

Trade Impacts: Past and Present

Dave Donaldson, MIT

INTERREGIONAL AND INTERNATIONAL TRADE

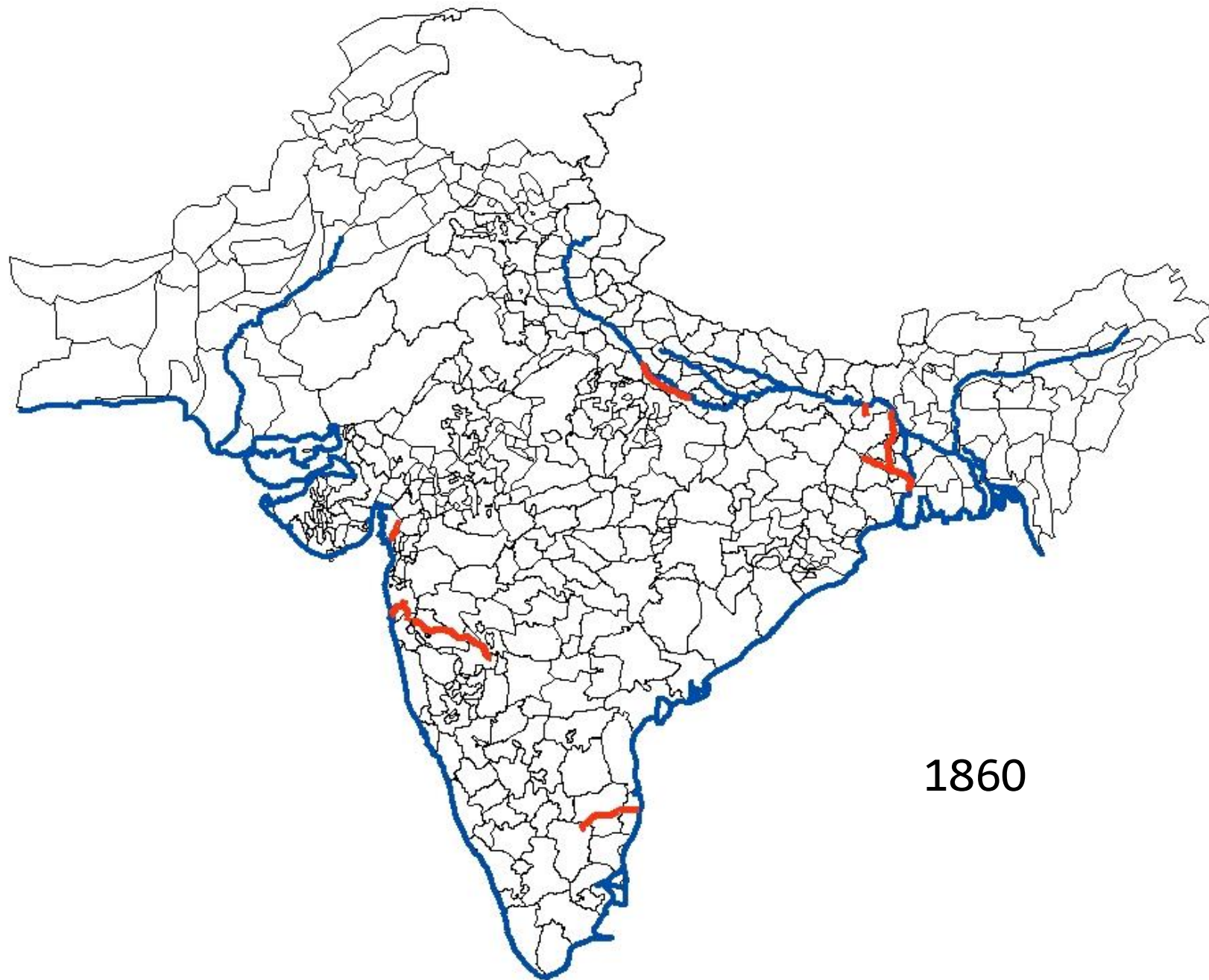
BY
BERTIL OHLIN



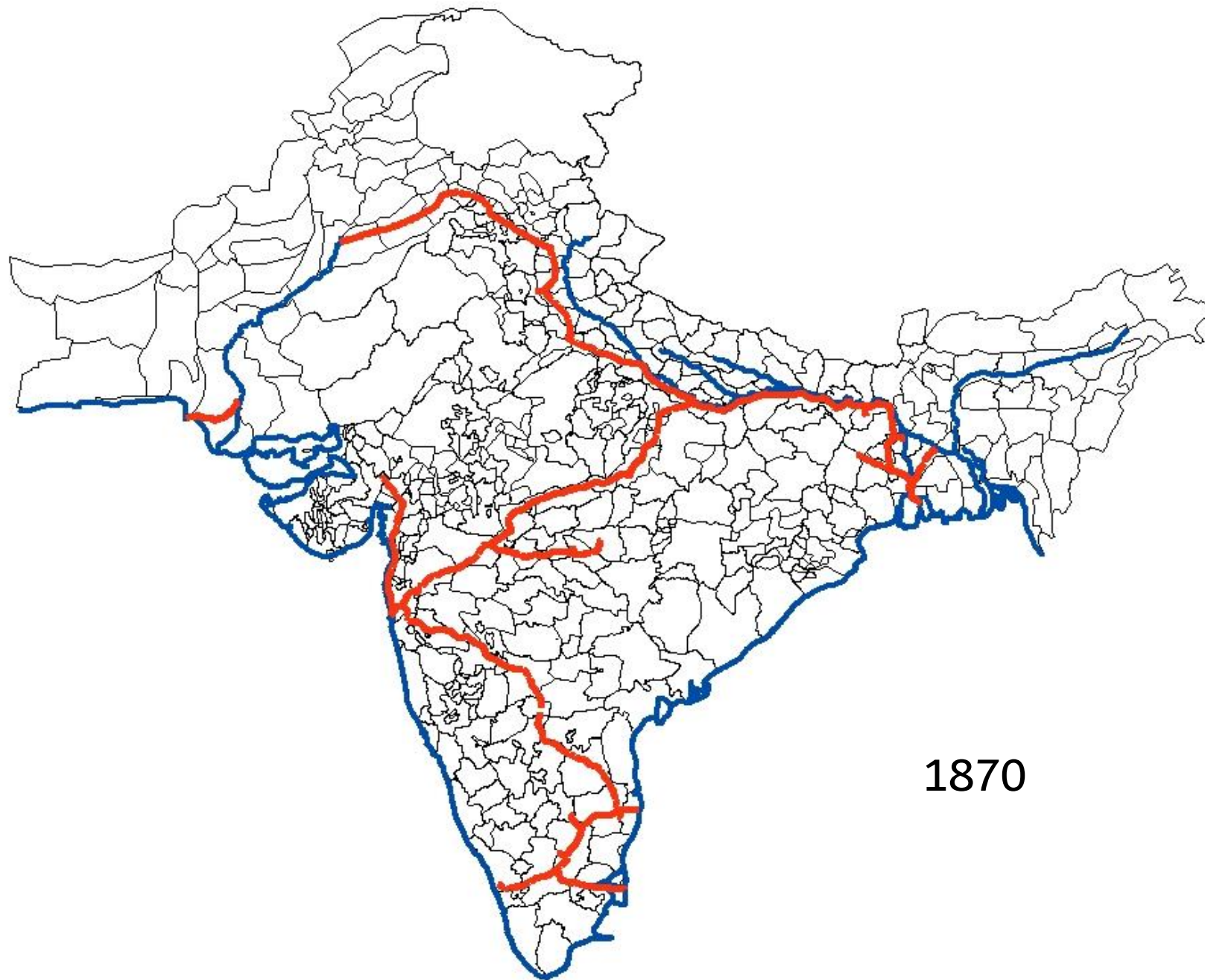
HARVARD UNIVERSITY PRESS
