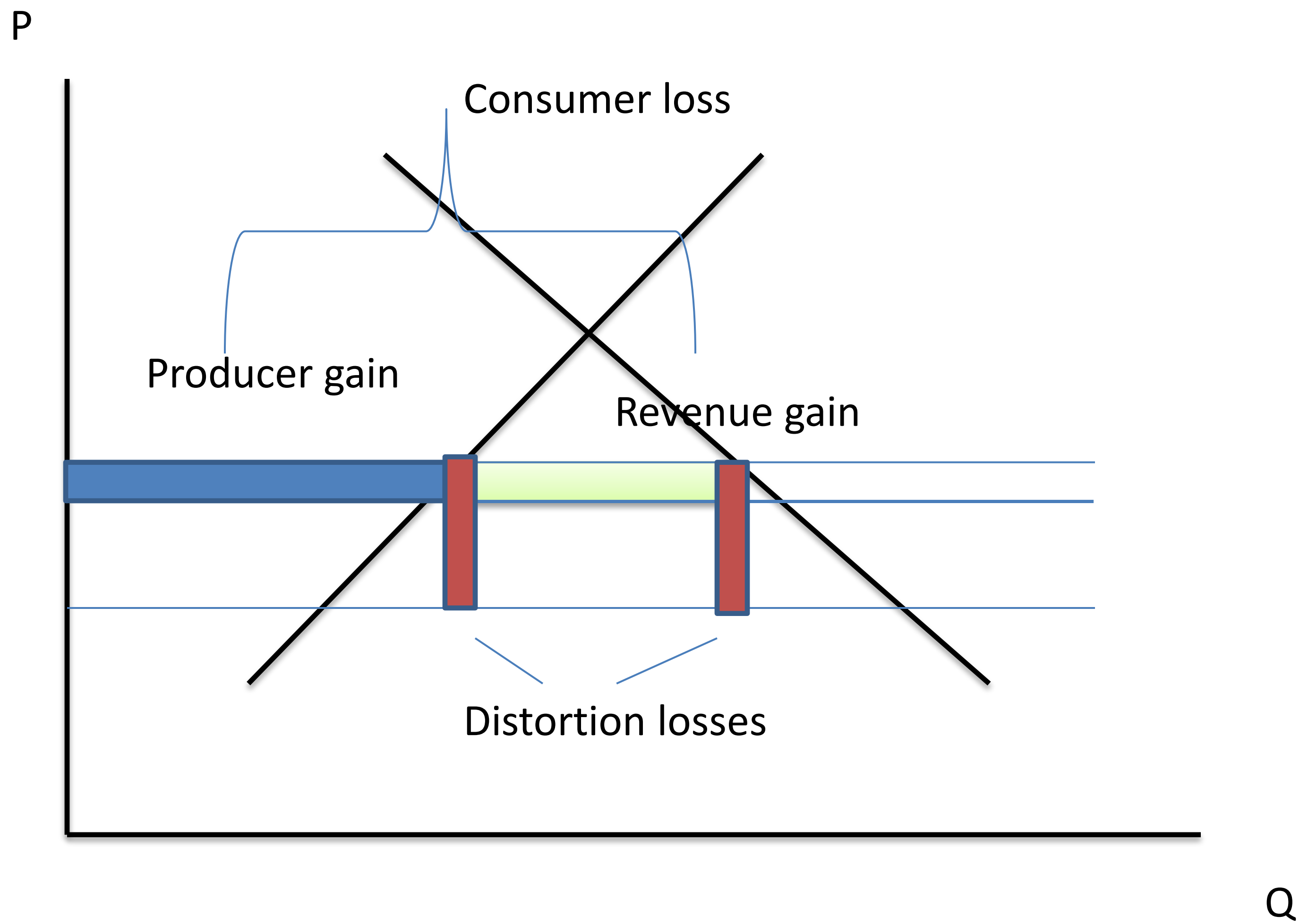
19th century trade policy

PK

A small tariff increase



Overall, net loss – but not necessarily if producer gain has higher weight

Rodrik’s point: suppose you want to help garment workers. You could:

1. Give them money
2. Subsidize garment employment
3. Subsidize garment production
4. Protect garments with a tariff
5. Protect garments with an import quota giving foreigners the licenses

These are in increasing order of economic inefficiency. Why are they also in increasing order of actual occurrence?

