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# INTERESTS, INSTITUTIONS, AND IDEOLOGY IN SECURING POLICY CHANGE: THE REPUBLICAN CONVERSION TO TRADE LIBERALIZATION AFTER SMOOT-HAWLEY\*

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## ABSTRACT

This paper investigates how changes in both institutional incentives and economic interests are important for securing durable changes in economic policy. We study how bipartisan support developed to sustain the Reciprocal Trade Agreements Act (RTAA) of 1934, which fundamentally transformed U.S. trade policy. The durability of this change was achieved only when the Republicans, long-time supporters of high tariffs who originally vowed to repeal the RTAA, began to support this Democratic initiative in the 1940s. We find little evidence of an ideological shift among Republicans, but rather an increased sensitivity to export interests for which the institutional structure of the RTAA itself may have been responsible. We conclude that the combination of greater export opportunities and the institutional change that strengthened exporters' lobbying position was required to bring about Republican support for trade liberalization.

## I. INTRODUCTION

THREE distinct but related approaches have been developed to help understand how fundamental change in government policy is brought about and subsequently sustained. The first attributes lasting policy change to shifts in the size and strength of various interest groups, a second emphasizes the importance of changing ideological beliefs among legislators and voters,

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and a third highlights the influence of transactions costs and institutional arrangements on policy outcomes.<sup>1</sup>

This paper draws on these approaches to analyze the economic and political conditions for lasting institutional and policy change associated with the Reciprocal Trade Agreements Act (RTAA) of 1934. The RTAA fundamentally transformed not only the process but also the course of U.S. trade policy. Prior to the RTAA, Congress regularly set tariffs on individual goods in a manner that proved to be particularly susceptible to logrolling coalitions among special interests that sought high import duties. In passing the RTAA, Congress delegated to the executive branch the authority to reduce tariffs through foreign trade agreements that would not require direct congressional approval. Because Congress periodically renewed the legislation and never again enacted a general tariff bill, the RTAA proved to be a lasting institutional change that has been the basis for more than half a century of U.S. trade liberalization, resulting in a sustained reduction in average import tariffs (see Figure 1).

Yet the RTAA originally grew out of a sharp partisan division over trade policy and was passed despite strong Republican dissent when the Congress and presidency were firmly in the control of the Democrats. In previous decades, Republicans had consistently supported high tariffs, culminating in the infamous Smoot-Hawley tariff of 1930, and had opposed the RTAA for fear that it would be an instrument for lowering tariffs. Their 1936 election platform explicitly vowed to “repeal the present reciprocal trade agreement law,” and not a single Republican senator voted in favor of renewing

<sup>1</sup> The private interest approach is associated with the work of economists Mancur Olson, Jr., *The Logic of Collective Action* (1965); George J. Stigler, *The Theory of Economic Regulation*, 2 *Bell J. Econ. & Mgmt.* 3 (1971); Sam Peltzman, *Toward a More General Theory of Regulation*, 19 *J. Law & Econ.* 211 (1976); and Sam Peltzman, *Constituent Interest and Congressional Voting*, 27 *J. Law & Econ.* 181 (1984); and Gary S. Becker, *A Theory of Competition among Pressure Groups for Political Influence*, 98 *Q. J. Econ.* 371 (1983). The ideology approach is associated with the work of political scientists Judith Goldstein, *Ideas, Institutions, and American Trade Policy*, 42 *Int'l Org.* 179 (1988); and Keith Poole & Howard Rosenthal, *Congress: A Political-Economic History of Roll Call Voting* (1997). Bruce Bender & John R. Lott, Jr., *Legislator Voting and Shirking*, 87 *Pub. Choice* 67 (1996); and Keith Poole & Howard Rosenthal, *Are Legislators Ideologues or the Agents of Constituents?* 40 *Eur. Econ. Rev.* 707 (1996), offer recent surveys and differing assessments of the literature on how interests and ideology affect policy outcomes. The new institutional economics approach to politics is associated with the work of Douglass North, *Transactions Cost Theory of Politics*, 2 *J. Theoretical Pol.* 355 (1990); and Oliver E. Williamson, *The Politics and Economics of Redistribution and Inefficiency*, in *The Mechanisms of Governance* (1990). Lee Alston, Thrainn Eggertsson, & Douglass North, eds., *Empirical Studies in Institutional Change* (1996); and Avinash K. Dixit, *The Making of Economic Policy: A Transactions-Cost Politics Perspective* (1996), provide overviews of this perspective. Dani Rodrik, *Understanding Economic Policy Reform*, 34 *J. Econ. Literature* 9 (1996), reviews the literature on the political economy of policy reform.

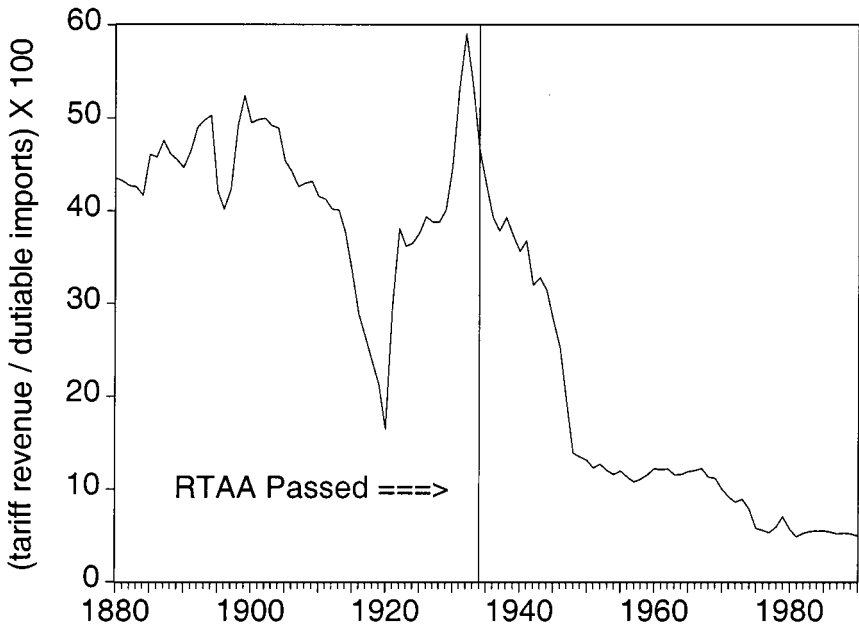


FIGURE 1.—Average U.S. import tariff rate, 1880–1990. Sources: U.S. Department of Commerce, Bureau of the Census, *Historical Statistics of the United States* (1975); and *Statistical Abstract of the United States* (various issues).

the RTAA in 1937 and 1940. As the 1940s progressed, however, Republicans began to cross the aisle and vote with Democrats in favor of RTAA renewals. Finally, in their 1948 election platform, the Republicans declared, “[W]e shall support the system of reciprocal trade.”

The conversion of the Republicans, who could have abolished the RTAA when they were returned to power, was crucial to the stability and durability of this institutional change. Without a bipartisan consensus in favor of the RTAA process, postwar commercial policy arrangements such as the General Agreement on Tariffs and Trade (GATT) would have been in jeopardy. This paper examines how factors such as changes in ideology and economic interests, as well as the institutional structure of the RTAA itself, may have prompted the Republicans to abandon their long-standing advocacy of protectionism and to begin supporting reciprocal trade agreements.

We argue that changes in economic interests and in the political effectiveness of those interests due to the RTAA provide the keys to understanding the transformation of the Republican position and therefore the persistence of trade liberalization in the postwar era. Changes in both interests and institutions appear to have been necessary to sustain the policy shift

since neither alone was sufficient to achieve this end. The importance of export interests grew during and after World War II, but a comparable growth of exports during and after World War I, for example, failed to generate bipartisan support for lower tariffs.

Similarly, the institutional innovations associated with the RTAA were insufficient to cause the Republicans to change their position: they objected to the RTAA in 1934 and continued their staunch opposition 6 years later in the 1940 renewal debate. The existence of this mechanism to facilitate the organization and lobbying of exporters in favor of trade liberalization was itself not enough to garner bipartisan support for the RTAA until export interests grew larger. Thus, the combination of a new institutional structure of decision making and a change in the size of the competing interest groups was apparently required to secure lasting policy change.

