INTERNATIONAL ECONOMIC STRUCTURES AND AMERICAN FOREIGN ECONOMIC POLICY, 1887-1934

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IN the 1890 tariff debate, Representative William McKinley stated, "This is a domestic bill; it is not a foreign bill."[1] Many scholars have echoed this view of the tariff and American foreign economic policy. Tom E. Terrill argues that tariff policies in the United States during the late 19th century resulted from the struggle between the Democratic and Republican parties to break the political equipoise of the era.[2] Theodore J. Lowi, drawing upon E. E. Schattschneider, contends that tariff policy before 1934 was primarily shaped by the distributive nature of the issue area.[3] And nearly every account of the passage of the Reciprocal Trade Agreements Act of 1934, which overturned America's century-old commitment to protectionism, attributes an important role to the personal beliefs of Secretary of State Cordell Hull.[4]

Recently, the "theory of hegemonic stability" has been put forth as a systemic-level explanation of international economic regime change.[5] Despite this emergence of a "third image" in international political economy, comparatively little attention has been devoted to the international sources of foreign economic policy in individual countries.[6] This

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[1] *Congressional Record*, 51st Cong., 1st sess. (1890), 4250.

[2] Terrill, *The Tariff, Politics, and American Foreign Policy 1874-1901* (Westport, Conn.: Greenwood Press, 1973).

[3] Lowi, "American Business, Public Policy, Case-Studies, and Political Theory," *World Politics* 16 (July 1964), 677-715.

[4] For a recent reiteration of this view, see Robert A. Pastor, *Congress and the Politics of U.S. Foreign Economic Policy 1929-1976* (Berkeley: University of California Press, 1980), 84-93.

[5] The phrase was coined by Robert O. Keohane in "The Theory of Hegemonic Stability and Changes in International Economic Regimes, 1967-1977," in Ole Holsti and others, eds., *Change in the International System* (Boulder, Colo.: Westview Press, 1980), 131-62.

[6] Peter Alexis Gourevitch is an exception to this general rule. See his "International Trade, Domestic Coalitions, and Liberty: Comparative Responses to the Crisis of 1873-1896," *Journal of Interdisciplinary History*, 8 (Autumn 1977), 281-313.

is unfortunate. Not only do state policies provide additional cases to refine and test the theory of hegemonic stability—and this is important because of the limited number of international economic regimes available for study—but the central propositions of the theory of hegemonic stability form the basis for a powerful and parsimonious explanation of foreign economic policy and policy change in individual countries over time.

In this article, I examine the international sources of American foreign economic policy between 1887 and 1934, an era of rapid and dramatic changes. Immediately after the Civil War, the United States had sought to insulate itself from the international economy; it adopted protectionism at home and a *laissez faire* policy toward exports. After 1887, the United States began actively to promote exports through bilateral reciprocity treaties and duty-free raw materials while maintaining the essential structure of protection. Between 1897 and World War I, America's recognition that its policies could and did affect the international economy was primarily reflected in the pursuit of the Open Door abroad. After 1913, the United States undertook a greater leadership role within the international economy. It lowered its tariff wall at home and, at the end of the war, attempted to create and maintain a new and fundamentally liberal international economy based on the Open Door principle. In the late 1920s, the United States briefly abdicated its position of international economic leadership and returned to protectionism via the Smoot-Hawley Tariff Act of 1930, but reversed direction again in the Reciprocal Trade Agreements Act of 1934.

Between 1887 and 1934, the United States evolved from a highly protectionist into an internationally liberal country. In this article, I offer an alternative explanation of this evolution in American foreign economic policy from that contained in the several domestic approaches summarized in the opening paragraph. My central proposition is that American foreign economic policy, and policy change during the period 1887-1934, was shaped in important ways by the international economic structure and the position of the United States within it. The source of American foreign economic policy, in other words, was within the international political economy.

The discussion is divided into two principal sections. First, I review and refine the theory of hegemonic stability, proposing a new category of international actor which better describes the position of the United States within the international economic structure. Second, I examine the theory of hegemonic stability through an analysis of American foreign economic policy between 1887 and 1934. In the conclusion, I discuss the strengths and weaknesses of an explanation of foreign economic policy derived from international economic structures, and summarize the implications of this analysis for the theory of hegemonic stability.

The Theory of Hegemonic Stability

There are two variants of the theory of hegemonic stability. The first, associated with Charles P. Kindleberger's *The World in Depression 1929-1939*,[7] focuses on the provision of the collective good of international stability, where instability is defined as a condition in which small disruptions (e.g., the stock market crash of 1929) have large consequences (the Great Depression). Assuming that markets are inherently unstable—or nonhomeostatic systems—and tend toward stagnation and fragmentation, Kindleberger argues that the international economy will be stable only if a single leader is willing to assume responsibility for "(a) maintaining a relatively open market for distress goods; (b) providing countercyclical long-term lending; and (c) discounting in a crisis."[8] He has subsequently added two additional responsibilities: (d) "managing, in some degree, the structure of exchange rates," and (e) "providing a degree of coordination of domestic monetary policies."[9]

Leadership, for Kindleberger, is altruistic. A stable international economy is produced only at a net physical cost to the country in exchange for the amorphous "privilege" of leading.[10] The ability of a country to assume responsibility for stabilizing the international economy is primarily determined by its position within the international economic structure, which Kindleberger defines along the single dimension of size: "Small countries have no economic power. At the same time they have no responsibility for the economic system, nor any necessity to exert leadership."[11] Small states, in other words, are "free riders." Middle-sized countries are "big enough to do damage to the system, but not substantial enough to stabilize it. . . ."[12] Since they tend to act as if they were small free riders, middle-sized countries are extremely destabilizing and are the "spoilers" of the system. Only large states have both the capability and responsibility for leading the international economy. "The main lesson of the inter-war years," Kindleberger states, is

[7] Kindleberger, *The World in Depression 1929-1939* (Berkeley: University of California Press, 1973).

[8] *Ibid.*, 292.

[9] Kindleberger, "Dominance and Leadership in the International Economy: Exploitation, Public Goods, and Free Rides," *International Studies Quarterly* 25 (June 1981), 247.

[10] Kindleberger (fn. 7), 302, esp. n. 13.

[11] Kindleberger (fn. 9), 249.

[12] *Ibid.*, 250.

that, "for the world economy to be stabilized, there has to be a stabilizer, one stabilizer."[13]

The second variant, drawn from the works of Robert Gilpin,[14] differs from the first in three substantive ways: the phenomenon to be explained, the nature of leadership, and the definition of the international economic structure. Gilpin does not address the question of stability directly; rather, he seeks to explain why regimes—or the rules and norms that govern international economic relations—emerge and change. In addressing this question, Gilpin subsumes much of Kindleberger's argument and draws heavily upon the collective goods approach.[15] Despite this intellectual debt, Gilpin moves beyond Kindleberger's conception of altruism and develops an interest-based explanation of leadership. While noting that all countries gain from a liberal regime, Gilpin asserts that the strongest and most advanced countries reap a disproportionate share of the benefits.[16] Britain and the United States, in other words, constructed and maintained liberal international economic regimes at their hegemonic zeniths because the benefits outweighed the costs. When this favorable payoff disappeared, the hegemonic powers stopped leading.

