

УДК 339.9

<https://doi.org/10.32342/3041-2153-2025-1-38-1>

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THE EFFECTIVENESS OF PROTECTIONISM: HISTORICAL EXPERIENCE AND ECONOMIC CONSEQUENCES

This integrated study explores the diverse effects and the intricate history of protectionist policy impacts in relation to trade and economic development. The article carefully narrates the rise of protectionism as a recurring economic policy adopted during the tender phases of national economic depression, preceeding it's emergence from the mercantilist practices of the European World Powers of the 16th and 17th century. The policy frameworks were mostly shaped by the interwoven logic behind state regulation of foreign trade intended to defend a nations economic welfare from international competition.

One of the main look was for the 1930 Smoot-Hawley Tariff Act, which is suggested as a case study of history caused by aggressive protective policies. The article examines the retelling of this legislation, that enacted tariffs and duties on over 20,000 imported products, which had set off bans and restrictions on trade by Canada, Britain, and Germany. The chain reaction of such trade restrictions as punitive tariffs resulted the lowest point in trade history when volume of global trade fell by 66% from 1929 and 1934, rapidly changing what could've merely been an economical low from the Great Depression. The statistics trade pourposes during this timeframe, such as the drop of American imports from Europe from 1929 to 1932 shows how desperate consequences of protective policies can be. Despite these historical warnings, the article demonstrates that contemporary states continue to implement protectionist measures, often disregarding the economic lessons of the past in favor of short-term political advantages.

The study offers in-depth comparative analyses of modern protectionist such as "America First" agenda in USA, China's "Made in China 2025" industrial program and India's "Make in India" initiatives. Through careful cross-sectional comparison of key economic indicators, particularly GDP growth and employment figures from 2016 to 2023, the study evaluates the effectiveness of these varying protectionist strategies against their stated objectives.

So, the findings shows that while protecting certain industries might help them out for a bit, it's not a great plan in the long run. It usually backfires and weakens the whole economy, which is the opposite of what states want. This adds to the discussion about how much we should open up markets versus protecting our own stuff, especially now that the world is so connected.

Keywords: *protectionism, trade policy, economic growth, international trade, mercantilism*

JEL classification: *B11, F13, F43*

Це комплексне дослідження вивчає різноманітні наслідки та складну історію впливу протекціоністської політики на торгівлю та економічний розвиток. Стаття ретельно описує підйом протекціонізму як економічної політики, що періодично

застосовується під час вразливих фаз національного економічного спаду, простежуючи його походження від меркантилістських практик європейських світових держав XVI та XVII століть. Основи цієї політики були сформовані взаємопов'язаною логікою державного регулювання зовнішньої торгівлі, спрямованого на захист економічного добробуту країни від міжнародної конкуренції.

Одним із головних прикладів розглядається Тарифний акт Смута-Хоулі 1930 року, який пропонується як показовий випадок історичних наслідків агресивної протекціоністської політики. У статті аналізується прийняття цього законодавства, яке запровадило тарифи та мита на понад 20 000 імпортних товарів, що спровокувало введення заборон та обмежень на торгівлю з боку Канади, Великої Британії та Німеччини. Ланцюгова реакція таких торговельних обмежень у вигляді штрафних тарифів призвела до найнижчої точки в історії торгівлі, коли обсяг світової торгівлі впав на 66% з 1929 по 1934 рік, швидко перетворивши те, що могло бути просто економічним спадом, на Велику депресію. Статистика торгівлі за цей період, зокрема падіння американського імпорту з Європи з 1929 по 1932 рік, демонструє, наскільки катастрофічними можуть бути наслідки протекціоністської політики. Незважаючи на ці історичні застереження, стаття показує, що сучасні держави продовжують впроваджувати протекціоністські заходи, часто нехтуючи економічними уроками минулого заради короткострокових політичних переваг.