CAMBRIDGE

1935

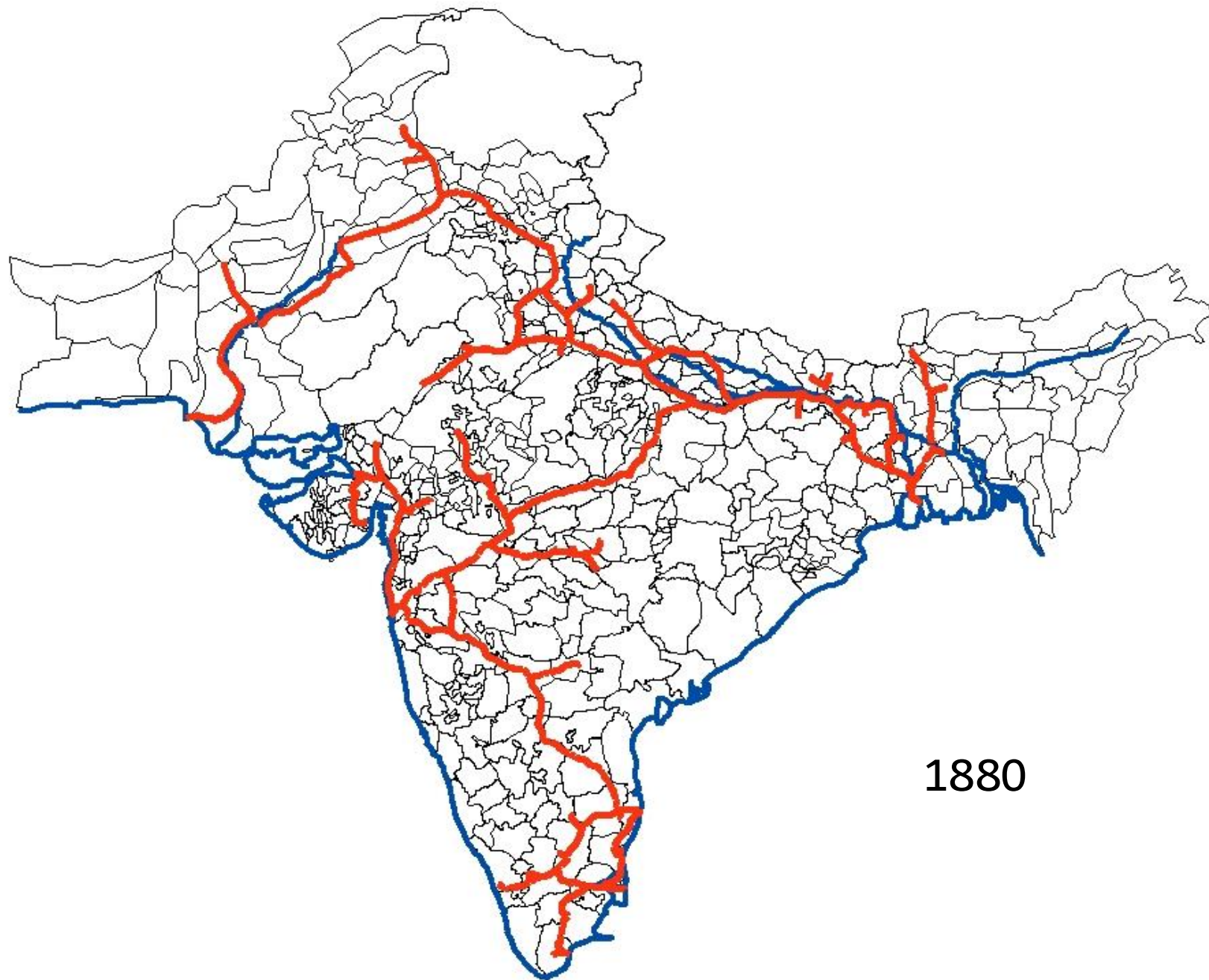




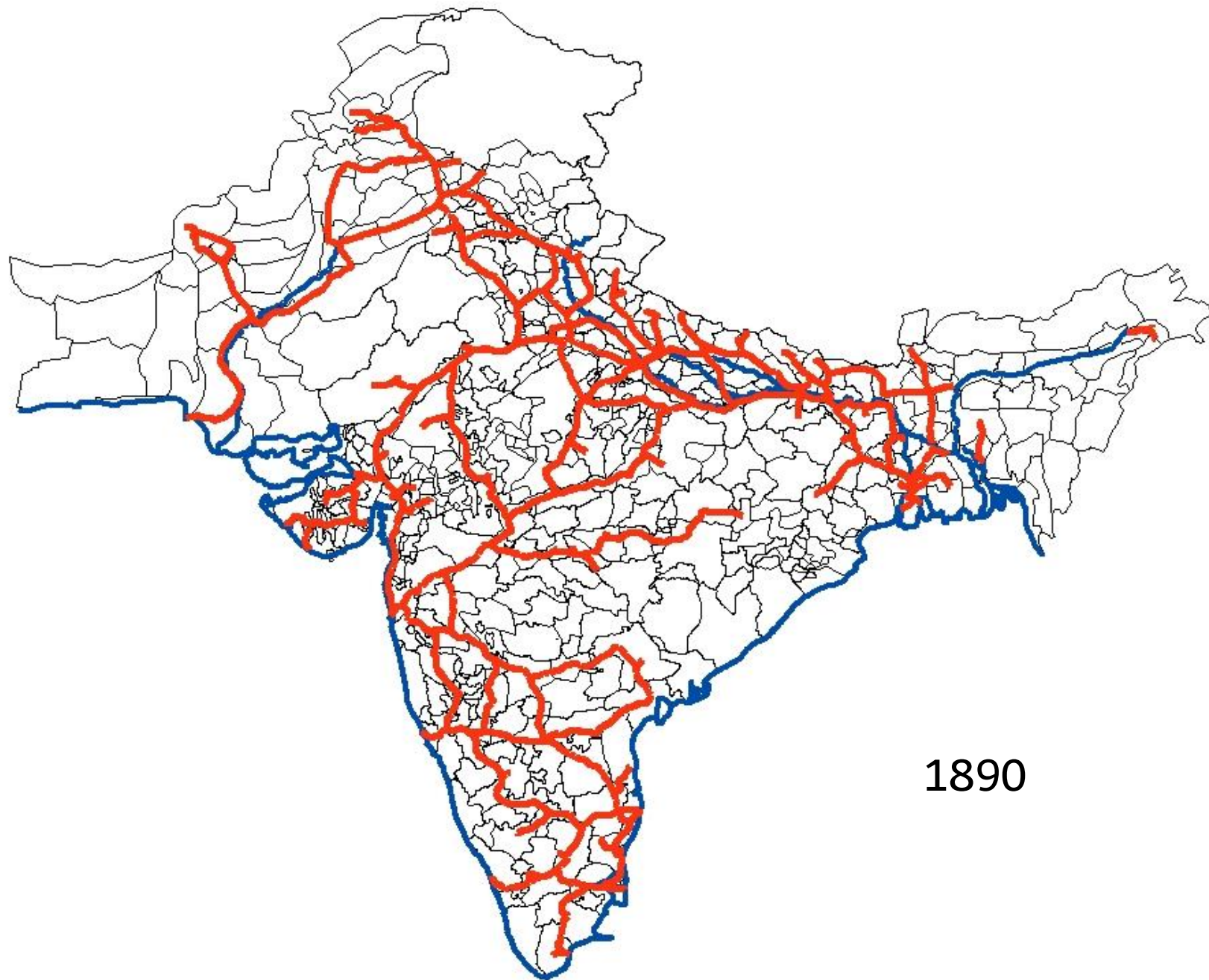
1860



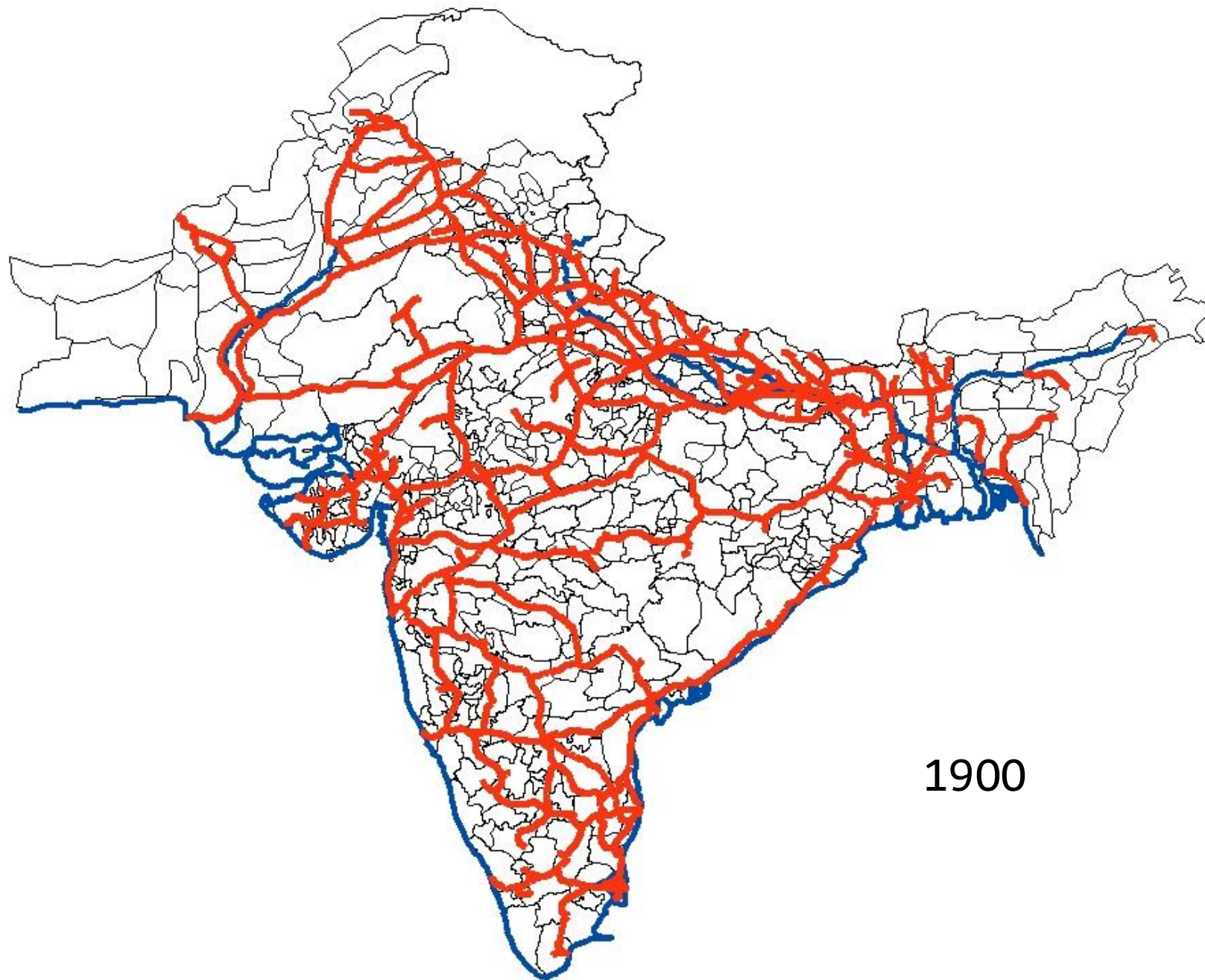
1870



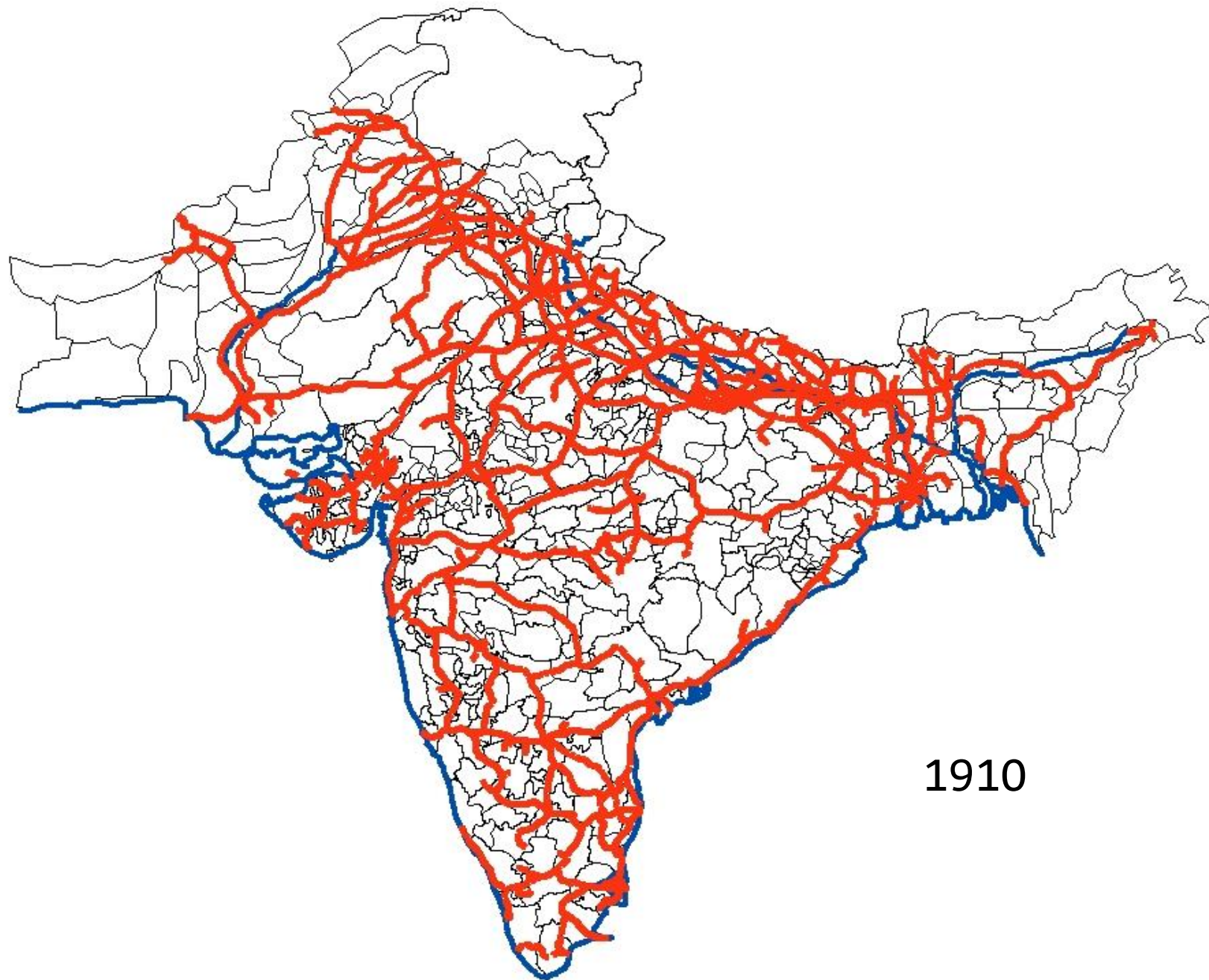
1880



