THE REBIRTH OF PRO-SHOPPER POPULISM:
Affordable Shoes, Outdoor Apparel, and The Case for Tariff Reform

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For most of American history, tariff policy was the exciting stuff of populism. Through the 19th century and well into the 20th, early liberals and Democrats maintained a lively tradition of tariff reform, founded on sympathy for the poor and support for the working-class shopper and welded to close analysis of actual tariff policy. This friendly populism can be traced back from Progressive-era reformers Louis Brandeis and Ida Tarbell to the misty and faraway figure of Albert Gallatin in the early years of the republic.

But tariff reform faded in the1930s as trade policy shifted from domestic tariff bills to international negotiations and agreements. By the 1970s had vanished. No tariff-elimination bills have passed Congress in 98 years, since Woodrow Wilson's 1913 tax reform acts. More recently, tariff liberalization through trade negotiations has stalled, with no significant change to the U.S. tariff system since the WTO's 1997 Information Technology Agreement – the longest period without a tariff revision in American history.

This year, however, two bills - known as the U.S. OUTDOOR Act and the Affordable Footwear Act – have revived pro-shopper populism in a non-partisan form. The bills scrap tariffs on shoes, sneakers, hiking shoes and several types of outdoor clothing – products not made in the United States, but taxed through the tariff system at rates of 20 percent, 30 percent and even 60 percent, well above any state sales tax, or even the federal tax on tobacco. Their authors – Senators Ron Wyden, Mike Crapo, Maria Cantwell and Roy Blunt, and Representatives Joe Crowley, Dave Reichert, Lynn Jenkins, and Earl Blumenauer, with an early push from Trade Subcommittee Chairman Kevin Brady – deserve credit for reviving an honorable progressive policy tradition, and offer shoppers, hikers, and families some well-deserved help this fall.

I. ALBERT GALLATIN, TARIFF-SYSTEM PROPHET

Pro-shopper tariff populism begins with Albert Gallatin. Second only to Alexander Hamilton as a founder of American public finance - creator of the Ways and Means Committee in the 1790s, Treasury Secretary under Jefferson and Madison – Gallatin was something of a tariff-system prophet. Long retired in 1832, he warns in ornate language against a tariff system that taxes cheap home goods while exempting luxuries:

> "If the duties on wines, silks, tea and coffee were repealed or reduced below the common average, whilst those of 50% to 100% on iron, salt, coal, sugar and coarse clothing were preserved, every substantial farmer or mechanic would pay more annually than men with an income of $5,000 a year; and with respect to the poorer classes, the tax levied on each individual would increase in proportion to his want of means." [1]

Eighteen decades later, Gallatin's prophesy is short of perfection. Twentieth-century Congresses scrapped tariffs on salt, iron, and coal. America's wealthy men earn considerably above $5,000, and have been joined by a considerable number of wealthy women. But these small errors apart, the old Secretary is spot on.

Congress repealed the tariffs on tea and coffee in the early 20th century, and on silk fabrics a few decades later. In the 1990s, through the Uruguay Round agreement which created the WTO, it reduced tariffs on wine and silken clothes to rates far below the common average. But tariffs on what Gallatin indelicately called "coarse clothes," and we term "mass-market apparel and footwear," are now the heart of the tariff system. An introductory table, listing today's tariff rates on ten representative home goods, shows a pervasive skew favoring wealthy shoppers buying luxuries, and disfavoring their lower- and middle-income neighbors. By way of context, the tariff s on cheap shoes, drinking glasses, polyester shirts and sweaters, and many analogous products are well above the federal government's 20 percent tax on tobacco.

