

Bailey, Goldstein, and Weingast – “The Institutional Roots of American Trade Policy: Politics, Coalitions, and International Trade” *World Politics* 49 (April 1997).

Puzzle: It is usually argued that societal groups favoring protectionism will lobby legislatures to secure their preferred outcome. Why then do democracies tend to have liberal trade policies?

Answer: Political institutions alter the strategic environment in favor of sustained free trade policies.

The authors analyze the US Reciprocal Trade Agreement Act (RTAA) (1934) as an example of how a change in strategic environments can change strategies and also as an example of domestic-international interactions. They propose two reasons why the RTAA resulted in sustained liberal trade policies: the use of reciprocal, rather than unilateral, tariffs; and the switch from supermajority to simple majority voting on trade issues. The passage of the RTAA was a watershed in US trade policy. Prior to its passage trade policy was almost strictly partisan with Democrats against protectionism and Republicans favoring it. Trade policy reflected the preferences of the party of in control of Congress and changed when the other party took control of Congress.

They construct a spatial model of congressional agenda-setting to demonstrate these dynamics. They model the Congress as it looked in 1934, with a Democratic majority and a Democrat as president. They model tariff levels as a function of a foreign government's and various domestic actors' preferences for tariff levels. They conclude that the Democratic majority will set the tariff level at the point where it is as low as possible but still an improvement over the status quo for the floor majority. This is the point where the indifference curves of the US and the foreign government intersect.

The policy was designed by the Democrats to outlast Democratic control of Congress and to make it not in the interest of Republicans to change the policy. The use of reciprocal trade policies gave a voice to sectors that benefited from increased openness. By linking tariff reductions with reductions in other countries, the RTAA created a constituency for openness. Following the passage of the RTAA there was an increase in the level of the trade. As trade increased there was an increase in the benefits accrued to export interests and a proportionally smaller disadvantage to import-competing industries. The same happened in foreign countries so that both countries have an incentive to keep tariffs low. Indifference curves in the model shift prompting further liberalization. The authors test the probability that support for liberalization was a function of the number of export industries in the congressional district. They test votes on subsequent amends to US trade policy. They found that as trade increases Republicans are less likely to support protectionist policies.