Grand contrast between US and UK

UK moves to free trade; repeal of Corn Laws in 1846

US moves to protectionism

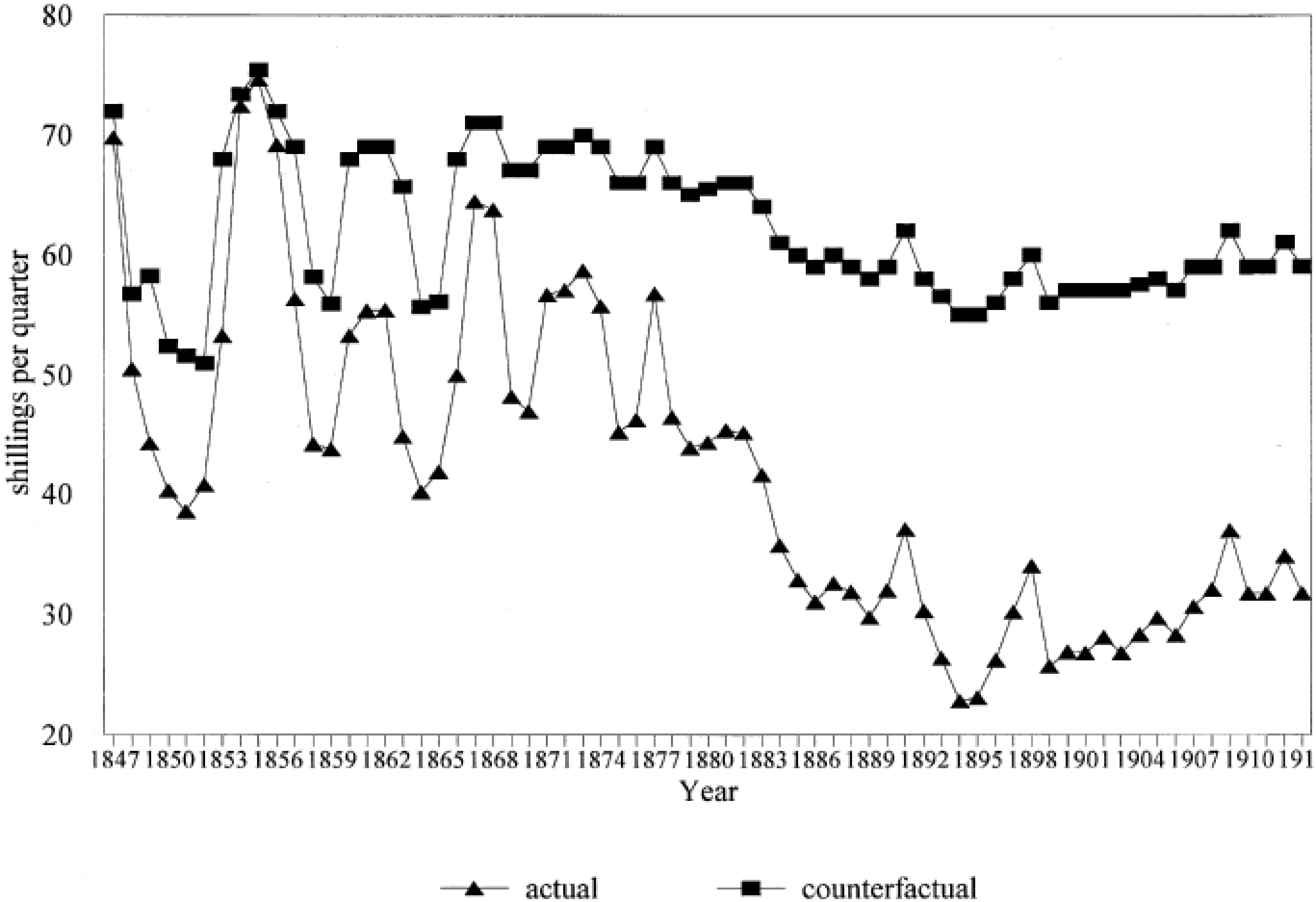
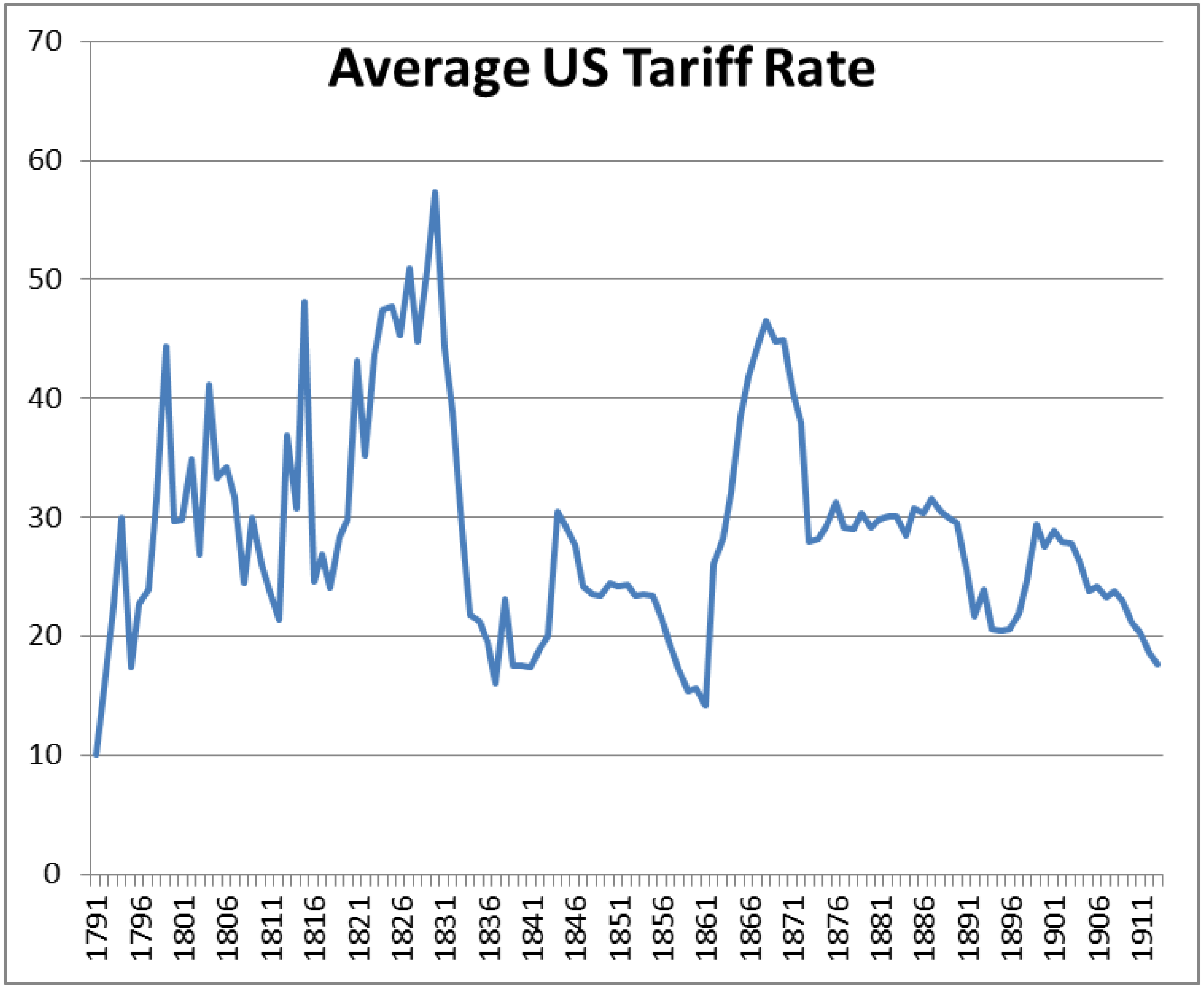