TABLE 1: TARIFFS ON LUXURY, MEDIUM AND MASS-MARKET GOODS

Product	**Luxury**	**Medium**	**Low-End**
Shoes	8.5% *(leather dress)*	20% *(trail running shoe)*	48.0% *(sneakers under $3/pair)*
Sweater	4.0% *(cashmere)*	17.0% *(wool)*	32.0% *(acrylic)*
Man's shirt	0.9% *(silk)*	19.7% *(cotton)*	32.0% *(polyester)*
Drinking glass	3.0% *(over $5 apiece)*	22.5% *($0.30-$3 apiece)*	28.5% *(under $0.30 apiece)*
Brassiere	2.7% *(silk)*	--- none ---	16.9% *(polyester)*
Handbag	5.3% *(snakeskin)*	10.0% *(leather)*	16.0% *(canvas)*
Pillow case	4.5% *(silk)*	11.9% *(cotton)*	14.9% *(polyester)*
Spoon	3.3% *(sterling silver)*	4.2% *(silver-plated)*	14.0% *(stainless steel)*
Necklace	5.0% *(gold)*	6.3% *(silver)*	11.0% *(silver- or gold-plated)*
Blanket	0.0% *(wool/cashmere)*	8.4% *(cotton)*	8.5% *(polyester)*

Source: U.S. Harmonized Tariff Schedule, available from ITC at http://hts.usitc.gov/

This table reveals only part of a remarkable policy scandal. Not only are cheap goods taxed at higher rates than expensive luxuries. Home goods in general account for about 5 percent of imports . But with tariffs twenty times the average rate, they raise almost two-thirds of the tariff money collected at the border. This is a large sum - $14 billion – which is amplified twice, first by retail markups and then by sales taxes, as it is passed on to families in stores. In total, the home-goods tariffs now likely cost the public $40 billion a year, even as their ability to protect production and jobs has faded out.

The combination –home goods are the most heavily taxed products, and the cheapest goods are taxed most heavily– makes the tariff system easily America's most regressive tax. That is, it will impose a larger burden on middle-class families than on rich families, and a larger burden still on low-income shoppers. In these circumstances, and especially with trade negotiations at the WTO that could reduce tariff rates apparently blocked, shoppers deserve some help.

II. THE U.S. TARIFF SYSTEM AS TAXATION OF HOME GOODS

How did we create such as system? Tariffs, though the oldest and not the smallest part of the American tax system, are probably the least-studied federal tax. So a look at the system and the two bills can usefully start with a few figures and definitions.

First, how much money are we talking about? The tariff system raised $26 billion in 2010. This places it well below the trillion-dollar income and payroll taxes, and the $300 billion corporate tax, as a source of revenue. But it fits easily among the smaller fauna of tariff policy. Tariffs raised a bit less than the $35 billion in gasoline taxes, and more than the $18 billion in estate and gift taxes, $17 billion in tobacco taxes, $10 billion in airplane ticket taxes and $9 billion in liquor taxes. [2]

Second, how does it work? Mechanically, a tariff is a form of taxation which divides goods into categories and assigns each a "line" with a distinct tariff rate. America's tariff system has about 11,000 of these lines. The buyer pays at the border according to this rate, which is usually a fixed percentage of the product's value termed an "ad valorem" tariff, but occasionally a flat fee known as a "specific duty."

Most American tariff rates are low: Last year's $26 billion in tariff revenue came from fees on about $1.5 trillion worth of merchandise imports, with another $400 billion in goods duty-free under the 17 U.S. Free Trade Agreements and the six "preference" programs for developing-country products. (Services do not have tariffs.) This suggests an overall average tariff rate of 1.3 percent if we include goods imported under the FTAs and preference programs, or an average of 1.7 percent if we exclude them. [3]

