Episode Book

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Ireland, Israel, and the Protectionism Question

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SYNOPSIS

Daniel grew up in Ireland hearing that protectionism built the country's prosperity. Now he lives in Israel, where import restrictions are defended as a way to lower prices. Both stories can't be right. This episode traces Ireland's tariff era from 1932 to its collapse in the 1950s, then examines Israel's current reform push — from the 2014 Lang Committee to the "What's good for Europe is good for Israel" standard. Two countries, one policy, two very different stories told about it.

TRANSCRIPT



Corn

Okay, I'll go first, because this one has been sitting in my head since I read it.



Herman

The Ireland thing.



Corn

Daniel wrote in with a long one. He says, growing up in Ireland, he heard his whole life that protectionism played an important role in ensuring Ireland's prosperity. And now he lives here, in Israel, and he hears protectionism defended again, but for a different reason. Not "this made us rich," but "these import restrictions improve competitiveness and lower the cost of living." Which is a strange thing to hear, because it sounds like the opposite of what a restriction should do.



Herman

Right, and he's asking the big version of it too.



Corn

He is. He wants to know whether protectionism has a place in a modern economy at all. Whether it can be reconciled with competition and free trade, or whether those are just incompatible. And how economists actually view it as an instrument today. Outdated, or still useful.



Herman

Two countries, one policy, two completely different stories told about it. That's the episode.



Corn

Before we can judge either story, we need to be precise about what protectionism even is now. Because the tariff, the headline tariff, is not where most of it lives anymore.



Herman

The definition people carry around is a tax on imports. A number on a good crossing a border. That's the nineteenth-century picture, and it's still real, but it's maybe a third of the actual machinery. The full spectrum runs from tariffs to quotas to outright import bans to licensing regimes to standards, labelling rules, and pure administrative friction. And the center of gravity has moved hard toward the back half of that list.



Corn

Meaning the modern protectionist doesn't raise a price, he raises a form.



Herman

Israel's tariff system is a good example of the old kind still being weird. The OECD describes it as intricate, which is a diplomatic word for a mess. It uses specific duties, compound duties, mixed duties. In 2022, about one in five imported agricultural products faced what's called a non-ad valorem rate. That means the duty isn't a percentage of the value, it's a fixed amount, or some formula. For all goods combined, that figure is around three percent. So agriculture is running a completely different rulebook.



Corn

And then on top of that, the standards.



Herman

On top of that, the standards. Israel imposes regulatory and labelling requirements that are, in the OECD's phrasing, specific to the Israeli market. Which means a product that's perfectly legal in Germany or France might not be legal here, not because it's unsafe, but because the label isn't in the right format or the certification isn't from the right body. And in the World Economic Forum's executive survey, a higher share of Israeli respondents than in most OECD economies say non-tariff barriers limit imports' ability to compete.



Corn

So the barrier isn't a wall, it's a maze. You can get through, you just need a guide.



Herman

And the guide costs money, and the maze takes time, and both of those get priced into what you pay at the shelf.



Corn

Here's the tension I want to hold onto for the whole episode, though. Economists are about as close to unanimous on broad tariffs as economists ever get on anything. And yet tariffs are being imposed, struck down, re-imposed, litigated at the highest courts in the world. So the interesting question isn't just "does protectionism work." It's "why does the gap between the advice and the politics persist."



Herman

Which is a much better question, and it's the one that actually has a live experiment attached to it.



Corn

So let's take the two countries in order. Ireland first, because it's the historical case, and because Daniel's memory of it is, let's say, contested.



Herman

Contested is generous. Let's do it properly. After independence, the first government, Cumann na nGaedheal, ran a free-trade policy centered on agriculture. That was the 1920s. Then in 1932 Fianna Fáil comes in and does the opposite. Tariffs, quotas, and a deliberate strategy of import-substituting industrialization. The idea being, we make it ourselves instead of buying it from Britain.



Corn

And the motivation wasn't purely economic.



Herman

Not remotely. The historians describe it as cultural isolationism plus economic nationalism. There was a real sense that a country that couldn't feed and clothe itself wasn't really independent. Self-sufficiency as a national project, not a spreadsheet.



Corn

Which is exactly the theme from the earlier conversation about whether a modern country can go it alone. Ireland tried it.



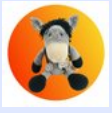
Herman

Ireland tried it, and here's the part that makes the story complicated. On one measure, it looked like it worked. Manufacturing employment more than doubled between 1931 and 1951, from about sixty-two thousand to well over a hundred thousand by the mid-fifties. Factories went up. People got jobs. If you were reading the headline numbers in 1950, you'd say the policy was delivering.



Corn

And underneath?



