

# Trade Policymaking Institutions

## Two key features:

1. *Delegation*: Congress repeatedly delegated its constitutional authority on trade matters to the executive branch (RTAA and “Fast Track”)
2. *Reciprocity*: US tariff reductions coupled with foreign tariff reductions by way of bilateral (pre-GATT) and multilateral (post- GATT) trade agreements.

# Did delegation and reciprocity change trade policy outcomes?

- Before RTAA (1934), trade policy was *protectionist*, highly *partisan*, and subject to *logrolling*.
- After RTAA, trade policy became far less protectionist, less partisan, and less subject to protectionist log-rolls.
- “Fast-Track” procedures after 1974 had similar effects, but partisanship and internal divisions within parties have increased recently.

# Domestic-Institutional Argument

- **RTAA tips the domestic balance toward freer trade.**
  - Gave authority to an agent (executive) with a broad-based national constituency
  - Reduced threshold of support needed for Congress to approve tariff-cutting int'l *agreements* to a simple majority (51%) from the supermajority (67%) needed for treaties.
  - Bolstered the lobbying position of *exporters* in the political process. RTAA linked US tariff reduction to foreign tariff reduction (via reciprocity), fostering the development of exporters as an *organized* free trade lobby.
  - Reciprocity increased the size of the export sector and thereby enhanced *subsequent* support for RTAA and freer trade--a dynamic process generating lower tariffs.

## **Domestic-Institutional Argument, cont.**

- RTAA Promotes Bipartisanship
  - Growth of export interests, in terms of economic size and lobbying effectiveness, caused Republicans to change their long-standing support for protectionism.
  - Reciprocity increased the importance of exports to constituencies in congressional districts, which in turn changed the trade policy preferences of Republican representatives.

# International Level Argument

- Presidents not inherently less protectionist. Until 1934, Republican presidents were ardent protectionists while Democrats were staunch free traders. Therefore *delegation* cannot be whole story.
- Why free trade? World War II was the exogenous shock that artificially improved the global position of US manufacturing.
- Why the end of partisanship? Absent the threat of import competition, formally protectionist constituencies of the Republican party embraced world markets.
- As import competition increased after 1960, both parties became more *internally divided* on trade, yet the Republican party has become more strongly associated with free trade.

# Figure 1: Average US Tariff rate, 1820 – 1994

(average tariff = tariff revenue / imports X 100)