Most trade or tax policy analysis takes these low averages as evidence that the United States has a generally open market, and goes no further. This assessment is fair, in most cases. The tariff system created in the 1920s through the Fordney-McCumber Act and the Smoot-Hawley Act was highly restrictive, with tariff rates averaging around 40 percent. Since then the United States has participated in nine international tariff-cutting agreements, concluded between 1947 and 1997, which have left most tariffs low. In fact, tariffs on about 3,000 of the 11,000 lines are zero, including live cows and horses, airplanes, medical devices and semiconductor chips, and a miscellany of Christmas toys, furniture, paper, wood, high-tech products, and natural resources. These duty-free goods account for $1.1 trillion out of last year's $1.5 trillion in imports outside the FTAs and preferences. Tariffs on the other 8,000 lines are often very small; crude oil is assessed fees of a nickel and dime per barrel, while copper and zinc have *ad valorem* tariffs of 1 percent. Such rates have few effects on trade and are only minimal forms of taxation.[4]

But tariffs are not even and low throughout the 8,000 lines of taxed goods. Low averages conceal very high rates on particular products, preserved despite the nine postwar trade agreements. Most of these products are home goods like clothes, shoes, home linens such as towels and pillowcases, luggage and handbags, silverware, plates and drinking glasses. Table 1 showed some of these high rates. Table 2 shows the overall effect: about 60 percent of tariff money comes from home goods and a few high-tariff foods.

TABLE 2: TARIFFS BY PRODUCT, 2010

PRODUCT	**Imports**	**Share of Imports**	**Tariff Revenue**	**Tariff Rate**
ALL IMPORTS	$1,898 billion	100%	$26 billion	1.3%
FTA/Preference Goods	$380 billion	20%	$0.1 billion	0.05%
NTR*	$1,510 billion	80%	$25.9 billion	1.7%
HIGH-TARIFF	$116 billion	6%	$14.0 billion	12.0%
Clothes	*$65 billion*		*$9.5 billion*	*14.7%*
Luggage	*$8 billion*		*$1.0 billion*	*13.1%*
Cheese and Orange Juice	*$1 billion*		*$0.13 billion*	*12.1%*
Shoes	*$20 billion*		*$2.0 billion*	*10.0%*
Costume jewelry	*$2 billion*		*$0.13 billion*	*7.6%*
Household linen	*$10 billion*		*$0.77 billion*	*7.5%*
*Miscellaneous Home Goods***	*$6 billion*		*$0.4 billion*	*6.4%*
ALL ELSE	$1,400 billion	94%	$11.7 billion	0.8%

* "NTR" refers to "Normal Tariff Rates," i.e. goods not imported under special tariff exemptions through FTAs and preference programs.** Including watches, silverware, plates and drinking glasses.
SOURCE: ITC Dataweb, at dataweb.usitc.gov, data for "imports for consumption" and "calculated duties" for 2010.

Thus the tariff system, as modified by the nine postwar tariff agreements, is now really a set of taxes on home goods. Tax analysts know very well that any tax on home goods will be "regressive." This is because wealthy families spend the smallest share of their income on home goods, while low-income families – especially if they have children – spend the most. America's tariff system is especially regressive, because as Table 1 showed, it taxes cheap and simple home goods at very high rates and taxes analogous luxuries at low rates or not at all.

Cashmere sweaters and blankets, snakeskin purses, silk shirts and brassieres, crystal drinking mugs and sterling-silver spoons are taxed lightly or not at all. Wool and acrylic sweaters, canvas handbags, polyester shirts and bras, stainless steel spoons and cheap drinking glasses are all very heavily taxed . The same is true for some specialized products for the middle class, notably exercise gear and outdoor apparel and footwear, which use sophisticated synthetic fabrics to create light wear for cold weather and so make hiking , skiing and other outdoor activities affordable and comfortable for the ordinary family.

In practice, then, the tariff system is not only a way to tax home goods, but to focus that tax on the goods shoppers buy at Main Street retailers, Wal-Marts, and Payless stores. The Lindsay Lohans and Charlie Sheens, and the Nieman-Marcus and Rodeo Drive shops, are off the hook.

