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NOTES

INTRODUCTION

1. *PJM* 10:265–66.

2. Martis (1988) points out that sectionalism has been a feature of congressional voting from the very beginning of the country.

3. For surveys of work by economists on the political economy of trade policy, see Rodrik 1995; Gwande and Krishna 2003; and McClaren 2016. The widely cited Grossman and Helpman (1994) model of “protection for sale” focuses on the determinants of tariff rates across industries, whereas this book focuses more on the average tariff rate, something captured by an exogenous parameter in their model: the weight that politicians put on social welfare.

4. Works on trade policy by political scientists include O’Halloran 1994; Hiscox 2002; Destler 2005; and others. For works by historians on trade policy, see Stanwood 1903; Ratner 1972; Dobson 1976; and Eckes 1995.

5. The Export-Import Bank was created in the 1930s to provide credit guarantees for exporters, but overall its financial support for exports has been small. For a history of the Export-Import Bank, see Becker and McClenahan 2003. Export subsidies were also used in the 1980s to deal with surplus agricultural production.

6. There are many other aspects of trade policy that we will not be able to consider, such as trade sanctions against particular countries and embargos on the export of particular products for national security purposes.

7. Import quotas can also be used to limit the quantity of particular foreign goods allowed to enter the market, but the United States did not start using them until the 1930s, and then mainly for agricultural goods.

8. Irwin 1998a.

9. These measures, calculated by dividing customs revenue by the value of total and dutiable imports, have several shortcomings, as discussed in Anderson and Neary 2005. They construct a trade-restrictiveness index that addresses many of the usual problems. Despite these shortcomings, the average tariff is still a useful measure. Irwin (2010) calculates a trade-restrictiveness index for US tariffs from 1867 to 1961 and shows

that it is highly correlated with the standard average tariff measures. Furthermore, the United States has not used many non-tariff barriers, such as import licenses, foreign exchange restrictions, and discriminatory regulations, to restrict imports that would make the average tariff measure misleading.

10. The distinction between revenue and protective duties is not always sharp. Revenue duties do not discriminate in favor of domestic producers; they tend to be levied on products that are not produced at home or that are subject to domestic taxes equal to the import tariff. Protective duties discriminate in favor of domestic producers; Johnson (1960) defines protection as “any policy that raises the price received by domestic producers of an importable commodity above the world market price.”

11. See Corden 1974 for an introduction to the theory of commercial policy.

12. The Foraker quote is from Morgan 1965, 227, and the Reed quote is from Morgan 1969, 167.

13. By increasing the domestic price of imported goods, a tariff reduces the demand for imports and shifts demand toward domestically produced substitutes, leading domestic producers to increase their output. This is a description of the partial equilibrium “imperfect substitutes” trade framework developed by Baldwin (1976). See also Rousslang and Suomela 1988.

14. See Kim 1995 and Holmes and Stevens 2004. As Holmes and Stevens (2004, p. 2008) note, “For industries producing nontradable goods or services like retail, there is little [geographic] specialization, while for tradable goods like manufactures, mining output, and agricultural products, there is a substantial amount of specialization across regions.”

15. After the 1950s, Holmes and Stevens (2004, p. 2000) report that “US manufacturing moved out of this northern region and into other parts of the country” and that “certain areas of the South have become quite specialized in manufacturing, in effect fashioning a new manufacturing belt.”

16. See Lerner 1936. However, an across-the-board tariff on imports does not reduce all exported goods to the same degree.

17. See Bense 1984 on sectionalism and American political development.

18. See Baldwin 1984a for this industry-based approach, as well as Grossman and Helpman 1994, both of which are implicitly based on the specific-factors model of Jones (1971) and Samuelson (1971).

19. The famous Stolper-Samuelson theorem focuses on the economic interests of the underlying factors of production that produce output rather than industries themselves. See Rogowski 1989 and Hiscox 2002 on this theme. See Deardorff and Stern 1994 for an overview of the Stolper-Samuelson theorem.

20. If trade-policy decisions were made via public referendum, Mayer (1984) shows how the preferences of the median voter would influence the outcome.

21. “The members of the Senate and House are the advocates and representatives of different local interests all of which naturally seek to influence the transactions of the government on their own behalf,” noted Senator Thomas Bayard (D-DE) (quoted in Rothman 1966, 81).

22. This point relates to Mancur Olson’s (1965) theory of collective action.

23. For example, if representatives from Pennsylvania want to impose higher

tariffs on steel, and representatives from South Carolina want to enact higher tariffs on apparel, the legislators from each state could agree to support each other's proposal. The benefits to Pennsylvania of higher steel tariffs would far exceed any loss it would incur from higher apparel tariffs, and a similar calculation holds for South Carolina. See Grossman and Helpman 2005 for a theoretical analysis of the protectionist bias in majoritarian politics.

24. See Fernandez and Rodrik 1991 on the certain losers and the uncertain winners, and Tullock 1975 on the transitional gains trap. The imposition of a tariff may generate short-run or transitional gains for the protected industry, but not permanent gains, because the initial benefits eventually get capitalized into asset values or eroded due to expanded production and the entry of new producers. At this point there is no apparent benefit of the tariff for incumbent firms, but its removal would force them to incur large capital losses—hence their strong opposition to any change.

25. Destler 1986, 3.

26. *CQA* 1988, 223.

27. Quoted in Binkley 1962, 222. There were some exceptions: President Woodrow Wilson was a strong party leader who actively helped shape the 1913 tariff.

28. On this switch, see Keech and Pak 1995.

29. McGillivray (1997), Brady, Goldstein, and Kessler (2002), and Weller (2009) show that political parties have an impact on trade-policy outcomes beyond constituent economic interests.

30. Of the 77 Congresses from 1867 to 2019, there have been 21 unified Democratic governments, 22 unified Republican governments, and 34 divided governments. Since the enactment of the Reciprocal Trade Agreements Act of 1934, divided government has been less of a problem for trade policy, since Congress no longer considered tariff legislation; see Karol 2000 and Sherman 2002.

31. Goldstein (1993) makes the case for the role of ideas in shaping US trade policy.

32. Remini 1997, 223.

CHAPTER I

1. Pereira and Flores de Frutos 1998.

2. See Lindert and Williamson 2016, as well as Gallman 2000 and McCusker 2000.

3. As Shammas (1982, 268) points out, "How can communities that spent a quarter of per capita income on goods imported from outside the colony be described as practicing local self-sufficiency?"

4. Shepherd and Walton 1972.

5. *Ibid.*

6. Shammas 1982.

7. The nominal GDP of colonial America in 1774 is estimated to have been between \$142 million (McCusker 2000, table 2) and \$164 million (Lindert and Williamson 2013, table 4). The nominal value of exports from England and Scotland to the thirteen colonies was £2.953 million in 1774, or \$13.1 million after translating into dollars at the par exchange rate of \$4.44 per pound (McCusker 1971).

8. Harper 1939, 35.

9. The estimates by Thomas (1965) spawned a large literature that probed the methods and figures used. See Walton 1971 and Sawers 1992 for references.
10. Ransom 1968.
11. *PTJ* 1:123.
12. Egnal and Ernst 1972, 30.
13. As Baack (2004) points out, land was another source of contention: the Proclamation of 1763 prevented the colonists from settling in or trading west of the Allegheny Mountains.
14. Mitchell 1988, 579.
15. See Thomas 1987 and Calloway 2006.
16. Breen 2004.
17. Thomas 1975, 151.
18. US Bureau of the Census 1975, Z-227–28.
19. Olson 1992.
20. Witkowski 1989.
21. Thomas 1987, 169–70.
22. Mitchell 1988, 494.
23. See Ragsdale 1996 and Holton 1999. Southern colonies accounted for 84 percent of the nearly £3 million in debt owed to British merchants in 1776 (Sheridan 1960, 167).
24. Thomas 1987, 246–54.
25. Labaree 1964.
26. From the Journal of the Continental Congress, available online at <http://www.loc.gov/teachers/classroommaterials/presentationsandactivities/presentations/timeline/amrev/rebelln/rights.html> (accessed July 11, 2016).
27. *PJA* 3:190.
28. *Ibid.*, 4:57.
29. See Lint 1978 and Clarfield 1979.
30. Cheney 2006.
31. Article 2 of the treaty stated that the two countries “engage mutually not to grant any particular favour to other nations, in respect of commerce and navigation, which shall not immediately become common to the other Party, who shall enjoy the same favour, freely, if the concession was freely made, or on allowing the same compensation, if the concession was conditional.” See Malloy 1910, 1:468. Setser (1933) finds that the conditional MFN clause was due to the French negotiators.
32. Buel 1998, 178.
33. See Ritcheson 1969; Olson 1992; Crowley 1993.
34. Bjork 1964; see also Shepherd and Walton 1976.
35. Nettles 1962, 49.
36. McCusker 2001.
37. Massachusetts produced about 125 ships a year before the revolution, but just 4 ships in 1784. Nettles 1962, 52; Marks 1973, 64.
38. Nettles 1962, 49, 51.
39. *PJM* 8:314–16.
40. *WJA* 8:383.
41. *Ibid.*, 313.

42. *Ibid.*, 101
43. *Ibid.*, 299.
44. *PJA* 17:390.
45. *PAH* 3:75–76.
46. Baack 2001; see also Ferguson 1961.
47. *PJM* 6:144–45.
48. *Ibid.*, 9:294–95.
49. In a series of articles, Zornow (1954–56) investigated the tariff laws of seven states during the 1780s. For Rhode Island, Connecticut, Pennsylvania, and Maryland, see Shepherd (1993).
50. See McGillivray 2001 and Giesecke 1910.
51. Marks 1973, 82.
52. *Ibid.*, 83, 68.
53. *PTJ* 9:399–400.
54. *PJM* 8:333.
55. Davis 1977, 91–92.
56. *PTJ* 8:215, 296.
57. Davis 1977, 92–93.
58. *PJM* 8: 407.
59. Davis 1977, 85.
60. *PJM* 8:344.
61. *Ibid.*, 334–35.
62. Marks 1973, 68.
63. *PJM* 8:502.
64. *Ibid.*, 9:96.
65. *LJM* 4:251.
66. *PJM* 10:29.
67. On voting patterns at the convention, see McGuire 2003, Heckelman and Dougherty 2007, and Pope and Treier 2015.
68. Farrand 1911, 3:126, 327.
69. *Ibid.*, 2:441.
70. See Finkelman 1987; Goldstone 2005; and Baack, McGuire, and Van Cott 2009.
71. Farrand 1911, 2:374.
72. *PJM* 8:340.
73. Farrand 1911, 2:360, 306.
74. *Ibid.*
75. *Ibid.*, 371.
76. *Ibid.*, 374–75.
77. *Ibid.*, 450, 453.
78. *Ibid.*, 449–450.
79. *Ibid.*, 449. Maryland's Luther Martin, who opposed the constitution, also confirmed this vote trade, stating that “the *eastern* States, notwithstanding their *aversion to slavery*, were very willing to indulge the southern States, at least with a temporary liberty to prosecute the *slave trade*, provided the southern States would in their turn gratify them, by laying no *restriction on navigation* acts; and after a very little time the

committee, by a very great majority, agreed on a report by which the general government was to be prohibited from preventing the importation of slaves for a limited time, and the restrictive clause relative to navigation acts was to be omitted." *Ibid.*, 3:210.

80. McClendon 1931.

81. *PAH* 4:340.

CHAPTER 2

1. As McCoy (1980, 86–87) explains, "Many republicans eagerly embraced an eighteenth century ideology of free trade, whose leading spokesmen included Montesquieu, Hume, Adam Smith, and the French physiocrats. According to these writers, foreign as well as domestic commerce should be freed from all restraints so that it might flourish and, in the process, humanize men by refining their manners and morals. . . . Given their hostility to Britain and the mercantilist model, it is not surprising that many Americans in the early years of independence embraced this outlook and tied it directly to the spirit of their revolution."

2. *PBF* 35:83.

3. *PTJ* 8:332; Jefferson 1955 [1785], 176.

4. *PBF* 39:344.

5. As Thomas Jefferson advised a correspondent in 1790, "In political economy, I think Smith's *Wealth of Nations* is the best book extant" (*PTJ* 16:449). Cowin (1999) and Fleischhacker (2002) examine the influence of Adam Smith on the founding fathers.

6. *PJM* 12:71. Fisher Ames (1854, 1:49), one of the leading Federalists of the period, noted, "One of his [Madison's] first speeches in regard to protecting commerce, was taken out of Smith's 'Wealth of Nations.' The principles of the book are excellent, but the application of them to America requires caution. I am satisfied, and could state some reasons to evince, that commerce and manufactures merit legislative interference in this country much more than would be proper in England."

7. *PAH* 3:76.

8. For more on Smith and trade policy, see Irwin 1996b.

9. *PTJ* 27:527.

10. *Ibid.*, 8:633.

11. *PJM* 8:333–334.

12. *WTJ* 3:269.

13. "Were I to indulge my own theory, I should wish them [Americans] to practice neither commerce nor navigation, but to stand with respect to Europe precisely on the footing of China. We should thus avoid wars, and all our citizens would be husbandmen." Jefferson recognized that "this is theory only, and a theory which the servants of America are not at liberty to follow" (*PTJ* 8:633).

14. *PGW-CS* 3:299–300.

15. *PTJ* 8:633.

16. Bordewich 2016.

17. *PJM* 12:64–65.

18. *AC*, 4/9/1798, 114.

19. *PJM* 12:69–70.
20. *PJM* 20:70–71.
21. *Ibid.*, 71–72.
22. *Ibid.*, 72–73.
23. See Edling and Kaplanoff 2004. Peskin (2003, 91) notes that the federal tariff rates were roughly double those of New York, but were generally lower than those imposed by Pennsylvania and Massachusetts.
24. Balinky 1958, 57.
25. Brown 1993, 238–39.
26. Edling and Kaplanoff 2004.
27. Riley 1978.
28. *PAH* 7:232.
29. Irwin 2003.
30. Richardson 1903, 1:65.
31. On the *Report*, see Cooke 1975; Nelson 1979; and Irwin 2004.
32. *PAH* 10:262–63.
33. *Ibid.*, 266.
34. *Ibid.*, 3:75.
35. *Ibid.*, 10:266.
36. *Ibid.*, 10:68.
37. *Ibid.*, 299.
38. *Ibid.*, 301.
39. *PJM* 14:195.
40. *PAH* 10:302–04.
41. *PTJ* 23:172–73.
42. *Ibid.*, 24:187.
43. *Ibid.*, 214, 353.
44. See Elkins and McKittrick 1993, 277.
45. See Clarfield (1975).
46. *PAH* 11:139.
47. *AC*, 1/27/1792, 349–51. This portion of the debate is clearly misplaced as it refers to events that occurred after January; it almost surely took place in late April.
48. Stanwood 1903, 1:102; Irwin 2004.
49. Elkins and McKittrick (1993, 261) argue that it would be “misleading to connect Hamilton too closely with the protective-tariff theorists of the early nineteenth century, much as they may have looked to him for inspiration. His ends were more complex than theirs, and went well beyond simple protection. (Indeed, a nineteenth-century Hamilton would in all likelihood have been a free trader: he did not think it well that any interest should become too settled and comfortable.)”
50. *PAH* 3:78–79.
51. *Ibid.*, 4:477.
52. *Ibid.*, 10:301.
53. See also Shankman (2003). This is not to say that protectionist pressures were strong, because the number of manufacturers was very small, and many of them had

divided interests. For example, Peskin (2003, 109) points out that iron producers and iron users (nail and horseshoe producers) were deeply divided: the former wanted high duties, and the latter wanted low duties on imported iron.

54. *PAH* 11, 141.

55. *AC*, 5/4/1789, 238.

56. *WTJ* 8:405. See Peterson (1965) on Jefferson's trade-policy views and McCoy (1974) and McCoy (1980) for an overview of the economic views of the Republicans.

57. *AC*, 5/4/1789, 256.

58. *PGW PS* 3:323–24.

59. *PAH* 5:488–89.

60. *Ibid.*, 7:426.

61. *Ibid.*, 424.

62. *PTJ* 20:236, 353–54.

63. Goldin and Lewis (1980) conclude that the favorable improvement in terms of trade translated into an increase in the growth rate of per capita income of about a quarter of a percentage point, from about 1.07 percent to 1.32 percent a year. By their calculations, American national income would have been about 3 percent lower had there been no American trade boom as a result of the European conflict.

64. Even though some ships and cargoes were confiscated, there were relatively few direct losses from the European war. As Nettles (1962, 324) points out, "The political and diplomatic quarrels of the time may give the impression that losses to American shippers all but ruined their business and drove their vessels from the sea. Actually, they prospered as never before. Ships that completed voyages greatly outnumbered those that fell prey to belligerents."

65. *AC*, 5/6/1806, 557.

66. Adams 1980.

67. See *PTJ* 27:567–78.

68. *Ibid.*, 574.

69. *Ibid.*, 560.

70. *Ibid.*, 561–63.

71. *Ibid.*, 562.

72. In 1792, Hamilton drafted a reply to Jefferson's impending report, which began by noting, "The commercial system of Great Britain makes no discriminations to the *prejudice* of the UStates as *compared* with other foreign powers" and "There is therefore no ground for a complaint on the part of the UStates that the system of G Britain is particularly *injurious* or *unfriendly* to them" (*PAH* 13:412).

73. *Ibid.*, 16:271–72.

74. *AC*, 1/13/1794, 196, 203, 202. According to Jefferson, "I am at no loss to ascribe Smith's speech to its true father. Every tittle of it is Hamilton's except the introduction. There is scarcely anything there which I have not heard from him in our various private tho' official discussions. The very turn of arguments is the same . . . the style is Hamilton's. The sophistry is too fine, too ingenious even to have been comprehended by Smith, much less devised by him" (*PTJ* 28:49).

75. *PAH* 16:275.

76. Mitchell 1988, 494.

77. *PAH* 16:274–76.
78. *PTJ* 27:560.
79. See Bemis 1923; Combs 1970; and Estes 2006.
80. *WGW* 35:233, 235.
81. Nettles 1962, 325.
82. Richardson 1903, 1:322.
83. Lambert 2005.
84. Davis and Engerman 2006.
85. Hickey 1987.
86. *WTJ* 5:64.
87. Latimer 2007, 20.
88. *PJM SSS* 16:322. On Jefferson's commercial policy, see Peterson 1965; Spivak 1979; and Ben-Atar 1993.
89. *WTJ* 5:265.
90. Richardson 1903, 1:433.
91. On the embargo, see Jennings 1921; Sears 1927; Spivak 1979; Frankel 1982; and Irwin 2005b.
92. British figures for the calendar year show the "official value" of British exports to the United States fell from £7.9 million in 1807 to £4.0 million in 1808, a decline of 49 percent, while the official value of British imports from the United States fell from £2.8 million in 1807 to £0.8 million in 1808, a decline of 71 percent (Mitchell 1988, 499).
93. Irwin 2005b.
94. Bailey 1980, 126.
95. Wolford 1942.
96. Fry 2002, 34.
97. Sears 1921.
98. Irwin 2011a.
99. *WTJ* 5:271.
100. Gallatin 1879, 1:389.
101. Mannix 1979.
102. *WTJ* 9:202.
103. *Ibid.*, 237.
104. *Ibid.*, 239, 245; *WTJ* 12:56.
105. Frankel 1982.
106. *ASP FR* 1:256.
107. *WTJ* 9:237.
108. See Mannix 1979 and Stuart 1982.
109. Stagg 1983, 24; Spivak 1979, 153.
110. *AC*, 11/28/1808, 538, 541.
111. *WTJ* 9:244.
112. *AC*, 1/31/1809, 1249.
113. Ketcham 1971, 465.
114. *PTJ RS* 2:537.
115. *Ibid.*, 533–34.
116. In 1825, Jefferson recalled that John Quincy Adams had told him about talk

in New England about secession because of the embargo: "However reluctant I was to abandon the measure (a measure which persevered in a little longer, we had subsequent and satisfactory assurance would have effected its object completely), from that moment, and influenced by that information, I saw the necessity of abandoning it, and instead of effecting our purpose by this peaceable weapon, we must fight it out, or break the Union. I then recommended to yield to the necessity of a repeal of the Embargo, and to endeavor to supply its place by the best substitute, in which they could procure a general concurrence" (*WTJ* 7:424–26).

117. "In the course of those consultations, I learned the whole policy of Mr. Jefferson; and was surprised as well as grieved to find, that in the face of the clearest proofs of the failure of his plan, he continued to hope against facts. . . . The very eagerness with which the repeal was supported by a majority of the Republican party ought to have taught Mr. Jefferson that it was already considered by them as a miserable and mischievous failure" (Story 1851, 1:185).

118. *PTJRS* 2:506; *WTJ* 9:521; 10:354. "Despite overwhelming evidence to the contrary," Ben-Atar (1993, 171) argues, Jefferson "continued until the end of his public life, to hold on to an inflated assessment of the strength of the United States and its commerce."

119. *PAH* 16:275.

120. *PJM PS* 2:322.

121. Latimer 2007.

122. Hickey 1981, 521.

123. Buel 2005.

124. Risjord 1961, 205.

125. Gilji 2013.

126. *AC*, 12/31/1811, 599–600.

127. *AC*, 12/9/1811, 424.

128. *AC*, 12/31/1811, 601.

129. *PHC* 1:842.

130. Latimer 2007, 31.

131. Perkins 1961, 326.

132. *Ibid.*, 339.

133. As Perkins (1961, 339–40) writes, "The [British] depression of 1810, totally unconnected with events in America, secured for the United States what Jefferson's Embargo had been unable to obtain."

134. Hickey 1981, 523.

135. Dudley 2003.

136. Lebergott 1984, 124.

137. "From Thomas Jefferson to Marie-Joseph-Paul-Yves-Roch-Gilbert du Motier, marquis de Lafayette, 24 February 1809," Founders Online, National Archives (<http://founders.archives.gov/documents/Jefferson/99-01-02-9871> [last update: 2015-12-30]).

138. Richardson 1903, 1:476.

139. *ASP-F* 2:430–31.

140. *PJM PS* 3:52.

141. Irwin and Davis 2003.

142. *PTJRS* 5:563.

143. *WTJ* 4:521–23.

CHAPTER 3

1. North 1966, 242; Davis 2004.

2. Hansard's *Parliamentary Debates* 33, 1099.

3. Brougham viewed this trade as a mistake rather than a deliberate attempt to sabotage American producers, but it is easy to understand why Brougham's comments seemed to confirm a predatory intent on the part of British manufacturers. See Viner 1923, 42.

4. Richardson 1903, 1:553.

5. *Ibid.*, 1:567.

6. *ASP-F*, 3:90.

7. *Ibid.*

8. *PHC* 2:179.

9. *AC*, 1/16/1816, 687.

10. *AC*, 4/4/1816, 1330.

11. On the South's support for the bill, see Preyer 1959.

12. In 1832, Madison wrote that he still believed in free trade "as a theoretic rule, and subject to exceptions only not inconsistent with the principle of it," but that "theories are the offspring of the closet; exceptions to them, the lessons of experience." *LJM* 4:259.

13. US Bureau of the Census 1975, series K-554.

14. *ASP-F*, 2:426, 430. See also Ware 1926.

