

## ARE TARIFFS BAD FOR THE ECONOMY?



Recently, the President announced that the U.S. would be imposing new tariffs on Chinese steel and aluminum imports, citing national security concerns. He also threatened additional tariffs on \$50 billion in other Chinese goods over lax intellectual property protections and theft of technology for Beijing.<sup>1</sup>

A lot of investors are wondering A) exactly what a tariff is and B) if imposing them will harm our own economy.

A tariff is simply a special tax on an imported item, usually intended to give a market advantage to domestically produced goods.<sup>2</sup>

While the current round of tariffs is creating quite a stir in the markets and the press, they are not new to our trade policy. As with most topics that can affect something as complex as the U.S. economy, you'll find plenty of strong opinions. Historically, tariffs were heavily used by the federal government beginning at the founding of our country.

In 1789, after ratifying the oaths of office, the second piece of legislation passed by the new congress contained a slew of tariffs—on everything from imported shoe laces to pickled fish.<sup>3</sup>

For the next century and a half, congress passed thousands of tariffs, hoping to protect U.S. business. Then in the 1930s FDR began to champion the idea that these extra taxes on imports were having the opposite effect. He proposed that making trade "free" might help pull America out of the Great Depression. His plan was approved and, since then, tariffs have gradually decreased down to the historic lows we have today.

### **What Are Tariffs Supposed To Accomplish?**

Originally, tariffs were seen as a way to boost domestic production. If you could add a 10% duty to British candles, your local candle makers could charge more and afford to expand their business. And, the money collected from the tariff would go to the government.

Many of our nation's Founders saw the merit of this argument. But the downsides were that the British would likely retaliate with tariffs of their own on American goods and the average citizen would end up paying more.

Today, because of the interconnectedness of the world economy, a sudden rise in the price of

Chinese steel makes many American-made products more expensive. In this case a tariff penalizes our manufacturers as much as the Chinese. For this reason, tariffs are seen more as a tactic of political pressure rather than a way to boost revenues for U.S. firms.

### **Opposed By Business Organizations**

Shortly after the latest tariffs were announced, Bloomberg reported that a rare coalition of business groups are banding together to fight them. The coalition consists of more than 40 trade organizations, including retail, agriculture, technology, and other industries.<sup>4</sup>

However, it should be noted most of these companies are simply looking to continue the cheapest possible commodity prices for their own products. That is their duty to their shareholders; this push should be viewed from the vantage point of self-interest.

Though tariffs may give a short-term advantage to some "protected" industries, in the long-term some fear they can potentially hamper the U.S. economy by restricting the flow of goods and raw materials.

"Tariffs become trade wars, and trade wars have no winners," said Steve Lamar, executive vice president of the American Apparel & Footwear Association.

For disciplined, long-term investors, the realities of foreign and domestic governments political maneuvering are all part of what is constantly priced in to stocks and bonds nearly instantaneously. Since it's impossible to know with certainty what future prices will be, with or without tariffs, prudence dictates that today's prices are the best reflection of all the known and assumed information.

### **How Might They Work in the Long-Run**

The communist controlled Chinese economy has dumped steel and other goods in the "Free Market" for years by subsidizing their cost. Think of this like a reverse tariff. So effectively to the "Free Market" Chinese products have been sold cheaper. This has put others out of business while their government props up these businesses. This makes it hard for the rest of the world to play on an even field. Also, the Chinese government has limited the flow of goods into their country from foreign countries thereby restricting exports the US and others can have to China. Ultimately, it would seem beneficial to sort out our differences with China and get to an environment where goods and capital move more freely. However, this has proved to be difficult at best.

If history is any guide, what might be considered extremes in the short term typically return back toward longer-term averages. As always, reacting to short-term price volatility as markets digest new information can be a costly mistake. If you find yourself concerned about today's headlines, be sure to reach out to us.

Have a great weekend!

## Golf Tip of the Week



### Looking for a More Powerful Swing?

Players trying to put more punch into their swings sometimes find their efforts falling short.

During their swings, players often incorrectly use the technique of pushing the handle ahead of the clubhead through impact. It's a common approach golfers use to correct wristy, flippy motions at impact. However, the maneuver tends to reduce their ability to generate fast swing speed.

