



# Clashing over Commerce: A History of US Trade Policy

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Should the United States be open to commerce with other countries, or should it protect domestic industries from foreign competition? This question has been the source of bitter political conflict throughout American history. Such conflict was inevitable, James Madison argued in *The Federalist Papers*, because trade policy involves clashing economic interests. The struggle between the winners and losers from trade has always been fierce because dollars and jobs are at stake: depending on what policy is chosen, some industries, farmers, and workers will prosper, while others will suffer.

Douglas A. Irwin's *Clashing over Commerce* is the most authoritative and comprehensive history of US trade policy to date, offering a clear picture of the various economic and political forces that have shaped it. From the start, trade policy divided the nation—first when Thomas Jefferson declared an embargo on all foreign trade and then when South Carolina threatened to secede from the Union over excessive taxes on imports. The Civil War saw a shift toward protectionism, which then came under constant political attack. Then, controversy over the Smoot-Hawley tariff during the Great Depression led to a policy shift toward freer trade, involving trade agreements that eventually produced the World Trade Organization. Irwin makes sense of this turbulent history by showing how different economic interests tend to be grouped geographically, meaning that every proposed policy change found ready champions and opponents in Congress.

As the Trump administration considers making major changes to US trade policy, Irwin's sweeping historical perspective helps illuminate the current debate. Deeply researched and rich with insight and detail, *Clashing over Commerce* provides valuable and enduring insights into US trade policy past and present.

## **Clashing over Commerce: A History of US Trade Policy Details**

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## Hadrian says

The publication of this book comes at a strange time in the perceptions of international trade policy. After a few years where trade policy was relatively neglected, it has since become a singular focus for controversy, with the attacks on the TPP, then NAFTA. This volume fills a well worn gap, not least because the last academic history of US trade policy, Taussig's "A Tariff History of the United States", was last updated in 1931.

Irwin divides his history into three broad stages in US trade policy. The first period starts with the colonial period in the 17th century and concludes with the American Civil War in 1861. In this period, tariffs served as the primary means for the federal government to acquire revenue. However, the debates continued over if tariffs should serve to protect native industries, whereas opponents believe that industries should compete on global markets and tariffs only encouraged smuggling.

Factions in tariff policy develop on a regional basis, due to geographic or economic factors. The South, for example, opposed tariff policy because they valued access to global markets for their cotton. The north, which was then industrializing, instead favored protectionism for infant industries. This political balance was upset with the defeat of the South and their political neutering until the end of Reconstruction in the 1870s, and the pro-tariff North winning out for decades.

Irwin takes on the idea, promoted by such authors as Ha-Joon Chang, that protectionism was necessary to make the United States a powerful industrial economy. Irwin disagrees, saying that American economic growth was driven by massive population growth, availability of natural resources, and the growth of the service sector. He views the tariff as having a slightly negative factor on growth, but not enough to offset these powerful advantages. And in any case, more revenue was needed after the massive expenditures of the Civil War.

The second shift in trade policy comes after Smoot-Hawley in 1930 and a massive increase in tariff scheduling across the board. However, Irwin says that tariff alone was not the cause of economic woes - the real damage was from a global depression, flawed monetary policy, (and thus shutting off of capital flows) and a wave of counter-tariffs and protectionism on a global scale. However, after WWII and few other industrial economies even remaining, the balance of trade policy shifted towards free trade. This included broad reciprocity agreements such as the GATT, the Kennedy Round of Free Trade in the 1960s, and broader movements towards trade liberalization.

Irwin of course finds time to include more recent developments. He notes how Bill Clinton, who was generally in favor of free trade against the union wing of the Democratic Party, was able to ally with Republicans to pass NAFTA in 1993. Now, of all people, both Bernie Sanders and Donald Trump found themselves arguing against the TPP. Irwin, for his part, suggests job loss figures are overblown-- and that the majority of Americans still find themselves in support of free trade and the cheaper goods that result.

Irwin's volume is thorough, and I'd imagine intimidating to those without backing in economics. That said, it fills a valuable gap and should be more widely read by anyone with an interest in the subject.

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## Diego says

Douglas Irwin cuenta en un volumen muy largo la historia de los debates sobre la política comercial de Estados Unidos desde su independencia hasta la fecha. No es una lectura sencilla, la escritura es un poco árida en momentos. De trabajo de Irwin se desprenden muchas lecciones que pueden ser incorporadas al análisis presente de la política comercial de Estados Unidos en aspectos como el TPP, la renegociación del TLCAN o las muy recientes tarifas al acero y al aluminio. Por ejemplo lo de las tarifas es un asunto muy parecido a los debates de la década de 1980.

