The state and American trade strategy in the pre-hegemonic era

David A. Lake

Trade policy is commonly seen as a product of domestic interest group politics. Despite the obvious economic distortions introduced by trade barriers, protectionism recurs, we are often told, because producers organize more readily than consumers and dominate the political process. In this "demand side" explanation of protection, the state is seen as the empty receptacle of societal bargaining with no independent voice or role.

This article seeks to challenge the analytic primacy accorded to domestic interest groups, and to develop the preferences and role of the state in the formulation of trade policy. I focus on trade *strategy,* where strategy is used in its game theoretic sense to indicate contingent or interdependent decision-making among self-seeking nation-states.[1] All trade policy is strategic, at the most basic level: every import is someone else's export. Every change in policy, including both increases in protection and free trade, affects the utility of others. Trade strategy, in the narrower sense I use, however, refers to policies contingent upon the actions of other nation-states or explicitly intended to manipulate the preferences and policies of others.

Interest-group explanations typically overlook this strategic dimension of trade policy. When focusing on Congress and the domestic political bargains

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1. See Avinash Dixit, "Strategic Aspects of Trade Policy," mimeo, Princeton University, January 1986; see also the growing literature on "strategic trade policy." For a review, see Gene M. Grossman and J. David Richardson, "Strategic Trade Policy: A Survey of Issues and Early Analysis," in Robert E. Baldwin and J. David Richardson, eds., *International Trade and Finance,* 3d ed. (Boston: Little, Brown, 1986), pp. 95–114.

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inherent in the legislative process, tariff-making often appears as anything but rational and sensitive to strategic concerns. This article, on the other hand, makes two general analytic claims that dispute this received wisdom. First, even in the late nineteenth and early twentieth centuries, when interest groups clearly dominated the congressional tariff-making process, an important *strategic* component nonetheless existed. Second, state leaders within the executive branch most clearly recognized and acted upon strategic trade concerns. In developing these arguments, I examine two important policy innovations: the "internationalization" of the tariff between 1887 and 1894, when the tariff was reconceptualized from an instrument of domestic protection into a lever to further open the markets of Latin America for United States exports; and the fight for, and eventual triumph of, "freer trade" in 1913.

American trade policy in the late nineteenth and early twentieth centuries is a least likely crucial case study for both of the arguments I develop. Given the generally acknowledged importance of interest groups, Congress' domination of the policy process, the weak executive,[2] and the distributive nature of the trade issue-area, trade policy is not likely to be strategic, and to the extent that it is, the executive is likely to be rather inconsequential. In the cases below, however, both these expectations are overturned.

This article is divided into three major sections. The first develops a simplified model of the roles and interests of society and the state in the trade policymaking process. Sections 2 and 3 examine the McKinley Tariff of 1890 and Wilson–Gorman Tariff of 1894, and the Payne–Aldrich Tariff of 1909 and Underwood Tariff of 1913, respectively. The conclusion summarizes the issues raised in the cases and examines their implications.

The state, private interests, and trade policy

Trade policy is typically perceived, at least in the United States, as the essence of domestic politics. E. E. Schattschneider and his followers generalized his case study of tariff-making in 1930 into a theory of interest group politics.[3] Likewise, Theodore Lowi used trade policy as the springboard for his typology of public policy.[4] Within this perspective, trade policy is dominated by private, societal interests while the government—often equated with the legislature—is passive. As Frank W. Taussig, author of the classic

2. In the historiography of American trade policy, the critical role played by Woodrow Wilson in the passage of the Underwood Tariff of 1913, which I shall discuss, is often treated as an anomaly. While Wilson's case is perhaps more self-evident than others, I argue that Wilson's actions were merely part of a larger history of important executive intervention in the process of trade policymaking.

3. E. E. Schattschneider, *Politics, Pressures and the Tariff* (New York: Prentice-Hall, 1935).

4. Theodore Lowi, "American Business, Public Policy, Case-Studies, and Political Theory," *World Politics* 16 (December 1964), pp. 677–715.

study of American tariffs, wrote in discussing the Payne–Aldrich Tariff of 1909, "There was the same pressure from persons engaged in industries subject to foreign competition, the same willingness to accede to their demands without critical scanning."[5] As Taussig implies, "society-centered" approaches to trade policy explain protection from the demand side. Private interests demand; the government then willingly supplies.

The society-centered or demand side explanation of protection is most clearly developed in endogenous tariff theory.[6] Assuming that individuals are rational utility maximizers, and recognizing that a tariff approximates a "public good" benefiting all producers of a protected item whether or not they participate in efforts to obtain it, this approach explains the structure of protection across industries as a result of two factors: the costs of organizing for collective action and the intensity of desire, related to the comparative disadvantage of the industry. As the cost of protection (that is, higher intermediate and final goods prices) are dispersed while the benefits (that is, higher producer profits) are concentrated, endogenous tariff theorists conclude that a small number of homogeneous and geographically concentrated producers facing significant import competition are most likely to organize and articulate their demands to the legislature. In this framework, articulation is akin to success. As Timothy McKeown writes, "The arguments are predictive only under 'normal' conditions—i.e., when the government is responsive to these societal demands."[7]

Recent quantitative tests of endogenous tariff theory have found, however, that interest-group pressures, while important, do not alone explain the pattern of protection. The cases examined below suggest a similar conclusion. Real P. Lavergne and Robert E. Baldwin both argue that we must also examine the "principled behavior" of the state to provide a more complete explanation.[8] Yet the origin and nature of this principled behavior, and the role and interests of the state, remain theoretically underdeveloped.

Although society-centered explanations focus on demands, state-centered approaches concentrate on the "supply side." State-centered approaches do not ignore the demands placed upon the government by society, but they do assert that the state is at least relatively autonomous and an active participant in the policymaking or supply process. The government, therefore, does not simply respond to societal demands. Rather, the state possesses

5. Frank W. Taussig, *The Tariff History of the United States,* 8th ed. (New York: Putnam, 1931), p. 407.

6. This literature is now quite large. See, in particular, Richard E. Caves, "Economic Models of Political Choice: Canada's Tariff Structure," *Canadian Journal of Economics* 9, no. 2 (1976), pp. 278–300; and Jonathan J. Pincus, *Pressure Groups and Politics in Antebellum Tariffs* (New York: Columbia University Press, 1977).

7. "Firms and Tariff Regime Change: Explaining the Demand for Protection," *World Politics* 36 (January 1984), p. 216.

8. Réal P. Lavergne, *The Political Economy of U.S. Tariffs* (New York: Academic Press, 1983). Robert E. Baldwin, *The Political Economy of U.S. Import Policy* (Cambridge: MIT Press, 1985).

interests and makes choices that are central to understanding policy. In this perspective, analyzing the demand for and supply of protection is necessary to provide a complete explanation of trade policy.

In the analysis of trade policy, the state can be usefully disaggregated into two principal components.[9] The representative element of the state includes the legislature, which serves as the principal link of the state to society, and the "constituent" agencies, such as the Departments of Agriculture, Commerce, and Labor in the United States. Following the endogenous tariff theories already discussed, I assume that legislators are primarily motivated by the desire for re-election and are therefore responsive to societal demands.[10] Thus, individual members of the legislature, in one form or another, represent constituencies organized on a geographic basis. Where the legislature is organized into substantive committees, these subunits also serve to represent functional societal interests. Constituent agencies are of lesser importance, but serve a similar function as the legislature. Possessing narrow institutional mandates, these agencies are easily "captured" by the interests they are designed to serve.[11] Capture can occur directly, through the appointment of interested personnel, or indirectly, as decision-makers come to identify their own career interests and success with the well-being of their constituents. As the principal link between state and society, the representative elements are the least autonomous parts of the state. Indeed, they can be understood as merely reflecting the interests of society.