Gilpin defines the position of a country within the international economy along two dimensions: political-military power and efficiency.[17] In Gilpin's conceptualization, political-military power primarily indicates the quantity of influence a state possesses over the international economic regime. Efficiency, on the other hand, largely determines the degree to which a state's interests are associated with a liberal international economic regime. The more efficient the nation, the larger the relative gains from trade, and the greater the country's support for a liberal regime. Within this definition of the international economic structure, Gilpin identifies three categories of international actors: peripheral states, which because of their small size are of little consequence for the regime; "growth nodes," which emerge as challengers to the liberal regime and, presumably, are of relatively low efficiency; and hegemonic leaders, which are extremely large and highly efficient countries. Although "growth nodes" are a more active threat to a liberal international economy than

[13] Kindleberger (fn. 7), 305.

[14] See Robert Gilpin, *U.S. Power and the Multinational Corporation: The Political Economy of Foreign Direct Investment* (New York: Basic Books, 1975), and "Economic Interdependence and National Security in Historical Perspective," in Klaus Knorr and Frank N. Trager, eds., *Economic Issues and National Security* (Lawrence, Kansas: Regents Press of Kansas, 1977), 19-66.

[15] Gilpin (fn. 14, 1975), 39-40.

[16] *Ibid.*, 84-85.

[17] Gilpin (fn. 14, 1977), 22.

are Kindleberger's "middle-sized" countries, the two sets of categories are essentially similar; I refer to them as free riders, spoilers, and hegemonic leaders.

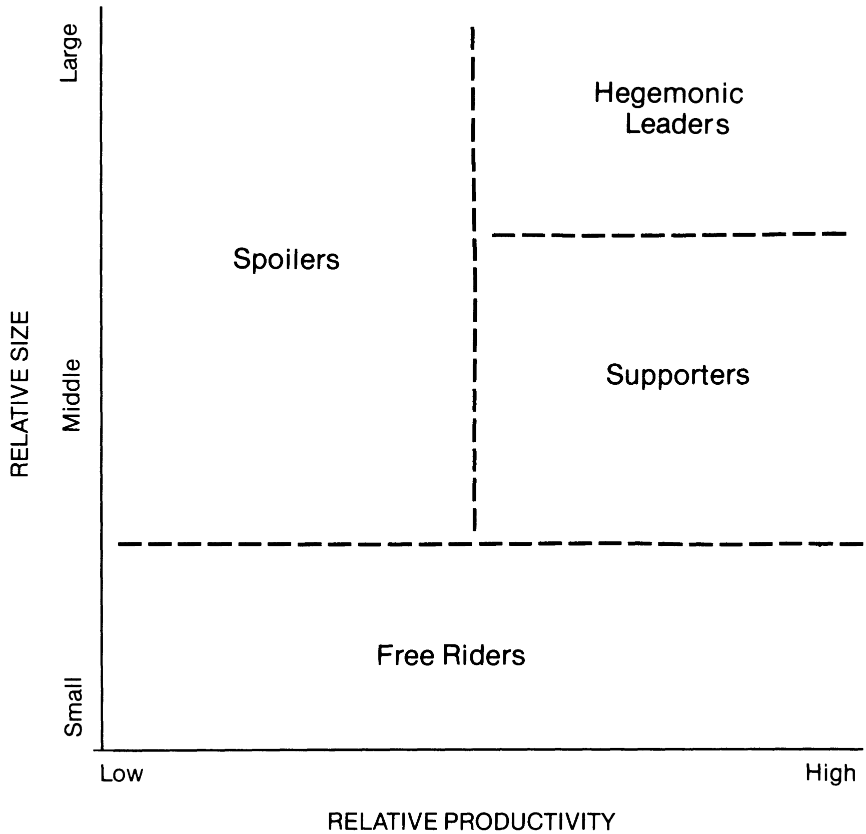
These three categories of international actors do not exhaust the logical possibilities presented within a two-dimensional conception of the international economic structure. Nor do they adequately describe the position of the United States within the international economy between 1887 and 1934. The theory of hegemonic stability, perhaps due to its focus on the absence or presence of hegemony, has failed to develop the analytic tools necessary to comprehend adequately the interests and policies of all countries within the international economy. To accomplish this task, Gilpin's two dimensions of political-military power and efficiency must be redefined. Political-military power may be a necessary condition for economic hegemony, but the relationship between political-military power and influence over the international economic regime diminishes once the analysis is extended beyond the category of hegemonic leadership. West Germany and Japan, for instance, possess much greater influence over the international economic regime today than their political-military strength would indicate. Relative size, operationalized by issue area, is a more appropriate indicator of international economic influence.[18] Because the following discussion focuses primarily on trade policy, relative size is measured here by a country's proportion of world trade.

Gilpin's second dimension suffers less from a problem of theory than from one of semantics. Strictly defined, efficiency refers to the least wasteful means of production and is specific to time, place, and the available mix of the factors of production. Efficiency has little impact upon the absolute or relative gains from trade. Rather, the concept to which Gilpin appears to be referring is relative productivity—defined as relative output per unit of labor input. (See the Appendix for a discussion of measurement problems inherent in international comparisons of productivity.)

The three categories of nations identified by Gilpin and Kindleberger are defined graphically in Figure 1 within the two dimensions of relative size and relative productivity. (Empirical referents for the several categories are discussed in the Appendix.) An important fourth category of international actor—supporters—has not been examined by either of these authors.[19] Supporters are middle-sized countries of high relative

[18] For a definition of hegemony related to issue area, see Keohane (fn. 5).
[19] The following discussion is a summary of a deductive systemic-level theory put forth in David A. Lake, "Between Openness and Closure: International Economic Structures and

FIGURE 1
FOUR CATEGORIES OF INTERNATIONAL ECONOMIC ACTORS



productivity; they are not simply smaller or less effective hegemonic leaders. Supporters cannot unilaterally lead the international economy, nor—unlike a hegemonic leader—are they willing to accept high short-term costs for long-term gains. Rather, supporters seek to balance their short-term costs and benefits, and prefer to bargain for collective movement toward specified goals. Similarly, while hegemonic leaders forsake protectionism at home in order to lead the international economy as a whole toward greater openness, supporters are in most cases unwilling to do so. Even the most productive countries possess internationally

American Trade Policy, 1887-1934," Ph.D. diss. (Cornell University, forthcoming 1983); copies available upon request.

uncompetitive industries. If a hegemonic leader were to protect such industries, it would undercut its ability to lead the international economy. Indeed, some measure of self-sacrifice in the short run may be necessary for a hegemonic leader to achieve its goal of constructing a liberal international economy. Supporters, on the other hand, are not subject to the same constraints of leadership; they will protect their least competitive industries whenever possible.

When a hegemonic leader exists within the international economy, supporters will free-ride, protecting industry at home and expanding exports abroad. They assume, in short, that the hegemonic leader will carry the burden of preserving their export markets while they remain free to pursue self-seeking policies at home.

When no hegemonic leader exists and two or more supporters are present in the international economy, their mutual desire to export will constrain protectionism in each other. Supporters, because of their high relative productivity, value export markets more than protection at home, but will sacrifice the latter only if necessary to obtain the former. An international economic structure of bilateral (or multilateral) supportership is likely, as a result, to contain higher levels of protectionism than a hegemonic structure, but will not experience extremely high levels of protection because the interaction between supporters places limits on protectionism in any single supporter. Bilateral supportership can be a stable system in which protectionism or beggar-thy-neighbor policies are moderated by mutual constraints between supporters, and in which a measure of cooperation and collective international leadership exists. Considerable potential for instability does exist, however. Either supporter may try to "cheat" on the other, or either may be unwilling to carry an equitable share of the leadership burden.