Other political scientists and economists also emphasize the importance of the RTAA, but their empirical analyses do not explore the critical shift in the Republican position between the 1930s and the 1940s. Gilligan focuses his empirical work on the years 1880–1937, the period prior to the Republican change when they were uniformly hostile to trade liberalization.<sup>2</sup> Michael R. Bailey, Judith Goldstein, and Barry R. Weingast limit their empirical analysis to 1953 and 1962, years when bipartisan support for the RTAA had already been established.<sup>3</sup> Robert E. Baldwin and Krishna Srinivasan also study the influence of trade-related interests on postwar commercial policy.<sup>4</sup> In contrast, we directly compare pre- and postwar voting patterns to investigate the changing effect of import and export interests on the two parties to explain the emergence of bipartisan support for trade liberalization.

In Section II, we briefly discuss the partisan nature of U.S. trade politics

<sup>2</sup> Michael J. Gilligan, *Empowering Exporters: Reciprocity, Delegation, and Collective Action in American Trade Policy* (1997).

<sup>3</sup> Michael R. Bailey, Judith Goldstein, & Barry R. Weingast, *The Institutional Roots of American Trade Policy*, 49 *World Pol.* 309 (1997), examine several House votes on the RTAA renewal in 1953 and the passage of the Trade Expansion Act of 1962. They find that, controlling for party and ideology, exports had a positive and statistically significant effect on the probability of voting for trade liberalization, and the change in imports had a negative and statistically significant effect.

<sup>4</sup> Robert E. Baldwin, *The Political Economy of U.S. Import Policy* (1985); and Robert E. Baldwin, *The Political Economy of Postwar U.S. Trade Policy*, in *Trade Policy in a Changing World Economy* (1988), analyze the influence of import and export interests on voting on the Trade Act of 1974. Krishna Srinivasan, *An Empirical Analysis of the Political Economy of Tariffs*, 9 *Econ. & Pol.* 55 (1997), examines voting on the Trade Expansion Act of 1962 and the Trade Act of 1974. He finds that, controlling for party and ideology (ADA ratings), export and import interests were more important in explaining the 1974 vote than the 1962 vote. He does not examine the differential effect of these factors on the voting by members of the two parties.

in the years prior to the Republican conversion and the institutional changes in the trade-policy process associated with the RTAA. In particular, we describe how the new structure tended to increase the participation and influence of export interests relative to import-competing interests. In Section III, we explore alternative explanations—changes in ideology, in economic interests, and in foreign-policy considerations—for why the Republicans abandoned protectionism. To differentiate among the hypotheses, we develop a probit voting model to predict the Senate votes on the original RTAA in 1934 and its renewal in 1945, when the Republican party split and roughly half of its members supported the RTAA's extension.

We find no evidence of an ideological shift among Republicans and a limited role for foreign-policy considerations in 1945. In contrast, we do find a distinct change in the pattern of influence of economic interests: Senate Republicans voting in 1934 were responsive only to import-competing interests, whereas those voting in 1945 were responsive to both import-competing and export-oriented interests. We then relate the increased sensitivity to export interests to exporters having greater incentives to organize under the RTAA and present corroborative evidence from the representation of such interests at congressional hearings. We conclude by briefly describing the evolution of post-1945 legislation and discussing the implications of our analysis for the forces shaping political outcomes more generally.

## II. RTAA POLITICS AND U.S. TRADE POLICY MAKING

From the end of the Civil War through the Smoot-Hawley tariff of 1930, congressional voting on the tariff followed a predictable pattern: Republicans supported high tariffs, while Democrats supported lower tariffs.<sup>5</sup> The Republicans were politically dominant during much of this period, but partisanship was not the only reason that tariffs stood at roughly 40–50 percent in the decades prior to the RTAA. Schattschneider describes the legislative forum as ideal for logrolling among special interests seeking high tariffs.<sup>6</sup> Although the final House and Senate votes on the Smoot-Hawley tariff were largely along partisan lines, for example, Irwin and Kroszner find that

<sup>5</sup> In the Senate, where strict party-line voting was less frequent than in the House, over 90 percent of Republicans voted in favor of high tariffs and against lower tariffs, while over 90 percent of Democrats voted the opposite way, in most tariff votes during the 1880–1930 period. Sharyn O'Halloran, *Politics, Process, and American Trade Policy* (1994); and David Epstein & Sharyn O'Halloran, *The Partisan Paradox and the U.S. Tariff, 1877 to 1934*, 50 *Int'l Org.* 301 (1996), study the partisan nature of congressional voting on trade legislation.

<sup>6</sup> E. E. Schattschneider, *Politics, Pressure, and the Tariff* (1935).

the numerous Senate floor votes on individual tariffs leading up to the final vote were marked by significant cross-party logrolling.<sup>7</sup>

The Democrats, who had been generally critical of the high import duties in the Republican Smoot-Hawley tariff, were swept into office in the 1932 election. Although there was little sentiment for a unilateral tariff reduction (such as a repeal of Smoot-Hawley) in the midst of the Great Depression, Democrats generally desired some form of tariff moderation and were concerned about the sharp rise in foreign tariffs on U.S. exports. As a result, President Roosevelt proposed the RTAA as an "emergency measure" in 1934 at the urging of Secretary of State Cordell Hull. The RTAA allowed the president to reduce U.S. tariffs by up to 50 percent in foreign trade agreements that would not require congressional approval. Schnietz and Bailey, Goldstein, and Weingast, for example, have also argued that the Democrats, frustrated with the repeated Republican reversals of their earlier unilateral tariff reductions, opted for this institutional innovation (executive delegation and trade agreements) to make lower tariffs more politically durable.<sup>8</sup> Congress delegated this authority to the executive branch for only 3 years, however, and subsequent renewals were for 3 years or less.

Several key elements of the RTAA helped tip the political balance in favor of lower tariffs. First, the RTAA reduced access to legislative mechanisms that supported redistributive bargains and logrolling coalitions that had led to high tariffs.<sup>9</sup> Congress effectively gave up the ability to legislate duties on specific goods when it delegated tariff-negotiating power to the executive. Congressional votes on trade policy were now framed simply in terms of whether or not (and under what circumstances) the RTAA should be continued, so vote trading among particular import-competing interests was no longer feasible.

Second, the RTAA delegated authority and agenda-setting power to the executive who, with a broad-based constituency, was more likely to favor tariff moderation compared with the Congress. The national electoral base of the president is often thought to make the executive more likely to favor policies that could benefit the nation as a whole (such as free trade), whereas the narrower geographic representative structure of Congress

<sup>7</sup> Douglas A. Irwin & Randall S. Kroszner, Log-Rolling, Partisanship, and Economic Interests, 45 *Carnegie Rochester Series Pub. Pol'y* 201 (1996).

<sup>8</sup> Karen Schneitz, The 1934 Reciprocal Trade Agreements Act (unpublished manuscript, Rice Univ. 1994). Bailey, Goldstein, & Weingast, *supra* note 3. For additional background on trade policy during this period, see Douglas A. Irwin, From Smoot-Hawley to Reciprocal Trade Agreements, in *The Defining Moment* (Michael Bordo, Claudia Goldin, & Eugene N. White eds. 1998).

<sup>9</sup> Kenneth A. Shepsle & Barry R. Weingast, Positive Theories of Congressional Institutions, 19 *Legis. Stud. Q.* 149 (1994). Irwin & Kroszner, *supra* note 7.



would lead its members to have more parochial interests.<sup>10</sup> Furthermore, the president may be more likely than Congress to take into account the broader foreign-policy ramifications of trade policy that affect the country as a whole.<sup>11</sup>

Third, the RTAA reduced the threshold of political support needed for members of Congress to approve executive tariff-reduction agreements. The renewal of the RTAA required a simple majority in Congress, whereas prior to the RTAA any foreign trade treaty negotiated by the president had to be approved by two-thirds of the Senate. Tariff-reducing agreements thus needed only the support of the median legislator, not that in the sixty-seventh percentile.<sup>12</sup> This meant that protectionist forces would have to muster greater support to block tariff-reduction agreements under the RTAA, by refusing to renew the legislation, than under a treaty, when a minority could (and frequently did) veto it.

Finally, the RTAA helped to bolster the bargaining and lobbying position of exporters in the political process.<sup>13</sup> Previously, import-competing domestic producers were the main trade-related lobby groups on Capitol Hill since the benefits of high tariffs to these producers were relatively concentrated. Since an import duty is effectively equivalent to a tax on exports, exporters were harmed—but only indirectly—by high tariffs. The cost to exporters of any particular duty was relatively diffuse, and therefore exporters failed to organize an effective political opposition. The RTAA explicitly linked foreign tariff reductions that were beneficial to exporters to lower tariff protection for import-competing producers. By directly tying lower foreign tariffs to lower domestic tariffs, the RTAA may have fostered the development of exporters as an organized group opposing high tariffs and supporting international trade agreements.<sup>14</sup> In addition, the lower tariffs negotiated under the RTAA authority would tend to increase the size of the export sector and thereby enhance subsequent support for renewal.

