SPRINGER LINK

— Menu

Search

☐ Cart

Home > Journal of Economic Growth > Article

Why did the Tariff-Growth Correlation Change after 1950?

Published: March 2004

Volume 9, pages 5–46, (2004) Cite this article



Journal of Economic Growth

Aims and scope →

Submit manuscript →

Michael A. Clemens¹ & Jeffrey G. Williamson²

Abstract

This article uses a new database to establish a key finding: high tariffs were associated with fast growth before World War II, while they have been associated with slow growth thereafter. The paper offers explanations for the sign switch by controlling for novel measures of the changing world economic environment. Rejecting alternative explanations based on changing export market growth or transportation cost declines, it shows how the modern negative correlation could be reversed in a world environment characterized by a moderately higher generalized tariff protection such as that which prevailed before 1914. We show that an increase in average tariff rates among trading partners by just one third might suffice to reverse any negative relationship between an average country's tariffs and its growth. An increase in own tariffs after 1950 hurt or at least didn't help growth, but it might have helped growth in a world where average trading

partners' tariffs were moderately higher and retaliation was the best strategy. The world environment matters. Leader-country reaction to big world events matters.



This is a preview of subscription content, <u>log in via an institution</u> to check access.

Access this article

Log in via an institution →

Buy article PDF 39,95 €

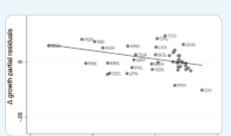
Price includes VAT (Poland)

Instant access to the full article PDF.

Rent this article via <u>DeepDyve</u> [2

<u>Institutional subscriptions</u> →

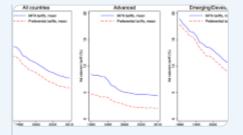
Similar content being viewed by others



<u>Did the trade liberalization of the 1990s really boost economic growth? a critical replication of Estevadeordal...</u>

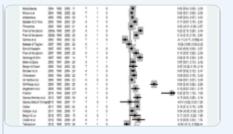
Tariff Reduction Heterogeneous Welfare: Theorem Theorem

Article 27 September 2021



Tariff Reductions,
Heterogeneous Firms, and
Welfare: Theory and Evidence
for 1990–2010

Article 11 January 2023



Why do Estimates of the EMU Effect on Trade Vary so Much?

Article 10 October 2016

References

Anderson, J. E. (1998). 'Trade Restrictiveness Benchmarks,' Economic Journal

108(July), 1111-1125.

Anderson, J. E., and J. P. Neary. (1994). 'Measuring the Restrictiveness of Trade Policy,' *World Bank Economic Review* 8(May), 151–169.

Anderson, T. W., and C. Hsiao. (1981). 'Estimation of Dynamic Models with Error Components,' *Journal of the American Statistical Association* 76, 598–606.

Google Scholar

Bagwell, K., and R. W. Staiger. (2002). *The Economics of the World Trading System*. Cambridge, MA: MIT Press.

Google Scholar

Bairoch, P. (1972). 'Free Trade and European Economic Development in the 19th Century,' *European Economic Review* 3(November), 211–245.

Baldwin, R. E., and R. Forslid. (2000). 'Trade Liberalisation and Endogenous Growth: A *q*-Theory Approach,' *Journal of International Economics* 50, 497–517.

Google Scholar

Ben-David, D., and M. B. Loewy. (1998). 'Free Trade, Growth, and Convergence,' *Journal of Economic Growth* 3, 143–170.

Google Scholar

Bhagwati, J., and A. O. Krueger (eds.). (1973–1976). *Foreign Trade Regimes and Economic Development*, multiple volumes with varying authorship. New York: Columbia University Press.

Google Scholar

Blattman, C., M. A. Clemens, and J. G. Williamson. (2002). 'Who Protected and Why? Tariffs the World Around 1870–1937.' Paper presented to the *Conference on the Political Economy of Globalization*, Trinity College, Dublin (August 29–31).