Fig. 1. Actual and counterfactual wheat prices, England/Wales, 1847–1913.


Average US Tariff Rate
70
60
50
40
30
20
10
0
1791
1796
1801
1806
1811
1816
1821
1826
1831
1836
1841
1846
1851
1856
1861
1866
1871
1876
1881
1886
1891
1896
1901
1906
1911

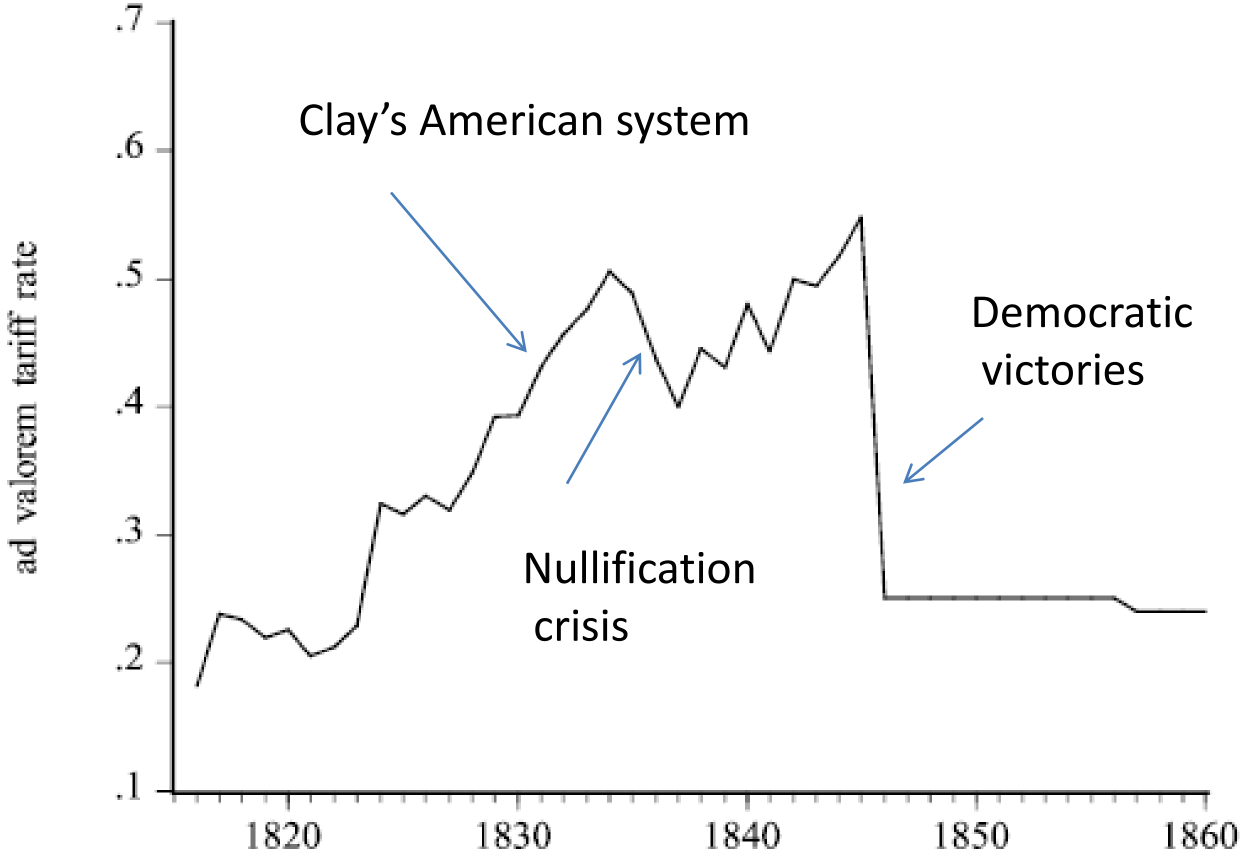


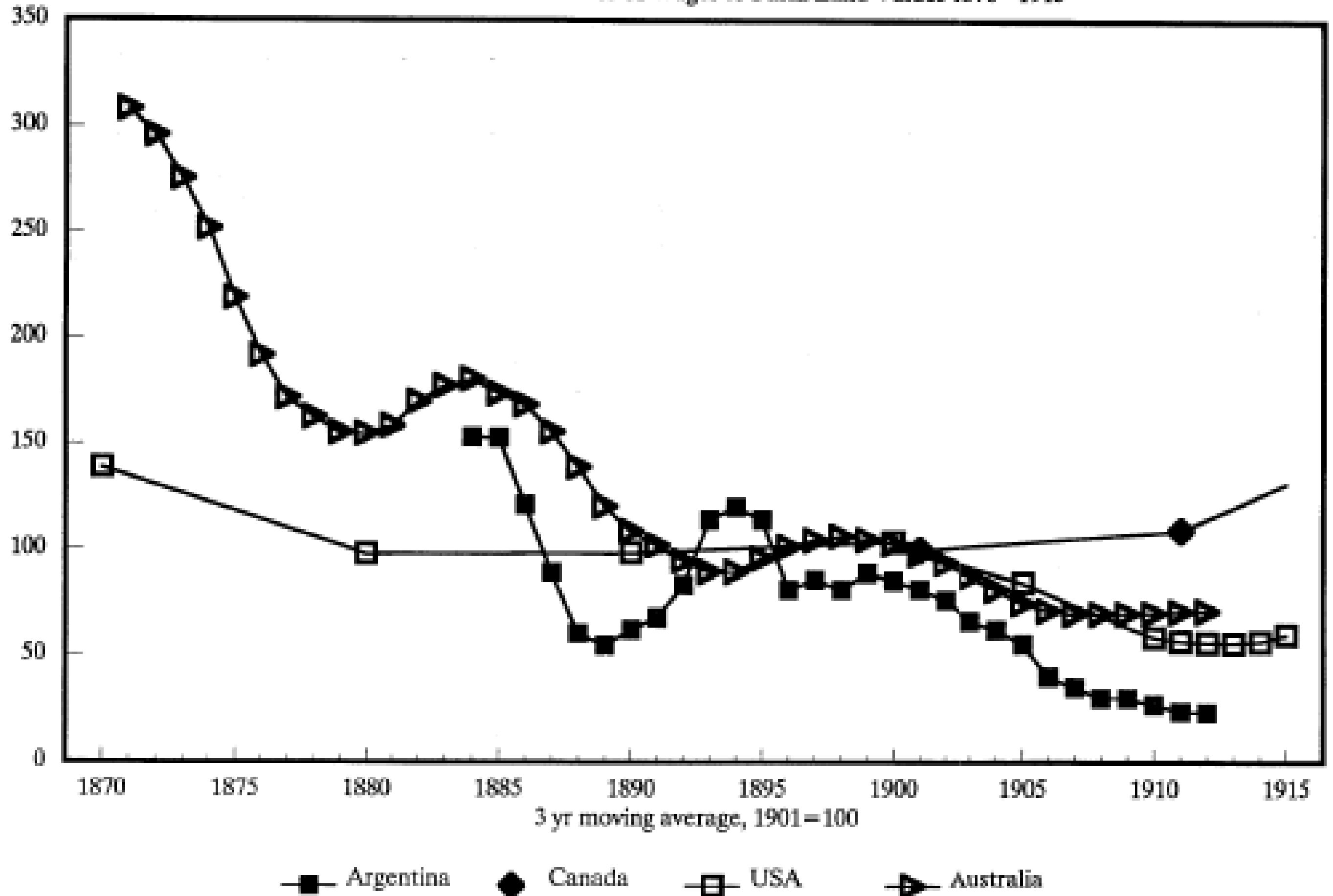
FIGURE 1
AVERAGE AD VALOREM U.S. TARIFF ON BRITISH TEXTILE IMPORTS, 1816–1860

TABLE 2
ANGLO-AMERICAN COMMODITY PRICE CONVERGENCE:
LONG-RUN TRENDS 1870–1913
(percentages)

Commodity Traded	Markets in which Quoted	1870	1895	1913
	A. Commodity Detail			
Wheat	Liverpool vs. Chicago	57.6	17.8	15.6
Meat and animal fats	London vs. Cincinnati	92.5	92.3	17.9
Cotton textiles	Boston vs. Manchester	13.7	3.7	−3.6
Iron bars	Philadelphia vs. London	75.0	43.4	20.6
Pig iron	Philadelphia vs. London	85.2	46.9	19.3
	B. Commodity Aggregates			
U.S. Exportable foodstuffs		51.9	33.0	10.6
U.S. Exportable intermediates		13.3	11.2	9.7
U.S. Importable manufactures		56.6	34.7	8.9

