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THE INSTITUTIONAL ROOTS OF AMERICAN TRADE POLICY

Politics, Coalitions, and International Trade

By MICHAEL A. BAILEY, JUDITH GOLDSTEIN, and BARRY R. WEINGAST

WHILE economists are unanimous in their agreement that free trade yields significant welfare gains, no consensus exists on the political conditions that will support such a policy. According to conventional views, even if politicians recognize that society gains from trade, they are constrained because of an organizational bias in society: those who lose from increased trade have a greater incentive to organize than those who benefit from the policy. The outcome is an overrepresentation of protectionist interests and constant pressure on governments to close markets. Although logically consistent, the conventional view suffers from the empirical problem that democracies have and continue to support free-trade policies. We argue that political institutions, by structuring conflict over trade policy, provide an explanation for the divergence between analyses that predict economic closure and the empirical reality of relatively free trade.

The importance of institutional rules is no more apparent than in the case of the creation and sustenance of a liberal trade policy in the United States. For most of the nineteenth century, protectionist interests successfully pressured Congress to maintain high barriers to trade. Although the interest of manufacturers in cheap raw materials periodically led Congress to enact a "free list" for such products, the interests of consumers and exporters were largely ignored. This situation changed dramatically with the passage of the Reciprocal Trade Agreements Act (RTAA) in 1934, which changed the way trade policy was determined and set the stage for American leadership in efforts to expand international trade.

Trade liberalization in the United States was neither inevitable nor irrevocable; the structure of American politics in the middle of the twentieth century made trade policy still vulnerable to protectionist impulses that were difficult to contain. Hence, any explanation of American trade policy must account not only for the passage of the

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RTAA but also for how and why Congress sustained the trade liberalization program in the ensuing decades.

This essay offers an explanation for the timing, form, and efficacy of this institutional innovation. The argument has two parts. First, we ask what explains the choice of the rules and procedures that characterized the 1934 foundational legislation. Two rule changes distinguished the Reciprocal Trade Agreements Act from its predecessors: (1) it mandated reciprocal, not unilateral, tariff reductions, and (2) it authorized trade agreements on the basis of a simple majority vote instead of the supermajority mandated in the Constitution. We argue that these changes in trade rules reflected efforts by the Democratic Party to build support for free trade within the party and to insulate trade policy from a future Republican Congress.

Second, the essay demonstrates how these two institutional changes shifted American policy to a more liberal equilibrium. The real significance of the RTAA was not just that it was passed; had it been overturned a few years later, after all, it would be nothing but a footnote to American trade history. Rather, the RTAA had an impact because it created a dynamic of political support for free trade. In contrast to perspectives in which Congress is seen to have abdicated control of trade policy, we focus on how presidential agreements affected congressional preferences. The president's "bundling" of international and domestic tariffs made low tariffs politically durable. The ensuing increases in world trade made members of Congress more willing to trade off the political risk of reducing U.S. tariffs for the political benefits of gaining access to foreign markets. This change in preference enabled presidents to ask for and receive ever broader authority to negotiate tariff reductions.

We divide this essay into three sections. Section I begins with the empirical observation of the breakdown of partisan divisions on trade and the emergence of a free-trade coalition, a puzzling occurrence given the previous decades of trade closure and continued congressional involvement in trade policy. Section II explains the origins of the RTAA and shows how political factors changed the institutional environment of trade policy. We offer a model in which members of Congress, the president, and a generic foreign government interact on trade policy. Section III examines the dynamic effects of the RTAA and shows how its institutional structure changed the political environment of trade policy. Not only did the RTAA dramatically increase the political durability of low tariffs, but, as we show through an empirical examination of congressional voting in 1953 and 1962, the rise in exports that it brought about also led to changes in congressional preferences on trade.

I. Bipartisan Support for Trade Policy

One of the anomalies in the history of U.S. politics involves the relatively rapid change in the political salience of trade policy. Where trade policy was a defining issue of partisan politics in the late nineteenth and early twentieth centuries, it all but disappeared from the political arena by the 1950s. Indicative of the charged political climate of early tariff policy-making were policy shifts that followed changes in control of government. As shown in Table 1, trade policy through 1934 shows tremendous predictability. In general, when Democrats took office, they lowered tariffs; when Republicans held office, they did the opposite. This ability to predict policy based on party control disappears in midcentury. After World War II the parties look increasingly similar in their voting behavior. (See Figures 1 and 2.) What explains this change in congressional preferences?

There is an impressive body of literature suggesting that change occurred because Congress abdicated its control over trade policy when the RTAA transferred authority for setting tariffs to the president. By one account, the work associated with tariff legislation had become so onerous that members of Congress chose to remove themselves from the process.[1] While revision of tariff schedules had never been a simple matter, the process had degenerated into a frenzy of special-interest

TABLE 1
PARTISAN PATTERNS OF MAJOR TARIFF LEGISLATION
(1846–1934)

Year	*Control of Congress and Presidency*	*Legislation*	*General Effect*
1846	Democrat	Walker	reduced tariffs
1861	Republican	Morrill	increased tariffs
1890	Republican	McKinley	increased tariffs
1894	Democrat	Wilson-Gorman	reduced tariffs
1897	Republican	Dingley	increased tariffs
1909	Republican	Payne-Aldrich	reduced tariffs
1913	Democrat	Underwood	reduced tariffs
1922	Republican	Fordney-McCumber	increased tariffs
1930	Republican	Smoot-Hawley	increased tariffs
1934	Democrat	RTAA	reduced tariffs

[1] Raymond Bauer, Ithiel de Sola Pool, and Lewis Dexter, *American Business and Public Policy*, 2d ed. (Chicago: Aldine-Atherton, 1972), 14; Douglas Nelson, "Domestic Political Preconditions of U.S. Trade Policy: Liberal Structure and Protectionist Dynamics," *Journal of Public Policy* 9 (January–April 1986).

FIGURE 1
VOTING IN SENATE ON PASSAGE OF MAJOR TRADE LEGISLATION BY PARTY
(1913–62)

SOURCES: The votes included in the figures are as follows: 1913 Underwood Tariff, 1922 Fordney-McCumber Tariff, 1930 Smoot-Hawley Tariff, 1934 RTAA, 1937 RTAA Renewal, 1940 RTAA Renewal, 1943 RTAA Renewal, 1945 RTAA Renewal (HR3240), 1951 RTAA Renewal in Senate (HR1612) (House vote was voice vote), 1953 RTAA Renewal (HR5495), 1954 RTAA Renewal (HR9474), 1955 RTAA Renewal (HR1), 1958 RTAA Renewal (HR12591), 1962 Trade Expansion Act (HR 11970). Votes in favor of the Underwood Tariff, the RTAA , all RTAA renewals, and the Trade Expansion Act are coded as votes for liberalization. Votes against the Fordney-McCumber and Smoot-Hawley Tariff bills are coded as votes for liberalization. The 1948 vote on RTAA renewal (HR6556) has been omitted, as it was particularly idiosyncratic. Most Democrats opposed renewal because of the inclusion of protectionist "peril point" provisions. Obviously, their votes were not votes against liberalization.

lobbying and deal making with the Smoot-Hawley Tariff Bill of 1930. Schattschneider wrote of the "truly Sisyphean labor" to which the legislation condemned Congress—eleven thousand pages of testimony and briefs collected over forty-three days and five nights of hearings.[2] Many therefore viewed the congressional move to delegate authority to change tariffs as a means of avoiding months of tedious hearings and negotiations.

Several factors make it difficult to accept that the fundamental motivation for the RTAA was a desire to reduce workload. First, the easiest way to reduce workload is to do nothing. Clearly this was not the choice of Congress.[3] Second, there were many other ways to streamline

[2] E. E Schattschneider, *Politics, Pressure and the Tariff: A Study of Free Private Enterprise in Pressure Politics as Shown in the 1929–1930 Revision of the Tariff* (Hamden, Conn.: Archon Books, 1935), 29, 36.

[3] Karen Schnietz, "To Delegate or Not to Delegate: Congressional Institutional Choices in the Regulation of Foreign Trade, 1916–1934" (Ph.D. diss., University of California, 1994), 125.

