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The impact of ideas on trade policy: the origins of U.S. agricultural and manufacturing policies

Judith Goldstein

Since the close of World War II, the United States has supported contradictory trade policies. In the area of manufactures and services, the United States has fostered an international regime in which market mechanisms determine the terms of trade. Conversely, in the area of agricultural trade, it has sanctioned policies of overt state intervention. This divergence has deep roots. In the 1930s, the United States laid the foundation for two different commercial policies. In one, the government legislated measures to "liberalize" trade policy by ensuring nondiscrimination, opposing quantitative restrictions, and negotiating tariff reductions based on unconditional most-favored-nation principles. Almost simultaneously in the other, the United States enacted import restrictions, export subsidies, and import fees to stabilize farm incomes. Why were agricultural and industrial trade treated so differently in the United States?

Students of international politics explain the shift in America's trade policy from protection to liberalism by reference to international structure. At the close of World War II, the United States ascended to hegemony. Hegemons are said to have a preference for open economic orders. Just as Britain liberalized trade in the eighteenth century, the United States was destined to open her shores to foreign goods.[1] At least two problems mar this explanation. First, the fundamental changes that mandated trade liberalization for manufactures occurred *before* the war. And second, unlike manufactures,

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1. See, for example, Stephen D. Krasner, "State Power and the Structure of International Trade," *World Politics* 28 (April 1976).

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agriculture has not only retained protectionist prerogatives, but over time it has garnered increased protection.

This essay suggests a different explanation for the seemingly inconsistent laws that regulate state-market relations. I begin with a simple set of assumptions: Institutions are prone to inertia; change is most likely to occur in periods of crisis. Political crises occur if state structures cannot meet demands from within the state, from domestic society, or from the international environment. In periods of crisis, state structures become malleable. That is to say, periods of crisis supply opportunities for new political coalitions to influence the direction of policy. For existing structures to change, however, the people within them must have some alternative plan to overcome the problem at hand. The demand for change must be met by a supply of ideas on how to restructure politics to accommodate the changing economic and political needs of central decision-makers. These new ideas—whether born out of the material interests of groups, derived from the writing of intellectuals, or developed out of the practice of governance—enter the political marketplace. But just as new groups who enter government must comply with existing rules, so too must new ideas "fit" and accommodate existing structures. In short, policy change depends not only on new political coalitions but also on the ideas they carry and the institutional structures they meet.

The crisis that preceded the change in agricultural and manufacturing trade policy was the Great Depression. The Depression caused the nation to question, and then restructure, government-society relations over commercial policy. Until the mid-1930s, both agriculture and manufactures were treated essentially alike: when either suffered economic decline, the usual state response was to increase trade barriers. This is not surprising. In the nineteenth and early twentieth centuries, the state saw its prerogative to intervene directly into the economy as limited. The tariff was one of its few constitutionally granted tools for economic manipulation. The interaction of various factors, including the impulse to use the tariff, the presence of a weak, penetrated Congress, and the depressed economy, led to the passage of the Smoot–Hawley Act. On its heels came the Great Depression and the attribution of economic decline with use of the protective tariff.

Trade liberalization and farm subsidies followed. The great economic decline of the 1930s undermined existing economic policy. However, there was no single dominant explanation for the causes and cures for these economic problems. Policymakers considered alternative policy options. By the mid-1940s, this period of experimentation was over. A two-pronged strategy to address sectoral problems was enacted. The government was to help manufacturers gain access to foreign markets through a program of reciprocal tariff reductions. Agriculture was also to benefit from some tariff reductions, but largely it would be protected through a system of internal price supports and land-use policies. By the time the United States entered into negotiations

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over the workings of the trade regime, a decade of legislation had already established a policy of trade liberalization for industrial products and trade protectionism to maintain farm incomes for agricultural products. A hegemonic position in the world economy did not ensure a consistent trade position within the United States.

In this article, I trace this divergence in industrial and farm policies. I argue that the key difference in the two policies turned not only on political interests but also on the beliefs of policymakers. Agricultural trade had run deficits consistently since the mid-1920s. When considering a range of possible remedies, policymakers dismissed liberalization as an option for farm products while embracing that "idea" for manufactures. And although agriculture has had surpluses since the war and manufacturing has had deficits since the early 1970s, the decisions of the 1930s continue to structure current policy.

This essay stresses the cognitive development of trade policy. I focus on the range of "ideas" available to decision-makers during the Depression and on how particular "ideas" became law. In the case of agricultural policy, I argue that no one defended liberalization. In the case of manufactures, however, the legislature enacted policies that sanctioned state protection *and* liberalization. Within a year, Congress created both the National Recovery Administration (NRA) and a program of trade reform. I suggest that discrediting the NRA and its principles was a necessary prerequisite for the success of trade liberalization.

The development of agricultural policy

Researchers have offered a range of explanations for the privileged position of agriculture in the United States. They have argued that agriculture is protected for symbolic reasons (the "family farm"),[2] for political reasons (the electoral constituency and well-entrenched lobbies),[3] and perhaps for

2. For different arguments on the virtues of protecting the family farm, see Henry C. Wallace, *Our Debt and Duty to the Farmer* (New York: Century, 1925), pp. 18–19; Theodore Roosevelt, "Greatness Depends on the Tiller of the Soil," in George McGovern, ed., *Agricultural Thought in the Twentieth Century* (Indianapolis: Bobbs-Merrill, 1967), p. 28; Henry A. Wallace, *New Frontiers* (New York: Reynal & Hitchcock, 1934), p. 120; W. J. Spillman, *Balancing the Farm Output* (New York: Orange Judd, 1927), p. 112; Rexford G. Tugwell, *The Democratic Roosevelt* (Garden City, N. Y.: Doubleday, 1957), p. 231; O. M. Kile, *The Farm Bureau Movement* (New York: Macmillan, 1921), p. 95; and Arthur Capper, "The Record of the Farm Block," in McGovern, *Agricultural Thought*, p. 104.

3. On the development of the farm bloc, see Grant McConnell, *The Decline of Agrarian Democracy* (Berkeley: University of California Press, 1953); Grant McConnell, *Private Power and American Democracy* (New York: Vintage, 1966), pp. 70–79; and Theodore J. Lowi, *The End of Liberalism* (New York: Norton, 1969), pp. 102–15. For two excellent essays that incorporate societal explanations and a more institutional analysis of American policy, see Kenneth Finegold, "From Agrarianism to Adjustment: The Political Origins of New Deal Agricultural Policy," *Politics and Society* 11 (Winter 1981); and Theda Skocpol and Kenneth

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strategic reasons (to ensure a sufficient agricultural sector).[4] This explanation for protection in agricultural products is further confounded by the existence of such protection in almost all advanced countries. Thus, even though U.S. agriculture would not decline precipitously if trade were liberalized, the explanation of the American case is subsumed under a general category of "all agriculture is protected."

A review of U.S. thought and policy leads us to question this deterministic perspective. A number of different policy alternatives were presented to central decision-makers in the 1920s and early 1930s. The road towards subsidization was in no way obvious. I shall first review the policy alternatives as suggested both within and outside the government and then analyze why a strategy of subsidization eventually prevailed.

The agricultural sector began to decline following the post–World War I boom. In the 1920s, agricultural prices began to fall dramatically. The ratio of all farm prices to those of nonagricultural goods, considered to be 101 in 1913, had fallen to 80 by 1921 (see Table 1). Policymakers suggested a range of ideas other than the tariff to deal with this problem. These remedies can be grouped under three headings: price parity, private cartelization, and government allotment.[5] None incorporated the notion of reciprocal tariff liberalization; none dominated among central decision-makers. Within the successive administrations, different agencies advocated different ideas. Congress and the executive branch were constantly at odds throughout the

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Finegold, "State Capacity and Economic Intervention in the Early New Deal," *Political Science Quarterly* 97 (Summer 1982). This essay supports much of Finegold and Skocpol. In design, both papers suggest that an analysis of agricultural supports must be comparative with its sister industrial program. Analytically, however, I downplay the role of the Department of Agriculture. Rather, I argue that the Department could have supported a range of programs. It committed first to Peek–Johnson plans and only later to the subsidization schemes. I agree, however, that the Department played a critical role in organizing the debate over agriculture. I further agree that the NRA failed, among other reasons, because not enough people were trained to set industrial policy. But this lacuna existed not only because the Department of Commerce abstained from involvement, as they argue, but because the sectors faced different problems in the 1920s. "Ideas" reflect variations in the development trajectories of each sector. Thus, when the Depression hit, politicians faced an uneven set of "ideas" about what the state's response could be. I agree with Finegold and Skocpol that the government was able to intervene more autonomously (without extra government experts and organization, p. 261) in agriculture than in industry. I focus on one source of that constraint, namely, the lack of debate on industrial policy. Policy in both sectors reflected a set of ideas much more relevant for agriculture than for industry.

4. See Albert Hirschman, *State Power and the Structure of Foreign Trade* (Berkeley: University of California Press, 1945); and Jacob Viner, "Power versus Plenty as Objectives of Foreign Policy in the 17th and 18th Centuries," *World Politics* 1 (October 1948). In these works, Hirschman and Viner argue that agriculture, as well as industry, should be developed to maximize a nation's self-sufficiency.