Дослідження пропонує глибокий порівняльний аналіз сучасних протекціоністських програм, таких як програма “Америка понад усе” у США, китайська промислова програма “Зроблено в Китаї 2025” та індійська ініціатива “Зроблено в Індії”. Через ретельне перехресне порівняння ключових економічних показників, зокрема зростання ВВП та рівня зайнятості з 2016 по 2023 рік, дослідження оцінює ефективність цих різних протекціоністських стратегій з огляду на їхні заявлені цілі.

Результати дослідження свідчать про те, що хоча захист певних галузей може допомогти їм на короткий час, це не є ефективною стратегією в довгостроковій перспективі. Зазвичай така політика має зворотний ефект і послаблює економіку в цілому, що суперечить бажаним цілям держав. Це доповнює дискусію про баланс між відкритістю ринків та захистом внутрішнього виробництва, особливо в сучасному глобалізованому світі.

Ключові слова: протекціонізм, торгова політика, економічне зростання, міжнародна торгівля, меркантилізм

JEL classification: B11, F13, F43

Statement of the problem in general terms and its connection with important scientific or practical tasks. Protectionism in the modern economy is one of the key challenges of international trade. In the context of globalization, states are forced to balance between the openness of markets and the protection of national producers. Excessive protectionist measures can lead to trade wars, reduced competitiveness and economic isolation. At the same time, a balanced policy of economic nationalism allows ensuring the stability and development of critically important industries.

However, the effectiveness of individual protectionist instruments in the long term, as well as their impact on innovative development and global supply chains, remains insufficiently studied. The problem of adapting protectionist measures to modern conditions of economic instability and changing geopolitical priorities is also insufficiently studied.

Analysis of the latest research and publications that have begun to address the problem under study, and identification of previously unresolved parts of the general problem to which the article is devoted. Recent studies indicate the contradictory effect of protectionist policies. Analysis of the works

of Herasymchuk V. [1], Savchenko M. [2], Panchenko Y. [3], Steinberg F. [4], Beyer D. [5], Cheng X. [6] and others, as well as historical analysis of mercantilism and the Smuga-Gawley law demonstrates the ambiguity of their impact. On the one hand, they contribute to the growth of certain sectors of the economy, on the other hand, they provoke corresponding measures of other states, which can harm world trade.

The aim of the article is to analyze historical and modern manifestations of protectionism, assess its impact on the economic development of individual countries and determine the conditions under which it can contribute to sustainable growth. But can protectionism be more effective in economic development than free trade.

Results. Protectionism is one of the principles of international economics that entails government involvement into international trade for the benefit of local manufactures [1, p 67].

In considering the key aspects of neo-protectionism, several important measures stand out. These are public health and safety standards and requirements, so-called voluntary export restraints, or Export Credit Financing. In addition, international experience attests to the efficacy of the greater combination of economic policy instruments which encourage the development of a responsive and adaptable mixed economy. More specifically, in that regard protectionism serves as balancer and recuperator. Regulation of investments aids and incurs protection from foreign negative shocks to the domestic economy.

To assist economies adjust to new circumstances and regain their economic capabilities, which would result in favorable social outcomes, protectionist measures are put in place. In strict coordination with tax, customs, and fiscal policies, protectionism is an advanced form of macroeconomic regulation intended to quash or promote foreign economic relations.

The protectionist policies serve two main objectives. First, state tries to advance competition in sectors where domestic ventures have lower competitiveness relative to foreign undertakings, and development is not feasible without foreign 'know-how', capital, and technology. Second, the state limits entry to sectors that are economically sensitive, and important for national, including economic, security, but are not sufficiently ready for uncontrolled competition. Such policies foster economic growth within the nation.

Viewing it differently, 'national welfare' motivated protectionism requires domestic entrepreneurs to be global in their outlook and in the use of sophisticated technologies to increase value-added which, from a broader perspective, will enable the economic environment of the country to be competitive on the international stage [7, p 346].

As an economic policy, protectionism has a history that goes back to mercantilism. This practice is believed to have appeared in the 16th and 17th centuries, where a monarchy intervened in the economy, controlled trade, and hoarded riches to strengthen the nation's economy. However, its ideological roots were not only economic; it was intricately embedded in the conservative ideas that existed during the particular era's socio-political context.