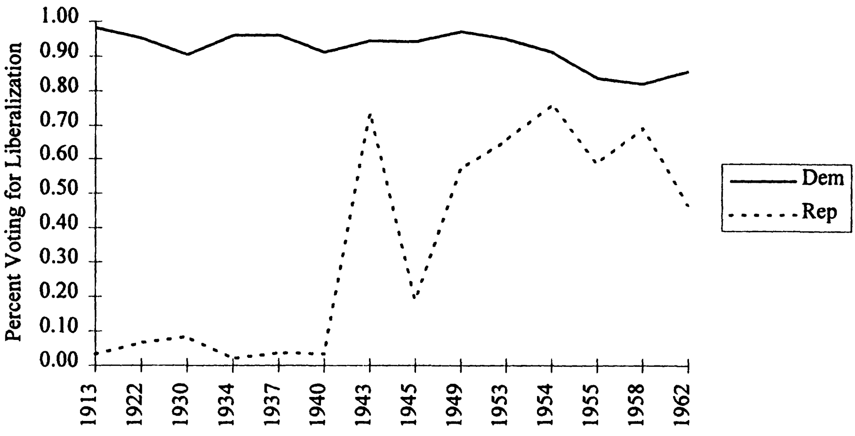

FIGURE 2
VOTING IN HOUSE ON PASSAGE OF MAJOR TRADE LEGISLATION BY PARTY
(1913–62)

SOURCES: See sources for Figure 1.

the process than by delegating to the president: existing organizations could have been used differently, new committees and commissions could have been created, and rules and formulas could have been established. There is no specific reason to choose delegation to the president over these other possibilities.

An alternative explanation, the "lesson thesis," suggests that the disastrous results of the Smoot-Hawley Tariff led members of Congress to the realization that they were politically incapable of passing a rational tariff policy. Destler, for example, states that members of Congress chose to delegate in order to "protect themselves from the direct one-sided pressure from producer interests that had led them to make bad law."[4]

This perspective, too, is problematic. First, one should be wary of models of congressional behavior in which members of Congress act against one-sided political pressure in the interest of good public policy for no political reason. If such behavior were the norm, one would expect Congress to "protect" itself from the American Association of

[4] I. M. Destler, *American Trade Politics*, 2d ed. (Washington D.C.: Institute for International Economics, 1994), 14. See also Robert Baldwin, *The Political Economy of U.S. Import Policy* (Cambridge: MIT Press, 1985); and Robert Pastor, *Congress and the Politics of U.S. Foreign Economic Policy* (Berkeley: University of California Press, 1980).

Retired People, the National Rifle Association, farmers, oil producers, and almost all other interests as well. Needless to say, this is not generally the case; even on trade, Congress has continued to represent producer interests on more than a few occasions.[5]

Second, problems with the process in 1930 do not prove that Congress was incapable of getting the process back under control. A new set of congressional leaders with different priorities could have organized procedures differently so as to achieve a better outcome than that of 1930. Congress had gone through such reorganizations in 1894, 1909, and 1913; and it did it again in 1934, when the Senate defeated many amendments seeking exemptions for particular industries, precisely the type of amendments that had spun the process out of control in 1930.[6]

Third, Schnietz provides strong empirical evidence against the lesson thesis. If congressional learning did in fact occur between 1930 and 1934, one would expect to see a substantial number of members who voted for the Smoot-Hawley Tariff coming around to support the RTAA.[7] To the contrary, however, voting on *both* the Smoot-Hawley Tariff and the RTAA was almost wholly partisan: Republicans favored the former and opposed the latter, whereas Democrats opposed the former and favored the latter. Of 225 representatives and senators who voted on both bills, only nine voted in a manner consistent with the lesson thesis. The remaining 96 percent voted either along party lines or in a manner inconsistent with the lesson thesis. The difference between 1930 and 1934 is therefore not that protariff members of Congress learned from their mistake, but rather that there were too few Republicans in 1934 to oppose the Democrats' initiative.[8]

As well as disagreeing on why Congress would grant new tariff-setting powers to the president, analyses differ over the actual effect of the RTAA on American policy. One view, consistent with the deflection and lesson theses, holds that the RTAA allowed Congress to wash its

[5] See, for example, Destler (fn. 4), 71.

[6] Stephan Haggard, "The Institutional Foundations of Hegemony: Explaining the Reciprocal Trade Agreements Act of 1934," in G. John Ikenberry, David Lake, and Michael Mastanduno, eds., *The State and American Foreign Economic Policy* (Ithaca, N.Y.: Cornell University Press, 1988), 113.

[7] Schnietz (fn. 3), 129.

[8] Ibid., 128–32. For a third thesis, see Thomas Ferguson, "From Normalcy to New Deal: Industrial Structure, Party Competition, and American Public Policy in the Great Depression," *International Organization* 38 (Winter 1984). He argues that the New Deal coalition was not one of workers, poor, and minorities, but one of capital-intensive industries, investment banks, and internationally oriented commercial banks. Haggard offers a persuasive critique. First, Ferguson writes that this new coalition congealed "by 1938"; it was not clear that it was a powerful force in 1934 when the New Deal was clearly hostile to capital, pushing policies such as the NIRA. Second, Ferguson studies the preferences of one block to explain outcomes, ignoring other actors; see Haggard (fn. 6), 98.

hands of tariffs, leaving the president free to pursue rational liberalization of U.S. trade policy unburdoned by members of Congress or the special interests they represented.

This view is overstated. While congressional activity on tariffs declined dramatically after the RTAA, it still remained substantial; Congress continued to play a central role at every step along the path to trade liberalization. Congress extended the RTAA ten times between 1934 and 1962, debating and often modifying the legislation.[9] In 1937, for example, an amendment to limit reductions on agricultural duties to whatever level would be necessary to equalize production costs initially passed the Senate and was only defeated on a revote.[10] In 1948, 1951, and 1955, Congress added peril-point provisions that tied duties to the minimum rates necessary to protect domestic producers against imports. In 1953 Republicans in Congress agreed to a one-year renewal only when the president promised not to enter into any new trade negotiations.[11] While Congress never overturned the RTAA, members were clearly always ready to make significant changes if they thought them necessary.

Another view of the effects of the RTAA focuses on new presidential agenda-setting power on trade matters. Thus, Haggard argues that the RTAA allowed executive officials to mold "the agenda and policy process to their own ideological, bureaucratic and above all, international interests."[12] With this power, the executive could ensure that trade policy was as liberal as politically possible, given congressional preferences on trade. This argument, however, is not sufficient to explain the long pattern of trade liberalization. Agenda-setting power allows the agenda setter to choose its most preferred policy from among those policies acceptable to the institutionally defined electorate. Once a new status quo policy is established, however, agenda-setting power is useful only in keeping bills off the floor. As long as preferences remain constant, no further policy changes are possible; the agenda setter and the floor median find no policies preferable to this new status quo. Hence, if a progression of policy change is observed, agenda-setting power is not a sufficient cause; something else must have enabled the successive changes.

[9] For a more complete review of congressional policy, see Judith Goldstein, *Ideas, Interests, and American Trade Policy* (Ithaca, N.Y.: Cornell University Press, 1993); Pastor (fn. 4); John Evans, *The Kennedy Round in American Trade Policy* (Cambridge: Harvard University Press, 1971); Ernest Preeg, *Traders and Diplomats* (Washington D.C.: Brookings Institution, 1973).

[10] Yung-Chao Chu, "A History of the Hull Trade Program, 1934–1939" (Ph.D. diss., Columbia University, 1957), 311.

[11] Bauer, Pool, and Dexter (fn. 1), 33; Pastor (fn. 4), 101.

[12] Haggard (fn. 6), 91.

What does explain the passage of the RTAA in 1934 if not that Congress abdicated control or sought to deflect political pressure? Our answer is simple: the Democratic leadership wanted lower tariffs that would pass an increasingly skeptical Congress and would be able to outlive Democratic control of Congress. The institutions they designed met this goal. In that the Democrats chose to lower tariffs through reciprocal "bundled" agreements with other nations, some delegation to the president to negotiate these agreements was necessary. The significant change, however, was not delegation to the president per se. Rather, the RTAA marks a turning point in American trade history because first, it moved Congress away from legislating unilateral tariffs, and second, it granted these bilateral agreements the status of treaties without a two-thirds supermajority.

