Nobody Wins: Protectionism and (Un)employment in a Model-Based Analysis

by P. Jacquinot, M. Lozej and M. Pisani

Discussion by Daniele Siena (BdF)

ECSB Cluster 2 - 8 November 2018, Paris
Banque de France

This discussion reflects the opinions of the author and not the views of the Banque de France
Question:

What are the effects of protectionist measures (tariffs)

- on labor market variables

in a global structural model

- with different types of micro-founded unemployment?
Increase in US tariffs on all RW goods of 6.25%
US bilateral imports

Discussion (Cluster 2)

Nobody Wins

Siena (BdF)
US bilateral imports

Discussion (Cluster 2)

Nobody Wins
Imported inflation
Monetary policy rate

Discussion (Cluster 2)

Nobody Wins

Siena (BdF) 3 / 7
Discussion (Cluster 2)

Monetary policy rate

- US
- RW
- EA

Nobody Wins

Siena (BdF) 3 / 7
Discussion (Cluster 2)
- Nobody Wins

Unemployment rate

- US
- RW
- HOME
- REA
Discussion (Cluster 2)

Nobody Wins
Imported inflation

US bilateral imports

Consumption

Investment

Exports - Imports

GDP

Unemployment rate

Real wages

Discussion (Cluster 2)

Nobody Wins
3 main takeaway

1. Protectionism does not increase employment
   - not in the source country, not in hit countries
   - not even when nobody retaliates
   - not even in the protected (tradable) sector

2. There can be marginal gains for the non-war countries

3. When protectionism measures lead to retaliation, things get bad everywhere
Three comments

1. Tariff on a specific sector vs. broad on all imported goods
   - high labor-intensive tradable sector
   - high trade elasticity tradable sector
   - non-linearity
Three comments

1. Tariff on a specific sector vs. broad on all imported goods
   - high labor-intensive tradable sector
   - high trade elasticity tradable sector
   - non-linearity

2. Aggregate effect mostly due to monetary reaction
Three comments

1. Tariff on a specific sector vs. broad on all imported goods
   - high labor-intensive tradable sector
   - high trade elasticity tradable sector
   - non-linearity

2. Aggregate effect mostly due to monetary reaction

3. Use of tariff revenues
   - pure-non distortive choice but...
Minor comments

- Robustness:
  - What can make tariffs expansionary?

- Show:
  - nominal exchange rates
  - Imported “gross” inflation

- Why EA monetary policy ease in first scenario?
Conclusion

- Topical and well executed paper

- No gain from protectionism
  - Global risk from a trade war