The foreign policy executive constitutes a second component of the state.[12] Defined as the high-ranking bureaucrats and elected executive

9. The conception of the state I develop reintroduces a degree of bureaucratic and "intra-branch" politics into the study of the state. On the former, see Graham T. Allison, *Essence of Decision* (Boston: Little, Brown, 1971); and Morton H. Halperin, *Bureaucratic Politics and Foreign Policy* (Washington, D.C.: Brookings Institution, 1974). For the latter, see Robert A. Pastor, *Congress and the Politics of U.S. Foreign Economic Policy, 1929–1976* (Berkeley: University of California Press, 1980).

Another important element of the state may be the economic agencies, such as the Treasury Department, Office of Management and Budget, and the Federal Reserve Bank in the United States. Compared to the constituent agencies, the economic agencies possess broad, society-wide institutional mandates. Most of these agencies are primarily concerned with the macroeconomy, and specifically growth, employment, and inflation, or, before the Keynesian revolution, the stability of the government budget and money supply. Other economic agencies, however, such as the Japanese Ministry of International Trade and Industry, are also concerned with the long-term economic development of the country. Whether focusing on the macroeconomy or economic development, these broader mandates allow the economic agencies to avoid capture by particularistic interests, rendering the agencies at least relatively autonomous.

10. This assumption is central to Anthony Downs, *An Economic Theory of Democracy* (New York: Harper, 1957), and is now widely accepted in public choice models of politics. See also David Mayhew, *Congress: The Electoral Connection* (New Haven: Yale University Press, 1975).

11. On bureaucratic capture, see Marver H. Bernstein, *Regulating Business by Independent Commission* (Princeton, N.J.: Princeton University Press, 1955); and Grant McConnell, *Private Power and American Democracy* (New York: Knopf, 1967), pp. 246–97.

12. This distinction between the executive and legislature is hardly novel. See Baldwin, *The Political Economy of U.S. Import Policy,* and Pastor. But the argument I present departs from the existing literature and gives form and content to executive preferences by deducing them from the constraints and opportunities of the international economic structure.

officials charged with the overall conduct of defense and foreign affairs, the foreign policy executive sits at the intersection of the domestic and international political systems and regulates interactions between the two.[13] Most importantly, the foreign policy executive is the sole authoritative foreign policymaker and the only national actor mandated to preserve and enhance the position of the nation-state within the anarchic and competitive international system. It is charged, in other words, with husbanding the nation-state's wealth and power, given the interests and actions of other countries.

This unique position of the foreign policy executive renders it particularly sensitive to strategic trade considerations and, in turn, to the international economic structure that shapes these national trade interests.[14] The societal pressure brought to bear on the policymaking process through the representative element of the state *must* differ from the strategic preferences and desires of the foreign policy executive for two reasons. First, societal interests cannot cumulate into strategic trade preferences. Producer groups possess relatively narrow interests. They support protection if facing import competition in their own markets, and oppose it only if threatened with retaliation on their products abroad. Groups have little incentive to oppose protection on their own products if another industry is likely to bear the costs of foreign retaliation. In the pursuit of national wealth and power, and in responding to its national rather than regional electorate, the foreign policy executive must take precisely these sorts of trade-offs into account and make judgments about what is good for the country as a whole. It must also choose the appropriate means to obtain these goals, given the opposition or resistance of foreign national and state actors. Thus, if collective action problems exist, as they surely do, and only *some* groups mobilize or become manifest, there is no reason to assume that the "bottom-up" interests of society will be identical to the "top-down" strategic trade preferences of the foreign policy executive. Indeed, the greater the problems of collective action within society, the more these two interests must diverge.

Second, to the extent that the executive's strategic trade preferences are shaped by considerations of relative advantage over other countries, as might be expected within an anarchic and competitive international environment, the interests of the representative and foreign policy elements of the

13. Otto Hintze first made this point in "Military Organization and the Organization of the State," in Felix Gilbert, ed., *The Historical Essays of Otto Hintze* (New York: Oxford University Press, 1975).

14. The concept of the international economic structure is developed in David A. Lake, "International Economic Structures and American Foreign Economic Policy, 1887–1934," *World Politics* 35 (July 1985), pp. 517–43; "Beneath the Commerce of Nations: A Theory of International Economic Structures," *International Studies Quarterly* 28 (July 1984), pp. 143–70; and *Power, Protection, and Free Trade: International Sources of U.S. Commercial Strategy 1887–1939* (Ithaca, N.Y.: Cornell University Press, forthcoming 1988). In the cases I shall discuss, I empirically develop the link between the international economic structure and national trade strategies. One can agree with the argument about the role of the foreign policy executive without necessarily accepting the theory of international economic structures, although I obviously believe the two are mutually reinforcing.

state must also diverge. In the pursuit of material interests, no group in society—even encompassing coalitions—has any incentive to maximize the *relative* resources or power of the nation-state. Group interests may, at times, complement this power interest, but they possess very different roots.

I do not argue that the executive is entirely free from societal constraints. Presidents and prime ministers must periodically stand for election. Yet where the representative element of the state can be best understood as acting in the interests *of* society, to use Pareto's famous distinction, the executive acts in the interests *for* society.[15] The executive is responsible to all of society, charged with responsibility for foreign affairs, and is specifically concerned with strategic trade considerations.

Given the existence of competing trade interests within the domestic political arena, the foreign policy executive will rarely be able to translate its strategic trade preferences directly and unilaterally into policy. In few countries is trade policy entirely within the purview of the foreign policy executive. Trade strategy affects society and the representative element of the state can be expected to block, or at least partially undermine, foreign policy initiatives. Foreign policy leaders are dependent, as a result, upon the support, or at least the acquiescence, of society and the representative element of the state.

To achieve its strategic trade preferences, the foreign policy executive must bargain with the politically mobilized groups in society as manifested in the representative element of the state. Many contextual factors ultimately determine how the conflict between these sets of interests is resolved, and how successfully the executive realizes its aims. Two intervening variables, however, are important in the cases discussed below.

Most fundamentally, the bargaining process is influenced by the distribution of authority within the state, as codified into existing laws and institutions and referred to here as state structure.[16] State structure does not necessarily determine the outcome of the bargaining process between the representative and foreign policy elements of the state. By specifying which elements of the state possess authority over an issue and which actors can legitimately be involved in the political process, on the other hand, state structure does create a set of constraints within which the bargaining process occurs and a pattern of politics that endures over time.

The decentralized structure of the American state and the constitutional delegation of authority over international commercial policy to Congress

15. Stephen D. Krasner, *Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy* (Princeton, N.J.: Princeton University Press, 1978), p. 12.

16. Peter J. Katzenstein, "Conclusion: Domestic Structures and Strategies of Foreign Economic Policy," in Katzenstein, ed., *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States* (Madison: University of Wisconsin Press, 1978).

isolates the foreign policy executive from the trade policymaking process. Even with the passage of the Reciprocal Trade Agreements Act in 1934, an event often interpreted as signaling the enhancement of the executive's role in trade policy, the foreign policy executive has still been dependent upon continued grants of authority from the legislature. In the time period I examine, moreover, Congress reigned supreme in the international commerce arena and the foreign policy executive deliberately had to penetrate an otherwise closed policymaking process. The principal task for foreign policy leaders during this period, then, was to gain legitimacy in and access to the trade policymaking arena. Given its unique position and interests, on the one hand, and its limited access, on the other, we can expect two patterns of politics or bargaining. First, the foreign policy executive will use its position at the intersection of the domestic and international political systems to redefine issues as foreign policy concerns and build transnational coalitions that support its preferred policies. Second, it will mobilize new or existing societal groups with complementary interests into the political system to gain access to the representative element of the state. In short, the American foreign policy executive is expected to use its position to appeal to the public, define the political debate, and conduct foreign policy to build support for its strategic goals.