5. A fourth alternative not considered here was a monetarist solution. This proposal had little popular support until the mid-1930s. See the works of G. F. Warren—for example, G. F. Warren and F. A. Pearson, *Prices* (New York: Wiley & Sons, 1933).

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1920s. Only with the 1930s and the Great Depression did a policy of direct government intervention triumph as part of the American agricultural policy.

Price parity

George Peek and Hugh Johnson conceived one of the more sustained and controversial attempts to aid farmers in the 1920s. They demanded "equality for agriculture," and their ideas became embodied in a series of bills introduced into Congress by Senator William McNary and Representative Gilbert Haugen. In essence, their plan was not as radical a departure as subsequent policy options. Accepting the legitimacy of the tariff system, they focused on methods to make the tariff effective for agriculture as well as other products. As portrayed in 1934 by Secretary of Agriculture Henry Wallace:

> The essence of the McNary–Haugen idea was that farmers were to be given the centralizing power of the federal government so they could dump enough of their surplus abroad to raise prices in the domestic market. The loss on the stuff dumped abroad was to be paid by the farmers themselves by means of an equalization fee. In some versions the price was to be raised so that producers of export crops could enjoy the full benefit of the tariff. In other versions the criterion was a price to be raised until it was as high relative to prices of things purchased by farmers as prevailed during 1909–14. This was the Peek–Johnson idea of fair exchange value. The feeling was in those days that there was an inexhaustible and complacent foreign market on which goods could be dumped at a low price without fear of retaliation.[6]

In a pamphlet entitled *Equality for Agriculture,* Peek and Johnson outlined their proposal. Arguing against ideas of government price-fixing, the pamphlet turned to the value of the more traditional instruments for economic policy and stated that "the doctrine of protection must be revised to insure agriculture equality of tariff protection and a fair exchange value with other commodities."[7]

In the early 1920s, Peek and Johnson crusaded for this plan. They were not the first to argue for the idea of equality or parity for the farmer. The idea had been publicized in 1903 by James A. Everitt, an Indianapolis seed salesman who argued that farmers should receive prices equal to those enjoyed by the best-regulated manufacturing enterprises. And it is no surprise that such a movement took root. In 1919, the noted economist E. G. Nourse argued that "American agriculture stands in just the same subservient position to American industrialism that the colonies occupied toward England

6. Henry A. Wallace, *New Frontiers* (New York: Reynal & Hitchcock, 1934), pp. 147–48.
7. Quoted in Murray Benedict, *Farm Policies of the United States, 1790–1950* (New York: Octagon, 1966), p. 209.

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TABLE 1. *Parity ratio[a] for farmers, 1910–50*

Year	Parity ratio	Year	Parity ratio	Year	Parity ratio
1910	107	1924	89	1938	78
1911	96	1925	95	1939	77
1912	98	1926	91	1940	81
1913	101	1927	88	1941	93
1914	98	1928	91	1942	105
1915	94	1929	92	1943	113
1916	103	1930	83	1944	108
1917	120	1931	67	1945	109
1918	119	1932	58	1946	113
1919	110	1933	64	1947	115
1920	99	1934	75	1948	110
1921	80	1935	88	1949	100
1922	87	1936	92	1950	101
1923	89	1937	93		

a. Parity ratio is the ratio of prices received by farmers to prices paid, including interest, taxes, and wage rates.
Source. U.S. Department of Commerce, Bureau of the Census, *Historical Statistics of the United States from Colonial Times to 1970* (Washington, D.C.:GPO, 1975), p. 489.

a century and a quarter earlier."[8] When the farm depression occurred in the 1920s, farmers organized around this message.

An expansion in the early century, followed by a depression in the 1920s, set the policy stage for Peek, Johnson, and their followers.[9] The debate on the proposal within the Department of Agriculture and among interested farm organizations centered on the viability of an agricultural export commission. As envisioned, the commission would restore farm purchasing power by reducing the amount of surplus available on the domestic market. The commission would then dispose of the surplus in foreign markets at world prices. Opponents charged that the plan was "unconstitutional," "unworkable," and "sectional" and that it constituted "price-fixing."[10]

8. Quoted in Theodore Saloutos, *The American Farmer and the New Deal* (Ames: Iowa State University Press, 1982), p. 21.
9. The conversion of Secretary of Agriculture Wallace to the Peek–Johnson camp was crucial to the longevity of this program. Henry Wallace, the son of the famous farm writer, came to Washington with the Harding administration. Under his tutelage, the Department of Agriculture became an important policymaking agency. Wallace supported research on a number of agricultural issues and created the Bureau of Agricultural Economics (BAE) in 1922. As a convert to the ideas of Peek and Johnson, he publicized the proposal and commissioned a series of feasibility studies from sympathetic BAE economists.
10. Quoted in Benedict, *Farm Policies*, p. 217. Benedict sees opposition to the plan coming from all but the Northwest wheat states, leading even the Farm Bureau to be ambivalent in its support. In Henry A. Wallace, *New Frontiers*, p. 149, Wallace agreed that the agricultural sector was far from unanimous in its support: "The cotton and tobacco people were decidedly lukewarm . . . [and] the dairy people of the North and East were in many cases rather antagonistic."

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The original legislation, written by an employee of the Department of Agriculture, was presented to Congress in January 1924. Five versions of the McNary–Haugen legislation were entertained by Congress over the next four years. In substance, the bills would have created a government export corporation with a budget of about $200 million. The corporation would buy enough specified agricultural products to bring the domestic price up to the "ratio-price." The ratio-price was to be based on the purchasing power of agricultural producers prior to World War I. Surplus would be sold abroad at cheaper prices. Each version of the bill handled incurred losses differently. For example, the original bill created "scrip," a fake money redeemable at some fraction of its face value, which was determined each year by losses on foreign markets. The proportion of the crop bought for export would be paid in scrip. Thus, all participants were to share in the gains or losses of the corporation.

The succession of McNary–Haugen bills won increasing acceptance in Congress as the decade progressed. Two versions passed Congress, in 1927 and 1928, both times to be vetoed by President Coolidge. In Coolidge's message to Congress, he listed many reasons why he found the McNary–Haugen legislation to be untenable. After citing his doubts that the bill's focus on a small number of farm products would increase prosperity for all agricultural producers, Coolidge argued that his

> chief objection to the bill is that it would not benefit the farmer. Whatever may be the temporary influence of arbitrary interference, no one can deny that in the long run prices will be governed by the law of supply and demand. To expect to increase prices and then to maintain them on a higher level by means of a plan which must of necessity increase production while decreasing consumption is to fly in the face of an economic law as well established as any law of nature. . . . The effect of this plan will be continuously to stimulate American production and to pile up increasing surpluses beyond the world demand. . . . With such increased surpluses dumped from the United States on foreign markets the world prices will be broken down and with them American prices upon which the premium is based will likewise be lowered to the point of complete disaster to American farmers. . . . Several of our foreign markets have agriculture of their own to protect, . . . [and] we may expect reprisals from them against dumping agricultural products which will even more diminish our foreign markets.[11]

Coolidge's arguments are instructive. Both he and his successor, Herbert Hoover, saw McNary–Haugen as an illegitimate and misinformed use of government authority. Coolidge had three key objections to the program's economics. First, the rationale for dealing with the surplus did not make economic sense: rather than creating disincentives to produce, the act would lead to more production. Second, releasing American surpluses onto the world market would lead to lower world prices and the exacerbation of the

11. Quoted in McGovern, *Agricultural Thought,* pp. 129–33.

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situation McNary–Haugen was created to fix. And third, nations with similar problems of overproduction would retaliate by closing their markets to American products, again exacerbating the crisis at home. (Given Hoover's later support for Smoot–Hawley, it seems that the argument for reciprocal market closure was never fully understood.) The bill was politically illegitimate, Coolidge continued, because it was designed to aid farmers of certain sections at the expense of others; because the plan constituted price-fixing; and because the idea of an equalization tax represented an unconstitutional delegation of the taxing power of Congress.[12]

With the election of Herbert Hoover, enthusiasm for McNary–Haugen subsided. As President, Hoover continued his vigorous opposition to the Peek–Johnson ideas. Hoover's constituency was small business. Aside from those closely tied with agricultural prosperity, few business associations favored McNary–Haugen. Rather, the Republican party platform for the 1928 election committed itself to a Federal Farm Board and the tariff, not to any of the export dumping schemes.[13]

Private cartelization

Peek and Johnson recognized that controlling the supply of agricultural products was the answer to the farm crisis of the 1920s. Their solution was to dump abroad. As economic nationalists, they saw no relationship between the interests of foreign producers and consumers and those of U.S. farmers; they chose to believe that the United States could pursue a policy of high tariffs and foreign dumping with no retribution. An alternative approach to the oversupply problem that emerged in this period was to organize farmers into commodity-marketing groups.