The political ideology of conservatism has four fundamental principles which in turn help understand the circumstances that enabled rise of mercantilism and influences of protectionist policies.

The first, human nature regarded as the original flaw imposed on approaching economic and political structure with care from the beginning. The belief that human nature possessed traits such as greed, cruelty, and selfishness rendered the utopian economic models as fantasy constructions. This skepticism towards radicalism, Burke's touchstone, led towards a free-market state controlled and modified in a slow manner economy.

Second, the self-sustaining nature of society underscored the idea of the development of economies which do not result from drastic changes but rather from intricate inter-relations. This was incorporated in mercantilism that aimed at building intensive national industries and controlled external trade, which sought gradual economic expansion under state control. Hogg's later examination of conservatism revealed the tendency of societies just like economies to evolve through constant changes instead of singular revolutionary changes.

Third, the history and tradition had a major significance in the development of the economy's policies. Burke highlighted the significance of legal custom and continuity of institutions claiming that effective governance is based on routine practice of certain actions. In essence, Mercantilism operated on the custom of taxation, trade monopoly, and protective tariff system that had been developed over the years. For instance, the mercantilist state policies of Britain such as the protection of domestic industries and navigation laws were engrained in the tradition of state economic intervention.

Lastly, the maintenance of social order was a justification for economic policies which controlled the stratification of classes and the distribution of property as well as power. The mercantilist policies, sometimes described as wealth accumulation, fostered the existing socio-economic class structure ensuring that the economic resources remained in the upper caste. This restriction towards uncontrolled economic processes was a method for preventing instability much like society's conservative political thought preventing change to any realm of governance adopting in a sudden manner [3, p 59].

From the 15th to 17th century, the mercantile concept was important for formulating the economic policies of European states. As international trade was developing during the Age of Exploration, this concept emerged in response to the increase in commerce, and the quest for other sources of wealth.

The central premise of mercantile states was the understanding of trade as an incentive for growth. Proponents of mercantilism believed that wealth is measured in the quantity of gold and silver a country possesses, and that it's economic strength depends on the ability to export more than is imported. Moreover, mercantilism strongly approved of a governmental policy that actively intervenes in economic activities to control the trade balance through exports and protectionist measures for imports.

Like any other concept, mercantilism has gone through changes over time. Early mercantilism (15th-16th century) concentrated more on the gaining of gold and silver. In this era, the thoughts of people like William Stafford or Gerolamo Scaruffi were to make imports a lot less and restrict the export of money, and give a bigger focus on the extraction of precious metals. Late mercantilism (16th-17th century) moved a lot of its focus towards the enhancement of industry and trade, setting the foundation for the idea of an active trade balance. Important people like

Antoine de Montchretien, Thomas Mun, Jean-Baptiste Colbert, and other supporters developed manufacturing industries to further aid in the expansion of trade.

The focus on certain policies differed from country to country, mostly because each country had its own set of historical circumstances. In France, Colbert's policies aimed at the growth of industries along with state economic management, while in England, Thomas Mun focused on international business.

During the change from feudalism to capitalism, mercantilism was and still remains essential to state economic control. Even though there are no concrete theories surrounding the concepts of mercantilism, it is important in the expansion of trade, the enhancement of international labor specialization, and the introduction of state economical control [8, pp 34-37].

Continuing this tradition of protectionism, the Smoot–Hawley tariff act of 1930 is perhaps one of the most drastic cases in state regulation in international trade. Its roots were in the same mercantilist and conservative economic school that sought to protect national industries during the great economic depression. Rather than achieving economic ordering, it set forth a series of retaliatory tariffs which wreaked havoc on the economy (Fig.1).

