

Domestic Manufacturers and Retailers Respond to Chinese Wire Garment Hanger Import Dumping

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Abstract. A surge in wire garment hanger imports from China brought a drop in domestic hanger prices and a drop in the number of domestic hanger manufacturers from eight to only one. Domestic dry cleaners and consumers were the direct beneficiaries of falling prices. However, the one remaining U.S. manufacturer brought a petition to the United States International Trade Commission (USITC) alleging unfair trade practices. On March 28, 2008 the USITC found evidence of material injury to the industry and put in place a protective ad valorem tariff. The impact of the tariff was predictable using principles of economic reasoning.

This paper is intended as a teaching case. The paper will present the background circumstances on international wire garment hanger production and the impact that foreign competitors had on U.S. hanger purchasers such as dry cleaners and consumers. The facts are able illustrate economic principles such as comparative advantage, economic welfare, costs of protectionism, industry consolidation, economies of scale, tariff revenue, industry structure, the level of domestic manufacturing, job availability, price and income elasticity of demand influences on sales, and how a non-flexible exchange rate regime affects pricing.

This case study is able to teach cognitive flexibility while encouraging a lively discussion on the positive and normative aspects of international trade policy in an interconnected global environment.