Herman

Underneath, the strategy had simply not worked. That's not my phrasing, that's the economic history. It failed to generate a self-sustaining economy that was less reliant on the UK. Which was the entire point. You put up tariffs to stop depending on Britain, and you end up depending on Britain for the inputs and the machinery to run the factories you built to stop depending on Britain.



Corn

That's a beautiful trap. You import the means of not importing.



Herman

And the fifties were a decade of crisis. Four changes of government in nine years, against one in the previous twenty-six. Emigration was enormous. The state's own viability was in question. This is not a country cruising on the fruits of protection. This is a country in trouble.



Corn

So when does the turn come?



Herman

Late fifties. Protectionism is abandoned in principle, and it crystallizes in a document. T.K. Whitaker's Economic Development, 1958, followed by the Programme for Economic Expansion. And the results show up fast. Non-food manufacturing exports trebled in volume between 1950 and 1960. The economy reorients outward, and then EEC entry locks it in.



Corn

Now here's the part I find interesting, and it's not the economics, it's the politics.



Herman

Go on.



Corn

The standard story is that a smart civil servant, Whitaker, figured out that protection was a mistake, wrote it down, and the country followed. The learning thesis. Leaders learned.



Herman

And Breen and Dorgan explicitly contest that. They argue the shift was driven less by heroic insight than by interest-group politics. Agriculture needed to not be excluded from European integration. That was the decisive force. And here's the kicker. Industry, the supposed beneficiary of protection, was remarkably acquiescent. There was no determined opposition by any group of consequence. The people who were being protected didn't fight to keep it.



Corn

That's the detail that undoes the whole narrative. If protection were the foundation of Irish prosperity, the industrialists would have chained themselves to the factory gates when it was removed. They shrugged.



Herman

One historian puts it as, it's the lack of protest at the shift that is significant. The absence of a fight is the evidence.



Corn

So Daniel's memory, growing up hearing that protectionism ensured Ireland's prosperity. The record says protectionism ran from 1932 to the late fifties and coincided with stagnation and a crisis severe enough to question whether the state should exist. The prosperity is attributed to abandoning it.



Herman

And I want to be careful here, because I don't think people are lying when they tell that story. I think something real happened, which is that the era of protection and the era of nation-building overlapped. The same decades. So in memory they fuse. The factories, the flag, the independence, the jobs, it all becomes one thing. And the thing that actually made you rich gets attached to the thing that happened at the same time.



Corn

The tariff gets credit for the flag.



Herman

And nobody remembers the specific document that ended it, because a customs schedule doesn't go on a monument.



Corn

So that's the theory and the history. Now let's look at a country running the experiment in real time.



Herman

Israel. And the starting position matters, because it's the whole reason this is a live political fight. Israel has among the five highest comparative price levels in the OECD. Food and housing are among the highest. Median wages are below the OECD average. And the bottom income quintile spends almost all of its net income on essentials. So when you talk about import costs here, you're not talking about luxury goods. You're talking about what a family eats.



Corn

And the structural number that explains a lot.



Herman

Israel's import-to-GDP ratio was 26.9 percent in 2023. The OECD average is 51.9. So Israel imports about half as much, relative to the size of its economy, as the typical rich country. The State Comptroller's report calls it an island economy, and that's the right image. Goods imports were around ninety billion dollars in 2023, and only about a quarter of that was consumer goods.



Corn

So the reform agenda. Where does it start?



Herman

2014, the Lang Committee. It identifies two core problems. High concentration, and a small number of exclusive importers. The insight was that the problem isn't only the tariff at the border, it's who's allowed to bring the thing in and sell it once it's through. Parallel imports, letting multiple parties import the same product, was seen as the key competitive lever.



Corn

And then a decade later, the actual reforms.



Herman

Two big ones. "No stopping at the Port" entered force in July 2024. That ends mandatory port inspections for thousands of products. Then "What's good for Europe is good for Israel" took effect January 1, 2025, adopting EU standards for consumer goods, food, and cosmetics. The logic being, if it's good enough for a German supermarket, it's good enough for an Israeli one. And in March 2025, Israel further softened import regulations for US goods.



Corn

And the government's claimed results?



Herman

The Ministry of Economy says the Europe reform led to a forty-four percent increase in consumer-goods imports, with price drops of over thirty percent in some categories. Bicycles are the example they cite. Projected savings of eight to sixteen percent in import costs, and roughly six thousand shekels per household per year.



Corn

Those are big numbers. Now the other report.



Herman

The State Comptroller, October 2025. And it's a very different document. Reforms were poorly communicated. Enforcement was understaffed. Nine of sixteen inspector posts vacant, seven of thirty-two market-supervision posts vacant. And forty of forty-four adopted EU food regulations were not translated or published.