At a more proximate level, presidential or executive leadership is also important in explaining the outcome of the bargaining process between the representative and foreign policy elements of the state. Presidents bring to office differing conceptions of appropriate executive–legislative roles and varying degrees of political acumen. While it is difficult to generalize about these idiosyncracies, a president who has a strong view of his policymaking role or highly developed political skills is clearly more likely to attain his goals when faced with legislative opposition.

To sustain the conception of trade politics that I advance, it is not necessary to demonstrate that society plays no role in the formulation of policy. Clearly policy does respond, at least in part, to societal demands. This idea is incorporated into the argument already set forth. It is necessary to show, however, that societal demands alone cannot account for observed policies, and that the foreign policy executive acted in the expected manner to shape the adopted policy.

I now turn to an examination of the foreign policy executive's role in formulating American trade strategy in the country's pre-hegemonic era. Each of the following sections proceeds in three steps. First, I outline the structure of the international economy and the corresponding strategic trade preferences of the relevant nation-states. Second, I identify the trade strategy interests of the foreign policy executive in each tariff act and the extent to which these interests are reflected in the final policy. Third, I briefly examine the reasons for the success or failure of the executive in realizing its objectives.

Internationalizing the tariff, 1887–1894

Between 1887 and 1894, foreign policy leaders reconceptualized American trade strategy and "internationalized" the tariff. Following the Civil War, protection was paramount; all other trade issues were subordinated to the need for domestic tariff protection. Beginning in 1887, however, a new consensus emerged among foreign policy leaders on the need for a more differentiated policy in which the tariff would continue to protect American industry from import competition *and* assist in the expansion of exports, particularly to Latin America, through selected reductions in duties on raw materials. By internationalizing the tariff, foreign policy decision-makers sought to redirect the trade of their southern neighbors—previously dominated by Great Britain—away from Europe and towards the United States. Foreign policy leaders, in other words, attempted to preserve America's protective system while changing the policies and actions of other countries through manipulations of the tariff.[17]

This important policy innovation cannot be explained simply by the desires and actions of domestic interest groups. While several sectors ultimately benefited from the innovation, many beneficiaries initially opposed the new strategy. Other supporters were mobilized into the tariff-making process only under the vigorous encouragement of foreign policy leaders (discussed below). The new trade strategy, in short, was conceived and orchestrated by the foreign policy executive.

During the late nineteenth century, the international economic structure and the trade strategy preferences of other countries were particularly propitious for the United States. America's rising relative labor productivity and growing international competitiveness combined to create new export opportunities. Manufacturers could now compete with their European counterparts on an equal footing, while American farmers continued to make the nation the bread basket of the world. Foreign policy leaders recognized the potential gains to the United States if they broadened and deepened this process of ongoing export expansion by further opening up foreign markets. At the same time, foreign policy leaders did not believe that a general reduction in American protection was necessary to accomplish this goal.

The ability of the United States to simultaneously pursue export expansion and import protection depended upon the structure of British hegemony. Although no longer as dominant as it was earlier in the century, Britain was still the largest and most productive country within the international economy. Britain's position and role as hegemonic leader had two implications for American trade strategy. First, the United Kingdom strongly preferred universal free trade, but, in seeking to lead by example, it was willing to tolerate protection abroad rather than retaliate in kind. This

17. The trade strategy discussed in this section is developed in significantly more detail in chap. 3 of my book, *Power, Protection, and Free Trade.*

dominant British strategy of free trade at home enabled the United States (and others) to safely free ride on the United Kingdom's leadership. As Britain's dominant strategy removed any fear of retaliation, the United States was able to insulate itself from British competitors while confidently continuing to ship over half of its exports to the United Kingdom.

Second, Britain also pursued a policy of free trade in its colonies and in other areas of the developing world.[18] The United Kingdom encouraged "open door," or non-discriminatory, tariffs; promoted a dependence on exports of raw materials and imports of finished products; and, through foreign investment, established the infrastructure necessary for foreign trade.

Like Britain, the United States singled out Latin America as an area of fruitful expansion, at least in part because of the region's relatively high level of economic development and well-established patterns of trade.[19] Also important for the United States was the region's geographic proximity, which provided an economic advantage while fitting into a larger political strategy of American regional dominance.[20]

Most American products entered Latin American markets on relatively equal terms with those of Britain and other European producers. In several cases, particularly in railroad equipment and construction and shipbuilding, equality of opportunity was insufficient to displace the special trading relationships between British producers and their Latin American consumers. In these areas, the United States sought more favorable or preferential access to the market. In other instances, most notably agriculture, Europeans had not developed the market or established trade because they lacked a comparative advantage. In these areas, the United States had to cultivate its own export markets without European assistance. The road towards United States export expansion in Latin America, in short, had already been paved; the United States merely needed to extend and reshape it to fit its own requirements.

Thus, as a result of the structure of British hegemony and the trade strategies followed by other countries, the United States had few incentives to reduce its own high tariffs. Britain would not retaliate, and export expansion to Latin America required only selective concessions on items of interest to the countries of that region, primarily raw materials. The contradiction between simultaneous export expansion and import protection could be easily overcome through a differentiated tariff that maintained the existing struc-

18. See Albert H. Imlah, *Economic Elements in the Pax Britannica: Studies in British Foreign Trade in the Nineteenth Century* (Cambridge: Harvard University Press, 1958); S. B. Saul, *Studies in British Overseas Trade, 1870–1914* (Liverpool: Liverpool University Press, 1960).

19. See, for example, Carlos F. Diaz Alejandro, *Essays on the Economic History of the Argentine Republic* (New Haven, Conn.: Yale University Press, 1970), pp. 1–66.

20. On American policy towards Latin America, see Walter LaFeber, *The New American Empire* (Ithaca, N.Y.: Cornell University Press, 1963).

ture of protection while encouraging exports through selective reductions in duties.

Two nearly identical versions of the strategy of export expansion and import protection were adopted between 1887 and 1894. Both centered on continued high industrial tariffs while reducing duties on a limited number of raw materials exported by Latin America. Within this common framework, however, differences were evident at the margin. Democrats supported an extensive platform of duty-free raw materials, but removed only the tariff on raw wool in the Wilson–Gorman Act of 1894. This would, the party argued, expand American exports—primarily agricultural products, steel, and railroad materials—to the wool-producing areas of the world, although *de facto* the policy was limited to Latin America's southern cone.[21] Republicans, on the other hand, advocated bilateral reciprocity treaties between the United States and various Latin American nations, in which the former would admit sugar, coffee, tea, and raw hides free of duty while the latter would grant, in return, preferential duties on a specified list of American agricultural and manufactured items. This policy was embodied in the McKinley Act of 1890 and the several reciprocity agreements negotiated in its wake.

Both these specific policies, and the larger trade strategy they reflect, originated within the foreign policy executive. The reconceptualization of the tariff from an instrument of protection into a tool of both protection and export expansion began with President Grover Cleveland. In his 1887 annual message to Congress, Cleveland called for duty-free raw materials to cheapen the costs of manufacture, lower prices, and increase exports. The duty-free raw materials platform had been articulated as early as 1866 by David Ames Wells, then commissioner of revenue. Nonetheless, Cleveland was the first high-level politician to endorse the proposal, a move that startled Congress and the nation. Developed within a small group of advisors during a meeting at the president's summer retreat, "Oak View," the 1887 tariff message was recognized by supporters and detractors alike as a bold stroke of executive leadership that reshaped the political agenda.[22] Roger Q. Mills, chairman of the House Ways and Means Committee, soon introduced Cleveland's proposal in Congress. The Mills Bill, as it was known, passed in the Democratic House, but was defeated in the Republican-dominated Senate for largely partisan reasons.

Cleveland's proposal formed the basis for the "Great Debate" in the presidential election of 1888, in which challenger Benjamin Harrison defeated the incumbent. James G. Blaine, the new secretary of state, soon proposed a policy that paralleled the Democrat's "duty-free raw materials" platform.