II. The Political Origins of the RTAA

With its passage of RTAA in 1934, Congress ushered in a new era of trade policy. The legislation amended the 1930 Smoot-Hawley Tariff Act to allow the president to negotiate reciprocal trade agreements with foreign governments. In exchange for increased access to foreign markets, the president was authorized to reduce U.S. duties by up to 50 percent.[13] No specific duties were established or changed by the act and no congressional approval of agreements was required.[14]

That such legislation was passed in 1934 is somewhat surprising in light of the fact that there was no groundswell of support for tariff reductions. Although highly critical of Hoover's tariff policy during the 1932 campaign, Roosevelt was no staunch free trader. While he associated himself with the Wilsonian international wing of the Democratic Party, at times he sounded very much like a protectionist. In the 1932 presidential campaign he announced that his trade doctrine was "not widely different from that preached by Republican statesmen and politicians" and that he favored "continuous protection for American agriculture as well as American industry."[15]

[13] Reciprocity in trade legislation had a long history before the RTAA. The first explicitly reciprocal treaty was with the German Zollverein in 1844. (It was rejected by the Senate.) Many of the previous measures on trade contained provisions for reciprocal agreements, but none was nearly as broad as the RTAA. See Goldstein (fn. 9), 93; and Sharyn O'Halloran, *Politics, Process, and American Trade Policy* (Ann Arbor: University of Michigan Press, 1994).

[14] Consistent with section 317 of the 1922 Fordney-McCumber Act, concessions granted any one country would be generalized to all others receiving most-favored-nation status.

[15] Haggard (fn. 6), 106–7.

In addition, many in the Roosevelt administration, including leading members of Roosevelt's brain trust, such as Rexford Tugwell, Raymond Moley, and Adolf Berle, placed a low priority on trade liberalization. They considered America's problems to be domestic in nature, requiring domestic solutions. Many members of the administration were thus willing to impose higher duties in the interests of insulating the domestic economy from the world economy. Such sentiment manifested itself in provisions of the National Industrial Recovery Act (NIRA) and the Agriculture Assistance Act (AAA), which allowed the government to limit imports if they were deemed to be interfering with the operation of the programs.[16]

Rank-and-file Democrats also were not united in favor of lower tariffs. The increase in blue-collar and immigrant labor in the party proved a counterweight to southern preferences for lower tariffs.[17] Led by Al Smith, 1928 presidential nominee and 1932 contender for the nomination, a major wing of the party supported high tariffs. Indicatively, during the debate on the Smoot-Hawley Tariff of 1930, most Democrats tempered their opposition to high tariffs.[18]

The Great Depression did little to enhance the appeal of lower tariffs for these Democrats. During this period, efforts to cut tariffs unilaterally were dismissed as politically foolhardy. In 1931 Democratic representative and future speaker Henry Rainey of Illinois argued that such a unilateral reduction of tariffs would trigger "a flood of imports."[19] During the 1932 presidential campaign, Roosevelt's advisers roundly criticized Hull's proposal of unilateral reductions, and when Roosevelt was given a draft of a speech calling for a flat 10 percent reduction in tariffs, Democratic senators Pittman (Nevada) and Walsh (Montana) warned him that support for such a measure would be politically dangerous.[20] Even after the election, reciprocal cuts were so politically risky that Roosevelt delayed introducing the RTAA to Congress for a

[16] See Cordell Hull, *Memoirs* (New York: Macmillan, 1948), 353; Goldstein (fn. 9), 154–58; and Haggard (fn. 6), 97. The clash between free traders such as Secretary of State Hull and protectionists led Moley to comment that "nothing which we have been dealing with has been subject to such wide differences of opinion"; Goldstein (fn. 9), 142. By 1935 Moley was an outspoken critic of the administration's trade policy. See Arthur Schatz, "Cordell Hull and the Struggle for the Reciprocal Trade Agreements Program, 1932–1940" (Ph.D. diss., University of Oregon, 1965), 240.

[17] While Southern Democrats favored lower tariffs, they were not necessarily free traders. In general they shared the belief with Republicans that tariffs were necessary to protect wages, but disagreed with Republicans on the extent and level of tariffs. See Goldstein (fn. 9), 92.

[18] Frank Fetter, "Congressional Tariff Policy," *American Economic Review* 23 (September 1933), 416.

[19] Henry Tasca, *The Reciprocal Trade Policy of the United States* (Philadelphia: University of Pennsylvania Press, 1938), 14.

[20] Goldstein (fn. 9), 142; Schatz (fn. 16), 51.

year, out of fear that controversy over trade would derail high-priority items like NIRA.[21]

Thus, the Democratic Party faced two constraints in fashioning a trade policy. First, its old platform of unilateral tariff reductions had questionable support, both within and outside the party. Roosevelt's promise of tariff reform would need to be fulfilled some other way. Second, Democrats wanted to provide some durability for their preferred policies. As shown in Table 1, Democratic tariffs had lasted only as long as the Democrats' tenure in power. Although we now consider 1932 as a watershed election in American history, it was not perceived as such at the time. In 1934 the electoral future looked highly uncertain to Democrats. The Republicans after all had dominated national elections for the previous seventy years, and were it not for the depression, they would probably still have been in office. Given this uncertainty, Democrats were looking for a way to make their tariff policy last beyond their tenure. House members were facing midterm elections in November and the president was in the second year of what could be a single four-year term. Party members had not forgotten their last effort at tariff reform, in 1913, when Woodrow Wilson fought long and hard for the Tariff Act, only to see it scuttled when the Republicans regained office.

The institutional form of the legislation introduced in 1934 should be understood as serving dual purposes. The key innovation—coupling liberalization of U.S. tariffs with reductions in foreign tariffs—accomplished two tasks. First, the form of tariff reduction served to broaden the range of tariff cuts acceptable to a majority in Congress. As shown below, it is easier to build majority support for reductions (and harder to form a coalition to negate an agreement) when tariffs are coupled with changes in access to foreign markets. Second, it provided durability for the reform efforts. Granting the president the right to negotiate "bundled" tariff treaties increased the costs to Republicans of increasing tariffs. Under the RTAA, even small adjustments could unravel many agreements and harm U.S. export interests. We take up each of these points in turn.

Building a Coalition in Favor of Free Trade

We begin with a spatial model to show how the RTAA enabled the Democrats to ensure domestic political support for lower tariffs. The preferences of political actors in a two-dimensional policy space are shown in Figure 3. The horizontal axis represents the level of domestic tariffs,

[21] Tasca (fn. 19), 24.

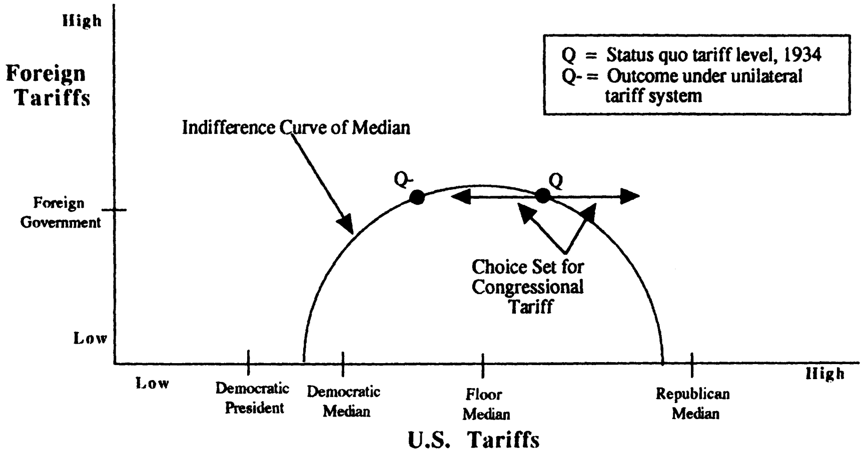

FIGURE 3
ACTOR PREFERENCES AND PREDICTED TARIFF UNDER PRE-RTAA SYSTEM

ranging from low to high. The vertical axis represents the level of foreign tariffs. Political actors have ideal policies, that is, tariff rates they prefer over all others. They prefer policies closer to their ideal policy to those farther away. To simplify matters, we consider the rest of the world to be one nation that sets the foreign tariff levels. For simplicity, we also assume Congress is unicameral.

The historical record is clear about the location of actors in this space. First, all American political actors prefer foreign tariffs to be as low as possible.[22] Therefore their ideal points line the horizontal axis in Figure 3. Second, in the late nineteenth and early twentieth centuries the parties had distinct preferences, with Republicans the party of high tariffs and Democrats the party of low tariffs. (See Table 1.) The median in Congress (the "floor median") is located between the Democratic median and the Republican median. During periods of Republican majority, the median was among the Republicans with the lowest ideal rates; during Democratic majorities, it was among the Democrats with the highest ideal rates.

While presidents shared the partisan inclinations on trade, their national constituencies and their more direct concern with international

[22] Of course, the relative weight members assign foreign tariffs vis-à-vis imports will vary. Our assumption, however, is that all members put at least some weight on foreign tariffs and prefer lower foreign tariffs for any given level of U.S. tariffs.

diplomacy made them less protectionist than the median member of their parties.[23] The foreign government is assumed to be a unitary actor with an ideal point along the vertical axis, preferring U.S. tariffs to be as low as possible.