Figure 1

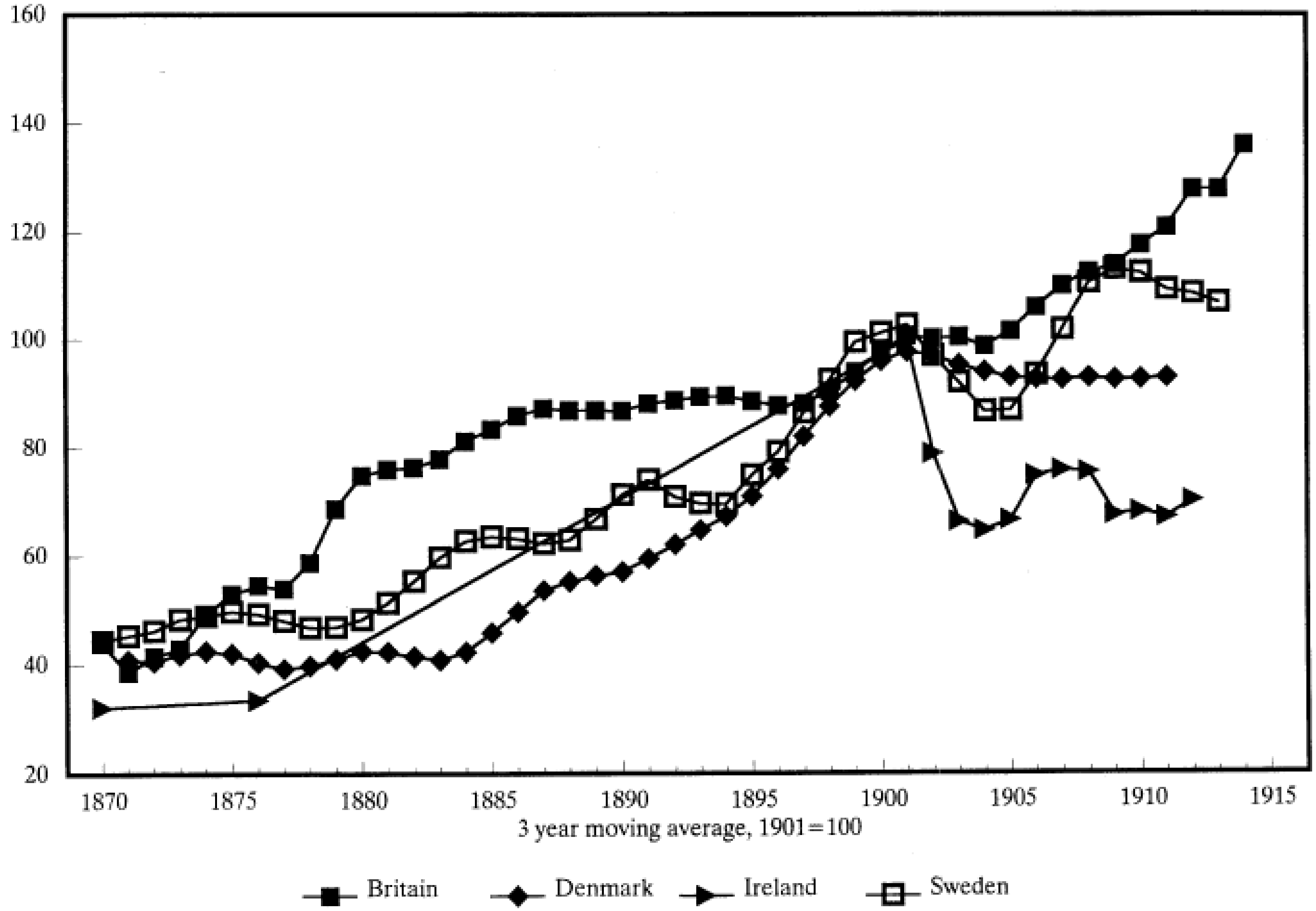
New World Trends in Ratio of Wages to Farm Land Values 1870–1915