II. HOME-GOODS TARIFFS AS TAXATION OF SHOPPERS

How much does this system cost the public? There is no definitive answer to this question. The Treasury Department has done no formal distributional analysis at least since the 1960s, and Congress has held no hearing on the domestic impact of tariff policy in at least as long. But a rough calculation suggests two things:

(a) Home-goods tariffs cost the public about $40 billion a year, because the price of home goods and the cost of tariffs roughly triple between port and cashier, and

(b) Gallatin's 18-decade-old observation is perfectly correct: tariffs on low-cost consumer goods mean that poorer families, especially if they have children, pay higher tax rates than wealthy families.

Consider as a starting point a container of cheap sneakers, listed as tariff line 64041170. These are shoes "valued at over $3 but not over $6.50/pair" at the border – that is, as bought from the factory.[5] In practice, shoes in this tariff line average about $5.00 per pair. The tariff rate for line 64041170 is 37.5 percent *ad valorem* plus a specific duty (i.e. a flat fee) of 90 cents per pair. None have been made in America since the 1970s.

Americans bought 3.2 million pairs last year, virtually all from China and several other Asian countries. None of these suppliers qualifies for shoe tariff waivers through an FTA or a preference program, so all buyers and eventually all shoppers – *not* the foreign manufacturer – pay the full tariff rate.

The $5 dollars for the sneakers is the combination of two different costs. One is the price a retailer pays the manufacturer – usually a Taiwanese- or Korean-owned firm. The second is the fee paid to the shipping company carrying the sneakers over the ocean. The tariff then adds about $2.80 to this cost, including $1.88 from the *ad valorem* tariff, plus the 90-cent specific duty. Together these costs make the "landed cost" from which the retailer calculates its markups. This markup magnifies the tariff, along with the manufacturing cost and shipper's fee, as the price-tag goes on the sneaker box on the shelf. State and local sales taxes imposed at the cash register magnify these costs a second time.

In the end, as Table 3 suggests, the tariff winds up raising the sneakers' store price by almost $9 per pair. The tariff costs included in four pairs of sneakers a year is $35.00 – easily enough to deprive a low-income mom of the chance to buy a child a restaurant meal on a birthday, or a couple of books for outside reading.

TABLE 3: TARIFFS ON CHEAP SNEAKERS

Cheap Sneakers with Current Tariff	**Cheap Sneakers if Tariff Were Removed**
1. $5.03: manufacturing/ transport cost	1. $5.03: manufacturing/transport cost
2. x 1.375 tariff + $0.90	
3. = $7.82: landed cost	2. $5.03: landed cost
4. x 3.00: notional retail markup	3. x 3.00: notional retail markup
5. =$23.46 retail price	4. = $15.09: retail price
6. x 1.05: 5% state sales tax	5. x 1.05: 5% state sales tax
7. =$24.63: final cost to shopper with tariff	**6. = $15.85: final cost to shopper without tariff**

Source: ITC Dataweb, 2010 data for imports for consumption and calculated duties.

This magnification of costs applies to almost all clothes, luggage, and shoes, as approximately 98-99 percent of these goods sold in American malls are made abroad. The cost of tariffed clothes and shoes alone at the border is $100 billion. Duty-free FTAs and preferences accounted for another $15 billion worth of clothes, bringing the total to $115 billion. Shoppers paid $338 billion for these goods in 2010. Thus the final store prices of the goods is roughly triple the landed cost – and clothing and shoe tariffs now cost the public roughly $35 billion a year. Smaller categories of heavily tariffed home goods, such as watches, home linens, tableware, and sporting goods, likely cost the public an additional $5 billion.

All this drains money from family budgets – and from the rest of the supply chain. A high tariff naturally depresses sales by raising prices. Without it, overseas suppliers and workers could earn a bit more money; firms that design and market the sneakers could put money into research, innovation and job creation; retailers could hire a few more workers.

For individual families, a reasonable estimate of the cost of home-goods tariffs begins with the Bureau of Labor Statistics' Consumer Expenditure Survey,[6] which measures household spending on goods and services. This survey finds that wealthy families in the top 1 percent of American income, earning $236,000 a year or more in 2009, spent about 2 percent of income on clothes, shoes, linens and luggage and handbags. Middle-class two-parent families earned on average $93,000 per year, and also spent 2 percent of income on clothes and shoes. Single-parent families spent 5 percent of their $36,000 average income on clothes, shoes and other household goods – and nearly 16 percent of income, excluding money devoted to shelter and transport.

