

Bill Dunn

Neither Free Trade nor Protection: A Critical Political Economy of Trade Theory and Practice

2015. Cheltenham, UK: Edward Elgar. Pages: 240. ISBN: 978-1-78347-192-8.

“The story has been widely told” (p. 177). To challenge the most influential scholarly literatures on international trade constitutes a brave aspiration and a glimpse of an alternative analysis for the global economy. Quite often trade policies are presented as straightforward decisions between openness and closure. Emerging from a Marxist perspective and an understanding of trade as inherently connected to power and exploitation, Bill Dunn offers a powerful critique of what he calls a misleading “conservative dualism” (p. 4).

The book confronts the concurrent widespread postulations of the Theory of Comparative Advantage (CA) and their rival claims. Dunn's analysis contends that dominant trade theories and their universal prerogatives should be critically investigated as partial in articulating particular interests. In his view, a critical theory of trade requires a deeper engagement with an ample analysis of capitalism and its changing and contradictory mechanisms. For this objective, questioning the mainstream theory does not necessarily entail a dismissal of trade nor forsakes the efforts to understand it (p. 53).

The title of Dunn's book recalls the motto of the *International Socialists* during the Cold War, who advocated “Neither Washington nor Moscow but International Socialism” (p. 4), rather seeking to articulate a positive agenda. Such intentionality fits Dunn's similar wariness about the debates around trade, which easily regress to a simplistic antinomy between states and markets. In his understanding, both mainstream and critical theories share a close structural worldview very much informed by the Realist Theory of International Relations. For Dunn, this view has methodological and practical implications. His careful review of the history of trade and widely-known trade theories, along with an extensive database employed in a combination of both qualitative and quantitative approaches, make

Neither Free Trade nor Protection a useful tool in the study of the dynamics surrounding international trade.

His writing is organised in eleven chapters. As a first step, the book puts trade into a historical perspective, proving its ever-changing character, and framing political economy beyond national terms. Consciously overlooking networks in Africa and in early pre-Colombian America, Dunn asserts that trade precedes capitalism by millennia. Though European capitalism arose within a network of international trade, neither trade itself – and the American gold and silver – nor the extensive slavery trade were sufficient conditions for its establishment. Likewise, its emergence was seldom characterised by *laissez-faire*; but rather by exploitation, mercantilism and protective laws. For Dunn, any free trade account is problematic, ephemeral and restricted to Europe. Following a “rough chronological order” (p. 11), he turns back to history in chapter ten to illustrate how trade imbalances originating in the re-organisation of the global economy in the 1970s culminated in the crisis of 2007-2009. Rather than a turning point, they aggravated trends already in place as the imbalances soon started to grow afresh.

Thereupon, to overcome one-sided explanations, chapters three to five examine in detail the existing trade theories, ranging from the orthodoxy to the “moderate” or “official” opposition and, later, to the “radical” opposition (p. 6, 52, 72, 96). By referring to the *Wealth of Nations*, Dunn claims that Smith’s support to free trade proved to be rather conditional, allowing restrictions in reprisal to foreign protectionism and new competition, as the *Navigation Acts* in Britain (1651). Instead of trade, Smith reckons the productive or “commercial economies” within countries as the original source of their wealth (p. 34).

Dunn is, thus, convinced that the endurance of Ricardian pro-free trade theories relies on what he calls “elegant simplicity” (p. 36), which in turn deems also to be the source of their contradictions. “Highly abstract” (p. 40), the CA established a static model, based on one-off gains, disregarding dynamic effects and countries’ diversity. Within this framework, Dunn assertively warns that the critique of pro-free trade theories does not entail a direct support for protectionism.

In the absence of a single theory, the critical agenda is markedly fragmented. Nonetheless, Dunn predicates that such perspectives are “closer to a continuum” (p. 6) rather than intrinsically separate. Respectively, chapters four and five acknowledge the “inelegant” (p. 54) side of trade, pronounced by market imperfections and asymmetries of power and wealth. Mercantilism, in the works of Hamilton and List, is depicted as rather a pioneer strategy of trade restrictive policies, understood in a broader state-building project. Hence, national industrialisation would be in the forefront, followed by trade policies, and not the reverse.

