

## Clashing economic interests, past and present: a comprehensive account of American trade policy

*Clashing over Commerce: A History of U.S. Trade Policy.*

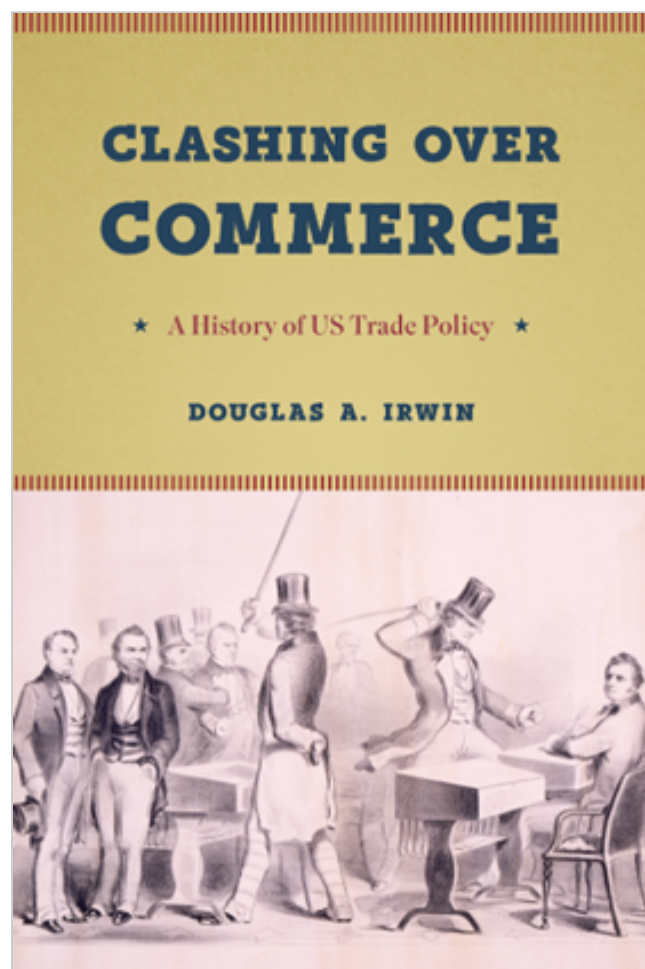
By Douglas A. Irwin. Chicago, IL: University of Chicago Press, 2017, 832 pp., \$27.50 paperback.

In 1888, Frank William Taussig, a professor of economics at Harvard, published *The Tariff History of the United States: A Series of Essays*, a classic study on the tariff policy of the United States. In subsequent decades, various editions of the book appeared, with the last (eighth) edition published in 1931. (In 2010, the Ludwig von Mises Institute completely re-typeset Taussig's [work](#).)

Yet much has changed since 1931. The United States emerged as the world's most powerful country after World War II, and concomitantly global trade expanded at its fastest pace since the beginning of the 20th century. Subsequently, the emergence of East Asia's economic giants (from Japan to China), the dissolution of the Soviet Union, the signing of the North American Free Trade Agreement, the 2007–09 Great Recession and its aftermath, presidential elections, and many more global and domestic events have shaped U.S. trade policy.

But what is the current state of that policy? How has it evolved? And how can we put last century's U.S. trade policy actions into perspective? In *Clashing over Commerce: A History of U.S. Trade Policy*, Douglas A. Irwin, the John French Professor of Economics at Dartmouth College and a leading academic researcher on both global and U.S. trade policy, provides the most comprehensive account of U.S. trade policy over more than two centuries.

Irwin's book is wonderfully opinionated. It starts with a well-crafted question asked by James Madison, the fourth President of the United States: "Shall domestic manufactures



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be encouraged, and in what degree, by restrictions on foreign manufactures?” Although Madison’s question appeared in 1787, it remains valid today and is important for every country.

According to Irwin, three principal trade policy goals have driven changes in U.S. trade policy: (1) raising revenue for the government, (2) restricting imports to protect some industries from foreign competition, and (3) pursuing reciprocity agreements with the rest of the world. These policy goals centered on revenue, restriction, and reciprocity—or, in Irwin’s words, the three Rs of trade policy—underpin the organization of the book and serve as respective titles of its three parts.

The key economic variable, or the main trade policy instrument, considered in the analysis is the import tariff, a tax levied on foreign goods entering the United States. Irwin plots the historical time series for the average tariff on imports and comes up with three different, successive periods of policy change, each corresponding to one of the three Rs: a period of raising revenue (1790–1860), a period of restricting imports (1861–1933), and a period of pursuing reciprocity agreements (1934–2016).

The author argues that two significant events (or shocks) served as triggers of change between these periods and shaped U.S. trade policy: the Civil War (1861–65) and the Great Depression (1929–33). Apart from these events, Irwin characterizes the last two centuries of U.S. trade policy as “stability despite conflict,” a characterization he links to the stability of economic interests across U.S. regions (reflected in the consistency of congressional voting) and the geographic stability of domestic production.

Geographically, the United States is a very large country, and its different regions specialize in different economic activities. The claim about persistence of regional specialization is one of the central arguments made in the book. Some states have long been associated with the production of certain commodities, with Iowa and Illinois, for example, specializing in corn, and Kentucky and North Carolina in tobacco. Surely, there have been changes in the comparative advantage of states and regions within the country, but Irwin explains that such changes have been happening gradually, without invalidating the overall stability of U.S. trade policy.