15. Jeremy 1981, 101. According to Zevin (1971, 141), "The principal motive for introducing the power loom was a desire to regain competitive viability by cutting costs. The stimulus which brought this desire to the fore was the traumatic pressure which material and product price movements put on the manufacturers' gross margins. The result of adopting the power loom was to lower direct operating costs by a very substantial margin."

16. Jeremy 1981, 101.

17. Ware 1931, 75.

18. Rosenbloom (2004) argues that it is premature to dismiss an important role for the tariff if there were external economies of scale at work in the industry.

19. Taussig (1931, 68) notes that "no strong popular movement for protection can be traced before the crisis of 1818–19." On the panic, see Rothbard 1962 and Dupre 2006.

20. As Peart (2013, 97) notes, "Carey played a pivotal role in this expansion, offering advice and encouragement to allies all over the Union through an extraordinary volume of personal correspondence."

21. In 1802, a special committee of the Pennsylvania Senate concluded that the underlying economic problem was "to be found chiefly in the abuses of the banking system" and their "universally bad administration. . . . The want of protection to domestic manufacturers, although it may apply in a great degree to the operations of manufacturing towns, yet it is not valid as relates to the great mass of people of the

commonwealth, who can perceive in the banking institutions the immediate cause of their embarrassments" (see Eiselen 1932, 45).

22. As Rothbard (1962, 172) observed, "While the protectionists devoted a great deal of attention to the depression, the 'free traders' in opposition devoted little space to the depression, since they could not counter with a simple remedy of their own. Free traders generally concentrated on general political economic questions, such as the benefits of international trade and the division of labor, the danger of monopoly, the injustice of special privilege, and the morals of factory life."

23. Richardson 1903, 2:45.

24. *Ibid.*, 61.

25. On tariff politics surrounding the Baldwin bill, see Peart 2013.

26. *AC*, 4/26/1820, 2116, 2131.

27. Kennon and Rogers 1989, 86.

28. *AC*, 4/26/1820, 2036.

29. Vipperman 1989, 204.

30. Setser 1937.

31. Richardson 1903, 2:192.

32. *PHC* 3:685, 687.

33. *Ibid.*, 692.

34. *Ibid.*, 688.

35. *Ibid.*, 694.

36. *Ibid.*, 726.

37. *Ibid.*, 701.

38. *Ibid.*, 704.

39. *Ibid.*, 723–24.

40. *AC*, 4/2/1824, 2028.

41. *AC*, 4/6/1824, 2206.

42. *AC*, 4/1/1824, 2010.

43. *AC*, 4/30/1824, 649, 623.

44. *AC*, 4/15/1824, 3359.

45. *AC*, 4/30/1824, 649.

46. As Jefferson noted to a correspondent, "Congress has done nothing remarkable except the passing of a tariff bill by squeezing majorities, very revolting to a great portion of the people of the States, among whom it is believed it would not have received a vote but of the manufacturers themselves" (*WTJ* 10:304).

47. Paskoff 1983, 76. See also Pincus 1977, 58–61.

48. Another attendee was Friedrich List, a German newspaper editor from Reading, Pennsylvania, who later achieved fame for writing *The National System of Political Economy* in 1841, a book that defended protectionist policies and was widely seen as the best rebuttal to the free-trade doctrines found in Adam Smith's *Wealth of Nations*. See Henderson 1983.

49. The quotations are from Bartlett 1993, 145, and Dangerfield 1952, 409. See also Remini 1958 and Stanwood 1903, 1:243–90.

50. Remini 1981, 70.

51. "Whether the [Adams] Administration, which was already ruined, was worth such an elaborate stratagem was another question" that Dangerfield (1952, 406) asks.

52. Pincus 1977, 50.

53. Dangerfield 1952, 406.

54. *RD*, 3/4/1828, 1750.

55. Daniel Webster attributes this phrase to Smith in *RD*, 5/9/1828, 756.

56. *PHC* 7:95, 136.

57. *Weekly Register*, 9/20/1828, 52.

58. Remini 1958, 913.

59. "Adams's signature meant only that he believed the bill to be Constitutional: like his predecessors, he did not consider himself justified in vetoing a piece of legislation merely because it was inexpedient" (Dangerfield 1952, 409).

60. *RD*, 5/9/1828, 746.

61. *PJC* 13:459–60.

62. *CG*, 5/30/1844, appendix, 747.

63. *RD*, 4/21/1828, 2472.

64. *PJC* 12:61.

65. *PHC* 10:125.

66. Richardson 1903, 2:414.

67. *PJC* 10:402–03.

68. Of course, a revenue tariff would have some protective effects on certain industries, but such protection was an incidental by-product of the duties, and the promotion of certain industries was not intentional. As Rep. John Letcher of Virginia admitted in 1857, "It is utterly impossible to arrange it [a revenue tariff] as to avoid incidental protection" (*CG*, 2/5/1857, appendix, 190). Of course, others wanted just the opposite. Sen. Simon Cameron of Pennsylvania stated, "I am in favor of protection as the *object* and revenue as the *incidence*" (*CG*, 6/15/1860, 3019).

69. Peskin 2003, 208–9. See also Prince and Taylor 1982.

70. Meyer 2003. On Pennsylvania's role in trade politics during the nineteenth century, see Eiselen 1932.

71. See Tiegle 1942.

72. See Larson 2001 and Irwin 2008.

73. See Baxter 1995 and Ha 2015.

74. *CG* 5/27/1846, 936. As Sellers (1991, 290) put it, "The logrolling genius of Clay's American System linked protectionism with internal improvements. Northwestern entrepreneurs backed high tariffs to provide revenue for roads and canals, while northeastern manufacturers supported transportation appropriations to sop up surplus revenues that might force tariff reductions."

75. *PHC*, 6:654.

76. Larson 2001, 165–66.

77. Feller 1984, 136.

78. *RD*, 2/9/1832, 339–40.

79. *PJC* 10:456–57.

80. *Ibid.*, 450.

81. Huston 1994, 532–33.
82. *PJC* 10:482.
83. *PHC* 10:328.
84. *AC*, 3/31/1824, 1994.
85. “That a Tariff for the encouragement of Manufactures may be abused by its excess, by its partiality, or by a noxious selection of its objects, is certain. But so may the exercise of every constitutional power,” Madison noted. “If mere *inequality*, in imposing taxes, or in other Legislative Acts, be synonymous with *unconstitutionality*, is there a State in the Union whose constitution would be safe? Complaints of abuse are heard in every Legislature, at every session” (*PJM* 9:287).
86. *Ibid.*, 431–32.
87. Forsyth 1977, 82.
88. Lindert and Williamson 2013. See also Russel 1924.
89. Ratcliffe 2000, 17.
90. Freehling 1965, 118.
91. *AC*, 1/30/1824, 1308.
92. *PJC* 11:299.
93. Huston 2003, 27; Gundersen 1974, 922.
94. *PJC* 10:398.
95. *RD*, 3/5/1832, 501–2.
96. *AC*, 3/31/1824, 1979.
97. *AC*, 2/2/1832, 278.
98. *LJM* 4:261–62.
99. *PJC* 11:227.
100. *Ibid.*, 10:402–3.
101. *Ibid.*, 444–46.
102. *PAJ* 9:78.
103. Parton 1861, 3:295.
104. Feller 1984, 141.
105. Ratcliffe 2000, 11.
106. Richardson 1903, 2:525.
107. The statement is reprinted in Taussig 1892, 127–28. See Belko 2012 for details on the Philadelphia Free Trade Convention.
108. Richardson 1903, 2:556.
109. The minority on the committee dissented, arguing that “the protecting system is interwoven with the best interests of the country” (Stanwood 1903, 1:374–75).
110. *MJQA* 8:443, 446.
111. *PHC* 8:125. In March 1832, James Madison pleaded with Clay to work out a compromise (*PHC* 8:479).
112. *MJQA* 8:445.
113. *RD*, 2/2/1832, 266.
114. *RD*, 2/13/1832, 367.
115. Freehling 1965, 248.
116. *PHC* 8:551.
117. *RD*, 2/13/1832, 367. See also Miller 1975.

- 118. *PJC* 12:62 and *PJC* 11:603.
- 119. See Pease and Pease 1981; Ochenkowski 1983; and Ford 1988.
- 120. Benton 1854, 1:297.
- 121. Freehling 1965, 262.
- 122. Richardson 1903, 2:643, 645.
- 123. *Ibid.*, 652.
- 124. Bassett 1926, 4:498, 504, 502.
- 125. See Bergeron 1973; Latner 1977; and Ellis 1987.

CHAPTER 4

- 1. Richardson 1903, 2:598.
- 2. *Ibid.*
- 3. *PHC* 8:621–22.
- 4. *Ibid.*, 617. Years later, when asked to explain why he endorsed the compromise, Clay said that he had two motives. First, he sought to “avert the calamity of civil war, the fire of which, having been lighted up in South Carolina, threatened to extend its flames over the whole Union.” Second, he sought to “preserve from utter destruction the system of protection” because “if the compromise act had not been adopted, the whole system of protection would have been swept by the board by the preponderating influence of the illustrious man then at the head of Government [President Jackson]” (*PHC* 9:660).
- 5. On the compromise, see Peterson 1982.
- 6. *PHC* 12:41.
- 7. Benton 1854, 1:311.
- 8. Kennon and Rogers 1989, 113.
- 9. *RD*, 2/25/1833, 729–42.
- 10. *RD*, 1/14/1833, 1040.
- 11. *PHC* 8:630 and 628.
- 12. *RD*, 2/26/1833, 1792.
- 13. *RD*, 2/12/1833, 468.
- 14. *PHC* 8:626–27.
- 15. *CG*, 3/12/1838, 638.
- 16. Timberlake 1993. Also see Rousseau 2002 and Wallis 2001 on the origins of the panic.
- 17. See Egnal 2001.
- 18. Richardson 1903, 4:43. On Tyler and the tariff, see Monroe 2003, chap. 5.
- 19. Richardson 1903, 4:82.
- 20. *PJC* 16:171.
- 21. *CG*, 6/15/1842, 635.
- 22. Johnson and Porter 1973, 9, 3.
- 23. Polk 1969, 7:264.
- 24. Richardson 1903, 4:378–79.
- 25. Polk 1910, 2:28.
- 26. *Ibid.*, 44. Sellers 1966, 462; Shenton 1961, 74.

27. Richardson 1903, 4:405–6.
28. S. Doc. No. 2-29, at 8 (1845).
29. *PHC* 10:286.
30. S. Doc. No. 20-29, at 11 (1845).
31. James and Lake 1989.
32. Richardson 1903, 5:18.
33. *CG*, 7/21/1846, 1124.
34. See Taylor 1951, 451.
35. Lebergott 1966, table 1.

36. See Irwin 2010 for the 1859 calculation. In 1830, the import share was about 7 percent of GDP, and the average import duty was about 60 percent, yielding a deadweight loss of 1.3 percent of GDP. This calculation ignores the variance in tariff rates across goods, which usually increases the deadweight loss by a factor of two or more. Thus, a very crude guess at the deadweight loss would place it around 2.5 percent of GDP in 1830.

37. Irwin 2003c.
38. Gallman 1960, table A-1.
39. Meyer 2003.

40. As early as 1825, even Hezekiah Niles conceded that coarse American cotton fabrics did not need protection from imports. Taussig (1931, 136) and Ware (1931, 106) both conclude that domestic producers of coarse goods did not need protection by the early 1830s at the latest.

41. Irwin and Temin (2001) find only a weak relationship between domestic production and import prices even before 1830, consistent with domestic and foreign producers specializing in different products. Their empirical results suggest that the 1846 Walker tariff reduction would have reduced domestic production of cotton textiles by just 7 percent, and elimination of the tariff in 1820, when the tariff rate was much lower, would have reduced domestic production by about 9 percent.

42. Davis and Irwin 2008; Warren 1973, 11, 13.
43. Pincus 1977, 32.
44. See Engerman 1971 and Davis and Irwin 2008.
45. Richardson 1903, 4:285.

46. For example, the Senate rejected a reciprocity agreement with the German Zollverein in 1844. Similarly, Louisiana blocked a reciprocity agreement with Hawaii in 1855 out of fear of sugar imports. The Senate also stopped a trade agreement with Mexico in 1859. The one exception was the negotiation of a limited reciprocity agreement with Canada in 1855. Under this agreement, most bilateral trade in raw materials was given duty-free treatment in both countries. The United States and Canada also agreed to share the Atlantic fisheries off of Newfoundland, and the United States received permission to navigate the St. Lawrence River. The Senate approved this pact. Trade quickly tripled between the two countries, and Canada became the second-largest trading partner of the United States. The United States abrogated the treaty in 1866. See Officer and Smith 1968 and 1971.

47. Richardson 1903, 4:338.

48. Calomiris and Schweikert 1991.
49. Richardson 1903, 4:458.
50. *Ibid.*, 521.
51. See Pitkin 1940 and Flaherty 2001, 108.
52. Luthin 1944, 626.
53. *CG*, 5/10/1860, 2053.
54. Magness 2009. See also Hofstadter 1938.
55. Flaherty 2001, 111.
56. Johnson and Porter 1973, 33.
57. *WAL* 3:487.

58. *WAL* 4:252. As James Blaine (1884, 198–99) explained, “The convention which nominated Mr. Lincoln met when the feeling against free-trade was growing, and in many States already deep-rooted. A majority of those who composed that convention had inherited their political creed from the Whig party, and were profound believers in the protective teachings of Mr. Clay. But a strong minority came from the radical school of Democrats, and, in joining the Republican party on the anti-slavery issue, had retained their ancient creed on financial and industrial questions. . . . The convention therefore avoided the use of the word ‘protection,’ and was contented with the moderate declaration” mentioned above.

59. Although the South had already decided to leave the Union, Morrill worried about the political ramifications of the tariff: “Our tariff bill is unfortunate in being launched at this time, as it will be made the scape-goat of all difficulties. In fact the southern Confederacy would have made a lower tariff had we left the old law in force and precisely the same troubles would have been presented” (Sherman 1895, 1:183).

60. Magness 2009, 325, 315.
61. Lee 1957, 299.
62. Luthin 1944, 625.
63. *WAL* 4:211.
64. See Huston 2003, 27; and Gunderson 1974.

65. This estimate is from Goldin and Lewis 1975. As Goldin (1973) points out, the cost of buying out slaves from their owners as an alternative to war would have been expensive as well. She estimates the cost of purchasing the freedom of slaves at about \$2.7 billion, which would have required tripling federal expenditures, even if spread out over twenty-five years.

66. *CG*, 3/12/1862, 1196.
67. *CG*, 7/1/1862, 3053.
68. *CG*, 6/2/1864, 2672.

69. Lincoln is often thought to have made the statement that the United States gets a good but loses the money when it imports, but it gets the good and keeps the money with protection. Taussig (1920, 34–48) finds no evidence that Lincoln ever said that.

70. McGuire and Van Cott 2002, 429.
71. Bensel 1990, 175.
72. Carlander and Majewski 2003.
73. Burdekin and Langdana 1993, table 2.

74. Davis and Engerman 2006, 144. Although the price of cotton in Liverpool soared from 6 pence per pound in 1860 to 27 pence in 1864, the British government did not offer much support for the Confederate government.

75. Lebergott 1983, 69.

76. Lebergott 1983, 67; and Burdekin and Langdana (1993).

77. "Given Southern unwillingness to be taxed or pay taxes due, and given planter unwillingness to restrict their sale of cotton to support Confederate bond sales, the Confederacy was left with only one financial policy—confiscation" via inflation, Lebergott (1983, 70) notes.

78. Lebergott 1981, 883, and Hetherington and Kower 2009. In addition, by raising the cost of trade, the blockade affected the composition of Confederate imports in a way that was detrimental to the South's war effort. Merchants were given an incentive to import high-valued luxuries (such as coffee and tea) rather than bulky but essential war material. See Lebergott 1981, 873 and Ekelund and Thornton 1992. On the northern blockade in general, see Surdam 2001 and Davis and Engerman 2006.

79. Easterlin 1961, 86; see also Sellers 1927.

CHAPTER 5

1. US Bureau of the Census 1975, Y-493.

2. McGuire 1990.

3. *CG*, 6/29/1866, 3499.

4. *CG* 6/29/1866, 3499.

5. *CG*, 6/29/1866, 3500.

6. *CG*, 7/10/1866, 3719.

7. Joyner 1939, 44.

8. H.R. Exec. Doc. No. 12-39(December 1866).

9. Ferleger 1942, 178.

10. Wells's change in outlook was probably triggered by the intense lobbying surrounding the earlier Morrill bill. Meardon (2007) considers some of the reasons for Wells's intellectual conversion.

11. H. R. Rep. No. 72-41, at 33, 63, 65 (1869).

12. *CG*, 1/19/1869, 452.

13. Tarbell 1912, 67.

14. *CG*, 4/1/1870, 270-71.

15. Richardson 1903, 7:107.

16. *CG*, 3/28/1872, 2017-18.

17. Morgan 1969, 167.

18. Johnson and Porter 1973, 42.

19. Richardson 1903, 7:293.

20. Johnson and Porter 1973, 54, 50.

21. Morgan 1969, 167.

22. *Ibid.*, 116.

23. *Harper's Weekly*, 11/13/1880, 731.

24. Richardson 1903, 8:49.

25. Tariff Commission 1882, 1.
26. Taussig 1931, 249.
27. Richardson 1903, 8:134–36.
28. This is described in Stanwood (1903, 2:207–218). See also Hendrickson and Roberts 2016.
29. *CR*, 5/9/1890, 4431.
30. See Bensel 2000, 495.
31. Quoted in Tedesco 1985, 127.
32. Kennon and Rogers 1989, 187.
33. Thompson 1985.
34. Hoogenboom 1995, 493–5.
35. Richardson 1997, 105.
36. *CR*, 5/3/1882, 3577.
37. Wright 1910.
38. Because of their willingness to do so during this period, Smith (1954, 165) notes that “outside of the cotton South and apart from the period 1830–1860, American farmers have contributed virtually nothing to the cause of a liberal trade policy.”
39. Morgan 2003, 168. See also Calhoun 1996, 300–301, and Richardson 1997.
40. Leiter 1961.
41. Skocpol 1993; Holcombe 1999.
42. Bensel 1984, 70.
43. Thompson 1985, 187.
44. Morgan 1969, 170.
45. *CR*, 4/17/1888, 3058.
46. *CR* 5/9/1872, 3234.
47. *CR*, 5/17/1888, 4352. “The whole history of our national experience shows a constantly decreasing price as the effect of increased home competition,” one Republican report explained. “A reduction of duties which destroys our production and competition as inevitably results in putting up the price demanded by our foreign rivals.”
48. *CR*, 3/25/1870, Appendix, 209
49. Palen 2013, 217.
50. Oddly, Carey favored massive immigration into the United States, which he argued would raise wages by adding to the diversity of employment. See Morrison 1986 and Meardon 2011.
51. While applauding his policy conclusions, Justin Morrill gently conceded that Carey was unpopular because his argumentation was too “diffuse” (Huston 1983, 51).
52. Mill [1848] 1909, 922; *JSM* 17:1589.
53. Morrison 1986, 2.
54. On Wells, see Terrill 1969. Best known for his advocacy of a land tax, Henry George attacked trade restrictions in *Protection or Free Trade* (1886), while William Graham Sumner, a Yale professor and social Darwinist, wrote *Protectionism: The-ism Which Teaches that Waste Makes Wealth* (1885). Arthur L. Perry of Williams College was active with the American Free Trade League and even debated tariff policy with Horace Greeley.
55. *CG*, 4/1/1870, 268.

56. *CR*, 1/10/1877, 555.

57. *CR*, 2/1/1894, 1781.

58. See Corden 1971 and Anderson 1998. Hawke 1975 calculates effective rates of protection for various US industries in the nineteenth century.

59. Most studies of this period put the level of US prices higher than in Britain. In 1910, the nominal dollar-sterling exchange rate was £4.86, but Williamson (1995) calculates that the purchasing-power parity exchange rate was 30 percent higher, at £6.35, reflecting trade impediments and the higher prices of non-traded goods in the United States. Similarly, Ward and Devereux (2003, 832) report that the prices of services (housing, domestic service, and transportation) were roughly 25 percent higher in the United States than in Britain during the late nineteenth century, despite the similar income levels in the two countries.

60. See O'Rourke and Williamson 1999.

61. This "specific factors" model is due to Jones (1971) and Samuelson (1971), and the "neo-classical ambiguity" is analyzed in Ruffin and Jones 1977.

62. As Ward and Devereux (2003, 833) show, surveys of consumers in the 1870s and 1880s indicate expenditure shares of about 42 percent for food, 10 percent for tobacco and alcohol, 18 percent for housing, 20 percent for clothing, and 10 percent for other items.

63. Irwin 2010.

64. However, the collection costs in levying import duties were higher than the costs of internal taxes. The Treasury Department reported that the operating costs (as a percentage of revenue collected) were about 3 percent for both import tariffs and internal taxes in the 1880s, but the costs for internal taxes fell to about 1 percent by about 1900 (Lindert 2014, 487).

65. Irwin 2014.

66. With a perfectly elastic supply of imports, the domestic price of imports would be expected to fall 25 percent, calculated as $(1 + \tau_{1870}) / (1 + \tau_{1869}) - 1$, or $(1.20 / 1.60) - 1 = -0.25$, where τ is the tariff rate.

67. As Smith (1926, 119–120) puts it, "The consensus of opinion among economic historians is that the tariff was not the predominant influence in shaping the course of events in the wool growing industry during the years covered by this chapter."

68. McGuire 1990.

69. James 1984, 193.

70. H.R. Rep. No. 792-48 (1884).

71. Porter and Johnson 1956, 65.

72. *Ibid.*, 72–3.

73. In relating this story, Allan Nevins (1932, 280) adds, "Cleveland might well have expressed his comparative ignorance, but it is unlikely that he did it with this sentimental gesture."

74. Cleveland vetoed hundreds of private pension bills that were pure patronage. Cleveland marveled at "the ingenuity developed in the constant and persistent attacks upon the public Treasury by those claiming pensions and the increase of those already granted is exhibited in bold relief by this attempt to include sore eyes among the results of diarrhea" (Bensel 1984, 65).