International economic structures with only one supporter, by contrast, are highly unstable. When no hegemonic leader exists and only a single supporter is present, there are no constraints on protectionism within the supporter. Although it will continue to value export markets and may attempt to lead the international economy, a single supporter will lack the resources to stabilize the international economy successfully, or to create and maintain a liberal international economic regime. If the supporter believes that it cannot preserve its export markets, the protectionist fires at home will be fueled. The growing flames may precipitate the abdication of whatever leadership role had been held by the supporter.

The foreign economic policy of any individual country is affected both by the international economic structure (defined as the number and category of states within the international economy), and by the state's position within it. The international economic structure from 1870 to 1938 is detailed in Table 1 and illustrated in Figure 2. Throughout the period, the United States was a supporter. Its share of world trade rose steadily from 8.8 percent in 1870 to a high of 13.9 percent in 1929, only to decline to 11.3 percent in 1938. Its relative productivity was high and rising steadily until 1929; it surpassed the level of productivity of the United Kingdom in the late 1890s. Germany and France were spoilers throughout the period. Germany's proportion of world trade and its relative productivity gradually increased until World War I. After the war, its share of world trade and relative productivity declined to approximately the levels that had obtained in 1870. France's share of world trade eroded throughout the period after having reached a high of 11.4 percent in 1880. Its relative productivity was low and fluctuated before World War I; it was somewhat higher after the war than before, although it was still below the levels attained by the United Kingdom and the United States. The United Kingdom changed from a hegemonic leader into a supporter immediately before World War I, and into a spoiler in the late 1920s. Its share of world trade fell from a high of 24.0 percent in 1870 to a low of 13.3 percent in 1929, while its relative productivity dropped from 1.67 in 1870 to .92 in 1938.

The position of the United Kingdom changed most dramatically between 1870 and 1938, creating three distinct international economic structures. A hegemonic structure under British leadership existed from before 1870 until approximately World War I. Next, a structure of bilateral supportership, in which the United States and the United Kingdom were the key actors, was present from approximately 1913 to the late 1920s. Finally, a structure of unilateral supportership, centering on the United States, existed from 1929 through World War II.

If my basic proposition is correct, these changes in the international economic structure and the position of the United States as a supporter should be reflected in American foreign economic policy and changes in that policy. Specifically, the United States should have attempted to free-ride within the structure of British hegemony. As the British position began to decline, however—and particularly after the United States had surpassed the United Kingdom in productivity—America should have gradually moved toward a more active and liberal policy in the international economy. Once the structure was transformed from hegemony to bilateral supportership, the United States should have adopted more liberal policies and sought to negotiate the rules and norms of a new, more protectionist yet still liberal international economic re-

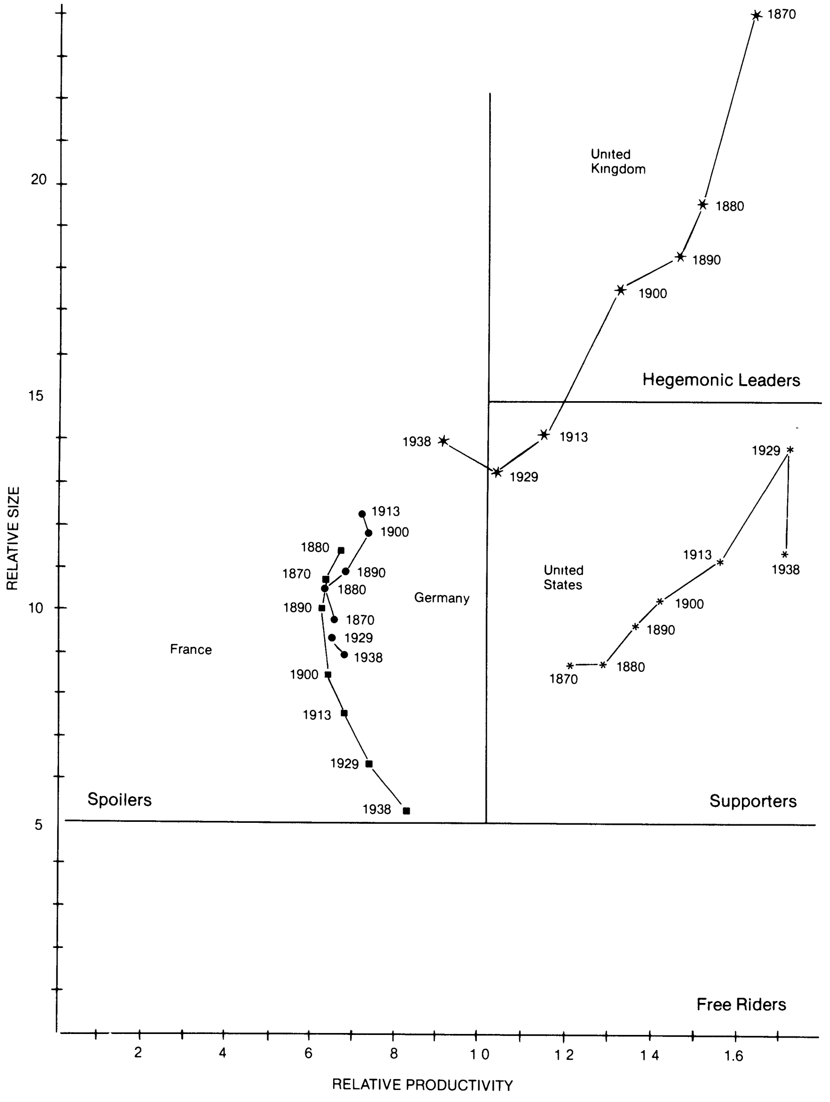
TABLE 1

THE INTERNATIONAL ECONOMIC STRUCTURE, 1870-1938

	United States		United Kingdom		Germany		France	
	Proportion of World Trade	Relative Productivity[i]	Proportion of World Trade	Relative Productivity[i]	Proportion of World Trade	Relative Productivity[i]	Proportion of World Trade	Relative Productivity[i]
1870	8.8[a]	1.22	24.0[a]	1.63	9.7[a]	.66	10.8[a]	.65
1880	8.8[c]	1.29	19.6[c]	1.50	10.3[b]	.64	11.4[c]	.69
1890	9.7[d]	1.37	18.5[d]	1.45	10.9[d]	.69	10.0[d]	.63
1900	10.2[e]	1.42	17.5[e]	1.30	11.9[e]	.74	8.5[e]	.65
1913	11.1[f]	1.56	14.1[f]	1.15	12.2[f]	.73	7.5[f]	.68
1929	13.9[g]	1.72	13.3[g]	1.04	9.3[g]	.66	6.4[g]	.74
1938	11.3[h]	1.71	14.0[h]	.92	9.0[h]	.69	5.2[h]	.82

[a] Mulhall data, 1870, 1880; see Simon Kuznets, *Modern Economic Growth* (Yale University Press, 1966), 306.
[b] Mulhall data, 1880, 1889, *ibid.*, 306.
[c] League of Nations data, 1876-1880. League of Nations, *Industrialization and Foreign Trade* (Geneva, 1945), 157-67.
[d] League of Nations data, 1886-1890, in Kuznets, 307.
[e] League of Nations data, 1896-1900, *ibid.*, 307.
[f] League of Nations data, 1911-1913, *ibid.*, 307.
[g] League of Nations, *Review of World Trade*, 1927-1929.
[h] *Ibid.*, 1936-1938.
[i] Relative Productivity data derived from Angus Maddison, "Long Run Dynamics of Productivity Growth," *Banca Nazionale del Lavoro Quarterly Review*, No. 128 (March 1979), 43.

