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The Miscellaneous Tariff Bill

A Blueprint for Future Trade Expansion

by Daniel Griswold

Executive Summary

In July 2010 Congress passed the U.S. Manufacturing Enhancement Act, otherwise known as the miscellaneous tariff bill (MTB), which unilaterally suspends duties on hundreds of imported goods of special interest to U.S. manufacturing companies. The bill marked a modest step forward for trade liberalization and offers a blueprint for future trade policy.

For the past three decades a number of MTBs have been enacted that grant temporary relief, typically for three years, to U.S. manufacturers and other producers forced to pay duties that drive up the cost of imported inputs, such as chemicals and specialty parts. The bills have been relatively noncontroversial because the tariffs usually involve products no longer made in the United States, so there are no protected domestic competitors to oppose their suspension.

The lack of domestic competition makes it easier to pass the tariff suspensions in an MTB, but it also limits their economic effectiveness. Eliminating tariffs on goods also made in the United States would have the added benefit of reducing inefficient domestic production and thus releasing capital and labor for more productive uses.

To build on the successful MTB process, Congress should consider tariff suspensions of more than $500,000 a year, which is the current limit for individual suspensions, and make all suspensions permanent so that Congress will not need to renew a suspension after three years. Congressional leaders should state clearly that tariff suspensions are not earmarks but rather reductions in harmful, discriminatory taxes.

More broadly, Congress should consider unilateral, permanent suspensions of tariffs that are controversial so that efficiency gains can be realized in production and not just consumption. Congress should attach a sunset provision to all current tariffs so that they are systematically reexamined for the potential damage they are inflicting on American consumers and producers, including U.S. manufacturers.

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This successful, if modest, step forward in U.S. trade policy offers a roadmap for more ambitious efforts in the future to unilaterally suspend and repeal tariffs.

Introduction

Just when U.S. trade policy appeared to be hopelessly mired in an ideological and partisan stalemate, Congress overwhelmingly approved a miscellaneous tariff bill (MTB) at the end of July 2010. Known officially as the U.S. Manufacturing Enhancement Act of 2010, the bill unilaterally suspends tariff duties on hundreds of categories of imported goods of special interest to U.S. manufacturers. The bill marked a rare step forward in U.S. trade policy in recent years and could provide a template for expanding the freedom of Americans to buy and sell in global markets.

The bill, H.R. 4380, passed the House by a 378–43 vote margin on July 21 and passed the Senate by unanimous consent and without amendment on July 27. It was supported by the U.S. Chamber of Commerce, the National Association of Manufacturers, and a host of other trade groups and individual companies. President Obama signed the bill into law in August. All of official Washington seemed to support this trade-liberalizing legislation except for the House Republican leadership, which mistakenly branded the tariff reductions as earmarks, and one lone trade-skeptical Democrat.

This successful, if modest, step forward in U.S. trade policy offers a welcome note of encouragement in an otherwise unproductive period for lowering trade barriers. It also offers a roadmap for more ambitious efforts in the future to unilaterally suspend and repeal tariffs that are damaging not only to American consumers but to American producers, including U.S. manufacturing companies competing in global markets.

The House Ways and Means Committee may soon begin work on another MTB. When that effort begins to take shape, House Republican leaders should put aside their misplaced objections to the process and work with their counterparts across the aisle to expand the reach of the next bill to cover even more categories of imports—for the benefit of consumers, the manufacturing sector, and a U.S. economy struggling to shake off a steep recession.

The Transparent Success of the MTB Process

During the past three decades of trade policy, a period marked by epic battles over such controversial initiatives as the North American Free Trade Agreement and permanent normal trade relations with China, Congress has regularly enacted a series of MTBs that have unilaterally suspended self-damaging tariffs.

These catch-all bills have been useful vehicles for granting temporary relief, typically for three years, to U.S. manufacturers and other producers forced to pay duties that drive up the cost of imported inputs, such as chemicals and specialty parts. The bills have been relatively noncontroversial because the tariffs usually involve products no longer made in the United States, so there are no protected domestic competitors to oppose their elimination.

