

TRUCK EGGONOMICS

You wouldn't think chickens have anything to do with trucks. The Chicken Tax of 1961 can prove you wrong. As food shortages were rampant in Europe post WW2, chicken was a luxury poultry in Germany. The US, however, had cheaper chicken, and a lot of it. They imported cheap chicken to Germany to help with aiding the post war food shortage, but German chicken farmers

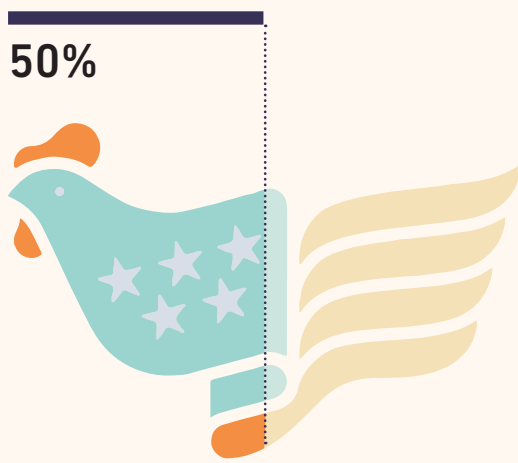
accused the US of artificially altering their chicken. So, the German government placed a heavy tax on American chicken. The US lashed back by placing a tax on all light trucks imported to America, including German trucks. This situation is what would be known as the Chicken Tax.

MARSHALL PLAN PASSED

After WWII Germany was in shambles, but the USA enacted the Marshall Plan: a program designed to rehabilitate the economies of Germany as well as 16 other European countries in order to create stable conditions for countries to survive the aftermath of WWII.

GERMANY TAXES AMERICA

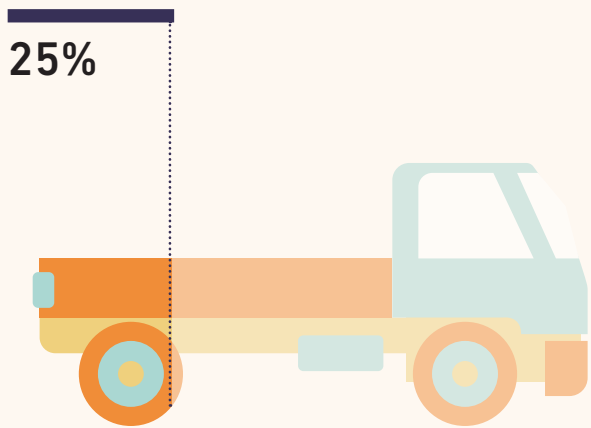
With American chicken now dominating the market with its affordable pricing, German farmers were left in the dust. Angered they requested the government protect their business against America. In retaliation the German government put a 50% tariff on imported chicken.



Tariff: a tax or duty to be paid on a particular class of imports or expo

CHICKEN TAX IMPOSED

In response to the German tax on chickens, President Lyndon B. Johnson imposed a tariff called the "chicken tax". This was a tax on potato starch, brandy, dextrin, and light trucks imported to the US, which was a 25% tariff. This would significantly hinder foreign automobile imports to the US.