These aspects of the RTAA may have reduced the costs (or increased the benefits) for free-trade interests to organize and lobby compared with protectionist interests. The RTAA did not make free trade inevitable, however, because at any point Congress could have taken back the negotiating authority it granted. Sustaining the RTAA as an institutional change re-

<sup>10</sup> Barry R. Weingast, Kenneth A. Shepsle, & Christopher Johnsen, *The Political Economy of Benefits and Costs*, 89 *J. Pol. Econ.* 642 (1981).

<sup>11</sup> Robert A. Pastor, *Congress and the Politics of U.S. Foreign Economic Policy* (1980); Stephan Haggard, *The Institutional Foundations of Hegemony*, 42 *Int'l Org.* 91 (1988).

<sup>12</sup> Bailey, Goldstein, & Weingast, *supra* note 3.

<sup>13</sup> Gilligan, *supra* note 2.

<sup>14</sup> Arye Hillman & Peter Moser, *Trade Liberalization*, in *The New Transatlantic Economy* (Matthew Canzoneri, Wilfred Ethier, & Vittorio Grilli eds. 1996).



TABLE 1  
SENATE VOTES ON THE RTAA PASSAGE IN 1943  
AND RTAA RENEWAL IN 1945, BY PARTY

	RTAA VOTE, JUNE 4, 1934			RTAA RENEWAL VOTE, JUNE 20, 1945		
	Yea	Nay	Total	Yea	Nay	Total
Democrats	53 (91%)	5 (9%)	58 (62%)	45 (87%)	7 (13%)	52 (59%)
Republicans	6 (17%)	30 (83%)	36 (38%)	15 (42%)	21 (58%)	36 (41%)
Total	59 (63%)	35 (37%)	94 (100%)	60 (68%)	28 (32%)	88 (100%)

SOURCES.—73d Cong., 2d Sess., 78, pt. 10 Cong. Rec. 10,395 (June 4, 1934); and 79th Cong., 1st Sess., 91, pt. 5 Cong. Rec. 6364 (June 20, 1945).

NOTE.—The percentages in the yea and nay columns represent the percent of Democrats, Republicans, and all senators who voted for or against the legislation, including announced votes and vote pairs. The percentages in the total columns represent the percent of Democrats and Republicans in the Senate who voted (or were announced or paired) on the legislation.

quired the ongoing support of a majority in Congress. The RTAA was easily passed in 1934 because the Democrats had large majorities in both chambers of Congress at the time. As long as those majorities were maintained, the RTAA could be easily renewed.

Republicans, however, bitterly opposed the RTAA. Just two of 101 House Republicans (2 percent) and just six of 36 Senate Republicans (17 percent) favored passing the measure in 1934 (see Table 1). Republicans argued that the legislation was an unconstitutional delegation of taxation powers to the president and claimed that lower tariffs would add to the severity of the Great Depression. The Republican platform of 1936 vowed to “repeal the present reciprocal trade agreement law,” deeming it “destructive” for “flooding our markets with foreign commodities” and “dangerous” for entailing secret executive negotiations without legislative approval.<sup>15</sup> In 1937 the Democratic majority in Congress renewed the legislation for another 3 years. Just three of 84 (4 percent) House Republicans supported the extension, while not a single Senate Republican endorsed the measure.

In their election platform of 1940, the Republicans softened their rhetoric on the RTAA, still condemning it but no longer explicitly calling for re-

<sup>15</sup> Quoted in Arthur Isaacs, *International Trade: Tariffs and Commercial Policies* 258 (1948).

peal.<sup>16</sup> Nonetheless, they still voted overwhelmingly against the 1940 renewal, with 96 percent of House Republicans and every Senate Republican voting against it. Because the trade agreements program was effectively on hold until after the war, the proposed 2-year extension of the RTAA in 1943 was not controversial, and in a show of wartime unity the renewal passed with even Republican support.<sup>17</sup>

The Republican platform of 1944 revealed a further shift toward accepting the RTAA and the tariff reductions negotiated by the president. The Republicans would support the “removal of unnecessary and destructive barriers to international trade,” but qualified this position by saying that they also wanted to “maintain [a] fair protective tariff . . . so that the standard of living of our people shall not be impaired.” Furthermore, the tariff should be modified “only by reciprocal bilateral trade agreements approved by Congress,” apparently indicating an acceptance of the idea of reciprocity, but not of unconstrained delegation of authority to the president.<sup>18</sup>

The biggest challenge facing the RTAA was its postwar survival. The president’s negotiating authority, necessary to complete the ambitious postwar plans for the multilateral liberalization of commercial policies, expired in mid-1945. In addition, the Roosevelt administration sought the authority to reduce tariffs up to another 50 percent from their 1945 levels over the next 3 years because the 50 percent maximum reduction in tariffs specified in the original 1934 act already had been made on most dutiable imports. At this critical juncture, 15 of 36 (42 percent) of the Republicans in the Senate broke with their protectionist past and voted in favor of renewal in 1945 (see Table 1). After the Republicans took control of Congress following the 1946 election, they continued to support the RTAA (as we will discuss below), thereby ensuring bipartisan support for trade liberalization and U.S. participation in the GATT negotiations.

### III. COMPARING SENATE VOTING PATTERNS ON RTAA IN 1934 AND ITS RENEWAL IN 1945

#### A. *Hypotheses and Data*

This section explores several contending explanations for the dramatic shift in the Republican position on trade policy by analyzing the Senate

<sup>16</sup> The 1940 platform read, “We condemn the manner in which the so-called reciprocal trade agreements of the New Deal have been put into effect without adequate hearings, with undue haste, without proper consideration of our domestic producers, and without Congressional approval.” *Id.* at 267.

<sup>17</sup> As Isaacs, *id.* at 273, puts it, “Its passage was not seriously opposed by the Republicans. Their leaders felt that no change in the tariff during the war would be helpful and that no attack on it would get very far.”

<sup>18</sup> Quoted in *id.* at 274–75.

passage of the RTAA in 1934 and renewal in 1945. Despite the importance attributed to the RTAA, as noted above, we know of no papers that analyze the congressional vote on its passage in 1934 and compare it to subsequent votes. We believe that the 1945 Senate vote is key to understanding the development of bipartisan support for the RTAA. Unlike the 1937 and 1940 votes in which no Senate Republican favored renewal, the Republican split on the issue in 1945 provides the necessary variation in the data to identify how changes in such factors as ideology and economic interests may have affected members of the two parties differently.

In contrast to previous renewals, the 1945 legislation involved new authority to reduce tariffs by another 50 percent from current levels. Unlike later renewal votes, the 1945 bill did not introduce any potential constraints on the executive's authority or concessions to protectionist forces. The 1945 renewal thus is a clean vote for investigating the factors leading to the Republican support of trade liberalization.

A common explanation for the bipartisan support for the RTAA after World War II is in terms of an "ideological" shift toward free trade.<sup>19</sup> The notion that beliefs and ideology explain the Republican shift on trade policy during this period comes in different versions. One perspective on ideological change is that congressmen adopted a more pro-trade stance because the association of the Smoot-Hawley tariff with the Great Depression and the collapse of trade in the early 1930s taught them a lesson about the adverse consequences of high tariffs.<sup>20</sup> Schnietz casts serious doubt on this view by showing that virtually no member of Congress who voted for Smoot-Hawley and was still in Congress 4 years later then voted in favor of the RTAA.<sup>21</sup> As already discussed, Republicans continued to support high tariffs throughout the 1930s by voting overwhelmingly against the RTAA and its subsequent renewals. While such a lesson was apparently lost on these Republicans for about a decade, Goldstein argues that it may take time to develop "liberal beliefs about trade policy" of an "ideological character" that would then lead to an "entrenchment of liberal doctrine."<sup>22</sup>

While there is some controversy about the measurement of ideology, the

<sup>19</sup> According to Robert Pastor, *The Cry-and-Sigh Syndrome*, in *Making Economic Policy in Congress* 184 (Allan Schick ed. 1983), the "most important" reason for the survival of the RTAA system has been that "since 1934 the principle of free trade, not the principle of protection, has been the reigning ideology of trade policy in the country."