75. Richardson 1903, 8:341.
76. *Ibid.*, 509–10.
77. *Ibid.*, 581.
78. *Ibid.*, 584.
79. *Ibid.*, 588.
80. *Ibid.*, 590.
81. *Ibid.*, 590.
82. See H.R. Rep. 1496-50, at 15 (1888).
83. *CR*, 7/19/1888, 6519.
84. *CR*, 6/7/1888, 4401/4403, 4:3591, 5:4107.
85. Johnson and Porter 1973, 78.
86. *Ibid.*, 80.
87. “There is no question that the tariff was the central issue of the election of 1888,” Reitano (1994, 108) argues. See also Calhoun 2008.
88. Baumgardner 1984.
89. To date, there has been no systematic analysis of voting patterns in the 1888 election, but see Reitano 1994, 127–28 and Kleppner 1979, 361–62.
90. Richardson 1903, 8:774–76.
91. McCarty, Poole, and Rosenthal (2002) discuss how territorial expansion helped to boost Republican support in Congress for tariff protection.
92. Richardson 1903, 9:39.
93. Morgan 2003, 109. See also Morgan 1960.
94. Quoted in Frieden 1997, 387.
95. *CR*, 5/7/1890, 4253.
96. *CR* 5/8/1890, 4318.
97. H.R. Rep. No. 1466-51, at 1–2 (1890).
98. Stanwood 1903, 2:268.
99. H.R. Rep. No. 1040-52, at 2 (1890).
100. Conybeare (1991) examines the economic basis for the political support given to the McKinley tariff.
101. Morgan 2003, 113.
102. Josephson 1938, 454.
103. Morgan 2003, 113–14.
104. Rogers 2007; Palen 2010; Palen 2016.
105. The infant industry argument usually relies on learning by doing, in which initial production costs fall rapidly with production experience. If production experience is an important determinant of a firm’s (or an industry’s) costs, temporary protection can enable it to reduce its costs in order to compete successfully against established foreign incumbents. Suthiphisal (2006) finds little evidence of learning-by-doing in three industries—shoes, textiles, and electrical equipment—in the late nineteenth century.
106. As Irwin (1996b) points out, the infant industry doctrine has a long intellectual history and was endorsed by no less an authority than John Stuart Mill. Baldwin (1969) points out that import tariffs do not provide the right incentives to help infant industries mature.

107. Even James Swank, the stalwart protectionist of the American Iron and Steel Association, did not claim the industry was a newcomer that needed protection on infant industry grounds; see Tedesco 1985, 191.

108. See Berglund and Wright 1929, 195 and Hogan 1971, 357. Taussig (1915, 151) argued that “the same sort of growth [in iron and steel] would doubtless have taken place eventually, tariff or no tariff; but not so soon or on so great a scale.”

109. The assumption of no international technology transfer is hard to sustain in view of a 1901 report by a visiting party of British iron officials, which noted that “a considerable number of the heads of the American iron industry of today acquired their training, their knowledge, and their experience in British works” (Berthoff 1953, 67). See also Hyde 1991.

110. Irwin 2000b.

111. For example, using a basic formula for the effective rate of protection, if iron and steel account for two-thirds of the cost of producing tinplate, and the tariff on iron and steel was 40 percent, then a nominal tariff on tinplate of 25 percent implies an effective rate of protection of 56 percent!

112. See Berthoff (1953, 69).

CHAPTER 6

1. *Statistical Abstract of the United States* 1903, 549; League of Nations 1945, 13.

2. The commonly used figures by Maddison (1995), which have the United States overtaking Britain in per capita income around the turn of the century, are increasingly questioned. Ward and Devereux (2003, 2005) suggest that the United States always had a higher per capita income than Britain, which is consistent with the work of Lindert and Williamson (2016) on the late eighteenth and early nineteenth centuries. On 1910, see Woltjer 2015.

3. *CR* 5/7/1890, 4255.

4. “The effect of alternative commercial policies on the rate of growth may well be the quantitatively significant issue in the free trade versus protection debate,” Harry Johnson (1960, 339–40) once wrote. “If the cost of protection is a small proportion of the level of national income at any point of time, and if protectionists happen to be correct in their claim that protection increases an economy’s rate of growth, the increase does not have to be very great for its effect in raising national income to counterbalance the reduction due to the cost of protection within relatively few years.” See Bairoch 1993, 52–53, and O’Rourke 2000 for statements noting a positive relationship between tariffs and economic growth during this period. This section of the book draws on Irwin 2001.

5. Unfortunately, there is relatively little research that tries to explain the structure of late nineteenth-century tariffs across industries. Baack and Ray (1983) find that tariff rates by industry are not strongly related to skill intensity of labor in production or the capital-labor ratio.

6. Haines 2000, 153.

7. Hatton and Williamson (1998) find that immigration to the United States was highly cyclical and depended upon the wage gap between the two continents as well as business-cycle movements. These migration cycles are uncorrelated with movements

in the tariff, for example, the reduction in protective duties in the Walker Tariff of 1846 was followed by a huge wave of migration to the United States.

8. See Davis and Gallman 1978 and Davis and Gallman 1994. James (1984) found indirect evidence that the government's fiscal surpluses, devoted largely to reducing Civil War debt, promoted domestic investment by reducing interest rates (i.e., fiscal surpluses "crowded in" private investment).

9. Jaremski 2014.

10. De Long (1998, 369) notes that "the tariff made a wide range of investment goods—from British machine tools and steam engines to steel rails to precision instruments—more expensive." The higher prices of foreign and domestic capital goods depressed the rate of capital accumulation. "The damaging effects of the tariff on investment were extremely important for nineteenth century growth," De Long (1998, 370) concludes. "In the long run, a reduction in the real investment share of national product of 2 to 4 percent carries with it a reduction in the capital-output ratio of 10 to 20 percent—and a reduction in productivity and real wages of 5 percent or more."

11. Kravis 1972, 403. The late nineteenth century saw the rise of big business enterprises, but they were not yet large multinational corporations capable of sizeable foreign investments. Wilkins (1989) examines the role of foreign investment in the US economy prior to World War I. See also Lipsey 2000.

12. See Lewis 1979, as well as Dennis and Iscan 2009 and Alvarez-Cuadrado and Poschke 2011.

13. Weiss 1993.

14. Cochran (1961) and others have shown that the Civil War did not provide a boost to manufacturing.

15. Data from the US Bureau of the Census (1975), series P-5, P-10, U-223–224.

16. "The impact of the international economy upon American economic growth during this period was clearly less significant than in earlier periods," North (1960b, 199) notes. If the contribution of import-substitution to late nineteenth-century economic growth was negligible, that period was certainly not one of "export-led" growth either (Kravis 1972).

17. As Taussig (1915, 29) points out, "All the general indications from the economic history of the United States are that protective duties in the great majority of cases have not served to bolster up antiquated establishments or to retard improvements; though it may not be so clear that they have so often actually simulated improvement in the way and to the extent contemplated by the [infant] industries argument."

18. Chandler (1959, 31) argues that "*the* major innovation in the American economy between the 1880s and the turn of the century was the creation of the great corporations in American industry." This innovation "was a response to the growth of a national and increasingly urban market that was created by the building of a national railroad network—the dynamic force in the economy in the quarter century before 1880."

19. Hirschman and Mogford 2009.

20. "Within a decade of the initial transfer of Bessemer steel technology to the USA, American Bessemer plants were decidedly superior to British plants, in terms of output levels and productivity," Hyde (1991, 67) notes.

21. *LTR* 1:104. In Stanwood's (1903, 2:294) view, "The result seemed to be, and in a certain real sense it was, an emphatic rejection of the protection system by the voters of the country." The perception that high tariffs protected monopolistic big businesses and trusts also contributed to the unpopularity of the McKinley act. In Taussig's (1931, 317) view, "The outcry against trusts and monopolies, though in fact it describes an exception rather than the normal working of protective duties, was probably the most effective argument in bringing about the public verdict against the McKinley act."

22. In Cannon's view, any revision of the tariff (up or down) harmed the economy because it generated uncertainty for business. For an analysis, see Clarke, Jenkins, and Lowande 2016.

23. Johnson and Porter 1973, 93.

24. *Ibid.*, 87.

25. Richardson 1903, 9:392.

26. Friedman and Schwartz (1963) attribute the loss of gold reserves to the fear that silver interests would force the United States to abandon the gold standard. It was not until the Republican election victory in 1896 that such fears were set aside, gold returned to the United States, and the economy began to recover. On the economic depression during this period, see Steeples and Whitten 1998.

27. See Miron and Romer 1990 and Romer 1986.

28. Richardson 1903, 9:458–60.

29. As Kennon and Rogers (1989, 237) note, "The public hearings were merely pro forma—the real work occurred behind closed doors. The Wilson bill was as much of a 'dark lantern' measure as the Mills bill of 1888. After the formal hearings, the committee moved to the virtually inaccessible Census Committee room in the labyrinthine Capitol basement. The subcommittee met with Treasury Department officials and businessmen, some of whom came only on the condition that they could remain anonymous. The committee continued to draft the bill in its subterranean chamber."

30. Cleveland had earlier resurrected the party's call for free raw materials for manufacturers: "The world should be open to our national ingenuity and enterprise. This cannot be while Federal legislation through the imposition of high tariffs forbids to American manufacturers as cheap materials as those used by their competitors. It is quite obvious that the enhancement of the price of our manufactured products resulting from this policy not only confines the market for these products within our own borders, to the direct disadvantage of our manufacturers, but also increases their cost to our citizens" (Richardson 1903, 9:459).

31. Joseph 2004. See also Mehrotra 2004.

32. *CR*, 2/1/1894, 1781.

33. *Ibid.*, 1792.

34. *Ibid.*, App., 205.

35. Summers 1953, 186.

36. Stanwood 1903, 2:341.

37. Morgan 1969, 474.

38. *CR* 7/23/1894, 7082.

39. *CR*, 8/28/1894, App., 1535.

40. Ratner 1942, 184–92; Joseph 2004.

41. Johnson and Porter 1973, 98.
42. *Ibid.*, 107.
43. Rove 2015.
44. Richardson 1903, 10:13.
45. Morgan 1965, 227.
46. Morgan 2003, 212.
47. Kennon and Rogers 1989, 242.
48. Palen 2013.
49. *CR*, 6/14/1898, 5903.
50. La Croix and Grandy 1997.
51. See Pérez 2003, 74.
52. In his book *The Tragedy of American Diplomacy*, William Appleman Williams argued that the United States was trying to create an informal empire based on economic expansion, sometimes called the “Open Door” thesis. Yet, as Herring (2008, 334) notes, “The original Open Door Notes, while important, amounted to much less than has been attributed to them. . . . The notes had little immediate impact for China or the United States” and seemed merely to reiterate the US interest in non-discrimination. See also Palen 2016.
53. Lipsey 2000; Lipsey 1963, 144.
54. US Bureau of the Census 1975, U 213–18; Lipsey 1963, 144.
55. Lewis 1957, 579; League of Nations 1945, 13; Eysenbach 1976, 6.
56. Lipsey (1963, 59) observed that the composition of manufactured exports had been “changing ceaselessly since 1879 in a fairly consistent direction—away from products of animal or vegetable origin and toward those of mineral origin.” Examining the factor content of US trade in manufactured goods from 1879–1940, Wright (1990) found that net exports were intensive in non-reproducible natural resources.
57. Warren 1973, 116.
58. On the international competitiveness of the steel industry, see Allen 1979; Allen 1981; and Irwin 2003a.
59. Wolman 1992, 82; *Statistical Abstract of the United States* 1904, 218, 522.
60. Findlay and Jones 2001.
61. Wolman 1992, xvii.
62. Kenkel 1983, 44.
63. Terrill 1973, 168.
64. Healey 2001, 165–66.
65. *CR*, 6/19/1890, 6256–59.
66. *CR*, 5/9/1890, 4397.
67. Johnson and Porter 1973, 87. In their election platform, Republicans defended the provision: “We point to the success of the Republican policy of reciprocity, under which our export trade has vastly increased and new and enlarged markets have been opened for the products of our farms and workshops. We remind the people of the bitter opposition of the Democratic party to this practical business measure, and claim that, executed by a Republican administration, our present laws will eventually give us control of the trade of the world” (*ibid.*, 93).
68. *FRUS* 1899, 130.

69. Johnson and Porter 1973, 107.

70. Morgan 1965, 226.

71. On Kasson, see Younger 1955.

72. US Tariff Commission 1919.

73. Richardson 1903, 10:210.

74. *Ibid.*, 240.

75. Younger 1955, 378–79.

76. Richardson 1903, 10:394–96.

77. For example, the domestic price of raw sugar dropped more than 20 percent on the day the duty was abolished by the McKinley tariff of 1890 and rose immediately when the sugar duty was increased in 1894 and 1897. See La Croix and Grandy 1997; Irwin 2015.

78. Tarbell 1912, 266, 261.

79. Stapleford 2009.

80. Wolman 1992, xvii; Lamoreaux 1985.

81. *CR*, 4/24/1888, 3305.

82. *CR* 12/2/1902, 8.

83. As Havemayer stated, “Economic advances incident to the consolidation of large interests in the same line of business are a great incentive to their formation [i.e., trusts], but these bear a very insignificant proportion to the advantages granted in a way of protection under the customs tariff” (*Literary Digest*, June 24, 1899, 720).

84. As Taussig (1931, 310) pointed out, one “needs no great acquaintance with economic history, and no great skill in general reasoning, to show that the tendency to combination has deeper causes than protective legislation, and presents problems more complicated, and in their social importance more weighty, than those involved in the tariff controversy.”

85. Bittlingmayer (1985) argues that antitrust enforcement was responsible for the merger wave. “Without the Sherman Act and these judicial interpretations [of the 1890s], the cartels of small family firms owning and operating single-function enterprises might well have continued into the twentieth century in the United States as they did in Europe,” Chandler (1977, 375) noted.

86. Chandler (1977) attributes the growth of firm size to changes in technology, as well as falling transportation and information costs due to the spread of the railroad and telegraph, which allowed firms to exploit economies of scale and transformed the United States into a national, integrated market served by large-scale businesses.

87. Gould 1978, 65.

88. Williamson 1995.

89. Irwin 2002.

90. For some evidence on this contention, see Liu and Meissner 2015.

91. Roosevelt apparently had been an enthusiastic advocate of free trade as a Harvard undergraduate, and he began his career sympathetic to the idea of free trade. In an address to the Free Trade Club of New York in 1883, Roosevelt stated that he favored “a gradual and progressive modification of the import duties in the direction of a tariff for revenue only.” He added that “there is certainly reaction in public sentiments against our doctrines, but this should not encourage cowardice in the ranks. It should rather

make the advocates of free trade more persistent in their efforts to bring about the desired reform." He even predicted that the complete success of free-trade doctrines was merely a matter of time (*NYT*, 5/29/1883, 5). Yet he soon repudiated these beliefs in order to advance in the Republican party; see Baker 1941. At the same time, Roosevelt (1924 16:338) wrote that the problem with the tariff was "that it puts a premium upon the sacrifice of the general welfare to the selfish interests of particular individuals and particular business or localities, and the most forceful plea advanced for a policy of low tariff is that it does away with this scramble of greedy and conflicting interests."

92. *LTR* 1:408.

93. *Ibid.*, 312–13. At another point, he wrote, "The question is simply whether the gain to be accomplished by a reduction of some of the duties is sufficient to offset the trouble that would be caused by a change in the tariff. Personally I do not believe that any important interest is being harmed in the least by the present tariff, nor, on the other hand, do I think that any special benefit or special harm will come so far as material things are concerned by a reduction" (*ibid.*, 471–72).

94. *LTR* 4:1100.

95. Richardson 1903, 10:428.

96. Roosevelt timidly approached a reciprocity agreement with Cuba in which the State Department had offered concessions on its sugar and tobacco duties. After encountering opposition from Republicans backed by domestic sugar beet and cane producers and tobacco farmers, Roosevelt backed down: "I do not wish to split my own party wide open on the tariff question unless some good is to come" (Gould 1978, 35).

97. *LTR* 3:580.

98. *LTR* 4:1039–40.

99. *Ibid.*, 1056.

100. *Ibid.*, 1052–53.

101. *Ibid.*, 1028.

102. Goodwin 2013, 309.

103. *LTR* 4:1062–63.

104. *LTR* 5:367. The brief financial panic of 1907 set back any prospects of reform. Roosevelt maintained that the "country is definitely committed to the protective system and any effort to uproot it could not but cause widespread industrial disaster. In other words, the principle of the present tariff law could not with wisdom be changed" (Richardson 1903, 14:7083).

105. Johnson and Porter 1973, 158.

106. Solvick 1963, 425–26.

107. Anderson 1981, 169–70.

108. Johnson and Porter 1973, 146.

109. *CR*, 3/4/1909, 3.

110. H.R. Rep. No. 1-61, at 2 (1909).

111. The bill also granted free trade to Philippines, although it limited the amount of sugar and tobacco it could export.

112. *CR*, 3/22/1909, 139.

113. H.R. Rep. No. 1-61, at 3 (1909).

114. Goodwin 2013, 592.

115. *CR*, 5/4/1909, 1716; *CR*, 5/5/1909, 1742.

116. Harrison 2004, 178.

117. Goodwin 2013, 593.

118. Sarasohn (1989, 64) notes, "However divided and uncertain the Democrats appeared in their attempts to lower the tariff, the insurgent Republicans seemed to be aiming at something else entirely. No insurgent would begin a tariff speech without first reaffirming his belief in the protective system."

119. *Ibid.*

120. *CR*, 5/5/1909, 1744.

121. Goodwin 2013, 593.

122. Chauncey Depew (R-NY) called the income tax movement "the most direct possible attack upon the protective system" and said that such a tax would be unjustifiable except in times of war. "Perhaps you would like to reduce revenues for the purpose of imposing an income tax and thus taking the first steps for the destruction of the protective system," Aldrich remarked to the proponents of tariff cuts (*CR*, 4/19/1909, 1379).

123. *CR*, 6/16/1909, 3344.

124. On Taft's role, see Solvick 1963 and Barfield 1970.

125. Goodwin 2013, 593.

126. Anderson 1981, 174.

127. The Tariff Board was to be an executive advisory group, not an arm of Congress, and could also provide advice on other tariff matters. The chairman of the Tariff Board was Henry C. Emery, a professor of political economy from Yale University.

128. *WHT* 3:177. See also Lake 1988, 144.

129. *CR*, 4/4/1911, 7.

130. Anderson 1981, 178.

131. Kenkel 1983, 81.

132. See Percy, Norrie, and Johnston 1982, and Beaulieu and Emery 2001.

CHAPTER 7

1. Johnson and Porter 1973, 184–85.

2. *Ibid.*, 184–85, 168–69.

3. See Burdick 1968. Speaking before the commission, Wilson argued that high tariffs fostered monopolies, were detrimental to domestic welfare, and would harm relations with other countries. He was not impressed by the commission, calling it a "much ridiculed body of incompetencies" (*PWW* 2:140–43, 285–86).

4. Wilson 1909, 554.

5. "By 1909, that compelling sense of destiny which so infused the campaign days of 1896 had long since vanished, and the Democrats seemed dedicated to the lesser goals of scrambling for office, logrolling for favors, and searching for convenient issues with which to embarrass the Republicans," notes Barfield (1970, 308–9).

6. Johnson and Porter 1973, 168.

7. *Ibid.*, 180–81.

8. *PWW* 27:150.

9. Underwood (1928, 217) was a strong Southern advocate for lower tariffs who

believed that “protective tariff bills are written to protect manufacturers’ profits rather than to sustain wages or labor’s standard of living.”

10. Link 1956, 37–38.

11. Historically, high duties on raw wool meant that woolen manufacturers demanded higher compensatory duties to offset the higher costs of the raw material. Essentially, the tariff on raw wool established a high floor that prevented any reductions in the woolens tariffs. To end this practice of tariff escalation, Wilson insisted on putting wool on the free list. Under pressure, the Ways and Means Committee agreed. Woolen manufacturers also supported this move, and thus Wilson succeeded in splitting the wool producers from the woolens manufacturers. As Willis (1914, 15) notes, “The testimony showed that the manufacturers were very desirous in most instances of securing free raw materials, and that they had hesitated to urge removal of duties only because they feared that they might thereby break up the ‘unholy alliance’ which had long existed between themselves and the shepherds, thus losing the support of the latter and sacrificing the votes of the senators from the sheep-growing states. When, however, it became evident that no amount of manipulation would probably suffice to ‘hold the party in line,’ so that a genuine revision of the wool and woolen schedule was assured, manufacturers hastened to seek the remission of duties which they had long desired.”

12. *PWW* 23:270–71.

13. H.R. Rep. No. 5-63, at ii–iii, xii (1913).

14. *Ibid.*, at lv.

15. *CR*, 5/6/1913, 1247.

16. Link 1956, 187.

17. Burdick 1968. “The committee found little actual wrongdoing . . . and no evidence of lobbying by the great interests that had led the fight for high tariffs twenty years before,” notes Link (1956, 190). See *Maintenance of a Lobby to Influence Legislation: Hearings Before the Senate Judiciary Committee*, 63rd Congress (1913) 4 vols.

18. See Holt 1967. Despite having criticized the excesses of the Payne-Aldrich tariff, the insurgents now attacked the Democratic tariff reduction. Progressive Republicans insisted that they were more interested in “tariff equity” than “tariff reduction.” To them, tariff equity meant a rebalancing of duties so that those on industrial goods fell, while those on agricultural and raw materials rose. Progressive Republicans viewed the across-the-board Democratic approach to tariff cutting as reckless, and they particularly assailed the tariff reductions on farm goods, especially meat and grain.

19. Link 1956, 194.

20. Saunders 1999, 230.

21. Joseph 2004. On the political economy of the income tax, see Baack and Ray 1985, Anderson and Tollison 1993, Holcombe and Lacombe 1998, and Mehrotra 2004.

22. US Bureau of the Census 1975, Y-352–53.

23. Congress established the Federal Reserve System in December 1913 as the new central bank of the United States, but the country remained on the gold standard.

24. Miron and Romer 1990.

25. Brownlee 1982.

26. As McAdoo reported, “The Republican leaders are most anxious to make the tariff an issue in the coming campaign. In the Spring of 1915 they made consistent and

persistent attacks upon the Democratic tariff act, alleging that the business depression existing at that time was due wholly to its enactment and Democratic incompetency, when, as a matter of fact, the chief cause of the depression was the European war. When prosperity began to return [in the fall of 1915], they changed their line of attack and said [prosperity] would disappear as soon as the war ended; that American manufacturers would then begin to feel the deadly effects of the Underwood tariff law because it would permit European nations to 'dump' such extraordinary quantities of their manufactured products upon the American market, at any sort of prices, that the home manufacturer would be seriously hurt, if not destroyed by this competition" (*PWW* 35:475).

27. Schnietz 1998.

28. *PWW* 35:477.

29. During the Senate consideration of the 1913 tariff, an amendment to create a bipartisan Tariff Commission failed by a vote of 32–37, with Republicans in favor and Democrats opposed.

30. Link 1956, 342.

31. See Taussig 1916. The memo is reprinted in Taussig 1920, 180–93.

32. Houston pitched the idea of a Tariff Commission to Wilson three times before the president relented. As Houston (1926, 196–97) recalled, "I stated that I was not foolish enough to think that the tariff or any other form of taxation could be taken out of politics," but he thought it "could be of great service by gathering reliable data for the information of the President, of Congress, and, above all, of the public."

33. *PWW* 35:312–16.

34. *PWW* 36:12–13.

35. *PWW* 35:510–52, 526–27. Schnietz (1998, 25) notes that the draft legislation that Wilson sent to the Ways and Means Committee was similar to the draft prepared by Taussig for Houston and McAdoo, except that the Wilson draft explicitly gave the Tariff Commission the power to investigate dumping.

36. Johnson and Porter 1973, 205, 195.

37. Fordham (2007) contends that the German threat to the wartime export boom may have influenced the decision to enter World War I.

38. League of Nations 1945, 13.

39. *PWW* 45:537.

40. As Wilson explained, "I, of course, meant to suggest no restriction upon the free determination of any nation of its own economic policy, but only that whatever tariff any nation might deem necessary for its own economic service, be that tariff high or low, it should apply equally to all foreign nations; in other words, that there should be no discriminations against some nations that did not apply to others (*PWW* 51:476).