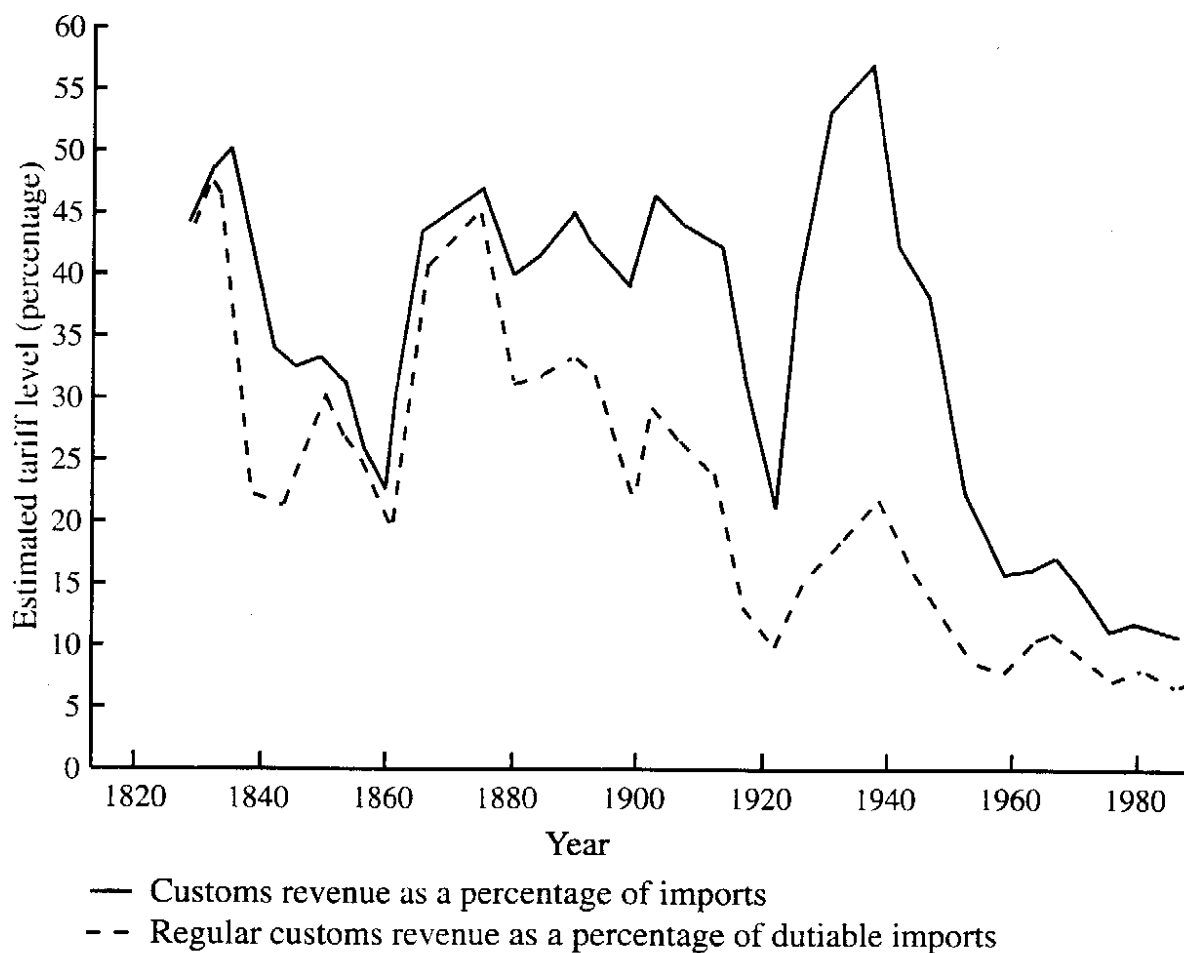


FIGURE 1. *Levels of protection in the United States, 1824–1994*

## Figure 2: Partisanship on Trade Policy

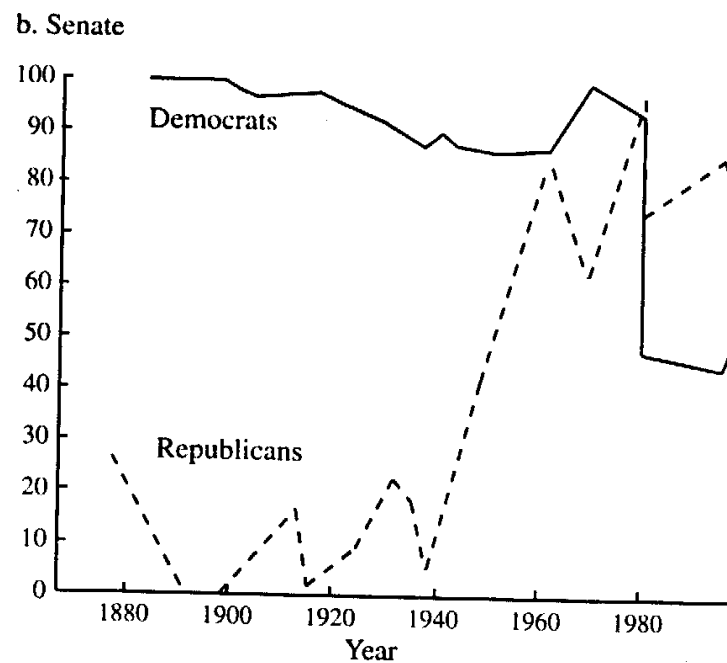
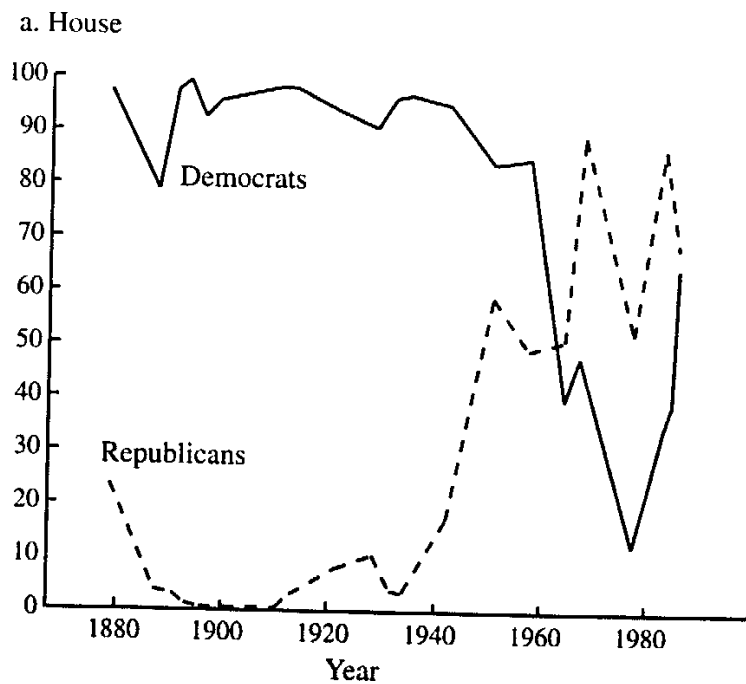


