

Anti-‘Dumping’ is Suing Santa Claus

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The lawsuits filed in accordance with U.S. Anti-Dumping Law, enacted in the name of fair trade, amount to suing Santa Claus. Recall that illegal dumping is said to exist if a foreign competitor sells in the U.S. for: 1.) less than elsewhere (gasp!!!); or 2.) below production cost. Such ‘violations’ occur sporadically, persistently, or strategically (i.e. with the intent to eliminate competitors).

Sporadic dumping is a surprise visit by Santa Claus; an unexpected bargain for a few lucky people at the right place at the right time. There are no negative effects. The impact is too small, and too brief to significantly impact any U.S. businesses.

Persistent dumping is Santa Claus on a schedule. This is the best kind of ‘dumping’ (all do more good than harm). Foreigners with a comparative advantage, or government subsidy, are easing Americans’ budget constraints. The appropriate policy response is adjustment assistance for the U.S. businesses displaced by superior or subsidized foreign businesses. These persistent bargains are most often available from ill-conceived farm price supports that generate crop surpluses.

Strategic dumping is rare because it has a very, very low probability of succeeding, even temporarily. That’s why ‘dumping’ with strategic intent is Santa Claus with delusions of grandeur. Proponents of the anti-dumping law pitch alleged selling below cost as predatory - an attempt to destroy competitors to achieve monopoly status – even though predatory intent is very rare. Since attempts to achieve international monopolies are very, very unlikely to succeed, the attempts amount to Santa Claus with delusions of grandeur. Santa Claus with delusions of grandeur is still Santa Claus. Don’t sue Santa Claus!! Anti-trust laws exist as a remedy in the unlikely event they succeed, even temporarily. Even without anti-trust laws as remedies, permanent success is highly unlikely. As soon as the predatory firm raises prices to capitalize on its monopoly status, competitors will re-surface.

I’ll conclude with a Christmas scenario. Imagine that you wake up to gift-wrapped new VW car from a friend that owns a VW assembly plant in Mexico. True believers in the U.S. Anti-Dumping law would see that gift of a new VW as unfair competition for the local VW dealership. Such true believers would react to the gift-wrapped VW with several expletives and a dash to the phone to consult with an attorney on an anti-dumping lawsuit. If you think this is nuts, you got the point. A gift is just a really, really low priced bargain. I suspect that the vast majority would react to the VW with tears of joy, and file a thank you note rather than a lawsuit. Leadership includes ridiculing silly laws, especially harmful, silly laws like those against bargains.