41. *Ibid.*

42. Diamond 1943, 183. Indeed, the initial drafts of a League of Nations charter did not include any provision for equality of trade conditions, although the United States later began drafting proposals to limit new preferences and discriminations (including on colonial trade) in trade policy and to create an International Trade Commission under the auspices of the League. Despite these tentative steps, Temperley (1921, 5:68) finds that "there is no evidence that the suggestions of the American advisers were ever seriously urged or even seriously discussed" at the conference.

43. Temperley (1921, 5:69–71) explains the lack of action on trade policy as reflecting the greater focus on political issues after the war.

44. The Republican Congress cut funding for the Tariff Commission to prevent it from undertaking studies that might bring into question the principle of tariff protection. After Taussig resigned as chairman in 1919, the position remained vacant for two years until Republican president Warren Harding appointed a well-known protectionist, Thomas O. Marvin, the former president of the Home Market Club, to the post.

45. *PWW* 59:294.

46. *PWW* 64:108–9.

47. Another policy with trade implications was Prohibition, which went into effect in January 1920. The Eighteenth Amendment to the Constitution prohibited the manufacture, sale, and transport of alcohol, and gave rise to illicit trade. British distillers began shipping whiskey and other alcoholic beverages to the Bahamas, where it could be smuggled into the United States. Bahama's imports of liquor jumped from 27,000 gallons in 1918 to 567,940 gallons in 1921, allowing the island to eliminate its public debt in two years, dredge Nassau harbor, and pay for other public works (Spinelli 1989, 3). When a US-UK treaty limited this illicit trade, Canada became the major headquarters for smuggling operations until Prohibition was repealed in 1933.

48. Johnson and Porter 1973, 216, 235.

49. Meltzer 2003, 91.

50. The severity of the post-World War I recession is disputed. The official Commerce Department series for real GNP falls 14 percent between 1919 and 1921, whereas Romer's (1988) revised series declines just 3 percent between those two years. To judge by industrial production, the recession was intense but short, both on the downturn and the upswing. The business-cycle peak was January 1920, and the trough was in July 1921, according to the National Bureau of Economic Research.

51. H.R. Rep. No. 1139-66, (1920).

52. *CR*, 3/3/1921, 4498–99.

53. Kennon and Rogers 1989, 262.

54. *CR*, 3/4/1921, 7.

55. *CR*, 3/12/1921, 170.

56. "In practically no case did prices rise immediately after the passage of the act," the US Tariff Commission (1922, 1–2) concluded. "In some cases a decrease of imports, as well as a continued decline in agricultural prices in this country, preceded the enactment of the emergency tariff law."

57. Goldin 1994.

58. Kenkel 1983, 152.

59. H.R. Rep. No. 248-67 (1921).

60. *Ibid.*, at 44, 49

61. *CR*, 9/21/1921, 13105; *CR* 9/13/1922, 12508.

62. *CR*, 7/14/1921, 3835, 3840.

63. Hoff 1971, 76.

64. *CR*, 12/6/1921, 37.

65. *CR*, 4/20/1922, 5673–74.

66. When Frank Kellogg (R-MN) complained that many rural Republicans might

lose their seats over the tariff, Fordney snapped, "Well I would rather see the Senate lose you than American industry suffer" (Murray 1969, 277).

67. Senator Reed Smoot (R-UT) noted in his diary for February 28, 1922, "We disposed of some of the most difficult paragraphs in the tariff bill today. Among them pocket knives, scissors and shears, buttons and clasps and razors. We provided rates so high the President need not act to increase duties" (Smoot 1997, 495–96).

68. Dollar 1973.

69. The memo is reproduced in Culbertson 1937, 209. See also Gersting 1932.

70. On Culbertson, see Snyder 1968 and Snyder 1980.

71. *CR*, 12/6/1921, 37.

72. Because Smoot was an Old Guard Republican, the two were odd bedfellows. As Culbertson noted, "If anyone had told me six months ago that I would now be sympathetically working with Senator Smoot, . . . I would have rolled over and croaked" (Leffler 1979, 46–47).

73. McClure 1924, 50–51.

74. In 1928, the Supreme Court upheld the constitutionality of the flexible tariff provision in the case of *J. W. Hampton, Jr. & Co. v. the United States*. In this case, an importer contested the imposition of a duty of six cents per pound on barium dioxide, two cents more than in the 1922 statute, after a 1924 proclamation by President Calvin Coolidge. The Supreme Court ruled that the delegation of authority was constitutional because the president was carrying out of the will of Congress in changing the duty.

75. Many members of Congress would support higher tariffs regardless of what a "cost of production" investigation would reveal. As Senator Aldrich stated, "If it was necessary, to equalize the conditions and to give the American producer a fair chance for competition, other things being equal of course, I would vote for three hundred per cent as cheerfully as I would for fifty" (*CR*, 5/17/1909, 2182).

76. *CR*, 8/10/1922, 1192–93.

77. Kelley 1963, 18–19.

78. US Tariff Commission 1930, 24–25.

79. Greenbaum 1971.

80. From Costigan's resignation letter, reprinted in the *CR*, 3/15/1928, 4735.

81. See Goodykoontz 1947 and Snyder 1968.

82. *CR*, 5/29/1928, 10546–52. The full report is S. Rep. No. 1325-70 (1926).

83. Kenkel 1983, 175. For Taussig's reaction, see Taussig 1926.

84. *CR*, 9/12/1929, 3549.

85. H.R. Rep. No. 79-67, at 1–2 (1921).

86. Baldwin 1998, 301.

87. Viner 1924.

88. Wilson argued that the United States should be capable of protecting its commerce against discrimination in foreign countries and should work toward establishing equal treatment in world trade. Currently, the United States had "no weapon of retaliation in case other governments should enact legislation unequal in its bearing on our products as compared with the products of other countries," Wilson noted. "Though we are as far as possible from desiring to enter upon any course of retaliation, we must frankly face the fact that hostile legislation by other nations is not beyond the range of

possibility, and it may have to be met by counter legislation." The Tariff Commission report "has shown very clearly that we lack and that we ought to have the instruments necessary for the assurance of equal and equitable treatment" (*PWW* 59:295-96).

89. *CR*, 4/24/1922, 5881.

90. Culbertson 1937, 245.

91. *FRUS* 1923, 1:122.

92. *Ibid.*, 126-27.

93. *Ibid.*, 128-29.

94. In August 1923, Hughes sent a confidential circular to American diplomatic officers notifying them that the president had "authorized the secretary of state to negotiate commercial treaties with other countries by which the contracting parties will accord to each other unconditional most-favored-nation treatment" (*Ibid.*, 1:131).

95. "Because the United States conditional MFN policy resulted in relatively little discrimination," Kelley (1963, 35) notes, "the adoption of an unconditional MFN policy in 1923 would not be of such major significance had the United States tariff continued to be virtually non-negotiable."

96. *CR*, 12/6/1923, 97.

97. *CR*, 12/23/1924, 54.

98. *CR*, 12/7/1926, 29.

99. Johnson and Porter 1973, 245.

100. Benedict 1953, 168-72.

101. Alston 1983.

102. See Hansen 1991.

103. Tontz 1958.

104. "There was practically no direct attack upon the principle of a high tariff by the national farm organizations," such as the American Farm Bureau Federation and the National Grange, Conner (1958, 37-38) notes. "Instead, the basic approach of these groups was an attempt to secure parity in tariff rates with industry. . . . The thinking of organizational leaders was developed within the framework of a high tariff structure, the emphasis being upon raising agricultural rates to obtain parity with industry, rather than upon lowering any or all rates."

105. *CR* 7/14/1922, 3835, 3840.

106. See Kelley 1940 and Benedict 1953.

107. Benedict 1953, 216.

108. The Old Guard Republican establishment had always been rather dismissive of farmers. "Well, farmers never had made money," Coolidge reportedly remarked about their plight. "I don't believe we can do much about it" (Sundquist 1983, 187).

109. *CR*, 5/23/1928, 9524-27.

110. Malin 1930, 114-15.

111. *NYT*, 1/10/1928.

CHAPTER 8

1. Johnson and Porter 1973, 272, 285.

2. *Ibid.*, 272.

3. "For the first time in at least three generations, the platform contained no explicit attack upon the GOP theory of a high protective tariff as the best guarantee of high wages and prosperity," notes Craig (1992, 158–59). "The Democratic party, which for over a century had upheld the principle of tariffs for revenue only as the chief distinguishing factor between it and the GOP, had now committed itself to the principle of a protective tariff."

4. *NYT*, 11/4/1928, 132.

5. Johnson and Porter 1973, 282.

6. *NYT*, 11/4/1928, 132.

7. *PPP* 1929, 75.

8. *CR*, 4/15/1929, 25.

9. *PPP* 1929, 79.

10. H.R. Rep. No. 7-71, at 11 (1929).

11. *CR*, 5/9/1929, 1073–74.

12. H.R. Rep. No. 7-71, at 11 (1929).

13. *CR*, 5/28/1929, 2127.

14. Under the plan, an exporter of farm goods would receive a debenture (certificate) equal to half of the value of the import tariff on the good. For example, if the tariff on wheat was 42 cents per bushel, a farmer would receive a certificate for 21 cents for every bushel of wheat exported. Even if the tariff did not really protect wheat farmers from imports, because the United States exported much of its crop, the debenture would be valuable to the farmer. The certificate was like cash and could be sold at something close to face value to importers, who could use it to pay import duties.

15. *CR*, 5/25/1929, 1951.

16. *CR*, 5/13/1929, 1201.

17. *CR*, 6/14/1929, 10762.

18. *NYT*, 5/29/1929, 1.

19. Empirical studies of the House vote on the Hawley bill have sought to determine some of the underlying political and economic factors behind the legislation. See Eichengreen 1989 and Callahan, McDonald, and O'Brien 1994.

20. Merrill (1990, 288) writes that "there is no evidence that any apparent fact, any argument, any introspection even faintly disturbed the certainty of his knowledge and belief in the benefits of protectionism, or weakened his unalterable opposition to any reduction." In Taussig's (1930, 184) view, Smoot "was not only an out-and-out protectionist of the most intolerant stamp, but was strongly interested in his own region and its own product, beet sugar, not regarded as an impartial or disinterested person, and not entitled to be so regarded."

21. *CR*, 9/19/1922, 12906.

22. *CR*, 9/26/1929, 3971.

23. *CR*, 9/12/1929, 3549.

24. *Ibid.*, 3542.

25. *CR*, 11/6/1929, 5239.

26. *NYT*, 11/1/1929, 1. Historians have subsequently criticized Hoover for this indifference. "Had Hoover exercised his election mandate and exerted more legislative

leadership during these early months of his presidency," Ritchie (2007, 48) argues, the ensuing tariff mess could have been avoided. See also Koyama 2009.

27. A *New York Times* editorial explained why: "It is a mistake to suppose that the rebellious coalition wants to write a bill of its own. Its chief desire is to destroy the bill of the Senate Finance Committee. If the leaders of the coalition were locked up in a committee room and told not to come out until they had produced a measure satisfactory to all their supporters, they would never come out. If the door was burst open, they would doubtless be found lying about wounded after bloody rows with each other" (*NYT*, 11/11/1929, 20).

28. In a widely noted claim, Jude Wanniski (1978) argued that a small, critical Senate vote on a particular tariff produced the stock market crash of Black Thursday and Black Tuesday, October 24 and 29, 1929. On the other hand, Alfred Eckes (1998) suggests that it was the coalition's effort to reduce industrial tariffs that may have led to the stock market crash because business supported higher duties. Kindleberger (1986, 125) dismissed as "farfetched" the idea that "the stock market crash of October 24, 1929, was a response to the action of a Senate subcommittee, reported on an interior page of the *New York Times*, in rejecting an attempt of some members to hold down a proposed increase in a tariff on carbide." After careful study, White (1990, 173) found "no evidence to support the view that the Smoot-Hawley tariff significantly contributed to the crash."

29. *CR*, 3/24/1930, 5976-77.

30. *CR*, 3/20/1930, 5669.

31. *CR*, 3/24/1930, 5977.

32. They concluded that the tariff would be fully effective on flax, olive oil, soybean oil, sugar, and wool; partially effective on buckwheat, butter, casein, milk and cream, sheep, lamb, and mutton, Swiss cheese, and high-protein wheat; and ineffective on barley, molasses, cheddar cheese, coconut oil, corn, cotton, jute, cottonseed oil, eggs, oats, rye, and other wheat (*CR*, 11/11/1930, 1439-47).

33. *CR*, 1/10/1930, 1368.

34. See Hayford and Pasurka 1992; Cupitt and Elliott 1994; and Irwin and Kroszner 1996.

35. *NYT*, 3/30/1930, 22.

36. As Hoover (1951-52, 295-96) recalled, "I learned on May 24 that the conferees had overridden Senator Smoot and Congressman Hawley and had watered the flexible provision down to about nothing. I wrote out the provision I wanted. I sent word that unless my formula was adopted, the bill would be vetoed. The result was a complete victory for the flexible tariff in the conference report."

37. *CR*, 6/14/1930, 10760.

38. *CR*, 6/12/1930, 10546.

39. *CR*, 6/14/1930, 10762.

40. *Ibid.*, 10764.

41. In 1929, the president of the American Federation of Labor reaffirmed that the organization had "never committed itself to the support of a protective tariff or free trade. We have avoided most scrupulously and carefully that controversial field" (Leiter 1961, 56).

42. Leuchtenburg 2009, 92.

43. Scroggs 1930.

44. Steel 1980, 288.

45. Burner 1979, 298.

46. Morison 1960, 312.

47. Snyder 1973.

48. *CR*, 5/5/1930, 8327–30. The statement was organized by Clair Wilcox of Swarthmore College and Paul H. Douglas of the University of Chicago (and later a senator from Illinois). For the origins of the statement, see Fetter (1942). Rep. David O’Connell (R-NY) said, “I have no patience with the economists that are consistently raising flimsy objections to this legislation” (*CR*, 5/5/1930, 8383). Senator Henry Hatfield (R-WV) stated, “Cloistered in colleges as they are, hidden behind a mass of statistics, these men have no opportunity to view the practical side of life in matters pertaining to our industrial welfare as a nation.” He scorned these “intellectual free traders, who seem to be more concerned with the prosperity of foreigners than they are with the well-being of our own American people” (*CR*, 5/28/1930, 9704).

49. *PPP* 1930, 232–33.

50. *Ibid.*

51. The Tariff Act of 1930 is sometimes popularly known as the Smoot-Hawley tariff, both because it sounds better than Hawley-Smoot and because Smoot was more closely associated with the legislation than Hawley. However, we follow the standard convention that the first name of a tariff act is the chairman of the House Ways and Means Committee and the second name is the chairman of the Senate Finance Committee.

52. Tariff Act of 1930, H.R. Doc. No. 476-71, at 43, 2 (1930).

53. *NYT*, 11/10/1929, 11.

54. These examples and many more are in Bidwell 1930.

55. Irwin 2011b, 95.

56. The average tariff on dutiable imports reached its highest rate of 61.7 percent in 1830, shortly after the enactment of the Tariff of Abominations in 1828. Of course, the average tariff on total imports was much lower in 1932 (at 19.6 percent) than in 1830 (at 57.3 percent) because many imports were duty-free in 1932.

57. US Bureau of the Census 1975, U-237.

58. Irwin 1998a.

59. *NYT*, 11/10/1929, 21.

60. Archibald et al. (2000) calculate that the Hawley-Smoot tariff actually reduced the effective rate of protection received by agricultural producers.

61. *CR*, 6/14/1930, 10762.

62. Conner 1958, 40.

63. Schattschneider 1935, 136.

64. US Bureau of the Census 1975, series U 225, 237.

65. This finding is supported by Hall’s (1933) contemporary estimates of the tariff’s impact on trade.

66. Quarterly GDP is available in Gordon 1986, appendix B.

67. These data are from the US Bureau of the Census 1975 and *Statistical Ab-*

stract of the United States 1934, 283, 703. Quarterly real GDP is from Gordon 1986, appendix B.

68. See Fishback 2013 for a recent survey.

69. See Eichengreen 1992; Irwin 2012–13; and Sumner 2015.

70. Working with a Keynesian type model, Eichengreen (1989) suggests that the expenditure-switching effect from the Hawley-Smoot tariff could have increased domestic output by 5 percent in the absence of foreign retaliation. After incorporating limited foreign retaliation into his Keynesian model, Eichengreen (1989) finds a smaller but still positive net expansionary effect from Hawley-Smoot of about 2 percent of GDP.

71. If this decline in exports was due to foreign retaliation, then that could have more than offset any positive, expansionary influence coming from the tariffs themselves; see Dornbusch and Fischer 1986, 469.

72. See Irwin 2011b, 123.

73. Irwin (2010) estimates that the deadweight welfare losses associated with the tariff structure increased by 0.1 percent of GDP between 1929 and 1933.

74. Alston 1983.

75. Archibald and Feldman 1998.

76. Carey 1999.

77. *CR*, 6/9/1930, 10291–98.

78. *CR*, 9/12/1929, 3548.

79. McDonald, O'Brien, and Callahan 1997.

80. *NYT*, 9/17/1930, 26.

81. Irwin 2011b, 158.

82. League of Nations 1942.

83. Jones 1934, 53.

84. Gordon 1941, 54–55.

85. Eichengreen and Irwin 2010.

86. Jones 1934, 238.

87. MacDougall and Hutt 1954.

88. On the spread of protectionism across Europe, see Kindleberger (1989), Eichengreen and Irwin (2010), and Irwin (2012b).

89. “There is a widespread belief among the people of the United States that by reason of the high and exorbitant rates of the tariff act of 1930, we have incurred the hostility of many nations throughout the world. They believe that this hostility has resulted in the enactment of many retaliatory tariffs against us, the results of which are causing uneasiness and concern to all thoughtful minds” (H.R. Rep. No. 29-72, at 6 [1931]).

90. *PPP* 1932, 205–7.

CHAPTER 9

1. See Ritchie 2007.

2. Johnson and Porter 1973, 343.

3. When accused by a Democratic official of supporting high tariffs, Raskob denied it, responding that the Hawley-Smoot tariff was “the most atrocious law every put on our statute books. . . . The impression seems to have gone abroad that I am in favor of

high tariffs," he said; "such is not the case at all." Instead, he wanted to reassure the industrial East that the party would not "destroy industry" but rather be "in favor of the lowest tariffs that will adequately protect and restore prosperity to American industry." See Craig 1992, 196.

4. *Ibid.*, 199.

5. Johnson and Porter 1973, 331.

6. Rosen 1977, 344.

7. *Ibid.*, 345.

8. *PPP* 1928–32, 1:702.

9. Leuchtenburg 2009, 141.

10. Moley 1939, 51.

11. Neither Smoot nor Hawley returned to Congress. Smoot was defeated for reelection in the 1932 campaign, while Hawley was an unsuccessful candidate for his party's nomination that year.

12. *PPP* 1933, 2:14.

13. As Temin and Wigmore (1990, 485) put it, "The devaluation of the dollar was the single biggest signal that the deflationary policies implied by adherence to the gold standard had been abandoned; . . . the devaluation of April–July 1933 was the proximate cause of the [US economic] recovery." See Taylor and Neumann 2016. A large body of research has demonstrated that worldwide economic recovery from the Depression began once countries left the gold standard and began pursuing more expansionary monetary policies; see Eichengreen 1992 in the international context and Sumner 2015 for the United States. Romer (1992) argues that monetary expansion was the driving force behind the US economic recovery after 1933.

14. *Survey of Current Business*, July 1951, 27.

15. Steward 1975, 14.

16. Even John Maynard Keynes strongly objected to the attempt to raise prices by reducing output. These policies impeded the recovery because reducing output was not a way to increase employment.

17. Others products covered by quotas included coconut oil and cordage from the Philippines, red cedar shingles, Douglas fir and western hemlocks from Canada, cattle, cream, and white seed potatoes. Some of these quotas were nonbinding (Whittlesey 1937).

18. Kelley 1963.

19. On Hull's views on trade policy, see Butler 1998 and Allen 1953.

20. Butler 1998, 37.

21. *NYT*, 4/30/1933.

22. Assistant Secretary of State Francis Sayre (1957, 158), who worked closely with Hull in the 1930s, said, "He had a singular devotion to his ideals, and was firm as a rock in allegiance to his underlying principles. His long experience in Congress gave him strength on 'the Hill'; in case of Congressional tangles he could always pick up the telephone and talk to his former associates in the intimacy of comradeship. Everywhere he was respected. He had high qualities of leadership and was recognized throughout the country as the strongest member of the Roosevelt Cabinet."

23. Schatz 1972, 499.

24. Acheson (1969, 55) noted that Hull was so focused on trade to the exclusion of other issues that “whatever the occasion” and regardless of the issue of the day, any speech that Hull gave “was apt to turn into a dissertation on the benefits of unhampered international trade and the true road to it through agreements reducing tariffs.”

25. As Francis Sayre (1939, 41–42) put it, “Unilateral tariff reduction on our part would have left untouched the mounting trade barriers which had been erected all over the world as a result of aggressive economic nationalism, and which were effectively barring American surpluses from world markets. If we were to regain our vanishing export markets for American surpluses, obviously the only sound and effective method lay in lowering trade barriers simultaneously at home and abroad.”

26. *FRUS* 1933, 1:727–731.

27. *Ibid.*, 924.

28. *CR*, 3/2/1934, 3580.

29. Hull (1948, 356) notes that the original State Department draft of the legislation was longer and more complicated. Ironically, his soon-to-be opponent within the administration, George Peek, suggested that the proposal would stand a better chance of passage if it were only two or three pages long, a suggestion with which Hull agreed. See Peek 1936, 197–99.

30. Schneitz 2000, 431 and *CR*, 6/14/1930, 10761.

31. *Reciprocal Trade Agreements: Hearings Before the Committee on Ways and Means*, 73rd Cong. 2, 5 (1934).

32. H.R. Rep. No. 1000-73 (1934).

33. See Berglund 1935 on the RTAA’s passage through Congress.

34. In a press conference in June 1933, Roosevelt remarked that “Congress would never give me complete authority to write tariff schedules,” to which a reporter replied, “Well, they have given you everything else” (Haggard 1988, 96). But Roosevelt was right about Congress’s reluctance to grant too much power over trade policy to the executive branch.

35. *CR*, 3/24/1934, 5356.

36. Trubowitz 1998, 163.

37. *CR*, 5/29/1934, 9803, 9805.

38. *CR*, 6/4/1934, 10383.

39. *Ibid.*, 10378–79.

40. Although cotton and wheat farmers supported the bill, textile firms, toy makers, and many other small and medium-sized producers opposed it (Schneitz 2000, 428). Despite this lack of participation, interest groups were affected by the legislation. Schneitz (2003) finds that export-dependent firms experienced a positive and significant stock return of nearly 4 percent when Roosevelt requested the RTAA, and that highly protected firms experienced a significant stock return decline of nearly 5 percent when the RTAA was reported out of the Senate Finance Committee.

41. The text of the RTAA is in Tasca (1938, 306–8). Other contemporary studies of the trade agreements program include Larkin (1940) and Beckett (1941).