FIGURE 2
THE INTERNATIONAL ECONOMIC STRUCTURE
1870-1938



gime. Finally, both United States policy and the international economy should have entered into a period of instability after the United Kingdom evolved from supporter to spoiler. Within this structure of unilateral supportership, the United States should have remained liberal in its policies only so long as it believed it could maintain or expand its export markets.

American Foreign Economic Policy

There were four phases in American foreign economic policy during the period 1887-1934. The goals of this policy remained the same they had been for over a century: national development and domestic prosperity. What changed were the policies and strategies best suited to the attainment of these goals. We will now examine how the international economic structure, and the position of the United States within it, affected American foreign economic policy.

1887-1897

Prior to 1887, exports were not regarded as a proper sphere of government intervention; the tariff was perceived as a strictly domestic issue. The "American system" of moderately high tariff protection was explicitly enacted to stimulate and encourage the industrialization of the country. The agrarian community—still the largest sector of the economy—was encouraged to accept the American system through promises that an adequate and sufficiently stable home market would be created for its surplus.[20]

While exports gradually became more important to agricultural interests, most manufacturers continued to regard exports as secondary to their main markets and primarily as a means of dumping (in the economic sense) their occasional surpluses.[21] Those Americans who did seek to expand exports systematically did not link foreign expansion and the tariff. Rather, their emphasis was on infrastructural improvements, such as port and canal construction, and railroad development and regulation.[22]

After 1887, under the efforts of David Ames Wells, James G. Blaine, and President Grover Cleveland, the tariff was reconceptualized as an instrument of foreign economic policy whose manipulation could serve to expand American exports.[23] The opening of this new debate was marked by Cleveland's Annual Message to Congress in 1887, which he devoted entirely to the tariff question. While focusing primarily on the high consumer prices and favoritism that resulted from protectionism, Cleveland also sounded the theme of export expansion through cheaper

[20] For a brief discussion of the importance of agriculture before 1887, see Walter LaFeber, *The New Empire: An Interpretation of American Expansion 1860-1898* (Ithaca, N.Y.: Cornell University Press, 1963), 9-10.

[21] William Appleman Williams, *The Roots of the Modern American Empire: A Study of the Growth and Shaping of Social Consciousness in a Marketplace Society* (New York: Random House, 1969).

[22] Terrill (fn. 2), 18; Williams (fn. 21), 106.

[23] The best discussions of this reconceptualization of the tariff are contained in LaFeber (fn. 20), 1-61, and Terrill (fn. 2), 14-158.

raw materials and lower duties. This latter theme was developed more fully in the debate over the legislatively unsuccessful Mills bill, based on Cleveland's tariff principles, and in the "Great Tariff Debate" in the presidential election of 1888.

Cleveland and other leading Democrats were heavily influenced by the ideas of Wells. A former Republican Commissioner of Revenue, Wells had maintained as early as 1868 that American farmers and manufacturers faced a condition of chronic overproduction. Unless the United States increased its exports, he contended, periodic depressions would result. Wells consistently linked his diagnosis and prescription to tariff policy. In an analysis reminiscent of the British Anti-Corn Law League, Wells argued that high tariffs restricted the market place. Low tariffs, on the other hand, would broaden the market and stimulate exports by easing the exchange of goods and services, and reducing the costs of manufacturing through cheaper raw materials.

Even though Cleveland lost the Great Debate of 1888 at the polls and failed to enact his tariff reform principles in the Wilson-Gorman Tariff of 1894 in the face of protectionist opposition in the Senate (see Table 2 for a comparison of rates of duty) during his second administration, the export expansionists were ultimately victorious. In response to Democratic demands for tariff reduction, the majority of Republicans limited themselves to reciting the litany of protectionist arguments and emphasizing the adequacy of the home market. A minority of Republicans, however, under the leadership of Blaine, began to formulate a new perspective which shared Wells's assumption of overproduction, but maintained the essential structure of protection. Rather than seeking to lower the entire tariff wall, as the Democrats advocated, Blaine sought to expand exports by negotiating tariff reciprocity treaties with other countries. Despite initial opposition from the majority of Republicans, Blaine's conception of reciprocity prevailed in the McKinley Tariff of 1890 and, to a lesser extent, in the Dingley Act of 1897 (see Table 2).

Blaine's success illustrates how far the reconceptualization of the tariff had progressed. By the early 1890s, the leaders of both political parties agreed on the need for export expansion and on the proposition that the tariff could serve as a useful instrument for accomplishing this aim. They disagreed only on the means of expansion: the Democrats favored duty-free raw materials, with the market mechanism determining the level of imports; the Republicans preferred reciprocity, with the government determining which raw materials from which countries would be admitted to the United States.

Despite this desire for export expansion, there was little recognition of the effects United States policy had upon the international economy. To Americans of this period, it appeared that exports could be expanded indefinitely through adjusting the tariff without damaging the principle of protection. For the Cleveland Democrats, duty-free raw materials were a means of increasing the competitiveness of American manufactured exports. For the Republicans, reciprocity based primarily on the admittance of raw materials at a preferential rate of duty was a wedge to pry open additional markets for American exports. The proposition that, in order to sell to the world, a country must buy from the world was not readily accepted outside a small circle of academic economists and "free trade" Democrats.[24] Nor was there any widespread recognition that American exports depended on the continued willingness of other countries—particularly the United Kingdom, America's single largest trading partner—to accept American goods. Rather, existing markets tended to be taken for granted and new markets were perceived to be ripe for picking.

As predicted above, so long as the United Kingdom remained a hegemonic leader, the United States would free-ride even though it was a supporter. America remained protectionist and sought to expand its exports. It contributed little or nothing to the stability of the international economy and actually helped to undermine the existing liberal international economic regime. During this first phase, in short, the United States free-rode on free trade.

1897-1912

By the late 1890s, the country's growing productivity and events in Europe and China forced the United States to recognize the effects of its policies on other nations. Confronted with an American commercial "invasion" spurred by rising relative productivity in the United States, several European statesmen began to advocate protecting their markets against American imports. "The destructive competition with transoceanic countries," Count Agenor Goluchowski, Foreign Minister of Austria-Hungary, stated on November 20, 1897, "requires prompt and thorough counteracting measures if vital interests of the peoples of Europe are not to be gravely compromised. . . . The European nations must close their ranks in order successfully to defend their existence."[25] Three weeks later, Baron von Thielmann, Secretary of the German

[24] See the debates over the McKinley Tariff within Congress: *Congressional Record* (fn. 1), 4247-10740.

[25] Quoted in Charles S. Campbell, Jr., *Special Business Interests and the Open Door Policy* (Hamden, Conn.: Archon Books, 1968), 6.