The process has followed a successful and proven pathway. The process begins when the chairman of the Trade Subcommittee of the House Ways and Means Committee invites members to submit individual bills to suspend tariffs, often at the request of certain companies in their districts. After a submission period of about 45 days, the Trade Subcommittee staff vets the bills and consolidates approved suspensions into an omnibus package.

To be included in a final MTB, requests for tariff suspension must be noncontroversial. That means that 1) no domestic producers compete with the imported product; 2) the imports benefit downstream producers by lowering their cost of production, ultimately benefiting consumers; and 3) the loss of tariff revenue from the suspension cannot be more than $500,000 per year.

Tariff suspensions that make the final cut are then publicized and further examined by government agencies. The Ways and Means Committee makes the proposed suspensions public and invites comments and potential objections. The U.S. International Trade Commission, an independent government agency, studies each proposal to determine the companies that will benefit from it and the

impact it will have on imports and tariff revenue.

The administration then weighs in through comments from the U.S. Department of Commerce, U.S. Customs and Border Protection, and the Office of the U.S. Trade Representative. During the vetting process, a matrix of all the targeted duties is accessible to the public online. Before the final omnibus bill is introduced, the Congressional Budget Office scores the revenue impact of each suspension.

Members who sponsor a tariff suspension are required to provide a limited tariff disclosure form certifying that the member and member's spouse do not have a financial interest in the tariff suspension, among other potential conflicts. The disclosure form must be submitted to the Ways and Means Committee chairman and ranking member for any bill sponsored by the member that provides a "limited tariff benefit," which House rules define as "a provision modifying the Harmonized Tariff Schedule of the United States in a manner that benefits 10 or fewer entities."[1] Considering the process from beginning to end, it's difficult to imagine a piece of legislation coming together through a more methodical and transparent process.

Once the tariff suspensions have survived the review process, the omnibus bill is typically voted on by the full House under a suspension of the rules. The expedited procedure requires a two-thirds majority and is usually reserved for bills that are noncontentious and not open to amendment. Once through the House, the MTB goes to the Senate, where it comes under the jurisdiction of the Finance Committee. If the full Senate approves the bill, it then goes to the president for signature.

The process has worked well for almost three decades. Beginning in 1982, Congress has enacted at least eight bills temporarily suspending miscellaneous tariffs. That averages to about one MTB every other Congress.

As recently as 2006, Congress enacted two bills that suspended hundreds of miscellaneous tariffs to the benefit of American manufacturers and other producers. One package of suspensions, H.R. 4944, the Miscellaneous Trade and Technical Corrections Act of 2006, was amended to the Pension Protection Act of 2006 and signed into law by President George W. Bush in August 2006. It suspended 196 tariffs and extended tariff suspensions on another 84 categories. In December 2006, H.R. 6111, which Congress approved and the president signed, included another 383 tariff suspensions and 137 extensions. Tariff suspensions in the last MTB bill expired on December 31, 2009.

Boosting Exports, Manufacturing, and GDP

Previous rounds of MTB suspensions have allowed American companies and their workers to compete more effectively against global competition. The MTB process targets tariffs that no longer protect a domestic interest but continue to impose real and unjustified costs on U.S. companies that use the imported products in their production process.

As the U.S. Trade Representative's Office explains it:

> The primary purpose of [miscellaneous tariff] bills is to help U.S. manufacturers compete at home and abroad by temporarily suspending or reducing duties on intermediate products or materials that are not made domestically, or where there is no domestic opposition. Such reductions or suspensions reduce costs for U.S. businesses and ultimately increase the competitiveness of their products.[2]

Almost all of the suspensions have traditionally involved goods of interest to American producers rather than household consumers. More than 90 percent of suspensions in recent bills have involved tariffs on intermediate inputs used by American companies to produce final products. The most common categories are chemicals, metals, machinery, and other equipment.[3] Products included in the bill enacted by Congress in July include snowmobile engines, plasma televisions displays, and assorted chemicals with such multisyllabic, tongue-twisting names as butanedioic acid, dimethylester, and

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polymer with 4-hydroxy-2,2,6,6-tetramethyl-1-piperidine ethanol.