The notion that farmers could obtain better prices for their products if they jointly controlled marketing was not new to American agricultural thought. Such a policy had been advocated by the Grange, the Farmers Union, and the Society of Equity. The most successful attempt to pursue such a strategy in the 1920s was organized by Aaron Sapiro, the legal counsel for California's state marketing bureau. Under his direction, many producers of such products as fruits and nuts organized cooperatives. In the early 1920s, Sapiro

12. Benedict, *Farm Policies*, p. 228.

13. Benedict, *Farm Policies*, pp. 226, 230, and 293. Republicans were committed to "adequate tariff protection to such of our agricultural products as are affected by foreign competition." For platform proposals, see Kirk H. Porter and Donald B. Johnson, *National Party Platforms, 1840–1964* (Urbana: University of Illinois Press, 1966), p. 285. Still, one last export plan gained political support during these years. The National Grange proposed anew an export debenture program, in which exporters were given government debentures worth all or part of the difference between the value of the commodity in the world market and a domestic value based on the world market plus the tariff. Although supported by a range of groups, this plan was scarcely considered by Hoover, who remained committed to the idea of private cartelization.

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campaigned throughout the country. His message, often delivered with high emotion, was as follows:

> First, . . . organize on a commodity instead of a local basis. . . . Second, organize on a real business basis. You don't want politicians to get in it. . . . We organize on a non-profit basis and a cooperative basis. The association cannot make a penny for itself. Everything that it does is to serve the grower. Every director has to be a grower; then all the interests are a community of interests.[14]

The Sapiro cooperatives, however, were poorly constructed, badly run, and prone to collective goods problems. They also had little control of their membership. Originally, they were supposed to encourage farmers to collude over prices and cartelize production, repeating the success of the major manufacturers. However, since issues of production and price remained in the hands of private citizens and not a board of directors, these cooperatives never effectively controlled the market.

The Republicans called for farmer cooperatives and a protective tariff for industry in the late 1920s.[15] This pitted the U.S. Department of Agriculture (USDA) and the Coolidge administration against each other repeatedly. Coolidge's first secretary of agriculture, Henry C. Wallace, placed little credence in the cooperative movement. Although he was not a proponent of the direct intervention that characterized later agricultural programs, Wallace saw little hope for a program in which the collective actions of farmers alone were expected to lead to higher prices.[16] In contrast, the Coolidge administration saw the tariff as the only legitimate form of government intervention. The role of government was to encourage private action, not to take on responsibility for market activities. The differing beliefs were so strong that various government agencies actively supported opposing programs.[17]

Upon Wallace's death, Coolidge was able to appoint a secretary more to his liking. Thus, William Jardine, president of Kansas State College, became head of the USDA in 1925. A strong proponent of the Hoover–Coolidge approach to agriculture, Jardine sought to eliminate USDA staff who supported Wallace and the parity program. Jardine was explicit about his views of agriculture: agriculture was a business. If farmers could not control the

14. Aaron Sapiro, "Co-Operatives to Control Marketing," in McGovern, *Agricultural Thought,* pp. 99–102.

15. Saloutos, *American Farmer,* p. 22.

16. Wallace describes cooperatives as a necessary but definitely not sufficient condition for farm recovery. In *Our Debt and Duty to the Farmer,* p. 159, he admits that "the need for strong cooperative marketing associations cannot be over-emphasized," but he goes on to state pointedly that "the mistaken belief that by the mere organization of cooperative enterprises the farmers can be lifted overnight from the valley of depression to the peak of prosperity has prompted some curious suggestions of federal participation."

17. For example, without Wallace's knowledge, Coolidge sent out the Meyer–Mondell mission in 1923 to promote cooperative marketing. When Wallace discovered this, he attempted to commission his own counter-study.

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market individually, they should maintain a favorable balance between production and distribution through cooperative marketing. And given the uniqueness of each product, it made sense to organize cooperatives by commodity. Writing in *The Farm Journal,* he explained:

> My position on government and cooperation, in short, is that the government should help farmers to help themselves through cooperative efforts to market their products in an orderly manner, to adjust production to demand as far as possible, and to reduce price fluctuations by some workable and safe means of handling surpluses.[18]

In 1928, the Republicans nominated Hoover for President. His earlier opposition to proposals such as McNary–Haugen and his commitment to the cooperative movement were written into the Republican platform.[19] After he was elected, his program of aid to agriculture was enacted with the Agricultural Marketing Act of 1929.[20] The act founded the Federal Farm Board, which consisted of eight members who were appointed by the President and approved by the Senate. It was given $500 million to be loaned to cooperatives for merchandising agricultural products, constructing facilities,

18. Quoted in John D. Black, *Agricultural Reform in the United States* (New York: McGraw-Hill, 1929), p. 338.

19. In a 1928 campaign speech in Iowa, Hoover defended his support of a federal farm board: "My fundamental concept of agriculture is one controlled by its own members, organized to fight its own economic battles and to determine its own destinies. Nor do I speak of organization in the narrow sense of traditional farm co-operatives or pools, but in the much wider sense of a sound marketing organization. . . . These proposals [are not] intended to put the Government into . . . the business of agriculture, nor to subsidize the prices of farm products and pay the losses thereon either by the Federal Treasury or by a tax or fee on the farmer." See Ray L. Wilbur and Arthur Mastich Hyde, *The Hoover Policies* (New York: Scribner's Sons, 1937), p. 148.

The 1928 Republican party platform pledged support of a farm board to "promote the establishment of a farm marketing system of farmer-owned-and-controlled stabilization corporations or associations to prevent and control surpluses through orderly distribution." The platform did guard against extensive federal involvement. "We favor, without putting the Government into business, the establishment of a Federal system of organization for co-operative and orderly marketing of farm products." See Porter, *National Party Platforms,* p. 285.

20. The 1929 Act inspired considerable debate, particularly in response to the Senate inclusion of an export-debenture plan entailing debenture rates of one-half the rate of tariff duty in effect on most commodities. Having already passed the original version in April, many representatives responded strongly to the Senate version on 17 May. Viewing the debenture plan as a revenue-raising measure, Representative Snell criticized the Senate for having "violated the constitutional rights and prerogatives of the House" (*Congressional Record,* 17 May 1929, p. 1448). Other representatives instead expressed disapproval that the House had never seriously considered such a debenture plan. Representative Joseph Cannon stated: "And the reason the House has been denied that privilege [voting on debentures] is because the opponents of real farm relief know they would carry if brought to a direct vote. It is a matter of common knowledge that a majority of the members of this House, on both sides of the aisle, as well as a majority of the Senate, favor the debenture plan or equalization fee, and would vote for them if given the opportunity" (*Congressional Record,* 17 May 1929, p. 1451). The House passed a resolution (voting 249 to 119) to prohibit such a floor vote and sent its delegates to conference with the Senate still opposed to the plan.

The Senate itself was hardly unanimous on the export-debenture plan. In fact, some prominent senators said they were only supporting it because the alternative, equalization, was considered

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forming clearinghouse associations, extending membership, and lending to individual farmers.[21]

Shortly after the Board was created, the stock market crashed, Congress passed the Smoot–Hawley Tariff, and the economy went into a severe decline. The Board found itself with a mandate to create cooperatives in an environment of rapidly deteriorating prices. Even with a legal mandate and funding, it could not meet the task. All attempts to salvage farm incomes met with failure. The extent of the dislocation was beyond what the Board or any marketing scheme could remedy.

Some have argued that this period of state-led cooperativism was a philosophical steppingstone for later programs, in which government took direct responsibility for controlling the agricultural market.[22] The preamble to the Agricultural Marketing Act of 1929 declares:

> The policy of Congress [is] to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, so that the industry of agriculture will be placed on a basis of economic equality with other industries . . . by aiding in preventing and controlling surpluses in any agricultural commodity.[23]

In addition, two of the five special powers given to the Board were (1) "to investigate conditions of overproduction of agricultural commodities" and advise the government how to prevent such overproduction and (2) to study land utilization for agricultural purposes, with an eye to reducing "the acreage of unprofitable marginal lands in cultivation."[24]

This genealogy needs qualification. Intellectually, the program was closer to Republican ideas of a self-regulating market than was the Democrats' later defense of government control. The Board was never given more than an advisory role in land-use issues. As markets deteriorated, members of

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unconstitutional (testimony of Senator Royal Samuel Copeland, *Congressional Record,* 11 June 1929, p. 2649). The Senate, however, stood by its plan, although Hoover condemned it for excessive costs and resultant increased production (Benedict, *Farm Policies,* p. 239). The impasse produced a conference committee whose subsequent report favored the House version, much to the consternation of several senators, who claimed that the debenture plan was the only reason they would vote for the bill in the first place (testimony of Senators Copeland and Millard Tydings, *Congressional Record,* 11 June 1929, p. 2652). On 11 June, the Senate rejected the conference report by a close vote of 43 to 46 and insisted on its amendment.

In response, the House voted 250 to 113 on 13 June to instruct their conferees to insist on striking out the debenture plan, by now the only source of disagreement. In session the next day, some of the previous supporters of the debenture plan viewed the House vote as indicative of opposition to export debentures; after their due consideration, they granted reluctant acceptance to the conference report (testimony of Senator Joseph T. Robinson, *Congressional Record,* 14 June 1929, p. 2871). The report passed by a vote of 74 to 8 over the objections of R. S. Copeland, Robert LaFollette, and Peter Norbeck, among others.

21. Benedict, *Farm Policies,* p. 240.

22. Edwin G. Nourse, Joseph L. Davis, and John D. Black, *Three Years of the Agricultural Adjustment Administration* (Washington, D. C.: Brookings Institution, 1937) pp. 7–12.