<sup>20</sup> As Pastor, *id.* at 161, puts it, "[T]he Smoot-Hawley Tariff Act of 1930 is to commerce what the Munich agreement of 1938 is to peace. . . . [T]hey remain indelibly imprinted on the consciousness of the world as historical errors of such magnitude that every generation of leaders has pledged to avoid repeating them."

<sup>21</sup> Schneitz, *supra* note 8.

<sup>22</sup> Goldstein, *supra* note 1, at 182–83.

two most common proxies are interest group rating scores, such as the Americans for Democratic Action (ADA) index that ranges from 0 (conservative) to 100 (liberal), and the Poole and Rosenthal D-Nominate spatial mapping of legislators onto a left-right political spectrum ranging from  $-1$  to  $1$  based on their voting records.<sup>23</sup> We use D-Nominate as our measure of ideology because the ADA only began to calculate scores with the Eightieth Congress (1947–49), just after the RTAA renewal vote we examine.<sup>24</sup> An advantage of D-Nominate over ADA ratings is that ADA ratings are generally not comparable over time whereas D-Nominate is constructed to be comparable over time.<sup>25</sup> This characteristic is important since we wish to examine the influence of ideological changes over time.

A second explanation focuses on changes in the relative strength of trade-related economic interests as the key force in breaking down the Republican opposition to the RTAA. Immediately after the war, the United States ran “an export surplus in every major industrial group (e.g. machinery, vehicles, chemicals, textiles, and miscellaneous manufactures) except metals” and “favorable export opportunities . . . helped to build support for liberal trade policies on the part of those sectors whose international competitive position was strong.”<sup>26</sup> U.S. trade, particularly exports to war-ravaged Europe, increased sharply after World War II from its prewar level: during 1937–39, exports were on average 3.6 percent of GNP and imports 2.7 percent, but during 1945–47 exports were on average 5.4 percent of GNP and imports 2.2 percent.<sup>27</sup> Furthermore, as previously discussed, the RTAA’s structure itself may have enhanced the political effectiveness of exporters relative to importers and thereby increased the incentive for export interests to organize and lobby for negotiated trade agreements. The growth of

<sup>23</sup> See Poole & Rosenthal, *Congress: A Political-Economic History of Roll Call Voting*, *supra* note 1; Bender & Lott, *supra* note 1; and James Heckman & James Snyder, *Linear Probability Models*, 28 *Rand J. Econ.* S142 (1997). Heckman and Snyder criticize D-Nominate because it does not separate the estimation of preference parameters from the estimation of the attributes of the legislation. They argue that several dimensions are required to explain voting data, but their critique loses some of its force when they note that the first two dimensions explain most of the variance in voting data, are closely related to party and region, and are highly correlated with the D-Nominate measures.

<sup>24</sup> The correlation between the ADA scores and the D-Nominate variable for the Senate of the Eightieth Congress is  $-0.82$ , so the two measures provide a similar classification of legislators.

<sup>25</sup> Timothy Groseclose, Stephen Levitt, & James Snyder, *Comparing Interest Group Scores across Time and Chambers*, 93 *Am. Pol. Sci. Rev.* 33 (1999).

<sup>26</sup> Robert Baldwin, *The Changing Nature of U.S. Trade Policy since World War II*, in *The Structure and Evolution of Recent U.S. Trade Policy* 8–9 (Robert Baldwin & Anne O. Krueger eds. 1984).

<sup>27</sup> U.S. Department of Commerce, Bureau of the Census, *Historical Statistics of the United States*, ser. U201–202 (1975).

export interests, both in terms of economic size and lobbying effectiveness, may therefore have put sufficient pressure on the Republicans to change their long-standing support for protectionism.<sup>28</sup>

Our proxies for constituent trade-related economic interests measure the relative importance of exports and imports in production for each state. To construct these variables, we gather state-level data on the sectoral composition of economic activity and match these to national data on exports and imports in these sectors. Specifically, we first collect data on “tradeable” output produced in each state, that is, output in agriculture, mining, and 14 manufacturing industries. Each sector’s share in total state tradeable output then is weighted by the ratio of total U.S. exports and imports to national output in that sector. The resulting variables are thus export- and import-weighted shares of a state’s traded goods production.<sup>29</sup> We use state-level data on agriculture and mining income from the Bureau of Economic Analysis and *Census of Manufactures* data on value added by industry in each state, using the census data closest to our Senate votes: 1935 data for the 1934 vote and 1947 data for the 1945 vote. Lechter provides the commodity composition of U.S. exports and imports in these sectoral categories.<sup>30</sup> Appendix A describes the variable construction and sources in more detail.

Finally, a third hypothesis is that the primacy of foreign-policy goals in the aftermath of World War II necessitated support for open trade policies as an important tool in rebuilding Western Europe and containing communist expansion. Baldwin, for example, writes that “Republican Senators who voted for the legislation fashioned by Democrats [in 1945] did so mainly on the basis of the foreign-policy arguments for trade liberalization.”<sup>31</sup> This hypothesis also could be interpreted as another form of ideological change. Bailey argues that the link between trade and internationalist anticommunism increased support for trade liberalization in the early cold war period and examines how security preferences influenced congressional trade votes in the 1950s and early 1960s.<sup>32</sup>

<sup>28</sup> See also the revisionist interpretations of the role of business interests in Lloyd Gardner, *Economic Aspects of New Deal Diplomacy* (1964); and Joan Hoff-Wilson, *American Business and Foreign Policy* (1971).

<sup>29</sup> Bailey, Goldstein, & Weingast, *supra* note 3, use a similar measure, whereas Srinivasan, *supra* note 4, uses an employment-based measure of constituent trade interests. We also constructed a measure that uses employment in the import and export sectors instead of value added in each sector. The employment measure is highly correlated with the value-added measure and produces similar results.

<sup>30</sup> Max Lechter, *U.S. Exports and Imports: Classified by OBE End-Use Commodity Categories* (1970).

<sup>31</sup> Baldwin, *The Political Economy of Postwar U.S. Trade Policy*, *supra* note 4, at 51.

<sup>32</sup> Michael Bailey, *Trade-Security Linkage in Congress and the Origins of Cold War Trade Policy* (unpublished manuscript, Georgetown Univ. 1998). Douglas Nelson, *Domestic Political*

To assess the importance of this hypothesis, we construct an index of each senator's foreign-policy preferences. The index is based on how each senator voted on 10 other key foreign-policy-related votes in the 1945–46 session of Congress.<sup>33</sup> The index represents the fraction of these votes in which the Senator supported greater foreign-policy involvement by the United States, ranging from zero for “isolationists” to one for “internationalists.” We will assess the importance of the foreign-policy hypothesis below by examining the relationship between this index and the RTAA renewal vote in 1945.

### B. Results

Before presenting the probit model of senators' voting pattern based on the variables described above, we first examine how the unconditional means of the ideology and economic interest variables changed over time for members of the two parties. The first two columns of Table 2 show that the D-Nominate measure of ideology is nearly constant for the Republicans and the Democrats between 1934 and 1945, so by this measure there is no general ideological shift by either party during this period. We then examine the Republicans in more detail. The six continuing Republicans (those who were in the Senate in both 1934 and 1945) are marginally, but not statistically significantly, more “liberal” than the average Republican.<sup>34</sup> New Republican senators (those holding office in 1945 but not in 1934) have ideology measures virtually identical to those of the 1934 Republicans. The six Republicans who voted for the RTAA in 1934 are much closer to the average Democrat than Republican in terms of their ideology score, but one can reject at the 1 percent level both the hypothesis that their ideology is

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Preconditions of U.S. Trade Policy, 9 J. Pub. Pol. 83, 94 (1989), suggests that the RTAA's survival reflected “a changed perception of the foreign policy role of trade policy by the executive, and changed power of the executive over foreign policy vis-a-vis Congress.” Daniel Verdier, *Democracy and International Trade* 204–6 (1994), argues that “openness was justified by security needs” and that “economic isolationism was discredited.” See also Leroy Rieselbach, *The Roots of Isolationism* (1966); and Benjamin Fordham, *Economic Interests, Party, and Ideology in Early Cold War Era U.S. Foreign Policy*, 52 *Int'l Org.* 358 (1998).

