Douglas Irwin (Dartmouth College) & Maksym Chepeliev (Purdue)
'The economic consequences of Sir Robert Peel'

Although Britain's repeal of the Corn Laws in 1846 was the defining trade policy action of the nineteenth century, existing studies of its economic effects have significant shortcomings. This paper constructs an applied general equilibrium model based on a detailed input-output matrix of the British economy in 1841 and provides a consistent, unified evaluation of the Corn Law repeal on sectoral output and employment, factor prices and income distribution, international trade and the terms of trade, and overall economic welfare. The main results indicate that labor and capital gained a slight amount of income at the expense of landowners (whose income fell about 3-5 percent). Britain's overall welfare was roughly unchanged, or perhaps fell negligibly (0.1 percent), because of the adverse terms-of-trade effects of the repeal. We also look at the distributional impact of Corn Laws on the top 10 percent and bottom 90 percent of income groups in Britain. We find, not surprisingly, that the Corn Law Repeal was a progressive policy in that it benefited the bottom 90 percent at the expense of the top 10 percent; both the income and expenditure channels are working in this direction. Taking into account the sources of income and pattern of expenditure of two groups, the policy reduced the welfare of the top 10 percent of income earners by about 1-2 percent and increased the welfare of the bottom 90 percent by about 0.5 percent. In terms of aggregate welfare, the static efficiency gains were negated by the deterioration in the terms of trade since Britain was a "large" county on world markets. We also assess these predictions by examining how various economic outcomes evolved in the aftermath of repeal to see how well the model tracks actual events. We find the model does reasonably well in tracking major indicators (prices, volumes, etc.) in the 3-5 years after repeal. We also evaluate Britain's broader move to freer trade in the mid-nineteenth century.