

The Empire Project: Trade Policy in Interwar Canada

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Abstract :

Trade agreements can have heterogenous effects on participants because the shocks involved are different. This paper uses a new dataset on the universe of Canadian imports and tariffs between 1924 and 1936, disaggregated into 1697 goods originating in 112 countries, to analyze the impact of the 1932 Ottawa trade agreements on the host country. We compute trade elasticities using a novel method of controlling for multilateral resistances in the context of a one-country dataset, and perform a variety of counterfactual exercises to determine the impact of tariffs on trade flows. While there were some sizable regional and sectoral impacts, the overall effects of post-1929 tariff shifts were relatively small, reflecting the fact that Canadian trade policy was already highly protectionist. The impact of the overall structure of protection on the level and composition of trade was large.