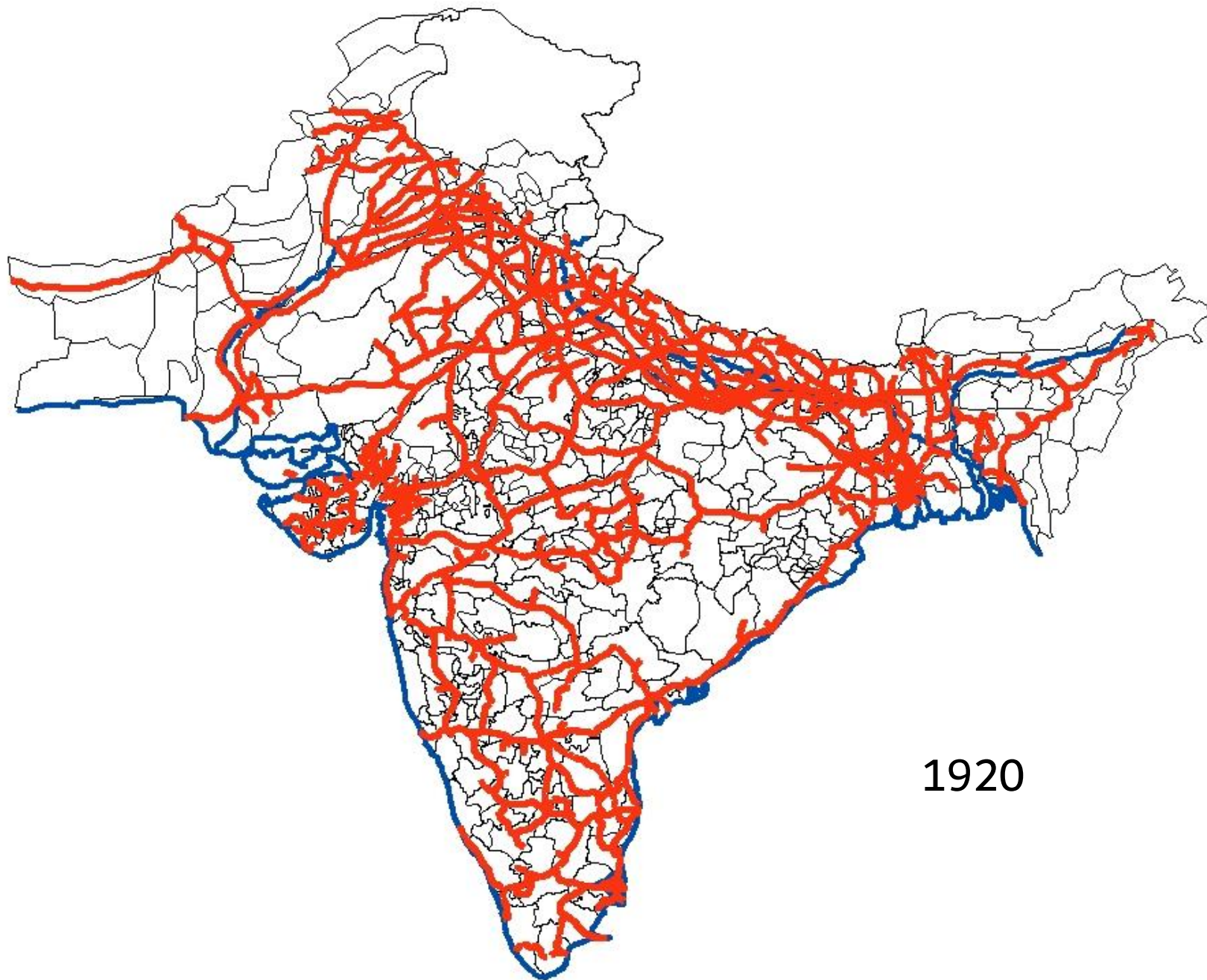
1890



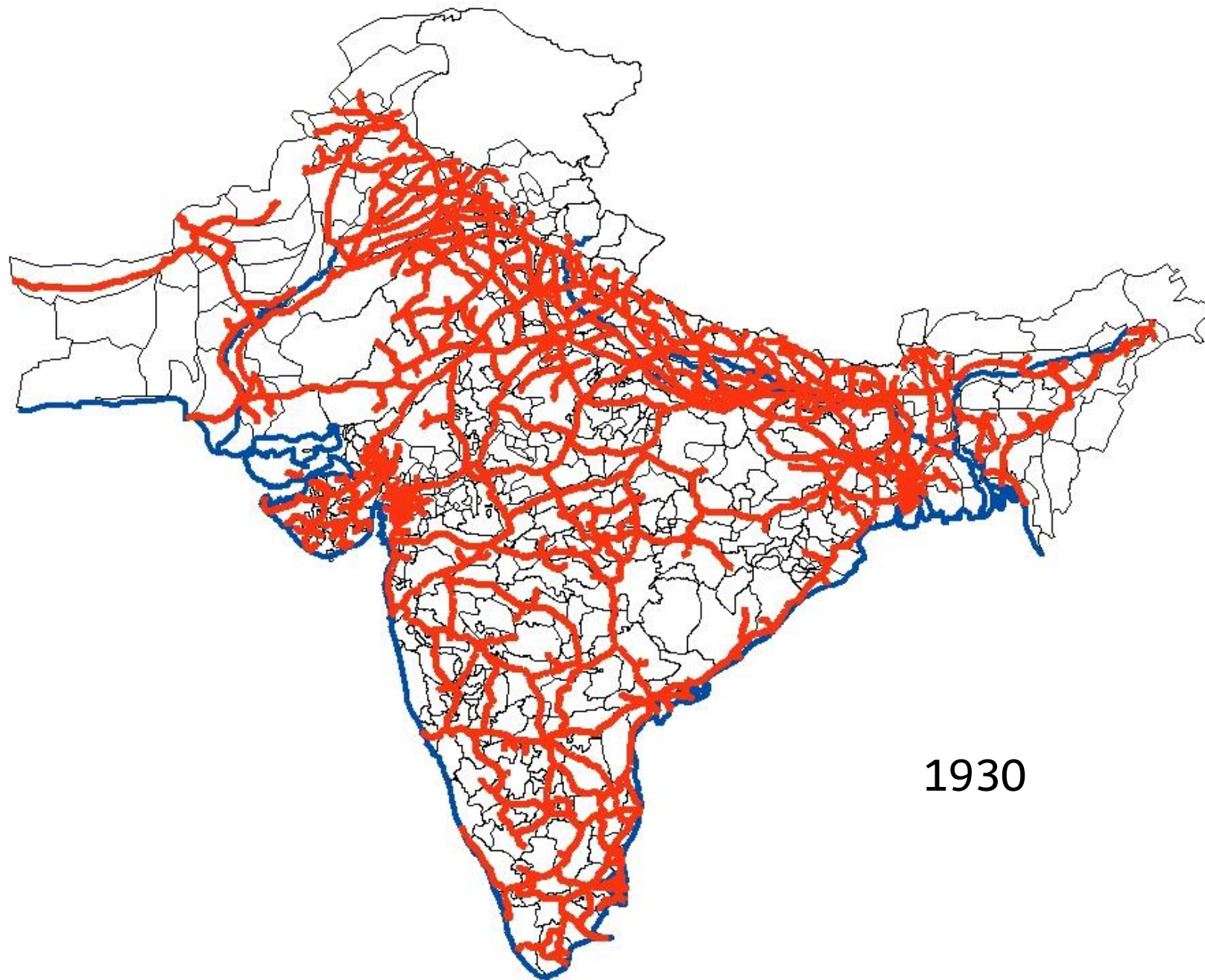
1900



1910



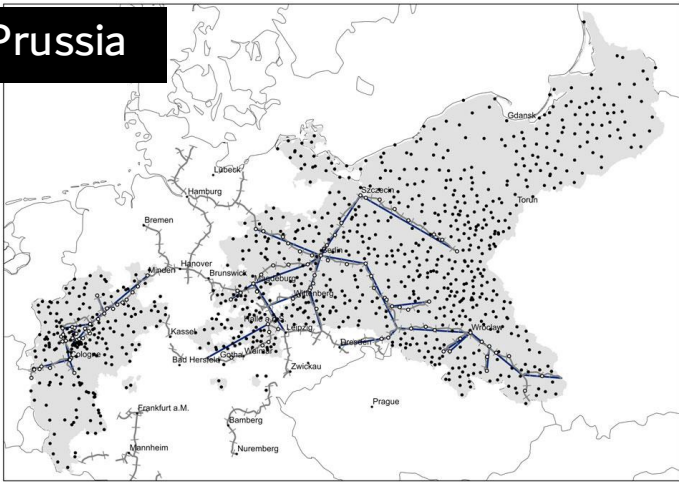
1920



1930

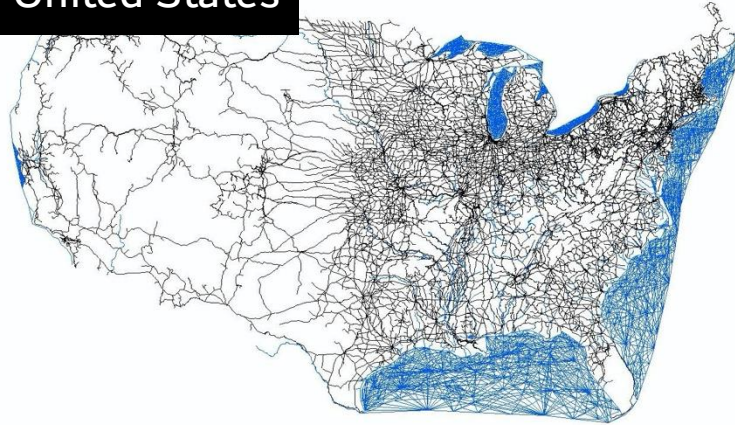
Hornung (2015)