<sup>33</sup> The 10 votes were identified using VOTEVIEW from Poole & Rosenthal, *Congress: A Political-Economic History of Roll Call Voting*, *supra* note 1. The votes include selective training and service act (March 8, 1945), restrictions on U.K. loan (two votes on May 9, 1945), Bretton Woods agreement (May 10, 1945), participation in the IMF (July 19, 1945), United Nations charter (July 28, 1945), acceptance of jurisdiction of the International Court of Justice (two votes on August 2, 1945), requirement of congressional authorization for presidential use of armed forces (December 4, 1945), and extension of the 1940 Selective Service Act (June 5, 1946). We could not identify clear “internationalist” versus “isolationist” votes in the 1934–35 Senate to create a comparable variable for the initial RTAA vote.

<sup>34</sup> Four of the six continuing Republicans voted on both pieces of legislation: two voted for the 1934 passage but against the 1945 extension, one voted against both, and one voted against the 1934 passage but for the 1945 extension.

TABLE 2  
MEANS (SDs) OF IDEOLOGY AND CONSTITUENT ECONOMIC INTERESTS, BY PARTY

	IDEOLOGY		STATE EXPORT SHARE		STATE IMPORT SHARE	
	1934	1945	1935	1947	1935	1947
Democrats ( $N = 60$ in 1934; $N = 56$ in 1945)	-.33 (.16)	-.30 (.24)	.082 (.016)	.150 (.024)	.079 (.016)	.075 (.033)
Republicans ( $N = 36$ in 1934; $N = 40$ in 1945)	.37 (.37)	.36 (.20)	.082 (.020)	.159 (.023)	.079 (.024)	.059 (.021)
Continuing Republicans ( $N = 6$ in 1945)	...	.23 (.09)	...	.171 (.028)	...	.055 (.017)
New Republicans ( $N = 34$ in 1945)	...	.38 (.21)	...	.157 (.022)	...	.060 (.022)
Republicans voting for ( $N = 6$ in 1934; $N = 15$ in 1945)	-.14 (.20)	.27 (.20)	.092 (.010)	.163 (.021)	.063 (.013)	.052 (.011)
Republicans voting against ( $N = 30$ in 1934; $N = 21$ in 1945)	.47 (.30)	.43 (.19)	.080 (.021)	.153 (.021)	.083 (.025)	.068 (.023)

the same as other Republicans and the hypothesis that it is the same as the average Democrat. While the Republicans favoring renewal in 1945 are still statistically significantly more liberal than Republicans opposing renewal, they are not statistically significantly different from the average Republican. Thus, by 1945 it is no longer a handful of ideological outliers among the Republicans who support the RTAA.

The next four columns of Table 2 then compare the export and import variables for the Republican and Democratic constituencies in 1935 and 1947 (recalling that these are the closest years to the Senate votes in which *Census of Manufactures* data are available). In 1935, average export and import shares are identical for both Republican and Democratic senators at roughly 8 percent of state tradeable output. By 1947, exports as a share of tradables have risen sharply for both groups: to 15.9 percent for the Republicans and 15.0 percent for the Democrats. In contrast to the changes in exports, the Democrats experience only a slight fall in imports in their states but the Republicans experience a large and statistically significant decline in imports. When we examine the Republicans in more detail, we find that the continuing and new Republicans have export shares of their constituencies that are almost identical to those of the rest of the Republicans. In both



1934 and 1945, the Republicans who voted for the RTAA or its renewal had more exports, though not statistically significantly more, and statistically significantly fewer imports than the Republicans who voted against. On balance, the constituencies of Republicans are becoming much more net export oriented relative to the Democrats' constituencies, and those Republicans voting in favor of RTAA or its renewal tend to come from more export-oriented states than other Republicans.

We also divide the country into four regions—North, South, Midwest, and West—to examine regional changes in party representation and economic interests between 1934 and 1945.<sup>35</sup> The first three sets of columns in Table 3 show the degree of regional support for the RTAA, the share of Republicans representing the region in the Senate, and the fraction of those Republicans voting in favor of the RTAA. In both the South and West, the fraction of senators voting for RTAA in 1934 and renewal in 1945 is nearly constant. The South has virtually no Republican senators and the Democrats strongly support the RTAA in both periods. The number of Republican senators from the West is precisely the same in the two periods, but in 1945, unlike in 1934, a few of them now support RTAA.

In the Midwest and North, there are larger changes over time in both party representation and voting. The Midwest increases the number of Republicans it sends to the Senate and has fewer senators voting for the RTAA in 1945 than in 1934. The propensity of Midwest Republicans to vote for the RTAA, however, is virtually unchanged: six of 14 Midwest Republicans voted for the RTAA in 1934 (the only Republicans anywhere to do so), and eight of 20 Midwest Republicans voted for the renewal in 1945. The North decreases the number of Republicans it sends to the Senate between 1934 and 1945, but the propensity of those Republicans to support the RTAA increases dramatically. In 1934, not a single of the 15 North Republicans favors the RTAA; in 1945, six of nine North Republicans do so.

This suggests that the Republican split on trade policy in 1945 was driven largely by a swing of North Republicans behind the RTAA. The next two sets of columns help to determine whether changes in economic interests in the regions are related to these voting patterns. All four regions begin with similar proportions of exports to tradables and see them nearly double from 1935 to 1947, with export growth in the West lagging slightly behind the other regions. The regions have greater heterogeneity in their import shares, both in initial positions and changes over time. In 1935, the Midwest had the lowest import share and the North had the highest. The relatively high net export position in the Midwest thus might account for

<sup>35</sup> Richard A. Watson, *The Tariff Revolution*, 18 J. Pol. 678 (1956), observes a growing regional pattern of voting on trade legislation in the late 1940s and early 1950s.

TABLE 3  
VOTING ON RTAA AND RENEWAL (1934 AND 1945) AND ECONOMIC INTERESTS, BY REGION

REGION	FRACTION OF VOTE FOR RTAA AND RENEWAL		FRACTION OF REPUBLICAN SENATORS		FRACTION OF REPUBLICANS FOR RTAA AND RENEWAL		MEAN STATE EXPORT SHARES (SD)		MEAN STATE IMPORT SHARES (SD)	
	1934	1945	1934	1945	1934	1945	1935	1947	1935	1947
North ( <i>N</i> = 22)	.32	.75	.68	.50	.00	.67	.075 (.009)	.160 (.016)	.094 (.017)	.048 (.015)
South ( <i>N</i> = 28)	.85	.89	.04	.07	.00	.00	.083 (.012)	.153 (.025)	.084 (.013)	.091 (.035)
Midwest ( <i>N</i> = 24)	.67	.48	.58	.88	.43	.40	.084 (.027)	.164 (.019)	.061 (.021)	.055 (.015)
West ( <i>N</i> = 22)	.62	.58	.26	.27	.00	.20	.086 (.014)	.137 (.026)	.079 (.007)	.074 (.024)

NOTE.—The regions are defined as follows. The North includes Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Delaware, and Maryland. The South includes Virginia, North Carolina, South Carolina, Georgia, Florida, Mississippi, Alabama, Texas, Tennessee, Kentucky, Arkansas, and Louisiana. The Midwest includes Ohio, Michigan, Indiana, Illinois, Iowa, Wisconsin, Minnesota, North Dakota, South Dakota, Nebraska, Missouri, and Kansas. The West includes Montana, Wyoming, Colorado, New Mexico, Arizona, Utah, Idaho, Washington, Oregon, Nevada, and California.

the high proportion of Republican defections from the protectionist party line in 1934, and the relatively high net import position in the North might account for their having the largest share of Republican representation and the lowest fraction of senators favoring RTAA passage at this time.

Over the next decade, the North experiences a sharp decline in imports, falling by roughly half, whereas the other regions have much more modest changes. The increase in the size of export interests thus is greatest in the North, both absolutely and relative to imports, and this region shows the greatest increase in senators voting for renewal and in the proportion of Republicans supporting renewal. With respect to trade issues, regional changes in voting patterns appear to be directly related to changes in the underlying economic interests of the constituents of the different regions.<sup>36</sup>

To examine the voting patterns more systematically, we employ a probit voting model to explain the Senate votes on the 1934 RTAA and the 1945 renewal. Table 4 contains the estimated marginal effects from various econometric specifications in which the dependent variable is one for a vote in favor of RTAA and zero for a vote against.<sup>37</sup> The marginal effect is the slope of the probability function evaluated at the means of all variables for an infinitesimal change in the independent variables. For indicator variables, the coefficient represents the change in the probability associated with a discrete increase in the variable from zero to one. The robust standard errors for the underlying coefficients assume that the errors are independent across states but not between senators from the same state.