Es un libro que es muy útil para poner en perspectiva el trasfondo de las decisiones de apertura o proteccionismo que ocurren en Estados Unidos y su realidad política, a lo largo de su historia pocas son las veces que consideraciones puramente económicas dictaron la política comercial, siempre ha sido más una mezcla de realidad políticas locales con intereses geopolíticos e intereses económicos.

Por lo anterior es un libro valioso para erradicar algunas nociones falsas en los debates contemporáneos y para entender las causas históricas de algunas de las fuertes divisiones políticas de Estados Unidos en estos temas. No es una lectura sencilla y por lo árido del texto no le doy 5 estrellas, no obstante, si es un libro recomendable si se tiene interés en estos asuntos.

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## Marks54 says

This book presents a history of US trade policy from the beginning of the country until the election of 2016 or so. It is thorough and well done. The author does a good job of explaining the story and summarizing along the way. There are really nice summary tables with consistently presented and well explained data. This is a detailed book of economic history written by an accomplished economist, so readers should be forewarned that there is dense prose and occasionally rough sledding ahead in working through the book. On the whole, however, this is an exceptionally well done book. If one is interested in learning about trade policy, this is the book to do so.

Recent efforts by the current administration to redraft US trade and tariff policy got me interested in getting some more background on trade. My fear was that the current policy initiatives were based more on politics than sound policy with overall results that might lead to problems for many adversely affected by the initiatives. On this concern, Professor Irwin's book provides good news and bad news. The good news is that US trade policy exhibits surprising and long lived continuities, such that when considering short term initiatives, the odds on stability are always longer than they seem at first. It takes some sharp dislocations, such as due to Civil War or worldwide depression, to lead to long lasting changes in trade regimes. (... but didn't we just have one of those dislocations in 2008??). The bad news out of Irwin's book is that trade policy is always political and always involves messy conflicts and transient compromises. Observed continuity comes from the long term factors that lead to stability in the US and world economies. Irwin's exposition illustrates this interaction of long term stability and short term political maneuvering in great detail.

OK, it is a bit of a slog, but it was well worth it.

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## Samuel says

With this timely book, Prof. Irwin offers a comprehensive history of U.S. trade policy, starting from even before the inception of the republic to the present day. It mostly concerns itself with tariff policy, although the gradual shift toward administrative measures toward the end of the last century is also discussed in quite detail, as are the various attempts at multilateral cooperation that took place over time.

The author does quite a good job at underlining how U.S. trade policy evolved over time with the goal of serving various regional interests, often with little regard to those of others. Up until around the 1930s, at a very high level the trade battle was fought between the industrial "protectionist" north and the agrarian "free-trade" south, with the nation's western states often holding the decisive swing vote. In this context, one faction usually managed to obtain a politically dominating position and impose its preferred trade policy on the country. (For most the time, it was the north dominating the south, which itself wasn't exactly a bona fide force for free-trade either, so that tariffs were generally at a much higher level than today. This leads to the possible interpretation that the success of U.S. industrialization was due to high tariff barriers, which is also discussed in the book.) After WW2, this divide blurred significantly and both parties were (also for foreign policy reasons) much more receptive to trade promoting measures, which again changed toward the end of the century, however. As a result, tariff barriers mostly vanished and other questions became more important in directing trade policy.

However, Prof. Irwin also makes the point that the history of trade policy shouldn't be understood as purely an outcome of cold, impersonal economic forces either. At times, individual politicians could make a meaningful contribution in changing how policymakers approached the trade question. Perhaps the best example is Cordell Hull, who was a driving force in shifting policy toward the multilateral, rules-based system that we have today. Another example (and my favorite episode in the book) is the infamous "Tariff of Abominations" of 1828, which is a comical example of political scheming gone wrong. And, as mentioned before, foreign policy considerations also played an important role at times, as have broader questions about the nature of the republic itself.

Overall, the book is written clearly and important themes are often repeated for emphasis, which I found helpful. I particularly liked the discussions of what the actual impact of certain policy regimes might have been in reality (and not only in the often colorful fantasy of policymakers), although there could have been more of those. As an interested reader with only a superficial knowledge of many details, I feel much more knowledgeable about trade policy having read the book. However, given its length and the fact that it is a piece of scholarly work after all, not everybody will enjoy it likewise.

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## Stephen Morrissey says

Irwin's book is nothing if not thorough in its tracing of tariff policies in the US from Hamilton's financial and commercial proposals through Trump's ending of the Trans-Pacific Partnership (TPP) negotiations. Irwin's

prose and workman-like march through facts, figures, charts, and political vote-counting and analysis is both admirable and daunting in scope, and perhaps a bit too dry in terms of style. However, the book is ceaselessly objective and allows the numerous political and economic tumults over the tariff to remain at the forefront throughout the many, many pages.