Blaine, a moderate protectionist, had long been interested in expanding

21. Lake, *Power, Protection and Free Trade,* chap. 3.
22. See Tom E. Terrill, *The Tariff, Politics, and American Foreign Policy, 1874–1894* (Westport, Conn.: Greenwood Press, 1973), pp. 109–40.

trade to Latin America. In 1889, after defeating Cleveland for the presidency, Harrison asked Blaine to preside over the State Department, not only because of the secretary's position within the Republican Party, but also because of their similar views on foreign affairs, particularly commerce with Latin America.[23] Indeed, during the 1888 campaign, Harrison echoed Blaine's well-known views on expansion, declaring that "we do not mean to be content with our market. We should seek to promote closer and more friendly commercial relations with the Central and South American States."[24]

After the election, Blaine immediately began organizing an International American Conference—invitations had already been issued by Cleveland. In the conference, Blaine proposed the creation of an inter-American customs union, an idea that was rejected by the conference in favor of bilateral reciprocity treaties between interested countries of the region. Failing in his grander proposal, Blaine then focused his attention on the concept of reciprocity.[25]

While the International American Conference was in session, the House of Representatives began debating a new tariff bill drafted by Republican William McKinley of Ohio, then chairman of the House Ways and Means Committee. In this bill, McKinley proposed to take the duty off raw sugar and coffee, "necessities" of life that the United States did not produce in sufficient quantities to meet the home demand, impose duties on raw hides for the first time in twenty-five years, and raise the tariff on raw wool. The latter two actions, Blaine feared, would needlessly antagonize the Latin American nations, with whom he was then actively negotiating; the former would take away his only bargaining chip, as over 87 percent of Latin American exports already entered the United States duty-free.[26] Blaine succeeded in maintaining hides on the free list and in moderating the increased duty on raw wool, but he failed to convince Congress on the importance of using sugar, coffee, and other products as instruments of reciprocity. The House passed the McKinley bill on 21 May 1890 without provision for reciprocity. Blaine then turned his attention to the Senate, and appeared before the Finance Committee in an emotional plea for reciprocity. Despite his efforts, the committee reported the bill to the full Senate with free sugar and without provision for reciprocity.

23. Most telling in this regard is a letter from Harrison to Blaine dated 17 January, 1889, reprinted in Albert T. Volwiler, *The Correspondence Between Benjamin Harrison and James G. Blaine, 1882–1893* (Philadelphia: American Philosophical Society, 1940), pp. 44–45.

24. Cited in Terrill, *The Tariff, Politics, and American Foreign Policy,* p. 134.

25. For a discussion of the International American Conference and its results, see Alice Felt Tyler, *The Foreign Policy of James G. Blaine* (Minneapolis: University of Minnesota Press, 1927), pp. 165–90.

26. Terrill, *The Tariff, Politics, and American Foreign Policy,* pp. 162–63; Tyler, *James G. Blaine,* pp. 184–87; and David Saville Muzey, *James G. Blaine: A Political Idol of Other days* (New York: Dodd, Mead, 1935), pp. 437–51.

The congressional leadership resisted reciprocity for three reasons. First, Blaine could not guarantee that under his plan sugar would enter free of duty. Raw sugar was the single largest revenue item in the tariff, providing 23 percent of all tariff revenue and 13 percent of all federal government revenue in 1888. The growing federal budget surplus in a deflationary era was the Achilles' heel of protectionists; tariff reformers, including Cleveland, had used the issue to good effect. By placing sugar on the free list, protectionists hoped to reduce the surplus and remove an important issue from partisan debate.[27] Fearful of leaving domestic sugar growers unprotected, however, Congress also provided a direct subsidy of approximately $7 million a year to these producers, both to solidify their political support and further reduce the budget surplus.

Second, congressional leaders failed to see the importance of foreign markets. McKinley stated this most directly:

> We do not depreciate the value of our foreign trade; we are proud of it. It is of great value and must be sacredly guarded, but what peculiar sanctity hangs about it which does not attach to our domestic trade? . . . If our trade and commerce are increasing and profitable within our own borders, what advantage can come from passing it by, confessedly the best market, that we may reach the poorest by distant seas?[28]

Third, congressional leaders appear to have believed that, even if exports required stimulation, the tariff was not the proper instrument. As McKinley declared in his opening speech on the bill, "I am not going to discuss reciprocity . . . I leave that to the illustrious man who presides over the State Department under this Administration and to my distinguished friend, the Chairman of the Committee on Foreign Affairs of this House [Mr. Hitt]. This is a domestic bill; it is not a foreign bill."[29]

On 4 June, Blaine sent Harrison the final report of the International American Conference, which contained the recommendation on reciprocity, along with a letter in which he detailed the impediments to trade with South America and demonstrated that European trade in the region was increasing while the trade of the United States was decreasing. The United States, he argued, would be the greatest beneficiary of reciprocity. President Harrison submitted Blaine's letter and the report to Congress on 19 June, under a cover letter in which he threw his full support behind reciprocity.

Blaine then stepped up his efforts to publicize reciprocity, taking his case directly to the public through letters and public speeches. In a widely reprinted letter written to Senator William R. Frye, Blaine stated that:

> I do not doubt that in many respects the tariff bill pending in the Senate is a just measure and that most of its provisions are in accordance with

27. Muzzey, *James G. Blaine,* p. 442.
28. *Congressional Record,* 51st Congress, 1st session, 1890, pp. 4253–54.
29. Ibid., p. 4250.

> the wise policy of protection; *but there is not a section or a line in the entire bill that will open a market for another bushel of wheat or another barrel of pork.*[30]

Blaine's efforts now began to meet with considerable success. At least one member of the House Ways and Means Committee, who was from a Western state and a bitter opponent of reciprocity, complained that "Blaine's plan has run like a prairie fire all over my district."[31]

Meanwhile, President Harrison, through quiet behind-the-scenes diplomacy, searched for compromise language which would allow for both free sugar and reciprocity. On 25 July, Senator Nelson Aldrich, on behalf of the Senate Finance Committee, introduced an amendment, apparently drafted within the White House, that fulfilled this task.[32] It was adopted with few revisions on 10 September. The House continued to resist the concept of reciprocity, however, and acceded to the Senate amendment only after several conference committee meetings and seven days of Republican caucuses.

While Cleveland's plan for tariff reform had not been clearly spelled out in the 1884 election and no strong actions were taken during the early years of his administration, he nonetheless staffed his first cabinet with committed tariff reformers.[33] Cleveland was often criticized for delaying the 1887 tariff message. Yet Cleveland believed that if he "had announced the policy earlier the country would not have been ready for it."[34] His stand was at least partially vindicated by his successful re-election to the presidency in 1892.

Cleveland was also committed to expanding exports to Latin America. Cleveland issued the invitations for the International American Conference, at which Blaine presided. During his second administration, Cleveland first appointed as secretary of state Walter O. Gresham (1893–95) and later Richard C. Olney (1895–97). Both men were committed expansionists who—with the president's backing—led the nation into an extremely active political role in Latin America. During this administration, the United States intervened in the Brazilian Revolution of 1894, the dispute over the Mosquito Coast in Nicaragua, and the Venezuelan Boundary Crisis of 1895–96 to limit and reduce British influence in the hemisphere and expand American commercial and political ties in the region.[35]

The 1894 tariff was drafted by Democrat William L. Wilson of West Vir-

30. Ibid., pp. 4253–54. Emphasis added.
31. Quoted in Muzzey, *James G. Blaine*, p. 447; and Gail Hamilton, *Biography of James G. Blaine* (Norwich, Conn.: Henry Bull, 1895), p. 687. This quotation has been widely reprinted. The original source, the speaker, and the context are never identified.
32. On Harrison's role in drafting the reciprocity amendment, see Harrison to Blaine, 23 July 1890, in Volwiler, *Correspondence*, pp. 111–12.
33. Terrill, *The Tariff, Politics, and American Foreign Policy*, pp. 109–11.
34. George F. Parker, *Recollections of Grover Cleveland* (New York: Century, 1909), p. 104.
35. LaFeber describes three episodes in American expansion, pp. 210–29 and 242–83.

ginia, chairman of the House Ways and Means Committee and a Cleveland intimate who had participated in the 1887 Oak View conference. As passed by the House, the Wilson tariff contained the full list of duty-free raw materials requested by the president. The bill encountered considerably stronger resistance in the more protectionist Senate.[36] In the upper house, the Democrats possessed only a slim majority, which had already been weakened by the deep conflict over the repeal of the Sherman Silver Purchase Act in 1893. The Wilson bill, as passed by the House, removed the subsidy to domestic sugar producers, but left raw sugar on the free list to avoid abrogating the reciprocity agreements signed under the McKinley Act. Two senators from Louisiana strongly resisted the proposal, and their votes were necessary for the passage of the bill. Their opposition, as well as that of others who desired similar treatment for the industries in their states, initiated the usual logrolling politics.[37] Under the leadership of Democrat Arthur Gorman of Maryland, whom Wilson believed was beholden to the trusts, either through bribery or financial interest,[38] the Senate passed a considerably narrowed duty-free raw materials measure by a 39 to 34 margin.