Columns 1 and 4 of Table 4 use the senator's party as the only explanatory variable, where party is one if the senator is a Democrat and is zero if the senator is a Republican. As expected, Democrats are more likely to support the measures than are the Republicans, but the effect is much smaller in 1945 than 1934. Columns 2 and 5 add variables for ideology and export and import shares. The marginal effect of the ideology variable is negative

<sup>36</sup> We also examine changes in North senators' ideology over time. The mean value of North Republican's ideological score in 1945 was 0.29, slightly more liberal than all other Republicans, whose score was 0.38; a formal *t*-test suggests that we cannot reject the hypothesis of equal means. In 1934, however, North Republicans had a mean ideology score of 0.63, significantly more conservative than others. North Republicans clearly became more liberal over time, although much of this shift had occurred by 1940 (when their mean score was 0.40) when none of them voted in favor of renewing the RTAA. Still, there was a statistically significant ideological gap in 1945 between North Republicans who voted in favor of the RTAA renewal (0.19) and North Republicans voting against it (0.43). No statistically significant gap appears in the mean ideology score among Midwest Republicans voting on the RTAA in 1945. Those voting against the RTAA had mean ideology score of 0.41, while those voting in favor had a mean score of 0.38.

<sup>37</sup> The votes are taken from the 73d Cong., 2d Sess., 78, pt. 10 Cong. Rec. 10,395 (June 4, 1934), and 79th Cong., 1st Sess., 91, pt. 5 Cong. Rec. 6364 (June 20, 1945), and include all announced votes and pairs.

TABLE 4

MARGINAL EFFECTS FROM PROBIT MODEL OF FINAL VOTES ON RTAA PASSAGE (1934) AND RENEWAL (1945)

	SENATE RTAA VOTE, JUNE 4, 1934			SENATE RTAA RENEWAL VOTE, JUNE 20, 1945			HOUSE RTAA RENEWAL, MAY 26, 1945	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Party	.83 (.13)	.31 (.20)	.37 (.71)	.45 (.10)	-.15 (.21)	-.18 (.89)	.05 (.96)	.89 (.62)
Ideology	...	-1.29 (.28)	-1.83 (.78)	...	-1.07 (.31)	-1.56 (.61)	-.84 (.59)	-2.75 (.61)
Ideology $\times$ Party	...	...	.80 (.93)	...	...	.19 (.68)	.26 (.62)	1.73 (.70)
Exports	...	-2.80 (4.82)	1.61 (5.84)	...	2.46 (2.57)	23.00 (7.83)	12.91 (7.74)	6.51 (1.87)
Exports $\times$ Party	...	...	-7.99 (8.69)	...	...	-27.61 (9.46)	-21.40 (10.64)	-6.74 (3.27)
Imports	...	-3.07 (3.16)	-17.80 (8.14)	...	-1.56 (2.30)	-19.91 (8.02)	-10.66 (7.16)	1.72 (2.82)
Imports $\times$ Party	...	...	22.83 (11.27)	...	...	20.64 (8.05)	12.52 (7.41)	.16 (3.32)
Predicted Foreign Policy Preference	...	...	...	...	...	...	.18 (.48)	...
Predicted Foreign Policy Preference $\times$ Party	...	...	...	...	...	...	1.47 (.83)	...
Log likelihood	-33.25	-24.00	-22.50	-44.45	-34.85	-26.31	-23.19	-99.90
Pseudo- $R^2$	.46	.61	.64	.18	.37	.52	.58	.64
Correctly classified (%)	88	91	91	74	80	86	88	90

NOTE.—The dependent variable is one for a vote in favor of the RTAA and zero for a vote against. The Party variable is one for Democrats and zero for Republicans. Robust SEs are given in parentheses below coefficients. For the Senate (cols. 1–7), the number of observations is 94 in 1934 and 88 in 1945. For the House (col. 8), the number of observations is 412.

and statistically significant in both years, indicating that—holding party constant—more “liberal” senators are more likely to support the RTAA. In contrast, the economic interest variables are statistically insignificant, and each estimated effect is less than its standard error.<sup>38</sup>

While this result might suggest that ideology alone is influencing the senators’ votes on trade issues, the specifications in columns 2 and 5 impose the restriction that the effects of ideology and economic interests are the same for members of both parties.<sup>39</sup> Columns 3 and 6 relax this assumption by interacting party affiliation with the export and import shares as well as the ideology proxy. Since the party affiliation variable equals one for Democrats, the estimate reported on the export-interests variable is the marginal effect of exports on the Republicans’ vote, and the sum of this coefficient and the coefficient on the interaction term is the effect of export interests on the Democrats’ vote. Similar interpretations apply to the import-interest and ideology variables when the party interaction is included.

In 1934, the export-interest variable has a small and statistically insignificant effect on both the Republicans and the Democrats. Import-interests have a moderate and statistically significant negative effect on the Republicans, but a statistically insignificant effect on the Democrats (that is, the sum of the import interests and interaction term is not statistically significantly different from zero). In 1934, the interaction between the ideology proxy and party is not statistically significant, and this is also true in 1945. We thus find little difference in the relationship between ideology and voting for the two parties in either period.

In 1945, however, Republicans have become dramatically more responsive to export interests. The marginal effect of export share on Republicans’ votes is an order of magnitude larger than in 1934 and is now statistically significant. An increase of one standard deviation in export share from the mean raises the likelihood of a Republican senator favoring renewal by 42

<sup>38</sup> Party and ideology are highly correlated, with a correlation coefficient of  $-0.80$  in 1934 and  $-0.82$  in 1945, but none of the findings we report below regarding economic interests are affected if we omit ideology and simply use party affiliation. Poole & Rosenthal, *Congress: A Political-Economic History of Roll Call Voting*, *supra* note 1, also has estimates of a second dimension of legislator preferences, but it is statistically insignificant in our regressions and its inclusion or omission does not change our findings. We also included indicator variables representing the geographical regions discussed earlier, and this does not affect the results.

<sup>39</sup> Because our proxies for economic interests may not be measured as precisely as the ideology proxy and ideology may to some extent be a product of constituency economic interests, caution should be exercised in interpreting the results in this way (see Bender & Lott, *supra* note 1). We also purged ideology of its correlation with our economic interest variables by regressing it on export and import interests, urbanization, state income, state per capita income, and regional indicator variables and used the residual as a measure of ideology. This residual measure of ideology made virtually no difference to our results, and so we report only the unpurged results.

TABLE 5  
MARGINAL EFFECTS FROM PROBIT MODEL POOLING FINAL SENATE VOTES  
ON RTAA PASSAGE (1934) AND RENEWAL (1945)

	(1)	(2)	(3)
Year = 1945	.26 (.12)	-.27 (.70)	-.39 (.86)
Party	.81 (.07)	.28 (.18)	-.47 (.95)
Party $\times$ Year = 1945	-.35 (.18)	-.46 (.29)	4.05 (1.93)
Ideology	...	-1.17 (.30)	-1.76 (1.04)
Ideology $\times$ Year = 1945	...	-.08 (.46)	-.32 (.77)
Ideology $\times$ Party	...	...	.77 (1.01)
Ideology $\times$ Party $\times$ Year = 1945	...	...	-.51 (1.08)
Exports	...	-2.54 (4.37)	1.53 (5.50)
Exports $\times$ Year = 1945	...	5.44 (8.75)	28.80 (11.41)
Exports $\times$ Party	...	...	-7.64 (7.97)
Exports $\times$ Party $\times$ Year = 1945	...	...	-28.78 (14.68)
Imports	...	-2.79 (2.83)	-17.03 (12.67)
Imports $\times$ Year = 1945	...	.95 (3.54)	-9.25 (9.65)
Imports $\times$ Party	...	...	21.84 (14.26)
Imports $\times$ Party $\times$ Year = 1945	...	...	5.38 (11.37)
Log likelihood	-78.25	-58.85	-48.81
Pseudo- $R^2$	.33	.50	.58
Correctly classified (%)	82	86	88

NOTE.—The dependent variable is one for a vote in favor of the RTAA and zero for a vote against. The Party variable is one for Democrats and zero for Republicans. Robust SEs are given in parentheses below coefficients. For the Senate (columns 1–7), the number of observations is 182.

percent. Import shares have a slightly greater effect on Republicans' votes in 1945 than 1934 and once again no effect on the Democrats. Export interests therefore appear to have increased their influence on Republicans, but not Democrats, between the two periods.