At a time when President Trump is proposing steel and aluminum tariffs, a history of tariff policy is not only prescient, but vital to thinking of Trump-ism in the context of previous protectionist iterations in American politics. One of Irwin's greatest analyses is that, despite changing party allegiances, tariff promoters and detractors largely remained static due to the placement of certain industries throughout the country. The South, as an exporter of agricultural and commodity products, was often dead-set against tariffs, while Northerners strove for higher tariffs to protect fledgling industrial and manufacturing concerns. Until the rusting of the Rust Belt, this pattern held firm in tariff negotiations for over a century, despite changes in party make-up and presidential administrations.

Irwin's chronicling of the RTAA negotiations and Cordell Hull's crusade for free trade under the Franklin Roosevelt administration in the 1930s is one of the livelier parts of this work, and brings to life the tedious political wrangling and idealism that Hull espoused on the eve of WWII. Hull, who served as FDR's Secretary of State, was perhaps the prime mover in America's embrace of free trade in the 20th Century.

In the spirit of Thomas Piketty and Joe Stiglitz, this book allows economic facts to shine and paints an objective portrait of how tariffs have shaped American history.

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## **Ryan says**

Irwin covers the history of US trade and trade policy from the founding of the nation to the election of Donald Trump. He usefully divides that history into three periods based on the primary theme of trade policy during the time: revenue (founding to Civil War), restriction (Reconstruction to Great Depression), and reciprocity (post-Great Depression).

Some key points:

- Trade was an important contributor to revolutionary sentiments. A large motive for the "Tea Party" was that Britain reduced import duties on tea, which undercut Colonial smugglers. They didn't like that.
- Alexander Hamilton's reputation as a protectionist is unearned. His concerns were (a) helping infant industries (for which he actually preferred subsidies to trade protection) and (b) ensuring government revenue (which required finding optimal tariff rates, not high tariffs that would have Laffer Curve-like revenue-reducing effects). Stop invoking Hamilton to justify trade restrictions.
- From the very earliest days, we see that enforcing trade restrictions has always required draconian, heavy government intervention in markets. A good example is Jefferson's ill-fated embargo of 1807. "It is important to crush every example of forcible opposition to the law,' he instructed Gallatin" (108).
- We stole intellectual property from Britain (p132), just like China is (sort of) doing to us now.
- The argument, frequently made by slavery apologists, that the Civil War was about tariffs is bogus. The Tariff of Abominations that the South so hated was in 1828. But by the late 1850s, tariffs were at their lowest

point of the 19th century. The Morrill Tariff of 1861 did not cause secession; secession caused the Morrill Tariff of 1861 (literally; if southern legislators had not abandoned Congress after Lincoln's election, the Morrill Tariff probably would not have passed). For the Nth time, the Civil War was about slavery.

- The evidence does not support the claim that 19th century protectionism was the cause of the nation's rapid economic growth. The rise in capital/labor ratios that drove labor productivity was stronger in services sectors (like railroads) that weren't protected by tariffs, and total factor productivity (TFP) growth was similar to that of the UK.

- Central planning, as if we needed any reminder, is hard (see, e.g., pages 226, 358, 562, 584, or the Trump Administration's difficulties with exemption requests and industry lists). It's a game of whack-a-mole (a great example is cotton--price supports killed exports leading to export subsidies (511)).

- Hawley Smoot didn't cause the Great Depression but it did contribute to the implementation of the UK's imperial preferences system that shut the U.S. out of commonwealth markets and took \*decades\* to roll back. Decades. Trade barriers can be erected quickly but take a long time to reduce. The path dependence here is profound and cautionary. We still have a 25% tariff on light trucks that was originally designed as retaliation against European poultry tariffs that were imposed in 1962 and lifted shortly thereafter.

- Cordell Hull is a great American hero and patriot. I knew little about him before this, but more than any other American he had the vision of, and laid the groundwork for, the tremendous improvement in the global trading environment that followed WWII.

- Keynes, as always, is overrated. He was wrong about postwar trade architecture (or, as he called it, "lunatic proposals of Mr. Hull" (458)).

- The economic costs of bad trade policy are probably less important than the political dysfunction that inevitably ensues. "We are legislating in the dark, distributing the national funds by a species of State lottery. ... We are opening a Pandora's box of political evils" (144). "[David A.] Wells was shocked to see that powerful special interests operating behind the scenes were having an inordinate influence on government policy" (224). "Let us be to each other instruments of reciprocal rapine. Michigan steals on copper; Maine on lumber, Pennsylvania on iron; North Carolina on peanuts; Massachusetts on cotton goods; Connecticut on hair pints; New Jersey on spool thread; Louisiana on sugar, and so on. Why not let the gentleman from Maryland steal coal from them?" (245). "[Woodrow] Wilson argued that tariffs were simply a way for politicians to dispense the largess of the government to special interests in exchange for political favors" (331). "We farm now in Washington corridors and Congressional committee-rooms" (511). And so on.