Prussia



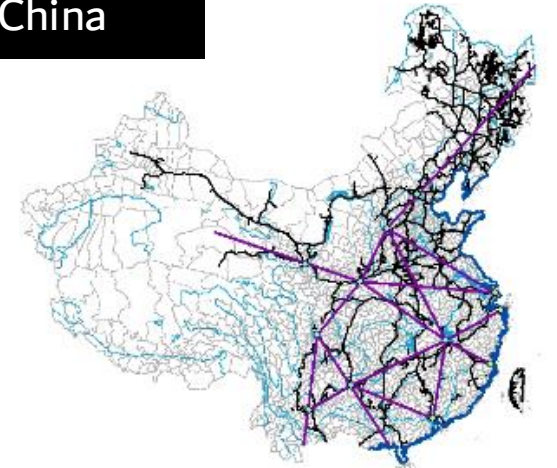
Donaldson and Hornbeck (2016)

United States



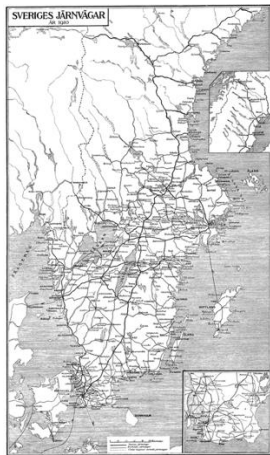
Banerjee, Duflo, Qian (2020)

China



Lindgren, Pettersson-Lidbom & Tyrefors (2021)

Sweden



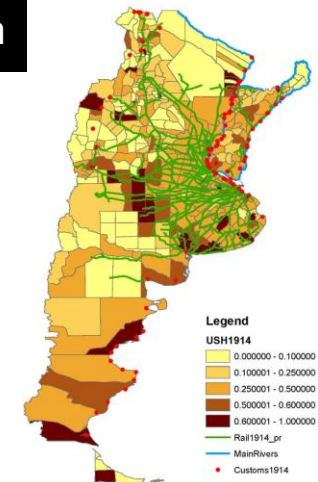
Bonfatti, Facchini, Tarasov, Tedeschi & Testa (2021)

Italy



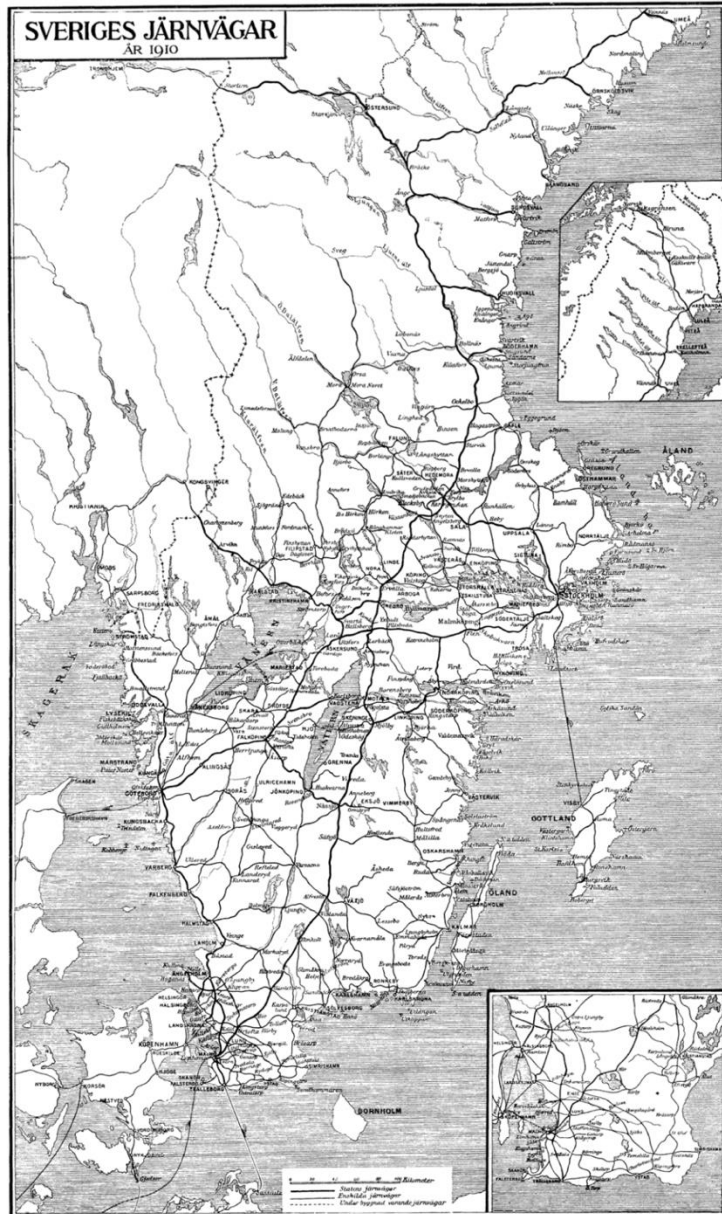
Fajgelbaum & Redding (2022)

Argentina

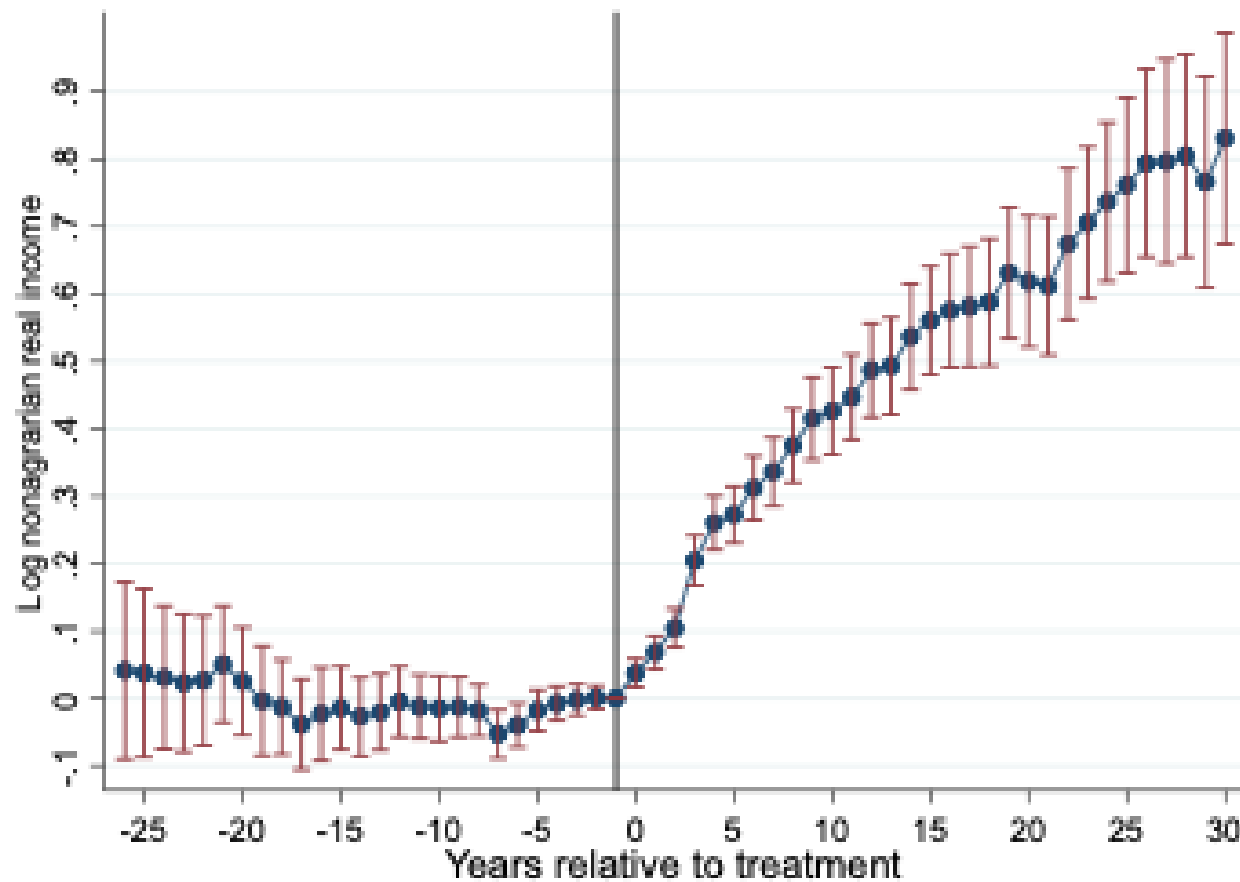
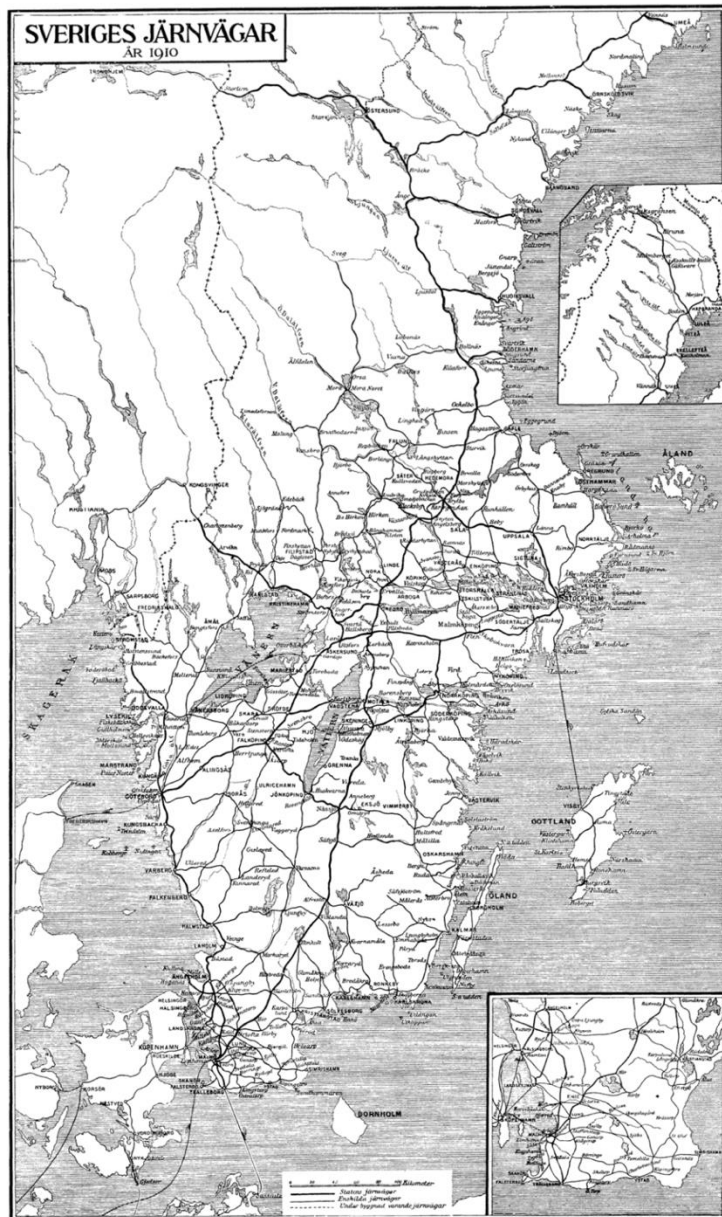


