

The Commerce Department Makes A Feeble National Security Plea For Steel Protection

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The U.S. Department of Commerce just released its report calling for considerable new barriers to imports of steel and aluminum. The major headline is that the Commerce Department offers a menu of options for substantial new levels of protection, allowing President Trump to pick his poison (Levy, 2018).

The indiscriminate nature of these recommendations is, in itself, revealing. Is the United States's national security threatened by steel imports from Canada and Brazil? The economic analysis is no less absurd. It focuses exclusively on the health of the sectors producing aluminum and steel and ignores the health of the more substantial sectors that use the products. For steel, the report starts with a reasonable premise: "The U.S. Department of Defense (DoD) has a large and ongoing need for a range of steel products that are used in fabricating weapons and related systems for the nation's defense." The steel release is also replete with nonsequiturs – a reliable sign of a conclusion straining to find a justification. Here are several prominent ones: The report highlights that the ratio of imports to exports has no economic or national security significance. The report highlights the declines in employment in the steel sector. The report highlights the role of the Chinese prowess in steel production. Antidumping and Countervailing Duty orders. The report also states that, as of this week, the United States had around 169 such orders in place. This last point, global overcapacity in steel, brings to mind something missing from the report. Fortunately, these are only just recommendations that President Trump can accept, modify, or discard. Reportedly, Secretary of State Rex Tillerson and Secretary of Defense James Mattis have been among the voices arguing against the 232 tariff measures. The next step is to hope that President Trump trusts their national security judgment over that of the Commerce Department.

Why Some Investors Are Refusing to Buy Walmart Stock

Since the school shooting in Parkland, Fla., killed 17 in February, gun retailers, including Walmart, have ramped up restrictions on firearm sales. Walmart raised the minimum age of such purchases to 21. Firms like Walmart, better known for its back-to-school supplies and low prices, may keep a growing class of investors at bay with its reputation as the country's largest gun retailer. Parnassus Investment does not "invest in companies that derive a significant amount of revenue from guns," said Iyassu Essayas, an ESG analyst for the firm. "That's one of the reasons we strayed away from Walmart." And though it's hard to say for certain whether Walmart is indeed the largest firearms seller—the company does not offer a breakdown of gun sales. When asked why the company sells

firearms, Walmart says its decision is due to consumer demand. “We refocused on hunting and sport, driven by customer demand,” said Hargrove, a spokesperson for Walmart. Walmart also films transactions and trains those behind the guns desk. The company also keeps track of customers who might be buying for others who may not be eligible to own firearms. Still, says the Urban Institute, increasing restrictions and even ending gun sales may not be enough when it comes to stopping crime. Other retailers fill in the void Walmart leaves behind as it increases restrictions or should it decide to stop selling guns. “I don’t think any change is going to make a dent in the gun violence problem in the U.S.,” said Nancy La Vigne. “It’s going to take a combination of efforts, including restricting high power firearms, legislative solutions on people who are misusing firearms, and working in high gun violence communities.” (Shen, 2018)

Lego Struggles to Pick Itself Up

Lego, the Danish toy maker, reports a decline in profit for 2017 as demand in mature markets continues to weaken. Lego reported a sharp fall in earnings as it continued to struggle in North America and Europe. Lego said Tuesday that revenue for 2017 fell 7.7% to 35.0 billion Danish kroner (\$5.8 billion). Net income declined to 7.81 billion kroner from 9.44 billion kroner in 2016, while operating profit fell 17% to 10.36 billion kroner. “2017 was a challenging year, and overall, we are not satisfied with the financial results,” said Chief Executive Niels B. Christiansen, who took the reins in October shortly after the company reported its first sales drop in 13 years. “There is no quick fix, and it will take some time to achieve longer-term growth.” After years of double-digit growth, Lego has struggled in some mature markets like the U.S. as it competes with makers of video games and devices as well as more traditional toys for children’s attention. In September, the company said it would lay off 8% of its workers and thin the ranks of its decision-makers to speed up product rollouts. While sales in North America and Europe fell during the year, Lego said revenue in China grew in the high double digits in 2017. In recent years, Lego has set its sights on China, a market it sees as a natural fit for educational play products. It also said it would open an office in Dubai toward the end of 2018 to support its efforts to expand in the Middle East. Lego has battled competition from a range of cheaper knockoffs, but Mr. Christiansen has defended the company’s high prices, saying he doesn’t believe the sales slowdown due to price. Jefferies analyst Wissink said Lego had added both pricier and cheaper products to its lineup. Ms. Wissink attributed much of Lego’s slowdown in the U.S. to a drop-off in sales to adult buyers who typically swoop in to buy toys tied to movies shortly after their release (Chopping & Chaudhuri, 2018).

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