



*U.S. Trade Policy Controversies:
A Historical Perspective*

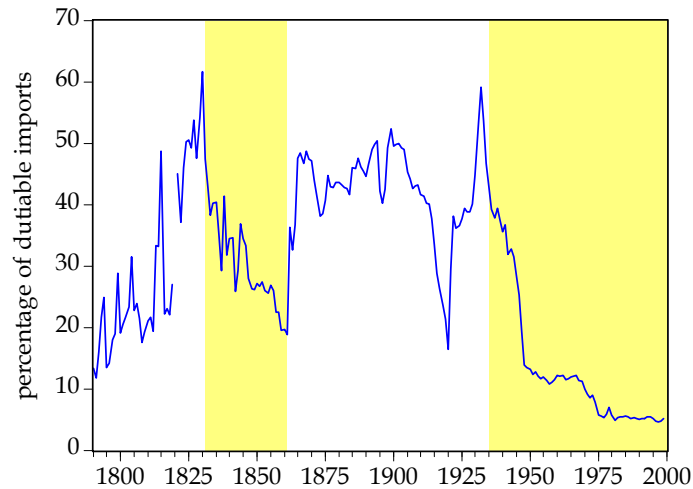
Douglas Irwin
Dartmouth College



James Madison – Federalist 10

- “Shall domestic manufactures be encouraged, and in what degree, by restrictions on foreign manufactures? are questions which would be differently decided by the landed and the manufacturing classes, and probably by neither with a sole regard to justice and the public good.”

Average U.S. Import Tariff 1790-2000



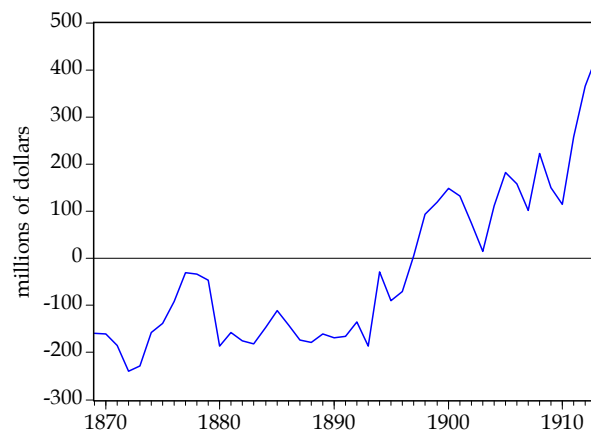
What explains lower tariffs?

- Antebellum period
 - Geographic concentration of trade-related interests
 - North versus South
- Post WWII period
 - Change in political institutions
 - Reciprocal Trade Agreements approach

Antebellum Period

- North
 - Manufacturers support high tariffs
- South
 - Producers of export oriented crops
- West
 - Free agent – shifts support to lower tariffs

U.S. Becomes Net Exporter of Manufactured Goods in 1890s



Trade Balance in Manufactured Goods



William McKinley

September 5, 1901

- **“The period of exclusiveness is past. . . . Reciprocity treaties are in harmony with the spirit of the times, measure of retaliation are not. If perchance some of our tariffs are no longer needed, for revenue or to encourage and protect our industries at home, why should they not be employed to extend and promote our markets abroad?”**



Opening the U.S. Door to Trade

- Shift in manufacturing interests (1890s)
- Income tax (1913)
- But Congress still in control in 1920s
- Smoot-Hawley Tariff of 1930



E. E. Schattschneider

Politics, Pressure, and the Tariff (1935)

- “a survey of the pressure politics of the revision of 1929-30 shows no significant concentration of forces able to reverse the policy and bring about a return to a system of low tariffs or free trade”



Reciprocal Trade Agreements

Act of 1934

- Delegated tariff-negotiating authority to the president
- Activated export-interests
- Set the domestic political foundation for the GATT in 1947



Current System

- Low tariffs and open markets
- International rules (WTO)
- Domestic safety valves
 - antidumping, escape clause, trade adjustment assistance