Editors' Preface to Macmillan Studies in Economics

The rapid growth of academic literature in the field of economics has posed serious problems for both students and teachers of the subject. The latter find it difficult to keep pace with more than a few areas of their subject, so that an inevitable trend towards specialism emerges. The student quickly loses perspective as the maze of theories and models grows and the discipline accommodates an increasing amount of quantitative techniques.

'Macmillan Studies in Economics' is a new series which sets out to provide the student with short, reasonably critical surveys of the developments within the various specialist areas of theoretical and applied economics. At the same time, the studies aim to form an integrated series so that, seen as a whole, they supply a balanced overview of the subject of economics. The emphasis in each study is upon recent work, but each topic will generally be placed in a historical context so that the reader may see the logical development of thought through time. Selected bibliographies are provided to guide readers to more extensive works. Each study aims at a brief treatment of the salient problems in order to avoid clouding the issues in detailed argument. Nonetheless, the texts are largely self-contained, and presume only that the student has some knowledge of elementary micro-economics and macro-economics.

Mathematical exposition has been adopted only where necessary. Some recent developments in economics are not readily comprehensible without some mathematics and statistics, and quantitative approaches also serve to shorten what would otherwise be lengthy and involved arguments. Where authors have found it necessary to introduce mathematical techniques, these techniques have been kept to a minimum. The emphasis is upon the economics, and not upon the quantitative methods. Later studies in the series will provide analyses of the links between quantitative methods, in particular econometrics, and economic analysis.

MACMILLAN STUDIES IN ECONOMICS

General Editors: D. C. ROWAN and G. R. FISHER

Executive Editor: D. W. PEARCE

Published

John Burton: WAGE INFLATION
Miles Fleming: MONETARY THEORY
C. J. Hawkins and D. W. Pearce: CAPITAL INVESTMENT APPRAISAL
David F. Heathfield: PRODUCTION FUNCTIONS
D. W. Pearce: COST-BENEFIT ANALYSIS
David Robertson: INTERNATIONAL TRADE POLICY
R. Shone: THE PURE THEORY OF INTERNATIONAL TRADE
Frank J. B. Stilwell: REGIONAL ECONOMIC POLICY
Grahame Walshe: INTERNATIONAL MONETARY REFORM

Forthcoming

E. R. Chang: PRINCIPLES OF ECONOMIC ACCOUNTING
G. Denton: ECONOMICS OF INDICATIVE PLANNING
N. Gibson: MONETARY POLICY
C. J. Hawkins: THEORY OF THE FIRM
D. Jackson: ACCOUNTING FOR POVERTY
P. N. Junankar: INVESTMENT FUNCTIONS
J. E. King: LABOUR ECONOMICS
J. Kregel: THEORY OF ECONOMIC GROWTH
D. Mayston: THE POSSIBILITY OF SOCIAL CHOICE
G. McKenzie: MONETARY THEORY OF INTERNATIONAL TRADE
S. K. Naith: WELFARE ECONOMICS
A. Peaker: BRITISH ECONOMIC GROWTH SINCE 1945
F. Pennance: HOUSING ECONOMICS
Maurice Peston: PUBLIC GOODS AND THE PUBLIC SECTOR
C. Rowley: ANTI-TRUST ECONOMICS
C. Sharp: TRANSPORT ECONOMICS
G. K. Shaw: FISCAL POLICY
P. Simmons: DEMAND THEORY
M. Stabler: AGRICULTURAL ECONOMICS
M. Townsend: MONETARISM VERSUS KEYNESIANISM
M. Townsend: QUANTITY THEORY OF MONEY
John Vaizey: ECONOMICS OF EDUCATION
P. Victor: ECONOMICS OF POLLUTION
J. Wiseman: PRICING PROBLEMS OF THE NATIONALISED INDUSTRIES

International Trade Policy

DAVID ROBERTSON

Lecturer in Economics, University of Reading

Macmillan Education

© David Robertson 1972

All rights reserved. No part of this publication may be reproduced or transmitted, in any form or by any means, without permission.

First published 1972 by
THE MACMILLAN PRESS LTD
London and Basingstoke
Associated companies in New York Toronto
Dublin Melbourne Johannesburg and Madras

SBN 333 13371 4

ISBN 978-0-333-13371-2 ISBN 978-1-349-01432-3 (eBook)
DOI 10.1007/978-1-349-01432-3

The paperback edition of this book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out, or otherwise circulated without the publisher's prior consent in any form of binding or cover other than that in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

Contents

<i>Acknowledgements</i>	9
1 Introduction	11
A note on international institutions	13
2 Theory of Tariffs	16
The case for free trade	16
Theory of second best	18
Effects of tariffs	20
Terms of trade effects	22
The optimum tariff	24
Arguments for protection	26
Domestic distortions	27
Tariffs and income distribution	29
3 Non-tariff Distortions of Trade	32
Classification of non-tariff distortions	34
Action on non-tariff distortions	39
Agricultural trade	40
4 Measuring the Effects of Trade Policy	42
Effective tariff rates	43
Trade effects of domestic taxes	45
Non-tariff distortions	46
Resource allocation	47
Empirical studies	48
5 Regional Trade Groupings	50
Theory of customs unions	52
Measuring the trade effects of a customs union	57
Indirect effects of customs unions	59

6	Trade Policy and Development	64
	Import substitution	66
	Export expansion	68
	Regional trade groupings	70
	Trade or aid?	71
7	Concluding Remarks	72
	<i>Select Bibliography</i>	75

Acknowledgements

An earlier draft of this pamphlet was read by a number of persons whose valuable comments have helped to remove inaccuracies and obscurities from the text. In particular I should like to express my thanks for comments from Professor Ivor Pearce and Dr George McKenzie, of the University of Southampton, Mr Ronald Shone of the University of Sheffield, and to Mr B. J. P. Fall of the Civil Service College, London Centre. Any omissions, inaccuracies or obscurities that remain are entirely the responsibility of the author.

D. R.