We also need an assumption about who controls the agenda in Congress. The literature on Congress propounds various views on the question—that committee, party, or the median controls the agenda.[24] Because committee and party leaders took a leading role in the passage of the RTAA, we assume here that the agenda setter is some party leader who is distinct from the floor median. For convenience, we refer to this actor as the Democratic or Republican median.[25]

To analyze congressional choice on the RTAA, we compare outcomes with and without the RTAA. We assume that the Democrats control the presidency and Congress, as they did in 1934. First, consider the situation without the RTAA. Under the existing tariff system, the Democratic median proposes unilateral changes in U.S. tariffs that are passed or rejected by the floor median. Because the tariff changes are unilateral, the Democratic median is constrained to making proposals along a horizontal line extending in both directions from the status quo Q. In other words, the Democratic median treats the foreign tariff level as fixed and makes a proposal affecting only U.S. tariff levels.[26]

The Democratic median will propose a policy that makes it better off than the current status quo and is preferred by the median to the current status quo. In this situation, the status quo is the protectionist level of the Smoot-Hawley tariff. The Democratic median would maximize its utility by proposing Q–, the policy closest to the Democratic median among those preferred by the floor median to the status quo. Figure 3 illustrates the Democratic median's choice.

Such an outcome is suboptimal for many actors. There is a range of policies that would make the Democratic median, the floor median, and the foreign government better off than Q–. In Figure 4 we have

[23] For an argument relating constituency size to concern of the representative with particularistic policies, see Barry Weingast, Kenneth Shepsle, and Christopher Johnsen, "The Political Economy of Benefits and Costs: A Neoclassical Approach to Distributive Politics," *Journal of Political Economy* 89 (June 1981).

[24] See Barry Weingast and William Marshall, "The Industrial Organization of Congress," *Journal of Political Economy* 96 (June 1988); Gary Cox and Mathew McCubbins, *Legislative Leviathan: Party Government in the House* (Berkeley: University of California Press, 1991); and Keith Krehbiel, *Information and Legislative Organization* (Ann Arbor: University of Michigan Press, 1991).

[25] See, for example, Hull (fn. 16), 357; Bauer, Pool, and Dexter (fn. 1). The argument of the paper holds even if we were to assume the floor median could set the agenda.

[26] The level of foreign tariffs at the start of the game is assumed to be the level of tariffs the foreign government sets if there is no agreement with the U.S. As long as Congress sets tariffs unilaterally, the foreign country is assumed to choose this level of tariffs.

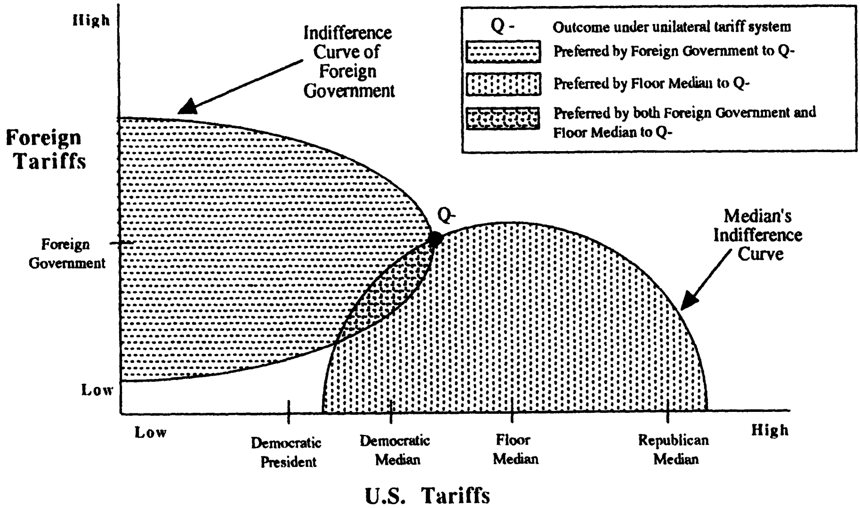

FIGURE 4
GAINS FROM RECIPROCITY

drawn the preferred sets of the floor median and the foreign government to Q–; all points in the interior of the indifference curves are preferred to Q–. The shaded region at the intersection of the two preferred sets is an area of potential mutual gain; both of those actors and the Democratic median would be better off at any other outcome in the region than at Q–. When decision making is unilateral, however, Congress cannot move outcomes into this region.

Next consider outcomes under the RTAA. First, the president proposes an agreement to the foreign government subject to the minimum tariff provisions enacted by Congress. The foreign government then accepts or rejects the proposal. Even if there is no agreement, Congress still has the option of passing tariff legislation. The criterion for the foreign government is whether the proposal would leave it better off than if there were no proposal. From above we know that if there is no agreement, Congress will pass a unilateral tariff bill and the outcome will be Q–. The foreign government will therefore accept the proposal if the proposal makes it better off than Q–.

In making the proposal, the president seeks to bring the policy as close as possible to his ideal point. If the president proposes an agreement that is rejected by the foreign government, Congress would then set tariffs as if there were no agreement and choose Q–. Since the president is to the left of the Democratic median and the median, he would seek larger reductions, if possible. In particular, he would choose the point closest to his ideal point among policies above the congressional minimum tariff level and preferred to Q– by the foreign government. Agreement A* in Figure 5 is such a point: of the points above the minimum tariff level and preferred by the foreign government to Q–, it is the point closest to the president's ideal policy.

It is essential, then, that the Democratic median choose an appropriate minimum tariff level. If the minimum tariff level is too low—that is, if the president is able to choose a policy that makes the median worse off than the status quo—the floor median will not support the RTAA. Therefore, the Democratic median will set the minimum tariff level such that policy chosen by the president is as close as possible to its ideal point given that the policy is still preferred by the floor median to the status quo. As in Figure 5, such a minimum tariff level will go through the point of tangency between an indifference curve of the Democratic median and the indifference curve of the foreign government through Q–. The floor median will prefer the outcome chosen by the president, A*, to Q–.

The result is that under the RTAA, the Democratic median maintains a minimum tariff level of T*, the floor median supports the RTAA, and the president proposes an agreement at A* that is accepted by the foreign government. The implication is that the RTAA makes perfect sense given the preferences of American political actors and an assumption of strategic behavior. No extra assumptions about congressional laziness or congressional antipathy toward special interests are necessary. Moreover, it is not a story of congressional abdication.

This framework can also be used to explain why other means of trade liberalization were not chosen. First, we can see why congressional Democrats were not satisfied with letting the president use existing treaty-making powers. The Constitution requires that a treaty must be approved by a two-thirds vote in the Senate. Hence, the president would be constrained to please the member at the sixty-seventh percentile of protectionists in order to achieve mutual reduction in tariffs. In fact, the inability to garner a two-thirds majority in the Senate had repeatedly nullified trade treaties negotiated in the nineteenth century. Under the RTAA, by contrast, the process was structured to require only a simple majority to pass tariff reductions—a clever institutional innovation that allowed the Democrats to sidestep the constraints of the existing institutional structure.

A second possible alternative to the RTAA was that Congress could have tried to devise a strategy to induce foreign reductions in tariffs.

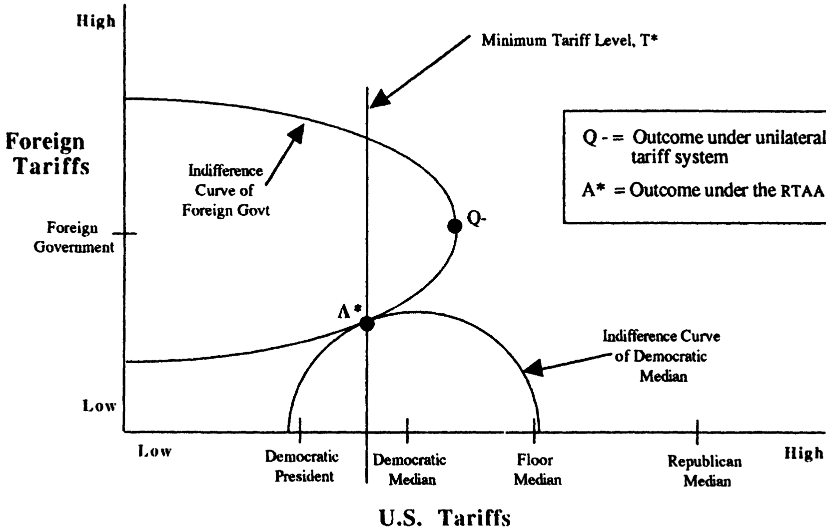

FIGURE 5
PREDICTED TARIFF UNDER THE RTAA

However, the sequential nature of tariff making could undermine such efforts. Consider first the commitment problems in trying to effect mutual lowering of tariffs. Suppose the status quo is Q and Democrats take over Congress and are considering tariff reductions. We know Congress can pass Q–. Suppose, however, that the Democrats propose some reduction beyond Q– and argue that this large cut in U.S. tariffs will be accompanied by a cut in foreign tariffs. It would be difficult for such a strategy to work. First, the foreign country will be sorely tempted not to lower tariffs, because it favors low U.S. tariffs and high foreign tariffs over low U.S. tariffs and low foreign tariffs. To avoid this outcome, the Democrats would have to commit to raising tariffs if foreign tariffs were not lowered. But here, the temptation would be on the Democrats. Would they be willing to raise tariffs even though they prefer low tariffs? How credible would their threat be? Both the foreign country and the median in Congress would have good reason to doubt that the Democrats would carry out their threat.