Cutting tariffs delivers a direct benefit to the producers who must buy such products in global markets. If demand in the United States is small compared to the size of the overall global market, then world prices will generally not be affected and the U.S. companies importing the product will pocket all the cost savings from the tariff suspension. If the United States is a relatively large customer in the world, the increased demand unleashed by the tariff cut can raise global prices for the imported product, which allows foreign suppliers to share in the gains.

Lower domestic prices enabled by tariff suspensions ripple through the economy in a positive way. A lower price for a key input allows U.S. producers to cut costs, increase profits, reduce prices for their customers, expand market share, ramp up production, and potentially hire more workers. In this way, the tariff suspensions are targeted tax relief that is translated directly into productive economic activity.

U.S. companies struggling to recover from the recession understand the benefits of the MTB. In a May 2010 letter to congressional leaders, a coalition of more than 130 major employers and industry trade groups urged the bill's passage, reminding members that

> The cost savings achieved by the MTB allow U.S. manufacturers and businesses to maintain competitive operations, invest in new facilities, retrain workers, and preserve our manufacturing base. In short, the enactment of the MTB, including new duty suspensions that have been fully vetted, is vital to the U.S. economy.[4]

Many of those same companies commissioned a 2009 study by Capital Trade, which found that passage of the tariff suspensions proposed in the 110th Congress (2007–2008) would boost manufacturing production in the United States by $4.6 billion. The study estimated that U.S. exports of manufactured goods would rise by more than $1 billion because the targeted tariff reductions would allow U.S. producers to be more price competitive. Total economic output would grow by a somewhat smaller $3.5 billion, presumably because some resources and production would shift from other sectors to manufacturing. Employment in the sectors favored by the tariff suspensions would grow by 90,000.[5]

It is debatable whether those 90,000 jobs would be a net addition to total employment, or a shift of jobs from one sector to what would likely be a more competitive sector. Whatever the effect on total employment, the bottom line of the study is unambiguous—the tariff reductions contained in an ambitious MTB would boost output of the manufacturing sector and the overall economy.

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Gains Even Larger When Tariff Cuts Are Controversial

The Capital Trade study does misstate the benefits of an MTB tariff cut relative to other tariff reductions, but in a way that argues for including even more suspensions in future MTBs. In the study, author Andrew Szamosszegi writes:

> The economic benefits derived from the MTB are proportionately higher than other economic gains from tariff reduction because there is no domestic competition for MTB products. In most instances of tariff reductions—for example, under a free-trade agreement—there are also economic costs because some domestic production is displaced by rising imports. This is not the case with the MTB.[6]

Like the net employment gains, this too is debatable. It is definitely a *political* advantage of the MTB that there are no domestic competitors to raise objections, but this is not necessarily an *economic* advantage. In fact, basic welfare analysis points to larger net economic gains from tariff cuts when a domestic competitor is present.

When a tariff is suspended on a good not produced domestically, the revenue lost by the government goes directly into the pockets of domestic consumers (which in the MTB process are mostly import-consuming businesses). For consumers who were already paying the higher, tariff-protected price, the gain is a straightforward transfer of revenue, which had been collected by the government through the tariff, but which now goes to the consumers in the form of lower prices for the chemicals, parts, or whatever else had been protected by the tariff. But that is not the end of the story.

The lower price also expands the market for the good to import-consuming industries that were not willing to pay the higher, tariff-protected price but are willing to buy the product at the lower price. The additional buyers reap a consumer surplus equal to the gap between what they would be willing to pay and what the lower, nontariff price actually is. For example, a consumer willing to pay $9 for a good will be priced out of the market if the protected price is $10. But if the suspension of the tariff drops the price to $8 the consuming business reaps a gain of $1 for each imported product it can buy. This is pure gain for the economy: the consumer wins, but the government does not lose any revenue because the sale would simply not have occurred while the tariff was in place, and thus, would not have produced any tariff revenue.