Treasury and a former Ambassador to the United States, argued before the Reichstag that the recently passed Dingley Tariff put America in the position of a pike in a carp pool. The carp, he warned, must combine.[26] Though these statements were noted with some alarm in the American press, more ominous, perhaps, was the growing movement in the United Kingdom for an imperial preference system led by Joseph Chamberlain, who had been appointed Colonial Secretary in 1895. It was unlikely that the highly divided Europeans of the late 19th century would combine into the customs union proposed by Goluchowski and Thielmann, but for Britain to adopt imperial preferences would have been a matter of concern for the United States and was recognized as such.[27]

Events in China, which threatened to disrupt American trade with that country—important more for its promise than for its actual levels—drew a more concrete response from the United States. In March 1898, after several years of increasing Russian, German, and French encroachments on China's territory and sovereignty, Britain approached the United States and inquired "whether they could count on the cooperation of the United States in opposing any such action by Foreign Powers and whether the United States would be prepared to join with Great Britain in opposing such measures should the contingency arise."[28] The United States refused. Britain, in a significant departure from its past policy of free trade and nondiscrimination, then began to move away from the principle of the Open Door, leasing the port of Kowloon and expelling the Chinese Imperial Maritime Customs Service. In September 1899, Secretary of State John Hay issued the now famous Open Door notes.

The Open Door principle had existed long before the United States issued these notes. Lord Balfour, in the parliamentary debates of 1898, referred to it as "that famous phrase that has been quoted and requoted almost *ad nauseam*."[29] In the September notes, the United States invited Russia, Germany, Great Britain, France, and Japan to adhere to three principles: noninterference with the vested interests within the existing spheres of influence in China, the uniform application of Chinese treaty tariffs at all ports, and nondiscrimination regarding railroad and harbor charges. All the powers responded, though some quite vaguely, that they would respect the Open Door to the extent that all other nations

[26] *Ibid.*, 7.
[27] *Ibid.*, 8; also see David E. Novack and Matthew Simon, "Commercial Responses to the American Export Invasion, 1871-1914: An Essay in Attitudinal History," *Explorations in Entrepreneurial History*, Second Series, 3 (No. 2, 1966), 137.
[28] George F. Kennan, *American Diplomacy 1900-1950* (Chicago: University of Chicago Press, 1951), 25-26.
[29] *Ibid.*, 25.

did. Hay, in what is generally regarded as a brillant tactical move, announced that all the powers had agreed to uphold the Open Door in China and that he considered their replies to be "final and definitive."[30]

The Open Door notes in themselves had little practical effect. It was clear that the United States would not use more than moral suasion to enforce the principle.[31] Moreover, the notes were almost swallowed up in the march of events in China. The military intervention of the foreign powers (including the United States) to put down the Boxer Rebellion in 1900 soon led to an increase in the authority exerted by foreign governments in China. Yet, the Open Door notes were significant for three reasons. First, as Thomas McCormick writes.

> the promulgation of the [Open Door notes] did pass the scepter of open door champion from Great Britain to the United States. For a half-century the British had successfully used an open door policy to create and maintain their economic supremacy in the Chinese Empire. ... Now, as Britain's power waned—and with it her commitment to the open door, the United States made a concerted effort to adapt the nineteenth-century policy to the expansive needs of a twentieth-century industrial America."[32]

Second, the Open Door notes demonstrated the important effect that Britain's move away from free trade had in shaping American foreign economic policy after 1898. Third, while they were not recognized as doing so at that time, the Open Door notes repudiated the concept of reciprocity and signaled a new era in which the principle of nondiscrimination, or the Open Door, was to be the cornerstone of American foreign economic policy.

This new commitment to nondiscrimination was reflected in the next Republican tariff bill—the Payne-Aldrich Act of 1909. In this bill, Congress established a system of minimum and maximum tariff rates. The President was given the authority to impose duties 25 percent higher than the minimum rates on goods from any country that discriminated against American exports. During the House debate, Representative Edgar D. Crumpacker of Indiana (R), a member of the House Ways and Means Committee, argued:

> It is a wise provision, and its main virtue is in the retaliatory power it contains to compel foreign countries to accord our exports the same treatment they give to those of other countries. *Our foreign commercial and industrial policy ought to be that of the open door*. We ask only equal consideration at the hands of foreign countries, and that we should insist

[30] *Ibid.*, 32. [31] *Ibid.*, 34.

[32] Thomas J. McCormick, *China Market: America's Quest for Informal Empire 1893-1901* (Chicago: Quadrangle Books, 1967), 127.

> upon. I have little respect for reciprocity in its narrow sense—in the sense that it is a system of international dickers under which one line of products may secure special advantages in foreign markets in consideration of a grant of special advantages to a particular line of products in return. . . . The broad reciprocity of treating all competitors and all producers exactly alike is the principle that this country ought to encourage as the permanent commercial policy of the civilized world.[33]

Despite this commitment to the liberal principle of the Open Door, the United States remained unwilling to abolish its tariff wall. Pressure on the government for tariff reduction rose throughout the first decade of the 20th century. Active on the issue were, on the one hand, the Progressives, who perceived the tariff as aiding the process of consolidation in American industry, and, on the other, the large and internationally competitive businesses, which defined their interests in broad internationalist terms.[34] President Theodore Roosevelt, who feared that revising the tariff would split his then-dominant Republican party, successfully avoided the issue and bequeathed the problem to this successor.[35] Although William Taft had run on an election platform that advocated tariff reform, he was unable to contain protectionist pressures within his party once he was in office. The Payne-Aldrich Act, which contained the minimum-maximum schedule with the aim of expanding the Open Door, only slightly lowered the average rates of duty from those of the Dingley Act of 1897 (see Table 2). Taft's inability to fulfill his promise of tariff reform engendered a considerable groundswell of resentment. This negative reaction effectively thwarted Taft's ability to utilize the higher maximum schedule so as to secure a further expansion of the Open Door abroad because he feared popular condemnation of a further increase in the tariff.[36]

As Britain's hegemony waned and the United States' productivity rose, the latter—as predicted by the refined theory of hegemonic stability—adopted more liberal policies within the international economy, but continued to free-ride. The Open Door policy was a significant recognition that the United States depended on export markets and that it could no longer rely entirely upon the United Kingdom to maintain openness abroad. Still, Washington was unwilling to accept the costs of

[33] *Congressional Record*, 61st Cong., 1st sess., 1909, 285; emphasis added.

[34] For the views of the Progressives, see Richard Hofstadter, *The Age of Reform: From Byran to F.D.R.* (New York: Vintage Books, 1955); for the views of the larger business interests, see William H. Becker, *The Dynamics of Business-Government Relations: Industry and Exports 1893-1921* (Chicago: University of Chicago Press, 1982), esp. pp. 69-90.

[35] Richard Cleveland Baker, *The Tariff Under Roosevelt and Taft* (Hastings, Nebraska: Democrat Printing, 1941), 12-44, esp. p. 39.

[36] United States Tariff Commission, *Reciprocity and Commercial Treaties* (Washington: G.P.O., 1919), 270-71.

enforcing the Open Door principle in China, or of restricting protection for American industry.