Legend
USH1914
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0.100001 - 0.250000
0.250001 - 0.500000
0.500001 - 0.600000
0.600001 - 1.000000
Rat1914_pr
MainRivers
Customs1914

Lindgren, Pettersson-Lidbom & Tyrefors (2021)

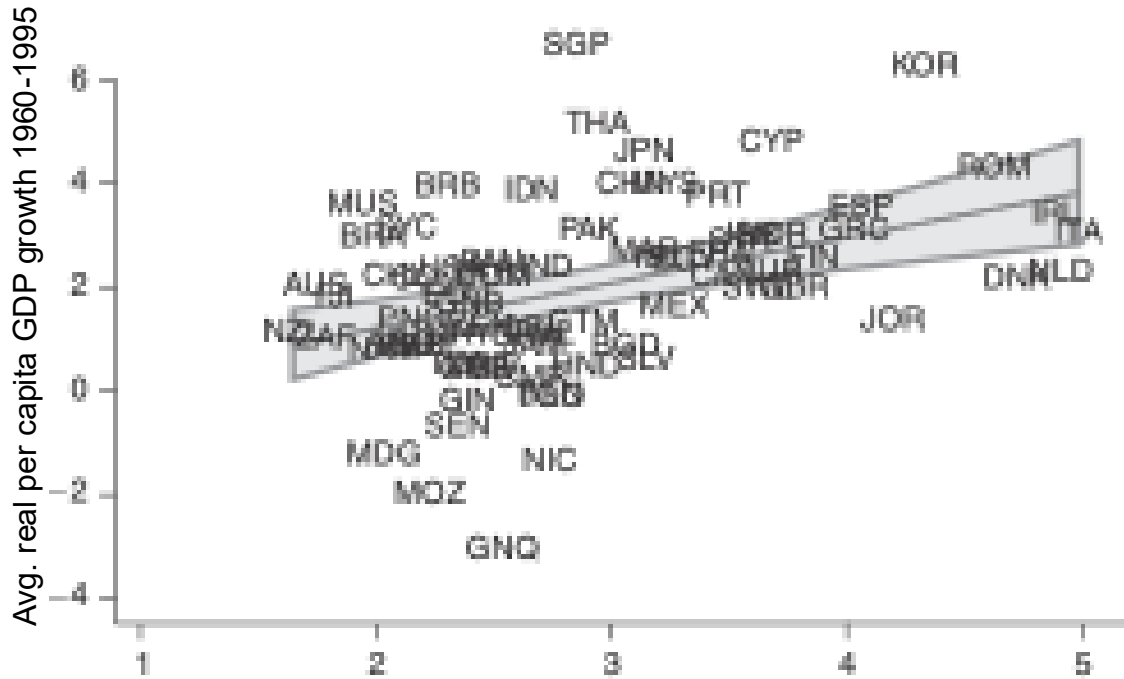


Lindgren, Pettersson-Lidbom & Tyrefors (2021)



Average effect of rail access (after 30 years) on rural kommuner was 120% increase in non-ag. real GDP

Feyrer (2019)

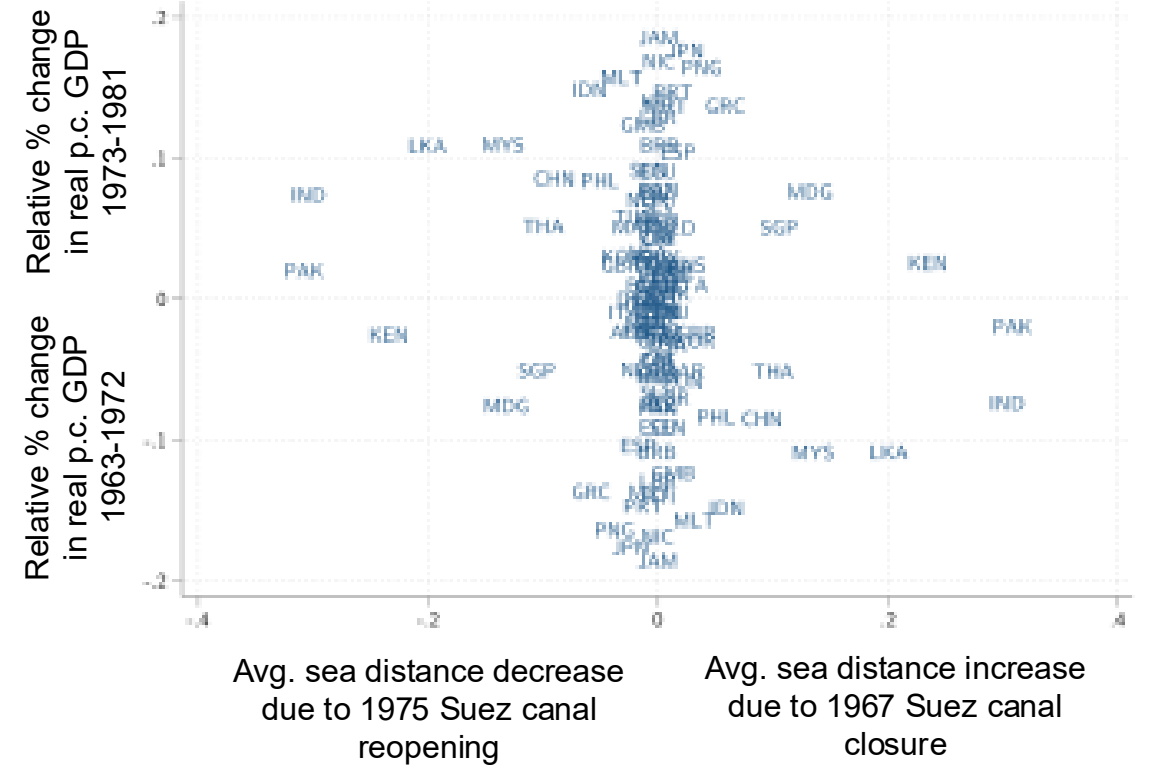


Diff. between avg. sea and air distances to (1960 weighted) trade partners

“Shrinking” trade distances via air shipping had big effect on trade flows and GDP

(e.g. Sweden vs New Zealand: 50% greater p.c. real GDP growth over 1960-95)

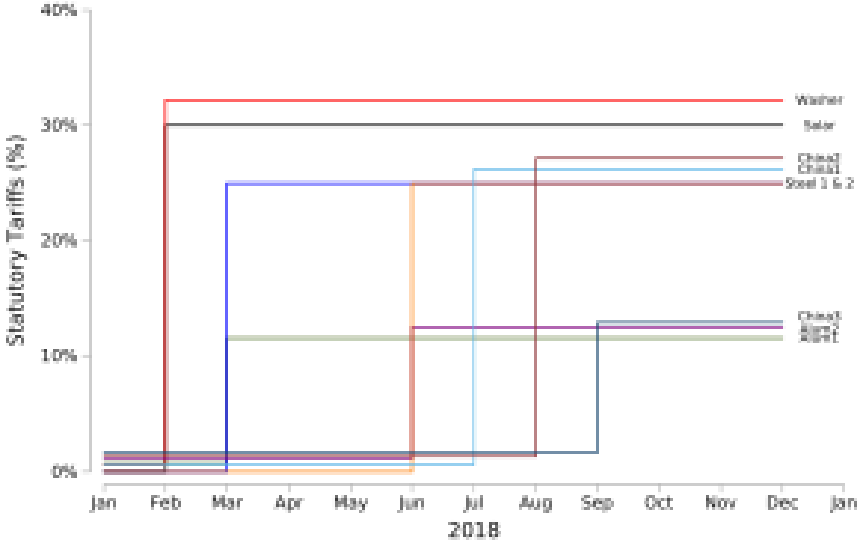
Feyrer (2021)



