Geneva-based institution. And, more importantly, they indicate where and how the WTO-building can be fixed before – or after – the rush comes.

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Clashing over Commerce – A History of US Trade Policy

by Douglas A. Irwin
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Douglas A. Irwin, Robert E. Maxwell ’23 Professor of Arts and Sciences in the Department of Economics at Dartmouth College, can lay a strong claim to being not just a prominent trade economist, but perhaps the leading contemporary historian of trade policy. His latest book is a comprehensive and yet thoroughly accessible history of US trade policy, from pre-Revolutionary times to the present day.

A blurb on the back cover states that this is the most comprehensive discussion of trade policy since the eighth edition of F.W. Taussig’s *The Tariff History of the United States* was issued in 1931.1 As such, it is overdue and, indeed, very welcome. The primary audience for the book may well be Americans keen to learn more about the history of US trade policy, and, indeed, Professor Irwin is comprehensive on that score. However, he also explains clearly the political dynamics underlying the development of trade policy – the constant ebbs and flows in the battle for political influence between producing, exporting, importing, and consumer interests. While Professor Irwin’s book focuses on US policy, in this respect it should be of broad general interest. These same interests compete for influence in all countries and, even if different countries have different political and regulatory structures, the lessons to be drawn are universal.

Professor Irwin identifies three main objectives of US trade policy over time, which he labels as the three ‘Rs’: customs duties as a source of revenue to fund government operations; restriction of imports to protect domestic producers from foreign competition; and reciprocity arrangements with other nations to promote American exports. These three objectives have competed throughout US history. However, Professor Irwin identifies three discrete eras in the history of US policy, in each of which one of these three Rs has taken precedence. In the first era, stretching from US independence to the US Civil War of 1861–1865, tariffs were the main source of funding for the federal government and hence revenue was the primary goal of trade policy. The second era lasted from the Civil War until the Great Depression of the 1930s and was a period of restrictive trade policies to protect domestic industries. The third era stretches from the Great Depression to the present day and marks the era of reciprocity, a focus on using trade concessions to open foreign markets for American goods.

This division of US trade policy into three eras means, in Professor Irwin’s view, that there have been only two major exogenous shocks to US trade policy – the Civil War and the Great Depression. The Civil War shifted influence from cotton-exporting and therefore free trade interests in the defeated South to protectionist interests in the more industrial north. The Great Depression and its aftermath shifted influence away from protectionism towards a desire to negotiate market access through reciprocal trade arrangements. Professor Irwin explains also that the Great Depression and its aftermath went hand-in-hand with World War II and the influence of US Secretary of State Cordell Hull’s views of trade policy as an instrument for promoting peace in developing the post-World War II arrangements.

Professor Irwin argues that in between these two major shocks, US trade policy remained generally very consistent – even though there was significant debate between competing interests – and his narrative sustains this view. He attributes this to the relatively stable political structure of the United States and its economic geography. There have been few changes in the economic activities of the various regions of the United States over the past 200 years (steel in the northeast/Midwest, agriculture in the South, etc.), and by analyzing voting patterns in the US Congress on trade bills, Professor Irwin explains clearly throughout his narrative how stable and, therefore, change-averse US trade policy has been. This is one of the greatest lessons of this book, which may be reassuring to many present-day readers. Professor Irwin repeatedly illustrates that while the tide may ebb and flow between the various competing industries, US trade policy is difficult to change fundamentally once it is on a particular course.

Within these broader thematic points, Professor Irwin organizes his narrative chronologically. For this reviewer, it flows beautifully. Some readers may find the differences between successive tariff acts of the 1800s a bit repetitive, but there are lessons to be drawn throughout. Professor Irwin’s narrative shows clearly that trade policy is for the most part driven by the desire of politicians to serve their constituents’ economic interests rather than by ideology. Ultimately, all politics is local.

There are also many issues of contemporary relevance that arise throughout the narrative. Regarding American trade policy immediately after the War of Independence, Professor Irwin explains that the US government initially assumed that it would continue to trade on the same basis as before with Britain and its Empire. However, ‘the British government’s position was simple: having chosen to be independent, the United States was not entitled to enjoy the privileges of colonial status and therefore it gave up any inherent right to trade within the British Empire’ (p. 52).