FIGURE 2. *Percentage of party members voting for freer trade, 1870–1994*

## Figure 3: “Exogenous” Change in World Economy

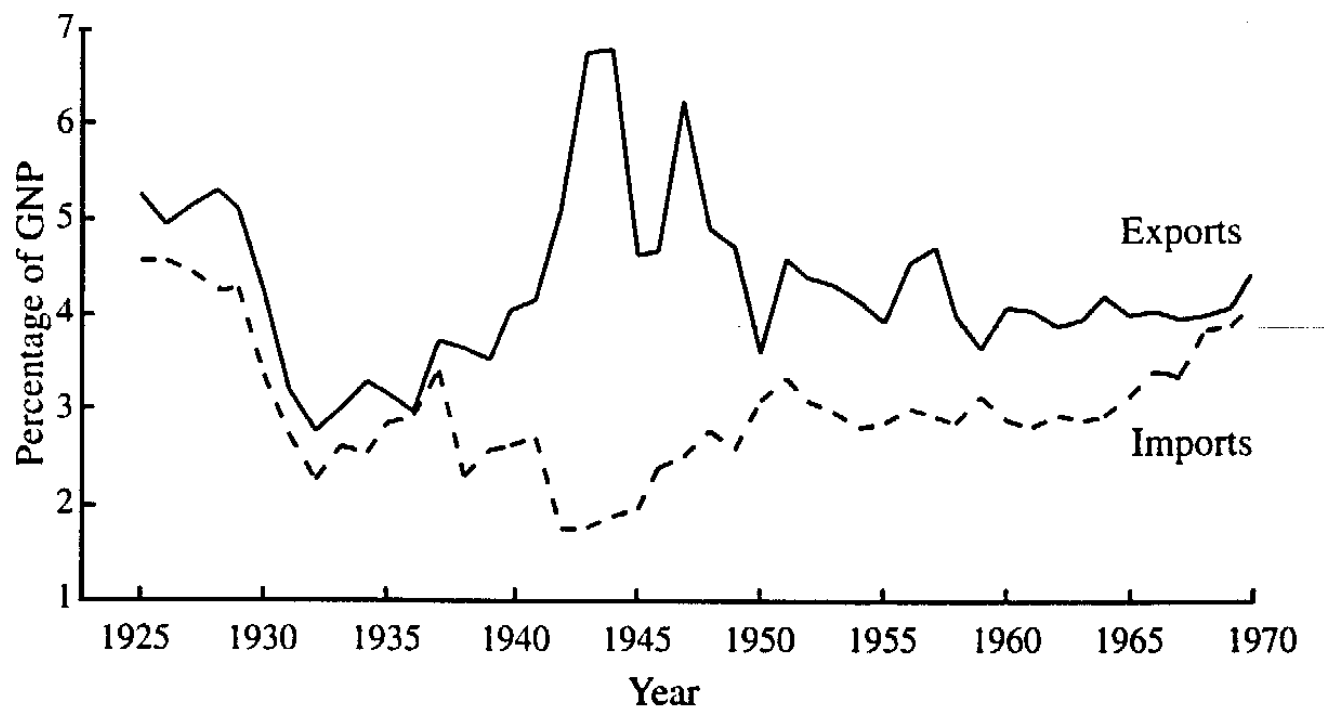


FIGURE 4. *U.S. exports and imports as a percentage of GNP*