Bloom, D. E., and J. G. Williamson. (1998). 'Demographic Transitions and Economic Miracles in Emerging Asia,' *World Bank Economic Review* 12(September), 419–455.

Capie, F. (1983). 'Tariff Protection and Economic Performance in the Nineteenth Century.' In J. Black and L. A. Winters (eds.), *Policy and Performance in International Trade*. London: Macmillan.

Google Scholar

Coatsworth, J. H., and J. G. Williamson. (2002). 'The Roots of Latin American Protectionism: Looking Before the Great Depression.' NBER Working Paper 8999, National Bureau of Economic Research, Cambridge, MA (June).

Google Scholar

Dixit, A. (1987). 'Strategic Aspects of Trade Policy.' In Truman F. Bewley (ed.), *Advances in Economic Theory: Fifth World Congress*. New York: Cambridge University Press.

Google Scholar

Dollar, D. (1992). 'Outward-Oriented Developing Economies Really Do Grow More Rapidly: Evidence from 95 LDCs, 1976–1985,' *Economic Development and Cultural Change* 40(April), 523–544.

Dollar, D., and A. Kraay. (2001). 'Trade, Growth, and Poverty.' World Bank Policy Research Department Working Paper No. 2615, Washington, D.C. (March).

Easterly, W. (1993). 'How much do Distortions Affect Growth?' *Journal of Monetary Economics* 32(2), 187–212.

Google Scholar

Eckes, A. (1995). *Opening America's Market: U.S. Foreign Trade Since 1776*. Chapel Hill: University of North Carolina Press.

Google Scholar

Edwards, S. (1993). 'Openness, Trade Liberalization, and Growth in Developing Countries,' *Journal of Economic Literature* 31(September), 1358–1394.

Frankel, J., and D. Romer. (1999). 'Does Trade Cause Growth?' *American Economic Review* 89(June), 379–399.

Greenaway, D., W. Morgan, and P. Wright. (2002). 'Trade Liberalisation and Growth in Developing Countries,' *Journal of Development Economics* 67, 229–244.

Google Scholar

Grossman, G. M., and E. Helpman. (1991). *Innovation and Growth in the Global Economy*. Cambridge, MA: MIT Press.

Google Scholar

Hadi, A. S. (1992). 'Identifying Multiple Outliers in Multivariate Data,' *Journal of the Royal Statistical Society* Series B 54, 761–771.

Google Scholar

Hadi, A. S. (1994). 'A Modification of a Method for the Detection of Outliers in Multivariate Samples,' *Journal of the Royal Statistical Society* Series B 56, 393–

Harrison, A. (1996). 'Openness and Growth: A Time-Series, Cross-Country Analysis for Developing Countries,' *Journal of Development Economics* 48, 419-447.

Google Scholar

Irwin, D. A. (1998). 'Changes in U.S. Tariffs: The Role of Import Prices and Commercial Policies?' *American Economic Review* 88(September), 1015–1026.

Irwin, D. A. (2001). 'Tariffs and Growth in Late Nineteenth Century America,' *World Economy* 24(January), 15–30.

Irwin, D. A. (2002). 'Did Import Substitution Promote Growth in the Late Nineteenth Century?' NBER Working Paper 8751, National Bureau of Economic Research, Cambridge, MA (February).

Google Scholar

Irwin, D. A., and M. Terviö. (2002). 'Does Trade Raise Income? Evidence from the Twentieth Century,' *Journal of International Economics* 58(1), 1–18.

Google Scholar

Judson, R. A., and A. L. Owen. (1999). 'Estimating Dynamic Panel Data Models: A Guide for Macroeconomists,' *Economic Letters* 65, 9–15.

Google Scholar

Krueger, A. O. (1983). 'The Effects of Trade Strategies on Growth,' *Finance and Development* 20(June), 6–8.

Krueger, A. O. (1984). 'Trade Policies in Developing Countries,' in Ronald Jones and Peter Kenan (eds.), *Handbook of International Economics*, Vol. 1. Amsterdam: North-Holland.