In addition, many developing countries today complain that US pressure for them not to protect infant industries ignores that the US itself benefited from protectionist policies to further its own industrial development in the nineteenth century. The question of developing and protecting domestic industry arose very early in the history of the United States, when the Secretary of the Treasury, Alexander Hamilton, prepared his 1791 Report on the Subject of Manufactures. Hamilton preferred subsidies over tariffs as a means of developing particular industries. However, subsidies were more
expensive, especially to a fledgling government with few sources of revenue. Therefore, tariffs were preferred, at a level that provided some protection without unduly jeopardizing government revenues. In Professor Irwin’s view, Hamilton is often wrongly cited as a supporter of protectionist tariffs as a result of the Report on Manufactures. Professor Irwin quotes instead Hamilton on the effects of tariffs in Federalist 35: ‘they tend to render other classes of the community tributary in an improper degree to the manufacturing classes to whom they give a premature monopoly of the market: They sometimes force industry out of its more natural channels into others in which it flows with less advantage. And in the last place they oppress the merchant, who is often obliged to pay them himself without any retribution from the consumer’ (p. 86).

Professor Irwin also addresses the question of infant industry protection in the late nineteenth century at length (e.g. pp. 269–275), and acknowledges that judging the impact of tariffs in promoting infant industries has always been controversial. Much of the United States’ industrial development took place in the second, restrictive era of US trade policy mentioned above. Professor Irwin refers also to the United States’ abundant natural resources in iron ore and coal as significant factors in the development of the steel industry.

A major issue in US trade policy, especially in recent decades, has been the battle for control over tariff setting between the Congress and the President. The experience of the laborious battles to set tariffs on an item-by-item basis, which started in the nineteenth century and reached their nadir in Hawley–Smoot. This led to a shift in trade policy power, via the authority to negotiate broad tariff agreements, from the legislative branch to the executive branch under the Reciprocal Trade Agreements Act of 1934. As described by Professor Irwin, the recurring battles over the renewal of this authority, subsequently known variously as fast track or trade promotion authority, provide valuable insights into the domestic policy changes faced by successive US administrations in developing and implementing their preferred trade policies.

US trade policy, and the history from which it evolved, was enormously influential in developing the multilateral rules-based system that has evolved through the GATT and the WTO. One could give many more examples of how the history of US policy as explained by Professor Irwin provides important context for contemporary issues. One might be the experience of the ‘Nixon Shock’ of 1971, when President Nixon imposed an additional duty of 10% on all US imports, in order to address the effects of what was considered to be an overvalued dollar under the Bretton Woods exchange arrangements. This shock therapy led to the collapse of the fixed exchange rate system and other new arrangements in the trade area, including the Multifiber Arrangement (MFA) governing textile trade and extended voluntary restraint agreements in the steel sector. It led, eventually, to the Trade Act of 1974, a comprehensive piece of legislation that Professor Irwin describes as an ‘odd mixture’ of trade liberalization and trade protection, reflecting a desire to shift import relief away from tariffs towards administrative actions such as anti-dumping and safeguard remedies. Among its elements was Section 301, which granted the President increased authority to address, unilaterally, ‘unreasonable and discriminatory’ trade practices of other countries. It also, included, for the first time, a ‘generalized system of preferences’, granting developing countries preferential access to US markets.
There are many other examples of issues relating to trade policy, both US and international, on which readers will find plenty of information, and guidance, in Professor Irwin’s analysis. Readers will seek out the issues in which they themselves are most interested. In most instances, they are likely to come away much better informed, with a readable history and useful data, all pointing more to the conclusion that history tends to repeat itself rather than throwing up wholly new paradigms.

Professor Irwin begins his introduction by quoting James Madison from the Federalist Papers (Federalist 10) on the difficulty of reconciling the interests of manufacturing, agricultural, and the other interests in trade policy: ‘It is in vain to say that enlightened statesmen will be able to adjust these clashing interests, and render them all subservient to the public good.’ Hopefully, the effort is not entirely in vain. In any event, Professor Irwin’s scholarly and very readable history should be very useful to all involved in developing and implementing national and international trade policies and is highly recommended.

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