42. Studies about the political economy of the RTAA include Haggard 1988; Nelson 1989; Lohmann and O’Halloran 1994; Bailey, Goldstein, and Weingast 1997; Gilligan 1997; Irwin and Kroszner 1999; Hiscox 1999; Schneitz 2000, and Schneitz 2003. For a

general study of Congress's relation to the executive in foreign economic policy, see Pastor 1980.

43. *NYT*, 2/13/1936.

44. For a history of the Export-Import Bank, see Becker and McClenahan 2003.

45. Annex A of Irwin, Mavroidis, and Sykes 2008 reproduces the 1941 trade agreement template.

46. See Miller 2003.

47. Butler 1998, 25.

48. Similarly, Francis Sayre (1957, 159), to whom Hawkins reported, wrote that he "was a rare and splendid man whose whole heart and soul, like Secretary Hull's, were in this work of reducing excessive trade barriers. I suspect that, apart from Secretary Hull, the success of the trade agreements program was due more to Harry Hawkins than to any other single man." Likewise, Henry Grady (2009, 56) wrote that Hawkins was "one of the ablest men, and his resourcefulness, particularly in the working out of the basic principles of our agreements, was essential. To him as much as to any one person is due the success of this great but difficult government enterprise. For years he gave under Secretary Hull the most excellent direction to the [trade agreements] program."

49. Varg 1976.

50. See O'Brien and McDonald 2009 for the change in Canada's policy during this period.

51. *Extension of the Reciprocal Trade Agreements Act*, 1:38, H.R., Committee on Ways and Means, 76th Cong., (1937).

52. Schatz 1970, 100.

53. Rooth 1993, 303. On the Anglo-American trade agreement, see Kottman 1968, Schatz 1970, and Drummond and Hillmer 1989. US documents relating to the negotiations appear in *FRUS* 1938, 2:1-71.

54. Cantril 1951, 842.

55. See Durand 1937 for an early quantitative assessment of the RTAA's impact on the pattern of US trade.

56. Hart 2002.

57. Tasca 1938, 188.

58. This calculation implies that the RTAA reduced the tariff by 12.8 percent, quite close to the Tariff Commission's estimate of 13 percent. Thus, two-thirds of the overall tariff reduction during 1934-39 can be attributed to negotiated tariff reductions, and one-third to higher import prices (Irwin 1998a).

59. *Survey of Current Business*, July 1951, 27.

60. *FRUS* 1937, 1:842.

61. See also Grady 2009, 49, 51-52. Hawkins (1944) describes the implementation of the trade agreements program.

62. *CR*, 2/5/1937, 925.

63. *Department of State Bulletin*, January 13, 1940, 34-35. Hull complained about the misrepresentation of the agreements by critics: "Frequently, allegations of injury are made with respect to commodities on which existing duties have not been reduced, or with respect to commodities which were left on the free list even by the authors of the Hawley-Smoot tariff. In my entire experience, I do not recall a more flagrant and

unscrupulous suppression and misuse of material facts on an issue which is of vital significance to every citizen, every home, every farm, and every factory.”

64. *NYT*, 1/21/1938, 12.

65. In Francis Sayre’s (1939, 95–96) view, “While we are in the very midst of these hair-trigger negotiations, seeking to win an agreement with real profit for both sides, high-powered lobbyists make their voices heard throughout the country, using every device to prevent the giving of concessions in the particular commodities in which they are interested or to defeat or upset the agreement. Pressure is brought against members of Congress; Washington is deluged with inspiring letters and telegrams. The country rings with the protests of special interests; unhappily few seem sufficiently concerned to speak for the interests of the consumer or of the Nation.”

66. As Brenner (1977, 151) notes, “The change in institutions had sharply reduced the effectiveness of these interests’ influence, . . . and they knew it.”

67. *NYT*, 1/14/1939.

68. Johnson and Porter 1973, 363.

69. *Ibid.*, 368. Hull (1948, 486) was “dumbfounded” by the last section of the platform.

70. *CR*, 2/5/1937, 925.

71. “In talking it over with the President, I found he favored making the bill permanent, instead of limiting it to three years,” Hull (1948, 518) recalled. “I also preferred the permanent idea, but seriously doubted our ability to pass it. . . . The bill went up to the House as the president wanted it, but the House Ways and Means Committee inserted the three-year limitation.”

72. *Extending Trade Agreements Act: Hearings Before the Senate Finance Committee*, 75th Cong. 1:14 (1937).

73. H.R. Rep. No. 166-75, at 19 (1937).

74. *CR*, 2/23/1937, 1502.

75. Schatz 1972.

76. Schatz 1970, 86–87. A memorandum he sent to diplomatic officers in July 1937 provides an excellent summary of his philosophy; see *FRUS* 1937, 1:841–45.

77. Blum 1959, 1:524.

78. Quoted in Patrick 2009, 124. Schatz (1970, 102–3) offers a useful assessment.

79. Gallup 1972, 206.

80. *Department of State Bulletin*, 3/2/1940, 231.

81. *NYT*, 2/4/1940.

82. “Hull had persuaded about one dozen wavering representatives to support reciprocal trade, while [Assistant Secretary of State Breckinridge] Long had consulted privately with administration leaders in the House and had made certain that practically all Democrats were in Washington on the roll call date” (Porter 1980, 51).

83. *Ibid.*, 53. Vice President John N. Garner, who did not support deep tariff reductions, was secretly working against the administration by recruiting votes for an amendment that would limit the president’s negotiating authority to just one year.

84. *Ibid.*, 55. Of course, Republicans continued to attack the RTAA. Senator James Davis of Pennsylvania called it a “guerrilla attack on American trade protection,” while Arthur Vandenberg criticized the “despotic secrecy” with which the agreements were

reached and called it “a grossly unconstitutional delegation of legislative power to the executive branch” (*CR*, 3/25/1940, 3341; *CR*, 3/26/1940, 3495).

85. Porter 1974.

86. The State Department lobbied hard to convince western Democrats to support the renewal, and apparently converted two of them just hours before the final roll call vote (Porter 1980, 57). “We were fighting a losing battle from the start,” Pittman wrote. “We had three votes in the majority the night before the vote. The power exerted was too strong for us to hold these votes. You can understand the power when you realize that Schwartz of Wyoming and Schwellenbach of Washington voted against us. The fight is not ended” (Israel 1963, 130).

87. Porter 1980, 58.

88. Johnson and Porter 1973, 392.

89. For an overview of US international transactions during the war, see Bach 1946 and US Department of Commerce 1948.

90. *State Department Bulletin*, 1943, 329, 333.

91. See Long 1966, 305.

92. Zeiler 1999, 18.

93. However, it was not until 1945 that Vandenberg gave his famous speech re-nouncing isolationism; see *CR*, 1/10/1945, 166. See also Kaplan 2015.

94. *CR*, 5/24/1943, 4796, 4795.

95. *CR*, 5/11/1943, 4200.

96. As Breckinridge Long (1966, 311) wrote, “It is attributable in part to antagonism against the Administration and the rest is Republican desire to reassume authority—to terminate grants of power to the Executive—partly anti-Roosevelt and partly anti-Democrat. . . . The vote is *not* on the merits of the bill. It is just a manifestation of political strength and a warning to this and to all other Governments that America will probably slip back into its shell again after this war as it did in the last, return to an ‘isolation’ point of view and withhold cooperation in a wholehearted manner after this war. I see the signs I saw in 1918. I hope not to see the consequences.”

97. *CR*, 5/12/1943, 4310.

98. H.R. Rep. No. 403-78, at 10 (1943).

99. *State Department Bulletin* 1943, 169.

CHAPTER 10

1. In December 1940, Roosevelt wrote to Treasury Secretary Henry Morgenthau, “I have been thinking very hard on this trip about what we should do for England, and it seems to me that the thing to do is to get away from the dollar sign” (Reynolds 1982, 157).

2. See Notter 1949.

3. In May 1941, President Roosevelt gave the State Department the principal responsibility for negotiating a Lend-Lease agreement with Britain (*FRUS* 1941, 2:5).

4. Notter 1949, 45–46.

5. *FRUS* 1945, 4:74–5.

6. As the State Department saw it, “Britain under the Ottawa Agreements granted

special low tariff duties and signed long-term bulk-purchasing agreements with empire trading partners in order to monopolize their raw materials and make sure that they took only British-manufactured products," writes Woods (1990, 18). "Imperial preferences could be used, then, not only to monopolize the trade of a particular nation or region; it also could be used to isolate and punish political and military rivals. In a political as well as an economic sense, the structure established by the Ottawa Agreements seemed the antithesis of multilateralism."

7. "The Foreign Office advised stalling on any suggestion for commitment on post-war policy," Pressnell (1986, 31) notes. "This firm stonewalling reflected British optimism that either there would be no Consideration at all or that it might be largely and acceptably non-economic."

8. *FRUS* 1941, 3:15.

9. *Ibid.*, 11.

10. See Acheson's minutes of the meeting in *FRUS* 1941, 3:12.

11. *Ibid.*, 11. However, Keynes came around: "At the end of our talk he seemed more reconciled to the Article, but by no means wholly so," Acheson reported. After he had calmed down, Keynes wrote to Acheson, "My so strong reaction against the word 'discrimination' is the result of my feeling so passionately that our hands must be free to make something new and better of the postwar world; not that I want to discriminate in the old bad sense of that word—on the contrary, quite the opposite. . . . But the word calls up, and must call up—for that is what it means, strictly interpreted—all the old lumber, most-favored-nation clause and the rest which was a notorious failure and made such a hash of the old world. We know also that won't work. It is the clutch of the dead, or at least the moribund, hand" (*FRUS* 1941, 3:16–17).

12. Harrod 1951, 512.

13. An economic official at the US Embassy in London, E. F. Penrose (1953, 18), later said, "At that time and later I did my best to impress on Mr. Keynes and other government economists that the desire for freer and for non-discriminatory trade in the State Department should not be written off as the product of a nineteenth century laissez-faire attitude toward economic affairs, untouched by recent economic thought and experience. . . . In conversations in Washington both Acheson and Hawkins showed themselves progressive in outlook and under no illusion that freer trade alone was panacea for all economic ills. However, it soon appeared that the contrary view had been expressed to British officials in Washington by some US officials outside the State Department."

14. Wilson 1991, 164.

15. *Ibid.*, 163–72.

16. Woods 1990, 18.

17. *FRUS* 1942, 1:535–36.

18. On the misinterpretation, see Pressnell 1986.

19. Pressnell (1986) provides the background. Meade's memorandum is reproduced in Irwin, Mavroidis, and Sykes 2008. "If any one event can be designated as marking the origin of the International Trade Charter and the International Trade Organization proposed at Havana in 1947, it took place in Whitehall in the latter part of 1942," wrote Penrose (1953, 89–90). "If any one person can be described as the originator of the move-

ment for an International Trade Organization, it is James Meade." Meade was a remarkable economist whose views on postwar trade policy were similar to those held by the State Department. He had enormous respect for Keynes but rejected his views on trade policy. In 1940, Meade published a short book entitled *The Economic Basis of a Durable Peace*, in which he examined the principles that might serve as the basis for a postwar international economic order.

20. See Cairncross and Watts (1989), and Culbert (1987).

21. On Anglo-American cooperation on trade policy during the war, see Gardner 1956, Culbert 1987, Ikenberry 1992, Zeiler 1999, and Irwin, Mavroidis, and Sykes 2008. The finance discussions led to the Bretton Woods conference in 1944 that established the International Monetary Fund and the postwar system of fixed exchange rates.

22. Hawkins could not guarantee that the State Department would embrace it. Indeed, Meade was warned by a member of Hawkins' staff that "Hawkins was a courageous and disinterested man who was running a terrific risk with his personal career in taking the grand line he was taking in favour of a multilateral approach to Commercial Policy, because the Secretary of State is an ultra-cautious man" (Howson and Moggridge 1990, 139).

23. Notter 1949, 622.

24. *FRUS* 1944, 2:71–72, 87.

25. Johnson and Porter 1973, 403.

26. *Ibid.*, 411.

27. Fossedal 1993, 136.

28. Gallup 1972, 505.

29. US Tariff Commission 1948, 2:14.

30. *FRUS* 1945, 6:27–28.

31. E. F. Penrose (1953, 106–07) later recalled, "The outcome of the discussion on this question was determined, not by economic reasoning, nor on grounds of equity, but by what the Assistant Secretaries in the State Department believed it possible to pass through Congress."

32. "Recommendation for Renewal of the Trade Agreements Act," *State Department Bulletin*, April 1, 1945, 532–33.

33. Fossedal 1993, 152.

34. "1945 Extension of Reciprocal Trade Agreements Act," 79th Congress, 1st Session, 1:20.

35. The majority report stated, "If after this war, the nations are again persuaded by the urgings of minority interest, or are deceived by the false doctrines of economic nationalism, into following the short-sighted economic policies which divided them, economically and politically, after the last war, the economics of all nations will suffer, and the political unity essential to world security will be endangered" (H.R. Rep. No. 594-79, at 4 (1945)).

36. *CR*, 5/22/1945, 4871–72.

37. *Ibid.*, 4878, 4981, 4884–85.

38. *CR*, 5/26/1945, 5124.

39. *Ibid.*, 5148. Acheson (1969, 107) had written the letter the night before, got the

president to sign it that morning, and quickly gave it to Speaker Rayburn “who used it with great dramatic effect. . . . This stopped the Old Guard just short of victory.”

40. *CQA* 1945, 314.

41. *CR*, 6/19/1945, 6256.

42. Drury 1963, 444.

43. Irwin and Kroszner 1999.

44. Hawkins and Norwood 1963, 104–05.

45. *FRUS* 1945, 4:57.

46. *Ibid.*, 6:63.

47. *Ibid.*, 64, 72–73.

48. *Ibid.*, 74–76.

49. US Department of State 1945, 12.

50. *Ibid.*, 3.

51. *FRUS* 1946, 1:1307.

52. *Ibid.*, 6:1311–12; Diebold 1993, 36.

53. The US delegation was headed by Clair Wilcox, the director of the State Department’s Office of International Trade Policy, with Harry Hawkins, the minister-counselor for economic affairs at the US Embassy in London, as his principal deputy. Wilcox was a professor of economics on leave from Swarthmore College.

54. *Report of Committee II: General Commercial Policy, Preparatory Committee of the International Conference on Trade and Employment*, United Nations Economic and Social Council, E/PC/T/30, 24 November 1946, 5.

55. “I am not opposed to any and all tariff reductions,” Butler explained to the Senate. “But I am opposed to wiping out, almost at one blow, the system that has made America great. I am opposed to one-sided disarmament on our economic protection” (*CR*, 2/7/1947, 892). On Truman’s relationship with the Republican Congress, see Hartmann 1971.

56. The exchange of letters was published in the *Department of State Bulletin*, 1/26/1947, 161–163.

57. Kaplan 2015.

58. *CR*, 2/10/1947, 912.

59. *CR*, 2/26/1947, 1411.

60. *Ibid.*, 1413.

61. In fact, the escape clause was first developed and inserted into the template reciprocal trade agreement in 1941 by the State Department. They did so in response to congressional concerns, expressed during the 1940 renewal of the RTAA, about the possible impact of trade disruptions on US producers after World War II.

62. “With this agreement in his pocket, Senator Vandenberg then persuaded a number of influential and uncommitted Republican leaders to come out publicly in support of the Trade Agreements program (not including Senator Taft, who broke with Vandenberg openly on the question),” Jones (1955, 99) notes. Indeed, Taft (2003, 242–43) wrote, “I do not agree with the proposal made by Senators Vandenberg and Millikin to accept the reciprocal trade program with certain amendments, but at least they have secured the agreement of the State Department to put a cancellation clause in every agreement made.”

63. *Department of State Bulletin* 1947, 483.

64. *FRUS* 1947, 1:914.

65. For the early history of the GATT, see Brown 1950; Kock 1969; Zeiler 1999; and Irwin, Mavroidis, and Sykes 2008.

66. World Trade Organization 1999, 424.

67. Canada's lead negotiator, Dana Wilgress (1967, 153–54), later wrote, "Much frustration was experienced in getting the tariff negotiations started; each country had a good excuse for putting them off. . . . Some of the countries had come to the conference intending to obtain all they could in the way of concessions without giving too much in return. The United States . . . found it necessary to be very tough, and this toughness brought forth recriminations, particularly from the Cubans."

68. As a result of a commodity loan program designed to increase wool production during the war, the Commodity Credit Corporation had accumulated more than 460 million pounds of wool, but could not dispose of the surplus without incurring a large financial loss, because the government-established parity price was much higher than the market price. Because imports kept the domestic price of wool below the parity level, the House considered imposing a 50 percent tariff on wool so that the CCC could sell the surplus without incurring a loss.

69. Zeiler 1999, 102; see also Hussain 1993.

70. *PPP* 1947, 309. See Hussain (1993) for details. Wool growers did not go away empty-handed. In the end, the Congress passed legislation allowing the CCC to dispose of the surplus wool at world market prices. Thus, the government absorbed the financial loss, and there was no adverse impact on wool growers.

71. Toye 2003b.

72. In June, the US delegation in Geneva reported, "We are convinced [the British negotiator] desires face-saving charter draft and trade agreement but has no intention making serious modification in system of Empire preference. We believe he wishes to place responsibility on us for failure of conference to achieve purposes contemplated" (*FRUS* 1947, 1:953).

73. *Ibid.*, 965, 975. As Toye (2003b, 923) concludes, "There was some truth in Clayton's allegation that the British were not playing ball. They were not making all possible efforts to secure waivers from Commonwealth countries; rather the reverse."

74. *Ibid.*, 979. Some context is needed to appreciate the sources of the intransigence on both sides. From Clayton's perspective, his personal credibility was at stake. In many statements before Congress, from the 1945 RTAA renewal to the British loan, he assured lawmakers that the British Empire would be cracked, and the Geneva meeting would mark the end of Britain's discriminatory tariffs. Believing that Britain had agreed to eliminate imperial preferences as far back as the Atlantic Charter in 1941, he overestimated his ability to deliver on these promises. In fact, Britain had never committed itself to abandoning the preferences. The State Department staff had a more realistic view of what could be achieved and tried to soften Clayton's view. They even had to persuade Clayton not to abandon the Geneva conference simply because Britain refused anything more than token compromises on preferences.

75. *Ibid.*, 978.

76. As Lovett cabled Clayton, "We are attempting to give UK every assistance in

getting over this difficult period and in avoiding irretrievable damage to their long-run position. Believe course of action leading to rupture trade negotiations inconsistent with policy we are following regarding financial agreement. (President referred to inconsistency our position if we should take alternative (3).) Important from point of view of successful relaxation convertibility and nondiscrimination provisions that some progress, even though slight, be made in commitment to reduce trade barriers. Believe alternative (3) likely to lead to strong resentment British public and considerable confusion and criticism in US. Would make more difficult consideration by Congress further assistance UK and Europe generally. As you know, UK Govt now under intense pressure from left wing members Labor party to curtail sharply UK foreign commitments, reduce arm forces and to withdraw British forces from Greece and Italy. We are concerned over likelihood that USSR will exploit fully any such differences between US and UK just as they are now trying to capitalize on British weakness by increasing pressure throughout Eastern Europe and Near East. Consequently best course seems to be to get best agreement possible in present highly unfavorable circumstances and reserve part of our negotiating position for use at more propitious time by trimming our offers correspondingly. From standpoint of public and congressional opinion here thin agreement of this kind we believe better than none, especially if made clear that present agreement only an initial stage in dealing with this problem" (Ibid., 981).

77. Gardner 1956, 360; see also Fossedal 1993, 253.

78. *PPP* 1947, 480.

79. *NYT*, 10/31/1947.

80. Canada, *House of Commons Debates*, 12/9/1947, 99.

81. *NYT* 10/31/1947, 99.

82. *NYT*, 11/20/1947.

83. *Ibid.*

84. US Bureau of the Census 1975, series U-226.

85. According to official calculations, had the duties negotiated at Geneva been in effect in 1947, the average tariff on dutiable imports would have been 15.3 percent instead of the actual 19.4 percent, a reduction of 4 percentage points, or 21 percent (US Tariff Commission 1948, 19). On the impact of import prices, see Irwin 1998a. Since import prices rose 60 percent between 1944 and 1950, $0.60 \times -0.67 = -0.40$.

86. For details on this calculation, see Irwin 1998a. The average tariff in 1948 turned out to be 13.9 percent, not the 15.3 percent predicted by the Tariff Commission, and higher import prices fully account for the difference. Import prices rose 10.5 percent in 1948, enough to reduce the tariff by about 6.7 percent. Applying both the 21.1 percent reduction due to the GATT negotiations and the 6.7 percent reduction due to higher import prices to the 19.4 percent average tariff in 1947 yields 14.0 percent, close to the actual figure of 13.9 percent. The Tariff Commission (1948, 18) recognized at the time that the erosion of specific duties by inflation during the 1940s had contributed significantly to tariff reduction, noting that "prices of import goods have risen greatly during the last two decades, and this fact alone would have cause a marked reduction in the average rate of duties actually collected in recent years compared with earlier years because of the effects of higher prices on the ad valorem equivalents of the specific and compound duties."

87. Irwin (1998a) calculates that the RTAA and GATT would have reduced the tariff by 32 percent between 1931 and 1948, while higher import prices would have reduced the tariff by 38 percent.

88. General Agreement on Tariffs and Trade 1949, 11.

89. Bown and Irwin 2015.

90. Subramanian and Wei 2007.

91. *CR*, 9/8/1949, 12655.

92. As Curzon (1965, 70) put it, "Countries believing that quantitative restrictions would be a permanent feature of the post-war world gave sham but very substantial reductions on their tariff rates in exchange for real reductions from the only country not applying quotas on manufactured goods, i.e., the United States."

93. MacDougall and Hutt 1954.

94. Johnson and Porter 1973, 454.

95. Sen. Paul Douglas (1972, 476) described the postwar political lineup this way: "The Eastern international finance section of the Republican party was finally compelled by the logic of the situation to change its position, although it did so in a somewhat shame-faced fashion. However, the dominant legislative wing of the party, based on textiles, steel, and chemicals, was still strongly protectionist and sought to reverse the Hull policy. In the main, the Democratic party continued to be loyal to its historic position, although as manufacturing moved southward there was some weakening. The export of raw cotton and tobacco still served as a low-tariff force in the South."

96. *CR*, 6/14/1948, 8049–50.

97. Lewis 1957, 579.

98. US Department of Commerce 1950, 28.

99. Taylor, Basu, and McLean 2011.

100. Mitchell 1970; Donohue 1993.

101. Foster 1983, 94. In May 1945, a survey by the American Institute of Public Opinion found that when informed voters were asked whether the trade agreements program should be continued, 75 percent answered yes, 7 percent answered no, and 18 percent were uncertain. When asked whether it was a good idea to reduce US tariffs under the trade agreements program, 57 percent said yes, 20 percent said no, and 23 percent were uncertain (Bauer, Pool, and Dexter 1963, 81).

102. According to Foster (1983, 94), "Less than 30 newspapers, out of 150 examined, registered out-right opposition to the legislation."

103. Watson 1956, 964.

104. Leddy and Norwood 1963, 128.

105. *Administration and Operation of Customs and Tariff Laws and the Trade Agreements Program: Hearings Before the House Committee on Ways and Means*, 84th Cong. pt. 2, 915 (1956).

106. *CQA* 1958, 173.

