

[The idiocy of the protectionist growth argument](#) [1]

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You don't have to go far into NGO land to find people arguing that poor countries need to protect their baby industries from the big bad wolves of international capitalism. That trade barriers are a good idea, that infant industries need to be nurtured and, as is the way of these things, the Washington Consensus is the imposition of the poverty that the poor suffer from.

That this is entire nonsense does not stop those idiots wearing ideological blinkers from repeating it. Which is something of a pity as it really is trade, openness to it, which drives [economic growth](#) [3]:

In recent years, sub-Saharan African countries have grown remarkably. According to data from the Penn World Table 7.0 (Heston et al. 2011), average annual real GDP per capita growth from 2005-9 has been over 2.5% (3.5% when excluding 2008 and 2009). This recent growth performance is remarkable given that, for over four decades since 1960, real GDP per capita growth in sub-Saharan Africa was dismal, averaging less than 0.5% per annum.

We are, as we know, talking about the poorest of the poor and any uptick in their fortunes has been both extremely difficult to find and extremely welcome when it is.

One thing that might be remembered is that, post-colonialism, most sub-Saharan countries did in fact follow the policies of infant industry protection behind tariff and licencing barriers. It was the falling apart of this in the 80s and then the gradual adoption of good old neoliberalism in the mid to late 90s which has turned the numbers around.

By casual empiricism, it is interesting to note that the average sub-Saharan African country is today over 30% more open to international trade than in 1960 (as measured by the ratio of exports plus imports over GDP). The big question is, of course, whether this increase in trade openness is a cause or a consequence of the increase in economic growth.

So, we have a correlation: what is the causation?

We find that openness to international trade increases economic growth in sub-Saharan Africa. The instrumental-variable estimates suggest that, on average, a one percentage point increase in trade openness is associated with a short-run increase in GDP per capita growth of about 0.5% per year. The long-run effect is larger, reaching about 0.8% after ten years.

It is that trade openness precedes the growth.

Thus we have an interesting piece of objectivity in economics. It is certainly possible to make subjective arguments either way about trade and growth. That everyone else had protectionism when they grew so therefore this is a necessary part of growth, just to give one currently fashionable argument.

However, such theorising does need to be calibrated against reality which is what this paper has done. And the answer is, no, protectionism is a complete crock at reducing poverty through economic growth. It is that trade that does it: we neoliberals are right again!

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