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**Subject:** CPSIA - Smoot-Hawley Redux

In 1930, two well-intentioned U.S. Senators led a movement to solve overcapacity in the U.S. economy in the severe recession of 1929/30. This bill, the Smoot-Hawley Tariff Act of 1930, imposed sweeping tariffs on a broad range of goods and was signed into law by President Hoover on June 17, 1930. Smoot-Hawley will live in infamy as one of the worst misjudgments by Congress in history, as it is today considered a precipitating event for the Great Depression. Under Smoot-Hawley, international trade went into an abrupt tailspin, with U.S. imports falling by 71% within two years, and U.S. exports falling 67% in the same period. Of course, it is also well-known that unemployment in the Great Depression shot up to almost 25% in 1933 as

international trade faded quickly away. Shamefully, Congress held to its position on tariffs despite the petition of 1,028 economists and the despondent pleas of businessmen including Thomas Lamont, CEO of J.P. Morgan, who reportedly “almost went down on [his] knees to beg Herbert Hoover to veto the asinine Smoot-Hawley tariff.”

Congress has ignored dire warnings and turned a deaf ear to rational criticisms of its work in the past – and today repeats these errors in its resolute defense of the indefensible CPSIA. And, as time goes by, it becomes clear that the CPSIA is doing the work of a modern-day equivalent of Smoot-Hawley, rapidly creating a depression on the children’s product industry and laying waste to economic activity and jobs throughout the country with its sudden imposition of incentive-distorting costs.

No doubt, the proponents of the CPSIA have their reasons for defending the structure of the law, but fail to take into account the economic impact of the rules they so strongly support. Every rule represents choices; in this case, any notions of “improved safety” will come at a high cost. Are these costs worth their consequences? Congress opted to legislate the “bubble-wrap” childhood where no risk can be tolerated regardless of cost or the nature of the safety threat. This approach is endorsed by consumer advocates without responding to the substance of objections to the CPSIA: “‘This law passed because our product safety net was broken,’ said Rachel Weintraub, senior counsel for the Consumer Federation of America, a nonprofit organization based in Washington. ‘The answer is not to reopen the bill.’”  
<http://www.bloomberg.com/apps/news?pid=20601087&sid=aDLzWS6FBwRo&refer=home>.  
Under this world view, no criticism of the CPSIA can justify its reconsideration – the end justifies the means regardless of what the consequence of those means might be.

As we in the Children’s Products industry suffer severe economic hardship and face the prospect of a law that cannot be complied with, we beg Congress “almost on [our] knees” for revised, rational rules focused on real safety issues. A laundry list of imaginary safety issues, like dangerous cotton t-shirts, edible library books or lead-infused shoe soles, are just too expensive to eliminate in a pinched economy. We are good citizens, the same as the consumer advocates, and are just as committed to safety. However, the economic policy advocated by the consumer groups as embodied in the CPSIA will not work – and if not arrested quickly, will do lasting damage that will not be easily repaired.

Sincerely,

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