

# Trade Policymaking Institutions

- **Three ways to think about institutions**
  1. As *frameworks*: Rules, norms, and procedures that allow people to cooperate to mutual benefit (e.g., RTAA solved logrolling problem for Congress)
  2. As *mechanisms to change outcomes*: Institutions alter the distribution of costs and benefits of policy (e.g, Irwin-Kroszner).
  3. As *epiphenomena*: Institutions are basically irrelevant and policy outcomes result from social actors' demands (e.g., Hiscox).
- **Key Features of Trade Policy Institutions**
  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?

- **Evolution of U.S. Trade Policy**
  - Trade policy before RTAA was highly *partisan*, subject to *logrolling*, and (usually) *protectionist*.
  - After RTAA, trade policy became far less partisan, less subject to log-rolls, and distinctly less protectionist
    - “Fast-Track” procedures after 1974 had similar effects, but partisanship and internal divisions within parties have increased recently
- ***Framework* view: RTAA ends logrolling**
  - Congress gave up authority to set tariffs on *specific* goods. With RTAA, Congress can only vote on whether or not to continue delegation (and on the terms of this delegation), so “vote-trading” among import-competing interests is no longer possible

# Delegation, Reciprocity and Freer Trade

- ***Mechanism to change outcomes* view: RTAA tips the domestic political balance toward lower tariffs and bipartisanship.**
  - 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

*Mechanism to change outcomes view*  
**(continued): RTAA and 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.

## ***Epiphenomenona view: RTAA did not lower tariffs or end partisanship on trade policy.***

- 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)