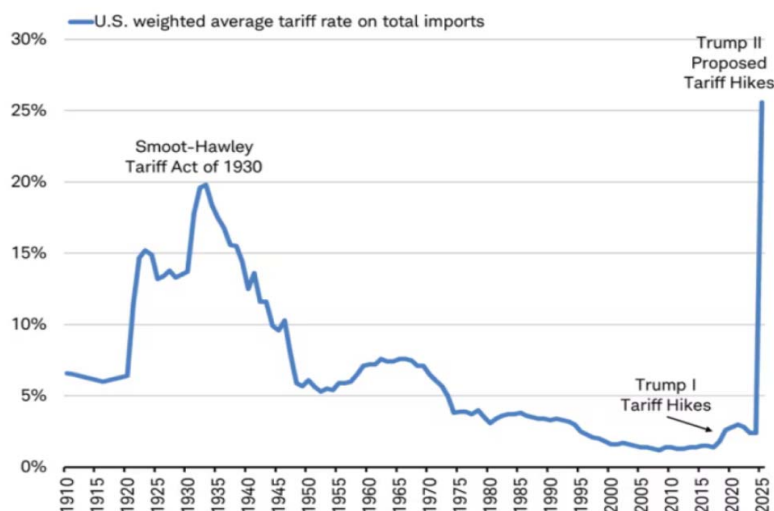


Fig. 1. US. Average tariff rate on total imports

Source: Charles Schwab, U.S. Commerce Department

The Act was named after the US senator Reed Smoot and member of the House of Representatives Willis Hawley. The act was signed into law by President Herbert Hoover in 1930. The Act intensified the already rigid duties on 20,000 foreign goods and services in an attempt to aid American farmers and businesses [9]. The restrictive trade measures were harmful and hostile and were not practical. Canada, UK and Germany responded to the newly placed tariffs and implemented their own. Global trade suffered tremendously, as countries shifted toward protectionist policies. Trade volume within the countries dropped by more than 40% from 1929 to 1934 [10, pp 2-4].

For example, U.S. imports from Europe declined from a 1929 high of \$1,334 million to just \$390 million in 1932, while U.S. exports to Europe fell from \$2,341 million in 1929 to \$784 million in 1932. Overall, world trade declined by some 66% between 1929 and 1934 [9].

This policy failure teaches us an important lesson from history. Protectionism might help local producers a bit, but too many trade restrictions can cause big economic problems. The Great Depression got worse because of these policies. Trade wars can isolate economies instead of helping them recover.

Even with what we learned from the Smoot-Hawley Act, protectionist measures are still affecting global trade today. Recently, countries have put tariffs and trade barriers back in place, claiming they're helping local businesses. For instance, the trade issues between the U.S. and China and the EU's digital market rules show that protectionism is back. While these steps often happen during tough economic times, they can mess up global supply chains and lead to retaliation, just like back in the 1930s [2, pp. 77-78; 11, pp. 2-3].

Just like the Smoot-Hawley Act, today's protectionist measures are often linked to concerns about national security and economic strategy. Governments say they need to support important local industries, cut down on reliance on foreign goods, and protect jobs. But history shows that leaning too much on tariffs can bring problems, like higher prices for consumers and less competitiveness for local businesses.

Nowadays, governments are aware that the fragmentation of the global economy will entail significant economic costs. However, goals such as economic security, energy autonomy, the resilience of supply chains or technological superiority are now more relevant in the design of domestic and foreign economic policies than the adoption of free markets and the support of a rules-based open global economy. The idea that the loss of efficiency through redundancy and selective protectionism can be worth it if it reduces vulnerability and increases resilience is gaining ground. In addition, dissatisfaction with the inequalities generated by globalization in recent decades has increased the legitimacy of state intervention in the economy. In general, priorities have changed, and today geopolitics prevails over economics [4].

The economic growth that occurred during Trump's presidency before the pandemic largely continues previous trends rather than accelerating sharply. Real GDP growth was 2.5% per year on average from 2017 to 2019, versus 2.4% from 2013 to 2016, the period of Obama's second term. Job creation averaged 182,000 a month during Trump's first three years; it averaged 216,000 in Obama's last three years. The unemployment rate fell, from 4.7 percent in January 2017 to 3.5 percent by February 2020, extending its trend of decline that had been underway before it took office.

