

Bailey, Goldstein, Weingast, “The Institutional Roots of American Trade Policy: Politics, Coalitions and International Trade” in *World Politics* 49 (April 1997), 309-338.

Summary: Democrats in 1934 passed the RTAA, legislation which was able to secure low tariffs, reciprocal rather than unilateral, and able to endure protectionist republican Congress. This legislation is an example of how domestic politics led to an institutional innovation, which led to increased world trade. Increased trade then led to Congress and foreign actors to put more weight on increasing access to international markets.

Two sets of puzzles:

- 1) Why would congress agree to forfeit so much power over tariffs to the president, especially at a time when free trade was unpopular?
- 2) How was the RTAA able to endure for 28 years when protectionist interests were overrepresented?

Section I: Bipartisan Support for Trade Policy

Explains the history of partisan division over trade policy before the TRAA. Tariffs were reduced when congress and presidency were controlled by democrats, and increases with the republicans. After the legislation there is the emergence of a lasting free trade coalition.

Two rules in RTAA are determining:

- It mandated reciprocal, not unilateral, tariff reductions.
- It authorized trade agreements on the basis of a simple majority vote instead of the supermajority.

Why was this passed? In 1934 there were too few republicans in congress to oppose the democratic initiative. The democratic leadership of the time wanted lower tariffs which would outlive the Democratic control of congress. The institutions they designed, through bundling and other tactics, was able to insure a future of low tariffs. “The RTAA marks a turning point in American trade history because first, it moved Congress away from legislating unilateral tariffs, and second, it granted these bilateral agreements the status of treaties without a two-thirds supermajority”(p.316).

Section II: Political Origins of the RTAA

By coupling low US tariffs with low foreign tariffs two tasks were accomplished:

- a broader range of tariff cuts were acceptable to the majority of members of Congress, because of the link with access to foreign markets.
- It provided durability for the reform efforts. Granting the president the right to negotiate “bundled” tariff treaties, increased the costs to the republicans of increasing tariffs. Under RTAA even small adjustments could unravel many agreements and harm US export interests. P318.

In the language of the new economics of organization the system is presented page 318 – 322, such that all of the objectives for lower tariffs and an durable agreement are agreed to. “a clever institutional innovation that allowed the Democrats to sidestep the constraints of the existing institutional structure”.

AS long as the president is sufficiently liberal on trade the system is such that overturning RTAA is very difficult, even with a protectionist president and a Republican congress.

Section III: Long-term Effects of the RTAA

The RTAA served as a self-reinforcing dynamic that led to increasingly lower tariffs. Trade did increase during RTAA (1934 – 1962), and this trade effected political *preferences*. RTAA increased the importance of exports to constituents in congressional districts, which changed the trade policy preferences of key congressional representatives.

Page 328 discusses how increased trade flows change political preferences. Increasing trade leads member of Congress and foreign actors to place more weight on access to foreign markets, indifference curves then shift, and greater liberalization is possible.

The authors trace how preferences changed through time, to where the RTAA no longer was a partisan issue. With more trade agreements, the export industry flourished, and import competition was more than offset by increased opportunities in export. Protection of the domestic sector became less of a partisan issue. Eventually we see a majority of Republicans in Congress voting for free trade.