CHAPTER 2

Same Arguments, Different Context

A Brief History of Protectionism from 1789 to the 1960s

WHEN BENJAMIN FRANKLIN wrote that "in this world nothing is certain but death and taxes," he was referring to tariffs.[1] Tariffs—duties applied at the border—were America's main tool for regulating trade. However, when Americans talked about tariffs, they weren't only talking about a tool to restrict trade. They were talking about a device that could nurture the new nation's economic growth as well as finance the U.S. government. Moreover, when Americans talked tariffs, they also were discussing the implications of government intervention in the economy. At times, social issues forced a debate about tariffs; at other times, U.S. trade policy inspired Americans to weigh the social ramifications of the nation's trade policy tools and objectives.

Tariffs were one of the few tools available to nineteenth-century policymakers to encourage economic growth.[2] Tariffs not only were effective tools, they also did not require any additional expenditures; that is, they were "off-budget."[3] Tariffs, the main source of federal revenue from 1789 until 1916, were an indirect tax; thus, many citizens did not link the costs of governance with the costs of protectionism. Moreover, tariffs often provided government with a surplus.

The tariff walls erected by both Republicans and Democrats came with real costs to the American social compact. Tariffs were inherently inequitable. Although all consumers, rich or poor, had to absorb the costs of tariffs, the burden of tariffs fell heaviest on the poorest consumers, who had little disposable income. These men and women, whether they toiled the land or in factories, spent much of their earnings on purchasing the taxed goods.[4] America did not reduce its reliance on tariffs to finance government until 1916, when Congress passed an income tax. This income tax was designed to tax more heavily those Americans with higher earnings and tax less heavily those with lower incomes.

It was not until the Great Depression that policymakers began to dismantle America's tariff walls. In 1934, Congress passed the Reciprocal Trade Agreements Act, calling for bilateral negotiations to reduce trade barriers and expand market access for U.S. companies. This legislation was a radical change: It modernized as well as internationalized the process of trade policy-making. After World War II, U.S. policymakers used trade policy to cement a connection between trade liberalization and economic/political stability. From then on, the United States led global efforts to establish rules to govern trade.

Yet global leadership of efforts to liberalize trade did not stop policymakers from protecting certain sectors of the economy, such as textiles and agriculture, or from using new tools to protect, such as nontariff barriers (NTBs).[5] These NTBs included administrative regulations such as marks of origin, laws banning convict or forced labor products, and sanitary restrictions such as quarantines. Policymakers sometimes relied on these NTBs strictly to protect. Not surprisingly, sometimes national regulations such as worker or consumer protective measures distorted trade. But policymakers' reliance on such tools to protect was not always transparent. According to trade scholar Percy Bidwell, these NTBs attracted little attention in the press, were "rarely debated in Congress, and never the subject of discussion by women's clubs or businessmen's forums."[6]

This chapter describes how arguments for protection evolved as the American economy, economic institutions, and policies changed over time. The debate began when the colonists first took to the streets and harbors to protest taxation (the use of tariffs) without representation. Social issues such as how trade policy could promote human rights were often part of the debate. For example, the relationship of trade and slavery bedeviled the debate at the Constitutional Congress.

Members of nongovernmental organizations (NGOs) have had a long history of bringing social issues to the fore. They were also involved in the development of the postwar international organizations to regulate the global economy such as the United Nations, the International Trade Organization (ITO), the World Bank, and the GATT. Although such NGOs continued to shape domestic economic and social policies, the GATT did not cooperate with such groups; it worked with governments.

America's commitment to trade liberalization did not mitigate public support for relying on protectionist tools. The public had been weaned on protection. In 1789 as well as in 1959, citizens believed that protectionism preserved jobs, maintained social stability, and helped the economy flourish.[7]

Growing the Nation with Tariffs

Citizen activism on trade has marked the United States since its first days as a British colony. The colonists were addicted to imports such as tea, conveniences, and small luxuries.[8] But with the end of the Seven Years War, in 1763, the British government consistently raised taxes on these goods. The colonists perceived these taxes as excessive and unjust. They set up groups to protest Britain's trade policies. In 1764, some of the colonists organized the nonimportation movement (America's first consumer movement) to boycott imported products. The organizers of the boycott hoped that it would inflict economic hardship upon English merchants and manufacturers, who would then pressure their politicians to alter these taxes. But the British responded schizophrenically to the boycott. They removed some taxes and then reinstated others.[9] In 1774 and 1775 the Continental Congress made the boycott a formal policy and pledged to boycott an assortment of British goods starting December 1, 1774. Americans of all social classes and regions participated. They shared a common argument: that the British system of taxation discriminated among British citizens. But the boycott caused hardship and did not change British tax policies. Growing numbers of colonists began to advocate a different strategy: independence, which they achieved after a difficult war.[10]

Independence forced the leaders of the new nation to find ways to reconcile conflicting policy objectives. On one hand, most of the men who sat down to write the Constitution for the new nation were concerned about human rights. On the other hand, the war had devastated the South, and its plantation owners demanded slaves to rebuild the Southern economy. In 1787, however, the report of the Committee of the Whole at the Constitutional Convention contained no reference to slavery or trade in slaves, an important human rights and foreign policy issue. It also did not clarify whether the new nation would ban interstate commerce in slaves and whether such commerce should be taxed. Taxing interstate commerce in slaves allowed the new nation to raise much needed revenue. Colonel George Mason of Virginia denounced the traffic in slaves as "infernal," while Elbridge Gerry of Massachusetts wished merely to refrain from sanctioning the slave trade. Others pointed out the inconsistency of condemning the slave trade and defending slavery. But most delegates agreed with Roger Sherman of Connecticut that "it was better to let the Southern States import slaves than to part with those States."[11]

Ultimately, delegates from the South pointed their way to a compromise. Article I, Section 9 of the Constitution did not prohibit the migration or importation of slaves prior to the year 1808. It also allowed the States to impose a tax or duty on such trade in slaves, not to exceed ten dollars for each person.[12] Thus, the Constitutional Convention allowed slavery, let the new nation raise revenue from slavery, and joined the South and North, two very different economies, together in political and economic union.

