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6-1-2005

The Limits of Protectionism: Building Coalitions for Free Trade. By Michael Lusztig. Pittsburgh, PA: Pittsburgh University Press, 2004. 288p.

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*Perspectives on Politics*, 3:2 (2005) pp. 424-425. DOI: 10.1017/S1537592705840150

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**The Limits of Protectionism: Building Coalitions for Free Trade.** By Michael Lutzig. Pittsburgh, PA: Pittsburgh University Press, 2004. 288p. \$27.95.

— John A. C. Conybeare, *University of Iowa*

This is an ambitious and useful book that takes the reader through eight cases of governments that tried, with mixed results, to guide their countries from protectionism to free trade. A successful strategy requires the government to make allies of the industries that can transform themselves and survive in a more competitive environment (“flexible rent-seekers”) and quickly to kill the industries that cannot (“inflexible rent-seekers”). Michael Lutzig adopts from the classic public choice literature the term *rent-seekers*, a group that seeks to effect a zero sum transfer from others to itself, usually resulting in a negative sum game for society, by the amount of the transaction costs necessary to effect the transfer.

The process starts with a government perceiving one or more of three types of opportunities that Lutzig calls economic crisis (e.g., the Mexican debt crisis of 1994), mandated change (e.g., Canada complying with the Tokyo Round of GATT negotiations), and strategic calculation (e.g., Prime Minister Robert Peel hoping to repeal the Corn Laws). Governments then pick one or more of four plans for implementation: the big bang (self-explanatory), divide and conquer (picking off the protectionist industries one by one in order to lessen the overall magnitude of political opposition), incrementalism (slow but broad-based reductions in protection), and path of least resistance (liberalize the sectors where resistance is low, buy off the stronger opposition with subsidies, and put off the tough cases). With this framework in place, Lutzig has a 4 × 7 table with 28 boxes in it. The eight cases (Australia, Brazil, Canada, Chile, Britain, Mexico, New Zealand, and the United States) populate only seven of these boxes. Most of the cases are contemporary (late twentieth century), except for Britain (the 1840s) and the United States (the Reciprocal Trade Agreement Amendment of 1934 that moved the United States away from the Smoot-Hawley level of protection).

While the typology set up is both interesting and useful, especially for a public policy strategist, it does not constitute a “model” (pp. 21–25). There is no clear spec-

ification of a hypothesis or of dependent and independent variables. The only global generalization I was able to get out of the book was that sometimes liberalization works and sometimes it does not. The reasons why it does or does work seem to be mostly idiosyncratic and unique to each case. What the author presents as a model in Figure 1.1 is simply the chronological sequence of events that may occur.

This quibble aside, the cases are well presented, sensitive to historical nuances, detailed in their uses of source material (i.e., not superficial), and told in ways that show how the author sees them fitting into the appropriate boxes. Therein lies another problem. Lutzig elaborates on one version of Peel’s decision to attempt repeal of the Corn Laws: It was necessary to prevent revolution. However, as Lutzig is surely aware, there are a number of other explanations for the repeal of the Corn Laws, such as the rise of middle-class urban voters and election buying by the cotton textile producers. He is giving us the version that fits his typology. Similarly, his story of U.S. trade liberalization is slanted: “Roosevelt and Hull used the iteration strategy as a means of implementing free trade through gradual conversion of flexible rent-seekers” (p. 77). There are many other factors one could emphasize in telling the story of U.S. trade policy between the wars, ranging from ideology to optimal tariffs (the effective rate of protection for the U.S. manufacturing industry actually went up during the period in question).

I have much less familiarity with the other cases, though in each case, the story Lutzig tells appears quite plausible. Yet there is often a whiff of tautology in the accounts. When President Carlos Salinas’s big bang strategy works in Mexico, it is evidence of his “acute political skills” (p. 102). When Australian Prime Minister Gough Whitlam’s big bang fails, it is evidence of “poor policy decisions” (p. 173). To be fair, Lutzig does try to offer some reasons as to when a particular strategy works and when it does not, but they are often just dropped on the reader as asides in the course of recounting a case study. The twin cases of Chile and Brazil are particularly interesting since a comparison of the two would presumably hold a lot of extraneous variables constant, and since Lutzig says liberalization worked in one case and not in the other, fertile ground for some small-n generalizations. Yet again, the cases are discussed separately with little comparison. The Chicago Boys’ big bang worked in Chile because it worked. Brazilian President Henrique Cardoso’s big bang ran into opposition and he retreated into the protected cocoon of Mercosur. Lutzig clearly does not want to attribute the Chilean success to the Pinochet dictatorship, but that is the only obvious reason that jumps out at the reader. The author himself seems puzzled by the different outcomes and notes that “as late as the mid-1980s, the situations in Brazil and Chile were reasonably comparable” (p. 204). Yet the analytic judgments offered are invariably country

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unique. In the case of Brazil, for example, he says that “seeking to build a coalition by satisfying protectionist rent-seekers dooms . . . the prospects for successful neo-liberal reform” (p. 204).

Overall, *The Limits of Protectionism* is something of a curate’s egg. The framework and the cases are helpful, but the dissection and analysis is less satisfying. It does remind us to reread the classics: “the new ruler ought to determine all the injuries that he will need to inflict. He should then inflict them once for all, and not have to renew them every day, and in that way he will be able to set men’s minds at rest and win them over to him when he confers benefits” (Machiavelli, *The Prince*). Did Machiavelli invent the big bang strategy of public policy innovation?