The House–Senate conference committee then deadlocked on the measure. The House held to its broader duty-free raw materials bill, while the Senate—hemmed in by continued fears of defections from its slim majority—insisted upon its more circumscribed version. Cleveland, hoping to break this impasse in favor of the House bill, took the unprecedented step of intervening in the proceedings of the conference committee. This strategy backfired, as might have been foreseen by a more skilled political tactician. On 2 July, Cleveland sent a letter to Wilson that was read into the *Congressional Record.* The letter, widely seen as direct criticism of the Democratic members of the Senate, merely stiffened the resolve of the upper house and made any compromise appear as humiliation. In order to pass any bill at all, the House was eventually forced to acquiesce in all of the 634 Senate amendments.[39] Torn between wanting to veto the bill and desiring to

36. The Senate was traditionally more protectionist than the House, even though economic interests tend to be more concentrated in the latter. Three explanations are generally given: 1) the Senate is a more individualistic institution with weaker committee chairs, 2) debate is unlimited, 3) an unlimited number of amendments are permitted on the Senate floor. See Baldwin, *Political Economy,* pp. 15–17; and Pastor, *U.S. Foreign Economic Policy,* pp. 162–63.

37. See Robert McElroy, *Grover Cleveland: The Man and the Statesman,* vol. 2 (New York: Harper, 1923), p. 111.

38. Wilson wrote that "my services on the Conference Committee on the Tariff Bill gave me enough glimpses of [Gorman's] conduct in that contest to assure me that he was the bribed attorney of the Sugar Trust and of other trusts or jobbers, who wished their interests taken care of in the tariff revision." Festus P. Summers, *The Cabinet Diary of William L. Wilson, 1896–1897* (Chapel Hill: University of North Carolina Press, 1957), p. 60.

39. In nearly every tariff bill in American history, the conference committee has, in a very real sense, written the final bill. Often, what emerged from the conference room bore little resemblance to the two versions of the bill that went in. By accepting all the Senate amendments, the House circumvented this normal process of consensus building. It also resulted in numerous "jokers" becoming law even though that was not intended. Senator John Sherman of

keep free wool and other reforms, Cleveland eventually allowed the bill to become law without his signature.

While the new internationalized trade strategy of the Harrison and Cleveland administrations resonated well with, and ultimately benefited, several important producer groups, we cannot explain the transformation of policy simply in terms of domestic interest group pressures. First, important beneficiaries of the new strategy actively opposed it. This is seen most clearly in the duty-free wool provision of the Wilson–Gorman Act. Tariffs on raw wool were the linchpin of the protectionist system. The United States was a high cost producer of raw wool. Even under high protection, American woolgrowers could not meet the domestic demand, and a significant quantity of raw wool continued to be imported. By raising domestic wool prices, however, the tariff made it economical for many small farmers scattered throughout the Northeast and Midwest to keep sheep to supplement their otherwise meager monetary incomes. The duty on raw wool was the only item in the tariff that yielded a real benefit to the agricultural sector and helped mitigate farm oppostion to the tariff as a whole. The acquiescence, indeed support, of the woolen manufacturers for the duty on raw wool was obtained through the "mixed" tariff system. The manufacturer received both a specific duty, nominally equivalent to the tariff on raw wool but normally containing an extra measure of protection, and an *ad valorem* duty to protect the manufacturing process. Under this system of mixed duties, both the woolgrower and the manufacturer could be benefited without apparent cost to the other. The Wilson–Gorman Act removed the duty on raw wool and the compensating specific duty entirely. While the manufacturers, in theory, continued to receive as much protection as before—and could now expand their foreign sales with more competitive prices—a key link in the protectionist coalition uniting farmers and manufacturers was severed. To ensure continued protection for their products in the future, the woolen manufacturers bitterly opposed Cleveland's plan for duty-free raw materials. If a single brick were removed from the tariff wall, then the whole edifice, protectionists feared, might come tumbling down.

Secondly, other beneficiaries mobilized in support of the new trade strategy only when actively encouraged by foreign policy leaders. The duty-free raw materals proposal was not on the national political agenda before Cleveland's 1887 annual message. Likewise, farmers supported Blaine's reciprocity plan and mobilized into the tariff-making process only after the secretary of state went directly to the public to circumvent the usual protectionist

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Ohio remarked that "there are many cases in the bill where enactment was not intended by the Senate. For instance, innumerable amendments were put on by the Senators on both sides of the chamber . . . to give the Committee of Conference a chance to think of the matter, and they are all adopted, whatever may be their language or the incongruity with other parts of the bill." Cited in Henry Jones Ford, *The Cleveland Era* (New Haven, Conn.: Yale University Press, 1919), p. 199.

coalition. Without the initiative and advocacy of the foreign policy leaders, the transformation in American trade strategy would most likely not have occurred.

Despite this social resistance and indifference, the foreign policy executive was relatively successful in enacting its trade strategy preferences into law. While Blaine did not receive everything he wanted, the final legislation did meet his most important objectives. The executive could then use sugar, coffee, tea, and even hides in the negotiation of reciprocity treaties with no congressional limitations. While sharing the same objectives, the Democratic duty-free raw materials platform was less successful legislatively than the Republican policy of reciprocity. Wool was the only important raw material placed on the free list in 1894. Yet given the crucial role of the tariff on raw wool in cementing the protectionist coalition, this was still a major accomplishment.

The success of the foreign policy executive in enacting its trade strategy preferences into policy appears to depend upon three factors. First, it was able to mobilize previously latent interest groups, particularly farmers, into the tariff-making process. This was especially important in Blaine's appeal for reciprocity. Second, Cleveland first redefined the tariff as an issue of export promotion and foreign policy; and Blaine, in 1890, created a transnational coalition with the Latin Americans that raised the stakes of a congressional defeat of reciprocity. Each leader thus used his position within the foreign policy executive to enhance his influence over the tariff-making process. Third, Cleveland demonstrated effective executive leadership in his startling 1887 annual message, as did Blaine in his shrewd manipulation of public opinion. This contrasts with Cleveland's heavy-handed and ill-chosen intervention in the proceedings of the conference committee in 1894, which helped seal the defeat of the more extensive duty-free raw materials plan passed by the House.

The triumph of freer trade, 1909–13

American trade policy in the immediate pre-World War I period, and particularly the important change between the protectionist Payne–Aldrich Act of 1909 and the freer trade Underwood Act of 1913, indicates the importance of shifting international constraints on trade strategy and state action. As I have noted, British hegemony had been declining since the 1870s. In tandem with Britain's declining hegemony, a movement for tariff reform (that is, protection) had begun to emerge by the mid-1890s.[40] Led by Colonial Secretary Joseph Chamberlain, the Imperial Preference movement gathered in-

40. On the Imperial Preference movement in Great Britain before the war, see George Peel, *The Tariff Reformers* (London: Methuen, 1913); and Alan Sykes, *Tariff Reform in British Politics, 1903–1913* (Oxford: Clarendon Press, 1979).

creasing strength in the early twentieth century. It was strong enough by 1903 to split the Conservative party, costing it the parliamentary election of 1906, but still the tariff reformers remained a minority and failed to gain the unequivocal support of party leader Arthur Balfour by the time the Payne–Aldrich Act was passed in 1909.