Using overall average tariff rates on home goods to estimate the costs of the tariff system to families likely overstates the cost of tariffs to wealthy families. They buy the cashmere sweater, the sterling-silver spoon, the silk panties and brassiere, and the snakeskin handbag, so their tariff bill will be lower. This average also likely understates the tariff system's cost to poor and middle-class families – most of all to single-mother households, as the single mom is the most likely buyer of the polyester shirts and underwear, the cheap spoons, and the low-priced shoes the tariff taxes most heavily. Since tariffs on these goods are higher than the average rates, her actual tariff bill is presumably higher than an average of spending on home goods would suggest.

Table 4 below is an educated guess at the tariff system's cost for wealthy families, middle-class families, and single-mother families. It suggests that home goods-tariffs likely cost an average single-parent family (as defined in the BLS tables), about one percent of income - three days' pay – and about 4 percent of disposable income once shelter, food and transport are excluded. In dollar terms, if this family buys a mix of medium-tariff cottons and other mid-range goods and high-tariff polyesters and low-end products, the likely tariff average is about 20 percent. In other words, a single mom may have to pay $400 per year in tariffs, out of the $10,500 in spending money remaining after she pays for apartment rent, food, and bus and rail transport.

The high-earning family's tariff rate, at 10 percent, assumes a mix of luxuries, natural fibers and synthetics. For this family, tariffs cost about $600 per year or 0.3 percent of about $152,000 in disposable income.

The middle-class family's $434 bill, taken from the average family's $46,000 in disposable income for 2009, is in between. Middle-class tariff bills depend in part on the number of children in a family and on the family's hobbies. For example, the bills will be higher for a family with four children, as this family will buy more pairs of shoes than most middle-class families. The bills will also be higher for families that regularly go out for fishing and hiking trips. They will buy technical apparel and specialty gear often made from high-tech fabrics designed for light wearing in cold weather, which receive tariffs identical to those on low-cost polyester clothes.

TABLE 4: ESTIMATED COST OF TARIFF SYSETM FOR WEALTHY, AVERAGE AND SINGLE-PARENT FAMILY

	Top 2%	Average Two-Parent	Single Mom
Pre-Tax Income	$236,000	$92,816	$35,845
Income after taxes	$222,535	$89,800	$36,000
Food, shelter, transport	$70,000	$42,800	$25,500
All other disposable income	$152,500	$46,000	$10,500
High-tariff goods spending	$5,065	$2,890	$1,944
Clothes	$3,826	$2,146	$1,342
Home linens	$296	$164	$109
Shoes	$682	$454	$366
Silverware etc.	$261	$126	$68
Tariff rate	10%	15%	20%
Tariff cost	$589	$434	$390
Tariff Share of Total Income			
Tariff Share of Disposable Income	0.3%	0.9%	3.7%
Days' wages	1day	1.5 days	2.6 days

TABLE 5: TARIFF SYSTEM COMPARED TO OTHER FEDERAL TAXES

Tariffs	0.2%	0.5%	1.0%
All Other Federal Taxes	31.8%	20.3%	1.7%
Income Tax	*20.0%*	*8.1%*	*-10.8%*
Corporate Income Tax	*8.0%*	*2.6%*	*0.3%*
Payroll Tax	*3.0%*	*8.6%*	*10.4%*
Excise Taxes	*0.2%*	*0.7%*	*1.9%*

SOURCES: Bureau of Labor Statistics, Consumer Expenditure Survey 2009, for spending, at http://stats.bls.gov/cex/home.htm; International Trade Commission for tariff rates, at dataweb.usitc.gov; Tax Policy Center for income tax, payroll tax and excise tax estimates.

