



Irwin, Douglas, *Peddling Protectionism: Smoot-Hawley and the Great Depression*, Princeton University Press, 2011. 256 pp. ISBN978-0-691-15032-1

As world trade imbalances reawaken fears of protectionism, Douglas Irwin reminds us that there was a time when protectionist was a compliment not an insult. Prior to the Great Depression Republican Senator Smoot extolled high trade barriers as “a fundamental and essential principle of . . . economic life.” Ironically Smoot’s handiwork, the 1930 Smoot-Hawley tariff, has since become a cultural symbol for the superiority of free trade.

According to many free-trade advocates, the Smoot-Hawley tariff fueled the decline in world trade that turned a recession into the Great Depression. Irwin, a free-trade advocate himself, takes a different approach. Like most economists, he agrees that Smoot-Hawley was a bad law, but he argues that the economic effects were small. Compared to the drop in real income caused by other contractionary forces in the economy, the Smoot-Hawley tariff did little to decrease trade. Price deflation caused an increase in the ad valorem equivalents of specific duties two times greater than the increase caused by the tariff itself.

An economic consensus supports Irwin’s analysis. However, Smoot and Hawley continue to stand “in the way of anyone arguing for higher trade barriers.” In their 1993 televised debate on NAFTA, Al Gore refuted Ross Perot, a critic of NAFTA, by handing him a picture of Smoot and Hawley. To understand how and why the Smoot-Hawley tariff became a cultural emblem for the change in trade policy of the United States, Irwin resurrects the “ghosts of Smoot and Hawley.” His book is an insightful case-study that serves as a warning for politicians debating protectionist measures today.

Irwin divides *Peddling Protectionism* into four sections analyzing the passage of the Smoot-Hawley tariff in 1930, the economic effects, the subsequent foreign retaliation, and the economic and political reaction to the Smoot-Hawley tariff over the last eighty years.

Most interesting to me was Irwin’s illustration of the tariff’s arbitrariness. Congress spent months arguing over the proper duties for items such as “sprinkler tops . . . if not decorated, colored, waxed, lacquered, enameled, lithographed, electroplated, or embossed in color.” Although it claimed the resulting tariffs were based on objective differences in “competitive condition,” the sheer detail of the act belies this assertion; the wool tariff distinguishes between

“thread or yarn waste” and “card or burr waste.” In fact, the tariff was the result of rampant logrolling and regional vote trading.

In addition to regional favoritism, the vagaries of the Congressmen often dictated the terms of the national tariff. Senator Smoot was known for being a vigilant advocate for the sugar beet industry and for traditional morals. According to a fellow Congressmen “he dreams of sugar, he tastes sugar, he sees sugar morning, evening, and night.” As a result he lobbied and passed a sugar duty 30 cents higher than the original house proposal of \$2.20 per hundred-weight. He also successfully pled for higher tariffs on obscene material imported from abroad. This led to the alliterative headline “Smoot Smites Smut.”

Finally, the height of the tariff’s arbitrariness is illustrated by the mismatch between its result, an increase in industrial tariffs, and its purpose. The Smoot-Hawley tariff began as an agricultural movement demanding tariff equality for farmers who were injured by the high costs of industrial goods. Contained in this fact, is a disappointing lesson about the ability of Congress to avoid special interest lobbying. This susceptibility is particularly acute in the area of trade policy where domestic producers wield far more power than the exporters or consumers harmed by high tariffs. Simply put, the costs of high tariffs are shouldered by a large and diverse group that lacks the political wherewithal to organize an effective opposition.

Although the rhetoric used to discuss trade measures has developed since 1930, political asymmetry regarding trade policy continues. To see this one only needs to look at the media reaction to proposed free trade agreements; much of the debate about the Republic of Korea-United States Free Trade Agreement has focused on the implications for the beef, automotive, and agricultural sectors.

*Peddling Protectionism* is not a book that proposes to solve the problems of protectionism. For this reason, Irwin keeps a narrow focus on the Smoot-Hawley tariff itself, providing only a framework explaining tariff policy and tariff effects. Given this approach, the book works particularly well as a companion to the wider free-trade debate, which Irwin evaluates in his previous book *Free Trade Under Fire*. To take one example, Irwin’s explication of the Smoot-Hawley tariff is enriched by knowledge of interstate trade wars that threatened the United States economy prior to the adoption of the constitution. The federal government has long recognized the problems associated with trade barriers between regions of the United States.

Unfortunately, the members of Congress at the time of the Smoot-Hawley tariff did not see national trade policy as comparable to interstate trade. If they had, they might have foreseen the retaliatory measures taken by Canada, France, England and others in response to the Smoot-Hawley tariff. Instead, Congress claimed that tariffs were a completely domestic issue. Such intentional blindness to foreign repercussions is one of the shocking revelations of Irwin’s book.

However, Irwin remains optimistic at the end of the book that Congress will not return to protectionist policies. Due to the shift in exchange rate regime, import tariffs no longer promise to promote domestic industries. Moreover, exports have become a larger percentage of gross domestic product (GDP), increasing the dependence of the United States economy on open

markets abroad. Despite such reasons for eschewing high tariffs, I wonder if Irwin's faith rests more on the inertia of the political system than the increased rationality of Congress.

Throughout the book, Irwin's strength is his ability to adjudicate between the claims of Congressmen, media, and economists. Early on he notes that "it is easy to resort to hyperbole when discussing the Smoot-Hawley tariff." Because he lets the hyperbole speak for itself, the result is a fascinating book. It is powerful because the reader is free to draw his/her own conclusion. That conclusion is likely to be that economic analysis is logical, but Congressional reasoning is more entertaining.

Reviewed by Allison Jaros, Duke University (a candidate for a joint Juris Doctor degree and an MA degree in Economics).