While it could not do so with quite the impunity as before, the United States could still free ride on British free trade in 1909. Of more concern to foreign policy decision-makers at the time were the increasingly discriminatory trade barriers of continental Europe, which often singled out American products for unfair treatment.[41] To combat these rising barriers, foreign policy leaders proposed, and the Payne–Aldrich Tariff included, a maximum-minimum tariff schedule that threatened penalty duties if the Europeans continued to discriminate against American products. With the maximum-minimum weapon and its promise of success, and Britain's continuing, albeit weakening, commitment to free trade, American foreign policy leaders saw little reason for tariff restraint at home. And little restraint was found in the final bill, in which the tariff on dutiable imports was reduced from a high of 47.6 percent in the Dingley Act of 1897 to 41.0 percent—a rate similar to that found in the Wilson–Gorman Act of 1894.

The roots of the Payne–Aldrich Tariff, and particularly its maximum-minimum schedule, can be traced to the foreign policy executive under President Theodore Roosevelt. While similar measures had been used in Europe for over two decades, the precise origin of support for the maximum-minimum schedule in the United States remains unknown. By the middle of the first decade of the twentieth century, however, two important and related sources of support clearly existed. The first group of supporters were the political and economic expansionists closely associated with Roosevelt's inner circle or "tennis cabinet." Within this circle, Henry Cabot Lodge—a leading member of the Senate Finance Committee in 1909—was strongly advocating a maximum-minimum schedule to the president as early as June 1905.[42] The second supporter was Elihu Root, then secretary of state and later—during the deliberations on the Payne–Aldrich bill—senator from New York. Upon completing a tour of South America in the summer and fall of 1906, Root came out in support of the maximum-minimum schedule in an address before the Trans-Mississippi Commercial Congress:

> A single straight-out tariff was all very well in a world of single straight-out tariffs; but we have passed on, during the course of years, into a world for the most part of maximum and minimum tariffs, and with our single-rate tariff we are left with very little opportunity to reciprocate good treatment from other countries in their tariffs and very little opportunity to defend ourselves against bad treatment.[43]

41. See Lake, *Power, Protection and Free Trade,* chap. 4.
42. *Selections from the Correspondence of Theodore Roosevelt and Henry Cabot Lodge,* vol. 2 (New York: Scribner, 1925), p. 129.
43. Philip C. Jessop, *Elihu Root,* vol. 2 (New York: Dodd, Mead, 1938), p. 215.

With support from Roosevelt and Root, the 1908 Republican National Convention, chaired by Lodge, included the proposal for a maximum-minimum schedule in a more general call for tariff reform.

Neither President William Howard Taft or his secretary of state, Philander C. Knox, were deeply involved in the passage of the Payne–Aldrich Act. Taft did call for lower duties, and was disappointed when he could not fully achieve them. Nonetheless, he later canvassed the country seeking to build support for the "best tariff bill that the Republican party has ever passed."[44] As in the question of lower duties, Taft did not possess strong views on the question of the maximum-minimum schedule. Rather, he supported the proposal as a continuation of the Roosevelt program to which he was pledged.

By 1912, on the other hand, the United Kingdom's waning international position was clearly manifested in the rapid growth of British support for protectionism. Bonar Law—a committed tariff reformer—replaced Balfour; the protectionists now dominated the party; and the Conservatives appeared sure to win the next election. Law's rise to party leader and his expected election as prime minister meant that, for the first time since the 1840s, a staunch protectionist could soon be leading the government. In a dramatic change from 1909, Britain's almost century-old commitment to free trade was clearly in jeopardy.[45] This is not to argue, however, that Law and other tariff reformers, or Britain generally, eschewed a desire for free trade abroad. Britain's trade strategy preferences became a mirror image of America's. The tariff reformers desired modest tariffs at home to protect key industries, increase British exports to the colonies through imperial preferences, and enable the country to strike better bargains with its more protectionist trade rivals. But as the latter two motivations suggest, the tariff reformers remained fundamentally committed to export expansion.

Thus, around 1912, the United States could no longer free ride on Britain's leadership; the two countries now confronted a classic Prisoner's Dilemma: they could agree to adopt mutual free trade or mutual protection, but they could not simultaneously obtain their first choices of protection at home and free trade abroad. The choice confronting the United States after 1912 was either to compromise protection at home for continued export expansion and, more specifically, access to the British market, or accept greater restraints on its exports. Given the country's position as the most productive nation-state in the international economy and the export advantages this entailed, America's trade strategy preferences clearly argued for continued export expansion, and the United States, under the leadership of Woodrow Wilson, chose the route of freer trade.[46]

44. On Taft's role in the passage of the Payne–Aldrich Act, see Paolo E. Coletta, *The Presidency of William Howard Taft* (Lawrence: University Press of Kansas, 1973), pp. 45–75. The quotation is found on p. 73.

45. See Peel, *Tariff Reformers*; and Sykes, *Tariff Reform*.

46. See Lake, *Power, Protection and Free Trade*, chap. 5. In Britain, however, the war

Wilson campaigned in 1912 on a platform of vigorous tariff reduction. The Underwood Tariff Act of 1913 was based upon the principle of a "competitive tariff," which would allow the importation of foreign goods to compete with American producers.[47] The concept of competition was critical: the tariff was not to be abolished or set so low that it would severely damage an industry, but it was to be low enough to allow substantial importation.[48] In fact, the Underwood Act was expected to increase imports by approximately $123 million, or 7.4 percent of all imports in 1912.[49] In the Underwood Act, the tariff on dutiable goods was reduced from 41.0 percent to 26.8 percent, and the average rate of duty on all imports was lowered from 20.0 to 8.8 percent, the lowest rates in any American tariff bill between the Civil War and World War II. As the British magazine *The Economist* wrote, the Underwood bill was "the heaviest blow that has been aimed at the protective system since the British legislation of Sir Robert Peel between 1842 and 1846."[50]

Two mutually reinforcing issues were central to the Underwood tariff debate, both within the country at large during the 1912 election and in the government while the bill was under consideration.[51] The congressional debate centered primarily on trusts. By sheltering the domestic market from imports, the protective tariff was thought to encourage the process of industrial concentration. Lower tariffs, which would provide new competition for the trusts within the American market, were at least partly intended to halt and, hopefully, reverse this process. As a "progressive" candidate, Wilson also emphasized the trust issue. More imporantly for my argument, however, Wilson also reasoned that the structure of the international economy had changed and that the United States must adapt its policies accordingly. First, he argued, the rapid economic development of the country, through which the United States was outstripping the progress of its European rivals, had altered both the economic structure of the country and America's interests within the global economy. Without specifically mentioning Great Brit-

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disrupted the normal course of trade politics. The McKenna duties, designed to raise revenue for the war effort, were adopted in 1915.

47. See Asher Isaacs, *International Trade, Tariff, and Commercial Policies* (Chicago: Irwin, 1948), p. 215.

48. House Ways and Means Committee, *A Bill to Reduce Tariff Duties, to Provide Revenue for the Government, and for Other Purposes: A Report to Accompany H.R. 3321,* 63d Congress, 1st session, 1913, pp. xvi–xvii.

49. The figure of $123 was often cited in the debates. See, in particular, the opening speech of F. M. Simmons, chairman of the Senate Finance Committee, *Congressional Record,* 63d Congress, 1st session, 1913, p. 2552. Total imports for 1912 were $1,653.3 million. *Statistical Abstract of the United States* (Washington, D.C.: GPO, 1916), p. 328.