The pamphleteers of the times were well aware of the implications of this compromise for other policy objectives. *The Independent Gazetteer* wrote that this compromise was "especially scandalous and inconsistent in a people, who have asserted their own liberty by the sword, and which dangerously enfeebles the districts wherein the laborers are bondsmen." Noah Webster thought the compromise was "pitiful." But in *The Federalist* No. 41, James Madison wrote, that the compromise "ought to be considered as a great point gained in favor of humanity, that a period of twenty years may terminate forever . . . a traffic which has so long . . . upbraided the barbarism of modern policy."[13]

This was not the only compromise developed by the Founding Fathers. They recognized that the United States could not produce many of the goods its citizens needed; thus, the United States had to trade. But they also wanted to nurture a diversified economy, which meant they would have to provide infant industries with protection.[14] Thus, they adopted a bifurcated strategy: They used tariffs to develop the new nation and protect its infant manufacturing and iron industries, but they also signed treaties of navigation and commerce and encouraged a reciprocity policy on shipping. This mix of policies to encourage freer trade and policies to protect domestic producers has marked the United States ever since.[15]

The institutional structure of government probably encouraged this mix of policies. The Constitution gave the president responsibility for managing foreign affairs. However, Congress was "to regulate commerce with foreign nations" and to "lay and collect . . . duties." By definition, Congress was more receptive to local and often more protectionist concerns.[16] Despite the importance of trade to the new nation's economic growth, Americans focused their attention on developing America's vast and rich internal resources.[17] Trade historian John Dobson concluded that few Americans "showed much concern or even awareness of the . . . international consequences" of the tariff. James A. Field described the Federalists as individuals who "saw commerce from the view of the individual shipowner or merchant and national policy as individual interest writ large."[18]

America's leaders, however, initially thought of tariffs principally as a means of financing government. The first Congress passed the Tariff Act of 1789 to raise revenue. This act levied a 5 percent duty on imports, higher duties on luxury items, and a few specific duties on articles like coffee, tea, and molasses.[19] However, some Americans (notably Alexander Hamilton and eastern industrialists) began to see tariffs as a tool to stimulate U.S. economic development. Hamilton used an equity argument to make his case for protection. He argued that other nations used tariffs to protect their home market manufacturers and thus, "the principles of distributive justice" dictated that the United States pursue a similar policy to obtain "a reciprocity of advantages."[20] Hamilton preferred to promote manufacturing by having government subsidize manufacturers, but he recognized the young nation's fiscal constraints.[21] Unlike subsidies, tariffs did not require any on-budget authority.

The notion of using tariffs to protect America's infant industries gained ground as the country struggled to develop. By raising the price of imports, tariffs served as an incentive to buy U.S.-produced goods. Government officials liked the selective nature of tariffs, as well as the fact that the Treasury captured tariff revenue.[22]

Policymakers became more supportive of this approach after the War of 1812. The first protective tariff was designed to keep alive industries such as wool that had been hurt by the war. Whig Kentucky Congressman Henry Clay outlined his American system. He believed protection of America's manufacturing and textile industries would yield a great and strong market.[23] But the Democrats disagreed with such policies, which they saw as favoritism, and advocated a tariff "for revenue only." Clay, however, was able to argue that the Democratic approach was "free trade," which could only yield dependency and poverty: "The Democrats . . . would let your grain wither in your barns—they would let mechanics and manufacturers sink in an unequal contest with the pauper labor of Europe . . . rather than grant protection."[24] The point was clear to America's workers, many of whom came to view protectionist policies as furthering equity among Americans. That view would be hard to dislodge.

Clearly, the Democrats and Whigs had very different perspectives about government. The Jacksonian Democrats thought government intervention tended to benefit one class at the expense of another. They insisted that freer trade and destruction of economic privilege would speed up economic advancement for all Americans. Thus, Jacksonian Democrats opposed corporate welfare, such as the government's aid to the Collins Steamship Lines, or high levels of protection, "high protectionism," which they feared would encourage sluggishness among protected sectors.[25] However, the Whigs argued that tariffs would ensure that U.S.-produced capital would remain in the United States, benefiting all classes of Americans. Today's laborers could use these funds to transform themselves into tomorrow's capitalists, just like Andrew Carnegie, who used such capital to transform himself from a laborer to a capitalist.[26] Thus the Whigs seemed to believe that tariffs could actually promote equitable economic growth among Americans.

This perspective, that protectionism could promote equity among Americans, gained greater support in the 1850s. Although the United States relied on foreign capital and had a growing international trade, the federal government rarely intervened to encourage exports.[27] In the forty years prior to the Civil War, general tariff levels remained moderate, but tariff protection spread to many sectors. Legislators learned it was simpler to compensate those injured by tariffs by protecting them, too, rather than to reduce the protection given to the first party. Any one interest, once granted protection, tended to regard that level of protection as its prerogative. But America's growing recourse to tariffs was not universally supported; in fact the spread of tariffs stimulated heated and divisive debate.[28] Among the most important debates was the tug-of-war over using tariffs to nurture the North's economic growth.

Human Rights, Equity Issues, and U.S. Tariff Policies

In the two decades preceding the Civil War, the U.S. economy increasingly relied on cotton exports to fuel growth. While the immigration of people and capital encouraged growth, according to Nobel Prize–winning economic historian Douglass North, "Cotton . . . initiated the concomitant expansion in income, in the size of domestic markets, and . . . the movement of people out of self-sufficiency into the market economy."[29]

King Cotton tied the North and South together in many different ways. Many Northerners denounced the Southern dependence on slaves to produce cotton, but that same cotton helped finance the North's development and diversification and fueled the burgeoning textile mills. At the same time, tariffs gave Northern manufacturers a captive market among Southern farmers. Many Southern farmers resented these same tariffs, because they believed other nations would retaliate by protecting their home markets. These farmers also understood that these tariffs increased prices on the consumer or producer goods that they needed.

Such mutual dependence led to a tug-of-war over the direction of U.S. trade policy. For example, in 1860, the Buchanan administration negotiated a reciprocal trade agreement with Mexico, but the Senate turned down the treaty. Northern and Western manufacturers and farmers might have benefited from greater market access to Mexico. However, according to historian Alfred Eckes, "Many lawmakers feared that the Buchanan administration intended to expand the slave system [beyond U.S. borders]."[30] Their opposition to strengthening the slave system was greater than their interest in gaining new customers in Mexico (export policies). In this case, social issues forced a debate over trade policy.

Clearly, slavery was not only a domestic policy issue, it was also a trade policy issue. Americans of North and South struggled with the question of whether to ignore, permit, or ban the products made with slave labor. Before the Civil War, North and South achieved an uneasy compromise that limited the expansion of slavery. But this compromise could not erase the truth that, given regional economic interdependence, America's Northern and Western economies were indirectly dependent on the product of slave labor. Other nations also had to deal with this issue; for example, American cotton fueled Britain's mills.

In 1807, both the United States and Britain formally abolished the slave trade.[31] But ships carrying slaves still entered U.S. ports. In fact, Americans participated in the trade under the flags of other nations, such as Spain and Portugal. From 1810 to 1814, England signed treaties banning the slave trade with Portugal, Denmark, and Sweden. In 1833, after many years of antislavery protests, the British Parliament abolished slavery in the British West Indies. Given the stormy relationship between the two countries, Northerners and Southerners alike saw the British legislation as "an attempt to weaken the Southern economy." A congressman from South Carolina made it clear that he did not think the British had the moral authority to comment on the Southern slave system, given Scottish poverty and "enslaved subjects" in Ireland.[32] The congressman had a point. Britain had been actively involved in the slave trade since the sixteenth century.[33]

But some British officials and citizens thought that they could use trade policy to change U.S. human rights conditions, or at least ensure enforcement of the ban on the slave trade. In 1841, the *Enterprise,* a ship carrying slaves that was bound for the United States, was driven by rough weather to Bermuda (part of the British empire). As just noted, *trade* in slaves was banned by both nations, but this ban was not always effective or enforced. Because slavery was illegal in British soil, British Foreign Minister Palmeston ordered that the slaves on the *Enterprise* be set free. But some Americans saw this act as a slap in the face to U.S. sovereignty. In 1842, Daniel Webster negotiated a compromise guaranteeing the United States free navigation of all border waters. Each party agreed to police its own ships in an effort to stamp out the slave trade. Thus, the two nations had effectively concluded a trade agreement to regulate a social policy objective: to end trade in slaves.