1913-1929

Woodrow Wilson, in accepting the Democratic presidential nomination, stated: "The tariff was once a bulwark; now it is a dam. Foreign trade is reciprocal; we cannot sell unless we also buy."[37] Pledged to tariff reform, Wilson called Congress into special session in order to enact the Underwood Tariff Act of 1913. In a speech before Congress, he declared:

> It is clear to the whole country that the tariff duties must be altered. They must be changed to meet the radical alteration in the conditions of our economic life which the country has witnessed within the last generation. While the whole face and method of our industrial and commercial life were being changed beyond recognition the tariff schedules have remained what they were before the change began or have moved in the direction they were given when no large circumstance of our industrial development was what it is to-day. Our task is to square them with actual facts.[38]

The Underwood Act, when passed, lowered the average rate of duty on all imports into the United States to 8.8 percent and on dutiable imports alone to 26.8 percent (see Table 2). While it abolished the minimum and maximum schedules of the Payne-Aldrich Act, the new tariff constituted a major step by the United States toward supporting a liberal international economy.

During and after World War I, the liberal international economy, to which the United States had just made an important contribution, was threatened by rising economic nationalism in Europe. At the Paris Economic Conference in 1916, France and Britain agreed on a plan to organize trade on a state capitalist basis around exclusive regional trading blocs. This plan was never fully implemented, however, because of American pressure and inter-Ally disagreements.[39] After the war, Britain adopted a moderate form of imperial preference; France enacted a two-tiered tariff in which the highest duties did not apply to countries that discriminated against French goods (as this type of tariff had traditionally been used), but to those that imposed "high" duties on French exports. Both policies contravened America's conception of the Open Door.

The principal instrument in the effort to extend the Open Door abroad

[37] Quoted in William Diamond, "The Economic Thought of Woodrow Wilson," *Johns Hopkins University Studies in Historical and Political Science* 61 (No. 4, 1943), 134.

[38] H. R. Richardson, *Messages and Papers of the Presidents*, XVIII (New York: Bureau of National Literature), 8251-52.

[39] One of the best discussions of the Paris Economic Conference and its aftermath is contained in Carl P. Parrini, *Heir to Empire: United States Economic Diplomacy, 1916-1923* (Pittsburgh: University of Pittsburgh Press, 1969), 15-39.

TABLE 2

LEVELS OF DUTY BY TARIFF ACT, 1887-1934*

Tariff Act, Date	*Level of Duty on All Imports*	*Level of Duty on Dutiable Imports*	*Percentage of all Imports on Free List*
McKinley, 1890	23.7	48.4	50.8
Wilson-Gorman, 1894	20.5	41.2	50.0
Dingley, 1897	26.2	47.6	45.1
Payne-Aldrich, 1909	20.0	41.0	51.3
Underwood, 1913	8.8	26.8	67.5
Fordney-McCumber, 1922	13.9	38.2	63.5
Smoot-Hawley, 1930	19.0	55.3	65.5

* Average rates of duty and average percentage of imports on free list for all full years during which the tariff was in effect (e.g., McKinley Tariff Act passed in October 1890; duties calculated on 1891-1893).

Source: *Statistical Abstract of the United States*, selected years.

was the "bargaining tariff," or the Fordney-McCumber Act of 1922.[40] The concept of a flexible tariff, which was similar to the minimum and maximum provisions of the Payne-Aldrich Act, had gained wider acceptance in the United States after the Paris Economic Conference. In 1916, the National Foreign Trade Council called for the development of an effective bargaining tariff and expressed its willingness to work with the newly created Tariff Commission in writing such a bill. Immediately after the war, however, there was renewed interest in the concept of reciprocity as an instrument for acquiring special trading advantages. The Harding Administration, under the leadership of William S. Culbertson, argued for the Open Door. Culbertson, with the aid of Senator Smoot, was successful: the final version of the bill provided the President with the authority to impose penalty duties against countries that discriminated against American goods. The Fordney-McCumber Act, though it had been passed as a protectionist measure, did not raise tariff levels dramatically. The average tariff on all imports was raised to 13.9 percent while the tariff on dutiable imports was raised to 38.2 percent; both measures were below the average tariffs found in the first two phases discussed earlier.

In 1922, the Harding Administration also decided to abandon the

[40] *Ibid.*, 34.

conditional form of the most-favored-nation (MFN) principle and adopt a more liberal unconditional variant.[41] Previously, trade concessions granted by the United States to second-party states had been extended to third-party states only upon the receipt of equivalent concessions. After it adopted the unconditional form of the MFN principle, the United States automatically extended concessions to all nations with which it had an MFN treaty. In conjunction with the flexible tariff provision of the Fordney-McCumber Tariff, this shift in policy illustrates the desire of the United States to play a greater and more liberal role within the international economy.

Constrained by domestic partisanship and a commitment to moderate protectionism, however, the Republicans were unable to wield the tariff as an effective offensive weapon to break down the barriers to discrimination abroad. The Europeans remained recalcitrant.[42] In response to American criticism, they argued that the greatest obstacles to world trade were not their discriminatory tariff schedules, but the relatively high rates all nations faced in the United States. Americans, and especially Secretary of Commerce Herbert Hoover, replied that aggregate imports by the United States continued to rise despite the higher Fordney-McCumber duties and, indeed, that imports were rising faster than exports. Neither side would yield, and little progress was made.

Thus, the United States quest for a worldwide Open Door was not achieved in the 1920s. Even though the Europeans finally agreed at the Geneva International Economic Conference in 1927 that the unconditional MFN principle was the most desirable basis upon which to organize international trade, they continued to evade the Open Door principle in practice.[43]

The United States recognized that its export trade was dependent not only on a liberal international economic regime, but also on a revitalized Europe; it therefore sought to assist in the rebuilding of the war-torn European economy. American decision makers perceived the isolation and embitterment of Germany as the central threat to European stability; once the United States had failed to join the League of Nations, however, few instruments remained by which it could attempt to induce or coerce the Europeans, and particularly France, into reintegrating Germany into the European economic and political orders.[44] As a result,

[41] See William S. Culbertson, *Reciprocity: A National Policy for Foreign Trade* (New York: McGraw Hill, 1937), esp. Appendix 6, 238-79.

[42] See Melvyn P. Leffler, *The Elusive Quest: America's Pursuit of European Stability and French Security 1919-1933* (Chapel Hill: University of North Carolina Press, 1979), 165-73.

[43] Parrini (fn. 39), 270-71.

[44] Leffler (fn. 42), 40-81.

Washington was forced to expand its conception of foreign economic policy beyond the trade policy arena, and to include, for the first time, the issue areas of international finance and investment.

The outstanding war debts provided one of two instruments to influence European policies toward Germany. France, minimizing its responsibility for debts incurred during the war, wanted to extract the largest possible indemnity from Germany. The United States, focusing on Europe's long-term stability, sought a much lighter reparations burden. By denying any linkage between war debts and reparations—in contravention of the European view—the United States sought to limit the size of the final reparations settlement; it refused to yield until its allies agreed to make significant concessions to Germany.

The second major instrument available to American decision makers was the loan control program. The voluntary program adopted by the government in March 1922 stated that no loans by American bankers would be approved for "governments or citizens in countries who have failed to maintain their obligations to the United States."[45] In this way, the loan-control program was intended to apply pressure on the Europeans through the war-debt issue. Subjected to both official and unofficial American pressure[46] and facing increasing financial difficulties, all the relevant European nations became increasingly willing to compromise. Between 1924 and 1926, the London Conference and the Dawes Loan temporarily settled the reparations issue; the Locarno Treaties helped stabilize the European political order by resolving several outstanding points of disagreement between France and Germany; and the Mellon-Berenger Agreement settled the war-debt program (again temporarily). In each of these cases, the final agreement was close to the position advocated by the United States.[47]

In this third phase, the United States emerged as a significant but nonhegemonic leader within the international economy. Washington closely conformed to the policies expected of a supporter in an international economic structure of bilateral supportership as outlined above. Before the war, it made a significant move toward greater liberalism in its foreign economic policies through the Underwood Tariff Act. It also attempted to rebuild a liberal international economy during the 1920s.