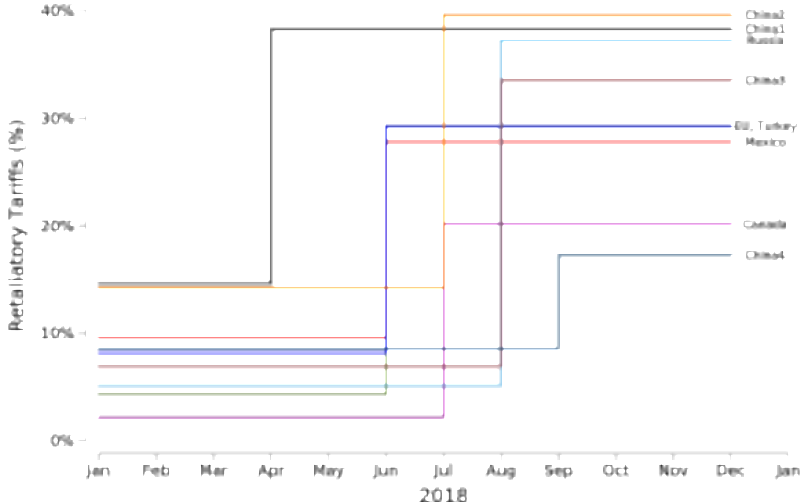
Actual lengthening/shrinking sea distance had big effect on trade flows and GDP

(e.g. India vs. Sweden: 8% drop+rebound in p.c. real GDP)

2018 rise in U.S. tariffs on China/others

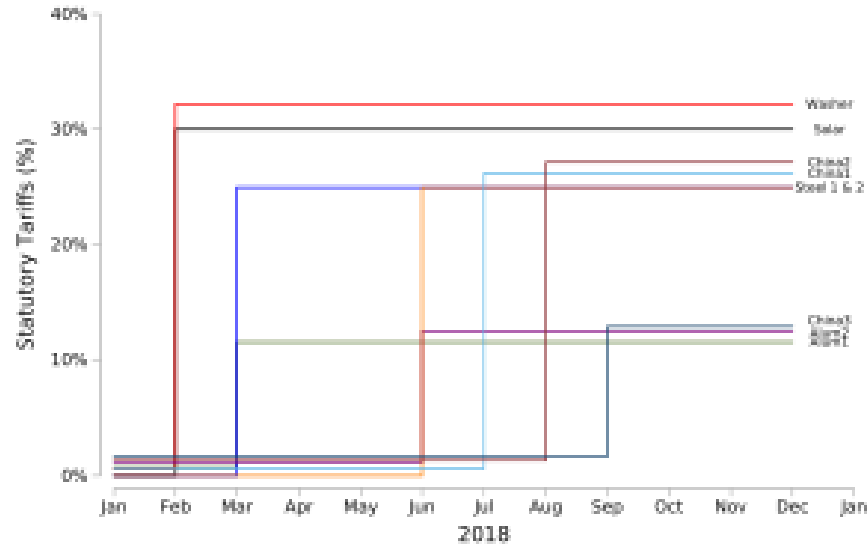


2018 rise in China/others' tariffs on U.S.

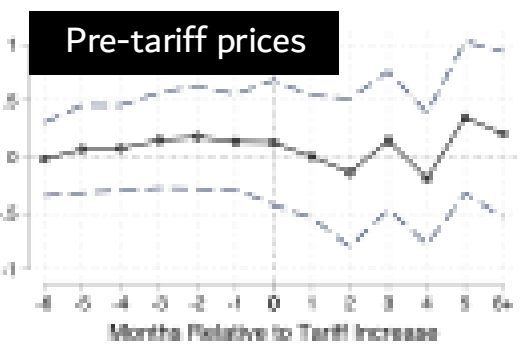
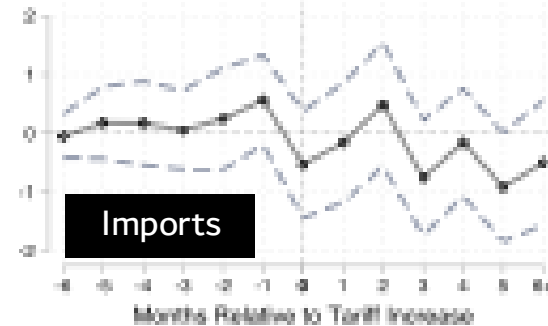
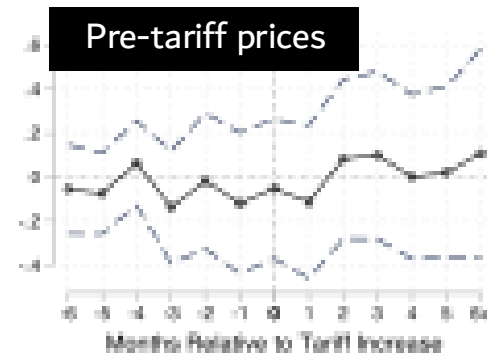
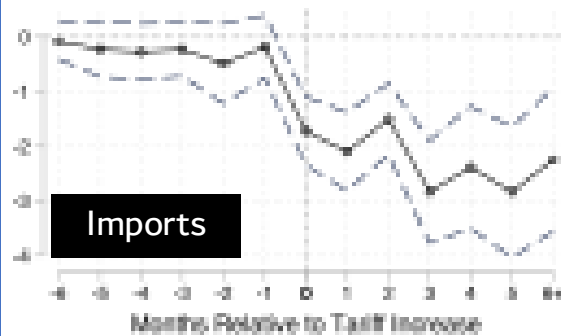
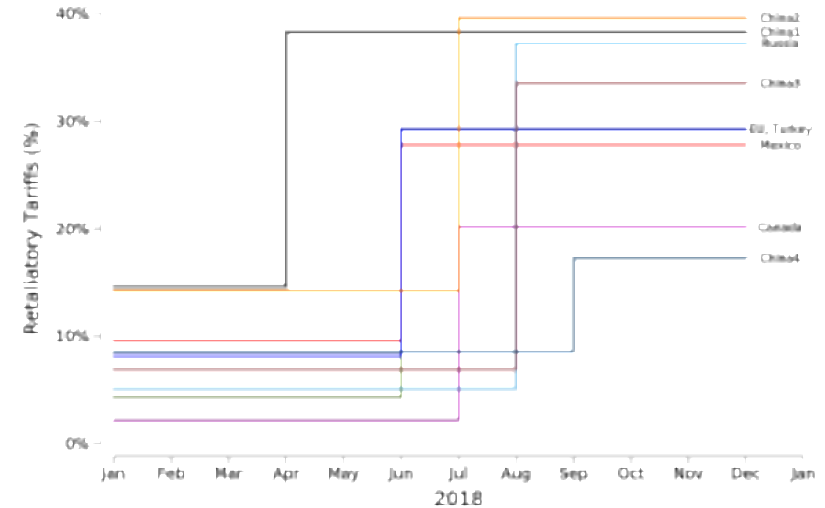


Fajgelbaum, Goldberg, Kennedy and Khandelwal (2020)

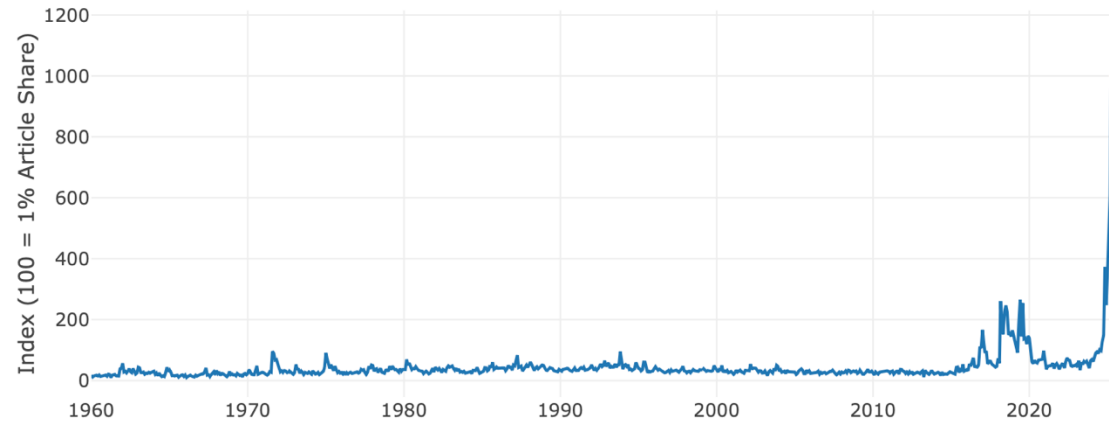
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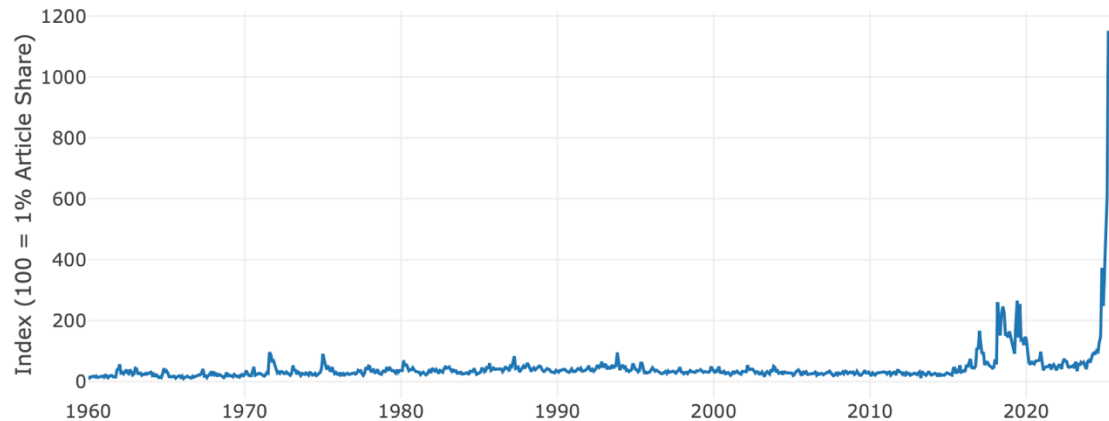


Caldara et al (2025)