The U.S. economy, the world’s largest, is composed of different economic actors located in different regions and having different interests. Consumers, producers, exporters, importers, manufacturing workers, and farmers may all have very different opinions and beliefs about the gains from trade and the domestic distribution of those gains (or losses). It is the task of trade policy to manage clashing interests and conflicts. These interests and conflicts are examined in the book’s three parts.

The first part, “Revenue,” consists of four chapters: “The Struggle for Independence, 1763–1789,” “Trade Policy for the New Nation, 1789–1816,” “Sectional Conflict and Crisis, 1816–1833,” and “Tariff Peace and Civil War, 1833–1865.” In these chapters, Irwin highlights historical figures and quotations from early U.S. Presidents. My takeaway from this discussion is summarized in Irwin’s claim that “while the founding fathers favored free and open trade in principle, they were also deeply concerned about national defense and foreign discrimination against American commerce.”

The second part, “Restriction,” consists of four chapters: “The Failure of Tariff Reform, 1865–1890,” “Protectionism Entrenched, 1890–1912,” “Policy Reversals and Drift, 1912–1928,” and “The Hawley-Smoot Tariff and the Great Depression, 1928–1932.” I strongly recommend the part’s last chapter, which tells a brief story of why initiating trade wars is a bad policy choice and how it may harm the global economy. Reed Smoot (a Senator from Utah) and Willis Hawley (a Representative from Oregon) were responsible for the Tariff Act of 1930, which aimed to

create jobs and reduce unemployment by keeping imports out. The United States significantly increased tariffs on many categories of imports, and other countries responded by increasing tariffs on American exports. Neither side won this trade confrontation, however, and the act made the Great Depression worse. In an earlier book published in 2011, *Peddling Protectionism: Smoot-Hawley and the Great Depression*, Irwin provides a comprehensive account of the Hawley-Smoot Tariff. I also recommend this account to interested readers.

The third part, “Reciprocity,” consists of five chapters: “The New Deal and Reciprocal Trade Agreements, 1932–1943,” “Creating a Multilateral Trading System, 1943–1950,” “New Order and New Stresses, 1950–1979,” “Trade Shocks and Response, 1979–1992,” and “From Globalization to Polarization, 1992–2017.” Irwin starts this part by emphasizing the importance of the Reciprocal Trade Agreements Act of 1934, which allowed U.S. Presidents to reach trade agreements with other countries. As noted by Irwin, this act marked “the transition from restriction to reciprocity as the main objective of trade policy.” The central message of the book’s third part is that concluding trade agreements and negotiations with trade partners with the aim of reducing trade barriers has been the essence of U.S. trade policy since the end of World War II.

This book does not treat trade policies or institutions as given. Irwin puts their development into perspective, starting with the colonial era and ending with the China trade shock. Along the way, a wide spectrum of views and policymaking perspective—from those of James Madison to those of Donald Trump—is presented. As the story progresses, we meet several interesting policymakers who played critical roles in shaping U.S. trade policy, and Irwin quotes and provides anecdotes about them. In doing so, he offers a vivid perspective to his readers, taking into account not only the economic and political landscapes behind U.S. trade policy but also the character and thought processes of the individuals who shaped that policy.

Who should read *Clashing over Commerce*? First, any undergraduate student who studies economics, politics, commerce, governance, or law will learn a lot from this book. Instructors and lecturers can easily incorporate several sections of the book into their course curricula and lecture slides, and I have adopted that approach in teaching an undergraduate course in international trade. I find the sections on the Hawley-Smoot Tariff Act, its immediate consequences for global trade, and its importance for understanding recent trade wars to be great instructional resources. Second, the book is a great reference for graduate students studying the political economy of trade policy. The bibliography is very rich, stimulating further research across disciplines ranging from politics, to economics, to history. Third, I recommend this book to trade policymakers in any country. Although the discussion focuses on the experience of the United States, it offers important lessons to any nation.

The question of how nations should conduct their trade policies is central for policymakers and researchers all over the world. Professor Irwin’s book thoroughly explores this question in the context of the U.S. experience, providing a multifaceted perspective for both American and non-American readers by detailing the political and economic events that have shaped U.S. trade policy over the last two centuries.

*Clashing over Commerce* was published in 2017. Since then, many significant events have affected the lives and welfare of people around the world. Among these are the U.S.–China trade war, the rise of populism and support for protectionism in different countries, the signing of the U.S.–Mexico–Canada Agreement, and, finally, the COVID-19 pandemic, which has disrupted global economic activity and world trade. Should the United States go back to the Trans-Pacific Partnership? How can China be the most important U.S. trade partner and rival simultaneously? What is the future of international trade and trade policy in the postpandemic era? These questions are in the realm of the political economy of international trade, and U.S. trade policy sits at the center of

related discussions. We may expect to see further research on these topics in the upcoming years, and *Clashing over Commerce* will be the go-to reference book in those efforts.

Lastly, this book is voluminous, containing 13 chapters and ending with a chapter-by-chapter extensive set of notes. For those who may be initially discouraged by the length of the book, Professor Irwin has offered a brief survey of the same topic in an article titled “Trade Policy in American History” and published in the August 2020 issue of the *Annual Review of Economics*. The article, which is less than 30 pages long and draws extensively on *Clashing over Commerce*, may very well be read as a synopsis of the book. A reader who is not familiar with U.S. trade policy but is interested in learning more about the topic may benefit from reading the article before delving into the world of *Clashing over Commerce*.