Yet this use of trade policy could not change a basic fact. The United States still allowed slavery and produced many new slaves each year. Moreover, by the years 1845–60, the price of cotton began to rise, correlating with a growing global demand for cotton goods. Much of the Southern economy was devoted to producing both cotton and slaves. Not surprisingly, the demand and price of slaves also rose. To broaden supply, some Southerners called for a lifting of the ban on the sale of slaves.[34]

Throughout this period, antislavery activists in the United States and abroad stepped up their efforts. Politicians and religious leaders in Ireland and Britain wrote letters and pamphlets urging Americans to wipe out slavery.[35] In 1834, the American Antislavery Society sent petitions and propaganda to Congress and clergy throughout the South. In 1835, in response to Southern protests about these petitions, the House passed the gag rules, preventing the House from taking action on these petitions. But abolitionists denounced these gag rules as a violation of the Constitution. In their eyes, human rights and trade policies were clearly linked. But they would have to work to convince their fellow Americans.

Although most Americans resented the British (of all people!) commenting on their internal affairs, some Americans teamed up with British antislavery activists. They thought an international movement could be more effective in ending slavery. In 1839, they organized the first international NGO to influence official policy as well as civic group action in both nations.[36] According to political scientists Margaret E. Keck and Kathryn Sikkink, religious leaders, especially Quakers, Methodists, Presbyterians, and Unitarians in both nations, were the backbone of the antislavery movement. Its members "drew on a tradition of transatlantic networking and information exchange that had flourished . . . during the last decades before American independence." The antislavery groups borrowed tactics, organizational forms, research, and language from each other. The transnational movement used facts and personal testimony to motivate citizens in both nations to oppose slavery. They cosponsored two conferences in London (in 1840 and 1843).[37]

The binational antislavery movement was noteworthy on both sides of the pond. It was both an early illustration of how civil society can affect trade policy-making and one of the first international human rights movements. It inspired other reform movements such as temperance and women's rights.

In this period, new ideas were also transforming trade policies. In 1846, Britain repealed its Corn Laws, which had greatly taxed grain imports (increasing the cost of food). The Corn Laws hit hardest on the poorest consumers and the growing number of landless urban workers who could not feed themselves. These laws had also favored the landowning aristocracy.[38] While peasants and farmers had been moving to the cities for new economic opportunities throughout the nineteenth century, when these trade laws were eased, the trickle became a flood. These workers provided an ample supply of labor for England's industrialists. As England's economy grew, the standard of living (although not the work conditions) of some of her citizens improved. Ever so gradually, other European nations eased their protectionist regimes as they too industrialized.[39] Although many workers toiled in horrible conditions, growing numbers entered the middling class. These workers had greater disposable income to purchase more food and manufactured goods, creating expanding demand. To some observers, industrialization and open markets were creating a virtuous circle of economic growth and a rising standard of living. To other observers, including many of the same workers, the circle was not quite so virtuous. Some of these workers would eventually demand changes to public policies to tame the costs of capitalism.[40]

While British policymakers were increasingly enthusiastic about the benefits of freer trade, American policymakers and citizens clung to tariffs as the principal tool for both protection and economic development. Workers and capitalists believed that the tariff nurtured industrialization, which could both stimulate economic growth and diversification and increase the demand for labor. As the demand for labor increased, they argued that workers' wages would rise as well. According to historian Eric Foner, workers thought that the tariff helped create the middling class to which they hoped to rise.[41]

But in reality, many Americans were never to join this virtuous circle because they were torn between "the lords of the loom and the lords of the lash"—the capitalists, wealthy landowners, and industrialists who held political and economic power in the United States.[42] Moreover, although labor was relatively more scarce and more expensive in the United States than in Europe, American workers did not feel empowered. Although the frontier provided alternative ways to make a living, opportunities varied by region. Jobs were not always plentiful for unskilled workers. Moreover, the economy was bedeviled by boom and bust cycles, which made workers feel less secure about job stability. Finally, although American real wages and purchasing power was rising, many skilled and nonskilled workers feared competition from new immigrants and slave labor. Many white workers understood that emancipation could be a considerable threat to their standard of living because emancipation would expand the pool of workers, bringing down the price of labor. Frederick Douglass noted that the workers in Baltimore feared that educating slaves to be mechanics might "give slave-masters power to dispense . . . with the services of the poor white man." These workers feared competition with both free blacks and skilled slaves.[43] Nonetheless, both workers and intellectuals dismissed the links between the wage-slaves that made the cloth and the slaves that produced the cotton, as well as the policies that encouraged industrialization and those that maintained slavery.[44]

Equity among Americans, however, would become an important trade policy issue. Southern and Western farmers felt triply burdened by tariffs. In general, their home markets were not protected by tariffs, and they paid higher prices for the goods they consumed. At the same time, because America's trading partners generally felt compelled to match America's tariff policies, U.S. farm exports were less competitive in foreign markets. Although U.S. manufacturers were becoming more efficient, consumers had to pay relatively high prices both for foreign and domestic goods, including many necessities such as food or clothing. Congress, however, was not yet ready to change U.S. tariff policy in response to the needs of farmers or consumers. It was not until 1865, when the Thirteenth Amendment was ratified, that slavery and the slave trade were fully abolished. In 1871, Congressman Banks introduced a bill to prohibit Americans from owning slaves in foreign countries.[45]

After the Civil War, Republicans led the nation, and protectionism spread to even more sectors. Historian Paul Wolman notes that America's burgeoning steel, oil, and processing industries were hungry for capital and "believed themselves most vulnerable to European competition." As before, policymakers nurtured these sectors with tariffs. In some cases legislators let the industries determine the level of protection they required as compensation for internal taxes levied on manufactured goods. Although protectionism was at its essence "corporate welfare," policymakers as well as the public believed such protection was effective. Workers thought that tariffs brought them higher wages; farmers thought that tariff walls protected them from foreign competition in the home market. However, low-tariff views persisted among most Democrats and especially in the Northeast, among merchants, traders, bankers, and Eastern industrialists.[46] By this period, economists, policymakers, and other experts began to propose other more tailored policy tools. Moreover, a growing number of Americans in farms, cities, academia, and government began to question the view that protectionism benefited all Americans and preserved the nation's relatively high standard of living.