To correct this habit, *Golf Channel* instructor Mike Jacobs tells players to hold their drivers with their right arm only and, while standing still, to push the handle quickly toward the target. (For left-handed players, use your left hand in this exercise.)

This exercise gives players the feeling of the clubhead staying behind. The move conveys the sense during a swing that the player is trying to force the club to swing backward, which requires your hands, arms, or body to force your head into good position for the club to strike the ball.

Jacobs states that players should instead stop trying to get their hands forward at impact and focus on pulling the handle rather than pushing it.

The swing through impact should feel as if you're pulling up toward the middle of your chest. This makes the club rotate and increase speed at the head end.

Tip adapted from Golf Digest<sup>i</sup>

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## Recipe of the Week



### Fudgy Beet Brownies

Yields: 16 brownies

#### Ingredients:

½ cup (1 stick) unsalted butter, plus more for the pan  
6 ounces bittersweet chocolate, chopped  
½ cup firmly packed brown sugar  
8 ounces cooked peeled whole beets (about 4 small beets), pureed in blender or food processor  
1 teaspoon pure vanilla extract  
1 teaspoon espresso powder  
¼ teaspoon kosher salt  
2 large eggs, at room temperature  
½ cup white whole wheat flour

#### Directions:

1. Heat the oven to 350°F.
2. Apply butter on an 8-inch square baking dish.
3. Line the bottom of the dish with parchment paper, leaving overhang on each side.
4. Apply butter on the paper.
5. Melt chocolate and ½ cup butter in a medium saucepan on low; stir the mix occasionally until it is smooth.
6. Let the mix cool slightly after removing it from the heat.
7. Whisk in sugar, beets, vanilla, espresso powder, and salt.
8. Add eggs one at a time and whisk until fully mixed.
9. Slowly pour flour in until it combines with the mix.
10. Put the batter into a prepared baking dish.
11. Bake until you can remove a knife inserted in the center and it comes out clean or with just a few crumbs, 30-35 minutes.
12. Let the pan cool for 10 minutes. Use overhangs to move it to a cutting board.

13. Cut into 16 squares.

Recipe adapted from Good Housekeeping<sup>ii</sup>

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## Health Tip of the Week



### Myths and Facts About Seasonal Allergies

Spring is the air, and you're feeling absolutely miserable—and that's miserable with a capital M. Sneezing. Congestion. Runny nose. Puffy eyes. It's enough to drive you to pack your bags and move to the Arctic, where there are no seasonal allergies.

But is that a good idea, if you're allergy prone and cannot stand the MISERY?

**Experts say no. Don't go.** Grass and ragweed pollen can be found everywhere. A change in climate may reduce your symptoms temporarily. But give it time. The allergens in your new home will begin raising a biological ruckus.

**Beach party, here we come.** Maybe not so much. Sure, beaches have lower pollen counts, but nearby grassy terrains are ready to rage. Ragweed pollen can be found as far as 400 miles out to sea.

**Go with local honey.** This advice misses the mark. Honey is a sweet treat. But most allergens don't stem from the type found in honey. So, honey won't build your immune system.

Those were the myths of allergies. Now what about the facts?

**Rain, rain, go away.** Yes, indeed. The best time for allergy sufferers to go outside is after a heavy rain.

**Get an allergy shot.** That's a good idea, for relieving the symptoms. Shots won't cure allergies. But they can make life easier.

**Count your lucky allergens.** Allergy counts can be good indicators of the level of the fine yellow dust in the air. High counts mean you're going to have problems with symptoms. So, check the count before you head out the door with big outdoor plans.

Tips adapted from WebMD<sup>iii</sup>

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4. <http://go.efficientadvisors.com/e/91522/ion-to-take-stand-this-is-nuts/5c4137/399655274>

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<sup>i</sup> <https://www.golfdigest.com/story/quick-tips-for-more-power>

<sup>ii</sup> <http://www.goodhousekeeping.com/food-recipes/dessert/a47524/fudgy-beet-brownies-recipe/>

<sup>iii</sup> <https://www.webmd.com/a-to-z-guides/discomfort-15/tame-allergies/slideshow-allergy-myths-facts>