107. Leffler 1984, 364.

108. See Fordham 1998a, 1998b. Bailey (2003) shows how public concerns about national security affected congressional votes on trade policy.

109. "The delayed recovery of the German economy increased Europe's dependence

on the dollar area as a source of imports of foodstuffs and capital goods. This dependence was further accentuated by the disintegration of western Europe's trade with Eastern Europe, prior to the war a major supplier of grain imports," Brusse (1997, 124) notes.

110. *PPP* 1949, 366.

111. See Milward 1984; Killick 1997 and Eichengreen 2006.

112. *FRUS* 1947, 3:230.

113. While economists still debate how critical Marshall Plan aid was to Europe at this time, DeLong and Eichengreen (1993) argue that it relieved resource constraints that otherwise would have put European economic policy on a different, less market-oriented track.

114. *FRUS* 1947, 1:955.

115. Zeiler 1999, 137.

116. *CQA* 1958, 169.

117. H.R. Rep. No. 594-79, at 38-39 (1945).

118. On the ITO charter, see Wilcox 1949 and Brown 1950; both were trade negotiators for the United States.

119. The US delegation noted the "irreconcilable opposition" of Argentina in particular, cabling back to Washington, "There has been disconcerting absence [of] interest in supporting US positions or suggestions. Absence particularly noticeable in view [*sic*] practice Latin American Dels rushing to support one another even where issue is of no importance whatsoever country giving support. . . . Habana haunted by resurgence extravagant claims ITO 'violation national sovereignty' and insistence [on] maintenance [of] complete freedom national economic determination . . . Generally accepted by most Dels, Argentine goal is to prevent successful Conf and organization ITO" (*FRUS* 1948, 1:830-31).

120. *Ibid.*, 824, 829 and Toye 2003a. In February 1948, Wilcox reported that representatives from the major developed countries were "buried in gloom. Wilgress [of Canada] saw no hope at all. Coombs [of Australia] was saying that we should adjourn the Conference and put the whole project on ice for a year or more" (*Ibid.*, 872-73).

121. The Havana delegation included two Republican members of the Foreign Affairs Committee, but this did little to win their support.

122. *PPP* 1948, 168.

123. The State Department was also accused of being soft on Communism. As Congressman Daniel Reed (R-NY) asked, "Can it be to the interest of our Republic to entrust the future of hundreds of domestic industries, many of them founded on blood and sweat, to a handful of Communist-minded self-admitted internationalists" at the State Department? (*CR*, 5/26/1948, 6513).

124. H.R. Rep. No. 2009-80 (1948). Robert Doughton, the former Democratic chair of the Ways and Means committee, decried the renewal: "The present law is such an improvement over the old log-rolling, back-slapping, monopoly-breeding, enemy-making method of dealing with the tariff" (*CR* 5/26/1948, 6505).

125. *PPP* 1948, 385.

126. Republicans strenuously objected to the removal of peril points, which they

believed were essential to prevent “possible but unnecessary disaster through any ill-advised tariff reduction, because the findings of the Commission are based on economic realities” (H.R. Rep. No. 19-81, at 5 (1949).

127. *PPP* 1949, 234.

128. *NYT*, 5/10/1948, 33.

129. Diebold 1952, 20–21.

130. Gardner 1956, 376.

131. See Aaronson 1996 for a discussion of the ITO debate in Congress.

132. Toye 2003, 294.

133. *FRUS* 1950, 1:780–81.

134. *Ibid.*, 783–85.

135. Department of State Bulletin 1950, 977.

136. For an analyses of the failure of the ITO, see Diebold 1952; Aaronson 1996; Odell and Eichengreen 1998; and Zeiler 1999.

137. See Diebold 1952, 14.

CHAPTER II

1. Wilkinson (1960) provides a thorough review of Congress and trade policy during the late 1940s through the 1950s. Watson (1956) analyzes Congressional voting on trade bills during this period and finds that regional patterns replaced partisan ones. Bauer, Pool, and Dexter (1963) also provide a comprehensive survey of political support and opposition to the trade agreements program during the 1950s.

2. See Stiles 1995. According to Koch (1969, 82, 84), the passivity reflected the “feeling that the United States had given away concessions without any real corresponding benefit, as the European countries were slow in eliminating their discrimination against dollar goods” and had failed to dismantle their colonial preferences as well.

3. *PPP* 1951, 340.

4. Schulman 1991, 153.

5. See Leddy 1963, 187.

6. Kane 1988.

7. See Fordham 1998a, 1998b, and Bailey 2003.

8. Johnson and Porter 1973, 499.

9. As Senator Paul Douglas (1972, 478) put it, the Republicans “could do what they wanted. But they did not know what that was. They were divided between their internationalists from the East and their economic and political nationalists of the Middle West and mountain states.”

10. See Wilkinson 1960 and Kaufman 1982 for overviews of trade policy during the Eisenhower administration. Eisenhower (1963, 499) recalled that “the problem of trade was constantly on my mind.”

11. *PPP* 1953, 164.

12. Wilkinson 1960, 84.

13. *PPP* 1954, 363.

14. *CR*, 2/17/1955, 1678.

15. The 1955 vote was the first in which members of Congress from textile-

producing regions in New England and the South joined forces to strengthen the peril points and escape-clause provisions for the express purpose of protecting the textile industry from Japanese imports. As Rep. Styles Bridges (R-NH) put it, "I cannot go along with a trade policy that can create boomtowns in Japan and ghost towns in New England" (*CQA* 1955, 296).

16. In the case of the United States, the tariff concessions applied to just 16 percent of dutiable imports and resulted in a weighted average tariff reduction of just over 2 percent. According to Kreinin (1961), the tariff reductions increased US imports by \$200 million (at a time when total imports were about \$12 billion) and may have displaced at most twenty thousand workers, or about 0.03 percent of the labor force. This figure was based on the calculation of Salant and Vaccara (1961) that the displacement of \$1 billion of domestic production by imports would be responsible for the loss of 115 domestic jobs at that time.

17. About half of the signatories to the GATT invoked Article 35 of the agreement and denied Japan the full benefits of non-discriminatory treatment. It was not until the mid-1960s that Japan normalized its trade relationship with other GATT participants; see Forsberg 1998. On the politics of GATT accession in the Cold War era, see McKenzie 2008.

18. Keesing and Wolf 1980.

19. See Leddy 1963.

20. Kelley 1963, 107.

21. *PPP* 1955, 397–98. Eisenhower reminded Congress of the importance of the OTC in his January 1956 State of the Union message, and the Ways and Means Committee agreed to hold hearings. Business groups and labor groups (such as the AFL-CIO) endorsed US participation, while opponents questioned how the Congress could authorize participation in the OTC when it had not even approved the GATT. Despite a favorable report from the Ways and Means Committee, the Democratic House majority leader declined to bring it to a vote on the grounds that it could never pass. Republicans were opposed to the measure by a two-to-one margin, and many Democrats remained uneasy about it as well. As a result, the matter was dropped.

22. Bohi and Russell 1978, 23.

23. See Bohi and Russell 1978 for an analysis of the oil-import quota scheme.

24. Kaufman (1982, 91) notes that "it might be conveniently argued that it contributed to the energy crisis of the 1970s and 80s by helping to deplete the nation's oil reserves at a time when foreign oil was both cheap and plentiful."

25. Mitchell 1970.

26. During the Annecy negotiations in 1951, the Tariff Commission found that the tariff was too low on imported petroleum from Venezuela, while in the 1955–56 Geneva negotiations the Tariff Commission recommended that duties be increased on certain tungsten alloys and on violins and violas. The president took no action in either case. However, the peril points did hamper trade negotiations with the European Economic Community in the 1960–62 Geneva negotiations, when the United States could not match the degree of tariff-cutting offered by the EEC (Leddy and Norwood 1963, 143–46).

27. Murray and Egmand 1970, 406.

28. In addition, the old flexible tariff authority (Section 315 of the Fordney-

McCumber tariff, or Section 336 of the Hawley-Smoot tariff) was also infrequently used. See Kelley 1963, 22–23.

29. Fordham 1998b.

30. In the president's view, "The enactment of this legislation—unencumbered by amendments of a kind that would impair its effectiveness—is essential to our national economic interest, to our security, and to our foreign relations" (*PPP* 1955, 10).

31. Asbeck Brusse 1997, 127.

32. World Trade Organization 1999, 458. On the compatibility of the EEC with the GATT, see McKenzie 2010.

33. The negotiating round was named for Douglas Dillon, an undersecretary of state in the Eisenhower administration and Treasury secretary in the Kennedy administration.

34. The 1960 Democratic platform stated that "world trade is more than ever essential to world peace. In the tradition of Cordell Hull, we shall expand world trade in every responsible way. Since all Americans share the benefits of this policy, its costs should not be the burden of a few. We shall support practical measures to make the necessary adjustments of industries and communities which may be unavoidably hurt by increases in imports" (Johnson and Porter 1973, 577).

35. *PPP* 1962, 74.

36. As Meany himself put it, "There is no question whatever that adjustment assistance is essential to the success of trade expansion. And as we have said many times, it is indispensable to our support of the trade program as a whole" (Charnovitz 1986, 158).

37. Diebold 1962, 361.

38. *NYT*, 1/18/1962, 12.

39. Zeiler 1987.

40. Bauer, Pool, and Dexter 1963, 363.

41. Talbot 1978.

42. Gallup 1972, 3:1761.

43. "There were many other acts of discrimination, about which the State Department blandly professed indifference," Douglas (1972, 481, 485) later recalled. "I could understand the anger of the protectionists and their later demand for retaliatory action. . . . I asked the State Department for instances of trade discrimination against us, but although I was fighting its battle in the Finance Committee, it never helped. When their guard was down, . . . I was shocked to hear them often refer to these other countries as their 'clients.' International alliances seemed more important than the mutual benefits of two-way economic cooperation. . . . With some pain I finally concluded that the State Department could not be trusted to represent the Congress in economic matters."

44. Douglas (1972, 482–83) proposed that the United States "should have greater power to retaliate if discriminated against, by going back to the old Smoot-Hawley rates or beyond. I hoped that we would never have to use this weapon, but in view of the European treatment of us, I felt that we needed a stick as well as the carrot."

45. *PPP* 1962, 759–60.

46. On the Kennedy Round endgame, see Lee 2001.

47. Dryden 1995, 94. The 1964 Republican platform pledged "a determined drive,

through tough, realistic negotiations, to remove the many discriminatory and restrictive trade practices of foreign nations” and attacked the Johnson administration for having “proved itself inept and weak in international trade negotiations, allowing the loss of opportunities historically open to American enterprise and bargaining away markets indispensable to prosperity of American farms” (Johnson and Porter 1973, 760).

48. See Zeiler 1992 on American trade politics in the 1960s.

49. Johnson and Porter 1973, 727.

50. *Ibid.*, 760.

51. See Matusow 1998 for an overview of trade politics during the Nixon administration.

52. *Ibid.*, 120.

53. Destler, Fukui, and Sato 1979.

54. The bill worried economists enough so that 4,390 of them signed a statement urging Nixon to veto the measure should it pass (*NYT*, 9/19/1970, 1). Paul Douglas, one of the original sponsors of the 1930 petition, also helped organize this effort. Douglas (1972, 607) called the House measure “far worse than Smoot-Hawley” because it would use quotas and not tariffs to limit trade. The petition was ultimately signed by 5,025 economists.

55. Maddison 2001, 261; Maddison 1989, 139.

56. Bernhofen, El-Sahli, and Kneller 2016.

57. See Levinson 2006a, b.

58. Van Cott and Wipf 1983.

59. *Statistical Abstract of the United States* 1978, 873.

60. Adams and Dirlam 1964. At various times, Presidents Truman and Kennedy clashed with the steel industry over its rigid pricing policies.

61. Crandall 1981, 35.

62. Commission on International Trade and Investment Policy 1971, 2.

63. *WP*, 4/26/1971, A4.

64. Magee 1972, 692.

65. *CR*, 9/17/1962, 19591.

66. *NYT*, 3/28/1972, 59.

67. Ruttenberg 1971, 62.

68. Saloom 1972, 121.

69. As George Meany, the president of the AFL-CIO, argued, “This displacement of industrial production means the loss of American jobs. It threatens the decline of America’s economic strength. The narrowing of America’s industrial base means that this country is now on the road to becoming a second or even third-rate industrial power, if these huge and rapid losses of American production and jobs are not halted” (Saloom 1972, 122–23).

70. Ruttenberg 1971, 123.

71. A former legislative assistant to Senator Hartke stated, “It is an open secret that much of the impetus for this legislation came from organized labor; . . . the bill was drafted under the auspices of the AFL-CIO” (Saloom 1972, 115).

72. *Ibid.*, 99.

73. See Eichengreen 2000 and Bordo and Eichengreen 1993.

74. The exact wording of this statement has been reported in several different ways. See Reeves 2001, 341, Odell 1982, 263, and James 1996.

75. "The Japanese are still fighting the war, only now instead of a shooting war, it's an economic war," Connally told the president. "They have built up tariff arrangements, they have built up trade restrictions against US goods. . . . The people themselves, frankly, are more industrious than we are, as they work harder than we do. . . . The simple fact is that in many areas other nations are out-producing us, out-thinking us and out-trading us." Nixon replied, "We'll fix those bastards." But the president also believed that "the US cannot build a fence around itself and expect to survive as a great nation" (Reeves 2001, 341).

76. Gowa (1983) and Irwin (2012a) discuss the domestic politics behind the August 1971 action.

77. Odell 1982, 252 and *FRUS* 1969–76, 3:424–25.

78. Commission on International Trade and Investment Policy 1971, 37. The idea that a uniform import tariff and export subsidy was equivalent to a currency devaluation is often attributed to John Maynard Keynes.

79. James 1996, 217–18.

80. Ohlmacher 2009, 9.

81. Gowa (1983, 150n) writes, "Most, although not all, of the administration's economic officials believed that the surcharge coupled with the suspension constituted overkill, dangerous because it invited retaliation by other nations. Camp David participants generally adhere to the view that the surcharge would not have been imposed had Connally not been secretary." Connally was the key figure who wanted the import surcharge; see Volcker and Gyohten 1992, 76.

82. Volcker later recalled that "the only really active debate about the program was over the import surcharge. As I remember it, the discussion largely was a matter of the economists against the politicians, and the outcome wasn't really close. I think the president had been convinced that it was both an essential negotiating tactic and a way to attract public support" (Volcker and Gyohten 1992, 78).

83. Safire 1975, 513.

84. *PPP* 1971, 889.

85. Harris Survey 1975, 184.

86. Volcker assumed that countries would agree to US demands: "In my naïveté, I thought we could wrap up an exchange rate realignment and start talking about reform in a month or two. . . . Instead, I got a fast lesson in big-league negotiations. . . . What we found, even after we shut the gold window, was fierce resistance by key countries to their currencies floating upward against the dollar" (Volcker and Gyohten 1992, 80).

87. Angel 1991, 128.

88. Initially "agnostic" about the August 15 measures, Kissinger (1979, 955, 957) recognized that the administration "would have to tread a narrow path between maintaining enough pressure to provide an incentive for the adjustments we were seeking, and evoking a trade war as well as jeopardizing political relationships built up over decades." The National Security Council believed that the bargaining value of the surcharge deteriorated the longer it was in place (*FRUS* 1969–76, 512–515). On September 20, Kissinger pressed this foreign-policy argument with the president, suggesting that

the surcharge be dropped. Nixon shot down this appeal: "The difficulty is the surcharge, Henry, it's so popular domestically, we just can't end it until we get something for it. That's the, hell, the surcharge is supported by 85 percent of the people. Good God, you just can't give it away" (Ohlmacher 2009, 23).

89. Angel 1991, 257; Volcker and Gyohten 1992, 97.

90. *PPP* 1971, 1195–96.

91. Irwin 2012a.

92. White House international economic adviser Peter Peterson agreed that "had we not taken that very vigorous action on the dollar, it was the sure road to protectionism" (Stein 2010, 49).

93. See Destler, Fukui, and Sato 1979.

94. See Crandall (1981).

95. *CQA* 1974, 836.

96. Destler 1980, 169.

97. Laird and Yates 1990, 316.

98. "Fast track enables us to be a trade negotiating partner with [Congress having] the ultimate power to say yes or no," House Minority Leader Robert H. Michel (R-Ill.) said. Senator John C. Danforth (R-Mo.) stated, "It is the overwhelming opinion of people who know anything about international trade that without fast track there is no possibility of a trade agreement. It is just not going to happen." On fast track, see Shapiro 2006.

99. Baldwin (1985a) examines some of the constituency factors that shaped Congress's vote.

100. In October 1972, as part of Nixon's policy of *détente*, the United States signed a trade agreement with the Soviet Union whose implementation hinged on the United States granting the country MFN status. This was not given automatically because the Soviets were not a party to the GATT.

101. In the 1962 legislation, the escape clause had a three-part test: imports had to be entering the United States in increased quantity, the increase in imports had to be attributable in "major part" to a concession made in a trade agreement, and the increased imports had to cause or threaten to cause serious injury. The escape clause proved to be a difficult vehicle for receiving temporary respite from import competition because the "major" attribution requirement was the legal obstacle in the Tariff Commission (Murray and Egmand 1970). For example, in 1971 three labor unions in the television industry had filed for escape-clause relief, but the petition was rejected because the increased imports had to be "a result in major part of concessions granted under trade agreements." While the tariff on imported televisions had fallen from 10 percent in 1962 to 6 percent in 1971, that modest reduction could not be held responsible for the enormous increase in imports of television sets from Japan.

102. A representative of the United Steel Workers concurred: "Trade adjustment assistance is an idea whose time has passed. . . . [It] cannot be an adequate substitute for an effective trade policy" (Charnovitz 1986).

103. Similar authority had been granted earlier, in Section 252 of the Trade Expansion Act of 1962, but only used twice, once to retaliate against the EEC's variable import levy on poultry in the "chicken war" of 1962 and then against Canada for its barriers against US beef exports.

104. As Winham (1980) noted, these provisions pushed constituent and interest group lobbying further away from Congress and toward the executive branch and administrative agencies. In Destler's (1980) words, this system of administered protection was a way of "providing protection for Congress" so that it would not have to deal with all the trade concerns of constituents.

105. Congress had long wanted the Tariff Commission to be more responsive to its concerns in making injury determinations in escape-clause and dumping cases. In late 1960s, Sen. Russell Long (D-LA) stated, "It is to the Congress, and not the Executive, that the Tariff Commission is expected to be responsive" (Baldwin 1984, 16).

106. Winham (1986) provides an overview of the Tokyo Round negotiations and agreements.

107. Quoted in Baldwin 1970, 2.

108. The United States also finally agreed to abolish the American Selling Price for chemicals, a holdover from the Kennedy Round. Specific agreements were also reached regarding trade in bovine meat, dairy products, and civil aircraft.

109. Hufbauer 1983, 332.

110. Minchin 2013, 80.

111. *PPP* 1978, 2:2008.

112. As Destler (1980, 202) notes, five of the eleven votes against the legislation came from Wisconsin, whose representatives opposed concessions to cheese imports that might harm the dairy industry.

113. The success of the bill in Congress was "an enormous tribute to the colossal skills of Bob Strauss," Rep. Bill Frenzel (R-MN) observed. "Without Bob we'd have had all kinds of difficulties putting this thing together." See Winham 1980.

114. Millstein 1983, 123.

115. From 1970 to 1976, Krueger (1980) found that, in ten of nineteen industries in which employment declined, import-related losses exceeded those attributable to changes in domestic demand or productivity in only one case, leather products. Over the period from 1967 to 1979, Grossman (1987) found that only one industry of the nine examined experienced a large reduction in employment as a result of imports (radio and television production).

116. US General Accounting Office 1987.

117. The industries that were denied relief included asparagus, ferrocyanide blue pigments, honey, mushrooms, cast-iron stoves, bolts, nuts and screws, high carbon ferrochromium, stainless steel flatware, copper, bicycle tires or tubes, fishing tackle, and leather apparel. When presidents declined to give escape-clause relief, Congress sometimes intervened on behalf of the domestic industry. For example, in 1976, in a Section 201 case involving non-rubber footwear, President Ford granted adjustment assistance, but not the import relief proposed by the ITC. Congress urged reconsideration of the case, so the footwear industry filed another petition. In 1977, the ITC again determined that the industry was seriously injured and recommended a stringent, five-year tariff-rate quota. This time, President Carter opted to negotiate orderly marketing arrangements (OMAs) with Taiwan and South Korea.

118. In 1977, the mix of South Korea's shoe exports to the United States was 70 per-

cent non-rubber and 30 percent rubber. In 1978 those proportions were exactly reversed (Mutti and Bale 1981).

119. Canto and Laffer 1983.

120. Aggarwal 1985.

121. Indeed, European countries fought over such subsidies themselves, because the state-owned industries in France, Belgium, the United Kingdom, and Italy received government assistance to cover their operating losses, to the detriment of private firms in Germany and the Netherlands.

122. The TPMs covered seventy different product categories and covered 85 percent of steel imports in 1979. See Eichengreen and van der Ven 1984.

CHAPTER 12

1. For overviews of trade-policy developments during the decade, see Destler 1991, Richardson 1994, Destler 1995, and Krueger 1996.

2. The US economy experienced two recessions during this period, one from January to July 1980 and another from July 1981 to November 1982, according to the National Bureau of Economic Research. The economy was generally weak throughout this period, although the second recession was much more severe than the first.

3. Eichengreen 1996.

4. Fukoa 1990.

5. *Statistical Abstract of the United States* 1988, 768.

6. Lawrence 1984, 44.

7. As Kletzer (2002, 129) puts it, "While we can be certain that exports are produced by US workers, we cannot be certain that an industry import directly substitutes for a domestic good."

8. *Handbook of US Labor Statistics* 2001, table 2.1.

9. See Addison, Fox, and Ruhm (1995). Kletzer (1998, 455) also concludes that "increasing foreign competition across industries accounts for a small share of job displacement" across industries because there are "high rates of job loss for industries with little trade." Davis, Haltiwanger, and Schuh (1995, 48–49) concluded that there is "no systematic relationship between the magnitude of gross job flows and exposure to international trade. . . . On balance, the evidence is highly unfavorable to the view that international trade exposure systematically reduces job security."

10. Revenga (1992) found that a 10 percent decline in industry import prices was associated with a 2.5–4.0 percent reduction in industry employment but only a 0.5–1.0 percent fall in industry wages. This implies that when import prices fell 19 percent between 1980 and 1985, wages fell by about 2 percent in import-sensitive industries, while employment fell 5–8 percent. Freeman and Katz (1991) similarly found that a 10 percent increase in imports reduced industry employment by 5–6 percent and industry wages by 0–0.6 percent.

11. Jacobson (1978) found that the earnings of workers displaced from their jobs in the automobile and steel industries in the early 1970s fell by more than 40 percent in the first two years after displacement, and in the subsequent four years were still about 10 to 15 percent below the earnings of those who remained employed in the industry.

12. See Jacobson (1978) and Bednarzik (1993). Workers displaced from non-unionized industries with relatively low wages (for example, women's clothing, television receivers, toys, cotton weaving) experienced less of an initial earnings loss (about 10 percent), and some actually earned more than they previously had; workers in cotton weaving earned nearly 12 percent more in the four years after displacement. In most of these cases, about half of these losses were due to the period of unemployment rather than subsequently earning lower wages.