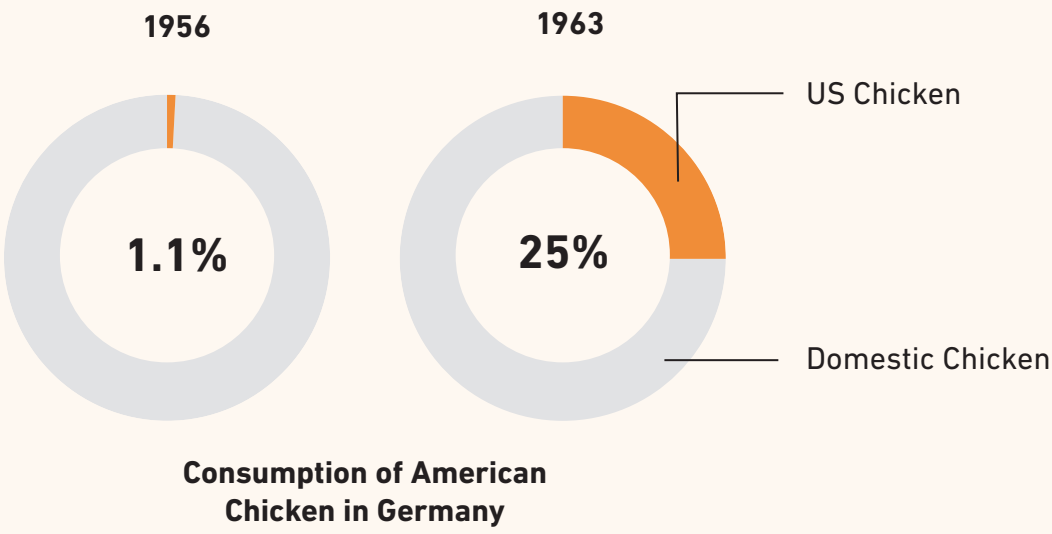


FOOD RATIONING IN GERMANY

Because of the war certain foods were rationed in Germany from 1939-1945. This made chicken a luxury item that was mostly restricted to the wealthy. In 1944 Germany started experiencing chronic food shortages. Their diets then became very monotonous, consisting mostly of bread, potatoes and preserves.

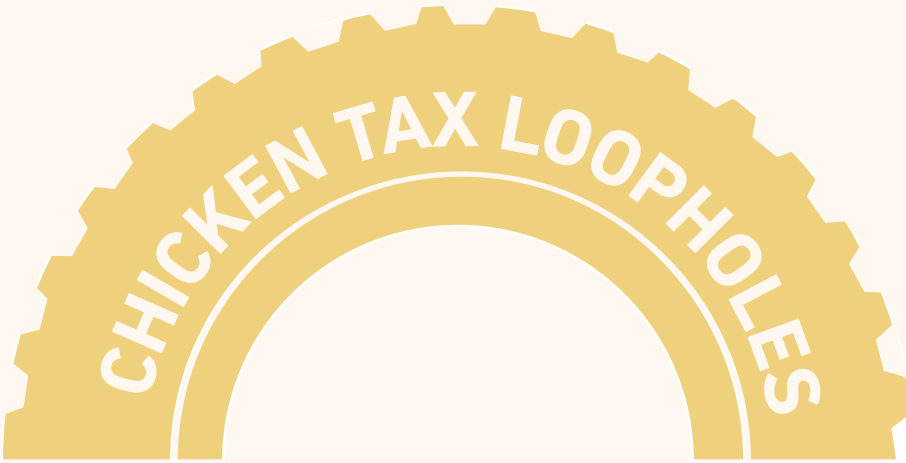
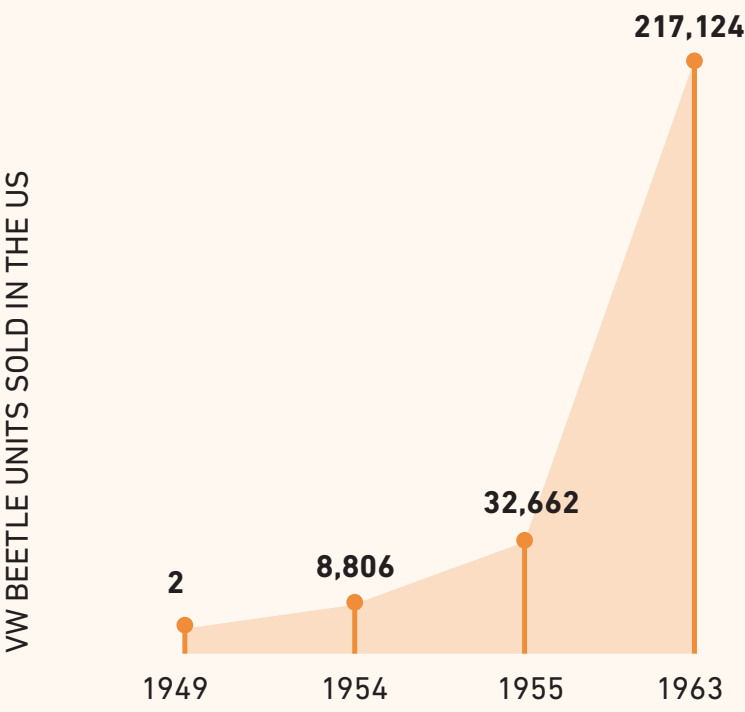
WHY DID THE CHICKEN CROSS THE ATLANTIC?