These commitment problems would be exacerbated by problems associated with political uncertainty. Even if the Democrats were to lower tariffs beyond Q– and the foreign country responded in kind, the Democrats could lose an election and the incoming Republicans could raise tariffs back to Q. The foreign country would be forced to retreat from its reduction of tariffs. This possibility could make the foreign government reluctant to lower tariffs in the first place.

THE RTAA AND POLITICAL DURABILITY

The second need for congressional Democrats was to provide some political durability for the tariff cuts. To demonstrate the increase in durability of trade liberalization under the RTAA, we first model the extreme volatility of trade policy under the pre-RTAA institutional structure. Under that regime, changes in trade policy followed the classic American legislative process. Parties originated legislation in Congress. If Congress passed a tariff bill, it went to the president. If the president signed the legislation, it became law; if he vetoed it, it went back to Congress where a two-thirds majority was required to override the veto.

Given this framework, we can determine equilibrium outcomes for different states of the world. Because tariffs were set unilaterally by each country, choices can be represented in one dimension. Consider a period in which there is a Republican majority in Congress, a Republican president, and a status quo tariff rate of Q, as in Figure 3. As long as the Republicans maintain their majority, Q is stable. While the median prefers all points between Q and Q–, defined to be a point equidistant from the median as Q but on the left side of the median, the congressional Republicans prefer none of these points.

Now suppose that after an election, the Democrats become the majority party. The status quo, Q, is no longer an equilibrium, as there are points that both the Democratic agenda setters and the median prefer to such a policy. In order for the Democrats to get as close to the Democratic median as possible, given that the bill must be approved by the median, they will introduce and pass the policy Q–. The Democratic president will prefer Q– to Q and will not veto the legislation. Once at this point, policy remains stable as long as the Democrats remain in power. As soon as the Republicans recapture Congress and the presidency, however, the status quo inherited from the Democrats is no longer an equilibrium. By similar reasoning as above, the Republicans would pass Q.[27]

[27] The situation is more complicated if there is divided government. These results are deemphasized, since major tariff legislation occurred under unified rule. The equilibria are easily established, however. If the status quo is Q– and an election puts a Republican president and Democratic Congress in power, the Democrats will propose nothing and the status quo will remain Q–. However, if the status quo is Q– and a Democratic president and Republican Congress win, the Republicans will propose an increase in rates. Because an increase to Q+ would be vetoed by the Democratic president, the Republicans will only propose an increase to the maximum point in the preferred set over Q– held by the veto player to the left of the median. The veto player to the left of the median is the member the Republicans will need in order to pass a two-thirds override of a presidential veto. Similar reasoning estab-

According to this logic, tariff shifts should occur when a new party obtains control of government. In fact, this is what occurred. In 1860, 1897, and 1920 the Republicans gained unified control of government after periods of unified Democratic control. Every time, they raised tariffs. In 1845, 1892, 1912, and 1930 the Democrats gained unified control of government after periods of unified Republican control. Every time, they lowered tariffs.

The dynamics of trade policy under the RTAA provide a stark contrast. To demonstrate the implications of the RTAA for the durability of low tariffs, we analyze two situations, one in which preferences are constant and one in which preferences change. First, we assume that the ideal point of the floor median remains constant, even as parties change. This is plausible if, say, moderate Democrats are replaced by moderate Republicans. We have already seen that the status quo after the passage of the RTAA is A*.

What happens after an election? If Democrats retain the presidency and Congress, there is no change: the minimum tariff level prevents the president from negotiating further tariff reductions, and congressional agenda setters desire no change.[28] If the Republicans win control of both the presidency and Congress, change will be possible only if the median prefers the unilateral tariff of the foreign country to A*.[29] However, since the RTAA moved the median to an outcome preferred over Q_{-} (and Q_{-}), this will not be the case and no change will be possible.

Of course, members of Congress are likely to change their preferences after an election. We therefore consider the kind of changes in preferences that would be necessary to allow Congress to overturn the RTAA and resume unilateral tariff making. The president's preferences

lishes the remaining possibilities. On divided government and tariff policy, see Susanne Lohmann and Sharyn O'Halloran, "Divided Government and U.S. Trade Policy: Theory and Evidence," *International Organization* 48 (Autumn 1994).

[28] We concentrate on the implications of unified government, as most tariff changes occurred under unified government. The effects of divided government can be determined in this framework, however. There is also no change if the Democrats retain control of Congress but a Republican wins the presidency. The foreign government would not negotiate a U.S. tariff increase, as the president might wish, because it prefers the status quo to such an agreement. Congressional agenda setters would also desire no change. If Republicans win Congress and Democrats retain the presidency, there is also no change, as the president can veto any efforts by Republicans to increase tariffs and not be overturned. A sufficient condition for this is that D is equal to, or to the right of, the thirty-third percentile member. In 1934 this was an accurate depiction of the situation. Democrats controlled about two-thirds of the seats in Congress. The median Democrat was therefore roughly at the thirty-third percentile. Given that T* was chosen by Democrats when they could have chosen a higher level, we know that they will not prefer a tariff increase to T*. They would therefore not support any effort to overturn a presidential veto of legislation raising tariffs.

[29] Here it is assumed that the foreign country raises tariffs back to their unilateral tariff level if the U.S. nullifies the RTAA agreements and raises tariffs.

play a key role. If a protectionist president were elected, the floor median would have to shift to the right to the extent that he or she prefers some point along the foreign unilateral tariff line to the RTAA outcome, A*. In Figure 6 the floor median would have to shift to a point equidistant from A* and the foreign unilateral tariff line. To determine this point, we find an ideal point, C', at which the indifference curve through A* touches the foreign unilateral tariff line. If the change were any smaller, no protectionist legislation would be possible, as the floor median would not be satisfied with any possible unilateral tariff legislation.

On the other hand, if a Democratic or internationalist Republican president were elected, protectionist legislation would have to overcome a presidential veto. Hence legislative success would depend, not on the floor median, but on the veto pivot. The veto pivot in this case is the member at the sixty-sixth percentile (ranked from least to most liberal); if this member and all more protectionist members prefer a bill to the status quo, then Congress can pass the legislation over the veto of the president. In this case, then, preferences in Congress would have to change such that the veto pivot—one of the more liberal members of Congress—would shift to C' on the right of the current median (as in Figure 6). In other words, if the president is a free trader, Congress would almost certainly not be able to raise tariffs, even if the Republicans were to take power.[30]

Could we expect the president to be liberal on trade? Two factors indicate yes. First, being elected from a national constituency makes a president less susceptible to narrow demands for protection and more interested in policies that benefit the whole country.[31] Second, the president's international role often inclines him to use trade liberalization as a tool in achieving geopolitical goals.

III. Long-Term Effects of the RTAA

The importance of the RTAA was more than simply creating the mechanism for short-term tariff reform. More important, it set up a self-

[30] Schnietz (fn. 3) has made a similar claim, that the RTAA increased the durability of liberal trade policies. She uses a one-dimensional model to argue that holding the median constant, the RTAA mitigates protectionist potential. That is, when Republicans take over after Democrats, a relatively liberal Republican president will raise tariffs to co-opt the extremist Republican Congress. We make a much stronger claim. Holding the median constant, the RTAA *eliminates* protectionist potential under general conditions. In addition, in our model the RTAA's low tariffs are robust to a whole class of preference changes. Also, note that, in Schnietz's argument, the RTAA will lead to more protection than if there were no RTAA when a Republican president and Democratic Congress win; a Republican president in this situation would be able to use his authority to preempt more extreme Democratic cuts in tariffs.