23. Quoted in Nourse, Davis, and Black, *Three Years,* p. 8.

24. Ibid., pp. 8–9.

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the Board could condemn increased planting, but they had no clout. The Board did not have the authority to force farmers to comply. In succeeding years, the Board became more convinced that it needed an overall policy to deal with the surplus.[25] The Board members' thinking, however, did not translate into support for more comprehensive programs in the Hoover administration. In fact, although the Republican platform in 1932 had led to some speculation about a more active government position, Hoover's acceptance speech explicitly closed that option.[26] In short, there is no evidence that a Hoover administration in 1933 would have advocated anything more interventionist than the legislation that was passed in 1929.

The one tenet of thought that central decision-makers incorporated into law in the 1930s was the idea of a nonrecourse loan.[27] After 1935, the farmer's crop secured any agricultural loan made by a federal agency. Congress set the loan rate in terms of a particular commodity price. If the actual price moved above this level, the farmer would repay his loan. If not, the farmer kept the loan and the government kept the grain. Although not so mandated, the Farm Board did use its loan provisions similarly to keep prices above the level they otherwise would have held in the market. Especially with cotton, the Board attempted to convince growers to control surpluses through positive loan incentives. Through trial and error, the Board moved to a program that, in retrospect, appears to be the forerunner of their modern counterparts. At the time, however, the Board had no cohesive rationale for these actions.

25. The text of the Agricultural Marketing Act stipulated that the Farm Board should aid in "preventing and controlling surpluses in any agricultural commodity, through orderly production and distribution" (U.S. Federal Farm Board, *First Annual Report,* 30 June 1930, p. 64). In this first annual report, the Farm Board recognized the need for control of excessive production, but it did not specify the role for government (pp. 25–26). By the time of the second report, the Board had assisted in acreage reduction programs for wheat and had collaborated with agricultural colleges in providing production information to farmers (U.S. Federal Farm Board, *Second Annual Report,* 30 June 1931, pp. 62–63). By 1932, the Board proudly described its cooperation with the Department of Agriculture in preparing and disseminating outlook statements to help farmers adjust local production as well as in setting up a national land-use planning committee; and on its own, the Board initiated stabilization operations in cotton and wheat (U.S. Federal Farm Board, *Third Annual Report,* 30 June 1932, pp. 57–61).

26. While the Republican platform of 1932 still pledged to work through cooperatives, it did allow for the modifications to the Agricultural Marketing Act "as experience shows to be necessary to accomplish the objects set forth in the preamble of the Act" (Porter and Johnson, *National Party Platforms,* pp. 342–43). One author states that Hoover insisted that the platform contain land-use planning to enable "the control of production to such volume as will balance supply with demand" (Wilbur and Hyde, *The Hoover Policies,* p. 162). However, Hoover flatly rejected any significantly greater role for government at Des Moines in October 1932 when he rejected stabilization provisions "which never were and are not now the major purpose of the Farm Board" (ibid., p. 167). He added: "*Even indirect purchase and sale of commodities is absolutely opposed to my theory of government*" (ibid., p. 167; emphasis mine).

27. Nonrecourse loans became official policy in 1935.

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Domestic allotment

A third set of ideas about how to deal with the agricultural problem appeared in the mid-1920s. In 1926, an article in *Farm, Stock, and Home,* entitled "Getting the Tariff to the Farmer," suggested a plan.[28] A year later, W. J. Spillman, an economist with the USDA, suggested a similar acreage reduction plan in *Balancing the Farm Output.*[29] About the same time, Beardsley Ruml, head of the Rockefeller Foundation, was considering some of the same ideas; his thoughts were influenced by German policies. At Ruml's suggestion, Professor John D. Black at Harvard University codified these in his *Farm Policies of the United States,* published in 1929. All of these plans shared a common idea: domestic sales of crops were to be limited by allowing individual farmers to sell only a fixed amount—a "domestic allotment"—for home consumption. Farmers were to be given certificates covering their allotment, which were then sold to processors. To sell a product in the American market, processors had to cover the costs of the quantities offered for sale with these certificates. For products sold without certification, farmers would receive world prices.[30]

Essentially, domestic allotment was one more method for maintaining artificially high domestic prices. As with McNary–Haugen, these authors thought that agricultural producers needed some form of two-tiered pricing, one domestic and one international. Black began his chapter on domestic allotment by describing this solution in terms of tariff policy:

> The essential principle of the domestic allotment plan is paying producers a free-trade price plus the tariff duty for the part of their crop which is consumed in the United States and this price without the tariff duty for the part of it that is exported, this to be arranged by a system of allotments to individual producers of rights to sell the domestic part of the crop in the domestic market.[31]

These domestic allotment proposals advanced two other ideas. First, all proposals gave the government or some governing agency specific responsibility to allot a domestic quota to individual farmers. Previous proposals had relied on market mechanisms to do this. Under the new proposals, the government would review individual farm records to establish the farm acreage that the program would cover. Second, once an allotment was specified, a farmer would receive that allotment—no matter what his actual production was in a given year. If things were bad, farmers could use their allotment

28. The unsigned article is attributed to Harry N. Owen, the journal's editor.
29. W. J. Spillman, *Balancing the Farm Output.*
30. Black, *Agricultural Reform,* p. 271.
31. Ibid.

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as an insurance policy. They could sell any portion of their allotment to other interested parties.[32]

Black saw three key problems with these proposals. First, he noted possible difficulties with administration and the potential for government intrusion into the processors' private business. Second, he saw a problem with the revision of the allotment. In particular, he thought it would be difficult to change allotments with increases in the overall acreage while, at the same time, abiding by rules of equitable treatment. Third, Black argued that the plan might apply to only a few products.[33]

Domestic allotment was presented to Congress, but it had only a limited following in the 1920s. As a whole, farm groups were reluctant to support such direct government intervention until 1933. As late as 1932, members of the Farm Bureau still supported a legislative program that avoided the issue of overproduction. They reflected the public consensus that cooperative marketing, not acreage reductions, was the preferred remedy for surpluses.[34]

The road to subsidization

Between 1933 and 1938, the United States inaugurated its current agricultural program. Its content derived from the three approaches I have outlined, and its timing reflected the common belief that the United States was in crisis. The new legislation was introduced as a temporary measure to deal with agriculture. Among its sponsors, however, the logic of the program was directed towards long-term intervention to raise farm incomes.

In 1933, however, Roosevelt did not come into office with an established farm program. Rather, the 1932 Democratic platform was vague about the farm issue.[35] In election speeches, Roosevelt had walked a thin line between advocating some ambiguous program to control crop surpluses and delineating any program that might alienate him from an established constituency. Nevertheless, he did indicate that he would pursue new directions in foreign trade. Whatever program was eventually enacted to protect American farmers, it would not revert to the protectionist policies of Smoot–Hawley.

For the majority of farm products, five laws passed in the 1930s have

32. Benedict, *Farm Policies,* p. 268.

33. Black, *Agricultural Reform,* p. 295.

34. The Bureau's advocacy of Philippine independence was one indication of its reliance on the tariff as the key public policy. In this way, products from the Philippines would be subject to the tariff. See Benedict, *Farm Policies,* pp. 271–72.

35. M. L. Wilson first communicated with then Governor Roosevelt on domestic allotment when he commended Roosevelt for a 1931 speech in which Roosevelt discussed the withdrawal of submarginal lands from production. In early July 1932, Wilson met with Roosevelt in Albany, at the urging of Tugwell. Both Wilson and the domestic allotment plan, which was similar to Roosevelt's own New York plan, won the immediate attention of the Governor. See William D. Rowley, *M. L. Wilson and the Campaign for the Domestic Allotment* (Lincoln: University of Nebraska Press, 1970), pp. 117 and 150–53.

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structured agriculture policy in the United States. These are the Agricultural Adjustment Act of 1933, the Soil Conservation and Domestic Allotment Act of 1936, the Agricultural Marketing Agreement Act of 1937, the Agricultural Adjustment Act of 1938, and the act creating the Commodity Credit Corporation.

The Agricultural Adjustment Act (AAA) of 1933 authorized the Secretary of Agriculture to raise market prices in seven basic commodities—wheat, corn, cotton, rice, tobacco, hogs, and milk and milk products—by getting producers to voluntarily reduce acreage or production. The act states that it is the policy of Congress "to reestablish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the basic period [i.e., 1909–14]." In return for reducing production, farmers would be paid for the part of their production required for domestic consumption. Revenue for these benefit payments came from a tax levied on the "first domestic processing" of that product. The tax was to be based on the difference between the current market price of the commodity and its "fair exchange value." Fair exchange, or the parity price, was to be determined by Congress. In 1936, the processing tax was held to be unconstitutional by the Supreme Court in *United States v. Butler*.[36]

The Soil Conservation and Domestic Allotment Act of 1936 was written after the Supreme Court nullified the National Industrial Recovery Act and the 1933 processing tax. Congress hoped to circumvent the Court's reasoning by suggesting that the need for control of agricultural supply was related to the need for soil conservation, which was an issue under the jurisdiction of the federal government. In this 1936 act, Congress directly appropriated benefit payments in lieu of the processing tax. Producers would get paid for switching from production of surplus crops, which were noted to be those that were soil-depleting, to production of soil-conserving crops. Again, Congress would base benefits on the idea of parity, which, in this act, meant not only parity in prices but also parity in income between agricultural and nonagricultural producers.