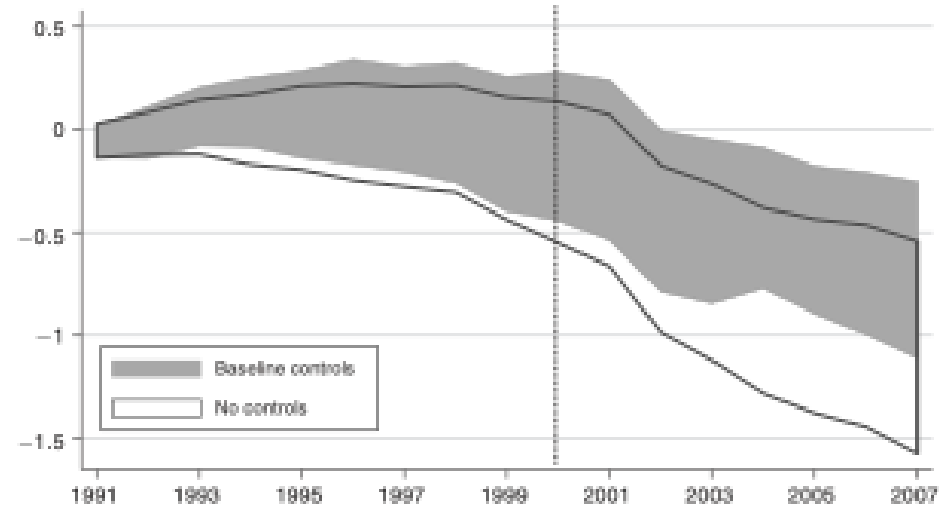
Huge recent increase in U.S. public uncertainty about trade policy (as measured from news articles)

Caldara et al (2025)



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Pierce and Schott (2016)

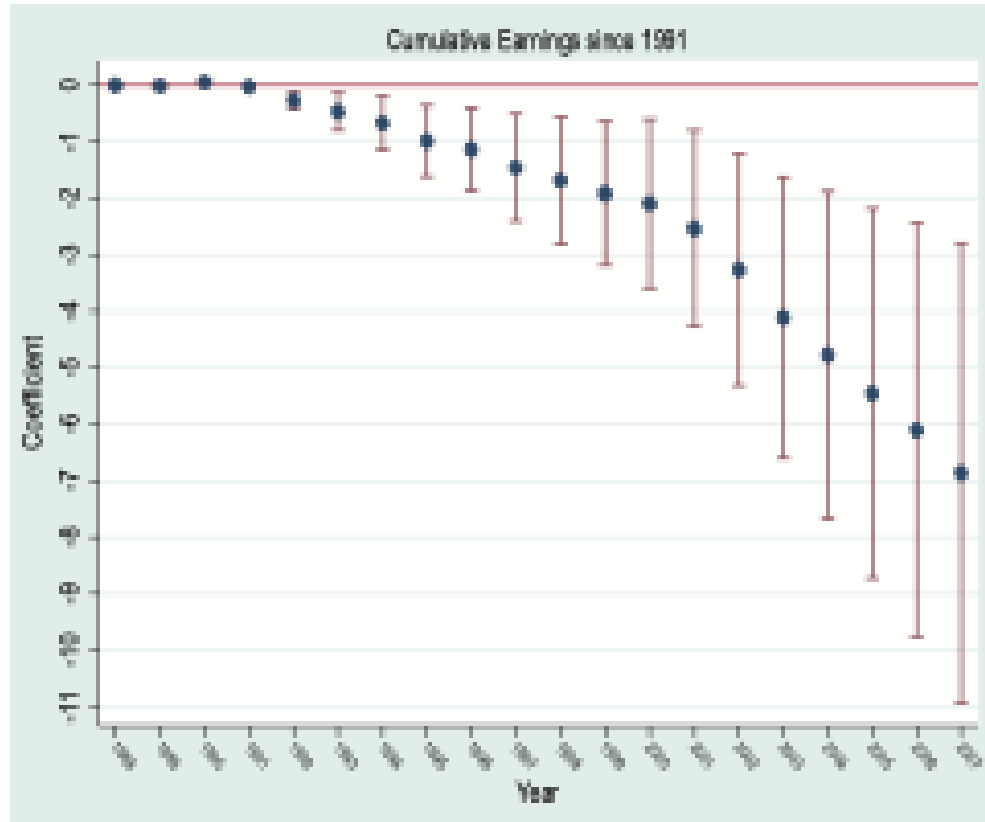


China joined WTO in 2001, but U.S. (low) tariffs on imports from China didn't change

What changed? This low tariff became *less uncertain* (China granted “permanent” normal trade relations)

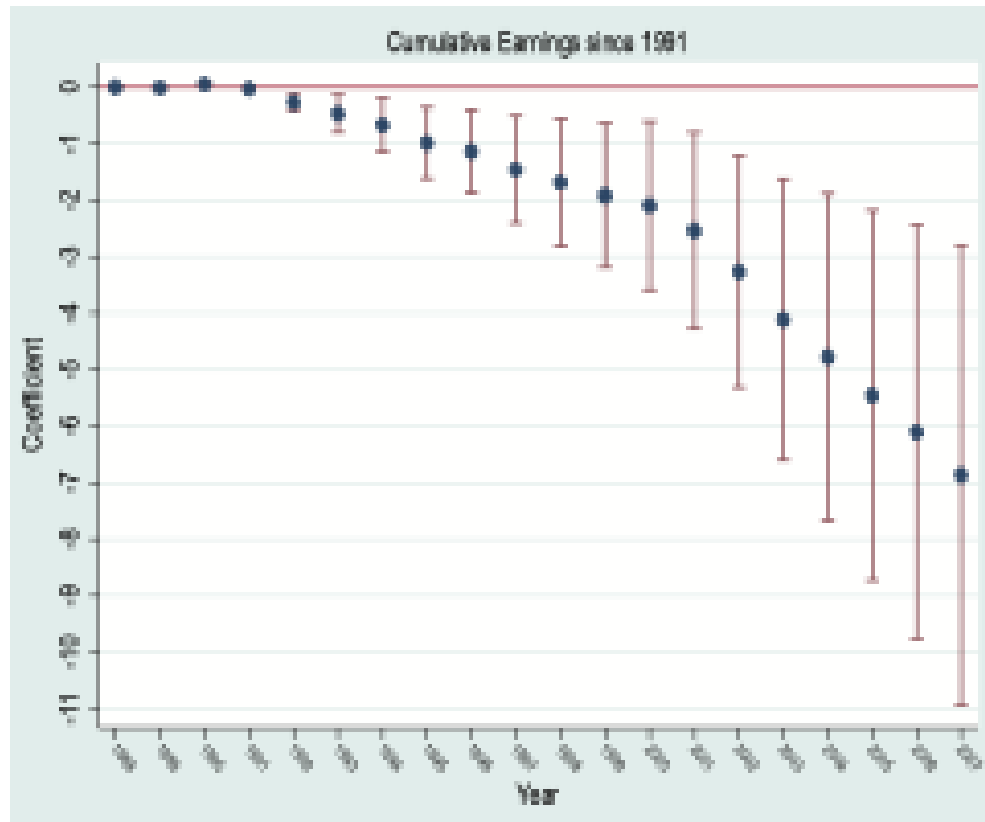
Led to 8% drop in employment in manuf. sectors where this drop was relatively large

Autor, Dorn, Hanson and Song (2014)



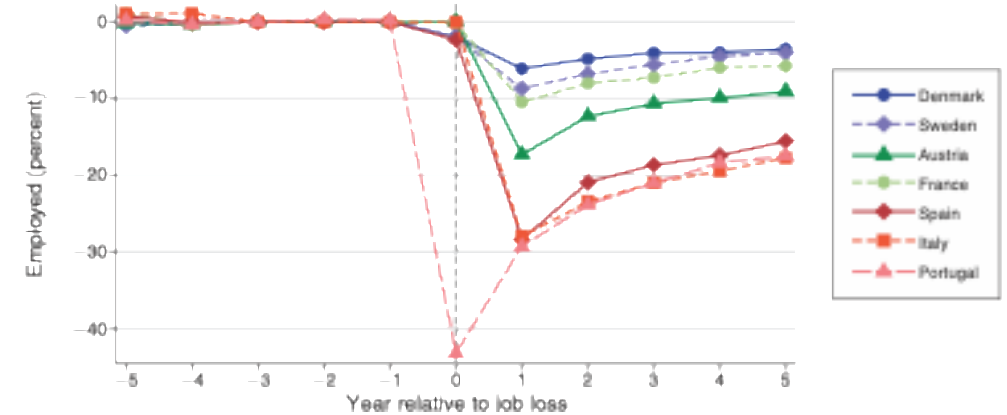
U.S. workers who (in 1990) were in industries that would from 1990-2007 see surge of import competition from China experienced a 3% drop in relative earnings (largely due to non-employment) per year from 91-07

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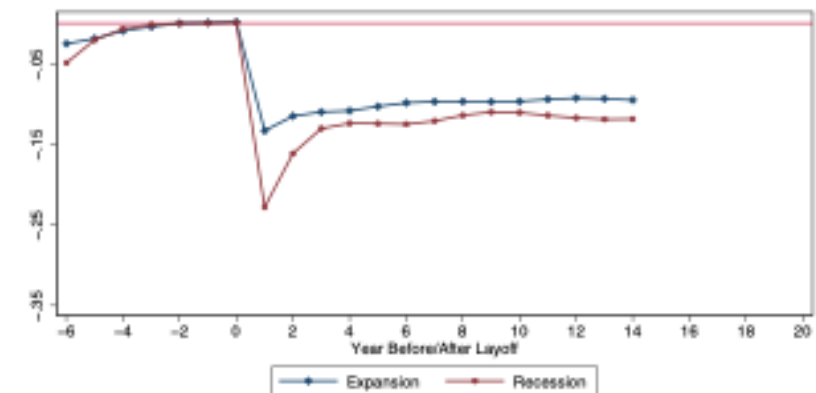
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Bertheau et al (2023)



Typical involuntary job loss has very different consequences throughout Europe

Song and von Wachter (2014)



U.S. seems close to European mid-range (but worse if in a recession)