Manufacturing employment rose by about 450,000 jobs between January 2017 and February 2020, but the sector was in a shallow downturn in 2019 before the pandemic. The trade deficit, which the administration went to great lengths to try to reduce, from automotive tariffs to tariffs on other goods, in fact widened during this period. According to a JEC report, tariff policies cost the average American household about \$800 a year – a blow exacerbated to the agricultural sector from retaliation with tariffs on U.S. products.

The 2017 Tax Cuts and Jobs Act had mixed outcomes. Business investment rose in 2018, but it decreased drastically in 2019 and did not meet expectations.

Benefits to corporations rose sharply alongside a booming stock market, but the expected economic growth of 3-4% each year failed to happen. Federal budget deficits grew substantially during the period even though the economy was growing [5].

The Administration responded with substantial fiscal support by means of the CARES Act, intending to alleviate the economic distress caused by the pandemic. Unemployment skyrocketed to 14.7% and GDP subsequently dropped in Q2 of 2020 [12].

Also let's look for another example of country.

The Made in China 2025 (MIC 2025) plan started in 2015. It shows how China is trying to protect its industries and move from being just a world factory to a tech leader. A report from the Center for Strategic and International Studies (CSIS) says this plan focuses on ten key areas. These include things like new tech in information, robots, aerospace, marine engineering, trains, energy-efficient vehicles, electric power tools, farm machines, new materials, and biopharmaceuticals.

The Chinese government has invested at least \$100 billion to implement this ambitious strategy. Much of this money is channeled through specialized state investment funds, such as the National Integrated Circuit Fund. It can be noted that "MIC 2025 provides state support through subsidies, access to credit, tax breaks and other forms of financial support for domestic companies" [13].

A feature of Chinese protectionism is the establishment of specific quantitative targets. China has set ambitious goals for dominance in key industries, including specific market share targets for domestic manufacturers. In particular, by 2025, China aims to achieve 70% self-sufficiency in high-tech components and materials.

Another important tool of protectionism is "localization requirements, which oblige companies to produce a certain percentage of components or equipment in China." These requirements create significant barriers for foreign companies and encourage technology transfer to Chinese partners [13].

According to a CSIS analysis, "state support for Chinese companies creates excess capacity in global supply chains, putting pressure on the prices and profitability of foreign competitors" [14].

This market distortion has raised serious concerns among China's international trading partners. Kennedy notes that "the reaction to 'Made in China 2025' from developed economies, especially the United States, has been sharply negative, leading to an escalation of trade tensions and investment restrictions" [13; 14].

India's trade policies have really shaped its economy, especially with changes in global markets and local needs. After gaining independence, India focused a lot on protectionist measures, with the government heavily involved in the economy. Over time, however, things have changed as the world moved toward free trade and India's own goals shifted.

After India opened up its economy in 1991, it cut down on tariffs and welcomed foreign investments. But trade protectionism came back in various ways, mainly due to global problems and other issues. From 2014 to 2021, the average tariff rate went up from 5.6% to 7.6%. This shows a renewed focus on growing local industries and being self-sufficient.

The Make in India campaign started in 2014 to help reduce the need for imports and boost local manufacturing. As part of this plan, India placed

restrictions on imports for items like electronics, solar panels, and defense gear. Tariffs on mobile phone imports jumped from 6% in 2014 to 20% in 2018.

The economic results of these policies are mixed. On one hand, the manufacturing sector is doing well. India is becoming a big player in making smartphones around the world. On the other hand, the overall effects on trade are unclear. India's trade deficit grew from \$137 billion in 2017 to \$184 billion in 2021. This increase is partly due to higher costs of imports from tariffs. The agricultural sector has felt the weight of these protectionist policies too. India often puts limits on exports of important goods like wheat and sugar to keep prices steady at home. But these actions have caused some upset with major trading partners, especially in the European Union and ASEAN countries.

Despite concerns over trade imbalances, India's protectionist stance aligns with a broader global trend of economic nationalism. The U.S.-China trade war and disruptions caused by the COVID-19 pandemic have further reinforced India's strategic push for self-reliance. Policymakers argue that targeted protectionism can help strengthen domestic industries, reduce dependency on volatile global supply chains, and create a more resilient economy. However, as past experiences suggest, excessive trade barriers risk hampering economic efficiency, deterring foreign investment, and triggering retaliatory measures from trade partners [6, pp 1213-1218].