The Agricultural Marketing Agreement Act of 1937 granted the Department of Agriculture the right to enact marketing agreements among producers in order to maintain "orderly marketing conditions." In the case of milk, this power was used to fix prices; for other products, price was affected by the USDA's controls on quality, quantity, and shipment rate.[37]

The Agricultural Adjustment Act of 1938 clarified the Soil Conservation and Domestic Allotment Act. The government was mandated to establish

36. In *United States v. Butler*, the defendant, a cotton producer, challenged the legality of the AAA's processing tax. The court ruled that although taxing was legitimate under the "general welfare" provision of the Constitution, it was not legal for a regulatory purpose not explicitly stated in the Constitution.

37. Congress has subsequently designated separate programs for sugar and wool.

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quotas (with the approval of two-thirds of the producers) for basic crops—corn, wheat, cotton, rice, tobacco, and peanuts. The act did not provide benefits or other payments for acreage reduction, but instead relied on the mechanisms established in previous legislation.

The Commodity Credit Corporation (CCC) was established by executive order in October 1933, under the aegis of the Reconstruction Finance Corporation. The CCC was authorized to buy, hold, lend upon, or deal in any agricultural commodity designated by the President. In effect, the government has used the CCC to influence the supply and market prices of agricultural products. The CCC directly affects market prices by supporting prices at particular levels through nonrecourse loans. These loans are levers, forcing producer compliance with the acreage or market controls desired by the USDA.

These five acts form the backbone of current agricultural policy. These laws designate three legitimate ways in which the government controls agricultural production: (1) acreage limitation requirements; (2) government-supported marketing agreements, either through direct government limits or through sanctioned producer agreements; and (3) price subsidization through direct payment, nonrecourse loans, or CCC purchases. Although subsequent acts may have altered the scope of the program or the method used to calculate parity, the fundamental logic and the philosophical underpinning of the program have endured.

How does an analyst explain the development of agricultural policy in the United States? Its philosophical roots can be traced to our discussion of the remedies articulated in the 1920s. Acreage reduction followed from plans for domestic allotment; the nonrecourse loan derived from the actions of the Farm Board; and marketing agreements were the intellectual heir of McNary–Haugen. All three movements of the 1920s spoke of the need for parity. All legislation in the 1930s oriented programs towards a parity price or parity income, which was to be decided by Congress.

The agricultural movement in the 1920s laid the foundation for government programs of the 1930s in three specific ways. First, it politicized agriculture's problems. By 1932, policymakers believed that government was the last hope for the maintenance and health of America's agricultural sector. Roosevelt accepted their argument that agriculture had to be one of the first sectors aided by the New Deal. Thus, the AAA was considered *before* and *separately* from trade liberalization legislation. Its timing was crucial. Since AAA legislation came first, trade programs had to follow its precepts, not the reverse.

Second, by the time Roosevelt came into office, policymakers considered only a reduced set of options for agriculture as viable. Most important, export-led recovery plans, such as McNary–Haugen, had been discredited. Its supporters in the USDA had been purged by Secretary Jardine. Moreover, agricultural economists had abandoned the idea that foreign markets would be able to absorb the American surplus indefinitely. As early as 1924, the

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well-known economist Edwin Nourse began to argue against export-recovery plans. In a book entitled *American Agriculture and the European Market,* he asks: "What are the actual possibilities and prospects of creating in Europe a buying power capable of making her a better cash customer or a safe credit risk in our agricultural export market?"[38] He then answers that, since 1914, "the actual situation of the American farmer [is] . . . of diminishing importance as an exporter of agricultural products in Europe."[39] Perhaps most problematic for Nourse, in the views of proponents of McNary–Haugen and similar proposals, is their belief that post–World War I Europe would again demand American goods. Nourse replied to these advocates:

> The Europe which can be "reconstructed" out of the shattered materials left by the Great War will be one of greater self-sufficiency, more meager standards of living, and careful searching for the cheapest sources of food and raw materials while capital losses are being so far as possible made up and debt obligations being adjusted. There is no use blinking the fact that our farmers cannot afford to produce the present quantity of exports at the present level of costs for the low-price European market nor can European consumers afford to buy any great proportion of their needed agricultural supplies in our relatively high-priced market.[40]

The other alternative to which Roosevelt could have turned was cartelization plans. The cooperative movement, however, was seen as a Republican program in 1932. Even putting partisan considerations aside, the history of the Farm Board revealed that cooperative-type solutions were not enough to remedy the agricultural malaise. Even members of the Board were advocating more interventionist programs. Roosevelt turned to the only solution that still had legitimacy among agricultural economists. Working closely with M. L. Wilson, Roosevelt opted for domestic allotment plans and intervention into agricultural markets to set price and quantity. International solutions were *not* considered to have any economic validity. All of the agricultural economists of the time felt that American policy in the 1930s had to be oriented around the domestic market.

Third, the solution of Smoot–Hawley—that is, to use the tariff to raise agricultural prices—had few supporters by 1933. Both the economists and the policymakers agreed that the tariff, long favored as the weapon against economic decline, was an ineffective tool for agricultural management. After tariff solutions had been discounted, the Roosevelt administration was free to pursue almost any path it chose. The Great Depression had revealed the weaknesses of tariffs and cartelization; no economic argument could defend

38. Edwin G. Nourse, *American Agriculture and the European Market* (New York: McGraw-Hill, 1924), p. 92.
39. Ibid., p. 229.
40. Ibid., p. 232.

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the export programs of surplus dumping. Direct government intervention, never the first choice of farmers, was the one remedy not recently discredited. And so the administration pursued the last available option.

This policy choice had ramifications far beyond the intent of its founders. By mandating a policy that dictated the use of import quotas and export subsidies instead of one based on reciprocal tariff negotiations without benefit of government supports, the United States established a precedent for excluding agriculture from the worldwide liberalization trend that followed World War II. The country that suffered the most from this exclusion was the United States. Since it held a comparative advantage in almost all aspects of agricultural production throughout the postwar period, the United States never realized the potential of open foreign markets. In fact, the United States *never* considered opting for liberal trade in agriculture by the reciprocal lowering of international barriers. Rather, the notion of a two-tiered price strategy, in which domestic prices determine agricultural supports, has dictated postwar policy. No one produced what may be argued, in hindsight, to be the economically "correct" long-term solution to the problem of agriculture's surplus. Rather, economists who understood the theory of comparative advantage ignored its implications for agriculture.[41]

As early as the passage of the first AAA, the philosophical differences between domestic programs to support agriculture and international programs to increase trade through lowered tariffs were apparent. In an early version of the 1934 Trade Act, a section stated that "in administering this [Act] the President shall have due regard for the policies of other parts of the National Recovery Program, particularly as embodied in the National Recovery Act and the Agricultural Adjustment Act."[42] Although that wording was omitted from the final version, the inconsistencies between these two types of programs were obvious to many in Congress and the executive office. But if we had to assess the relative position of these two types of responses to the 1930s crisis, evidence supports the claim that, at least in 1933, the administration was more concerned with domestic problems than internationalism. The United States abandoned the London Conference in 1933 and turned instead to programs such as the NRA and the AAA.[43]

41. Nourse, Spillman, and Black, all renowned economists writing in the 1920s, dismissed the possibility of the United States pursuing an export policy in agriculture after World War I. Nourse argued that with the "great collapse" in Europe, "we should keep our minds open to the possibility that such a restoration may not in fact take place" (Nourse, *American Agriculture,* p. 233). Spillman warns that even if exports could be increased, this would come at the price of increased production, which would cause the whole system to "fall to the ground" (Spillman, *Balancing the Farm Output,* p. 71). Black doubted the usefulness of tariff revision, since it would have the ultimate effect of making "prices of these farm products more unstable than they are at present" (Black, *Agricultural Reform,* p. 219).

42. John M. Leddy, "United States Commercial Policy and the Domestic Farm Program," in William B. Kelly, Jr., ed., *Studies in United States Commercial Policy* (Chapel Hill: University of North Carolina Press, 1963), pp. 179–80.

43. In his inaugural address on 4 March 1933, Roosevelt gave his priorities: "Our international trade relations, though vastly important, are in point of time and necessity secondary to the establishment of a sound national economy. I favor as a practical policy the putting of first

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By 1935, a year after the passage of the 1934 Trade Reform Act, Congress and the President were trying to reconcile these two contrary programs. Two amendments were added to the AAA. Section 22 established the principle that imports ought not to "render ineffective, tend to render ineffective, or materially interfere with" AAA programs. The President was authorized, with the Tariff Commission, to establish quotas that could cut some imported commodities as much as 50 percent from 1 July 1928 to 30 June 1933.[44] Not only were import quotas mandated, but in Section 32, the government legalized the principle of export subsidies for farm products. According to the new law, the Secretary of Agriculture set aside 30 percent of annual customs revenues, which was then used to subsidize exports. The rationale for these programs derived from the original legislation. If the U.S. government was going to support prices that were artificially high in the United States, then lowered levels of tariff protection would encourage foreign producers to increase imports undermining the domestic program. Similarly, high prices at home and lower prices abroad, even discounting tariff and foreign expenditures, could end the incentive for farm exports.