[31] Weingast, Shepsle, and Johnsen (fn. 23).

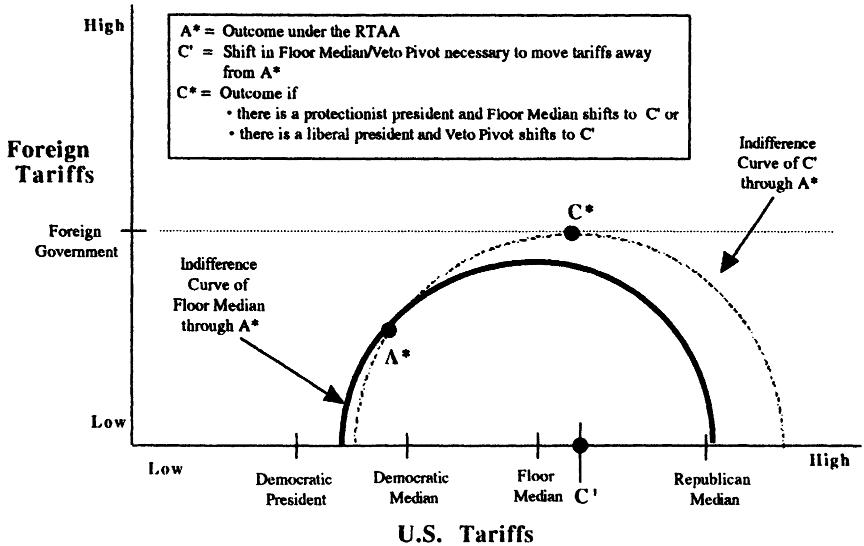

FIGURE 6
STABILITY OF TARIFFS UNDER THE RTAA

reinforcing dynamic that led to increasingly lower tariffs. In this section, we discuss the effects of RTAA-induced increases in trade on congressional and foreign preferences. We argue that congressional support for the expansion of presidential authority to negotiate cuts in American and foreign tariffs was forthcoming because the RTAA increased the importance of exports to constituents in congressional districts, which, in turn, changed the trade policy preferences of key congressional representatives. This section illustrates how RTAA structures influenced support for free trade. First, we show that trade did expand under the RTAA. Second, we model how expanding trade affects political preferences. Third, we present empirical evidence that increasing exports were a significant factor in transforming trade from a partisan to a bipartisan issue.

Tariffs declined precipitously and trade expanded dramatically during the tenure of the RTAA. In 1934 American duties averaged over 46 percent; by 1962 they had fallen to 12 percent. World trade increased from 97 trillion dollars at the war's end to 270 trillion at the time of the 1962 Trade Act. U.S. exports grew from $2.1 billion in 1934 to $3.3 billion in 1937 and from $9.8 billion in 1945 to over $20 billion in 1962.[32]

[32] E. S. Woytinsky and W. S. Woytinsky, *World Commerce and Governments: Trends and Outlooks* (New York: Twentieth Century Fund, 1955), 48; Pastor (fn. 4), 332.

While much of this increase in world trade can be attributed to the emergence of the world economy out of depression and war, two factors point to the substantial role of the RTAA. First, the RTAA allowed the president to take the lead in fighting for increased international openness. After the Smoot-Hawley Tariff Act of 1930, a retaliatory spiral of beggar-thy-neighbor polices had left the world with monumentally high tariffs. Given protectionist pressures inherent in democracies, we have good reason to believe that without the RTAA, tariffs would have moved downward at a far slower pace. Second, there is evidence that U.S. trade with treaty nations increased more rapidly than with nontreaty nations. For example, in the first three years of the program, exports to twenty-two nations with which agreements existed increased by 61 percent as compared with a 38 percent increase to other nations.[33]

There are two ways such changes in trade flows could change political preferences. First, the ideal points could shift. Since we assume that all members of Congress prefer zero foreign tariffs, the only room for movement would be along the horizontal axis. For any given level of foreign tariffs, that is, a member's ideal level of U.S. tariffs could shift. Such a shift could mean members of Congress would prefer unilateral reductions in U.S. tariffs.

A second possible change is that the relative weight members put on the two dimensions may change. Consider a generic situation in which a political actor has preferences over a two-dimensional policy space, with a level of X on the horizontal axis and a level of Y on the vertical axis. If the actor places equal weight on each dimension, the actor's indifference curves will be circular; the actor is willing to trade off loss of units of X in equal proportion to gain in units of Y. Suppose the actor comes to place greater weight on the X dimension such that she is willing to exchange a small gain in X for a larger loss in Y. The indifference curves would then become vertical ellipses; small changes in X would require large changes in Y in order to make her indifferent. By contrast, if the actor comes to place a greater weight on dimension Y, her indifference curves will be horizontal ellipses; small changes in Y would require large changes in X to make the actor indifferent.

We emphasize this latter process; that is, changing weights on issue dimensions allowed the president to expand the coalition in favor of free trade. Increasing trade flows increased the size and profits of export interests but had a lesser effect on import-competing interest (as some

[33] Tasca (fn. 19).

industries facing import competition disappeared). A similar effect occurred abroad, as exports to the U.S. activated foreign export interests. The net effect was that the importance placed on foreign access increased relative to the importance of protecting domestic industry. Indifference curves of actors in each nation changed, with American curves being transformed from circles to flat horizontal ellipses and foreign indifference curves becoming vertical ellipses.

Consider Figure 7 in which A* (from Figure 5) is the status quo. The only way that Congress will lower the minimum tariff level is if doing so makes congressional agenda setters (the Democratic median) better off. If the preferences of the Democratic leaders—both in terms of the location and relative weights—remain the same, no such policy will exist. If, however, increasing trade has led the foreign government and members of Congress to place relatively more weight on export interests, the indifference curves will shift. The indifference curves of U.S. actors will flatten and those of the foreign government will broaden, as indicated by the dotted lines in Figure 7. This means that the set of policies preferred over the status quo by the agenda setters will no longer be empty and a new equilibrium at a point such as A** will be possible.

The implication for the dynamics of trade liberalization is now apparent: increasing trade leads members of Congress and foreign actors to place more weight on access to foreign markets, indifference curves then shift, and greater liberalization is possible.

Changing Congressional Preferences

We can now return to our original query: what explains the depoliticization of American trade policy after World War II? We noted that trade was a highly partisan issue in the pre-RTAA period. Historically, Democrats voted for tariff reductions; Republicans voted for tariff increases. Figures 1 and 2 indicate that voting in Congress on trade measures before the RTAA generally followed party lines.

As the RTAA program progressed, the partisan composition of trade voting began to change in important ways. In 1943 some Republicans voted for the program for the first time, and by the mid-1950s many Republicans supported the program. Of course, Republicans were still more protectionist than Democrats and many voted for protectionist amendments to the RTAA renewal legislation. Nevertheless, their support for the general principles of the RTAA was no longer in doubt. In our empirical analysis, we concentrate on the period from 1953 to 1962, a time that saw the beginnings of substantial changes in partisan voting patterns on trade.

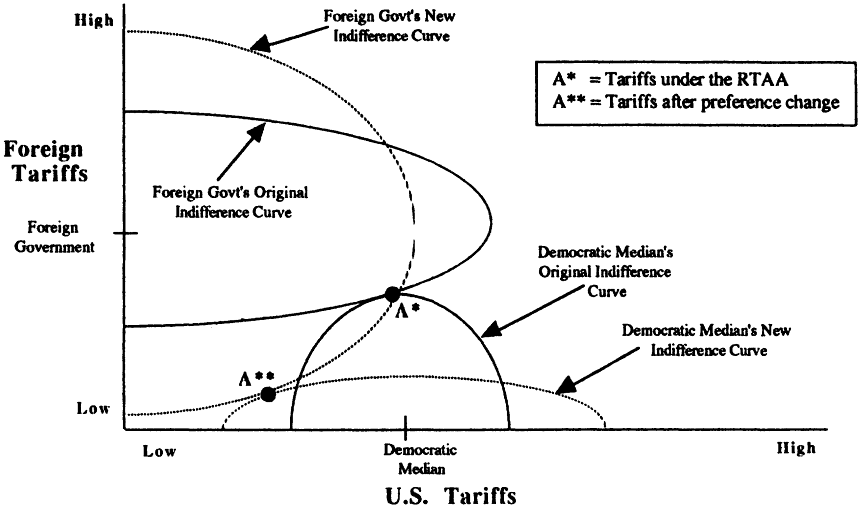

FIGURE 7
HOW TARIFFS SHIFT IN RESPONSE TO CHANGES IN PREFERENCES

The logic we offer above suggested that changes in votes will be a function of export interests in congressional districts. With passage of increasing numbers of trade agreements, highly competitive American products were pouring into foreign markets. This increased flow of trade led to growth in the size, number, and profitability of export industries. Import competition was more than offset by increased opportunities in the export sector, so at least until the mid-1960s the overall effect was that producers and their representatives placed increased importance on foreign access relative to the importance of protecting domestic industry.