III. HOME-GOODS TARIFFS AND EMPLOYMENT

Why keep a system like this? The tariff system has survived and taken this unusual form for two reasons. One, it has debated solely as a matter of trade policy – that is, without consideration given to its equally important role as part of the tax system – since the 1950s. Two, the tariff system's supporters assume that it protects jobs and production. Trade debates thus attempt to balance the interests and goals of exporting industries and economic efficiency, against the presumed stress that tariff reduction would pose to domestic industries and workers. The conclusion has been that Congress should cut American tariffs only in exchange for tariff reductions by foreign countries.

In fact, the assumption that the home-goods tariffs are effective job or business protectors is mistaken. A few tariffs remain effective in this role, even if economists may find trade protection dubious on the merits. Examples include the 25% tariff on pickup trucks, the 51-cent-per-gallon tax on ethanol, the 7.85 cent per liter tariff on orange juice, and the string of prohibitive tariffs on above-quota sugar and dairy.

But the home-goods tariffs lost their link to production a generation ago, as the evolution of global supply chains, container-shipping fleets, and telecom networks drained them of their 19th-century power.

Data from the BLS again place matters in proper context. In the early 1970s, clothing, shoe, luggage and home-linen factories employed nearly 2 million of America's 65 million private-sector workers. By the late 1980s factory work had shifted off to Taiwan, Korea, Hong Kong, Singapore and Mexico, and employment in home-goods production had fallen to approximately 1 million out of 80 million workers. A decade into the 21st century, production has moved from these mid-tier economies too, with shoe production concentrated in China, and garment factories shifting to Indonesia and Bangladesh. Today, American home-goods production employs about 200,000 workers – a drop of 88 percent since the 1970s – in a private-sector workforce of 108 million. [7]

TABLE 6: FALLING EMPLOYMENT IN HIGH-TARIFF INDUSTRIES

	1970	1990	2000	2010
All Private Sector Jobs	58.9 million	90.7 million	111.7 million	108.0 million
All Manufacturing Jobs	17.3 million	17.4 million	17.3 million	11.6 million
Four High-tariff Industries	1.8 million	1.14 million	0.65 million	0.24 million
Clothes	*1.34*	*0.88*	*0.46*	*0.16*
Shoes	*0.23*	*0.08*	*0.03*	*0.01*
Luggage	*0.05*	*0.05*	*0.03*	*0.02*
Home linens	*0.16*	*0.13*	*0.13*	*0.06*

Source: Bureau of Labor Statistics, Current Employment Statistics survey/Employment, Hours and Earnings tables, available at http://data.bls.gov/pdq/querytool.jsp?survey=ce

IV. TOWARDS SOLUTIONS: AFA, U.S. OUTDOOR ACT AND THE REVIVAL OF PRO-SHOPPER POPULISM

Thus Gallatin's fear has materialized. Home-goods tariffs are no longer an import-management and job-protection tool. Instead they are simply a way to tax to teenagers in shopping malls, single moms, outdoor enthusiasts, and low-to-middle-income families in general.

The system survives largely because knowledge about it is so scarce, and facts about tariff collection are so well hidden in Customs records. No recent administration has considered shoppers 'stakeholders' whose opinions count and whose support should be solicited. No advocacy group speaks for them in trade debates. In its annual reports to Congress, the Office of Management and Budget publishes only a "Customs Duties" total figure of $26 billion, without listing the products that raise this money. Individual shoppers have no way to find out that they are being taxed, as no store receipt ever shows the 28 percent tax on a pair of ski pants or the 16.9 percent tax on a polyester brassiere; the public cannot learn that the federal government taxes polyester clothes more heavily than cigarettes.