With the U.S. agricultural and manufacturing trade program each developing separate agendas and separate organizational structures, proponents of one could do little to affect the development of the other. Commercial liberalization had to live with agricultural supports. As the United States engaged in increasing numbers of bilateral agreements, policymakers began to insert a standard clause prohibiting import quotas on products subject to tariff concessions *except* for products that were subject to the government programs "operating to regulate or control the production, market supply, or price of the like article of domestic growth, production, or manufacture."[45] After World War II, the exceptions for manufacturing were deleted. For agriculture, however, the provision remained essentially the same. Articles XI and XX and the Protocol of the General Agreement on Trade and Tariffs (GATT), which stated that members were bound "to the fullest extent *not* inconsistent with existing legislation," grandfathered the United States' previous laws.

The next section examines the two dominant industrial responses to the

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things first. I shall spare no effort to restore world trade by international economic readjustment, but the emergency at home cannot wait on that accomplishment. The basic thought that guides these specific means of national recovery is not narrowly nationalistic. It is the insistence, as a first consideration, upon the interdependence of the various elements in and parts of the United States. . . . It is the way to recovery. It is the immediate way." See *The Public Papers and Addresses of Franklin D. Roosevelt,* vol. 2 (New York: Random House, 1938), p. 14.

44. The time period was ultimately designated as a "previous representative period." The law did not specify what constituted interference of domestic programs. "Interference" could be defined as no imports or a substantial amount, which gave the Commission and the President substantial discretion. It is noteworthy that only the President had the right to initiate an investigation and held all final authority. The decision to give investigative rights to the Tariff Commission and not to the USDA suggests that Congress wanted to keep the more involved and more biased USDA out of the decision-making procedure.

45. Leddy, "United States Commercial Policy," p. 184.

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Depression. The National Industrial Recovery Act (NIRA) of 1933 was philosophically akin to the agricultural programs. About one year later, an alternative act set the stage for the liberalization of trade. Below we ask why central decision-makers abandoned their policies in favor of market controls for manufactures but not for agriculture.

The liberalization of trade

When U.S. industry precipitously declined in the 1930s, recovery ideas centered around two policy poles. The United States could continue the policy of high tariffs and pursue policies aimed at the national market and at U.S. producers. That was the nationalistic road to recovery. At the other pole was the impulse to international solutions. The United States could induce prosperity by stabilizing monetary relations among nations and negotiating reciprocal agreements to lower restraints to trade.[46]

In the early days of the Roosevelt administration, the nationalistic strategy dominated. The administration abandoned its international efforts and supported such legislation as the NIRA and the AAA. This experiment in "industrial policy," however, was short-lived. A key factor in its failure was that it had no cohesive framework to help participants and administrators understand its philosophical basis. Comparatively, the idea of the noninterventionist state acting to support market mechanisms was well-developed and understood.

In the previous section, I argued that policymakers overcame the structural and ideological bias against state intervention in agriculture. Supporters of intervention argued convincingly that the agricultural crisis could only be solved through government involvement. In industry, no equivalent consensus developed. In the 1920s, neither prices nor growth rates and trade patterns were viewed by producers as problematic. The percentage of national income contributed by the manufacturing sector remained steady, fluctuating between 23.3 and 22.2 during the decade; agriculture's contribution dropped from 18.9 to 11.5.[47] Likewise, the number of persons engaged in manufactures rose while those in agriculture declined during this period (see Table 2). In manufactures, an international strategy, including export expansion, remained a possible solution to industrial decline.

In the next two sections, I shall examine, first, the structure and ideas embodied in the National Recovery Administration (NRA) and, second,

46. In *America Must Choose* (New York: Foreign Policy Association, 1934), p. 8, Secretary of Agriculture Henry A. Wallace states that the choice is between nationalism, internationalism, and "a planned middle course." He argues that nationalism would require less readjustment by manufacturing than by agriculture, whereas internationalism "would throw the greater burden of adjustment on factories rather than on farms."

47. U.S. Department of Commerce, Bureau of the Census, *Historical Statistics of the United States from Colonial Times to 1970* (Washington, D.C.: GPO, 1975), p. 240.

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TABLE 2. *Persons engaged in production, 1869–1985*

Years	Percentage distribution by industry	
	Agriculture	*Manufacturing*
1870–1880	46.3	18.1
1880–1910	36.3	20.3
1910–1930	25.4	23.1
1930–1950	17.0	23.1
1950–1970	7.5	26.2
1970–1985	3.5	22.1

Sources. Estimates for the years up to 1930 are derived from Kendrick estimates, and those from 1930 to 1970 are derived from Commerce estimates. Both are available in U.S. Department of Commerce, Bureau of the Census, *Historical Statistics of the United States from Colonial Times to 1970* (Washington, D.C.: GPO, 1975), p. 240. After 1970, estimates are derived from statistics in U.S. Department of Commerce, Bureau of Statistics, *Statistical Abstract of the United States: 1986* (Washington, D.C.: GPO, 1985), p. 404.

those that eventually fostered liberal trade. The explanation for the dominance of trade solutions for nonagricultural products in the 1930s returns us to the larger questions with which we began this essay.

The National Recovery Administration

When the NIRA became law on 16 June 1933, Roosevelt explained that its goal was "the assurance of a reasonable profit to industry and living wages for labor, with the elimination of the piratical methods and practices which have not only harassed honest business but also contributed to the ills of labor."[48] Although the amount of responsibility the government assumed for business practices was a radical departure from earlier legislation, the NRA had intellectual roots in a number of places. Regulatory agencies such as the Interstate Commerce Commission, public utility commissions, agreements under the Federal Trade Commission, and labor laws all established precedents for the conditions under which government intervention in the market was legitimate and necessary. The War Industries Board, established during World War I, had proved that the government could successfully administer such intervention. Men like Hugh Johnson, who had participated in the earlier efforts, repeatedly advocated a similar national effort to mobilize industrial recovery. "If cooperation can do so much," he

48. Quoted in Leverett S. Lyon, *The National Recovery Administration* (Washington, D.C.: Brookings Institution, 1935), p. 3.

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had written after the war, "maybe there is something wrong with the old competitive system."[49]

Although public trust in the government's ability to coordinate business activities grew in the early 1930s, a second strain of thought focused on the need for general economic planning. Those advocating direct government intervention argued from a variety of perspectives. For many, the profit motive of private business had led to too many social atrocities to be ignored. For others, unrestrained capitalism led not only to numerous social problems, but, more fundamentally, to economic instability, minimal growth rates, and, potentially, even to revolution. Writers as diverse as Upton Sinclair, Reinhold Niebuhr, and John Dewey could all agree that if capitalism were to survive, it would need closer regulation by the state.[50] At minimum, most agreed that there needed to be "antitrust liberalization." Cooperation among businessmen, which had been restricted under antitrust laws, in the forms of trade associations or other coordinated business interactions served the nation better than a system of pure competition ever had. As Johnson argued:

> The very heart of the New Deal is the principle of concerted action in industry and agriculture under government supervision looking to a balanced economy as opposed to the murderous doctrine of savage and wolfish individualism, looking to dog-eat-dog and devil take the hindmost.[51]

Views within the business community varied. Many agreed that predatory practices by industrial giants were destructive to the general business climate. In addition, it was generally recognized that overproduction and underconsumption needed to be addressed, if not by business associations themselves then by the government. By the spring of 1933, even the Chamber of Commerce was receptive to the President exhorting business to work with government in order "to prevent over-production, to prevent unfair wages, and to eliminate improper working conditions."[52] In industries as diverse as oil, coal, textiles, and apparel, the demand for planning came either from the industry itself or from organized labor. Oil, for instance, had

49. Quoted in Arthur M. Schlesinger, Jr., *The Coming of the New Deal* (Boston: Houghton Mifflin, 1959), p. 87.

50. The following selections appear in Howard Ginn, ed., *New Deal Thought* (Indianapolis: Bobbs-Merrill, 1966): Upton Sinclair, "Production for Use" (1933); Reinhold Niebuhr, "After Capitalism—What?" (1933); and John Dewey, "The Future of Liberalism" (1935). Prior to these essays, Sinclair had written *The Jungle*, which was dedicated "To the Workingmen of America." Niebuhr's *Love and Justice* includes an essay—entitled "How Philanthropic is Henry Ford?"—which was written in 1927 and which questions the heroic stature of one of America's most admired capitalists. In 1930, Dewey published *Individualism Old and New,* in which he expresses concern that the individual spirit has succumbed to "the corporateness of existing society" (p. 85).

51. Quoted in Schlesinger, *New Deal,* p. 88.

52. Ibid., p. 98. Schlesinger calculates that 27 of 49 speakers endorsed more government intervention.

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greatly expanded with the war and with the discovery of new resources in the late 1920s and early 1930s. When the Depression hit, the industry first tried to allocate supplies and then turned to state legislatures. After 1933, the industry turned to the federal government as its last alternative to anarchy.[53]

The Roosevelt administration attempted to weave together many of these ideological strands. In the Brain Trust, Raymond Moley argued for a policy of cooperative business-government planning; Rexford Tugwell supported a more comprehensive model. In 1933, Tugwell had advocated establishing an industrial integration board that would integrate the industry-specific plans developed by trade associations with a basic economic plan set forth by the government.[54] Bernard Baruch, George Peek, and Hugh Johnson—all charter members of the War Industries Board—argued for some similar form of government relief.[55] Although Roosevelt acknowledged that his administration would need some concerted policy for industry, it was only after the Senate passed the Black bill, which mandated a thirty-hour workweek, that he set his advisers to work on alternative policy options.

