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Protectionism Keeps the Swamp Full

Guess what has always bred crony capitalism. Is this what President Trump wants?

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Thomas Jefferson was an economic idiot. An import embargo he imposed as president cost the country something like 5 percent of gross domestic product, according to modern studies. But we remember his noble ideas, not his skills with a checkbook.

Abraham Lincoln was a protectionist, too. Nobody remembers this, in part because the economy of the times was so different from the modern system, but also because we don't understand history as a math problem. We remember the characters, the causes, the conflicts, not the bottom line.

In the politics of our own day, we don't even understand the math problems as math problems. We latch on to the social issues, the human matters, and tune out the wonkery to such a degree that we miss some pretty whopping contradictions.

Here's one. Candidate Donald J. Trump promised to "drain the swamp," a catchphrase that's taken on a life of its own. He also promised to Make America Great Again, by means of tariffs and tougher trade deals and such.

These two things aren't just opposites. One is a leading cause of the other. Protectionism breeds crony capitalism. The swamp first filled up with swamp creatures looking to get special protection from competitors, as a new study makes clear.

Scott Lincicome, a trade attorney who works for the Cato Institute and Duke University Law School, has just published a short history of the many failures of the United States' attempts at protectionism.

The scale of those failures is neatly summed up in average cost per job saved for several dozen protectionist measures between 1950 and 1990: $620,000 per job, in modern money, for jobs worth about $41,000 a year. In the long run of protectionist efforts, we have only ever once resuscitated a dying industry, Lincicome finds. It's bicycle manufacturing. The reason we behave so illogically is that the cost is spread out, while the benefits are focused on a few people.

These findings aren't surprising to policy wonks. What is interesting is that the corruption of protectionism has been known since the beginning.

Frank Taussig's *The Tariff History of the United States* quotes Congressmen and other contemporaneous 19th century observers on the tariff bills of their day. He writes:

> Vermont Congressman Rollin C. Mallary described the tariff bill of 1828 as giving "the manufacturer of iron all he asked, and more." The Tariff Act of 1864, introduced and enacted in only five days, "contained flagrant abuses in the shape of duties whose chief effect was to bring money into the pockets of private individuals." The Tariff Act of 1867 "was an intricate and detailed scheme of duties, prepared by the producers of the articles to be protected, openly and avowedly with the intention of giving themselves aid; and yet this scheme was accepted and enacted by the National Legislature without any appreciable change from the rates asked for." Bad if not worse, the "whole cumbrous and intricate system — of ad valorem and specific duties, of duties varying according to the weight and the value and the square yard — was adopted largely because it concealed the degree of protection which in fact the act of 1867 gave."

The protectionism of the era between the Civil War and the Great Depression "fostered modern American lobbying and rent seeking and, as a result, (was) closely associated with political corruption," he finds.

It goes back further. The "economist Grant Forsyth found that the antebellum woolen textile industry in the United States was an early innovator in lobbying techniques that academics like James Buchanan and Gordon Tullock associate with the rise of 20th century pressure group lobbying and, as a result, with government growth," he writes.

The woolen textile industry built interstate lobbying coalitions with other industries, including key lawmakers and journalists, to win support for tariffs most people opposed. There's a classic "swamp" problem that Buchanan explored in Public Choice theory.

Lincicome reviews the infamous Smoot-Hawley tariffs, which academics these days consider not to have been the primary driver of the Great Depression; it merely contributed a recession-sized chunk of the collapse. He also explains why a few of the supposed success stories that protectionists like to tell are nothing of the sort.

Most pressing, he examines the record of one-on-one trade disputes compared to those refereed by multilateral organizations. The Trump Administration has proposed dusting off Section 301 of the Trade Act of 1974, which gives the president broad discretion to retaliate against almost any foreign country whose trade practices he disapproves of. The section fell out of disuse after the World Trade Organization came up with dispute resolution procedures.

It may sound appealing to promise to stick it to China to force some change in policy, but such approaches have an unconvincing track record. The study cites a review of every Section 301 investigation the U.S. has ever conducted, finding that the government achieved its full aim just 17 percent of the time, and won any concession at all just 48 percent of the time. By comparison, the U.S. has won more than 85 percent of the disputes it has litigated before the WTO.

Commerce is not war. Free trade works. Referees help. And there's not much serious argument to the contrary.