Pressure for Change

In 1882, Congressman William M. Springer challenged his fellow Americans to rethink their views about the tariff: "No party in this country . . . proposes free trade. . . . The issue is between those who desire an immediate revision of the tariff . . . and . . . [those who desire] the removal of those burdens which are . . . depriving thousands of laborers all over the country of employment, producing strikes, lockouts, and low wages."[47]

Springer was reminding his fellow Americans that tariff policies might no longer be the best or only tool to serve so many policy goals. He was not alone in his evolving critique. As the American economy became more urban, industrialized, efficient, and diversified, a growing number of Americans criticized America's addiction to tariffs and called for a new role for government in mitigating such changes. Social issues were forcing a debate on tariffs at the same time that tariffs were forcing a debate on social issues.

Farmers provide a good example. As America's farmers adopted new seeds and farming techniques, their production grew dramatically, while prices declined. According to historian Lawrence Goodwyn, the dollar-a-bushel wheat of 1870 brought sixty cents in the 1890s; corn averaged forty-five cents a bushel in 1870, and by 1899 it was ten cents a bushel.[48] Producers attempted to prevent even further price deflation by exporting. However, new markets could not solve the farmers' problems of overproduction. Canadian, Russian, Argentinean, and Australian farmers also needed new markets, and they wanted reciprocal market access to the United States. After the panic of 1873, the situation for America's farmers grew more dire. Some farmers found they could not recoup their production costs with the prices they received for their production. During the last decades of the nineteenth century, duties on agricultural products increased, partly as compensation to farmers for the higher prices farmers paid for manufactured goods and partly to thwart imports. But tariff protectionism could not help farmers expand markets for their production; they needed trade agreements that would facilitate mutual tariff reduction. Many farmers began to rethink their attitudes about government's role in the economy. Some called for political change; others decided to help themselves by forming cooperatives; and still others created new political movements such as the Grangers and the Populists. These farmers were coming to understand that government could help them, just as it had helped some manufacturers.[49]

Other Americans were also reexamining their attitudes about government. As Robert Wiebe and other historians have noted, this period was a time of great labor and social unrest. To temper this unrest, economists, social workers, and other professionals called for rigorous and planned solutions to American problems of unemployment, booms and busts, income inequality, massive poverty and wealth, and labor unrest.[50] These progressive reformers began to demand federal regulation to temper the invisible hand of markets.

Some of these reformers criticized America's addiction to high tariffs. For example, some business executives recognized that they could capture foreign markets and achieve further economies of scale and scope if the United States offered the carrot of lower tariffs for reciprocal tariff reduction. At the same time, leaders of the new national union, the American Federation of Labor, were divided on trade policy. They had long supported tariff protection, but some members were no longer convinced that high duties protected high wages. Other union workers worked in exporting sectors that could benefit from reciprocal trade agreements. Finally, a growing number of union leaders (and even many workers) gradually recognized that tariffs kept the prices of many necessities (such as food and clothing) artificially high.[51]

Ironically, some progressive reformers who also wanted tariff reform argued that those same high tariffs had nurtured the big businesses now clamoring for reciprocal tariff reductions. They stressed that high tariffs were "the mother of trusts," helping America's ever bigger business to reap higher prices for their products and gain greater market power to use against their workers, consumers, and smaller competitors. A growing number of reformers came to question tariffs for a different reason; they were an inequitable approach to financing government. All consumers had to pay tariffs. But the poorest consumers had little discretionary income and no escape from tariffs on their necessities. As a result, these citizens had little or no funds to save or invest. Middle-class or wealthy citizens also paid tariffs but had enough disposable income to save or invest for their future needs.[52]

Still other business leaders blamed America's extensive system of tariffs for creating inequities in the market among producers. Some business leaders (especially those from small- and midsized businesses) believed that many of their larger competitors were using protectionist tariffs to hold domestic prices at an artificially high level. According to historian Paul Wolman, in the waning years of the century, the chairman of the tariff committee of the National Association of Manufacturers called on Congress to investigate if tariff schedules were "congressional permits to create trusts."[53]

The tariff reform movement transcended class and region. It included editorialists from the *New York Evening Post* and the *Louisville Courier Journal,* academics from Cornell and Yale University, Democrats and Republicans, farmers and business executives.[54] The reformers had diverse suggestions: Some wanted lower tariffs, others a tariff for revenue only. Still others wanted reciprocity agreements that would lower U.S. tariffs for reciprocal concessions.[55] None of these tariff reformers wanted to end protectionism, simply to reduce it or to control it.

However, this diverse reform movement was countered by an effective and equally broad-based defense of protectionism. According to Robert Wiebe, the Home Market Club of Boston, the Philadelphia Manufacturers' Club, the National Association of Wool Manufacturers, the American Iron and Steel Association, and the American Protective Tariff League guarded the nation's tariff wall.[56]

This lobby also devised effective protectionist arguments that resonate today. First, as before, the protectionists argued that tariffs protected high wages. In their view, the tariff let America absorb ever-increasing numbers of workers, yet gave them rising living standards.[57] Second, they exported the issue of equity. According to Congressman (later President) William McKinley of Ohio, "Free trade gives to the foreign producer equal privileges with us. . . . It invites the product of his cheaper labor to this market to destroy the domestic product representing our higher and better paid labor."[58] In this view, the tariff equalized competitive conditions between U.S. and foreign producers. By linking nativist and protectionist sentiment, these protectionists helped make small producers more afraid of imported goods than goods produced by American big business. Moreover, the tariff lobby alleged that protectionism preserved American social stability. They raised fears that lower tariffs would undermine industrial development, cause lower wages and unemployment, and destroy the farmers' home market.[59] According to historian David M. Pletcher, protectionists such as Horace Greeley defended tariffs as "an early form of social planning" benefiting workers and manufacturers alike. They even argued that protectionism would further U.S. trade. "Some argued that high tariffs also actually increased foreign trade in the long run by maturing American industries and enabling them to create a better product."[60]

Voters consistently responded to protectionist entreaties because they believed the tariff had succeeded in building America's economic might. Ever so gradually, economic, social, and technological change would motivate them to think differently about what government could and should do to encourage economic growth and discourage market failures.

How Changes in Economic and Social Conditions Affected U.S. Trade Policy

Technological and communication advances (railways, steamships, telephones) in the late nineteenth century brought nations of the world closer. Economist Dani Rodrik has argued that from 1890 to 1913, the world economy may have been more integrated than it is today, as capital and labor moved between nations. Millions of immigrants traveled from the Old World to the New, expanding the U.S. labor force by some 24 percent before World War I. But these immigrants did not always find the streets were paved with gold. Economist Jeffrey Williamson noted that in this period, "globalization . . . accounted for more than half of the rising inequality in rich labor-scarce countries (such as the United States and Australia) and for a little more than a quarter of the falling inequality in poor, labor-abundant Sweden and Ireland."[61]

Technological advances helped manufacturers and farmers become more efficient. As noted, prices fell throughout the last three decades of the nineteenth century. But in the years before World War I, the cost of living rose. Wages lagged behind the rising cost of living. According to trade scholar Cynthia Hody, advocates of tariff reform exploited the lag in wage increases relative to the cost of living to repudiate claims that high tariffs protected Americans' high standard of living. The economic downturn of 1907 "tarnished the myth equating protection with prosperity."[62]