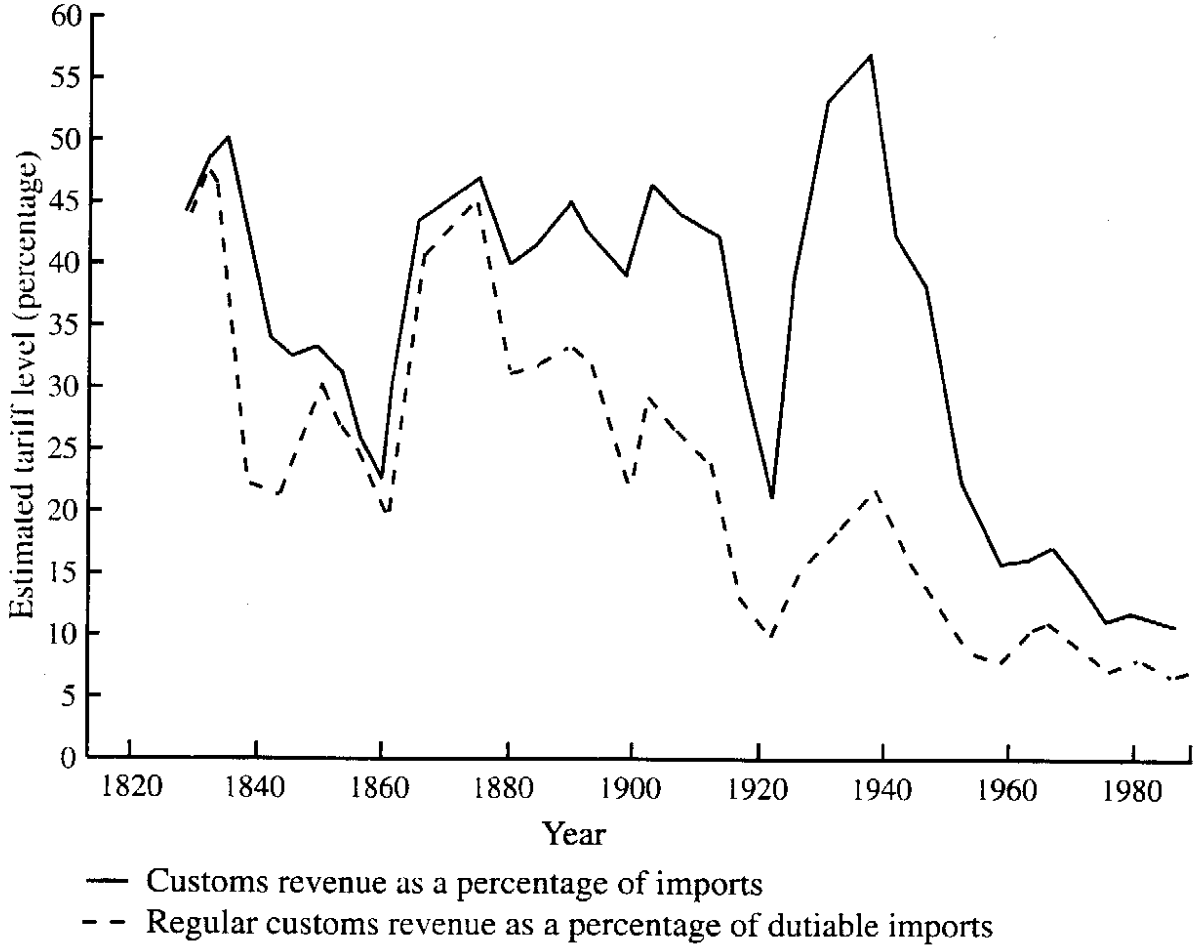


FIGURE 1. Levels of protection in the United States, 1824–1994

# Figure 2: Partisanship on Trade Policy

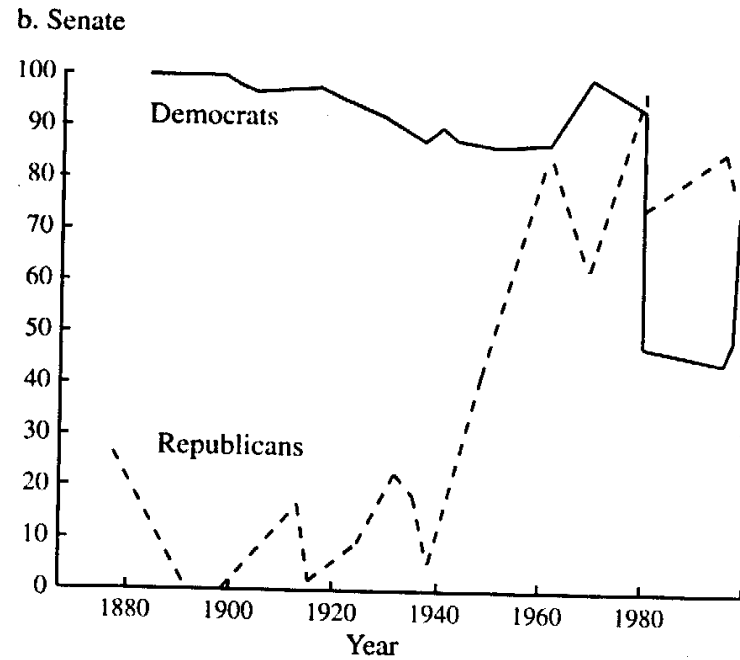
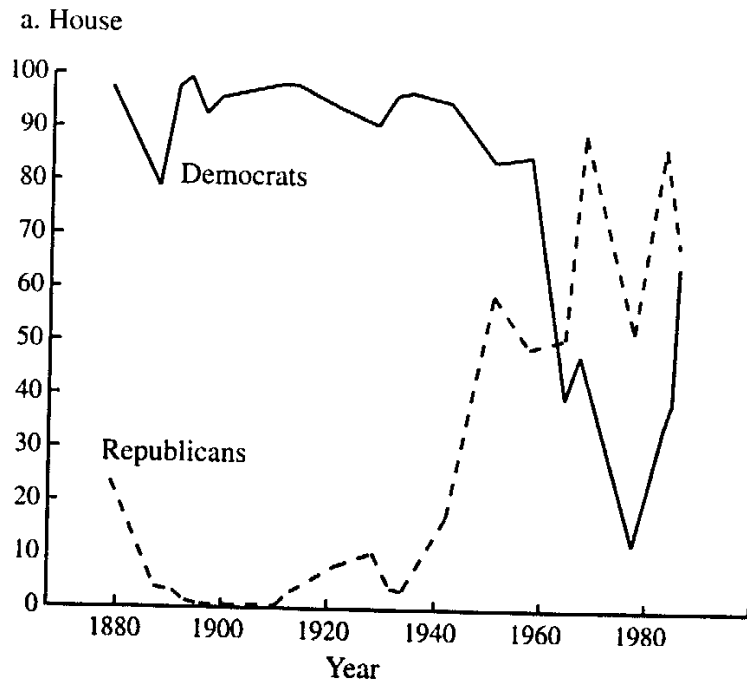


