



## Congressional Briefing

# History of U.S. Trade Policy

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#nhcbriefing

**Alfred E. Eckes, Jr.** is Eminent Research Professor Emeritus in History, Ohio University, Athens, Ohio. From 1981 to 1990 Eckes was a Commissioner (Chairman, 1982-1984) on the U.S. International Trade Commission, nominated by President Reagan. He is the author of nine books on economic and international trade history. They include: *The Contemporary Global Economy: A History since 1980* (Wiley-Blackwell, 2011); *U.S. Trade Issues: A Reference Handbook* (ABC-CLIO, 2009); *Globalization and the American Century* (Cambridge University, 2003) with Prof. Thomas Zeiler; *Revisiting U.S. Trade Policy: Decisions in Perspective* (Ohio University Press, 2000); and *Opening America's Market: U.S. Trade Policy since 1776* (University of North Carolina, 1995). For nine years between 2004 and 2016, Eckes served as Executive Vice President of the International Trade and Finance Association (IT&FA). He edited its journal, *The Global Economy Journal*, and was elected the association's President in 2000.

**Susan Ariel Aaronson** is Research Professor of International Affairs and GWU Cross-Disciplinary Fellow at the George Washington University's Elliott School of International Affairs. She is also a Senior Fellow at the Center for International Governance Innovation. She is the author of 6 books and numerous articles. Her books include *Taking Trade to the Streets: The Lost History of Public Efforts to Shape Globalization* (2001), *Trade and the American Dream: A Social History of Post World War II Trade Policy* (1996), and *Trade Imbalance: The Struggle to Weigh Human Rights Concerns in Trade Policymaking* (2007). Dr. Aaronson is a frequent speaker on public understanding of globalization issues and international economic developments. She regularly comments on international economics on "Marketplace" and was a monthly commentator on "All Things Considered," and "Morning Edition." She has also appeared on CNN, CNBC, the BBC, and PBS to discuss trade and globalization issues.

**Marc Levinson**, a research manager at the Congressional Research Service, is also a historian. Among his books are *An Extraordinary Time: The End of the Postwar Boom and the Return of the Ordinary Economy*, published in 2016, and the prize-winning economic history *The Box: How the Shipping Container Made the World Smaller and the World Economy Bigger*, published in a second edition in 2016.

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While President Trump's turn toward protectionist policies has sparked controversy, debates about the relative merits of protectionism versus free trade have a long history in the United States.

#### Colonial America:

- British imperial trade policies, known as mercantilism, were protectionist. They subordinated colonial economic interests to the economic interests of Britain.
- Mercantilist policies contributed to growing anti-British sentiment, leading to the American Revolution. The Boston Tea Party is an example of the constraints on free trade that provoked opposition.

#### Early America:

- New federal government introduced tariffs to raise revenues for the operations of a state that had limited means of funding.

#### Nineteenth Century America:

- Pattern of US trade changed with rise of domestic manufacturing industry and export-oriented agricultural sector.
- Protectionism became the tariff's primary motive: restriction of imported manufactures to protect America's growing industrial concerns.
- Trade was divisive in American politics: northern manufacturers sought protection of high tariffs on competing imports and southern cotton producers backed open trade policies to promote exports.
- Northern victory in Civil War strengthened protectionist policies.

#### Twentieth Century America: Prewar Policy

- Smoot-Hawley Tariff Act of 1930
  - o Raised import duties to protect American business and farmers
- 1934 Reciprocal Trade Agreement
  - o Reduced tariff levels and promoted cooperation with foreign governments
  - o Created new bureaucracy to advise Congress on tariffs
  - o Designed to avoid log rolling, favoritism, and excessive protectionism

#### Postwar Trade Policy

- Following WWII the US turned in favor of free trade, which favored its foreign policy objectives.
- General Agreement on Tariffs and Trade 1947 (GATT)
  - o Set of multilateral trade agreements aimed at the abolition of quotas and the reduction of tariff duties among contracting nations
    - Played major role in expansion of world trade in second half of 20<sup>th</sup> century
  - o World Trade Organization 1995
    - Successor to GATT
    - International organization established to supervise and liberalize world trade
- Rules Based system: allows balance between protectionism and open markets.
  - o Imperfect system, weakened by conflicts at WTO, trade liberalization, failure to govern new sectors like digital trade and investment.