What then should be done? The ideal approach would be bold: simply abolish consumer-goods tariffs on clothes, shoes, luggage, linens and other home goods. The best way to do this would be a rapid conclusion of the WTO's Doha Round. But the Round has been deadlocked since 2004, and its prospects have worsened this year. The U.S. tariff system has been static and unchanged since the WTO's Information Technology Agreement in 1997 eliminated computer, telephone and semiconductor tariffs, and appears unlikely to change soon through negotiations. Meanwhile, since 2000 tariff collection on home goods has doubled, with the aggregate cost of home-goods tariffs to shoppers and families likely topping $300 billion.

The other option is to reform the tariff system at home, perhaps as part of a larger tax reform but starting with the elimination of its worst features – that is, home-goods tariffs that are unusually high and apply to goods not made in the United States at all. Here the Affordable Footwear Act and U.S. OUTDOOR Act are excellent starting points. The first simply scrap tariffs on shoes no longer made in the United States; the second creates new tariff lines for products like outdoor apparel, hiking and fishing clothes, and sets them at zero. Both bills cover products not made in the United States, but subject to tariffs between 20 percent and 60 percent – that is, rates higher than any other federal tax applied to any product, person or business in the United States.

Discussing the AFA, Congressman Crowley echoes Gallatin in spirit, if not employing quite the same in lapidary 18th-century prose:

> "Most hard-working American families don't realize they are paying a hidden tax on their shoes. We are proposing a common-sense reform that will eliminate this regressive tax and reduce the cost of shoes by billions of dollars a year."[8]

Wyden's argument for the U.S. OUTDOOR Act is similar:

> "These disproportionately high tariffs – let us call them what they are, taxes , … add substantial costs for outdoor businesses and ultimately raise the prices we all pay at the cash register. We can fix this, help these companies better compete globally while investing in eco-friendly technology and jobs here in the U.S., and help consumers in these tough times so more people can get out and enjoy the great outdoors." [9]

As they offer this bit of hope to the public, the Members give new life to an old and honorable policy tradition. For at least fifty years, trade debates have been confined to a small and argumentative group of executive-branch trade negotiators, economic 'stakeholders' of various stripes, economists, foreign-policy experts and NGOs. Their arguments, as important as they often are, can obscure the interest of the ordinary person. Over time, therefore, America's tariff schedules have grown steadily more concentrated in home goods, and steadily more regressive. By now, the home-goods tariffs at least fail to protect jobs and production, inflate prices for low-income shoppers and middle-class families, and tax hundreds of goods not made in the United States at all.

Passing the two bills would cost the government little revenue – perhaps a billion dollars in a $3.5 trillion revenue system – and give shoppers a few billion dollars' worth of buying power in return. The beneficiaries would be people who need and deserve some help – the hard-pressed single parent managing family budgets, the happy teenager in the shopping mall, the hiking and fishing enthusiast, the kindergarten parent at back-to-school time. By early winter, if all goes well, the AFA and Outdoor Act will be easing Christmas and back-to-school shopping for young moms, and making cold-weather trips to National Parks and hiking trails easier to afford. Meanwhile, companies designing clothes will be earn a bit more on each sale, allowing them to invest a bit more in research, marketing, and hiring.

The coming year promises stress and unpleasant choices for government and for families. In this troubled environment, Wyden, Cantwell, and Blunt; and Reichert, Blumenauer, Jenkins, and Crowley offer a bit of good news as they revive the 19th-century program of tariff reform and pro-shopper populism. The policy tradition their two bills represent, of fair taxation and sympathy for the poor and the middle-class, was a good one in the 19th century and is valuable in the 21st century as well. As they make the simple, well-researched, and ethical argument in favor of the common American family, Gallatin and his populist successors would applaud.