Economic indicators for the period 2016-2023 show uneven development of the world's three largest economies (Fig 2). Interestingly, the USA, while maintaining its position as an economic leader, managed to increase its GDP from \$18.71 trillion to \$27.36 trillion (+46.2%). China, although demonstrating confident growth until 2022 (to \$18.10 trillion), unexpectedly lost 2.4% in 2023, sliding to \$17.67 trillion. The Indian economy, despite its more modest scale, demonstrated the most dynamic growth - by 55% (from \$2.29 to \$3.57 trillion). The Covid crisis has shaken these economies in different ways. America lost 2.0% of GDP, India sank by as much as 5.6%, while China managed to emerge with an increase of 2.6% [15;16;17].

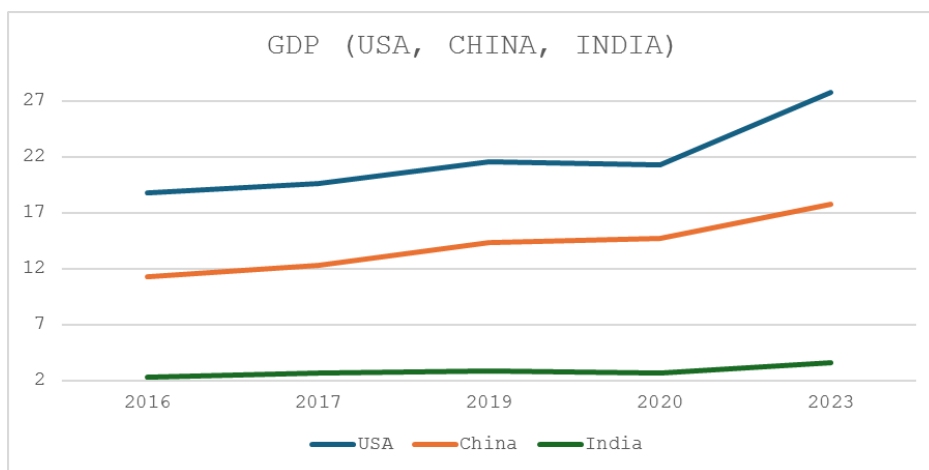


Fig. 2. GDP current growth, current US\$ - US, CHINA, INDIA

Source: compiled by author using data from World Bank Open Data, 2023

A similar miracle was observed with unemployment - in the US it jumped to 8.1% from a pre-pandemic 3.7%, in India it reached 8.0% compared to 6.1% before the crisis, but in China it grew only from 4.3% to 5.0%.

These contrasts are explained not so much by different approaches to protectionism as by the structural features of the economies. The American labor market, despite the powerful blow, recovered quickly (3.7% unemployment in 2023), the Chinese one has maintained its traditional stability (4.4%), but the Indian one has not yet returned to pre-crisis indicators (6.0%) [18;19;20].

Attempts by governments to fence off their economies with protectionist barriers have yielded contradictory results. Restrictions on the export of medical equipment and protective equipment have often disrupted established supply chains, caused corresponding restrictions from trading partners, and triggered an inflationary spiral. Interestingly, economies that reopened more quickly after lockdowns have shown a more robust recovery.

The reciprocal trade restrictions with the EU and US, particularly in the highly developed tech sector, have had an impact on China's GDP drop in 2023. At the same, China's employment market management model makes it possible to maintain extremely high employed figures during even the most severe global economic turbulence.

India's situation has been the most difficult – despite significant GDP growth, unemployment problems remain acute, especially among young people. Protectionist measures have not been able to protect the huge informal sector from the consequences of the pandemic.

A comparative analysis of the three economic powers shows that while short-term protectionist measures can soften the blow for individual industries, they rarely provide long-term benefits. The flexibility of the economic system, the ability to quickly restructure and maintain international cooperation turned out to be more valuable qualities for overcoming crisis phenomena both in production and in the labor market.