In sequence, the book highlights the claims on the structural disadvantages and the deterioration in the terms of trade towards poorer countries in the Prebisch-Singer thesis. Aiming to respond why trade remains a regulated activity in face of a worldwide liberalisation process, Dunn contends that history proves the existence of trade openness – “managed openness” (p. 66) – rather than free trade. Today's mediation role of organisations, companies and states contrasts with the premise of self-adjusting markets. Furthermore, he draws a severe and dauntless critique of the New Trade Theory (NTT). He points out that its proponents get hold of some of the claims of the poorer countries to draw strategies to maximise the gains of the rich countries.

Therefore, the fleeting radicalism of these perspectives ends up rather diluted in their own assumptions – converging with the mainstream – rather than challenging the *status quo*.

Following, the book concentrates on the “radical” opposition and advances some critiques defined by the author as “internal Marxist criticism” (p. 74), cleverly safeguarding himself as a member of this group. These accounts are perceived to imply a structural determinism and overestimate the role of trade in defining wealth and poverty between and within countries. According to Dunn, Marx was a “qualified supporter of free trade” (p. 75), taken as an important ally to dismantle nationalism and boost social revolution – regarding protectionism as conservative. By looking at the Marxist Theories of Imperialism, Dunn notably recognises Emmanuel's Unequal Exchange (UE) analysis as more than a simple critique, but an attempt for an alternative. Nevertheless, it fails to provide an account of international inequalities and class struggles, coinciding

in some points with the orthodoxy. Lastly, in this theoretical segment, the book gazes at broader ideas of the Dependency Theory and the World System Theory (WST), which integrate the UE into the development of global capitalism and state-power. For Dunn, these views propound a static system of exploitation and lack a more socialised account of trade.

Respectively, chapters six to nine comprise a set of empirical tests using econometrics and statistical regressions to prove the verity of the presumed relationship between trade openness and 1) economic growth – a *big claim* of the aforementioned theories; 2) faster growth; 3) inequality and 4) the degree of labour organisation.

By using data from the World Bank on an annual basis since 1960, Dunn's first test confirms the results of most recent Modelling reports. He finds out a positive, but weak association between trade openness, and trade opening and economic growth. The most outstanding result informs that trade deficits were apparently conducive to growth until the 2000s – which challenges both the orthodoxy and the heterodoxy, and refutes what the author names as “mercantilist prejudices” (p. 109) of the International Monetary Fund. However, Dunn himself fails to explain the association of this movement with growth in conventional terms.

Allegedly, in the second set of experiments, the book aims at filling a perceived gap in the existing literature. Most of it does not go deeper to examine whether trade based on Heckscher and Ohlin's factor endowment incurs faster growth. The results evidence a quite steady and highly statistically significant relation between land endowments and the probability to export primary goods, however a weaker relation between labour endowment and manufactured exports. With a more complex model, conclusive results show that countries, particularly the poorer ones, do trade based on their *endowments*. Nonetheless, whether countries grow faster on such a basis remains uncertain.

Dunn's third test recognises that conventional trade theory is not able to fully apprehend inequality. Social phenomena are complex and contested, being influenced but not determined by economic change. The results, though, persist inconclusive that the Stolper-Samuelson Theorem on the winners and losers of trade can explain patterns of inequality. However, it is

clearly not applicable to poorer countries as the patterns of specialisation between North and South change over time, altering the character of factors endowments. For Dunn, the association between trade opening and inequality is “socially and politically mediated” (p. 143).

The book’s last test acknowledges that claims on the general decline of industrial action are essentially political and labour’s opponents have clear interest in overstating the case, seeking to debunk resistance. The results of the experiment assert that the drop in the degree of industrial action proved to be stronger in richer countries that liberalised less than poorer countries that liberalised more. Notwithstanding, there is no proof of a transfer of spot to the South.

In conclusion, *Neither Free Trade nor Protection* is a defence that market imperfections and asymmetries remain a source of conflict and controversy as the process of liberalisation advances. His rejection of the dichotomy between free trade versus protection proved to be innovative and raises the expectation for a final resolution or a positive agenda – as the earlier *International Socialists*. In his defence, Dunn recognises that their absence might be disappointing; however, he asserts that a proper critical understanding of trade should not expect ultimate answers. Through his critique of state-centric analysis, Dunn is also limited to conventional state data in the empirical chapters. Such an aspiration was beyond his limitations. Regardless of these facts, this book provides a remarkable analysis of trade theories, encourages further research and provides incentives for enthusiasts and researchers to not take well-established frameworks as the only possible way to think of trade.

*Thiago Souza da Costa*¹

.....
1 University of Kassel (Germany)