Three working groups contributed to the formation of the NRA. From the Senate, Robert Wagner led one group; John Dickinson, the Undersecretary of Commerce, organized a second; and Hugh Johnson, working from Moley's office at the Department of State, ran a third.[56] The Johnson proposal centered on the use of business-practice codes, which would be enforced through federal licensing. Wagner and Dickinson proposed public works, the establishment of a network of industrial trade associations, and guarantees that labor would be entitled to collective bargaining. The final NIRA integrated all these ideas.

The bill engendered little debate in the House. In the Senate, however, opposition arose over two issues: (1) the provision of guarantees to labor and (2) the bill's mollifying antitrust laws. Of all the public New Deal debates over the rights and obligations of business and government, the discussion in the Senate on the NIRA most clearly showed the intellectual tensions of the time. A central concern was whether the expanded rights of business to collude would be used as a mechanism to control overproduction or as a

53. Schlesinger, *New Deal*, p. 89.

54. Rexford G. Tugwell, *The Industrial Discipline and the Governmental Arts* (New York: Columbia University Press, 1933), p. 212.

55. Within the administration, Adolph Berle "seems to have been the most determined protagonist of the business planning viewpoint," although his efforts slacked off later. See Robert F. Himmelberg, *The Origins of the National Recovery Administration* (New York: Fordham University Press, 1976).

56. The groups were comprised as follows: Wagner's group included association law experts David Podell and Gilbert Montague; Senator Robert LaFollette, with his emphasis on public works; United Mine Workers' (UMN) spokesman W. Jett Lauch; and Brookings economist Harold Moulton. Dickinson's was an executive branch–oriented group and included Tugwell, Perkins, and Jerome Frank, later joined by Leon Keyserling. Johnson, brought in by Moley, was later joined by Donald Richberg. See Schlesinger, *New Deal*, pp. 96–97.

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green light to engage in monopolistic price-fixing. Many, including the Chamber of Commerce, thought that the bill gave industry the power to fix prices and restrict production, and so they supported the NIRA. To others, business was not being granted that right. Senator Wagner, labor's strongest supporter in the Senate, testified that "it is not contemplated that prices shall be fixed, because the fixation of prices is not in conformity with the preservation of fair competition." Rather, he saw the bill as designed to "make sure the best judgment and the highest ideals of the industry govern its competitive activities, replacing the now low standard of sweatshop, cut-throat competition. . . . The bill does not abolish competition; it purifies and strengthens it."[57]

Senators such as Wagner faced a particular dilemma. Since it was widely believed that government did not have the jurisdiction to control wages and hours directly, industry itself would have to raise labor standards. The problem was how to allow collusion for better labor conditions without allowing collusion for monopoly profits. This dilemma led many, including some original supporters, to vote against all or part of the bill. Thirty-nine senators voiced disapproval, including an empassioned Huey Long, who declared: "The Democratic Party dies tonight, Mr. President. We will bury it."[58]

Under the guidance of Hugh Johnson, the NRA set up operations in August 1933. Within two years, however, disillusionment was widespread. The NRA had marginal success in getting industry to cooperate. Jurisdictional disputes challenging the AAA arose over a number of issues. Business disliked enforced collective bargaining and its inability to raise prices, while labor representatives thought they were not getting fair treatment. Consumers complained about overt business control of prices. Everyone complained about enforcement. Reports abounded that codes were being violated, evaded, and ignored. Critical reports appeared in the media. *Harpers* reported that "any supposition that business intends to 'govern itself' in the spirit of the New Deal is preposterous. The profit motive is still solidly in the saddle."[59] Hearst condemned the NRA as "absolute state socialism," renaming the organization "No Recovery Allowed."[60] Getting on the bandwagon, columnist Walter Lippman observed that "the excessive centralization and the dictatorial spirit are producing a revulsion of feeling against bureaucratic control of American economic life."[61]

As with the debate in Congress, the issue of government price-fixing remained a central concern within the administration. Proponents of planning, such as Tugwell, argued that the NRA was allowing industries to obtain higher profits through artificially high prices. High prices discouraged con-

57. Quoted in Schlesinger, *New Deal,* p. 101.
58. Ibid.
59. Ibid., p. 121.
60. Ibid.
61. Ibid.

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sumer spending and, ultimately, production; this was not the path industry should follow. Johnson, however, saw it differently. Where Tugwell argued that the Depression had been partly caused by the reluctance of businessmen to reduce prices when productivity increased in the 1920s, Johnson saw low prices as leading to excessive competition at the expense of labor. Johnson argued that the principle of "low prices at any sacrifice was vicious because the sacrifice always came from one place, out of the hours and living conditions of labor."[62]

The debate was only temporarily solved by Johnson's resignation from the NRA in the autumn of 1934. He was replaced by a five-member board that proved equally unable to reconcile the debate on price-setting policy. By late 1934, a consensus had formed to set prices free. An important proponent of the new price policy was Leon Henderson, the NRA's chief economist. Henderson argued against the NRA allowing industry to collude on prices:

> [It] is contrary to the public interest. Price determination is not a proper function of industrial self-government. In this field self-government would involve monopoly power, with an interest to securing maximum profits.[63]

Perhaps not surprisingly, the chief opponents of the liberalization of price controls were businesses and business associations. In a strange reversal of the apparent interests of each group, business representatives argued that a return to the market would be a return to chaos, while government officials argued for the benefits of the free market system. Calling on industry to increase their production, Roosevelt, Tugwell, and the NRA administrators questioned the system of controls instituted between 1933 and 1935. Even among the Board, a majority opposed Roosevelt's request to Congress for a two-year extension of the NIRA.[64]

In stormy hearings, the Senate Finance Committee opposed the renewal of even limited NRA authority. An extensive study by the Brookings Institution declared "the body of code laws and the agencies set up to administer it seriously defective."[65] The NRA's death knell sounded when the Supreme Court ruled the legislation unconstitutional. Title I of NIRA was declared

62. Ibid., pp. 123–24.
63. Ibid., pp. 159–60.
64. Was criticism of NRA justified? The NRA was certainly a poorly administered organization. However, recovery was not stifled by administrative decisions on prices. Schlesinger argues that the causes of price rigidity went a great deal deeper than anything having to do with a particular set of NRA codes, and its cure was well beyond NRA control.
65. Lyon, *The National Recovery Administration,* p. 883. In comparison, the Brookings Report on the AAA was more supportive of the philosophy and workings of the program. See Nourse, Davis, and Black, *Three Years,* pp. 193ff.

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an invalid delegation of legislative power to the President and an unconstitutional regulation of intrastate commerce.[66]

America's experience with the NRA was indicative of the era's search for policy options in the economic and public policy communities. Fundamentally, the NRA was a stopgap remedy for economic malaise.[67] Although some of its founders clung to the utopian view that it would solve all of the country's ills, most administrators did not share this vision. NRA officials searched for answers to the scarcity of the 1930s. After their first, excessive use of industrial codes, administrators sought more streamlined methods to stimulate production and thus employment. Like many economists involved with the program, Henderson abandoned the NRA's original philosophy of stabilization through price and production controls. Rather, he and others at the NRA continued to believe in the advantages of market economies. Their criticism of the NRA rested on the conviction that if the government was going to embark upon central planning, it should be guided by government, not business.[68] There was no difference between monopolization that led to high profits and the industrial self-regulation put forth by Johnson and others.

Unlike the supporters of liberalism, the proponents of an "industrial policy" solution in the 1930s faced a central dilemma. No solution to industrial malaise existed; economists had developed neither the tools nor the theory to analyze market situations that fell between the poles of pure competition and pure monopoly.[69] The doctrine of the 1920s had been to abandon mo-

66. In *United States v. Schecter*, the defendants contended that the NIRA was an unconstitutional delegation of powers, that the regulation of their enterprise was outside the purview of congressional authority, and that NIRA codes were contrary to due process provisions. (The company had been accused of violating the live poultry code in their wages, price reports, and sale of diseased poultry.) The court ruled that NIRA was an illegal enlargement of congressional powers. The court found the codes to be coercive, without reference to standards, and, in this particular case, to fall solely in the jurisdiction of New York, since the poultry was bought elsewhere but processed and sold within the boundaries of one state.

67. In Schlesinger, *New Deal*, pp. 174–75, Schlesinger argues: "The more enduring achievements of NRA lay not in the economic but in the social field. . . . It established the principle of maximum hours and minimum wages on a national basis. It abolished child labor. It dealt a fatal blow to sweatshops. It made collective bargaining a national policy and thereby transformed the position of organized labor. It gave new status to the consumer. It stamped out a noxious collection of unfair trade practices. It set new standards of economic decency in American life—standards which could not be rolled back, whatever happened to NRA." Hugh S. Johnson himself cites these accomplishments in his memoirs, *The Blue Eagle from Egg to Earth* (Garden City, N.Y.: Doubleday, Doran, 1935), and proudly claims that "no labor organization on the earth and no conflict between labor and management could have done these things" (pp. 267–68).