Table 5 pools the 1934 and 1945 votes and includes an intercept and interaction for the year of the vote (year is zero for 1934 and one for 1945). By interacting the year indicator with the other variables, we can directly

test for a change in the effect of ideology and economic interests on voting patterns. The interaction of ideology with year is not statistically significant, indicating no change in the relationship between ideology and voting between these periods. The interaction of exports with year, however, is statistically significant and indicates a dramatic increase in the sensitivity of Republicans to export interests. The results in Table 5 corroborate our findings for Table 4: while both ideological factors and economic interests influence voting patterns, the key change driving the Republicans toward freer trade is not in the realm of ideology but in the role of economic interests.

As discussed in the previous section, the RTAA is likely to have increased the incentive for export interests to organize and lobby and could account for the heightened Republican sensitivity to a given level of constituents' export interests. While we cannot test directly whether the institutional innovation caused the heightened responsiveness, we can explore its plausibility with anecdotal evidence on which groups chose to testify before Congress on the RTAA in 1934 and 1945. In both periods, the number of interest groups testifying in opposition to the reciprocal trade agreements program (mainly associations representing relatively small industries, such as lumber, shoes, and wool) exceeded those in favor, but Appendix B shows that the number testifying in favor does rise. Prominent among those in favor of the RTAA in 1945 were large labor unions from the Congress of Industrial Organizations, which insisted that American workers would benefit from greater exports to economically devastated Europe. In the 1948 and 1949 renewals, a substantially greater number of manufacturing and labor groups testified in favor of the RTAA.<sup>40</sup> Without a major change in the participation of the opposing import-competing interests, the lobbying effort of export interests increased significantly between the mid-1930s and the mid- to late-1940s.

We also investigate the potential effect of foreign-policy considerations on the Republican conversion. The timing of the June 1945 vote casts some doubt on the foreign-policy hypothesis because it occurs just weeks after VE-day and before VJ-day, well before the cold war tensions with the Soviet Union had emerged. In addition, most of the important cold war votes came in subsequent Congresses, for example, the vote on aid to Greece and Turkey and the Marshall Plan in 1948. Nonetheless, we examine the role of these considerations using an index based on each senator's votes on 10 foreign-policy issues in the 1945–46 Congress, as described above.

The foreign-policy-preference index cannot simply be included in a probit regression predicting the Senate RTAA renewal vote because the

<sup>40</sup> See the analysis of the vote in *Congressional Quarterly*, *Congressional Quarterly Almanac* (1949).



votes on the issues included in the index are not independent of ideology or economic interests. Including the index in the RTAA regression would subject the estimation to simultaneous equations bias, since the factors that predict RTAA support (ideology, party, economic interests) also predict support for those foreign-policy issues. To avoid this problem, we employ a two-step procedure in which we first estimate the determinants of the foreign-policy preferences of the senators and then use the predicted foreign-policy-preference index as an independent variable.<sup>41</sup>

Column 7 of Table 4 includes the predicted value of the foreign-policy-preference index and its interaction with party affiliation. This index does not appear to have an effect on the Republicans but does have a positive and statistically significant effect on Democrats. Holding other factors constant, the more “internationalist” Democratic senators thus are more likely to support RTAA renewal. The effects of the economic interest variables are not changed by the inclusion of this index. The coefficient and statistical significance of the ideology proxy is reduced, reflecting the high correlation between the Poole and Rosenthal ideology measure and the foreign-policy-preference index we construct.<sup>42</sup> Foreign-policy considerations do not appear to have had an independent effect on Republicans’ voting patterns on RTAA renewal, and economic interests continue to play an important role even after taking this into account.

As a robustness check, we examine the 1945 House vote on RTAA renewal. As noted in the previous section, the 1945 RTAA renewal vote in the House, as in the Senate, is the first important break in the traditional Republican opposition to trade liberalization.<sup>43</sup> Our empirical analysis, however, has concentrated on the Senate rather than House for two reasons. First, we do not have the data to create district-level economic interest variables, so our state-level export and import shares may involve much greater measurement error when applied to voting in the House. Second, since only two House Republicans support the initial passage of the RTAA, we cannot use party interaction terms to distinguish the effect of the economic variables between the two parties in 1934 and, hence, cannot test for a change specific to the Republicans between 1934 and 1945.

With these caveats in mind, we estimate our probit model for the final

<sup>41</sup> In addition to ideology, party, export and import interests, the other instruments were urbanization, regional indicators, total state income, and per capita state income.

<sup>42</sup> Poole & Rosenthal, Congress: A Political-Economic History of Roll Call Voting, *supra* note 1. Our foreign-policy-preference index could be interpreted as a measure of the specific component of ideology most closely related to trade issues and, hence, a more precisely measured proxy for ideology in the RTAA regressions than D-nominate. The correlation between the two measures is  $-0.81$ .

<sup>43</sup> Thirty-three House Republicans, or 18 percent, voted for renewal in 1945.

RTAA renewal vote on May 26, 1945, in the House and present the results in the final column of Table 4. Note that the number of observations now include 412 representatives voting on renewal and that the reported standard errors adjust for the lack of independence among observations clustered in the same state. The results are similar to those for the Senate. The ideology proxy is statistically significant and negative.<sup>44</sup> Export interests have a statistically significant positive effect on the likelihood that a Republican will support RTAA renewal but no effect on the Democrats, as in the Senate. The coefficient on the import-interests variable, however, is small and imprecisely estimated, perhaps owing to measurement problems in applying state-level variables to the House. The results from the House confirm our finding that the Republicans are responding to export interests in 1945.

### *C. Sustaining the Republican Conversion*

In the 1946 election, the Republicans won control of Congress but did not dismantle the trade agreements program. Although they debated whether to introduce limiting conditions on potential tariff reductions, they did not stop the international negotiations that were to bring about the GATT. The 1948 Republican platform stated: “At all times safeguarding our own industry and agriculture, and under efficient administrative procedures for the legitimate consideration of domestic needs, we shall support the system of reciprocal trade.”<sup>45</sup> Support for the RTAA structure thus became an official part of the Republican position on trade policy.

In 1948, the Republican Congress renewed the RTAA with 98 percent of Republicans in the House and in the Senate voting in favor. The renewal, however, was for just 1 year and introduced a “peril point” provision, which required the U.S. Tariff Commission to calculate the protection necessary to prevent serious injury to domestic producers but did not require the president to act on this information.<sup>46</sup> When the Democrats regained control of Congress in 1949, they repealed that extension and enacted a new (retroactive) 3-year extension of negotiating authority without a peril point

<sup>44</sup> In the House, however, ideology appears to play a more important role for the Republicans than the Democrats in explaining their voting behavior.

<sup>45</sup> Quoted in Raymond A. Bauer, Ithiel de Sola Pool, & Lewis Anthony Dexter, *American Business and Public Policy* 26 (1963).

<sup>46</sup> The president’s negotiating authority was not limited by this provision, but he would have to provide Congress with an explanation if tariffs were cut below this level. Democrats opposed this provision but wanted the RTAA renewed. Democrats generally opposed the measure in the House, but were split in the Senate.

provision. The 1949 extension had the support of 84 of 147 (57 percent) of House Republicans and 15 of 33 (45 percent) of Senate Republicans.

The 1948 and 1949 votes indicate that half of all Republicans in both the House and the Senate would favor a 3-year extension without exceptions or concessions to import-competing interests, while the other half would vote for a reciprocal trade agreements program that included the peril point reporting requirement. Since the Republicans supporting the RTAA without condition could also depend upon the support of Democrats, a coalition to sustain the RTAA approach was in place. By 1951, a Democratic Congress extended RTAA authority for 2 years, but accepted the Republican idea of peril points and required the U.S. Tariff Commission to investigate injury complaints caused by concessions in trade agreements. This and many subsequent votes were largely bipartisan: both parties endorsed the principle of executive leadership on trade policy by continuing to extend presidential negotiating authority, although now with explicit safeguards for domestic import-competing producers.

The economic interests that we identified as crucial to the Republican abandonment of protectionism in the 1940s continued to be important for maintaining the bipartisan support for the RTAA in the postwar period. As previously noted, Baldwin, Bailey, Goldstein, and Weingast, and Srinivasan examine congressional votes on trade-negotiating authority in the 1950s, 1960s, and 1970s and find that export and import interests were important in explaining the outcome.<sup>47</sup> Thus, the economic interests that we identified as crucial to the Republican abandonment of protectionism in the 1940s continued to be important for maintaining the bipartisan support for the RTAA in the postwar period.