The net welfare gains are even greater when a domestic producer loses from suspension or repeal of a tariff. The consumer gains remain the same, but now the economy as a whole gains from the elimination of inefficient production and the release of its resources to more productive uses. The Capital Trade study is correct, as far as it goes, that suspending a tariff that protects certain domestic producers will cause the loss of producer surplus—the amount those producers were able to charge consumers above the price they needed to continue production. But lower prices do not affect all domestic production equally.

Lower domestic prices tend to weed out the least-efficient domestic producers rather than curbing the output of all domestic producers equally. Marginal firms that can only produce under the higher, tariff-protected price will be the first to cut back production when the tariff is suspended, while more cost-competitive firms may be able to continue to produce under global, free-trade prices.

In the example above, in which a tariff suspension lowers the domestic price of the good from $10 to $8, competing domestic firms that can produce the item for $8 or less will continue to produce, albeit at a lower profit. But a firm that can only stay in business when the price is $9 will shut down its production. It will lose $1 in producer surplus, but society as a whole will gain $1 because what consumed $9 in resources to produce can now be acquired for $8, freeing $1 in resources to be used to produce other goods and services for consumption.

For each unit of marginal domestic production replaced by an import, the tariff cut delivers $2 in consumer surplus but eliminates only $1 in producer surplus. Society as a whole gains $1 in additional welfare. Multiplied by thousands or millions of units, the efficiency gain from the tariff suspension frees resources for more productive, competitive sectors of the economy. As the Capital Trade study itself acknowledges, this results in an overall gain for the economy "from utilizing other resources let go by the domestic industry to engage in more efficient activities."[7] (See the Appendix for a more technical comparison of the net welfare gains under the two scenarios.)

As counterintuitive as it may seem, a tariff suspension delivers a greater boost to the economy when it liberates productive resources while it also liberates consumers. The implication for policy is that, if a more efficient and productive economy is the goal, Congress should not confine its tariff suspensions to goods no longer produced domestically.

Even without domestic competition, the tariff suspensions of an MTB deliver a competitive shot in the arm to U.S. producers who depend on imports to produce their final products for sale. The tariff revenue lost to the government is more than replaced by benefits to the consuming industries, their workers, and the overall U.S. economy.

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Why Tariff Suspensions Are Not Earmarks

A miscellaneous tariff bill should be an easy vote for members of Congress, whatever their party. An MTB delivers real benefits for specific constituents as well as the economy at large, while not arousing opposition from any special interests. Yet the process in 2010 encountered an unnecessary obstacle in the form of a semantic argument about what constitutes an "earmark."

To most Americans, an earmark is a provision or amendment, usually buried within a much larger spending bill, that designates public funds for a specific project that will benefit a certain special interest or congressional district. As the Cato Institute's director of tax policy studies, Chris Edwards, describes them:

> Earmarks are generally provisions inserted into spending bills by legislators for specific projects in their home states. Earmarking, or "pork" spending, provides recipients with contracts, grants, loans, and other types of benefits. . . . In recent years, some infamous earmarks have included $50 million for an indoor rainforest in Iowa and $223 million for a "bridge to nowhere" in Alaska.[8]

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Earmarks are not a large part of the federal budget, but they have come to symbolize what many people believe has gone wrong in Washington: members of Congress are spending public dollars on projects that are not intended to benefit the general public but rather to benefit special interests in their own districts, all shrouded by a legislative process not open to public scrutiny.

The number of earmarks has exploded in recent years. From an average of fewer than 2,000 a year in the 1990s, the number grew to 14,000 by 2005. The number has declined somewhat since then in the face of public anger, but the number of earmarks was still nearly 12,000 in the fiscal 2008 omnibus appropriations bill and again in appropriations bills for 2009.[9]

In response, Republican Minority Leader John Boehner of Ohio declared in March 2010 that House Republicans would enforce "a unilateral moratorium on all earmarks, including tax and tariff-related earmarks."[10] The decision to include tariff suspensions in the moratorium was based on a mistaken conflating of two very different types of legislation.