13. "Policymakers often ascribe the declining share of industrial employment to a lack of manufacturing competitiveness brought on by inadequate productivity growth," noted Krugman and Lawrence (1994). "In fact, the shrinkage is largely the result of higher productivity growth, at least as compared with the service sector." Several industry studies reached similar conclusions. In the 1970s, Lawrence (1984, 54) found that in six of nine industries where overall employment fell more than 10 percent, employment due to trade actually increased; only in footwear and apparel was the loss due to trade greater than that due to changing domestic use. In the case of the steel industry, Grossman (1986) found that the secular decline in employment was responsible for five times more job losses than imports. Over the shorter period 1979–83, imports and secular factors were equally important, but he noted that "the injury due to import competition during this period is entirely the results of the more than 30 percent real appreciation of the US dollar."

14. See Revenga 1992. C. Fred Bergsten (1985, 138) was one of the leading contemporary voices arguing that Reagan economic policy "has also been plagued by a fundamental contradiction between its trade policy and its monetary policy."

15. Though President Jimmy Carter was from the South, he was not viewed as a friend to the textile and apparel industry after vetoing a bill that would have exempted it from tariff cuts in the Tokyo Round. In a September 1980 letter to Sen. Strom Thurmond (R-SC), Reagan noted that the textile and apparel industry provided 2.3 million jobs and pledged that "the Multifiber Arrangement "needs to be strengthened by relating import growth from all sources to domestic market growth. I shall work to achieve that goal" (*Oversight of US Trade Policy: Joint Hearings, Before the Subcommittee on International Trade, Committee on Finance, and Subcommittee on International Finance and Monetary Policy, Committee on Banking, Housing and Urban Affairs, 97th Cong., pt. 1, 19 (1981).*

16. As Reagan stated in the 1983 State of the Union message, "As the leader of the West and as a country that has become great and rich because of economic freedom, America must be an unrelenting advocate of free trade. As some nations are tempted to turn to protectionism, our strategy cannot be to follow them, but to lead the way toward freer trade" (*PPP 1983, 1:108*).

17. *Oversight of US Trade Policy: Joint Hearings, 19.*

18. For example, in the mid-1970s, Reagan gave a talk at the Hoover Institution at Stanford University in which he criticized foreign dumping of goods in the US market. When an economist who replied that consumers benefited from the low prices of dumped goods, Reagan countered that it also increased unemployment and led to plant closures. When another economist suggested that the economy would eventually adjust to this setback, Reagan got a puzzled look and said, "That may very well be. But in the

meantime what will happen to the American worker? How will he and his family get along?" See Hook 1987, 598–99.

19. For an inside account, see Niskanen 1988.

20. Hufbauer, Berliner, and Elliott 1986, 21.

21. This section draws on Krueger 1996, which provides industry case studies of trade policy.

22. Destler 1980, 196–97.

23. As Reagan (1990, 253–54) wrote in his memoirs, "As I listened to the debate, I wondered if there might be a way in which we could maintain the integrity of our position in favor of free trade while at the same time doing something to help Detroit and ease the plight of its thousands of laid-off assembly workers." According to Reagan, when he asked if anyone had suggestions about how to strike a balance between the two positions, Vice President George H. W. Bush chipped in, "We're *all* for free enterprise, but would any of us find fault if Japan announced without any request from us that they were going to *voluntarily* reduce their export of autos to America?" Stockman (1986, 157) blamed presidential adviser Edwin Meese for planting this idea, saying that Meese was "quietly pounding square pegs into round holes, convincing himself and the president that all we had to do to maintain our free trade position was to convince the Japanese 'voluntarily' to restrict their own exports. Under the Meese formulation, our hands would be clean; the Japanese would do the dirty work themselves." See also Dryden 1995, 267–75.

24. See McClenahan 1991. For a general analysis of VERs, see Jones 1994.

25. For differing assessments of the steel industry, see Crandall 1981 and Howell et al. 1988. See also Moore 1996.

26. As Destler (1991, 262) notes, "US steelmakers jointly delivered to the Commerce Department, on a single day, 494 boxes containing 3 million pages of documentation, for 132 countervailing duty and antidumping petitions."

27. *PPP* 1984, 2:1312.

28. Between 1966 and 2001, domestic shoe production fell from 639 million pairs to 129 million, and full-time employment fell from 233,400 to 28,900, almost entirely due to plant closures, even as consumption was rising. Import penetration rose from 13 percent of domestic consumption in 1966 to almost 97 percent in 2001 (Freeman and Kleiner 2005).

29. Minchin 2013, 99.

30. Before House vote, Jenkins implored the House that "we have to have some action to save basic industry in the United States." Opponents such as Sam Gibbons (D-FL) responded that "no nation has ever risen its standard of living by restricting its imports" (Minchin 2013, 116).

31. *PPP* 1988, 2:1486.

32. The MFA-IV was scheduled to be in effect for five years until 1991, although it was later extended to 1995. The MFA had grown from covering the exports of eighteen countries in 1977 to forty-one countries by 1991, mainly small, developing countries.

33. Gardner 1996.

34. *CQA* 1986, 187.

35. Organization for Economic Cooperation and Development 2014.

36. Graham 1983, 130.
37. See Krueger 1990b and Marks and Maskus 1993.
38. Maskus 1989, 96.
39. See Finger, Hall, and Nelson 1982. A former staff economist at the ITC, John Suomela (1993), provides an insider perspective on some cases.
40. US General Accounting Office 1987. Hollings is quoted in *CR*, 11/13/1985, S15315.
41. Irwin 2005a, Baldwin 1998, Congressional Budget Office 1994.
42. Congressional Budget Office 1994, 50.
43. Economists and lawyers frequently criticized the Commerce Department for using questionable methods that seemed designed to guarantee a finding of dumping and to inflate the calculated dumping margin. See, for example, Boltuck and Litan 1991 and Finger 1993.
44. Congressional Budget Office 1994, 58.
45. *Ibid.*, 50.
46. The figures come from US International Trade Commission 1995, 3–1 and Congressional Budget Office 2001, 41.
47. Gallaway, Blonigen, and Flynn 1999.
48. These economists were employed by the Federal Trade Commission, the International Trade Commission, and the Congressional Budget Office. For example, see Morkre and Tarr 1980 and Tarr and Morkre 1984, as well as Rousslang and Suomela 1988.
49. The United States also could have captured the quota rent by auctioning off the quota rights to sell in the US market. For such a proposal, see Bergsten et al. 1987.
50. This estimate is similar to \$12.3 billion in 1986 by Trela and Whalley (1990). Hufbauer and Elliott (1994, 15) found the welfare cost of the MFA was \$3 billion in 1984 and \$8.6 billion in 1990, using a partial equilibrium model. Another partial equilibrium estimate by Cline (1990, 191) came to \$8.1 billion, due largely to differences in the estimated quota premium. De Melo and Tarr (1992, 105–106) explain the differences in these figures, which hinge on better estimates of the quota-induced premium.
51. In 1987, the restraints on foreign textile and apparel exports had the same effect on the volume of imports as an additional tariff of 22 percent on textiles and 28 percent on apparel, on top of the existing 10 percent tariff on textiles and 18 percent on apparel (US International Trade Commission 1989).
52. De Melo and Tarr (1992, 89–90) calculated that the MFA protection allowed 247,000 more workers to remain employed in the industry than otherwise, or 12 percent of industry employment. Cline (1990, 193–94) concluded that the MFA saved 234,000 textile and apparel jobs, almost all of them in apparel. The US International Trade Commission (1989) estimated that eliminating trade barriers would reduce employment in the textile and apparel industry by 233,000–291,000 jobs, or roughly 15 percent.
53. Cline (1990, 95) found that “even in their worst period (1982–86) [import’s] negative contribution to textile employment change was only about one-sixth as large as the negative contribution from productivity growth.” In the case of textiles, McKenzie and Smith (1987) found that technological change was the major source of job loss, not imports.

54. To keep 224,700 jobs in textiles and apparel, Cline (1990, 192) calculated that the annual consumer cost per job saved was \$134,686 per textile worker and \$81,973 per apparel worker. "Considering that average wages in textiles and apparel are in the range of \$12,000 annually," he concluded, "consumers pay nearly seven times as much to sustain apparel jobs through protection as it would cost them to provide permanent vacations at full salary to the workers involved, and for textile jobs the multiple is even higher."

55. Feenstra (1988) estimates that the VER was only binding in 1983 and 1984, and increased the price of a Japanese automobile by 17 percent, putting the welfare cost of the VER as \$2.3 billion in 1984–85. Dinopoulos and Kreinin (1988) added that the VER shifted US demand to European cars and resulted in an additional welfare loss of \$3.4 billion, due to the increased price of cars imported from Europe.

56. Thus, Collard-Wexler and De Loecker (2015) conclude that the main reason for the rapid productivity growth and the associated decline in employment was not a decline in steel consumption or the growth of imports but the displacement of the older technology used by vertically integrated producers by the more efficient mini-mills.

57. As Baldwin (1985b, 109) wrote, "Import-restricting measures frequently turn out to be an ineffective form of government regulation that does not bring the employment and equity benefits which the protected industries and the general public expect." "They result in a much smaller reduction in imports and a much smaller increase in domestic output and employment than anticipated and, what is more, in equity terms they often do not help the most deserving groups in a society."

58. The company's management conceded that Harley's production process was far behind the cutting-edge Japanese manufacturing practices at the time the Section 201 petition was filed, as Reid (1990) notes. See Kitano and Ohashi 2009, and Irwin 2015.

59. See Kahn 1999.

60. Feyrer, Sacerdote, and Stern 2007. In particular, each steel or auto job lost in a county led to a net decrease in population of 1.8 persons. Although some Rust Belt counties recovered quickly in terms of unemployment and per capita income, other local attributes (crime rates, public libraries, and restaurants) did not improve over time and may have worsened. One silver lining of the decline of manufacturing in the Rust Belt was the improved environmental quality, especially the significant drop in airborne particulate matter (Kahn 1999).

61. As Trubowitz (1998, 219) notes, "In contrast to the 1930s, when much of the industrial Northeast had a stake in freer trade, by the 1980s the northern core was strongly protectionist, much as it had been in the late nineteenth and early twentieth centuries. By contrast, the West, the bedrock of trade protectionism of the 1930s, had become the most free-trade-oriented region, surpassing the South, which on balance stood somewhere between the protectionist Northeast and the free-trade West."

62. See Lande and VanGrasstek 1986.

63. President Reagan, who was from California, rejected out of hand a proposal pushed by his adviser Edwin Meese (also from California) to protect the wine industry from foreign competition (Stuart Auerbach, "Reagan Rejects Meese's Plea to Back Bill Aiding Wineries," *WP* 2/17/1984, A2).

64. Caroline Herron and Michael Wright, "A Race for Import Curbs," *NYT*, 9/22/1985, A4.

65. Destler and Henning 1989, 104–5.

66. Destler (1986, 84) reports that, of the 634 bills, “99 were directly and seriously protectionist, and 77 more were potentially so, in that they would make quasi-judicial trade relief easier to obtain.”

67. Destler (1991, 279) notes that the resolution was clearly aimed at the Reagan administration, not Japan. As he reports, when asked why the Senate was so anti-Japan, a Senate aide replied, “You don’t understand. The target isn’t the Japanese; it’s the White House!”

68. Destler 1995, 272.

69. *CR* 10/4/1988, H9497.

70. See Graham 1992. Most economists rejected the idea of having an industrial policy. Charles Schultze (1983, 4), former chairman of President Carter’s Council of Economic Advisers, wrote that “reality does not square with any of the four premises on which the advocates of industrial policy rest their case. America is *not* de-industrializing. Japan does *not* owe its industrial success to its industrial policy. Government is *not* able to devise a ‘winning’ industrial structure. Finally, it is *not* possible in the American political system to pick and choose among individual firms and regions in the substantive, efficiency-driven way envisaged by advocates of industrial policy.”

71. Shoch 2001, 97.

72. *CQA* 1985, 254.

73. Steven V. Roberts, “The President’s Hard Sell on Free Trade,” *NYT*, 9/29/1985, A1.

74. For assessments of US trade policy with Japan, see Porges 1991, Schoppa 1997, and Kunkel 2003.

75. Zinsmeister 1993.

76. Lincoln 1990, 16.

77. See Krugman 1991 for the debate among economists about the distinctiveness of Japan’s trade pattern.

78. *CQ* 1984, 157.

79. The United States also objected to remaining import quotas on beef, citrus, tobacco, and leather, and these became the subjects of bilateral negotiations. In 1986 another round of MOSS talks was initiated for transportation machinery (auto parts): these talks broke new ground by focusing on *keiretsu* and other private business practices, and on US firms’ sales to Japanese-owned firms, even in the United States.

80. Greaney 2001.

81. See Prestowitz 1988 for a discussion of these battles from the perspective of a Commerce Department trade negotiator.

82. “The disparity between the strong dollar and weak foreign currencies gave foreign competitors a big advantage over companies in the United States,” Baker (2006, 427) wrote in his memoirs. “This contributed to our growing trade deficit and sparked demands for high tariffs, import quotas, and other protectionist measures.”

83. Volcker later wrote that “the exchange rate of the dollar had plainly become so high as to be deeply troublesome, whether or not the administration wanted to recognize it. Surely, it did not look sustainable either on economic or political grounds.”

Baker and his deputy Richard Darman “did not need to be Ph.D. economists to relate that [protectionist] pressure to the strength of the dollar” (Volcker and Gyohten 1992, 228–29, 241).

84. Destler and Henning 1989; Bergsten and Green 2016.

85. *PPP* 1985 2:1127–28.

86. The use of Section 301 was controversial; critics called it “aggressive unilateralism.” See Bhagwati and Patrick 1990.

87. This section follows Irwin 1996a.

88. Prestowitz 1988 provides a vivid description of this episode and a fascinating discussion of the difficulties faced by US negotiators with Japan.

89. The text of the letter is published in Irwin 1996a.

90. Odell and Matzinger-Tchakerian 1993.

91. Bayard and Elliott 1994, 14.

92. Stuart Auerbach, “Baker Calls US Late in Attacking Trade Gap,” *WP*, 9/15/1987.

93. *CQA* 1986, 344.

94. *PPP* 1986:1, 689.

95. *CQA* 1986, 343.

96. *CQA* 1987, 640.

97. On the 1988 legislation, see Schwab 1994 and Grinols 1989. See Nollen and Kinn 1994 on voting patterns in Congress over the various elements of the bill.

98. Laird and Yates 1990, 312. See also Nogués, Olechowski, and Winters 1986.

99. Low 1993, 76.

100. Aho and Bayard 1982 is another pessimistic piece from the period.

101. The Dunkel quotes are from Wolff 1983, 363 and Croome 1995, 11.

102. The declaration also called for countries “to make determined efforts to ensure that trade policies and measures are consistent with GATT principles and rules and to resist protectionist pressures in the formation and implementation of national trade policy and in proposing legislation; and also to refrain from taking or maintaining any measures inconsistent with GATT and to make determined efforts to avoid measures which would limit or distort international trade” (*NYT* 11/30/1982, D25).

103. For example, the 1982 report on the trade agreements program stated that “the United States remains committed to the multilateral system of the GATT as the primary vehicle for the realization of its own interests and those of other trading nations.” The 1986 report reiterated that “the United States remains committed to GATT and the multilateral negotiating process,” but added that “multilateral negotiations are not an end in themselves” and that “America has decided to pursue trade liberalization opportunities wherever and whenever they exist, whether in a multilateral, plurilateral or bilateral context” (Richardson 1994, 641).

104. *PPP* 1985, 2:1129.

105. Israel’s goal in concluding the agreement was to solidify its ties with the United States and secure its export access to the US market; even though 90 percent of Israeli goods exported to the United States entered duty-free, this access was contingent on Congress’s approval of the GSP and other programs. With a free-trade agreement, Israel could extend and guarantee this access.

106. For this reason, all previous discussions of a bilateral trade agreement (in 1854,

1911, and 1947) had been initiated by Canada. The 1854 agreement was only in effect until 1866, when it was abrogated by the United States. In 1911, an agreement was reached and was approved by the Senate, only to be rejected by Canada's Parliament after the speaker of the House said that it would lead the way to the annexation of Canada.

107. As the chief of staff of the Canadian prime minister, and later Canadian ambassador to the United States, Derek Burney (2005, 109) put it, "We now realized fully the extent to which the priority for free trade was vastly different in the two capitals. Free trade had become an all-consuming issue in Canada, debated intensely, heatedly, and in highly partisan fashion nationally, provincially, and even municipally. In Washington it barely raised a ripple. The biggest problem we had was trying to get the US administration to recognize the political priority of the issue for the Canadian government and to treat it accordingly."

108. For a detailed discussion of the negotiation from the Canadian perspective, see Hart 1994, Ritchie 1997, and Burney 2005.

109. Murphy basically ran an interagency process in which the Commerce Department and others would nitpick about particular details of the agreement. As Prime Minister Mulroney (2007, 566) put it in his memoirs, "Peter Murphy was an able enough negotiator but, without a political champion above him in the administration, he concentrated on 'irritants' identified by officials from various US agencies or key congressmen, and gave the lowest common denominator replies to Canadian overtures."

110. Gotlieb 2006, 486.

111. Canadian officials were unimpressed by the haphazard US negotiating process, but praised Baker. In his diary, Ambassador Gotlieb (2006, 490–91) wrote, "The Yankees behaved abominably. Assholes on the Hill . . . pressured the administration, and the administration lost its way. It showed no sense of history. Baker is the only man of larger spirit." Gotlieb feared that his country had wasted two years planning for the negotiations. "The Americans showed themselves to be shallow-minded and leaderless, the Canadian ministers to be divided and erratic."

112. As Baker said, "I had to break a lot of china. I had to override [USTR] Clayton [Yeutter]. He was against it. I had to call a half-dozen senators and various congressmen. I know I'm in deep trouble proposing this. I've taken a big risk for Canada" (Gotlieb 2006, 491). As an example of his decisive leadership, when a Justice Department memo suddenly appeared and stated that the dispute-settlement mechanism would be unconstitutional, Baker replied "This is nonsense. Get me the attorney general" and worked it out. The memo turned out to have been hatched by Commerce Department officials who did not want their trade-remedy rulings reviewed by an independent panel (Gotlieb 2006, 492).

113. As Gibbon put it, "I can't say there's great enthusiasm" for the agreement. Rep. John LaFalce (D-NY) confessed that "members of Congress are rather indifferent to the US-Canada relationship" (CQA 1987, 662).

114. Singleton 1990.

115. CQA 1990, 144.

116. Congressional Budget Office 1991.

117. PPP 1990 2:1364–65.

118. Hufbauer and Elliott 1994, 15.

119. Noland (1997) concluded that that USTR was “chasing phantoms” because it used Section 301 to focus on countries with large trade surpluses rather than those with clearly identifiable unfair trade practices.

120. The SSI focused on deeply embedded policies and practices and sought changes to Japan’s distribution system, public works spending, land reform, exclusionary *keiretsu* business practices, and anti-monopoly policy enforcement.

121. See Kunkel 2003 and Lincoln 1999.

122. Kunkel 2003, 167.

123. Kunkel (2003, 173) points out that “Japanese officials were wary of any terminology—indicators, benchmarks, standards, yardsticks, targets—which could be interpreted as a government commitment enforceable under US trade law.” The policy instrument was even given a name, a “voluntary import expansion” (or VIE), the counterpart to the voluntary export restraint. See Bhagwati 1987 and Irwin 1994.

CHAPTER 13

1. PPP 1985, 2:1129.

2. PPP 1988 1:88. During the 1980 election campaign, Reagan floated the idea of a North American pact between the United States, Canada, and Mexico to promote trade and investment between them.

3. Mexico had slowly begun to open up its tightly controlled economy with unilateral trade reforms in the early 1980s and the decision to join the GATT in 1986. Jaime Serra Puche noted that Mexico had the advantage of exporting under the Generalized System of Preferences (GSP), but such exports were capped. For example, the country could export up to 100,000 microphones to the United States under GSP, but if it exported one more than that it would lose the preferences on all the microphones exported. See Boskin 2014, 20.

4. According to Jaime Serra Puche, the Mexican Secretary of Commerce: “At the end of one evening, very late at night, Salinas came to my room [in Davos] and said, ‘We have to do something. We are not on the map for foreign direct investment. Why don’t we start thinking about this idea of trade with the US?’ See *ibid.*, 19–20.

5. The fact that many high-level Bush administration officials came from Texas helped the Mexicans get attention from the administration (Mayer 1998, 41). For studies on the origins of NAFTA and its negotiation, see Mayer 1998 and Cameron and Tomlin 2000. For a Mexican perspective on the negotiations, see Van Bertrab 1997.

6. Having recently fought a difficult general election campaign over the issue of free trade with the United States, Prime Minister Brian Mulroney and his aides at first thought that Canada had free-trade fatigue and should not participate. While many Canadian officials were reluctant to join, they soon recognized that they had little choice but to participate to protect their interests in the US market.

7. They viewed NAFTA as a massive expansion of the *maquiladora* program, which allowed American manufacturers to locate assembly operations in Mexico, send components into Mexico for assembly duty-free, and then reexport the final goods to the

United States also without paying a tariff because of the offshore assembly provision in the US tariff code. Although the Mexican *maquiladora* program had been operational since 1965, Mexican exports under the program only began to grow rapidly in 1980s.

8. Preeg 1995, 129.

9. Ironically, the sponsors of the anti-fast-track resolutions were more interested in blocking the prospective GATT agreement than in blocking NAFTA; Rep. Byron Dorgan (D-ND), because of the reduction in agricultural subsidies; and Sen. Ernest Hollings (D-SC), because of the elimination of the Multifiber Arrangement.

10. As Mayer (1998, 69–70) points out, “In the case of NAFTA, however, free trade threatened few economic sectors. Farmers of certain agricultural products, most notably citrus fruit, sugar cane and sugar beets, and warm weather vegetables such as tomatoes, and manufacturers in currently protected labor-intensive sectors such as apparel, brooms, and glass were rightly concerned about increased competition. Compared to the collection of industries who stood to gain from free trade, however—banks and other financial institutions, the big three automakers, corporate agriculture, virtually the whole of American big business—these potential losers did not look like much of a political threat. Where necessary, too, the blow could be softened with promises to negotiate longer transition periods or other measures to deal with special circumstances. The significant opposition, therefore, came not from the traditional source—protectionist producers—but rather from a new coalition of labor unions, environmentalists, and grassroots groups.” See also Aaronson 1996.

11. Shikher 2012.

12. As Mayer (1998, 142–43) reports, “When informed of the US concession, Ford CEO Harold ‘Red’ Poling was furious. He called [chief US negotiator] Jules Katz in a rage. Poling thought they had agreed on 65 percent. Trying to calm him down, Katz reminded him, ‘We’re talking about a 2.5 percent difference on a 2.5 percent tariff.’”

13. Cameron and Tomlin (2000, 40–41) note the irony that Mexico, which wanted NAFTA in order to encourage foreign investment, was reluctant to open its market to foreign investment, whereas the United States, which was worried about an outflow of investment to Mexico, was pressing for Mexico to open its market for such investment.