The economic and political costs associated with economic interdependence scared producers as well as policymakers in the late nineteenth century.[63] Agriculture provides a good example. In the 1870s, Europe suffered years of bad crops and had to import to feed her people. But as European farmers recovered, they sought to protect their markets from U.S. competition. In 1895, the French government passed a new tariff allowing them to retaliate against countries charging high duties on French exports. Germany also began to sour on free trade as the nation was transformed from a food exporting country to a diversified manufacturing country and food importer. In June 1879, the Reichstag passed a new protective tariff.[64] These nations turned to protection because they were determined to be self-sufficient in producing their food.[65] Even in Great Britain, the world leader of efforts to promote free trade, some producers organized a Fair Trade League. The British did not, however, raise food tariffs, because the British people believed that freer trade rather than protection enabled consumers to obtain cheaper food.[66]

Economic interdependence was accompanied by increased economic intervention in the industrialized democracies. Policymakers took action to cushion the social, political, and economic costs of economic and technological change.[67] The rise of regulation paralleled the rise and complexity of big business. As government gained new responsibilities, and farmers and manufacturers sought new markets, regulations multiplied at the state and federal level. Among these responsibilities were railroad regulation, consumer regulation, and regulation of business practices (antitrust).[68] Some of these regulations were designed not only to protect consumers, but also to protect producers. Nonetheless, this was a new style of economic policy—"rule-making."

Regulations also multiplied at the international level. Treaties and agreements to protect workers, conserve the environment, and ensure food safety were among the most important international regulations.

Ironically, given its legacy of slavery, the United States was among the first nations to enact rules related to trade in goods made by forced labor. In the Tariff Act of 1890 (section 51), the United States banned goods manufactured by convict labor. Great Britain, Australia, and Canada also adopted similar bans. The Berne Convention of 1905 banned the production of matches made with phosphorus; Congress passed the ban in 1912. These national laws inspired international cooperation. In 1919, the Treaty of Versailles, signed after World War I, pledged nations to "endeavor to secure and maintain fair and humane conditions of labour . . . in all countries in which their commercial and industrial relations extend." It also formed an International Labor Organization (ILO) to establish rules and monitor these efforts.[69]

Policymakers did not ignore the global commons. In 1910, Congress made it unlawful to manufacture, import, export, or ship in interstate commerce any insecticide adulterated or misbranded insecticide. The Federal Seed Act of 1912 prohibited imports of adulterated grains and seeds.[70] Out of recognition that there needed to be an international law protecting sea mammals, the United States, Russia, Japan, and Great Britain signed the Fur Seal Treaty of 1911 to regulate hunting and importation of seals. In 1927, the League of Nations, created by the Versailles Treaty, convened a conference to deal with the growing frictions of world trade. The conferees recognized the importance of conservation and agreed to exempt measures taken to preserve animals or plants "from degeneration or extinction."[71]

Many of these international regulations were developed by citizen and professional groups such as conservationists, birders, and naturalists. These individuals worked with their overseas counterparts to pressure their governments at the national level. Ecologists were early on thinking globally and acting locally.[72] However, in the late nineteenth century, most regulations were developed at the state or provincial level, then at the national level. Sometimes exporters and importers found that national regulations distorted trade, leading to trade disputes. Other times, policymakers deliberately turned to such regulations to preserve domestic markets for local producers. The United States and several European nations sparred over such regulatory policies in the late nineteenth century.

In the 1870s, U.S. meat producers and packers became more efficient and began exporting to Europe. Despite transportation costs and tariffs, American pork and canned meats were about 40 percent cheaper than their European competition. By the 1880s, the United States exported about 60 percent of its production of such products to Europe. European producers were understandably concerned about these imports and called for protection. In 1879, Italy and later Hungary alleged American hog meat contained trichinae, and they prohibited pork imports. France and Germany issued similar bans in 1880. Americans alleged these bans were unnecessary and strictly protectionist. But they may also have been legitimate. In contrast with American pork consumers, many Europeans did not boil their pork and thus got trichinosis from uncooked meat. These regulations prevented others from getting this condition.[73] American hog producers and meat packers were up in arms over these national regulations, but they were not inspired to educate European consumers on how to prepare such pork. Nor did these U.S. producers press for changes in U.S. tariff walls. Instead, pork producers pressed for U.S. food safety regulation. On August 30, 1890, President William Henry Harrison signed a bill authorizing microscopic inspection of pork for export. It also gave him the ability to retaliate against foreign regulations that suppressed U.S. exports.[74] The Meat Inspection Act was designed to reassure the European governments that American meat was safe because it was microscopically inspected by U.S. government inspectors. Such domestic regulation would not only serve to reassure foreign consumers and governments, it could also help big producers gain even further market share in the United States. Small producers that did not export did not have to have inspections. Exporters, in contrast, could use such inspections as an incentive to lure U.S. consumers.

But countering European food safety regulation with U.S. food safety regulation did not provide an adequate solution for American pork exporters. Much of the European market remained closed. While Germany and Austria-Hungary removed their bans on American pork in 1891, the French continued to protect. The U.S. counsel found evidence that the French government directed its customs inspectors to find trichinae in some 25 percent of all American meat.[75] Although the French Academy of Medicine noted that American pork was as safe as any pork, the ban remained.[76] In an 1884 interview with a New York newspaper, Germany's Chancellor Bismarck admitted protectionist intent: "It is absolutely necessary for us people of Europe to protect ourselves against your competition."[77]

The pork trade dispute illuminates how national regulations can distort trade. In this example, while some European nations used regulatory policies to protect, the United States used regulatory policy to expand its exports. But the level and scope of tariffs stayed constant. A reduction in U.S. tariffs might have inspired a reduction in foreign protectionism. While government intervention to assist economic growth or prevent market failures increased ever so gradually, the tariff remained sacred. U.S. policymakers continued to rely on tariffs to protect, nurture economic growth, and raise revenue.

Tariff reformers did achieve some reforms to the tariff system before World War I.[78] In 1890, Congress and the executive branch negotiated a change to trade policy-making that would have significant implications not just for trade policy objectives, but to how trade policy was made in the United States. Reciprocity treaties gave the president new authority to conduct trade negotiations, while Congress got the right to impose penalty duties on free imports from countries producing certain tropical products such as sugar, coffee, or molasses that imposed unreasonable duties on U.S. exports. This strategy was supposed to persuade our trading partners to make concessions in response to concessions the United States had made. The Ways and Means Committee described this tactic as an "endeavor to apply the golden rule to commerce." However, this approach was repealed in 1894.[79]

Presidents Chester Arthur, William McKinley, Teddy Roosevelt, and William Howard Taft also sought congressional approval of reciprocity treaties.[80] However, Congress did not always concur with this new approach to tariff policy, and high protectionists often challenged this experiment. In 1894, Democrats noted, "We do not believe that Congress can rightly vest in the President of the United States any authority or power to impose or release taxes on our people."[81] In 1909, President Taft created a special advisory panel, the Tariff Board, to investigate how tariff rates affected trade. But the Democratically controlled Congress determined that this board was too partisan and killed it in 1912. In the years that followed, the American Federation of Labor, the United States Chamber of Commerce, and the presidents of Columbia and Stanford universities, among others, called for an independent tariff commission. In 1916, Congress approved legislation creating the Tariff Commission. The Commission used economics to analyze world trade and production and scientifically determine the appropriate level of tariffs.[82] This was a first step in modernizing and internationalizing trade policy. However, it did not end America's reliance on the tariff as a tool to protect and nurture economic growth.