Spending-bill earmarks distribute tax dollars, not for any public purpose authorized under the U.S. Constitution, but rather to benefit a certain special interest or a specific city or district. They grant favors to a small group of beneficiaries at the public's expense. In contrast, a tariff suspension repeals a narrow tax that falls disproportionately and unfairly on a small group of producers. Instead of granting a favor at the public's expense, a tariff suspension relieves individual producers of a burden that falls on them and nobody else. Unlike a spending earmark, a tariff suspension creates no new claim on public resources. It does not expand the scope or size of government.

Including tariff suspensions in the moratorium is not a matter of curbing the power of lobbyists. There is a world of difference between lobbying for a $500,000 government grant for a project with narrow benefits, and lobbying to remove a $500,000 tax bill that only a handful of enterprises are required to pay. The former seeks an expansion of the government's power and influence, the latter a reduction. Republicans who rightly complain about the growth of the federal government should be the first to embrace the suspension and repeal of hundreds of nuisance taxes that distort the economy and burden American producers.

Another difference is how Congress has traditionally handled the two types of legislation. Spending earmarks are often shrouded in secrecy and inserted in mammoth appropriations bills late in the process in a deliberate effort to avoid public scrutiny and accountability. In contrast, the MTB process is open from beginning to end, spanning months and sometimes years, with each request tied to a specific member and vetted by multiple committees and agencies.

If congressional leaders want to reduce the perception of corruption, they should make it eas-

ier, not harder, to reduce tariffs. It is import duties that invite corruption by giving the government power over a range of otherwise innocent and private commercial transactions. A policy of free trade, without arbitrary duties aimed at punishing foreign producers and protecting domestic ones, would eliminate any need to lobby the government over the imposition or suspension of duties. The 2006 *Economic Freedom of the World Annual Report* documents the fact that nations with relatively free and open economies are generally less corrupt than those with closed and government-dominated economies.[11] By repealing targeted tariffs that damage our economy and that should never have been imposed in the first place, miscellaneous tariff bills make our system a bit less corrupt, not more so.

Democratic House leaders added to the misperception of tariff suspensions by lumping them together with spending earmarks. The rules the Democratic majority adopted in January 2009 at the beginning of the 111th Congress, specifically Rule 21, stated that appropriations bills cannot be considered for final passage unless accompanied by a list of "congressional earmarks, limited tax benefits, and limited tariff benefits."[12] Limited tariff benefits are further defined as benefiting 10 or fewer companies. Of course, lumping spending, tax, and tariff measures together does not mean they are the same, and does not preclude tariff suspensions from being treated differently and more favorably than spending earmarks.

When a new Congress convenes in January 2011, one of its first items of business should be to clarify the fundamental difference between spending earmarks and tariff suspensions. If House leaders renew their moratorium on earmarks, they too should make it clear that it applies to spending tax dollars, not suspending duties that rightfully belong to the private parties engaged in voluntary trade.

Reform and Expand the MTB Process

Once the misunderstanding about earmarks is addressed, congressional leaders should build on the bipartisan success of the MTB process so that the benefits of future tariff cuts can be deeper, longer lasting, and more widely shared. Congress should tackle two sets of reforms, the first expanding the MTB process to include a wider array of imported goods, and the second to go beyond the MTB process to cut tariffs and other trade barriers unilaterally for the benefit of producers and consumers alike.

First, *Congress should expand the amount of tariff revenue that the government can forfeit from a suspension*. The current limit of $500,000 arbitrarily constrains the ability of Congress to free domestic producers from artificially high costs. The real, economywide benefits of an MTB would be multiplied by expanding the limit on tariff revenue to $1 million, $2 million, or even more per suspension. In fact, repealing the limit altogether would allow Congress to target the most costly burdens being imposed on U.S. producers and employers. Larger tariff suspensions would deliver even greater stimulus by increasing the profits of domestic companies, and thus their incentives to invest in plants and equipment, expand output, and hire more workers.

Next, *Congress should make all tariff suspensions permanent*. If a domestic producer cannot survive with a tariff in place, it would be even less likely that one will enter the market when prices are even lower because of the tariff suspension. In other words, a tariff suspension that is noncontroversial when first enacted is likely to remain so at the end of three years, so why restore the tariff automatically when there is neither an economic argument or political constituency in its favor?