- Whatever decline has occurred in American steel's health in recent decades has occurred \*in spite of\*, not because of, US trade policy. Steel has been a perennial beneficiary of trade protection. Every president since Lyndon Johnson, except Clinton, has given steel special protection. And yet here we are, doing it again in 2018. Textiles also received a lot of protection during its decline.

- NAFTA was luck. Congress passed "fast track" legislation giving the president wide trade policy discretion for the purpose of negotiating the Uruguay GATT round. Bush and Clinton were able to use it to do NAFTA. Congress ratified NAFTA by a hair's width. It was luck, we got lucky. Which brings me to my general thoughts:

As I've noted in other reviews, I increasingly think that the WWII aftermath and the Cold War were unique environments that delivered uniquely good American leadership and policy. There were lots of problems and

so on; but in broad terms, foreign policy and economic policy were generated by a bipartisan consensus. We had serious presidents who cared, to some extent at least, about getting policy right. And Cold War concerns motivated even Congress to make good trade policy. You can see this consensus weakening in the 1990s, where NAFTA--a very good trade agreement--barely passed. Bush 43 had to resort to piecemeal bilateral trade deals. Obama failed to wrap up TPP in time. And now we have a presidency that in many ways--not just trade--resembles administrations of the post-Civil War 19th century much more than it resembles the Roosevelt through Obama years. I think a lot of us have wanted to think that the current period is an aberration and that America will get back to being America once this all blows over. I am not so sure. The conditions of the Cold War may have been unique and may have produced a unique policymaking and national media framework that cannot be replicated in other environments. It's too early to tell where trade policy is headed, but we can be sure that the campaign attacks on trade were not just bluster; we're doing the protection thing. And history doesn't provide a lot of reason for hope that this kind of path will work out well. And there is no reason to assume that the next president will bring a return to the Cold War normal.

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### **Jim Carroll says**

#### **Very comprehensive review of U.S. trade activities.**

Although rather dry subject matter, this book is extremely well written and researched. A lot of detail but excellent analysis of the data and unbiased presentation. Highly recommended for those interested in the subject.

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### **Frank Stein says**

This is the first comprehensive history of U.S. trade policy in over a century, and it couldn't be more timely or better written.

Douglas Irwin, a notable economic historian at Dartmouth, shows that the United States's trade policy has always been essential to its politics, but if anything those battles have become less heated over time. In the early years, of course, tariffs were over 90% of our revenue, and from the first tariff act of 1789 to the Civil War revenue was the focus of such political debates. Although many accuse Alexander Hamilton of being a protectionist, in fact he and the Federalists wanted to encourage trade to acquire more government revenue, while the Jeffersonian group was willing to sacrifice trade to punish the British or other Europeans for slights, which explains why many of the Northern manufacturers moved over to the Jeffersonian Democrat side. Later, they fled to the Whigs and then the Republicans.

One relative consistency in U.S. trade policy was the South's need for cotton exports. For a long time, cotton was 50% of all U.S. exports, and even in the early 20th century it was still a quarter of all exports. Thus the South was fiercely against most tariffs, which they worried would cause foreign retaliation against U.S. exports. They usually faced off against the North, which had more import-heavy sectors like iron and textiles, and which demanded protection. After the Civil War, under the now-dominant Republicans, the North got it, and kept tariffs at the absurdly high rate of almost 50% of the value of imports until the Great Depression.



Irwin shows that one major factor in tariff changes was inflation and deflation. The North tended to favor specific tariffs on individual items (50 cents per barrel of nails, say), to hide the cost, while the South favored ad valorem duties on the value of the product (10% on iron imports). For awhile the North got about half of all imports on the specific schedule, but that meant tariffs went up and down depending on the price level. In the late 19th century and in the early Great Depression, deflation raised tariffs far more than any act did (even the infamous Smoot-Hawley tariff in 1930 aided protectionists less than the 30% deflation in that period). After World War II, however, inflation wore away much of U.S. protection, and, almost unaware, opened up the U.S market. The U.S. emerged with tariff rates about 10%, some of the lowest in the world, but the U..S also emerged as an industrial behemoth, with little global competition and so few complaints on either side.

After World War II, Republicans finally made their peace with low tariffs, international trade groups, and gradual trade negotiations. It wasn't until 1970, in a vote on textile tariffs, however, that the parties officially switched, with Democrats and labor becoming more protectionist and Republicans becoming more free trade. Despite all the recent hullabaloo and attacks on trade though, neither side seems eager to overturn our general low tariffs (usually no more than 4%) and international groups ensuring it. Both sides now attack it, but usually only at the margins. Trade policy has become more rhetorical and less substantive.

Irwin has a fine grasp on this history and the effects on U.S. economics and policy. Overall, he makes this dense book continuously entertaining and insightful, an impressive accomplishment.

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