Tariff Reform

Why was the tariff sacred? For much of U.S. history, policymakers saw trade policy as a domestic issue, not subject to international negotiations. According to the trade scholar William Kelly, the United States tariff "although negotiable in principle, had not been very negotiable in fact."[83] This was probably because the tariff served multiple economic and political goals.

True tariff reform came only after Woodrow Wilson and the Democratic Party captured the White House and Congress in 1913. The Underwood Tariff lowered duties substantially. In 1916, Congress passed an income tax, making fiscal policy less regressive and finally breaking the link between tariffs and revenue. Yet this important policy change did not destroy public perceptions that tariff walls could protect Americans from unemployment or economic change.

Many Americans still linked patriotism, economic nationalism, and protectionism. Europe was at war in 1914, and some protectionists argued that Europe would dump its cheap goods once the war ended. Thus, they opposed the plans of the reformers (mainly Democrats) to lower tariffs. According to Robert Wiebe, wool manufacturers accused the Democrats of placing "some other country first and America afterwards" in their tariff policies. Spokesmen for the chemical industry alluded to "alien influences among low-tariff congressmen."[84] Protectionists were not afraid to scapegoat internationalism.

But international economic developments would force American trade policy to change. Like most policy changes, the modernization and internationalization of U.S. trade policy moved one step forward, two steps back. In the interwar period, the industrialized world found it difficult to respond effectively to economic changes. Governments began to forgo international cooperation and pursued economic nationalistic and aggressive economic policies.[85]

The 1920s were a time of major economic dislocation for many farmers. In 1921, Congress imposed high duties on about forty agricultural products and added protection for manufacturers in 1923. In this period as well, according to economist Charles P. Kindleberger, there was a shift in the terms of trade between primary product exporters and manufactured goods exporters. The value of agriculture exports slumped and farmers around the world bought less. As demand contracted, the developed economies contracted credit and imposed trade restrictions. Agricultural nations went into a slump.[86] American exporters were deeply hurt by this drop in demand because they were dependent on foreign markets. By 1922, American companies held 16.9 percent of total world exports and 12.9 percent of total world imports, and American business increasingly relied on imports for raw materials.[87] Congress responded by passing increasingly protectionist tariff bills. But clearly trade barriers could not stimulate economic growth. By 1929, the stock market crashed, many banks failed, and credit for lending and investment shrunk.

The Tariff Act of 1930, the Smoot-Hawley Tariff, raised rates on many different types of manufactured and agricultural products, even products the United States did not produce. Moreover, the Tariff Act also increased administrative protection and NTBs. The Act included Section 307, an embargo on "products of forced labor and/or indentured labor under penal sanctions." According to Senator James G. Blaine, its sponsor, this provision was designed to protect American labor and to improve foreign labor provisions. "America shall not give . . . comfort to those employers and planters in foreign countries whose forced and indentured labor is brought to poverty. . . . American agriculture and the

American workers . . . should not be placed in competition with forced and indentured labor." Despite its idealistic objectives, this strategy was clearly designed to preserve the jobs of Americans.[88]

Yet some Americans genuinely hoped to use these trade provisions to improve human rights overseas. Trade scholar Percy Bidwell reported that in 1931–32, some individuals claimed that in the Soviet Union, where the state was the sole employer, all Soviet exports "approximated forced labor." They called on Congress to ban Russian lumber imports.[89] They did not succeed but would inspire other human rights activists to see that trade incentives (such as access to America's huge market) and sanctions could be both a carrot and a stick for change.

Although it was a tariff act, the Smoot-Hawley Tariff Act also ordered an absolute embargo on all imports of fresh meat from countries where foot and mouth disease was known to exist. (Ironically, however, in 1932, when the disease broke out in California, interstate commerce continued.) The United States also required that its trade partners prove that their products had been free from foot and mouth disease, rinderpest, and several other animal diseases if they wanted to sell meat to the United States. From the perspective of America's trade partners, these consumer protective measures seemed protectionist. They were right. During the hearings on Smoot-Hawley, a witness from the Nebraska Stockgrowers' Association stressed that if these sanitary restrictions were removed, "it means the sunset of the American cattleman."[90]

The hearings on Smoot-Hawley were the last glory days of tariff protectionism. Farmers, workers, and manufacturers argued, "I believe in high tariffs. . . . Every American industry should be given adequate protection. . . . Importers . . . believe in the . . . protectionist theory of our government." Even those individuals and groups who questioned the spread of protection did not deviate from that model. Some argued, "We are in favor of protection but . . ." or "The protective principle is not questioned, but . . ." or "I am a protectionist, but . . ."[91]

As investment declined, unemployment rose, and economic stagnation spread throughout the world. Some academic, farm, labor, government, and business leaders began to think differently about what government could do to facilitate economic revival. But trade reformers did not repudiate protectionism. Instead they built bilateral trade liberalization on the tariff protectionism that had long been U.S. policy.

In 1933, President Franklin D. Roosevelt and a Democratic Congress began several years of policy experimentation. With 25 percent of the workforce unemployed, many Americans were less certain that protected markets could create jobs. They called on government to provide a solution.

The Roosevelt administration tried many different strategies to revive the economy, including loan programs and government work programs. In 1934, the Congress approved two unusual steps. First, by authorizing U.S. membership in the ILO, Congress acknowledged that international cooperation could be an effective strategy to raise labor standards around the world. However, Congress did not provide for trade sanctions to enforce such cooperation. Second, the Congress gave President Roosevelt limited authority to negotiate bilateral trade liberalization. The preamble of the Reciprocal Trade Agreements Act (RTAA) noted it was designed to "restore the nation's standard of living," create jobs, and increase the purchasing power of the American public. The RTAA also formalized a process by which the public could have input into trade policy-making. It created the Committee on Reciprocity Information to hold hearings on the views of interested parties.[92]

The RTAA was not a repudiation of protectionism; it passed as an amendment to the Smoot-Hawley Tariff Act. As before, tariffs could only be reduced selectively on a product-specific basis. Tariff concessions were granted in return for equivalent concessions by other nations and "only after exhaustive study shows that they will not result in material injury to any group of American producers." Thus, the RTAA built freer trade policies upon sector-specific protection. Policymakers could not use this act to make horizontal or economy-wide cuts in tariffs.[93]

The RTAA could do little to reduce protectionist use of NTBs. Like her sister trading nations, the United States had become increasingly dependent on NTBs to protect. These were domestic policies, and Congress would not subject such policies to international negotiations. In Senate testimony discussing trade agreements, Dr. Strong, the chief of the Federal Bureau of Entomology, denied any connection between trade agreements and health and safety regulations: "It has never been submitted to me by the State Department or any other department of this government as any reason why we should take any kind of action in quarantine. They have left the quarantine restrictions . . . entirely out of any trade agreement."[94] Executive branch policymakers essentially were saying to the Congress that America should lower tariffs in the interest of expanding world markets. But the executive branch also stressed that such trade agreements could not compel changes to U.S. norms or laws.