[45] Herbert Feis, *The Diplomacy of the Dollar: First Era 1919-1932* (Baltimore: The Johns Hopkins University Press, 1950), 11.

[46] For instance, the United States placed an embargo on loans to France in April 1925. The House of Morgan had already refused to renew a $100 million credit until France made certain key concessions in the negotiations leading up to the Dawes Loan of October 1924. See Leffler (fn. 42), 125.

[47] *Ibid.*, 40-81.

The United States could not unilaterally lead the international economy; as a result, it sought to bargain with the Europeans in order to meet its objectives. There were significant elements of cooperation with the United Kingdom, particularly in the area of international finance and currency stabilization. On the other hand, considerable criticism and threats of retaliation from the Europeans, and from the United Kingdom in particular, helped to restrain protectionism within the United States. Relatively high U.S. tariffs and the instruments used by the United States—primarily the outstanding war-debt issue and the loan-control program—to influence European policies did engender considerable controversy and conflict within the international community. Considering the magnitude of the war's destruction, the international economy was relatively stable during the 1920s even though no clear hegemonic leader was present. But it was not without tension.

1930-1934

The modicum of international stability that existed during the 1920s disappeared by 1929. In the presidential campaign of 1928, the Republicans pledged to relieve farm distress, which had been a problem throughout the 1920s, by raising tariffs on agricultural goods imported into the United States. Congress was called into special session by President Herbert Hoover for this purpose, but the legislative mandate was soon redefined as a general upward revision of the tariff.[48] The domestic advocates of protectionism, who had been restrained during the 1920s, took this opportunity to press for special favors. The Smoot-Hawley Act of 1930, which raised tariffs on all imports to 19.0 percent and on dutiable imports to 55.3 percent (see Table 2), sparked a global increase in protectionism. In the two years that followed, Canada, Switzerland, Austria, France, Germany, Italy, and many other countries also adopted increased protection. The United Kingdom passed the protectionist Abnormal Importations and Horticultural Products Acts in 1931. In 1932, it adopted the Import Duties Act, which imposed a 10 percent *ad valorem* tariff on all imports into the country. And, in the Ottawa Agreements of 1932, the United Kingdom accepted a full-scale imperial preference system as first advocated by Chamberlain in 1895.[49]

The London Economic Conference was organized in 1933 to discuss measures to halt the proliferation of protectionist and beggar-thy-

[48] The legislative history of the Smoot-Hawley Tariff is summarized in E. E. Schattschneider, *Politics, Pressures and the Tariff* (New York: Prentice-Hall, 1935).

[49] Britain's shift to protectionism is summarized in Richard N. Kottman, *Reciprocity and the North Atlantic Triangle 1932-1938* (Ithaca, N.Y.: Cornell University Press, 1968), 13-38.

neighbor policies throughout the international economy. While the Conference was in session, President Franklin D. Roosevelt dashed any hopes of success by his "bombshell" message of July 2, in which he deplored the emphasis on currency stabilization and stated that the creation of sound domestic economies should be the Conference's principal concern.

One year later, the wheels of international trade having ground to a halt, President Roosevelt reversed American policy with the passage of the Reciprocal Trade Agreements Act (RTAA). This act gave the President three years to negotiate foreign trade agreements that could reduce American tariffs by as much as 50 percent from the Smoot-Hawley levels. The emphasis on tariff reduction distinguishes the RTAA from all past American trade policies. For the first time, the United States sought to bargain not only for equality of access or for the Open Door, but for lower tariffs in foreign countries. Between 1934 and 1938, America negotiated 18 treaties that lowered duties at home and abroad. Each contained the unconditional MFN clause. These treaties were among the major stimuli of the resurgence of world trade in the late 1930s.

American foreign economic policy after 1930 was in accord with the prediction for a single supporter within the international economy. When the mutual constraints of bilateral supportership were lifted from the United States, protectionism was unleashed. Once retaliation had occurred and world trade was diminished, the United States stood to gain only if it expanded its export markets. This expansion could be accomplished only by lowering tariffs abroad; hence, the RTAA. The United States was not a hegemonic leader in the 1930s, however. It did not act altruistically or accept short-term costs for long-term gains. It continued to behave as predicted for a supporter: it bargained over tangible goods (tariffs) to achieve a specific goal (reductions) with immediate rewards.

Conclusions and Prognosis

American foreign economic policy between 1887 and 1934 generally conformed with the behavior predicted for a supporter. While the United Kingdom remained a hegemonic leader, the United States attempted to free-ride. Once the British position began to weaken and American productivity had surpassed that of the United Kingdom, the United States began to play a more active and liberal role in the international economy. Within the structure of bilateral supportership, the United States emerged as a leader, restraining protectionism at home, attempting to reestablish the rule of nondiscrimination or the Open Door in the international economy, and seeking to stabilize Europe. Once Britain evolved from a supporter into a spoiler, leaving the United States as the sole supporter within the IES, both American policy and the international economy became unstable. In sum, the international economic structure and the position of the United States within it appear to provide a parsimonious and reasonably powerful explanation of American foreign economic policy and policy change.

There are, however, limits to the explanatory power of this approach. Although the theory predicts that tariff levels in an international economic structure of bilateral supportership will be higher than in a hegemonic structure, American tariffs in the 1920s were higher than expected. Moreover, the United States precipitated the upward spiral of global protectionism in the early 1930s through the passage of the Smoot-Hawley Act. The outcome of higher tariffs is congruent with a structure of unilateral supportership, but the process by which Washington adopted these higher tariffs is not. The theory predicts that the United States would raise tariffs only if it believed its foreign markets were in jeopardy. There is no clear evidence, however, that the United States acted in response to protectionism on the part of other countries. Rather, other countries reacted to protectionism in the United States.

Despite a consensus on the use of the tariff as an instrument to open doors abroad and to increase exports, the level of protection granted American industries remained a highly salient domestic political issue throughout the period examined here. Domestic pressures for protectionism, particularly acute during periods of depressed economic activity, appear capable of overriding the constraints imposed by the international economic structure. This occurred in 1922 and 1930, with the passage of the Fordney-McCumber and Smoot-Hawley Tarriffs, respectively. In both cases, the Republicans reached for higher tariffs, their traditional "household remedy" for economic distress. Thus, it appears that issues of high domestic political saliency may be more insulated from the effects of the international economic structure than other policies. This is not to argue that the international economic structure exerted no influence in these cases. The Fordney-McCumber and Smoot-Hawley Tariffs were enacted during periods of cyclical economic decline under Republican Administrations and were characterized by logrolling politics. The fact that the latter act raised duties considerably may have been the result of Britain's transition from supporter to spoiler and the loosening of the constraints on American protectionism that this transition entailed.

The structural theory outlined earlier lacks a conception of process, or an explanation of how the constraints or interests derived from the international economic structure are transformed into decisions or political strategies within particular countries. As a result, the causal link between the systemic-level international economic structure and national-level policy is open to question. Ultimately, structure and process must be integrated in a theory of political economy. In this article, however, I have only attempted to clarify the constraints facing the United States in the period 1887-1934 and to demonstrate the strength and usefulness of a purely structural argument as a first and necessary step toward an integrated theory.