To explore the relationship between exports and congressional preferences, we estimated probit models on congressional voting on major trade bills in 1953 and 1962. First, data were compiled on the industrial composition of each district. Data for whole-county districts were found primarily in the *Congressional District Data Book.*[34] Data for urban districts were available in Labor Department publications.[35] Details are discussed in the appendix.

[34] United States Bureau of the Census, *Congressional District Data Book: Districts of the 87th Congress* (Washington, D.C.: U.S. Government Printing Office, 1961).

[35] United States Department of Labor, *Employment and Earnings: State and Local Areas*, 1939–1971 (Washington, D.C.: U.S. Government Printing Office, 1972).

Trade and production data were gathered for each industry. After 1958 trade data were available for twenty-two industrial categories in the *U.S. Commodity Exports and Imports as Related Output*.[36] Because trade data from before 1958 were not available in the same format,[37] we constructed a correspondence between the types of data (see the discussion in the appendix). Production data for manufacturing, mining, and agriculture were collected from various issues of the *Census of Manufactures*, the *Census of Agriculture*, and *Historical Statistics of the United States*.[38]

Based on these data, we constructed trade variables for each district. First, we calculated a weighted average of exports as a proportion of shipments for each district. For example, suppose district A were 50 percent agriculture and 50 percent chemicals. If national exports as a percentage of shipments were 10 percent in agriculture and 20 percent in chemicals, district A's weighted average export share of production would be 0.5 * 0.1 + 0.5 * 0.2 = 0.15. Second, in a similar manner, we calculated a weighted average of import penetration change as a proportion of shipments for each district. The idea is that the greater the pressure on domestic producers from imports, the larger the increase in import penetration.

In the estimations, we controlled for party and ideology, recognizing that these factors have traditionally been important determinants of a representative's trade preferences. For party, we have standard dummy variables. For ideology, we use Poole and Rosenthal's estimates for the social and economic preferences of representatives.[39]

We analyzed votes that occurred in 1953 and 1962, years that spanned the important development of bipartisan support for free trade. For 1953 we considered three votes: the Curtis Motion to recommit an RTAA alternative trade bill; the Smith Motion to recommit the RTAA; and the renewal of the RTAA. Of the three, the most controversial, and thus the most divisive, was the Curtis Motion. The motion

[36] United States Bureau of the Census, *U.S. Commodity Exports and Imports as Related to Output* (Washington, D.C.: U.S. Government Printing Office, various editions).

[37] Max Lechter, *U.S. Exports and Imports Classified by End-Use Commodity Categories, 1923-1968* (Washington, D.C.: U.S. Office of Business Economics, 1970).

[38] United States Bureau of the Census, *The Census of Agriculture* (Washington, D.C.: U.S. Government Printing Office, various editions); United States Bureau of the Census, *United States Census of Manufactures* (Washington, D.C.: U.S. Government Printing Office, various editions); United States Bureau of the Census, *Historical Statistics of the United States: Colonial Times to 1970* (Washington, D.C.: U.S. Government Printing Office, 1975).

[39] For an explanation of the ideology scores, see Keith Poole and Howard Rosenthal, "Patterns of Congressional Voting," *American Journal of Political Science* 35 (February 1991). For a formal theory of low-dimensional ideological consistency, see Melvin Hinich and Michael Munger, *Ideology and the Theory of Political Choice* (Ann Arbor: University of Michigan Press, 1995).

recommitted a protectionist trade bill that had been introduced as a substitute for the renewal of the trade agreements program. (The vote on final passage of the renewal was very lopsided [363-34] and is therefore not amenable to probit analysis. To compensate for the skewed vote, we used ordered probit analysis, combining the vote on passage and the Smith Motion.)[40] For 1962 we analyzed the Mason Motion, a protectionist effort to substitute a one-year extension of the RTAA for the Trade Expansion Act and the vote on the final passage of the bill.

The results in Table 2 are consistent with our expectations. The coefficients on export share of production are all significant at a 10 percent (one-tailed) level and are significant at a 5 percent level for four out of five estimates. The coefficients on the control variables also accord with our expectations. Increases in import penetration were consistently associated with opposition to trade liberalization. Surprisingly, party affiliation was often not significant, although multicollinearity between party and ideology prevents us from drawing any conclusions about the independent effect of party. Poole and Rosenthal's X, associated with liberalism-conservatism, was generally significant, as was their Y, generally associated with civil rights.

Because the estimated coefficients from probit analysis are not directly interpretable, we provide estimates of the effect of change in exports on the probability of liberal trade voting for different groups within Congress. Table 3 does this for the 1953 vote on the Curtis Motion and Table 4 does this for the 1962 vote on final passage. The first column is the predicted probability of voting for trade liberalization by an "average" representative, computed as someone with average levels of all independent variables for the whole subgroup. The second column is the predicted probability of voting for trade liberalization when exports are increased by one standard deviation and all other variables are held constant at their average levels. The third column repeats the exercise for an increase of two standard deviations in exports.

From Tables 3 and 4 we see that exports explain why—for the first time in a century—members of the Republican Party abandoned their party's traditional stance on trade. Table 3 shows for 1953 that a two standard deviation increase in export share of production increased the probability of a free trade vote from 65 percent to 84 percent for an "average" representative. The effect is stronger for Republicans, moving

[40] On ordered probit analysis, see Keith Krehbiel and Doug Rivers, " The Analysis of Committee Power," *American Journal of Political Science* 32 (November 1988).

TABLE 2
PROBIT ANALYSIS OF HOUSE VOTING
(1953 AND 1962)[a]

	1953			1962	
Legislation Vote	*HR5894 Curtis Motion*	*HR5495 Smith Motion*	*HR5495 Smith Motion & Passage*	*HR11970 Mason Motion*	*HR11970 Passage*
Constant	−1.47	−1.40	0.85	0.34	−0.06
	(3.16)	(1.86)	(1.87)	(0.74)	(0.16)
Exports	12.48	10.60	8.27	4.25	4.78
	(3.71)	(1.93)	(2.51)	(1.53)	(1.98)
Import penetration change	−197.52	−216.98	−191.10	−126.62	−76.87
	(7.41)	(4.84)	(6.49)	(2.76)	(1.97)
Democrat	0.7	0.68	1.24	−0.01	0.59
	(1.52)	(1.02)	(2.76)	(0.02)	(1.22)
P&R's X	−0.72	−4.82	−1.96	−5.3	−2.37
	(1.17)	(4.54)	(3.18)	(6.33)	(3.53)
P&R's Y	−0.95	3.25	1.27	0.05	−1.01
	(1.85)	(3.75)	(2.44)	(0.07)	(1.56)
Threshhold	—	—	2.39	—	—
	—	—	(15.69)	—	—
Number of observations	408	423	400	429	428
Percentage correctly predicted	74	95	87	86	82
Votes Free Trade	244	196	183	256	300
Moderate	—	—	183	—	—
Protectionist	164	227	34	173	128

[a] t-statistics are in parentheses.

them from a 49 percent probability of voting for free trade at average levels of exports to a 75 percent probability of a free-trade vote when export shares increased by two standard deviations. The effect of exports was less important for Democrats, but most Democrats were already committed to free trade.

Table 4 reveals a similar story for the 1962 vote. An increase in two standard deviations of export shares of production raised the probability of a free-trade vote by 12 percent for all members. For Republicans, those least likely to vote for free trade in 1962, the effect was an increase of 21 points. Democrats in 1962 were still highly likely to vote for free trade, but an increase of two standard deviations in export

TABLE 3
ESTIMATED PROBABILITIES OF LIBERAL TRADE VOTING IN 1953 BY GROUP AND CHANGE IN EXPORTS

	Probability of Voting for Trade Liberalization		
	Exports	*Average Exports Plus 1 Standard Deviations*	*Average Exports Plus 2 Standard Deviations*
All	0.65	0.75	0.84
Republicans	0.49	0.63	0.75
Democrats	0.78	0.85	0.90

share of production increased their likelihood to vote for free trade by 6 percent.[41]

The general conclusion that emerges from this analysis is that exports affect congressional voting on trade. Higher levels of exports led to increased support for free trade. Although analysts have often suggested that exports should play such a role, the effect has been difficult to demonstrate. It is hard to get export data on the district level, and often the effects are overwhelmed by the more traditional variables of party, region, and ideology. By extrapolating export shares of production from district-level industrial data and using probit simulations, we have shown that an export effect was felt by congressional representatives. Members of Congress do vote based on constituent interests, and their views on American trade policy shifted as exports grew.