50. *The Economist,* 12 April 1913, p. 867.

51. Considerable debate in Congress also occurred over the role of the Democratic caucus in the tariff-making process. At the root of this Republican disgruntlement lay the frustration of its party allies in the business community. Where in the past business had faced a friendly Ways and Means Committee, it now confronted a committee committed to rolling back the favors the business people had previously enjoyed.

ain, Wilson raised this theme in many of his speeches on the tariff. In his first message to Congress, Wilson said:

> 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 force 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 the actual facts.[52]

Similarly, early in 1912 campaign, Wilson argued:

> [N]ow we are getting very much interested in foreign markets, but the foreign markets are not particularly interested in us. We have not been very polite, we have not encouraged the intercourse with foreign markets that we might have encouraged, and have obstructed the influence of foreign competition. So these circumstances make the tariff question a new question, our internal arrangements and new combinations of business on one side and on the other our external necessities and the need to give scope to our energy which is now pent up and confined within our own borders.[53]

Second, Wilson believed that America's economic progress in 1912 was even more constrained by the policy of protection than it had been in the past. In the campaign, Wilson said that "if prosperity is not to be checked in this country we must broaden our borders and make conquest of the markets of the world. That is the reason why America is so deeply interested in . . . breaking down . . . that dam against which all the tides of our prosperity have banked up, that great dam which runs around all our coasts and which we call the protective tariff."[54]

Third, given the changing nature of the international economy, Wilson asserted that the United States could no longer be a reclusive nation. American policies did effect other nation-states, he noted, and they could be expected to retaliate. "[A]ll trade is two-sided. You can't sell everything and buy nothing. You can't establish any commercial relationships that aren't two-sided. And if America is to insist upon selling everything and buy nothing, she will find that the rest of the world stands very cold and indifferent to her enterprise."[55] Accordingly, the Underwood Act was designed, in the

52. Arthur S. Link, ed., *The Papers of Woodrow Wilson (WWP),* vol. 27 (Princeton, N.J.: Princeton University Press, various years), p. 270.
53. *WWP,* vol. 23, pp. 641–42.
54. *WWP,* vol. 25, p. 38.
55. *WWP,* vol. 25, p. 341.

words of Wilson's congressional supporters, to free "the highways of trade"[56] and take advantage of "our great national opportunities in the markets of the world."[57]

While many groups in society recognized the need for tariff reductions, it is difficult to explain the outcome entirely in terms of interest group pressures. The economic and, by extrapolation, political importance of export dependent industries—the strongest societal supporters of freer trade—remained relatively constant over the first decade of the twentieth century.[58] Two years after the passage of the protectionist Dingley Tariff of 1897, approximately 57.5 percent (by value of manufactured output) of American industry exported more than 5 percent of its production, and only one sector, chemicals, comprising 4.7 percent of manufacturing, exported more than 10 percent of its output. By 1909, the proportion of American manufacturers who exported 5 percent or more of their production had risen only marginally to 63.6 percent, and no sector exported more than 10 percent of its output. Moreover, relatively little had changed in the structure and international orientation of American industry between 1909 and 1913.[59]

In addition, the protectionist coalition still dominated Congress, and the bill emerged from the legislature in its freer trade form only under the exertions of Wilson, who played a critical role in the successful passage of the Underwood Act. Soon after the November election, Oscar W. Underwood—chairman of the House Ways and Means Committee and one of Wilson's principal rivals for the 1912 nomination—and the Democratic members the committee began drafting a new tariff bill. The draft was completed before the inauguration, and Wilson saw it for the first time only after the committee had completed its deliberations. In an effort to make the measure more palatable to a wider cross-section of legislators, Underwood had backed away from the sweeping reform promised in the campaign. Wilson insisted that the committee hold firm, and in particular demanded the bill include free food, sugar, leather, and wool. Although he threatened to veto the bill unless these goods were admitted free of duty, Wilson compromised on sugar, allowing the duty to be gradually eliminated over three years.[60]

When Democratic support wavered under these demands, Wilson quickly acted to force congressional adherence to the Democratic party's pledge of

56. *Congressional Record,* 63d Congress, 1st session, 1913, p. 662.

57. Ibid., p. 2553.

58. William H. Becker, *The Dynamics of Business–Government Relations: Industry and Exports, 1893–1921* (Chicago: University of Chicago Press, 1982).

59. These figures are derived from those in *Foreign Commerce and Navigation of the United States* (Washington, D.C.: GPO, selected years) and the *Abstract of the Census of the United States* (Washington, D.C.: GPO, selected years). For a more detailed discussion of these data, see Lake, *Power, Protection and Free Trade,* chap. 2.

60. Arthur S. Link, *Wilson: The New Freedom* (Princeton, N.J.: Princeton University Press, 1956).

tariff reform. First, in a bold initiative, Wilson appeared before Congress to argue for the Underwood Act, both dramatizing the importance of the issue and building support for the proposed measure. Not since Jefferson had any president spoken before Congress. While many critics deemed this inappropriate interference in legislative affairs, Wilson's tactic was well received on the whole and demonstrated the president's deep commitment to the bill.[61]

Second, in an attempt to create party discipline, the absence of which Wilson the scholar had decried as the principal weakness of the American political system, the president made support for the Underwood Act a test of party loyalty. Once the measure was approved by the House and Senate Democratic caucuses, Wilson insisted that individual members adhere to all of its provisions, even though they might disagree with individual duties in the bill. Wilson's letter to Senator John Randolph Thornton of Louisiana—one of only two Democratic senators to eventually vote against the bill—is similar to many others in this regard:

> Undoubtedly, you should have felt yourself perfectly free in the caucus to make every effort to carry out the promises you had made to your own people, but when it comes to the final action, my own judgment is perfectly clear. No party can ever for any length of time control the Government or serve the people which can not command the allegiance of its own minority. I feel that there are times, after every argument has been given full consideration and men of equal public conscience have conferred together, when those who are overruled should accept the principle of party government and act with the colleagues through whom they expect to see the country best and most permanently well served.[62]

By making the tariff a party issue, Wilson alienated several progressive Republicans who would otherwise have supported the measure.[63] Without strict party discipline, on the other hand, the bill might not have passed at all, or it might have passed only in a form unacceptable to Wilson.

Despite Wilson's shrewd manipulation of the public arena and the party, senatorial support for the bill was by no means certain. Given the large Democratic majority in the House, few lobbyists believed they could overturn the expected outcome. With only a six-vote majority in the Senate, however, the pressure groups hoped the traditionally more conservative and protectionist upper house would accede to their pleas for continued tariffs. When the bill reached the Senate, rumors—most likely stimulated by the lobbyists now descending on Washington—began to circulate on Capitol Hill that Wilson was willing to compromise on his earlier demands. To combat the influence of the lobby, Wilson initiated his third and perhaps

61. Arthur S. Link, *Woodrow Wilson and the Progressive Era, 1910–1917* (New York: Harper, 1954), pp. 35–36.
62. *WWP*, vol. 28, p. 35.
63. Link, *Wilson: The New Freedom*, p. 185.

most unusual tactic. Appealing to the public and his progressive supporters in particular, the president denounced the tariff lobby:

> I think that the public ought to know the extraordinary exertions being made by the lobby in Washington to gain recognition for certain alterations in the tariff bill. Washington has seldom seen so numerous, so industrious, or so insidious a lobby. . . . It is of serious interest to the country that the people at large should have no lobby and be voiceless in these matters, while great bodies of astute men seek to create an artificial opinion and to overcome the interests of the public for their private profit. It is thoroughly worth the while of the people of this country to take knowledge of this matter. Only public opinion can check and destroy it.[64]

Wilson's remarks were greeted skeptically at first. *The New York Times* noted that it was possible that "the President has mistaken for lobbying the ordinary, usual, and perfectly legitimate measures taken by protected interests to present their case to Congress."[65] Expecting to reveal the president's charges as groundless, the Republicans proposed hearings into the activities of the lobby, which were then expanded into an investigation of the financial holdings of senators themselves.[66] While the investigation found few patently illegal activities, it did reveal numerous conflicts of interest created by legislators holding stock or other interests in industries seeking protection and considerable expenditures designed to influence public and legislative opinion.[67] In the end, the president was more than vindicated. Under the light of public scrutiny, the usual logrolling was blocked. Indeed, the bill actually emerged from the Senate with lower duties than contained in the House version, an event which had never before occurred.

