haven't heard anybody in the Trump administration celebrating the Chinese investment in South Carolina with the Volvo plant. Well, where did those dollars come from? They came from us," Yandle said. "We bought Chinese goods, and we had that 'bad' balance in the balance of trade which Mr. Trump doesn't like. And the Chinese took some of those dollars and they came back and invested them in South Carolina, with an indication of maybe adding 5,000 workers there."

"So there is a circle. Stuff does come back. The balance takes place on a global basis not on a country-by-country basis."

I think I'm beginning to see the light.

Other complexities Yandle points out when it comes to punishing one country or another with trade barriers is that ownership of companies can be very

Yeah, that's about what I thought.

So, what's going to happen? What is the president thinking?

"Maybe we're sort of in the second act of a three-act play and right now it's

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fluid. A firm may be based in one country but its ownership is shifting constantly among stockholders of various nationalities. "What may be a majority U.S.-owned firm today can have an Indian majority tomorrow," he said in the Examiner piece.

And the nationality of various products is equally hard to pin down.

"When President Trump says Americans are buying too many German cars, is he speaking of Mercedes made in Alabama, BMWs produced in South Carolina, or VWs from Chattanooga? Would it be better to buy Buicks made in China or Jeep Renegades assembled in Italy?"

Good question. I think Trump is just saying what he thinks his supporters want to hear, never mind the complexities of reality.

So back to our current reality. How soon can we expect to see prices go up because of the increased cost of imported goods?

It's already happening, he said. He can see evidence of what's coming by looking out his window at the Norfolk Southern railway that runs by his home in Clemson. Trains going south are carrying exports; those going north are hauling imports.

"The export trains have been getting longer, and when you look at the data, a lot of people seem to be rushing to get goods over to those countries before the door gets closed," he said.

But Yandle has a final analysis on Trump's economic policies that puts a rosier spin on things.

"I don't think the negative effects (of the tariffs) at this point are large enough to offset the positive effects that are being generated by other policies," he said. By other policies, he means the corporate tax cuts Trump pushed through and his reduction in regulations on industry.

Now, it seems to me that cutting taxes and regulations may be an easy way to goose the economy, but what effect those measures will have in the long-term remains to be seen.

I hope the president doesn't push us any closer to the brink of isolationist purgatory and that Dr. Yandle's "overly optimistic" hope comes true. It may be the best chance we have at this point.