14. Mayer 1998, 229.

15. In 1991, when some Democratic supporters questioned the political wisdom of his support of freer trade and open markets, Clinton replied, “If you guys want me to run as an isolationist or a protectionist, you need another candidate. I’m not going to do it” (*WSJ*, 11/2/1993).

16. See Grayson 1995, 121–22. The endorsement did not come easily. As Harris (2005, 95) put it, “Intellectually, Clinton, an adherent of free trade, supported it enthusiastically. Politically, it was agony for him. . . . A year earlier, the problem of what candidate Clinton should say about NAFTA had briefly paralyzed the campaign. He had backed the agreement, but slathered his support with a thick mayonnaise of qualifications that rendered his commitment almost meaningless.”

17. *PPP* 1993, 1:209ff.

18. *Ibid.*, 210.

19. In negotiating the side agreements, however, the administration could not push too hard. Not only did Canada and Mexico resist making strong commitments on labor

and the environment, but effective side agreements might cost some Republican votes, even if it won some Democratic votes. Business groups and Republicans warned that their support for NAFTA might weaken if the side agreements were too stringent and created new regulatory burdens. With Democrats divided at best, Republican votes were essential to passing NAFTA. Thus, the Clinton administration had a difficult balancing act: If the side agreements were too weak, they might not mollify opponents or win the support of marginal Democrats; if they were too strong, some Republican support might be lost.

20. Mayer 1998, 179, 224.

21. *Ibid.*, 144–45.

22. Grayson 1995, 180.

23. Mayer 1998, 253.

24. Grayson 1995, 177.

25. Minchin 2013, 195.

26. Orden 1996.

27. Mayer 1998, 220–21.

28. *NYT*, 9/17/1993.

29. See Mayer 1998, 341–42.

30. The Clinton administration tried to win Gephardt's support, but he never quite indicated what specific provisions the agreement would have to have to win his support (Mayer 1998, 201).

31. In private conversations at the time, Clinton described NAFTA as "good policy and bad politics." The president believed that the opposition to NAFTA was "beyond rational" since the agreement promised to open up Mexico's market for US goods more than the United States would open up its market for Mexican goods (Branch 2009, 49–50).

32. *PPP* 1993, 2:1489.

33. While the president was diplomatic in his remarks, former President Carter ripped into Ross Perot, saying, "Unfortunately, in our country now, we have a demagogue who has unlimited financial resources and who is extremely careless with the truth who is preying on the fears and the uncertainties of the American public" (*NYT*, 9/15/1993).

34. Michael Duffy and Laurence I. Barrett, "Secrets of Success," *Time*, 11/29/1993, 26.

35. Engel and Jackson 1998.

36. Grayson 1995, 211. A Gallup poll taken before the debate showed that 34 percent of respondents supported NAFTA and 38 percent opposed it. A poll of the same respondents taken after they had watched the debate showed that now 57 percent supported it, and 36 percent opposed it (Gallup 1994, 194–97).

37. Mayer 1998, 315.

38. See Box-Steffensmeier, Arnold, and Zorn 1997.

39. Clinton told Kantor to "open the candy store" to get the votes from Florida, which included relaxing some environment rules for agriculture. In conversations with Branch (2009, 83–84), "the president described how his negotiators averted disaster in Florida, where twenty-one of twenty-three Democrats were against NAFTA until changes placated citrus growers.

40. Mayer 1998, 317.

41. *CR* 11/17/1993, 29936.

42. *Ibid.*, 29947.

43. Branch 2009, 83. In his memoirs, Clinton (2004, 557) recalled, "Our whole team had won a great economic and political victory for America, but . . . it came at a high price, dividing our party in Congress and infuriating many of our strongest supporters in the labor movement."

44. The president of International Union of Electronic Workers remarked that Clinton "screwed us, and we won't forget it" (Susan B. Garland and Richard S. Dunham, "Sweet Victory," *Business Week*, 11/24/1993, 34).

45. Branch 2009, 60. According to Al From, the chairman of the Democratic Leadership Council, "Three-quarters of the Democratic caucus believe Clinton is right, but they are afraid to vote yes" (*NYT*, 11/17/1993). Rep. Jim Kolbe (R-AZ) said that "if people were voting their conscience, this thing would pass handily. . . . Privately, most members recognized NAFTA's virtues." As Mickey Kantor recalled, the president asked the undecided representatives, "'If you could vote secretly, how would you vote?' Well, everyone said, 'Of course, we'd be for it.' He said, 'Doesn't that tell you something?'" (Boskin 2014, 26).

46. See, for example, Kahane 1996; Holian, Krebs, and Walsh 1997; Uslaner 1998; and Baldwin and Magee 2000.

47. See Burtless et al. 1998, 57.

48. See Romalis 2007. Caliendo and Parro (2015) found that NAFTA increased intra-bloc trade by 118 percent for Mexico, 41 percent for the United States, and 11 percent for Canada. They also found that the agreement increased real wages in the United States and Mexico with an overall welfare increase of 1.3 percent in Mexico and 0.08 percent in the United States. In general, Shikher (2012) reports that the economic models used to predict the impact of NAFTA significantly understated the impact on trade but were more accurate in suggesting modest impacts on income and employment.

49. *PPP* 1993, 2:2180.

50. For histories of the Uruguay Round, see Croome 1995, Preeg 1995, Paemen and Bensch 1995, and VanGrasstek 2013.

51. Organization for Economic Cooperation and Development 2014.

52. Croome 1995, 138.

53. Sell 2003.

54. The United States pushed particularly hard in the TRIPs negotiations. According to the top European negotiator, "If the Americans showed themselves to be insensitive to Europe's wishes [on intellectual property], when it came to the concerns of the Third World, they were downright dismissive. . . . Whether born of insensitivity or a simple lack of awareness, the Americans' highly uncooperative attitude did not prevent their delegation from moving heaven and earth" to establish a stronger system of intellectual property rights for pharmaceutical, entertainment, and software producers (Paemen and Bensch 1995, 167).

55. The GATT reported that 236 export-restraint agreements in effect in 1989 were operating outside GATT disciplines (Low 1993, 76). Of these, the United States was involved in sixty-seven and the EEC in one hundred twenty-seven.

56. See Destler 2005, 161, 217.

57. Croome 1995, 144.

58. See Bhagwati 1993, 25. For the debate over Section 301, see Bhagwati and Patrick 1990. As VanGrasstek (2013, 52) points out, "It would be difficult to exaggerate the priority that other participants in the Uruguay Round placed on ending the practice by which Washington defined and enforced its rights" through Section 301 and retaliation rather than through the GATT. "The [European] Community had from the first pushed strongly in the dispute settlement negotiations for a clear prohibition on unilateral action on matters covered by multilateral rules."

59. See Jackson 1990, 94. Jackson came to be called the "father of the WTO" (VanGrasstek 2013, 57–68).

60. Croome 1995, 273.

61. Preeg 1995, 114.

62. *Ibid.*, 118.

63. In particular, France was adamantly opposed to any subsidy reduction. For a vivid description of Europe's isolation on the issue, see Paemen and Bensch 1995, 182–189.

64. A year later, Arthur Dunkel, the director-general of the GATT, circulated what became known as the "Dunkel draft" of an agreement that clarified the state of the negotiations by taking stock of all the progress that had been made and splitting the difference on agricultural subsidies. This was a bold move for a director-general to take, since he had no authority to act as a mediator between the government negotiators themselves, but it was later viewed as an important step in moving the round forward.

65. *PPP* 1992–93, 1:77.

66. The chief European negotiator stated that "had it not been for the tenacity of the Americans, the negotiations never would have taken place" (Paemen and Bensch 1995, 91).

67. Senator Ernest "Fritz" Hollings (D-SC) opposed the Uruguay Round agreement because the abolition of the MFA threatened textile jobs in his state. Holding up the bill in committee, Hollings forced the scheduling of a rare lame-duck session of Congress to vote on the package before fast-track authority expired. Ironically, by forcing the vote to be held after the election, he may have enabled it to receive more congressional support than otherwise.

68. Democrats did not fear retribution by labor unions, as they did when considering NAFTA, if they voted for the Uruguay Round. Meanwhile, some Republicans objected to the creation of the WTO, fearing that it would compromise America's sovereignty and put WTO panels in the position of judging domestic laws and trade-policy decisions.

69. On the tariff concessions, see Finger, Ingco, and Reincke 1996. The OECD sponsored research in which the market-access provisions of the Uruguay Round agreement were projected to add \$184 billion in static welfare gains, or about 0.5 percent to 1.0 percent of world GDP. (This came from a general equilibrium model that did not include dynamic gains or imperfect competition, both of which would increase the calculated benefits.)

70. MacDonald and Vollrath 2005. The United States was also obligated to reduce the average tariff on clothing from 17.2 percent in 1994 to 15.2 percent in 2004.

71. The sharp price decline was evidence of quality downgrading (Harrigan and Barrows 2009). As we saw in chapter 12, just as export quotas led to quality upgrading (exporters would sell the highest-priced, highest-quality goods if the quantity they could sell was limited), the newly unconstrained exporters were now selling cheaper, lower-quality goods.

72. Ingco 1996.

73. Organization for Economic Cooperation and Development 2014.

74. See US General Accounting Office 2001.

75. Labor unions were still smarting from their NAFTA defeat and followed through on their threat to punish pro-NAFTA Democrats by withholding campaign contributions (Engel and Jackson 1998).

76. *PPP* 1997, 1:115.

77. In 1974, 1979, 1984, and 1988, fast track had been embedded within a larger trade bill that had many provisions that Congress supported. In 1991, when fast track was voted on as a stand-alone measure, it encountered stiff resistance. This was the case in 1997 as well.

78. Quoted in Devereaux, Lawrence, Watkins 2006, 227. See also Schneitz and Nieman 1999, and Bardwell 2000.

79. *CQA* 1998, 23–9.

80. As Han and Brady (2007, 506) note, “The recent period of polarization mirrors patterns of polarization that have prevailed throughout most of Congressional history. In fact, the truly unusual historical period is the bipartisan era immediately following the Second World War.” The rise in partisanship was not due to redistricting, according to DeVault (2013), because “changes in party affiliation have a much greater impact on voting behavior than changes in district characteristics.”

81. Conley (1999) finds that constituency pressures (measures of labor strength) were driving opposition to Clinton’s bid for fast track in 1997.

82. *CR* 9/25/1998, H22154; *CR* 9/25/1998, H8797.

83. Turnover among Democrats also contributed to the increased opposition to trade agreements. Older Democrats who came of age during the Cold War era were more sympathetic to a liberal trade policy, whereas younger Democrats hewed more closely to their constituents’ views.

84. Bureau of Labor Statistics 2015. Online at <http://www.bls.gov/news.release/union2.nr0.htm>.

85. Rep. Dennis Kucinich (D-OH) complained that the executive branch cared more about the barriers faced by Chiquita Brands International (an US-headquartered company operating in Central America) in selling bananas in the European Union (EU) than American steel firms: “Bananas did not build America. Steel did. Such a trade policy [of neglecting steel] is, in a word, bananas.” *CQA* 1999, 23–20.

86. Steel’s failure did not mean that there was no room for creative congressional assistance. In 2000, Senator Robert Byrd (D-WV) inserted into a bill (that was completely unrelated to trade) a requirement that the revenues generated by antidumping

and countervailing duties be distributed to the petitioning firms rather than the US Treasury. Over the next few years, more than \$1 billion of tariff revenue worth was paid to domestic steel producers and other recipients of antidumping and countervailing duties under the Byrd amendment. The European Union and other countries denounced the policy, which they argued constituted an unjustifiable subsidy in violation of WTO rules. In 2002, a WTO panel sided with the complainants, and soon other countries were permitted to retaliate against the United States unless the payments were terminated. The George W. Bush administration finally persuaded Congress to repeal the Byrd amendment in 2005.

87. *NYT* 12/3/1999, 1.

88. In December 1994, at the Summit of the Americas in Miami, the United States and thirty three other countries in the Western Hemisphere committed to complete negotiations on the Free Trade Areas of the Americas by 2005. However, several Latin American countries, notably Argentina and Brazil, were suspicious of the project. By 2003, the prospect of an FTAA had disappeared.

89. World Trade Organization, *International Trade Statistics*, various years.

90. Every year from 1990 to 2001, the House voted on legislation to revoke China's temporary MFN status, and these votes succeeded in 1990, 1991 and 1992. The Senate did not concur.

91. Hufbauer and Rosen 2000.

92. Jackson and Engel 2003.

93. Like NAFTA, many representatives wanted PNTR to pass but did not want to vote for it if they knew it would pass. USTR Barshefsky said that "the vast majority of members know this is absolutely the right thing for us to do," but added that "doesn't necessarily mean . . . they will vote affirmatively" (*CQA* 2000, 20–5).

94. The agriculture lobby was nearly as important in increasing votes for PNTR as labor contributions were in taking votes away (Gilbert and Oladi 2012).

95. The US General Accounting Office (1994, 3) found that US firms "cited uncertainty surrounding the annual renewal of China's most-favored-nation trade status as the single most important issue affecting US trade relations with China." Handley and Limão (2015) find that the elimination of this uncertainty explains nearly a quarter of the import growth during this period.

96. Over the three years 2001–3, manufacturing production fell but then recovered, whereas employment failed to rebound at all. Pierce and Schott (2016) found that imports from China grew more rapidly in goods where the threat of higher tariffs (if China had not been granted continued market access) was higher, and employment losses were also larger in those industries. See also Acemoglu et al. 2016.

97. Autor, Dorn, and Hanson (2016). Other studies blamed the trade deficit with China for even larger job losses, but they rely on suspect methodologies. According to the Economic Policy Institute, the trade deficit with China was responsible for the loss of 3.2 million US jobs from 2001 to 2014 (Scott and Kimball 2014). However, using the dollar value of imports from China to calculate the effect on employment overstates its impact on the US labor market. The Chinese content in the consumer electronics exports tends to be relatively small (it imports the components and exports the assembled

goods). The EPI study assumes that if the United States did not import these goods from China, they would be produced in the United States, thereby creating jobs, rather than imported from other developing countries.

98. Field and Graham 1997.

99. Charles, Hurst, and Notowidigdo 2016.

100. Lawrence 2014, 86.

101. Hicks and Devaraj 2015, table 4.

102. See Lawrence Katz's comments in Krugman 2008.

103. "After 2000, the share of imports from non-OPEC developing countries continued to grow rapidly, while the share of imports from developing countries actually declined. . . . Yet this was a period of slow wage growth for almost all workers, with very little additional inequality" (Lawrence 2008, 31, 34).

104. For an analysis of China's current account surplus during this period, see Yang (2012).

105. See Goldstein and Lardy 2008. As Michael Mussa (2008, 281), a former chief economist at the IMF, pointed out, "Beyond any reasonable doubt, the renminbi's exchange rate has become substantially undervalued and is being kept in this position by Chinese policies that powerfully resist, and are intended to resist, significant appreciation."

106. US Department of Treasury 2016. The IMF Articles of Agreement obligate members to "avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain unfair advantage over other members." Although it was responsible for exchange-rate surveillance of its members, the IMF did not call attention to China's policy. In 2006, the IMF said the renminbi was "undervalued" but did not say it was manipulated. Mussa (2008, 281) called the IMF's inaction "gross misfeasance, malfeasance, and nonfeasance."

107. The import shock had no effect on the reelection rates of incumbents, who strategically adjusted their votes on trade bills but did not change their voting on other bills (Feigenbaum and Hall 2015).

108. When the MFA expired in 2005, the Bush administration agreed on a memorandum of understanding between the United States and China establishing twenty-one quotas covering thirty-four categories of US imports of textiles and apparel products. These temporary quotas failed to slow the rapid growth in apparel imports from China and expired in 2009.

109. Koopman, Wang, and Wei 2012.

110. Bown and McCulloch 2009.

111. The Congressional Budget Office (2008, 9) found that "roughly one-third of the increase in the share of imports from China in US markets from 1998 through 2005 was offset by reduced growth and, in some cases, declines in the shares of imports from other countries," an offset that was even higher prior to 1998.

112. In signing the Trade Act of 2002, for example, Bush argued that "Free trade is also a proven strategy for building global prosperity and adding to the momentum of political freedom. . . . And greater freedom for commerce across the borders eventually leads to greater freedom for citizens within the borders" (*PPP* 2002, 1356).

113. Eun-Kyung Kim, "Candidates Stump in Key Swing States," Associated Press,

10/28/2000. The origin of this promise is purported to be campaign adviser Karl Rove's calculation that a pledge to help the steel industry might tip West Virginia's electoral votes to the Republicans. In fact, Rove may have been right: Bush won West Virginia—the first time a Republican had done so since 1984 and only the fourth time in eighteen elections since 1932—and he would have lost the election without it.

114. Prior to a key meeting, Treasury Secretary Paul O'Neil and Federal Reserve Chairman Alan Greenspan urged Vice President Cheney to reject steel tariffs on the grounds "that the largely bipartisan consensus on free trade was one of the great victories of the last decade; that the President would confuse many constituencies by flouting that consensus"; and that the action might violate WTO rules. Drawing on his experience as the CEO of Alcoa, O'Neill proposed an international agreement to reduce excess capacity in the world steel market, to essentially form a global steel cartel to manage production (Suskind 2004, 216). Presidential adviser Karl Rove thought that steel protection might help swing Pennsylvania and Michigan to the Republican side in the 2002 midterm elections. In February 2002, at a meeting in the White House situation room, the economic and diplomatic policy principals of the Bush administration met to make a final decision about the ITC ruling. According to Suskind, Cheney and US Trade Representative Robert Zoellick favored imposing the safeguard action, while most other participants were skeptical but not strongly opposed. Zoellick believed that relief would help secure the passage of fast track in the Senate, which had yet to vote on the measure.

115. See Hufbauer and Goodrich 2003, Bown 2013, and Finger 2012.

116. Read 2005.

117. See Zoellick (2000). The term "competitive liberalization" was first used by Bergsten (1996) to describe the process of trade liberalization in Asia during the early 1990s. See Evenett and Meier 2008.

118. *Nomination of Robert Zoellick: Hearings Before the Committee on Finance, US Senate, 107th Cong. 13* (2001).

119. Blustein 2009.

120. Zoellick portrayed trade liberalization as a patriotic imperative, suggesting that opposition to TPA was coming from "protectionists" or members of Congress who were "held back for other rather narrow interests, reasons, some of them related to the understandable politics of where they get their money." This remark rankled Charles B. Rangel (D-NY), the ranking Democrat on the Ways and Means Committee, who promptly delayed consideration of the fast-track bill and demanded a "public apology." "There's no question that Zoellick crossed the line," added Rep. Robert T. Matsui (D-CA), a supporter of open trade. "I was very disappointed" (CQA 2001).

121. Two key Republicans—Jim DeMint of South Carolina and Robin Hayes of North Carolina—were persuaded to vote in favor with promises to prevent the trade preferences given to African, Caribbean, and Andean countries from harming textile dyeing and finishing producers in their districts. Hayes came from a textile family and owned a hosiery mill in North Carolina, but was put under enormous pressure not to vote against TPA. He voted in favor and broke down in tears on the House floor after casting the vote (Foer 2002).

122. DeVault 2010b.

123. The Senate later approved TPA in the context of a vote on Andean trade preferences in May 2002, and negotiating authority finally cleared Congress in July 2002.

124. Shapiro 2006, 29.

125. On the travails of the Doha Round, see Blustein 2009. Many developing countries expected non-reciprocal market access to be granted to them, believing they were owed such treatment by developed countries as a result of the Uruguay Round and the promises made at Doha. Of course, developed countries continued to insist on reciprocity, in which both sides had to make concessions to each other.

126. See Minchin 2013, 305.

127. As the International Trade Commission (2004) pointed out, the CAFTA economies were just 2 percent of the size of the American economy, imports from CAFTA countries were \$16.8 million—about 80 percent of which already entered duty-free under the GSP—at a time when total US imports were \$1.263 billion. The ITC expected that the value of US imports would increase by 0.07 percent (mainly in textiles and apparel and sugar) after the full phase-in of the tariff elimination, but the additional imports would largely displace those coming from other suppliers, so net imports would be only slightly higher. Aside from sugar, there would be hardly any discernible impact on domestic producers. The ITC also estimated that the elimination of trade barriers in the CAFTA countries would increase US exports by 0.16 percent.

128. CQA 2005, 17–4.

129. For example, Robin Hayes (R-NC), whose district had lost thousands of jobs in textiles and apparel, had announced his opposition before the vote. “I am flat-out, completely, horizontally opposed to CAFTA,” Hayes stated. “It’s not in the best interests of the core constituency I represent,” he said. “Every time I drive through Kannapolis and I see those empty plants, I know there is no way I could vote for CAFTA.” But under pressure from House Speaker Dennis Hastert (R-IL), who promised measures to restrict imports of clothing from China, Hayes was persuaded to switch his vote just before midnight. “I was minding my own business” in the House cloakroom, Hayes recalled. “All of a sudden, the speaker came around and said, ‘We have to have your vote. In return for your vote, we will do whatever is necessary to help the people in the 8th District.’” Hayes barely won reelection in 2006 (*NYT*, 7/29/2005).

130. DeVault (2010a) finds that campaign contributions did not play a big role in congressional voting patterns on CAFTA. Furthermore, Guisinger (2009) finds that there was little electoral punishment of incumbents because of the low salience of the issue among constituents.

131. Magee (2010) later calculated that neither TPA in 2001 nor CAFTA-DR in 2005 would have been approved by Congress under a Democratic president, because more Republican votes would have been lost than Democratic votes gained.

132. The House vote was 224–195, with Democrats voting 218–10 in favor, and Republicans voting 185–6 against.

133. PPP 2008, 497–98.

134. Peter Engardio, “Refighting NAFTA,” *Business Week*, 3/31/2008, 58.

135. Just 2 percent (0.2 percentage points) of the decline was due to increased protectionism (Kee, Neagu, and Nicita 2013; Henn and McDonald 2014). Although temporary

trade barriers (antidumping and countervailing duties) did increase during the crisis, they were invoked far less than anyone expected (Bown and Crowley 2014).

136. Monitoring by the WTO and USTR showed no major increase in trade restrictions during the crisis, although some analysts pointed to the spread of murky protectionism, such as discriminatory government procurement rules and health and safety regulations that burdened foreign firms to the advantage of domestic firms.

137. See Hufbauer and Lowry 2012 for an analysis of the case.

138. Barack Obama, 2015 State of the Union address, online at the American Presidency Project, <http://www.presidency.ucsb.edu/ws/index.php?pid=108031> (accessed September 14, 2016).

139. "Inaugural Address: Trump's Full Speech." Online at CNN Politics, <http://www.cnn.com/2017/01/20/politics/trump-inaugural-address/>

140. William Mauldin and Siobhan Hughes, "Congress Tests Trump Officials on Trade," *WSJ* 2/17/2017.

141. "In US, Record-High 72% See Foreign Trade as Opportunity." Online at the Gallup website, <http://www.gallup.com/poll/204044/record-high-foreign-trade-opportunity.aspx?>

CONCLUSION

1. These quotations and many others like them come from Pastor (1983), who refers to it as the "cry and sigh" syndrome.

2. *PPP* 1993, 2:2198.

3. See Dür 2010.