Corn

Forty of forty-four.



Herman

So you've adopted the standard on paper and nobody can read it. An importer trying to comply with a rule that hasn't been published in a language he reads is not being regulated, he's being hazed.



Corn

And this is where the two reports aren't actually contradicting each other, are they? They're describing two different layers.



Herman

The Ministry is measuring the border. Imports up, prices down at the port. The Comptroller is measuring what happens after the border. And the answer is, the bottleneck moved. You removed the tariff, you removed the inspection stop, and now the constraint is a compliance officer who doesn't exist and a regulation nobody translated. The protection didn't disappear. It changed address.



Corn

Which is the modern face of the whole thing. The barrier used to be a tax you could see and litigate. Now it's a standard you can't.



Herman

And there's a clean example of the old kind working, which is worth having in your pocket. Canned tuna. Duties were cut from twenty-seven percent to twelve percent between 2013 and 2016. Consumer prices fell. Households saved about thirty-eight million shekels. The tariff revenue lost was only about eleven million. So the consumer gained roughly three and a half times what the treasury gave up.



Corn

That's the case for the whole program in one line. The tax was costing consumers more than it was raising.



Herman

Then the cautionary case on the other side. Planned tariff cuts on seven fruit and vegetable varieties were revoked in December 2023, over concerns about domestic production capacity. And there are no plans to resume them.



Corn

Why? What changed?



Herman

October seventh. A war, and a sudden, very sharp awareness that you do not want your food supply to depend on ships arriving on schedule. Which brings in the exception that both the Comptroller and the OECD wrestle with. The Comptroller warns that excessive reliance on imports may jeopardize national interests, including security interests, the protection of local production as a source of livelihood, food security, and public health and safety.



Corn

That's not an economic argument. That's a survival argument. And it's hard to dismiss.



Herman

It's hard to dismiss, and the OECD's counter is interesting. Their point is that trade makes markets thicker. A thicker market has more suppliers, more routes, more substitutes. So when one source fails, you have others. Self-sufficiency means one supplier, you, and if you fail, there's no fallback. Interdependence, done right, is more resilient than isolation, not less.



Corn

Thick versus thin. That's the whole debate in two words. A thin market is efficient right up until it isn't.



Herman

The OECD is careful about this. They concede the security concerns may be persuasive, and then say trade protection diminishes valuable competitive pressures. Both things are true. It's a genuine tradeoff, not a solved question.



Corn

Now, the concentration problem, because this is where the reform story gets uncomfortable.



Herman

The four largest car importers hold about sixty percent market share. Direct importers held 97.4 percent of private vehicle imports in 2023. And the twelve largest car importers' pre-tax profits hit a two-decade high, five billion shekels in 2022, up thirty-five percent in real terms.



Corn

You can remove every barrier at the border and still have four guys setting the price.



Herman

There's a fascinating pressure valve in the data. Personal imports, meaning individuals ordering packages from abroad, went from 16.7 million packages in 2020 to 52.8 million in 2024. A three-and-a-quarter-fold increase. Under the seventy-five dollar tax-exemption threshold.



Corn

People gave up on the domestic retail channel entirely and started importing their own stuff.



Herman

Which tells you the demand for the cheaper price is real, and the official channel wasn't delivering it, so the public built a workaround. That's not a policy success. That's a policy being routed around.



Corn

Let's get to the economists, because Daniel asked specifically how they view this as an instrument today. And the answer is unusually clean.



Herman

Four hundred and sixty-nine economists signed an open letter in October 2025. Acemoglu, Blanchard, Blinder, Eichengreen, Mankiw, Maskin, both Romers, Thaler, Wolfers. That's a list that spans the entire ideological range of the profession. And the letter says broad-based tariffs impose net costs on the economy, divert resources from their most efficient use, and that trade deficits are not a national emergency.



Corn

When Thaler and Mankiw sign the same letter, you're not looking at a school of thought. You're looking at the field.



Herman

The ifo and CESifo survey backs it up. US economists overwhelmingly recommend a free-trade approach with minimal tariffs. The European numbers are messier, recommended tariff rates vary a lot country to country, which tells you the EU has a hard time forming a single trade position. But the direction is the same.



Corn

The profession is not divided. The division is between the profession and the politics.



Herman

The politics is very live right now. The Supreme Court ruled six to three in February that the IEEPA tariffs were unlawful. Roughly a hundred and ten billion dollars in refunds followed. Customs duty collections fell fifty-nine percent year on year in August. And the administration has pivoted to Section 301 forced-labor tariffs, which now cover 99.4 percent of US imports, and those are being challenged in the Court of International Trade as we speak.