Arguments in favor of tariffs

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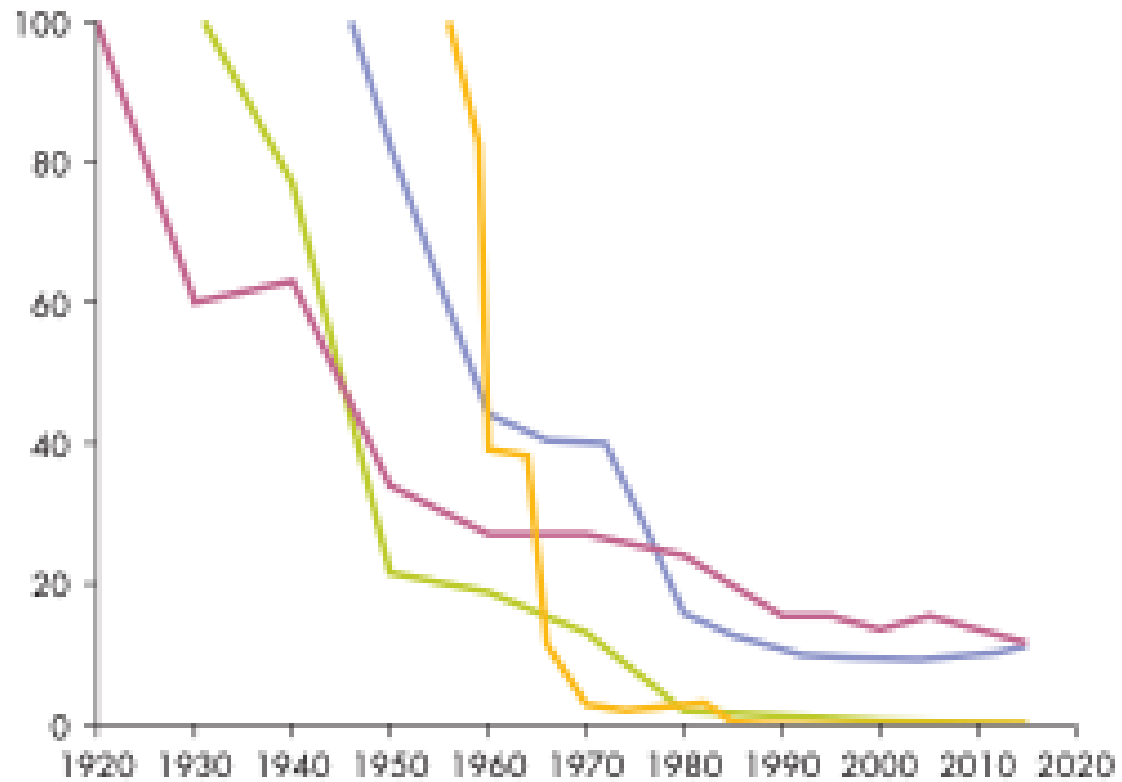
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- **4. Promote geopolitical goals (i.e. harm foreign enemies)**
 - Problem: always harder than it sounds

Where are we headed?

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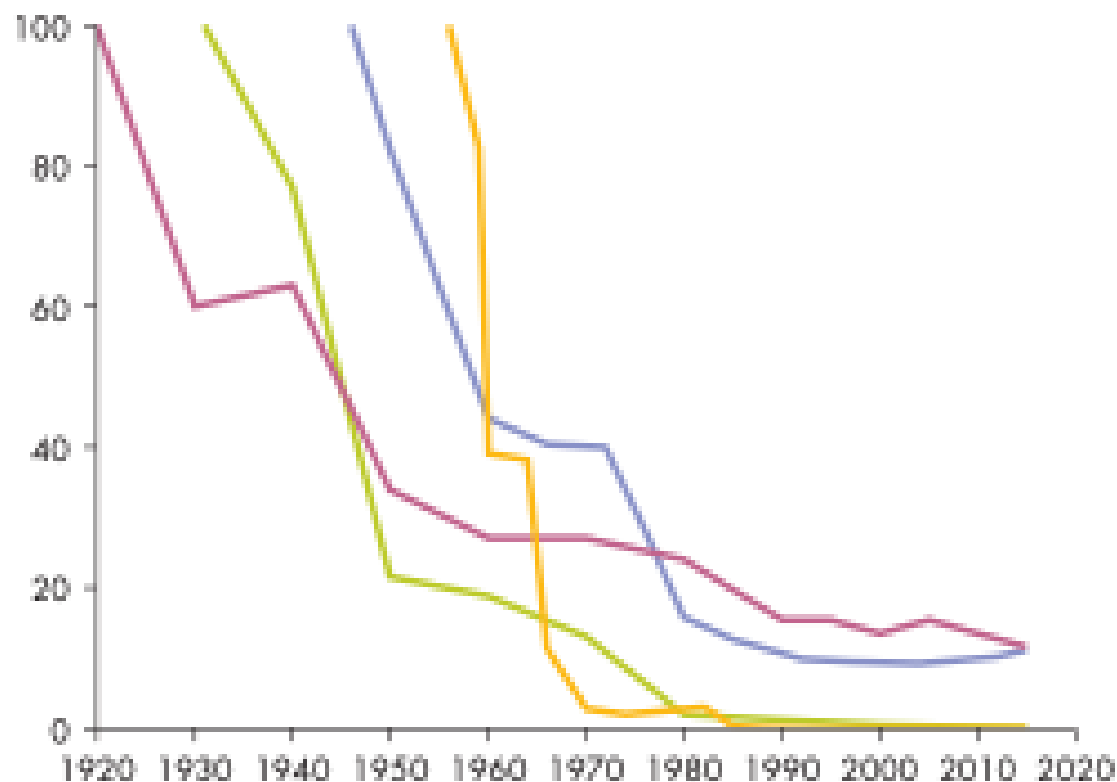
World Bank (2020)



- Airfare (New York–London round trip, 1946 = 100)
- Telephone call (3 minutes, New York–London, 1931 = 100)
- Sea freight rates (port and maritime charges per ton, 1920 = 100)
- Computers (storage cost per megabyte, 1956 = 100)

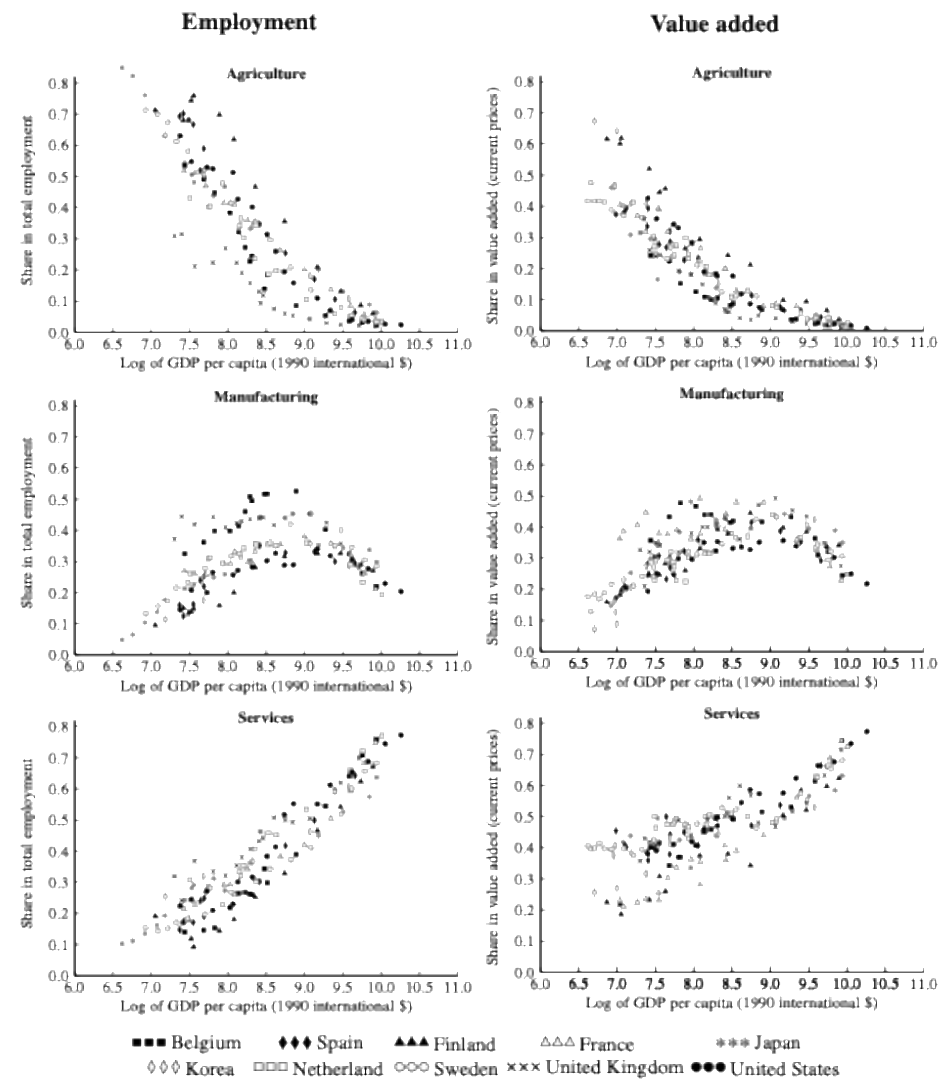
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Herrendorf, Rogerson & Valentinyi (2013)

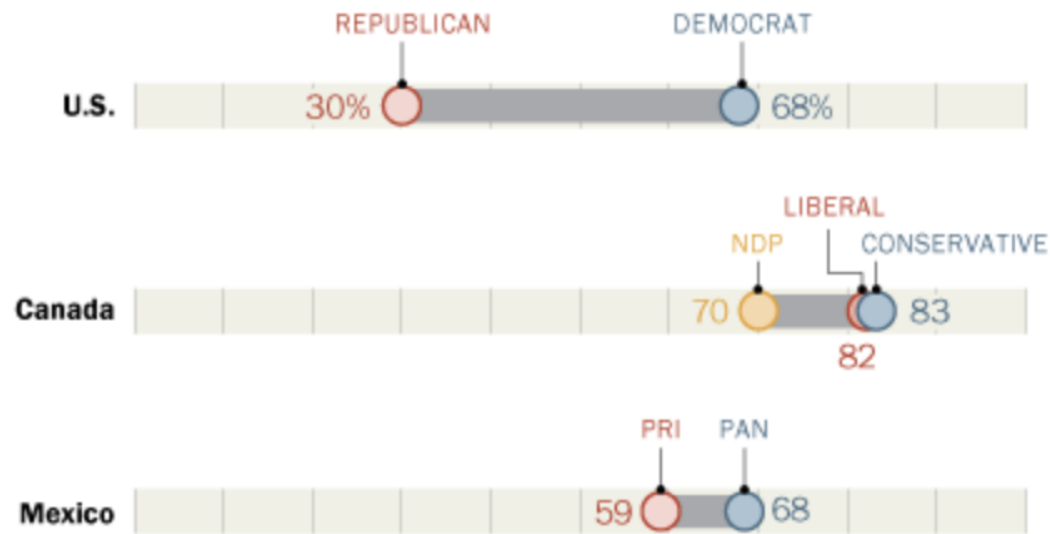






Large partisan gap in American views of NAFTA

The North American Free Trade Agreement, or NAFTA, has been a good thing for our country



Source: Spring 2017 Global Attitudes Survey. Q16.

Thank you!

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