Making the suspensions permanent would mean that, over time, the tariff code would be simplified and cleansed of the nuisance taxes. It would reduce the need for the productive sector to spend resources lobbying to continue suspensions or restore suspensions that have expired. Of course, this would mean members of Congress would have fewer opportunities to trade specific favors for campaign contributions, which is one more reason to make suspensions permanent.

Congress should then build on the success of the MTB process by adopting three more

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sweeping trade reforms:

First, *Congress should consider tariff suspensions for goods still produced in the United States*. As our analysis shows, such tariff suspensions deliver an even larger welfare gain for the U.S. economy by reallocating domestic production to more efficient uses. Competition is good not only for consumers, but for the overall productive capacity of our economy. In this way, cutting a protective tariff delivers a double boost compared to a tariff that protects no domestic industry. Of course, this would mean that some of the tariff reductions would no longer be noncontroversial, potentially endangering passage of an omnibus MTB bill. To avoid derailing the MTB, Congress could consider a separate bill that would follow the same process as the MTB but include tariff suspensions or eliminations that could result in more competition for existing producers. Congress would hear complaints from the "losers," but the bill would also benefit downstream users, as well the economy at large, in a way that would more than offset the concentrated losses.

Second, *Congress should retroactively attach a sunset provision to every tariff currently in the Harmonized Tariff Schedule of the United States*. The MTB process itself exposes the haphazard nature of the tariff code. Over the years the process has identified thousands of tariffs that are inflicting real damage to American producers—from tariffs that may have had a political constituency at one time but no longer benefit any domestic producers. A sunset provision would force Congress to reexamine every tariff on the books to weigh the impact of each on the overall economy, on individual consumers, and on producers. It would shift the burden of proof to the special interests who want to keep a tariff in place rather than only those who want to repeal a tariff. Congress could adopt a rolling review process that, over the course of five years, would subject every tariff to a thorough and transparent review followed by an up or down vote in Congress to keep any tariffs in place.

Third, *a variation on the sunset theme would be to create a tariff review commission that would identify the most economically damaging tariffs and then recommend a package of tariff eliminations to Congress.* The commission could follow the successful pattern of the Base Realignment and Closure Commission, which has allowed Congress to close and consolidate hundreds of military bases that had long ceased to serve the national interest but were kept open only to satisfy a narrow regional constituency. Like the BRAC process, the list of tariff "closures" could be subject to presidential review before being presented to Congress for an up or down vote without amendments.

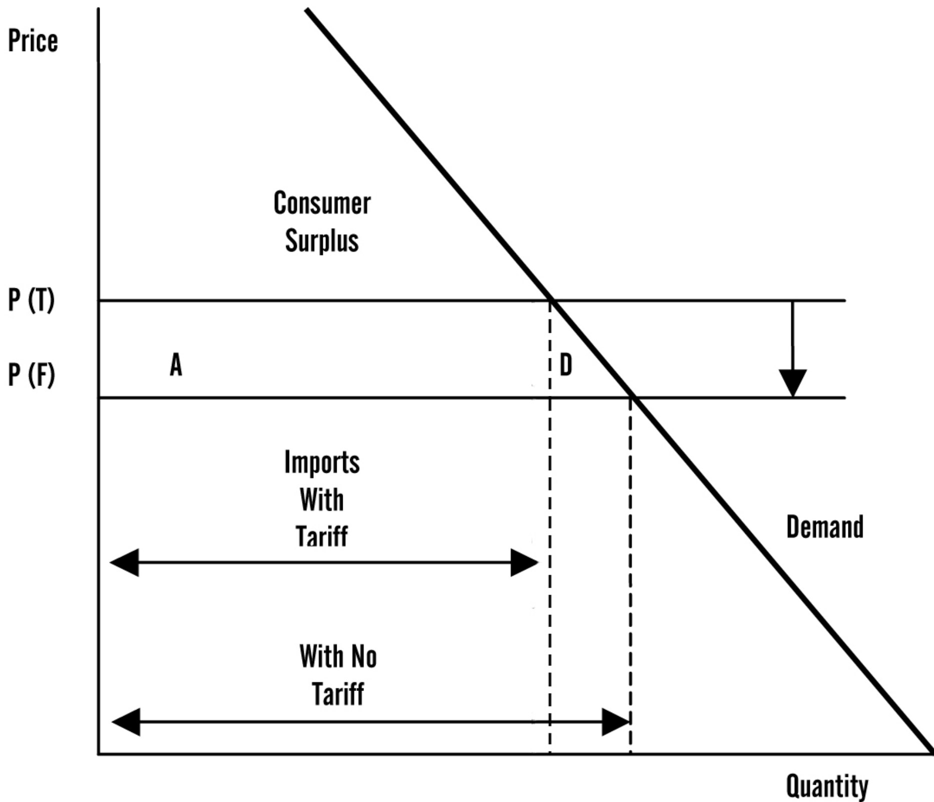
The MTB represents trade policy at its bipartisan best. The MTB process reduces trade barriers unilaterally, without the need to engage in protracted negotiations with other governments. The process demonstrates that Congress is able to cut tariffs to benefit American producers, and the economy at large, regardless of what other governments may choose to do. The next Congress should act decisively to remove any remaining misunderstandings about earmarks, expand the scope of the existing MTB process, and then build on that success to spread the benefits of trade liberalization even more broadly.