Corn

The instrument keeps getting struck down and keeps getting rebuilt in a new legal shape.



Herman

Which is the pattern. The tariff loses in court, the tariff comes back as a different tariff. Same as the Israeli case. The barrier loses at the border, the barrier comes back as a standard.



Corn

Let's answer Daniel's actual questions. Does protectionism have a place in a modern economy. Can it be reconciled with competition and free trade. Is it outdated.



Herman

On the specific Israeli claim, that protection improves competitiveness and lowers the cost of living, the evidence doesn't support it. The OECD and Israel's own State Comptroller both frame protection as a cause of high prices, and the entire reform program is designed to remove it. The improve-competitiveness framing is a political argument wearing economic clothing.



Corn

On the broader question, there's a real case for narrow, targeted protection, and it's usually security. You don't want your only food supply on a ship. That's not stupid. The problem is that narrow exceptions have a way of becoming broad permanent programs, and the security argument gets attached to industries that have nothing to do with security.



Herman

The honest answer to can it be reconciled with free trade is, mostly no, and the exceptions are narrow and specific and should be argued for one at a time. Not as a general doctrine.



Corn

Which brings us to the gap between economic advice and political reality. And why that gap persists.



Herman

The ifo survey has a line I keep thinking about. The persistent gap between expected and recommended tariff levels on both sides of the Atlantic underscores the difficulty of reconciling economic advice with current political realities.



Corn

The costs of a tariff are diffuse. Everybody pays a little, at the shelf, spread across millions of purchases. The benefits are concentrated. A few thousand workers in a specific plant in a specific district, with a specific member of parliament. And those workers vote, and the shoppers don't know they're paying.



Herman

The diffuse cost never organizes, because nobody gets a letter saying "your tariff bill this month was forty shekels." It's invisible by design.



Corn

The gap isn't a bug. It's arithmetic. Concentrated benefit beats diffuse cost in every democratic system that's ever existed.



Herman

Which is why the Irish case is so instructive. The removal happened when agriculture, a concentrated interest, needed something. Not when the public got angry about prices.



Corn

I want to sit with Hilbert's thing for a second, because it changes how I read all of this.



Herman

The margin depending on the officer.



Corn

Right. We've been talking about reform as if you pass a law and the barrier comes down. He described a world where the law passed and the barrier just moved to a desk. And the desk had a person at it, and that person decided your week.



Herman

That's not corruption, necessarily. That's a system where the rule is real but unreadable, so the enforcement becomes discretionary. Which is worse than a tariff, because a tariff is at least a number you can plan around.



Corn

A tariff is honest. It tells you what it costs. A standard that hasn't been translated doesn't tell you anything, so you pay in time and relationships instead of money.



Herman

Which loops back to the numbers. Forty of forty-four regulations unpublished. Nine of sixteen inspector posts vacant. The reform removed the tariff and left the discretion. And discretion is the most expensive barrier there is, because you can't price it.



Corn

That's the answer to why removing protection doesn't automatically reach consumers. Even setting aside the four importers holding sixty percent of the car market, the compliance layer sits between the port and the shelf, and it doesn't disappear when the tariff does.



Herman

The misconception I'd want to kill is the one that says protectionism is a dial. Like there's a setting, and you turn it down, and prices fall.



Corn

It's not a dial. It's a house with a lot of doors, and you can unlock the front one and still be stuck in the hallway.



Herman

The tariff is the front door. The standard, the licence, the untranslated regulation, the vacant inspector post, the importer who controls the channel, those are all the interior doors. And unlocking one doesn't get you to the kitchen.



Corn

Which is why the Irish story and the Israeli story are actually the same story told at two different speeds. Ireland took thirty years to learn that the barrier was costing more than it delivered. Israel is finding out in real time that removing the barrier is not the same as



Corn (continued)

removing the protection.



Herman

The economists' consensus, the four hundred and sixty-nine signatures, is real and it's correct on the direction. But it tells you which way to walk, not how long the walk is.



Corn

One forward-looking thought to land on. The modern face of protectionism is increasingly non-tariff. Standards, labelling, licensing, administrative friction. Which means the fights of the next decade won't be about tariff schedules that a court can strike down. They'll be about regulations justified by health and safety, where the economic motive is real but unprovable, and there's no clean legal target.



Herman

Harder to see, harder to litigate, and much harder to argue against, because nobody wants to be the person who said the food safety rule was protectionism in a lab coat.



Corn

Thanks to Hilbert Flumingtop for producing. This has been My Weird Prompts. If you want to support the show, a review wherever you listen goes a long way.



Herman

We'll be back soon.