The broiler industry is the process in which chickens are raised and prepared for meat consumption. New industrial farming methods led to a huge increase in chicken production and by 1952 broiler chicken was the number one source of chicken meat in the US. With chicken now widely available, the price dropped, and they even had leftovers allowing the US to export excess chicken to Europe.



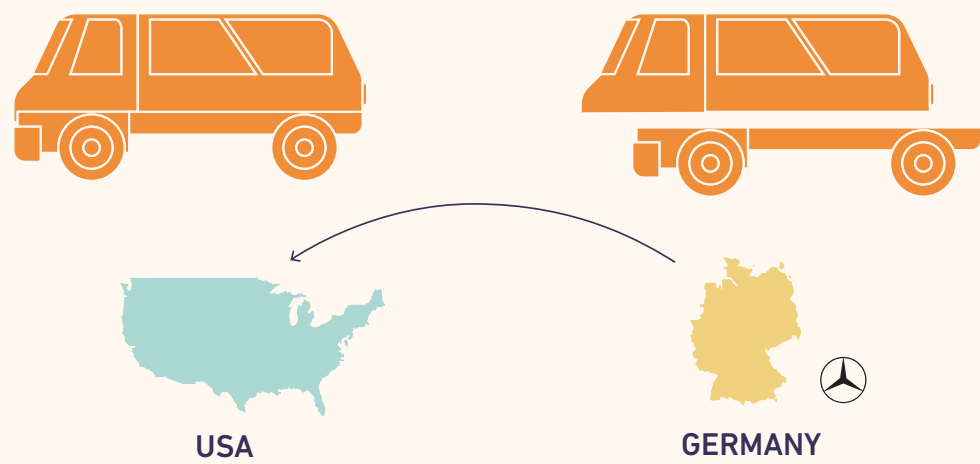
THE PEOPLE'S CAR

In 1963, Sports Illustrated declared that, "The Volkswagen has found a home in America," and called it, "the most easily recognized car on earth." America was Volkswagen's most important foreign market, and was especially beloved there, for differentiating itself from many other cars on the market. Unlike the cars that were boxy, heavy and had bad gas mileage, the beetle had innovative design and a lightweight gas efficient engine. These would become even more important features soon as a gas crisis was on the horizon.



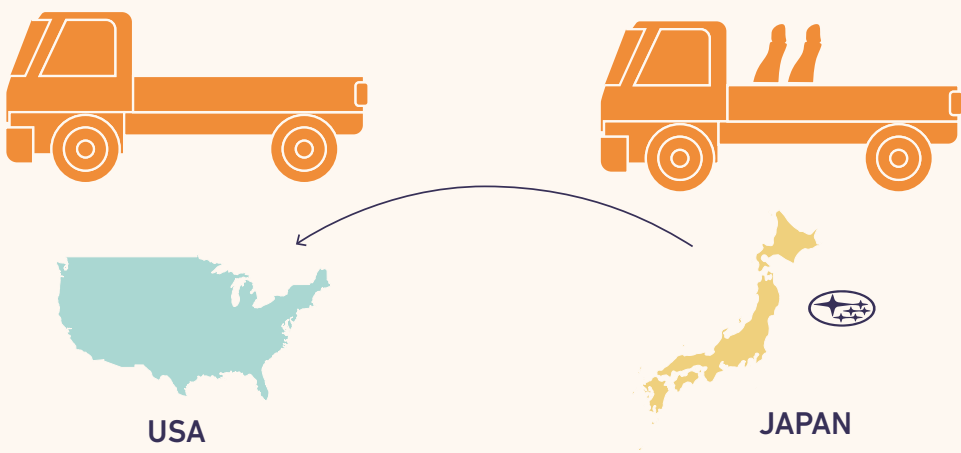
MERCEDES-BENZ

Mercedes-Benz used to build their Sprinter cargo vans in Germany, then ship the chassis separate from the rest of the vehicle to the US.