APPENDIX: TARIFFS AS TRADE POLICY

Considered as trade policy, the tariff system mainly affects low-income countries dependent on clothing exports but not chosen as FTA partners or enrolled in regional preference programs. Today's home-goods tariffs were created in two tariff-increase bills of the 1920s – the Fordney-McCumber Act under President Harding in 1922, and the Smoot-Hawley Act under Hoover in 1930. Intended then to fend off 'low-wage' competition from Europe, China and Japan, their impact is now on low-income countries in Asia and the Muslim world, notably Bangladesh, Cambodia, Laos, Pakistan, Sri Lanka, and a few similar places. India and China, as large and diversified exporters, are treated slightly more severely than rich countries. Natural-resource providers like Saudi Arabia, Kuwait, and Norway join AGOA and Caribbean-Basin preference beneficiaries and FTA partners in receiving the gentlest treatment. The following table summarizes U.S. tariff treatment of the world and 30 individual countries, with data from 2010.

COUNTRY	IMPORTS	TARIFF PENALTY	RATE
Cambodia+	$2.29 billion	$375 million	16.4%
Bangladesh+	$4.27	$652	15.3%
Pakistan+	$3.49	$363	10.4%
Indonesia+	$16.3	$950	5.8%
China	$364.0	$11,964	3.3%
Turkey+	$4.18	$118	2.8%
India+	$29.6	$804	2.7%
Guatemala	$3.22	$88	2.7%
Bolivia+	$0.68	$1.4	2.1%
Thailand+	$22.7	$430	1.9%
Japan	$119.9 billion	$2,026 million	1.7%
WORLD, NTR only	**$1.482 trillion**	**$25.9 billion**	**1.7%**
Germany	$80.9 billion	$1,257 million	1.6%
Korea	$47.9	$662	1.4%
Brazil+	$23.4	$234	1.1%
New Zealand	$2.76	$31	1.1%
Morocco	$0.69	$7.9	1.1%
France	$38.2	$318	0.8%
Malaysia	$25.7	$186	0.7%
United Kingdom	$49.3	$352	0.7%
Norway	$7.0	$26	0.4%
Russia+	$25.2	$57	0.2%
Egypt*	$2.2	$7.5	0.2%
Fiji+	$0.18	$0.32	0.2%
Afghanistan+	$0.014	$0.02	0.1%
Saudi Arabia	$30.9	$45	0.1%
South Africa*	$8.2	$5.5	0.07%
Jamaica*	$0.31	$0.2	0.06%
Haiti*	$0.55	$0.3	0.05%
Peru	$5.2	$2.5	0.05%
Ghana*	$0.27	$0.07	0.04%
Canada	$275.7	$121	0.04%

+ GSP Beneficiary; * GSP and Regional Preference Beneficiary; *Italicized* indicates FTA partner.

[1] Gallatin, Albert, “Memorial of the Committee of the Free Trade Convention,” January 1832, reprinted in F.W. Taussig, *State Speeches and Papers on the Tariff*, 1892; reprinted Augustus Kelley Publishers, Clifton, NY, 1972.
[2] *Historical Tables*, Office of Management and Budget, Tables 2.4 and 2.5, at http://www.whitehouse.gov/omb/budget/Historicals/
[3] Trade data and tariff revenue from International Trade Commission Dataweb, at dataweb.usitc.gov All data are for 2010.
[4] The full tariff schedule is available at the International Trade Commission, at http://hts.usitc.gov/ Readers interested in particular products, or how to find information on tariff rates and collection, may contact the author of this paper, at progressiveeconomy@globalworksfoundation.org
[5] Harmonized Tariff Schedule, Chapter 64, product 64041170, a http://hts.usitc.gov/t
[6] Consumer Expenditure Survey data available at ***http://stats.bls.gov/cex/home.htm***
[7] Bureau of Labor Statistics, “Employment, Hours, and Earnings” data from the Current Employment Statistics Survey, available at http://stats.bls.gov/data/
[8] *U.S. Should End Shoe Tariffs, Two Lawmakers Say,* Reuters, December 16, 2009, available at http://www.reuters.com/article/2009/12/16/us-usa-trade-shoes-idUSTRE5BF4ZS20091216
[9] Sen. Ron Wyden, Statement Introducing U.S. OUTDOOR Act, *Congressional Record,* April 1, 2011.