FIGURE 2. Percentage of party members voting for freer trade, 1870–1994

# Figure 3: “Exogenous” Change in World Economy

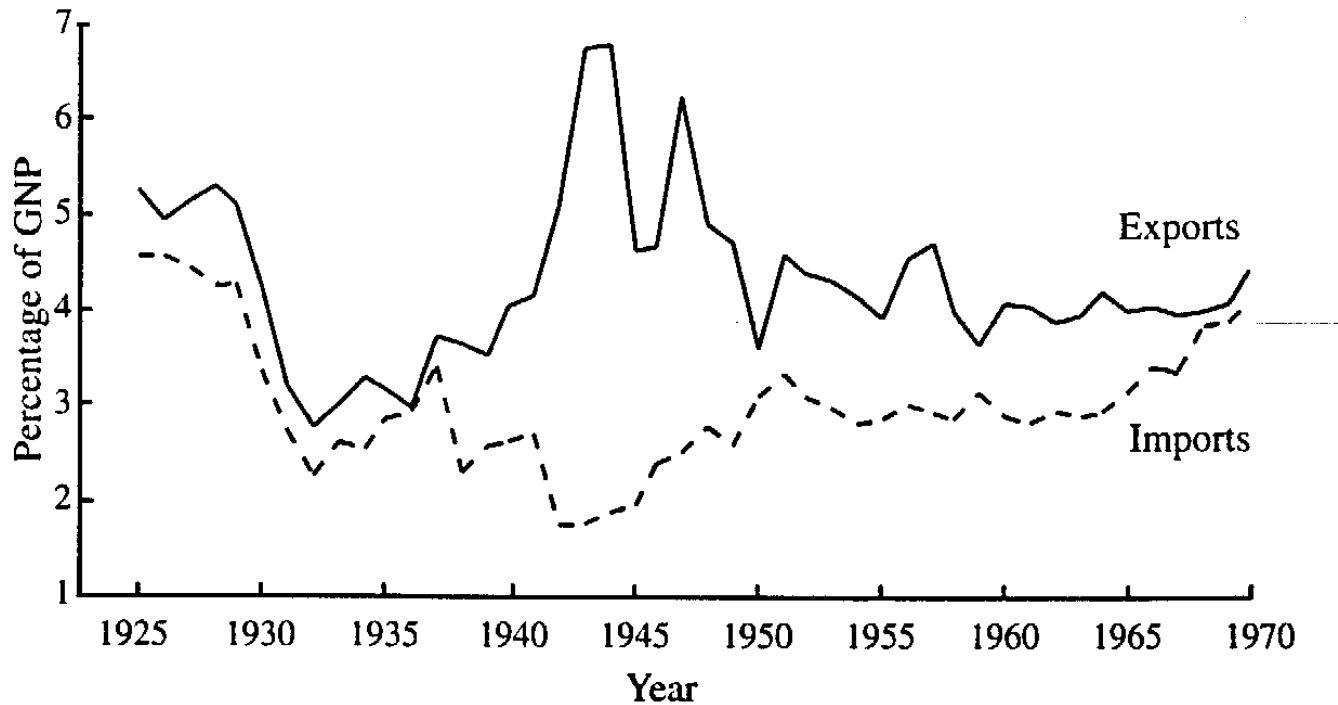


FIGURE 4. *U.S. exports and imports as a percentage of GNP*