Wilson's success in realizing Democratic pledges for tariff reform contrasts sharply with Taft's failure to meet his more modest promises in 1909. This difference is often attributed to the two presidents' leadership styles, which no doubt played a role in establishing the final outcome. Taft's political ineptitude is easily documented, while Wilson's advocacy of a strong president acting as a leader of his party is displayed both in his academic writings and political practice. Like Blaine, Wilson effectively blocked the dominant protectionist coalition by appealing directly to the public and mobilizing his progressive supporters into the tariff-making process.

Despite these differences in executive leadership, however, changes in Great Britain's international economic structure and strategic trade preferences are critical in understanding the differences between the Payne–Aldrich and Underwood Acts. As British trade preferences rapidly evolved

64. Quoted in Richard Hofstader, ed., *The Progressive Movement, 1900–1915* (Englewood Cliffs, N.J.: Prentice-Hall, 1963), pp. 156–57.
65. Quoted in Link, *Wilson: The New Freedom,* p. 187.
66. Ibid., p. 189.
67. Ibid., pp. 189–90.

in a more protectionist direction between 1909 and 1913, new constraints were placed on American trade strategy. The United States could no longer safely free ride, and now had to accommodate its principal trading partner's mixed interests in protection at home and free trade abroad by reducing its own tariff rates. Wilson's ambition was by necessity larger than Taft's.

Conclusion

That the foreign policy executive is an important actor in the national security issue-area is readily accepted by most international relations scholars. Foreign policy decision-makers, after all, make war, develop strategic nuclear doctrine, conduct diplomacy, and handle crises with little input from society. On these issues, the rational actor or bureaucratic politics models appear as valid simplifications of reality. The importance of the executive is also accepted, although to a slightly lesser degree, in the area of monetary policy.[68] Because the money supply, interest rates, and exchange rates typically affect broad social aggregates in relatively symmetrical ways and do not normally generate intense political cleavages, the executive appears at least relatively autonomous, and therefore central to the policy process. Most scholars are reluctant, however, to attribute a similar role to the foreign policy executive in the area of trade policy.

This article has sought to challenge the analytic primacy granted to private or societal interests in the study of American trade policy. I have argued that private interests alone cannot account for the internationalization of the tariff in the early 1890s or the turn towards freer trade between 1909 and 1913. Rather, both these policy innovations were influenced by changing international constraints and the trade strategies of other countries, as recognized and acted upon by foreign policy leaders. In these cases, the foreign policy executive led society.

The importance of the foreign policy executive in the formulation of trade policy results from two factors. First, many domestic coalitions potentially exist. As Arrow's paradox and coalition theory indicate, even under rather weak and plausible assumptions, majorities and coalitions are likely to be unstable.[69] The structure of interests facing the government is not rigid or

68. Krasner, "U.S. Commercial and Monetary Policy," and Joanne Gowa, "Public Goods and Political Institutions: Trade and Monetary Policy Processes in the United States," this volume, argue that the state is more autonomous and important in the monetary than in the trade issue-area. John Odell, *U.S. International Monetary Policy: Markets, Power, and Ideas as Sources of Change* (Princeton, N.J.: Princeton University Press, 1982), finds the three concepts listed in the subtitle important in explaining monetary policy. All three are consistent with a "statist" approach, although Odell does not use the term. Odell also finds that domestic politics and bureaucratic politics are relatively unimportant.

69. Kenneth Arrow, *Social Choice and Individual Values,* 2d ed. (New Haven, Conn.: Yale University Press, 1963). See also Robert Abrams, *Foundations of Political Analysis* (New York: Columbia University Press, 1980), pp. 41–101 and 235–79.

predetermined. Instead, it resembles a clay which the relatively autonomous elements of the state can—within limits—mold and shape in ways they desire. To the extent that society is open to manipulation, the role of the foreign policy executive is magnified in importance. Particularly important is the foreign policy executive's ability to mobilize latent or previously neutral societal groups into the political processes so that they offset entrenched interests at moments of significant policy change. Wilson's criticism of the tariff lobby, specifically directed at mobilizing his progressive supporters, is a clear example of this pattern. It was also Blaine's goal in his appeal to the public about reciprocity. By highlighting the export advantages that farmers were likely to receive from reciprocity, Blaine sought to weaken the position of the staunch protectionists in Congress.

Second, the unique position of the foreign policy executive at the intersection of the domestic and international political systems generates several entries into the otherwise closed congressional policymaking process. The foreign policy executive can redefine domestic political issues as foreign policy issues.[70] This process is seen clearly in the reconceptualization of the tariff between 1887 and the early 1890s. Even after this reconceptualization had occurred, Wilson continued to emphasize the foreign policy and export expansion implications of tariff reform in 1913. By redefining domestic issues as foreign policy issues, the foreign policy executive legitimates its participation in the policymaking process and increases its influence in its own society. The foreign policy executive is also in a unique position to enter into legitimate transnational coalitions. By agreeing to the recommendations of the International American Conference on reciprocity as an official representative of the United States, Blaine effectively increased his bargaining leverage relative to the protectionist forces in Congress. If Congress then failed to adopt reciprocity, it would risk disappointing the same Latin American countries that the United States had so recently attempted to court.

The cases I have examined reveal that the state is not an empty shell in which social forces compete. American trade policy does not simply result from interest group pressures. Rather, the foreign policy executive has identifiable interests and actively participates in the trade policymaking process. Drawing upon its unique position between the international and domestic political systems and its ability to mobilize societal actors, the foreign policy executive can achieve its goals despite resistance from society. The extent of this success, on the other hand, is conditioned by presidential or executive leadership (critical to the successes of Blaine and Wilson and the difficulties encountered by Cleveland and Taft), and state structure.

The argument I have presented suggests that political institutions may be

70. In his contribution to this volume, John Ikenberry, "Market Solutions for State Problems: The International and Domestic Politics of American Oil Decontrol," finds a similar pattern.

more malleable than "institutionalist" accounts of trade policy have recognized.[71] For instance, Wilson clearly and rapidly overcame the American system of protection and its entrenched protectionist interests when the international constraints facing the United States required a break with tradition and the adoption of a new American trade policy. In this case, the supposedly rigid state structures that magnify the importance of domestic protectionist pressures failed to exert their constraining effects.

This article also suggests that the foreign policy executive can be usefully conceptualized as a link between the international and domestic political systems. There is an important and unanswered question common to all realist and neorealist theories of international politics:[72] By what agent or process are systemic constraints and opportunities communicated or translated into observable public policies? While most realists do not assert that the international system is wholly determining, and they are aware that domestic politics exert an impact upon policy, the relationship between the systemic and national levels of analysis in this literature remains ambiguous. The argument I have developed helps clarify this relationship. Because of its concern with national power and wealth, the foreign policy executive is particularly sensitive to the constraints and opportunities of the international system and the strategic preferences of other countries. Thus, it acts as a conduit through which systemically generated incentives pass into the sphere of domestic politics. This conceptualization highlights the role of the foreign policy executive as a crucial actor linking the systemic and national levels of analysis.

71. See, for example, Judith Goldstein, "Ideas, Institutions, and American Trade Policy," this volume.

72. See Kenneth Waltz, *Theory of International Politics* (Reading, Mass.: Addison-Wesley, 1979).