CONCLUSION

Through detailed analysis of both the logic and empirical effects of liberalization,this paper provides a new interpretation of the transformation of U.S. trade policy in the middle of the century. By examining both the causes and economic ramifications of the RTAA, we are

[41] American trade politics has historically shown strong regional variation. We also ran estimations that included regional dummy variables in our equations. The result was consistent with the previous analysis; but there were interesting differences across regions. Among the Republicans in 1953, an increase of two standard deviations in exports led to a 13 percent increase in the chance that representatives from the Northeast will vote for trade liberalization, an 18 percent increase for those from the Midwest, and a huge, 51 percent hike for those from the West. For Democrats in 1953, the comparable numbers were 2 percent Northeast; 10 percent Midwest; 31 percent West; 8 percent South; 5 percent Border (no South or Border results are reported for Republicans given the scarcity in the number of representatives). In 1962 the increase in probability of a free-trade vote with a two-standard deviation rise in exports was for Republicans: 8 percent Northeast; 25 percent Midwest; and 18 percent West. For Democrats in 1962, the vote effects were 2 percent Northeast; 2 percent Midwest; 5 percent West; 11 percent South, and 6 percent Border.

TABLE 4
ESTIMATED PROBABILITIES OF LIBERAL TRADE VOTING IN 1962 BY GROUP AND CHANGE IN EXPORTS

	Probability of Voting for Trade Liberalization		
	Average Exports	*Average Exports Plus 1 Standard Deviations*	*Average Exports Plus 2 Standard Deviations*
All	0.78	0.85	0.90
Republicans	0.47	0.58	0.68
Democrats	0.90	0.94	0.96

able to explain how political factors shaped the institutional environment and, in turn, how the institutional factors shaped the political environment.

Two sets of puzzles have driven the analysis. The first set revolves around the initial legislation. Why would Congress ever agree to forfeit so much power to the president? And, more curiously, why would Congress choose to do so at a time when the commitment to free trade was not particularly strong? The second puzzle revolves around the expansion of the RTAA, especially after the Second World War. What was the mechanism that allowed trade liberalization to move continuously forward throughout the twenty-eight-year life span of the RTAA? Liberalization goes counter to a conventional logic that assumes that pro-protection interests should have been overrepresented in the policy process because of the distributional inequalities that obtained from a liberal trade policy.

The existing literature provides incomplete answers to both puzzles. Many analyses of the original delegation emphasize congressional efforts to reduce its workload or to avoid serving special interests. In contrast, we argue that a model positing only policy-oriented, strategic political actors can explain the initial delegation. The RTAA allowed congressional Democrats to satisfy reluctant free traders and to durably reduce tariffs by coupling U.S. tariff cuts with foreign cuts. Further, it created a mechanism for lowering tariffs without having to meet the demanding constitutional requirement for two-thirds support that had undermined previous treaty efforts.

Many analyses of the effects of the RTAA are also suspect. Some claim that the RTAA removed trade policy from the constraints of a protectionist Congress; others argue that delegating authority and its accompanying agenda-setting power to the president was the key to trade liberalization in the period. But neither of these views can explain the clear and continued congressional involvement in tariff policy, even under the RTAA.

We agree with the consensus that congressional delegation to the president was an important element of the trade liberalization program. Nevertheless, the president's involvement in lowering trade barriers should not be exaggerated. Once Congress eschewed unilateral tariff reductions, presidential involvement was inevitable—it is the president's constitutional prerogative to negotiate treaties with foreign nations. But presidents had negotiated trade treaties throughout American history. Few, however, made it past a congressional veto. The RTAA should be remembered not because it delegated power to the president but because it mandated reciprocal tariff cuts under an innovative voting rule that bypassed the need for ex post approval by a supermajority in Congress.

The radical change in underlying preferences that allowed the liberalization of American trade policy cannot be explained either by the insulation of trade policy making or by presidential agenda control. Rather, trade liberalization endured because the RTAA changed the strategic environment of policy setting and later, the optimal policy choices of elected officials. First, the RTAA increased support for trade liberalization by "bundling" domestic and foreign reductions into one package. This not only garnered a larger base of support than did unilateral tariff reductions, but it also made it more difficult to change policy, even with an alteration in political control of government. By tying domestic reductions to foreign reductions, a greater pool of representatives found themselves in the proliberalization coalition. The existence of treaty obligations and the direct loss of foreign markets in response to a tariff hike made tariff reform far more durable than in any previous period of U.S. history. The RTAA was not simply a bill to lower tariffs; it was as well, an attempt to institutionalize a low tariff policy.

Second, and as important, tariff reform under the RTAA began an endogenous process of tariff reduction. Tariff reductions were matched with export growth. Increased export dependence in districts led to a more fundamental and enduring change in the political preferences of key actors in Congress. Although not the only factor, the RTAA was instrumental in increasing world trade, which spurred political interest in increasing access to foreign markets. This made increasing numbers of politicians willing to trade off support from import-competing interests that stood in the way of trade liberalization in exchange for support from export groups.

Empirical analysis of voting on trade bills supports our argument. Before the RTAA, voting on trade was almost wholly partisan, with Democrats in favor of and Republicans opposed to reductions in U.S. tariffs. After World War II partisan voting broke down, as more Democrats voted for protection and many more Republicans voted for trade liberalization.

Overall, the shift in American policy exceeded everyone's expectations. Trade increased dramatically, and the U.S. sustained a policy of relatively open borders. Our analysis strongly suggests that part of this shift should be attributed to an increase in the importance of exports at the district level.

In summary, the early history of liberalization in the U.S. provides a picture of how domestic politics, institutional choice, and the international economy are interlinked. Domestic politics led to an institutional innovation, the RTAA. The institutional innovation led both directly and indirectly to increased world trade. And, in turn, increased world trade led members of Congress and foreign actors to put more weight on increasing access to international markets. These preference changes expanded the coalition supporting free trade and allowed trade liberalization to continue to move forward.

Appendix: Data Sources and Methods

District-Level Data

Variables for districts comprised of complete counties were constructed from the *Congressional District Data Book.*

—employment in standard industrial classification (SIC) codes = (number of establishments with 20 or more employees in district/total number of such establishments)*total number of employees employed by manufacturers, based on 1958 data.

—employment in agriculture: total number of farm operators, 1959.

—employment in mining: average number of employees, 1958.

Variables for districts comprised of partial counties (almost exclusively urban districts) were constructed based on metropolitan statistical area (MSA) data in *The Census of Manufacturers* and *Historical Statistics of the U.S.* District MSAs determined from *Congressional District Atlas of the United States.*

Trade Data

Trade data from 1960–62 were available by SIC code in *U.S. Commodity Exports and Imports as Related to Output.* Trade data for 1951–53 were available by Office of Business Economics (OBE) code in Lechter (1970). OBE data and SIC data in which each SIC and OBE category was placed in one of ten categories below.

Category	*SIC Codes*	*OBE Export Codes*	*OBE Import Codes*
Food	01, 02, 20, 21	0, 10, 4112	0, 1223-4, 1227, 1601
Industrial supplies	Mining, 29, 33	11, 401, 12 (minus 124-7)	10, 14, 15, 1603-5
Wood	24, 26	124	11, 1300-1, 4100
Chemicals & rubber	28, 30	125, 4113-4, 1270, 1273-5	1225-6, 1228, 1230-1, 1610, 4011-2
Textiles	22, 23	126, 4100	120-1, 400, 410A
Finished manufactures	25, 34-6, 38-9	2 (minus 22), 400	20 (minus 2013-4), 41 (minus 4100, 4101, 410A)
Transportation	37	22, 3, 5	2013-4, 21, 3
Printing	27	4111	4013
Leather	31	4110, 1271	4010, 1220-2
Clay	32	1273, 1276	1302, 1310, 4101
Unclassified			1232, 1611

Shipment Data

Data for years in which there was no such census were extrapolated from the data for 1954, 1958, and 1963. Shipment data for mining were available in Historical Statistics (Table M1-12). Production data for agriculture were available in various issues of the *Census of Agriculture.*