Although these agreements could not cover NTBs, the RTAA radically changed the trade policy-making process by changing the procedures and players involved in making trade policy. According to political scientist Stephen Haggard, by delegating this authority to the executive branch, Congress allowed new organizational interests and government officials to develop competence on trade issues. Such officials would be less likely to kowtow to special interests and might take a more internationalist approach to trade. Executive branch officials had to weigh tariff reductions from the standpoint of the national interest rather than from the perspective of those protected by specific tariffs.[95]

The RTAA not only modernized the trade policy process, it also internationalized its objectives. The act coupled freer trade and jobs. The RTAA also explicitly linked the health of the U.S. economy to the world economy in legislation, *a revolutionary concept in U.S. law.*[96] Congress finally acknowledged that it was in the national interest to weigh the international implications of U.S. trade policy.

Protectionists tried to meet the challenge of the legislation by making old wine in new bottles. They argued that the Trade Agreements Act of 1934 and its renewals were an unconstitutional delegation of power from the Congress to the executive branch. The Supreme Court disagreed.[97] But protectionists did effectively raise two constitutional questions that would return to halt all future renewals of the RTAA. They argued that trade agreements between the United States and other nations were not "executive agreements" but treaties requiring the advice and consent of the Senate. Protectionists also alleged that it was unconstitutional for Congress to delegate authority to the president to change tariff rates. However, Congress had simply delegated this authority for a limited amount of time. Congress could always decide not to renew its grant of authority.[98] But protectionists would continue to use these arguments to say that freer trade agreements were not only unconstitutional, they were undemocratic.

This experiment in executive branch trade policy-making, pressed by Roosevelt's secretary of state, Cordell Hull, did not get very far during the Great Depression. According to historian Robert M. Hathaway, "despite more legislation designed to open up channels of trade than in any previous period of American history," American exports and imports remained far below their 1929 levels. Firms continued to fail in record numbers and unemployment remained relatively high. These changes to trade policy did not yield many new jobs for those who bore the regressive costs of protectionism.[99]

The war years, however, were a major turning point in moving the United States toward greater efforts to liberalize trade.[100] This was also a time of government intervention and experimentation. Policymakers began to use policy tools (like budgetary policy, later monetary policy) to nurture specific sectors or the economy as a whole. Meanwhile, as the Allies fought the Axis, British and U.S. postwar planners developed a broad range of plans to encourage international trade and economic growth. These individuals acted with urgency because they thought that the postwar period would prove a good time to liberalize trade: U.S. unemployment was virtually nonexistent, and support for protection was relatively weak. American industry was less dependent on protection because of wartime demand and because the war cut off foreign competition. Moreover, the global economy would soon be adjusting to peacetime needs—and this should lead to increased demand. They decided that the United States could use the carrot of tariff reductions to facilitate access to its huge market, to induce other nations to relax their many barriers to trade.[101] To build a consensus among the Allies upon this strategy, the postwar planners used a flexible policy tool: lend-lease. Lend-lease supported the defense efforts of America's allies while tying these same nations to international security and economic cooperation after the war's end. While nations such as Britain and France resented using lend-lease as a tool to facilitate these economic objectives, their leaders complied because they needed American assistance to win the war against the Axis.[102]

Linking Trade and the Social Compact

The architects of the world trading system envisioned two mechanisms to govern world trade, the GATT and the ITO. The GATT was simply a temporary multilateral agreement designed to provide a framework of rules governing the use of border measures such as tariffs and quotas. It was built on the RTAA of 1934, and it allowed the executive branch to negotiate bilateral agreements that could then be generalized to other trading partners. The ITO, in contrast, set up a code of world trade principles as well as a formal international institution. The ITO's design reflected the understanding that domestic policies, with or without intent, could distort trade and favor domestic producers. The ITO broke new ground by attempting to harmonize a wide swath of foreign and domestic policies that can affect trade flows. Its charter was designed to "facilitate, through consultation and cooperation, the solution of problems relating to international trade, employment, economic development, commercial policy, business practices (antitrust), and commodity policy." Its architects truly hoped it would help make global markets more efficient and more equitable. Chapter II of the charter allowed nations to avoid unemployment by taking measures "appropriate to their political, economic and social institutions." Chapter II also obligated members to take appropriate action for eliminating unfair labor conditions, particularly in production for export. The charter had exemptions for protecting the health and safety of citizens or to conserve the environment. But the charter contained no way to enforce such social policies. For example, regarding unfair labor conditions it stated, "each Member should take whatever action may be appropriate and feasible to eliminate such conditions within its own territory."[103]

The ITO was the most comprehensive international agreement ever negotiated. It was redrafted several times from 1946 to 1948 by representatives of many nations who emerged from the war with damaged economies. These nations pushed for a wide range of exceptions and escapes, which essentially contravened the objective of freer trade. By 1947, some observers thought the ITO codified exceptions to the rules of trade, rather than codifying the rules of trade.[104]

The ITO was designed not only to be responsive to difficult market conditions but also to be sensitive to public opinion. The ITO had provisions for civil society to influence its deliberations, separate from governments. This was especially important to U.S. policymakers. Representatives from civil society served on the U.S. delegation in negotiating the ITO's final charter at Havana, Cuba.[105]

As the ITO evolved and was redrafted, the U.S. Congress hold several hearings on the ITO and the GATT. The business community was divided on the ITO, and many members of Congress did not understand it. In their view, the ITO did not fit the realities of a postwar world threatened by communism. Congress never voted on the ITO and signaled that it preferred the less comprehensive GATT. After 1950, the Truman administration abandoned the ITO and focused on the GATT.

The GATT was tailored to fit the limited grant of legislative authority to the executive under the 1945 extension of the RTAA. This grant empowered the president only to negotiate border measures such as tariffs or quotas. The GATT did not include most of the charter's provisions on NTBs, employment policies, and such. It did, however, include the ITO's Article XX permitting nations to restrict trade when necessary to protect human, animal, or plant life or health or to conserve human resources. Such exceptions were not allowed to be arbitrary or a disguised restriction on international trade.[106]

However, the GATT said almost nothing about the relationship of the effects of trade (whether trade degrades the environment or injures workers) and the conditions of trade (whether disparate systems of regulation, such as environmental or labor standards, allow for fair competition). In the 1940s to the 1970s, few policymakers would admit that their systems of regulations sometimes distorted trade. Such systems were the turf of domestic policymakers, not foreign policymakers.[107] The GATT also said little about domestic norms or regulations. In 1971, the GATT established a working party on environmental measures and international trade, but it did not meet until 1991, after much pressure from some European nations.[108] Clearly, regarding the nexus between trade and social, environmental, and consumer regulations, GATT was a work in progress that was progressing slowly.

