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Off-Topic Homework

Article by: Scott Neuman

<https://www.npr.org/sections/thetwo-way/2018/03/09/592237441/u-s-signs-off-on-tariffs-angering-trade-partners>

Game Tree is a representation of the US vs. other world economies. Payoff table is Steel industry vs. Trump.

Scott Neuman’s article gives insight to the now and the future of Trump’s tariffs. Neuman’s article mentions the hypocrisy of the US being a NAFTA member, which is for free trade and against petty tariffs such as Trump’s. There are quotes from Taro Kono, Japanese Foreign Minister, and EU Trade Commissioner Cecilia Malmström, stating the tariffs worry them, as they are being stepped on as allies with the US. Many countries expect to be exempted from the tariffs, or else economic unions, such as the EU, will retaliate with a “strong and unified” response. Several nations have warned of an all-out trade war.

The article Delves in to a full market analysis of other industries and commodities that will be affected. Higher cost of steel means increased road and bridge upkeep, automobile costs, household appliances, and higher cost of building military equipment. The tariff will affect every US industry. Brazil, the largest importer of metallurgical coal from the US, has considered sourcing from somewhere else.

The game tree is of Trump vs. Other Countries. No Tariff leads to Trump looking like an idiot for announcing a major policy decision such as this and going back on it, and breaking promises to the industries protected by the Tariff. The Tariff decision progresses the game to Other Countries, where they can choose to retaliate, or not. The decision to retaliate is best for them as Other Countries minimize loses.

The Payoff Table is of Trump vs. the steel industry, where the steel industry is in search of short-term profit. While innovation would save the US steel industry in the long term, executives and unions will most likely prefer higher salaries, bonuses, and no development in the short term, just as they have in the past. I am using 1967 Japan as a reference for payoffs, where reorganization of the auto industry and a 30%-40% tariff on foreign car imports, especially smaller cars, allowed Toyota, Honda, Mitsubishi, Isuzu, Suzuki to now become more reliable (through innovation) than American Cars. The equilibrium shows Trump succeeding in implementing a tariff, and the steel industry celebrating by giving bonuses to executives (who control the industry).