Google Scholar

Lane, P. R. (2001). 'International Trade and Economic Convergence: The Credit Channel,' *Oxford Economic Papers* 53, 221–240.

Google Scholar

Lewis, W. A. (1978). The Evolution of the International Economic Order.

Princeton: Princeton University Press.

Google Scholar

Lindert, P. H., and J. G. Williamson. (2003). 'Does Globalization Make the World More Unequal?' In M. Bordo, Alan M. Taylor, and Jeffrey G. Williamson (eds.), *Globalization in Historical Perspective*. Chicago: University of Chicago Press for NBER.

Google Scholar

Nickell, S. (1981). 'Biases in Dynamic Models with Fixed Effects,' *Econometrica* 49, 1417–1426.

Google Scholar

O'Rourke, K. H. (1997). 'Measuring Protection: A Cautionary Tale,' *Journal of Development Economics* 53, 169–183.

Google Scholar

O'Rourke, K. H. (2000). 'Tariffs and Growth in the Late 19th Century,' *Economic Journal* 110(April), 456–483.

Osang, T., and A. Pereira. (1996). 'Import Tariffs and Growth in a Small Open Economy,' *Journal of Public Economics* 60, 45–71.

Google Scholar

Pritchett, L. (1996). 'Measuring Outward Orientation in LDCs: Can It Be Done?' *Journal of Development Economics* 49, 307–335.

Google Scholar

Pritchett, L., and G. Sethi. (1994). 'Tariff Rates, Tariff Revenue, and Tariff Reform: Some New Facts,' *The World Bank Economic Review* 8(1, January), 1–16.

Google Scholar

Rodríguez, F., and D. Rodrik. (2001). 'Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence.' In Ben Bernanke and Kenneth S. Rogoff (eds.), *Macroeconomics Annual 2000*, Cambridge, MA: MIT Press for NBER.

Google Scholar

Sachs, J. D., and A. Warner. (1995). 'Economic Reform and the Process of Global Integration,' *Brookings Papers on Economic Activity* 1, 1–118.

Google Scholar

Vamvakidis, A. (2002). 'How Robust Is the Growth-Openness Connection? Historical Evidence,' *Journal of Economic Growth* 7, 57–80.

Google Scholar

Williamson, J. G. (1998). 'Globalization, Labor Markets and Policy Backlash in the Past,' *Journal of Economic Perspectives* 12(Fall), 51–72.

Williamson, J. G. (2003). 'Was It Stolper-Samuelson, Infant Industry or Something Else? World Tariffs 1789–1938.' NBER Working Paper 9656, National Bureau of Economic Research, Cambridge, MA (April).

Google Scholar

Wright, G. (1990). 'The Origins of American Industrial Success, 1879–1940,' *American Economic Review* 80(September), 651–668.

Author information

Authors and Affiliations

Center for Global Development, 1776 Massachusetts Avenue, NW, Suite 301, Washington DC, 20036, USA

Michael A. Clemens

Department of Economics, Harvard University, Cambridge, MA, 02138, USA

Jeffrey G. Williamson

Rights and permissions

Reprints and permissions

About this article

Cite this article

Clemens, M.A., Williamson, J.G. Why did the Tariff–Growth Correlation Change after 1950?. *Journal of Economic Growth* **9**, 5–46 (2004). https://doi.org/10.1023/B:JOEG.0000023015.44856.a9

Issue Date	
March 2004	
DOI	
https://doi.org/10.1023/B:JOEG.0000023015.44856.a9	
tariff growth international trade	
Search	
Search by keyword or author	
	Q
Navigation	Q
Navigation Find a journal	Q
	Q
	Q
Find a journal	Q
Find a journal	Q
Find a journal Publish with us	Q
Find a journal Publish with us	Q
Find a journal Publish with us	Q
Find a journal Publish with us	Q