The refined theory of hegemonic stability presented above can also be used to explain foreign economic policy change among the advanced industrialized nations in the 1970s and 1980s. An analogy is often drawn between the decline of the *Pax Britannica*, culminating in the economic collapse of the 1930s, and the decline of the *Pax Americana* in the 1980s. This analogy is mistaken. The international economic structure of the late 19th and early 20th century evolved from hegemonic leadership to bilateral supportership and finally to unilateral supportership. In the transition between the second and third structures (or very early in the third), the liberal international economy collapsed. The United Kingdom was both unable and unwilling to lead in 1929 and 1930, while the United States was willing but unable to lead alone. It is Britain's transition from supporter to spoiler, in the intrepretation presented here, which explains the collapse of the international economy.

After World War II, the international economic structure evolved from hegemonic leadership under the United States to bilateral supportership by 1970 with the United States and West Germany as the key actors, and then to multilateral supportership with the addition of France in approximately 1975 (see Table 3). If present trends continue, Japan will also become a supporter in the late 1980s or early 1990s, creating an international economic structure with four supporters. The direction of change in the present international economic structure is toward a proliferation of leaders. The new structure will have problems of its own, but they will not be identical to—and are in fact quite different from—the problems experienced in the late 1920s and early 1930s. Under multilateral supportership, levels of protection are likely to rise, as they have already; but the desire of the supporters to maintain their export markets will place limits on how high these levels can climb. Although a structure of three or, in the future, four supporters is not sufficient to make free-riding a viable alternative for any of them, tensions within the international economy are likely to increase as each supporter may suspect the others of cheating or refusing to carry their fair share of the costs of openness. Despite these problems, however,

TABLE 3

THE INTERNATIONAL ECONOMIC STRUCTURE, 1950-1977

	1950		*1960*		*1970*		*1977*	
	Proportion of World Trade	*Relative Productivity*	*Proportion of World Trade*	*Relative Productivity*	*Proportion of World Trade*	*Relative Productivity*	*Proportion of World Trade*	*Relative Productivity*
United States	18.4	2.77	15.3	2.28	14.4	1.72	13.4	1.45
Germany	4.5	.66	9.3	.95	11.2	1.06	13.5	1.15
France	5.9	.80	5.7	.87	6.4	.96	6.5	1.07
Japan	1.7	.25	3.7	.31	6.7	.55	7.3	.64
United Kingdom	13.1	1.15	9.6	.98	7.2	.86	5.9	.77

Sources: Relative Productivity data derived from Angus Maddison, "Long Run Dynamics of Productivity Growth," *Banca Nazionale del Lavoro Quarterly Review*, No. 128 (March 1979), 43. Proportion of World Trade data for 1950 from Statistical Office of the United Nations, *Direction of International Trade*, Series T, 5, 8. Proportion of World Trade data for 1960, 1970, and 1977 from United Nations, *Monthly Bulletin of Statistics*, selected years.

greater cooperation is also likely to occur as the supporters attempt to work out joint solutions to mutual problems. In short, the 1980s and 1990s may turn out to resemble the early 1920s rather than the 1930s.

APPENDIX

A nation's position within the international economic structure is operationalized by the proportion of world trade (relative size) and relative national output per man-hour (relative productivity). The proportion of world trade is defined as:

$$\frac{\text{Imports Country A} + \text{Exports Country A}}{\text{Total World Imports} + \text{Total World Exports}}$$

An alternative measure would be Gross National Product. Proportion of world trade was chosen for this study because it represents more accurately a nation's potential influence over and interest in the international economic regime. The proportion of world trade data was derived from the sources cited in Tables 1 and 3 above.

The measurement of relative productivity is considerably more problematic. First, there is no consensus on the definition of productivity. Most studies define productivity as output per man-year or man-hour. This is properly referred to as labor productivity. In his several studies of American productivity, John Kendrick has made a persuasive case for the use of only total factor productivity (i.e., land, labor, and capital) as an indicator of what is commonly meant by the term productivity.[50] The present study utilizes only labor productivity because data are not available for the other factors. Second, there is considerable discussion on the utility of output measured by monetary value of production as compared to output measured by physical volume of production.[51] The difficulty of matching actual goods produced and their quality over time and across countries clearly precludes the use of physical output for this study. Third, comparisons across countries are fraught with statistical, methodological, and procedural difficulties, which have been discussed elsewhere in the literature.[52] I recognize that a considerable margin of error may exist in the data; they should be taken only to indicate general magnitudes and trends. Fourth, and relevant to this study only, is the question of whether to use output per man-hour for the economy as a whole or output per man-hour in manufacturing as the proper measure of relative productivity in the theory of hegemonic stability. International trade is composed of more than simply trade in manufactures.

[50] Of the prolific writings of John W. Kendrick, the most complete volume is *Productivity Trends in the United States* (Princeton: Princeton University Press, 1961). The debate over the proper definition of productivity is summarized in the exchange between Kendrick and Stanley H. Ruttenberg, Director of the National Bureau of Economic Research (which sponsored the study); see pp. 224-28.

[51] See Jean Fourastie, *Productivity Prices and Wages* (Paris: OEEC, 1957).

[52] See, for instance, International Labour Office, *Measuring Labour Productivity* (Geneva: ILO, 1969); Franz-Lothar Altmann and others, eds., *On the Measurement of Factor Productivities: Theoretical Problems and Empirical Results* (Göttingen: Vandenhoeck & Ruprecht, 1976).

It includes trade in agricultural products, raw materials, and, in the case of Britain in the early 20th century and increasingly in the United States today, services. For this reason, relative productivity for the economy as a whole was taken to be a more accurate measure of the interests and influence of a country in the international economy.

Data on national productivity in constant 1970 dollars are available in Angus Maddison, "Long Run Dynamics of Productivity Growth."[53] I recomputed these figures for the relative productivity ratios presented in Tables 1 and 3, comparing productivity in each country to the average rate of productivity in the others (e.g., $\frac{\text{Country A}}{\Sigma \text{ Country } B_{1-n}/n}$). This measure is readily comparable with a country's proportion of world trade: a level of relative productivity of 1.0 indicates that the country's productivity was exactly equal to the average of the others. A level greater than 1.0 indicates greater than average productivity, while a level below 1.0 indicates smaller than average productivity.

The empirical referents for the four categories of international actors are somewhat arbitrary. The theory of hegemonic stability is not sufficiently specified or quantified to provide adequate guidelines. A cutoff point of 1.0 between high and low productivity is not only intuitively meaningful, but it also places the United Kingdom in the high category until the late 1920s. This is congruent with the observations of Gilpin and Kindleberger. A demarcation of 5.0 percent between small and middle-sized countries appears to be reasonable. Over the last 150 years, no more than five nations would be in the middle- to large-sized category at any one time. A cutoff point of approximately 15 percent of world trade between middle- and large-sized countries also appears to be consistent with Gilpin (but not with Kindleberger—as there is no possible point which could be used to classify the United States as hegemonic in 1929 and still be meaningful). Such a point would indicate that Britain remained relatively large until World War I, while the United States attained this level only after World War II.

[53] Angus Maddison, "Long Run Dynamics of Productivity Growth," *Banca Nazionale Del Lavoro Quarterly Review*, No. 128 (March 1979), 43.