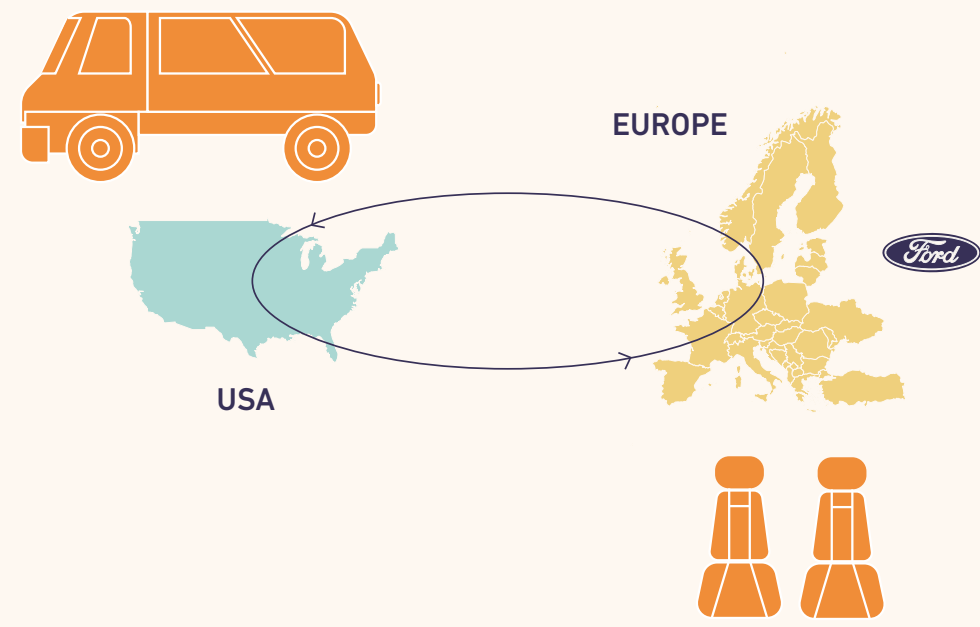
SUBARU

Subaru built their car parts in Japan and then shipped them to the US where they would get assembled. Subaru manufactured pickup trucks and bolted two plastic seats into the bed of the truck, making the truck meant for passengers and not goods. Once in the US they would remove the seats. .



FORD

Ford would put seats into their cargo vans, which would then qualify them as passenger vans. Once the vans entered the US they would rip the seats out and send them back to Europe so they could reuse the seats again.



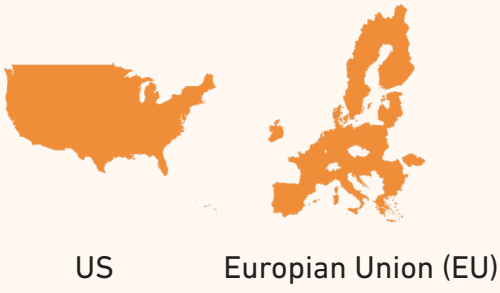
Foreign and domestic automakers found loopholes around the tax. One approach was disassembling parts of the car, shipping them, and having them reassembled in the US. Some foreign automakers also set up manufacturing plants in the US instead and made their products domestically. By using these methods, the tax would be significantly reduced.

Globalization: The chicken tax not only affects foreign countries selling trucks to the US but also to domestic brands as well. The tax forced foreign brands to find loopholes to avoid the tax and successfully achieve sales in the US, while domestic US brands do not have foreign competition and remain top-selling for Americans. Despite this polarization, the tax influenced foreign brands to reach out to other countries, resulting in globalization for many truck brands.