To some degree, progress was impeded by the GATT's failure to consult national and international NGOs that also worked on issues that crossed borders. These groups included the World Wildlife Fund on conservation or the International Confederation of Free Trade Unions on labor rights. Although the architects of the ITO provided for a role for civil society, the GATT bureaucracy turned insular. The GATT made no connections to such groups in the interest of favoring the general interest over the specific interests of interest groups.[109] At the same time, civil society, with the exception of business, farm, and labor organizations that lobbied at the national level about trade, tended to ignore the GATT.

Labor standards provide a good example of the difficulty of accommodating international trade rules and national social norms. U.S. policymakers worked hard to get the GATT to include such labor standards. In 1953, the Eisenhower administration tried and failed to get the ITO's labor standards clause included in the GATT.[110] When the Kennedy administration presented the Trade Expansion Act, "the issue of fair labor standards in international trade was specifically recognized," according to the special trade representative (the White House's chief trade negotiator).[111] During the Johnson administration, officials debated how to encourage the ILO and the GATT to work together "in the development of reasonable international labor standards including multilateral enforcement of such standards for goods moving in international trade."[112] These officials recognized that many of America's trading partners would see such standards as protectionist trade barriers. They decided labor standards must be part of the GATT and enforced by the GATT, but they maintained that trade negotiators "must make absolutely clear that we do not intend to make labor standards a subterfuge for protectionism."[113]

Although these trade policymakers seemed eager to grow the GATT, Congress did not share their enthusiasm about this club of trading nations. Congress consistently authorized a GATT disclaimer in its extension of the RTAA, stressing that congressional approval of the act should not be construed as denoting approval or disapproval of the GATT.[114]

From 1948 to 1970, GATT sponsored six rounds of trade talks to reduce trade barriers. Despite its expanding aegis, the GATT was relatively weak in governing NTBs. According to a *New York Times* writer, "The lowering of tariffs has . . . been like draining a swamp. The lower water level has revealed all the . . . stumps of non-tariff barriers that still have to be cleared away."[115] These NTBs were proliferating. Economist Edward John Ray believes that by the 1970s, NTBs were used in a wide range of industries. He concluded that these tariff negotiations were more "effective in changing the form of protectionism than in changing the relative level of protectionism."[116] Thus, because its rules did not cover such measures, the GATT ironically inspired new strategies for protectionism.

Neither GATT's success nor its limitations inspired much public interest.[117] By the 1950s, the American public was neither widely enthusiastic about freer trade nor increasingly protectionist. Anticommunism was a stimulus for this new attitude. In the postwar era, economic internationalism seemed to be in the national interest. The United States survived the war with its production capability intact and its productivity high, in contrast with that of Europe or Asia. Many firms had to export, and many producers believed that such exports could ensure that the workforce (especially World War II veterans) remained employed. With the end of the war, Republican and Democratic policymakers, business leaders, and other elites began to see that economic internationalism could prevent economic rivalries and yield greater prosperity for the United States and its allies.[118] The linkage between national security, the domestic economy, and international political stability continued through the 1960s.[119] Republicans and Democrats alike concurred with this perspective. It seemed cheaper to help the world's nations through trade than by relying on expensive foreign aid programs to prevent the spread of communism. Moreover, Americans were relatively unchallenged as exporters, given higher labor and investment productivity. Americans often produced the best, most high-tech, cost-effective products.

However, multilateralism came with on-budget costs to the U.S. economy and other industrialized economies. As John Gerard Ruggie thoughtfully pointed out: "From the start, international liberalization was coupled with a domestic social compact. Governments asked their publics to embrace the change and dislocation that comes with liberalization in return for the promise of help in containing and socializing the adjustment costs."[120] In the United States, policymakers attempted to forestall protectionism by funding unemployment compensation. But such funding was relatively small and reached few workers. Not surprisingly, protectionism was never dormant. Some sectors, such as shoes, watches, and gloves, needed relief from injurious imports in the 1950s. Other sectors were co-opted by legislation, such as the escape clause, which provided for the withdrawal or modification of concessions (tariff bindings negotiated under the GATT) that caused or threatened to cause injury to a domestic industry.[121]

Although economic *internationalism* rather than economic *nationalism* was now seen as patriotic, many Americans continued to believe in protectionism as a preferred economic policy tool. After all, they believed that protectionism had helped make America strong. Moreover, many Americans believed economic policy should benefit Americans first. Finally, protectionists continued to root their arguments in the American economic tradition, in economic self-interest, and in American values. Echoing history, they argued that lower tariffs forced American workers to compete with slave or low-wage labor, undermining American democracy and lowering the nation's standard of living.[122] They also argued that freer trade was undemocratic and linked support for freer trade with support for communism.[123] But the context in which protectionists made their arguments had changed. Thus, they would now begin their case by stating, "I am a free trader but . . . my industry or community deserves protection."[124]

America's transition from protectionism to economic internationalism was never complete. Historian Alfred Eckes noted that in 1959, CIA director John McCone predicted "the problem of foreign competition with American business was . . . going to grow rapidly."[125] Moreover, multilateral trade liberalization was built on an inherent contradiction. Sector-specific protection was patched onto broader trade policies.[126] Thus, protectionism was never fully discredited.

In 1947, economist Jacob Viner, an adviser to the Department of State on postwar trade negotiations, wrote, "There are few free traders in the present-day world, no one pays attention to their views, and no person in authority anywhere advocates free trade."[127] Nonetheless, in the postwar era, protectionists were relatively quiet, but they would not remain quiet for long.

The debate over trade policy was never just about how to protect. Because tariffs had diverse functions, when Americans talked about trade they were also talking about what the federal government should do to encourage economic growth, how it should do it, and how it could be paid for. They were talking in addition about how trade policy affected the achievement of other important policy goals, such as promoting democracy or human rights. However, because tariffs seemed to do these functions well, economic nationalists held sway over the trade debate. Protectionism was the American way for much of U.S. history.

Trade policy was slowly internationalized as the United States became more economically interdependent. During the Great Depression, a growing number of Americans understood that expanded trade could create greater national economic growth. Such economic growth could be made more equitable with a global system of rules. Such rules were written in the ITO. But the ITO never came into existence. The GATT was initially limited to rules governing border measures. Trade policymakers did not focus on NTBs, believing that such regulations were the turf of domestic policy. But its proponents did not convince the public that the GATT could help regulate global markets (help make markets work equitably as well as efficiently). The GATT did not develop relationships with civil society. It kept the organized public—whether business or human rights activists—at arm's length and relied on governments to communicate the rationale for trade agreements.

In the 1960s, the federal and state governments gained new responsibilities for protecting the environment and citizens from harm. In this period, open markets began to stimulate greater public protest. As unemployment increased, producers often blamed trade. Although the United States continued to protect certain sectors and to exempt others from trade liberalization, the United States led global efforts to regulate protection. Meanwhile, some groups saw an opportunity to use trade policy to achieve other important policy goals, such as encouraging human rights overseas. In the 1970s, policymakers found it hard to reconcile national and international social policies with freer trade. This dilemma is examined in chapter 3.