



Contrary To Nationalist Myths, Protectionism Is an Economic Disaster

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American economic nationalism has risen in recent years, both fueling and fueled by President Donald Trump's election.

With it has risen the view, perpetuated by Trump and many others, that protectionism has been an effective policy throughout the nation's history—that past U.S. government restrictions on foreign competition were manifestly successful in achieving their stated policy objectives: decreased imports, increased jobs, industrial revival, opened foreign markets, and, more broadly, American economic prosperity. These purported historical "successes" have been used to justify a new round of nationalist economic proposals.

This revisionist history ignores a vast repository of academic analyses of and contemporaneous reporting on the periods and policies in question, showing the many failures of American trade protectionism. It relies on well-worn protectionist myths and the mere correlation of economic improvement with protectionist experimentation.

Contrary to what appears in the news and on the campaign trail, the scholarship paints a much different picture. American protectionism—even in the periods most often cited by Trump and others as "successes"—has not only imposed immense economic costs on consumers and the broader economy, but typically failed to achieve its primary policy aims and fostered political dysfunction along the way.

Mention of this scholarship is absent from the current political debate about the consequences and the future direction of U.S. trade policy. It seems not a day goes by without reading or hearing some unwitting politician, journalist or even "academic" recount past episodes of American protectionist "success"—almost always without any evidence to support such claims and despite the quiet, authoritative corrections of actual trade policy experts.

My new [policy analysis](#) for the Cato Institute seeks to remedy this problem; it establishes that contrary to the fashionable rhetoric, American protectionism has repeatedly failed as an economic strategy. Examining anti-trade measures over three different periods of American trade policy history delineated by milestones in the evolution of the U.S. and multilateral trading system, I find that protectionism not only imposed large and expected costs on U.S. consumers—dwarfing any possible gains to protected industries and workers—but also (and more unexpectedly) failed to achieve even their most basic objectives.

Multiple studies of U.S. import restrictions between 1950 and 1990 found that each measure analyzed imposed on average \$620,000 per year (2017 dollars) in additional costs on U.S. consumers for each job supposedly saved or created in the protected industry at issue.

During the same period, other studies found that in only one instance—the bicycle industry—did protectionism appear to resuscitate and help an industry flourish after import protection disappeared. The reason: the US industries didn't actually reinvest their windfall profits in cost-saving technologies that would improve their long-term competitiveness—even when those companies had the capital available to make such investments. Import quotas and "voluntary export restrictions," meanwhile, were found to disproportionately help, not hurt, protected American companies' foreign competitors.

Similar studies of subsequent periods found even higher costs and the same lack of tangible benefits, particularly when U.S. exporters faced foreign retaliation. None of these studies even tried to calculate the intangible costs of protectionism, such as decreased competition or increased cronyism, on the U.S. economy.

Even episodes most often cited as protectionist "successes"—post-Civil War industrialization, the revival of Harley-Davidson, the American semiconductor industry, and the 1980s era of retaliation and reciprocal market opening—are shown to be at best neutral and at worst total failures.

The tariffs that supposedly saved Harley, for example, were found to have generated only six percent of the company's profits while the tariffs were in place, primarily because Japanese producers focused on other segments of the U.S. motorcycle market. Higher prices did little to shift American consumers from Japanese bikes to Harleys—something any serious Hog rider could have told you without all the fancy analysis.

Economic and legal changes over the last few decades—owing to increased American integration into the global economy, the proliferation of complex international supply chains, the rise of other economic powers, and the creation of the World Trade Organization—would make protectionist failures of previous eras even worse if repeated today. In other words, if President Trump tried to recreate past protectionist "successes," he'd cause even more pain for even less gain.

The United States has struggled in recent years to adapt to significant economic disruptions due to trade, automation, innovation, or changing consumer tastes. How we should respond to these challenges warrants discussion and consideration of various policy ideas. What should not be up for debate, however, is whether protectionism is a solution to the country's current problems.

History is replete with examples of the failure of American protectionism; unless our policymakers quickly relearn this history, we may be doomed to repeat it.

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