TPP



TTIP

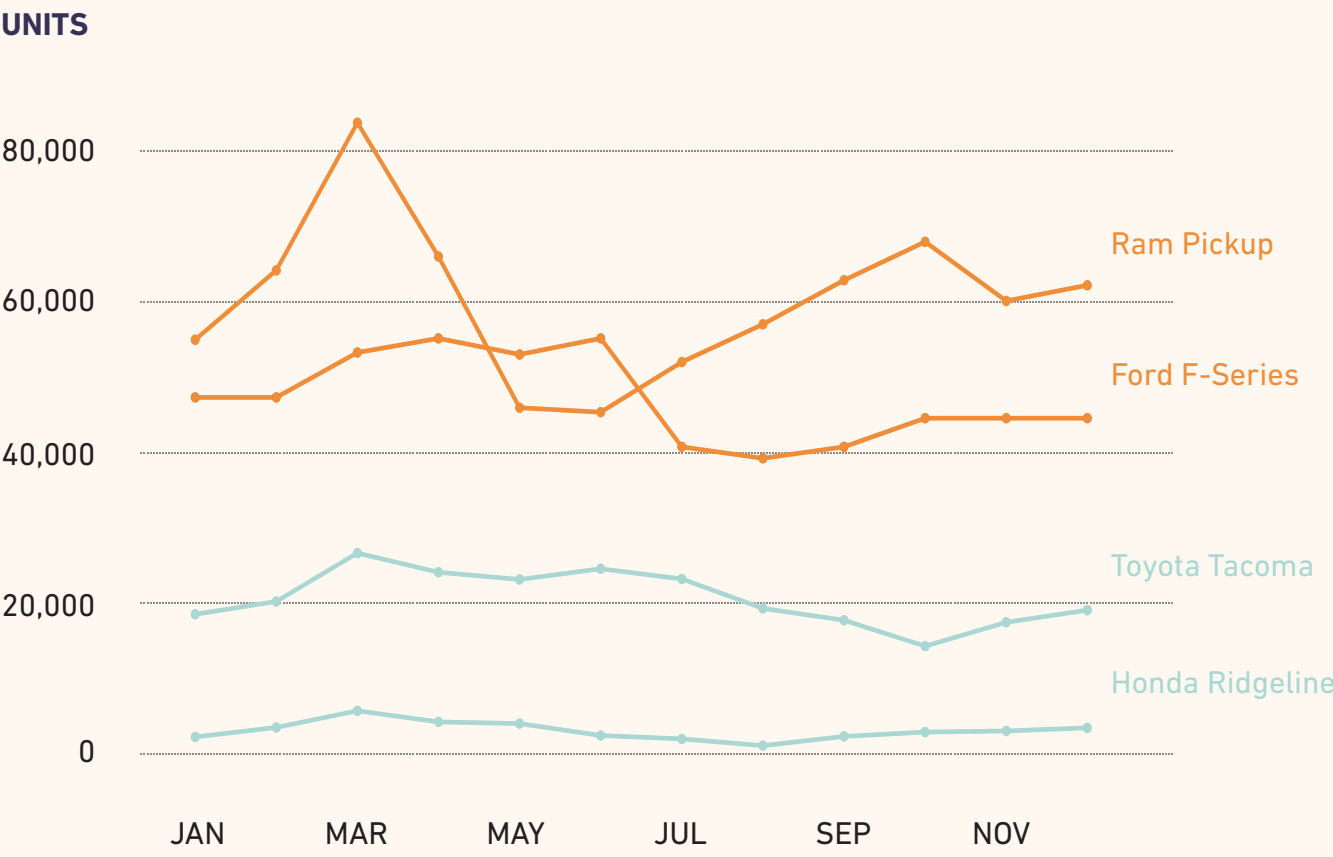


AGREE OR DISAGREE?

The Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP) were significant trade agreements between multiple countries, including the US. Donald Trump withdrew the US from both partnerships in 2017 and created trade conflicts between the US and Europe. If any one of these trade agreements were successful, it would have had potential to end the chicken tax.

US PICKUP TRUCK SALES

Domestic US pickup truck brands have become very successful within the country due to the tax. The top two US trucks of 2021 are the Ford F-series and Ram Pickup, compared to the foreign Toyota Tacoma and Honda Ridgeline and their unprofitable US sales.



The chicken tax remains. A double-edged sword, the tariff continues to make it difficult for foreign brands to import trucks but at the same time encourages international domestic brands to extend branches globally. US domestic brands, on the other hand, are lacking innovation in their designs due to the absence of international competition. With the US withdrawn from the TTIP and TPP and the only benefit of the tax potentially being used as a bargaining chip, the tariff continues to create more problems than solutions for car manufacturers around the world.

SOURCES
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