Conclusion. An analysis of historical and contemporary manifestations of protectionism shows its mixed impact on economic development. Protectionist measures, such as tariff barriers, government subsidies, and quotas, have traditionally been used to protect domestic producers, but they can also lead to economic isolation and exacerbate trade conflicts. Historical examples, such as the Smoot-Gawley Act, show that tight trade restrictions can have negative consequences for the global economy.

Current economic indicators confirm changes in approaches to trade policy. A comparison of the dynamics of GDP and unemployment rates in the United States, China, and India over the period 2016–2023 demonstrates the different consequences of these countries' economic policies. The United States, which pursued an aggressive protectionist policy under Donald Trump (2016–2020), faced a worsening trade balance and rising consumer costs. After Joe Biden came to power (2021–2025), protectionism in the United States was weakened, and the country began to promote free trade, which allowed stabilizing international economic relations. At the same time, the unemployment rate in the United States decreased from 8.1% in 2020 to 3.7% in 2023, and GDP increased, which indicates the effectiveness of balanced policies.

In China, the situation was marked by steady GDP growth until 2022, but in 2023 it decreased by 2.4%, which is partly due to trade restrictions by the US and the EU in the high-tech sector. At the same time, the unemployment rate remained stable (4.4% in 2023), which is explained by tight state control over the labor market.

India demonstrated the most dynamic GDP growth (+55% from 2016 to 2023), but the unemployment rate remained high (6.0% in 2023). This indicates that even with the active use of protectionist measures, such as the “Make in India” program, the employment problem remains significant.

Thus, modern economic policy demonstrates that the complete rejection of protectionism or its strict application can have both positive and negative consequences. The most effective approach is a strategic combination of market openness with selective mechanisms for protecting the national economy. The experience of the USA, China and India confirms that long-term economic stability depends not only on customs and tariff restrictions, but also on the ability of the state to adapt to global economic challenges.

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THE EFFECTIVENESS OF PROTECTIONISM: HISTORICAL EXPERIENCE AND ECONOMIC CONSEQUENCES

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<https://doi.org/10.32342/3041-2153-2025-1-38-1>

Keywords: *protectionism, trade policy, economic growth, international trade, mercantilism*

JEL classification: *B11, F13, F43*

This integrated study explores the diverse effects and the intricate history of protectionist policy impacts in relation to trade and economic development. The article carefully narrates the rise of protectionism as a recurring economic policy adopted during the tender phases of national economic depression, preceeding it's emergence from the mercantilist practices of the European World Powers of the 16th and 17th century. The policy frameworks were mostly shaped by the interwoven logic behind state regulation of foreign trade intended to defend a nations economic welfare from international competition.

One of the main look was for the 1930 Smoot-Hawley Tariff Act, which is suggested as a case study of history caused by aggressive protective policies. The article examines the retelling of this legislation, that enacted tariffs and duties on over 20,000 imported products, which had set off bans and restrictions on trade by Canada, Britain, and Germany. The chain reaction of such trade restrictions as punitive tariffs resulted the lowest point in trade history when volume of global trade fell by 66% from 1929 and 1934, rapidly changing what could've merely been an economical low from the Great Depression. The statistics trade pourposes during this timeframe, such as the drop of American imports from Europe from 1929 to 1932 shows how desperate consequences of protective policies can be. Despite these historical warnings, the article demonstrates that contemporary states continue to implement protectionist measures, often disregarding the economic lessons of the past in favor of short-term political advantages.

The study offers in-depth comparative analyses of modern protectionist such as “America First” agenda in USA, China’s “Made in China 2025” industrial program and India’s “Make in India” initiatives. Through careful cross-sectional comparison of key economic indicators, particularly GDP growth and employment figures from 2016 to 2023, the study evaluates the effectiveness of these varying protectionist strategies against their stated objectives.

So, the findings shows that while protecting certain industries might help them out for a bit, it's not a great plan in the long run. It usually backfires and weakens the whole economy, which is the opposite of what states want. This adds to the discussion about how much we should open up markets versus protecting our own stuff, especially now that the world is so connected.

Одержано 18.03.2025.