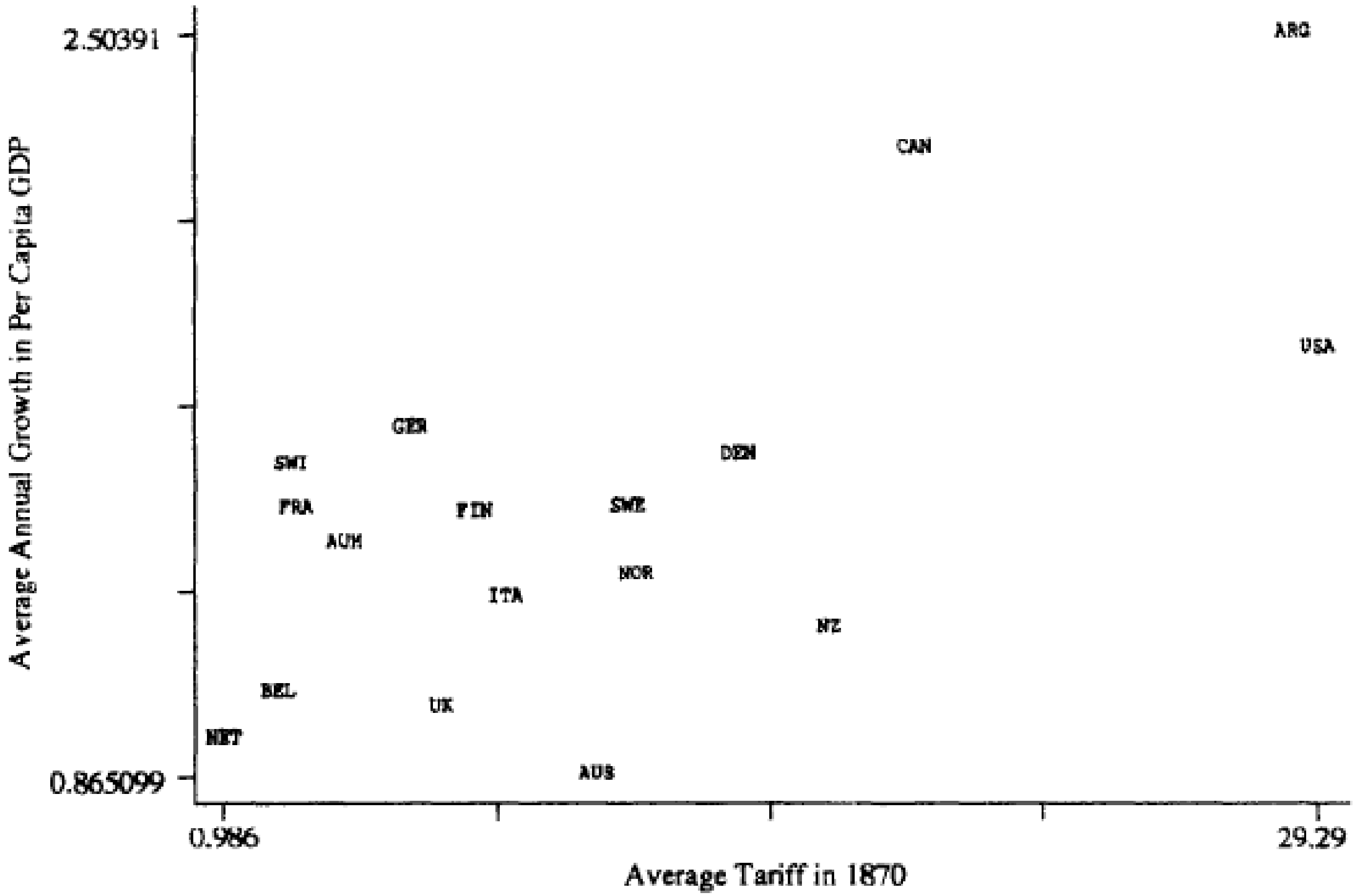


SOURCES: see Appendix: Sources and Notes

Figure 2

"Free Trade" Trends in the Ratio of Wages to Farm Land Values 1870–1914





Average Annual Growth in Per Capita GDP
2.50391
0.865099
0.986
29.29
Average Tariff in 1870
ARG
CAN
USA
GER
DEN
SWI
FRA
FIN
SWE
AUM
NOR
ITA
NZ
BEL
UK
NET
AUS