Appendix

Suspending a tariff delivers a net gain to the economy when there are no domestic producers competing against the imported good. It delivers an even greater gain when there are domestic competitors in the economy because of additional efficiency gains in production.

Figure 1a shows the welfare impact of a tariff suspension on a good when there is no domestic supply. The suspension of the tariff drops the domestic price from P(T) to P(F). The government forfeits tariff revenue equivalent to area A, which is the quantity of imports multiplied by the tariff per unit imported. That government revenue loss, however, is entirely transferred to domestic consumers of the imported good in the form of additional consumer surplus. Total consumer surplus is the area above the price but beneath the demand curve, which represents the maximum price

Figure 1A
A Tariff Suspension without Domestic Competition



that consumers of the good would be willing the pay at each quantity. When the price drops, consumers benefit from additional consumer surplus equal to areas A and D.

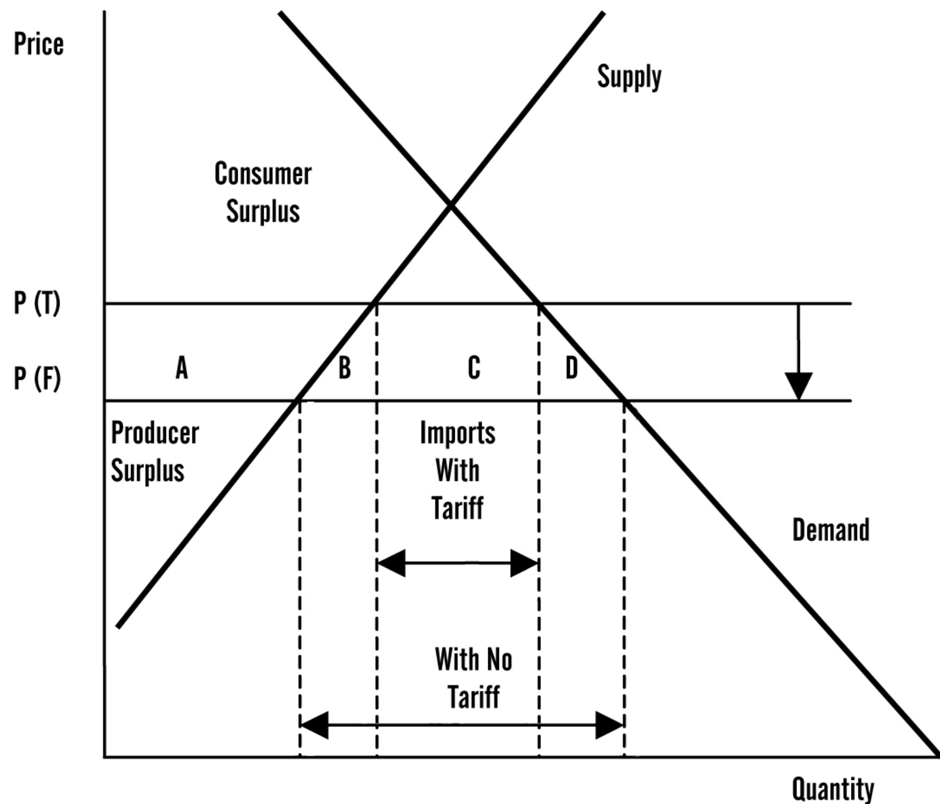
The tariff suspension in Figure 1a delivers a net gain to society because its effect goes beyond a simple transfer from the government to consumers. The lower price also stimulates additional demand from consuming industries and households that could not afford to buy the good at the higher, tariff-protected price of P(T), but who can buy the good at the lower, free-trade price of P(F). Those new customers realize a consumer-surplus gain equivalent to area D. But that gain does not come at the expense of government revenue because no duties were being collected on the additional sales before the tariff suspension. This is a pure, net economic gain to the nation from suspending a miscellaneous tariff.

