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Cut Shoe Tariffs to Help Low-Income Families

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In this age of political strife, it is very good to see a bipartisan effort to make life easier for the poor. The Affordable Footwear Act (AFA) is such an effort. Introduced last month by Representatives Joe Crowley (D–NY), Kevin Brady (R–TX), and Nancy Boyda (D–KS), the AFA would repeal the disproportionate tariffs on shoe imports. High protectionist tariffs on inexpensive footwear hit the poor hardest, raising the price of a basic necessity. Congress should repeal the tariffs and help all Americans save a few dollars on their next pair of work boots, pumps, or sneakers.

The Shoe Tax. The little-known shoe tax has its roots in the early history of American trade policy. A hundred years ago, tariffs raised most of the government's revenues. But after six decades of trade liberalization, the tariff system is now a small backwater in tax policy, and most U.S. tariffs are quite low. There are no tariffs on toys, furniture, semiconductor chips, personal computers, or telephones. Even tariffs on cars amount to only 2.5 percent. A few household goods, however, are still subject to tariff rates almost as high as those of the 19th century.

Shoes are the extreme case, with tariffs 10 times the average rate, and cheap sneakers face the highest tariffs the U.S. imposes on any manufactured good. These tariffs, magnified by retail markups and sales taxes, are included in the price families pay for shoes.

Footwear tariffs are simply a hidden, regressive tax on a household necessity. Their sole effect is to reduce the amount of income families have to spend on all other goods and services. This expense is most onerous for low-income families with children, who spend the largest share of their income on the necessities of life. The Affordable Footwear Act, which would eliminate cheap-shoe tariffs, is a straightforward way to help these families stretch their household budgets further.

The High Cost of Footwear Tariffs. Americans bought about 2.4 billion pairs of shoes last year.[1] China, Italy, Vietnam, Brazil, and Indonesia are the top suppliers.[2] The value of these shoes at the border was $19 billion, and the U.S. government collected footwear duties amounting to almost $1.9 billion on the shoes. While the average weighted U.S. tariff rate across all traded goods is 1.6 percent, tariffs on shoes begin at 8.5 percent for leather dress shoes, rise to 20 percent for running shoes, and peak at more than 60 percent for some grades of cheap sneakers.[3]

U.S. free trade agreements (FTAs) and trade preference programs for developing countries provide little relief from high footwear tariffs. The bulk of America's imports of inexpensive shoes come from countries that are not FTA partners and are ineligible for preferential rates, such as China and Vietnam.

The consequences for families—especially those with low incomes—are dramatic. Tariffs inflate the cost of the cheapest shoes by about a third. A $2.28

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pair of sneakers arriving at the border is assessed a 48 percent excise tax, adding $1.09 to the price, which is passed along to shoppers. To put the tax in perspective, the $1.09 border tax is roughly three times the 39-cent federal tax on a $2.28 pack of cigarettes, four times the national gas tax, and twice the $13.50-per-gallon tax on whiskey, vodka, and other spirits.[4] And as the sneakers travel through the supply chain on the way to the retailer's shelf, the tariffs are magnified by retail markups and state sales taxes

Overall, tariffs raise shoe costs by about a tenth. Shoes account for just one percent of total imports but raise almost $1.9 billion out of $25 billion in annual U.S. tariff tax revenue, about 8 percent of the total. After markups and sales taxes, shoe tariffs made up $4 billion to $5 billion of the $55 billion Americans spent on shoes last year.[5]

By eliminating tariffs on footwear produced abroad, the Affordable Footwear Act would have an immediate and meaningful impact on household budgets. The International Trade Commission has estimated that completely eliminating all domestic barriers to footwear imports would lower the average price of shoes by about 4.3 percent.[6] As the cheapest shoes face the highest tariffs, the effective tax cut would be highest for the poorest families. The AFA presents a solid first step toward realizing these gains from freer trade.

No Impact on Jobs. Many tariffs are in place to protect American industries and jobs from international competition. But the shoe tariffs support virtually no domestic shoemaking and protect no U.S. manufacturing jobs, because America's footwear manufacturers today produce specialty and high value footwear, not the kinds of inexpensive shoes that make up the bulk of imports. The inexpensive shoes and sneakers with the highest tariffs have not been made in the United States since the 1970s.

America's 16,000 shoe industry jobs are almost all in design, research, marketing, or specialized production of sophisticated gear for workers in hazardous jobs, rather than mass-market shoe production.[7] Yet, high and protectionist tariffs on inexpensive footwear have been untouched since the 1950s. The industries that lobbied to put them in place are long gone. Today, these tariffs serve only to needlessly raise the price of shoes, without fulfilling the usual rationale for protectionism—saving U.S. manufacturing jobs.

Conclusion. If you wish to understand a person's life, the familiar proverb goes, walk a mile in his shoes. The Affordable Footwear Act would make the next pair more affordable for low-income families. Congress should give America's households a little extra help by repealing the archaic, unnecessary, and regressive tariffs on shoe imports.

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1. American Footwear and Apparel Association, "*Shoe Stats 2007*," June, 2007.
2. See U.S. International Trade Commission, "Interactive Tariff and Trade Dataweb," October 2007, at *http://dataweb.usitc.gov*, and U.S. International Trade Administration, "TradeStats Express," Third Quarter 2007, at *http://tse.export.gov/*.
3. U.S. weighted average tariff rates for 2005 are from The World Bank, *2007 World Bank Development Indicators*, April 15, 2007, Table 6.7, at *http://go.worldbank.org/3JU2HA60D0*. Tariff rates for footwear are from U.S. International Trade Commission, "Harmonized Tariff Schedule of the United States (2007)," February 3, 2007, at *http://hotdocs.usitc.gov/docs/tata/hts/bychapter/0700htsa.pdf*.
4. U.S. Department of the Treasury, Alcohol and Tobacco Tax and Trade Bureau, Tax and fee rates at *www.ttb.gov/tax_audit/atftaxes.shtml*.
5. Value of duties collected from U.S. International Trade Commission Dataweb at *http://dataweb.usitc.gov;* and U.S. Department of Commerce, Bureau of Economic Analysis, "*Personal Consumption Expenditures by Major Type of Product"* table at *www.bea.gov/national/nipaweb/TableView.asp?SelectedTable=65&FirstYear=2005&LastYear=2007&Freq=Qtr.*
6. U.S. International Trade Commission, "The Economic Effects of Significant U.S. Import Restraints: Fifth Update," Publication No. 3906, February 2007, at *www.usitc.gov/publications/abstract_3906.htm*.
7. U.S. Department of Labor, Bureau of Labor Statistics, "*Employment, Hours and Earnings Survey"* for job totals at *www.bls.gov/ces/home.htm;* conversations with shoe industry people on production.