#### IV. CONCLUSIONS

Schattschneider ended his study of congressional consideration of the Smoot-Hawley tariff despondently, noting that “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.”<sup>48</sup> Yet 4 years later Congress passed the Reciprocal Trade Agreements Act that resulted in negotiated tariff reductions and continuing trade liberalization throughout the postwar period.<sup>49</sup> To understand

<sup>47</sup> Baldwin, *supra* note 4; Bailey, Goldstein, & Weingast, *supra* note 3; and Srinivasan, *supra* note 4.

<sup>48</sup> Schattschneider, *supra* note 6, at 283.

<sup>49</sup> Douglas A. Irwin, Changes in U.S. Tariffs, 88 Am. Econ. Rev. 1015 (1998), assesses the degree to which the sharp fall in postwar U.S. tariffs can be attributed to reciprocal trade agreements.

why this dramatic institutional and policy change was sustained, this paper focuses on why the traditionally protectionist Republican party switched its position to side with the Democrats in supporting lower trade barriers beginning with the renewal of the RTAA in 1945.

We argue that changes in the sizes of competing economic interests and changes in the effectiveness of those interests due to the RTAA provide the keys to understanding both the transformation of the Republican position and the persistence of trade liberalization in the postwar era. Although both of these changes may have been necessary to maintain liberalization, neither one appears to have been sufficient to achieve this end. Growth in the size of the export interests that occurred during and after World War II clearly increased their relative influence. Yet a similar growth of exports, both absolutely and relative to imports, also occurred during and after World War I but did not generate bipartisan support for lower tariffs.<sup>50</sup> Instead, it was followed by the Republican enactment of the protectionist Fordney-McCumber tariff of 1922. Without an institutional mechanism such as the RTAA for activating export interests, the growth in the size of export interests did not bring about a basic change in policy outcomes.<sup>51</sup>

The institutional structure of the RTAA alone was not sufficient to cause the Republicans to change their position and thereby provide durable support for trade liberalization. The RTAA was passed in 1934 over the objections of the Republicans, but by the 1940 renewal they were no closer to supporting it than they had been 6 years earlier. Having a mechanism in place to facilitate the organization and lobbying of exporters in favor of trade liberalization was itself evidently insufficient to sustain the RTAA until export interests grew larger. The expansion of exports coincides with World War II, at which point Republicans began to cross the aisle in support of the RTAA and trade liberalization.

While an ideological commitment to low tariffs may explain the Democrats' long-standing opposition to protectionism, we did not find evidence of an ideological change or foreign-policy considerations leading to the transformation of the Republican position on this issue. We find a role for institutions influencing the effectiveness of various interest groups, sug-

<sup>50</sup> During 1911–13, exports were on average 5.8 percent of GNP and imports 4.3 percent, but during 1918–20 exports were on average 9.6 percent of GNP and imports 5.1 percent. See U.S. Department of Commerce, Bureau of the Census, *supra* note 27.

<sup>51</sup> For this reason, in 1916 Cordell Hull, the architect of the RTAA but then a young congressman from Tennessee, proposed that the United States convene a world trade conference at the end of World War I to reach agreements that would promote friendly trade relations among nations. Cordell Hull, *Memoirs* (1948). President Wilson had envisioned the League of Nations as providing an institutional forum that would promote trade liberalization but failed to win congressional support for U.S. participation in the League.

gesting that the incentives associated with different decision-making structures can affect policy outcomes, as proposed by the new institutional economics literature.<sup>52</sup> Institutional innovation can be interpreted as technological change that alters the costs of participation and the relative strength of interest groups competing to influence policy.<sup>53</sup> Our results suggest that any analysis of important and lasting policy changes should take into account both the incentive structure of policy-making institutions and the nature of underlying economic interests.

<sup>52</sup> For a review of this literature, see Alston, Eggerston, & North, *supra* note 1.

<sup>53</sup> See also Randall S. Kroszner, The Political Economy of Banking and Financial Regulatory Reform, 10 Res. Fin. Services 33 (1998); Randall S. Kroszner & Thomas Stratmann, Interest Group Competition and the Organization of Congress: Theory and Evidence from Financial Services Political Action Committees, 88 Am. Econ. Rev. 1136 (1998); and Randall S. Kroszner & Philip Strahan, What Drives Deregulation? Economics and Politics of the Relaxation of Bank Branching Restrictions in the United States, 114 Q. J. Econ. (in press, 1999).

## APPENDIX A

This Appendix describes the construction of the state-level export and import share variables. State-level data on the sectoral composition of economic activity are matched to national data on exports and imports to these sectors. Our state index is the product of a sector's share of state output and the value of exports or imports of that sector summed over all sectors, that is, the export- or import-weighted shares of sectoral output in a state. State-level data on value added by industry are from the U.S. Department of Commerce, Bureau of the Census, *Biennial Census of Manufactures, 1935* (1938), and *Census of Manufactures: 1947* (1950). State-level data on farm and mining income for 1935 and 1947 are available in U.S. Department of Commerce, Bureau of Economic Analysis, *State Personal Income* (1984). Max Lechter, *U.S. Imports and Exports* (1970), presents detailed data on the commodity composition of U.S. exports and imports for 1935 and 1947. Table A1 indicates how the trade data from Lechter are mapped into the census categories.

TABLE A1  
CONCORDANCE OF PRODUCTION AND TRADE DATA

Census Category	Exports	Imports
Agriculture	000 + 10	00 + 010 - 0105-7
Mining	1,200 + 1,221-22	1,005-7 + 1,223-24
Food and kindred products	001 + 01	140 + 142-43
Tobacco	4,112	0105
Textile mill products	126	120-21
Apparel products	410	400 + 410A
Lumber and paper products	124	11 + 13 - 1,302
Chemicals	125	123 + 4,012 + 1,225-26 + 28
Petroleum and coal	11 + 4,110	10
Rubber, stone, leather, glass, etc.	127	131 + 1,302 + 16 + 4,010 + 4,011 + 4,101 + 1,220-22
Primary metals	120 + 122	14
Fabricated metals	121 + 123	15 + 4,102
Machinery, instruments, etc.	21	20 - 200 + 4,108
Electrical machinery	20	200 + 4,103
Transport equipment	22 + 3 + 50	21 + 3 + 4,105 + 5,000
Miscellaneous manufactures	400 + 411 - 4,112	4,013 + 4,100 + 4,104 + 42 + 4,106-7

## APPENDIX B

CONGRESSIONAL TESTIMONY BY ECONOMIC INTERESTS FAVORING AND OPPOSING  
THE RTAA IN 1934 AND RTAA RENEWAL IN 1945<sup>54</sup>

1934	
<i>In Favor</i>	<i>In Opposition</i>
U.S. Chamber of Commerce	National Association of Wool Manufacturers
American Manufacturers Export Association	National American Livestock Association
National Automobile Chamber of Commerce	American Mining Congress
National Council of American Importers	National Association of Manufacturers
Fair Tariff League	American Tariff League
	Manufacturing Chemists Association
	Representatives of the lead pencil, tanners, wool hat, linoleum, steel pen, structural glass, saw, lace, lace curtain, linen, upholstery and drapery, toy, knitted elastic, and potters associations and producers
1945	
<i>In Favor</i>	<i>In Opposition</i>
U.S. Chamber of Commerce	National Association of Wool Manufacturers
Congress of Industrial Organizations	American National Livestock Association
United Automobile and Aircraft Workers, CIO	American Cotton Manufacturers Association
Textile Workers Union of America, CIO	National Federation of Textiles, Inc.
Amalgamated Clothing Workers of America, CIO	Independent Petroleum Association
International Union of Mine, Mill, and Smelter Workers, CIO	Representatives of the linoleum and felt base floor covering, wool hat, zinc and manganese, glass and pottery, lumber, shoe, toy, sugar, watch, lace and embroidery, paper, potters, cigar, milk, wool growing and processing, leather, flint glass, and bicycle associations and producers
Brotherhood of Railroad Trainmen	
International Brotherhood of Teamsters	
National Farmers Union	
American Farm Bureau Federation	
McGraw-Hill Publications	

<sup>54</sup> For 1934, House Committee on Ways and Means, and Senate Committee on Finance, Reciprocal Trade Agreements Act, 73d Cong., 2d Sess. For 1945, House Committee on Ways and Means, and Senate Committee on Finance, 1945 Extension of the Reciprocal Trade Agreements Act, 79th Cong., 1st Sess.



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