Figure 1b shows the welfare impact of a tariff suspension when the imported good is also being produced domestically. The effect on the businesses and households that consume the good are exactly the same as in Figure 1a: they reap additional consumer surplus equivalent to the sum of areas A, B, C, and D. The source of their gain is now not only the government, which forfeits revenue equivalent to area C, but also the producer surplus, represented by area A, that is now surrendered by domestic producers of the good who receive the lower price P(F) for each unit of the good they sell rather than P(T).

The crucial difference between the two scenarios is area B. This represents the efficiency gain from consuming additional imports instead of domestically supplied goods that can only be produced when the domestic price is higher than the free-trade price P(F). While

The tariff suspension delivers a net gain to society because its effect goes beyond a simple transfer from the government to consumers.

Figure 1B
A Tariff Suspension with Domestic Competition



Basic welfare analysis confirms that society gains more from a tariff suspension when a domestic supplier is present than when there is no domestic supplier.

area A does indeed represent producer surplus given up by domestic suppliers, area B does not represent a loss for domestic producers. Instead, it represents the additional cost to the marginal producers of supplying extra units of the good when the tariff is in place. When the price drops to P(F) under a tariff suspension, area B represents a gain for consumers but not a loss of producer surplus or government revenue. Like area D, this is a pure, net gain to the economy.

If areas D and B each represent a positive net gain for the economy, it is a matter of simple math that B + D will represent a larger net gain than D alone. Basic welfare analysis confirms that society gains more net welfare from a tariff suspension when a domestic supplier is present compared to when there is no domestic supplier.

Notes

1. The House Committee on Ways and Means, "Miscellaneous Tariff Bill," December 15, 2009, http://waysandmeans.house.gov/press/PRArticle.aspx?NewsID=10418.

2. Office of the U.S. Trade Representative, "Miscellaneous Tariff Bills," www.ustr.gov/trade-topics/industry-manufacturing/industrial-tariffs/miscellaneous-tariff-bills.

3. Andrew Szamosszegi, "Economic Impact of the Miscellaneous Tariff Bill," Capital Trade Inc., July 19, 2009, p. 12.

4. "Business Pressing on MTB, Focusing Outreach on House Republicans," *Inside U.S. Trade*, May 7, 2010.

5. Szamosszegi, p. iii.

6. Ibid.

7. Ibid., p. 4.

8. Chris Edwards, "Special-Interest Spending," Cato Institute, Downsizing Government website, www.downsizinggovernment.org/special-interest-spending.

9. Edwards.

10. "Miscellaneous Tariff Bill in Jeopardy as Republicans Ban All Earmarks," *Inside U.S. Trade*, March 19, 2010.

11. James Gwartney and Robert Lawson, *Economic Freedom of the World: 2006 Annual Report* (Vancouver, Canada: Fraser Institute, 2006), Exhibit 1.17, p. 26.

12. "Miscellaneous Tariff Bill."

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