

ECONOMY

Economist Ned Hill Looks at Potential Impacts of Tariffs on Steel-Producing States

Heard on All Things Considered

March 2, 2018 | 4:19 PM ET | Listen · 4:14

The Trump administration proposed tariffs on all steel and aluminum imports Thursday. NPR's Ari Shapiro talks with professor Ned Hill, an economist at The Ohio State University who studies American manufacturing, about the impact these tariffs will have on steel-producing states.

ARI SHAPIRO, HOST:

Imported aluminum and steel are now facing new tariffs, 25 percent for steel and 10 percent for aluminum. President Trump made that announcement at the White House yesterday. The state of Ohio has a long, proud history of steel manufacturing. Cleveland has the most productive steel mill in the U.S. We wanted to see how the new tariffs might affect the industry in the state, so we've called Ned Hill. He's an economist at Ohio State University who studies manufacturing. Welcome to the program.

NED HILL: Well, Ari, thank you so much and appreciate you calling.

SHAPIRO: President Trump has been saying since his campaign that tariffs like this will revitalize the American steel industry. Do you think that's true?

HILL: No.

SHAPIRO: No. OK, thank you for joining us today. It's been a pleasure.

HILL: (Laughter) Well, so the president makes the claim that a 25 percent tariff on steel and a 10 percent tariff on aluminum import will revitalize the industry, and it's just nonsense. There are two things that will happen. One is the current plants will indeed be able to sell and make more steel.

When you look at steel, though, you have to look at where it sits in the supply chain of manufacturing. Steel is used by everything else in the economy. So if you increase the price of imported steel by 25 percent, that means the price of domestic steel will go up. The end result is domestically made products which are internationally competitive - their prices will go up.

SHAPIRO: Let's imagine for a moment that the tariff does go into effect. Prices on imported steel go up. Prices on domestic steel go up. Is the short-term consequence of that more jobs for steelworkers, fewer jobs for steelworkers? What's the immediate consequence for the U.S. steel industry, specifically in Ohio?

HILL: Well, for steelworkers, hours will go up. There will be some increase in employment. I doubt you'll see new plants come online because those are very expensive. For example, when U.S. Steel in Lorain shut down their pipe plant last year, they had to write off \$850 million. There's an electric arc steel factory in Mingo Junction that's trying to start up. They'll love it. But it's taken them 2 1/2 years to get that plant to the point where it can be operating again.

SHAPIRO: We're talking about manufacturers of steel and aluminum. But there are other big manufacturing plants that use steel and aluminum, whether it's GE or car companies. What's this going to do to them?

HILL: For Ohio, it will be devastating. One of the largest manufacturing employers in the state is GE jet engines down in Evendale. So what that will do - it will increase the cost of their jet engine compared to Rolls-Royce, and you'll see the market shift. The backwash effects will be huge.

SHAPIRO: You're an economist who studies manufacturing. You spend all day every day thinking about these issues. For some of the blue-collar workers in these plants, do you think there is an appropriate level of skepticism, or are they celebrating that this is going to mean a return of American steel and aluminum, whether or not that's what it actually turns out to be?

HILL: It depends how close they are to their retirements. If they're going to retire in the next two to three years, they should be doing high fives and dancing in the streets. If they're part of the new, young group of workers who are coming into the plants because the plants have been hiring for the past two and a half years, their life just got a lot dicier because if you look 30 years out, you can look forward to recession and look forward to a trade war.

SHAPIRO: Tell me more about the potential trade war here. We're talking specifically about aluminum and steel, but Ohio exports a lot of other things, agricultural products. Do you think other countries might retaliate in ways that would harm those exports?

HILL: Oh, I think it's inevitable. Agriculture is still a very important part of Ohio. Corn exports and soybean exports are critical. And if we put a large tariff on Canadian or Mexican steel, and they retaliate with a tariff on agricultural products knowing that Argentina and Brazil, our competitor, can fill the hole, all of a sudden you blow a hole in the inner important part of the economy of the state. I think of this as the president doing a cannonball into the low end of a swimming pool. The water's going to go everywhere, and you just don't know where it's going to hit.

SHAPIRO: Ned Hill is an economist at Ohio State University. Professor Hill, thanks for joining us today.

HILL: Ari, it's been a pleasure. Thank you.

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