68. In Bernard Bellush, *The Failure of the NRA* (New York: Norton, 1975), Bellush attributes the problems of the NRA to the lack of standards or principles guiding its behavior. Those guidelines could have been supplied by other institutional actors, but "neither Congress nor the President seriously faced up to the task of directing, let alone controlling, the administrative agency" (p. 176).

69. If administrators had been better acquainted with Joan Robinson's book, *The Economics of Imperfect Competition* (London: Macmillan) or Edward Chamberlin's book, *The Theory of Monopolistic Competition* (Cambridge: Harvard University Press), both published in 1933, the

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nopoly. However, the nation's experience with competition during the Depression had led it down the path to crisis. Without an adequate theoretical understanding of the developments in the American market, the NRA was doomed to haphazard and often contradictory attempts to stabilize the economy. Without a clear agenda, the NRA lacked legitimacy. Administrators could have advocated public control of industrial prices, profits, and production. Such a departure from market principles, however, would have required theoretical justification. Such a thesis was not available, perhaps *because* industry had done relatively well in the preceding decade. Thus, even those who advocated government control of industry could not support the NRA, which appeared to be dispensing monopoly profits.

The reasons for the NRA failure, however, are less central than the failure itself. Because the NRA was created first, it could potentially have undercut the structure and the ideological underpinnings of trade liberalization. Not only did the demise of the NRA demonstrate the weaknesses of government market controls, but the absence of a "nationalist" road to recovery allowed "internationalism" to flourish. Liberalism could not prove itself in the 1930s. Its success would be apparent only in subsequent decades. If a program of import controls had remained a viable alternative throughout the decade, the early attempt to lower tariffs after World War II might have failed. In short, industry *could* have gone the path of agriculture. Liberal trade policy was not predetermined by America's rise to hegemony.

The trade liberalization program

Philosophically, both the AAA and the NRA shared a belief in the efficacy of government control over market forces. The trade liberalization program shared no such premise. Although the bills for all three programs passed Congress within months of one another, the economic basis for the trade reform movement deviated markedly from the other two. What all three did share was their sharp historical divergence from preexisting programs.

Unlike the other two programs, the trade reform movement centered around the traditional tool used by Congress for economic management.[70] Congressional debate over the optimal height of tariffs had occurred regularly throughout U.S. history. Before 1934, debate turned on the issue of the primary purpose of the tariff. Given each party's sectoral base, the Republicans argued for a tariff that protected industry, and the Democrats argued

NRA's attempt at market controls may have been somewhat more successful. However, there still remains a problem in setting prices if the market consists of primary, intermediary, and finished products. Price setting is a far less complex task when the majority of controlled products are primary, as in agriculture.

70. For a more thorough explication of the 1934 Act, see Stephan Haggard, "The Institutional Foundations of Hegemony: Explaining the Reciprocal Trade Agreement Act of 1934," *International Organization* 42 (Winter 1988).

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for one that maintained a balanced budget. With the United States consistently running budget surpluses in the late nineteenth century, the Democrats came to be known as the party of lower tariffs.

The years 1933 and 1934 were periods of uncertainty for the new Democratic administration. The vast philosophical differences among the administration's programs revealed the absence of a cohesive design for economic recovery. Since the administration was elected on a platform of trade reform and a commitment to some form of internationalism, it was no surprise that Cordell Hull was appointed Secretary of State. But although the President implied that a bill to inaugurate a new trade program was imminent in 1933, his first year in office was monopolized by programs philosophically opposed to trade liberalization. The AAA and the NIRA explicitly argued for higher, not lower, import restrictions. Specifically, Section 3(e) of the NIRA gave the President broad powers over imports in order not "to render ineffective or seriously to endanger the maintenance of any code or agreement."[71] The ability of the AAA to likewise restrain trade has already been noted. Under Section 3(e), quotas were placed upon imported petroleum, alcoholic beverages, and lumber and timber products. Without seeing the inherent contradiction, the administration repeatedly released statements in 1933 and 1934 advocating liberalized trade through reciprocal agreements, barter, the AAA, and the NRA.[72]

The extent of change in U.S. tariff policy during 1934 must be stressed. Although members of the economic community had been convinced that the U.S. export-import mix after 1890 would have benefited from liberalization and that America's status as a creditor nation after World War I demanded a change in import policy, government officials knew little and cared less about their advice. Wilson had advocated internationalism and lowered barriers to trade. However, although the Underwood Tariff of 1913 lowered rates, Congress again turned to a high tariff policy in the 1920s. Thus, 1934 marks the shift in the philosophical basis of U.S. commercial policy. The change followed a crisis that undermined the existing approaches to the tariff question. It was accompanied by a shift in administrative authority from Congress to the President—a shift that gave the United States the administrative capacity to carry out the program successfully.

Several critical events merged in 1934. All were necessary ingredients of liberalization; none was understood to be part of a liberal game plan at the time. After 1934, tariffs would be negotiated on the basis of unconditional most-favored-nation (MFN) status and reciprocity. Both of these principles were established before the Depression. Liberalization occurred, however, as a result of two additional events: the Roosevelt administration allowed a well-known free trader, Cordell Hull, to orchestrate commercial policy; and

71. Cited in Henry J. Tasca, *The Reciprocal Trade Policy of the United States* (Philadelphia: University of Pennsylvania Press, 1938), p. 12.
72. Tasca, *Reciprocal Trade Policy*, p. 28.

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administrative control shifted to the office of the President. If Congress had not relinquished tariff-making authority, trade liberalization would never have succeeded.

Most-favored-nation status. The United States adopted the principle of unconditional MFN status in 1923.[73] The United States had to accept this principle to pave the way for the worldwide liberalization of trade after World War II, just as the British had accepted it in the Cobden Treaty of 1860 prior to their own liberalization. Yet this important moment in U.S. trade history passed without fanfare; in fact, it occurred as a result of a misunderstanding. In Section 317 of the Tariff Act of 1922, Congress passed a second "flexible tariff" provision. First legislated in the 1909 Act, the flexible tariff was supposed to stop discrimination against U.S. exports by giving the executive branch the right to impose additional duties when the public interest demanded it. When it was introduced by Senator Reed Smoot (who later championed excessively high duties in the Smoot–Hawley tariff of 1930), Congress gave no evidence that it interpreted this passage to mean that, in the future, the United States should not negotiate discriminatory agreements. One member of the Tariff Commission and proponent of unconditionality understood the implication: William Culbertson wrote to Secretary of State Hughes explaining that if the intent of Congress were to be followed, all discriminatory agreements had to be eliminated.[74] According to Culbertson, Congress had mandated that the United States increase duties in all cases in which a nation did not give U.S. exports the same preferential treatment it gave to those of another country. This meant that the President must increase the tariff on the goods of all nations that were party to a tariff agreement without the United States. Culbertson went on to argue that Congress did not intend Section 317 to be used in this fashion. Thus, to fulfill the will of Congress, the United States would need to render all treaties unconditional. Secretary Hughes communicated this to President Harding, who, with little thought, approved this new policy. In August 1923, it was announced that all future treaties would contain an unconditional MFN clause.

Since there was no mandate to lower tariffs in the 1920s, the issue of unconditionality was moot. It would be important only when tariffs became negotiable in 1934. By then, however, the United States had a decade of

73. Previously, the United States had negotiated agreements based on conditionality, or the provision that tariff concessions would only be extended to third parties giving the United States equivalent concessions. This proviso led to discriminatory agreements among parties. If all nations cannot benefit from a tariff reduction, then the agreement by definition is discriminatory to those parties not involved. In reviewing America's record, however, no extensive history of discriminatory practices is found. Although the country had a history of high tariffs, the effect of having a single-column tariff schedule until 1909 led, de facto, to all nations being subjected to one set of custom barriers.

74. William J. Culbertson, *Reciprocity* (New York: McGraw-Hill, 1937), pp. 244–58.

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these treaties. Did Congress intend to liberalize trade in the 1920s, and was the passage of Section 317 an indicator? Some scholars have argued this to be the case, with Culbertson's work as a good example.[75] In Congress, however, no one argued that Section 317 mandated a change in MFN status. In fact, the bill's sponsors resolved the debate by assuring senators that Section 317 in no way was to be interpreted to mean discrimination from conditional MFN treaties. Thus, it is implausible to contend that Congress intended such an interpretation of its actions. Whether knowingly or not, the United States had backed into a more liberal mode of trade negotiations.[76]

Reciprocity. Another important element of the post-1934 trade program is reciprocity. As early as 1844, the United States had attempted to negotiate reciprocal treaties. During the nineteenth century, such agreements were stymied in Congress. In 1897, Congress approved a Tariff Act allowing the President to lower duties on certain products to specific amounts in return for equivalent concessions. Congress was not mandated to reexamine these agreements. This executive power was short-lived: in 1909, both the authority and the agreements concluded under the 1897 act were rescinded. In 1909, and again in 1922, Congress moved to the flexible tariff, with tariff rates set by the principle of foreign and domestic cost equalization. Congress did not entertain the idea of reciprocity to lower tariffs; duties were not negotiable downward, but were to be used by the President to increase domestic protection if deemed necessary.

The reciprocity in agreements after 1934 differed substantially from the intent of earlier reciprocal agreements. Before 1934, reciprocity had referred to "substantive bilateralism."[77] Agreements were exclusive in nature. The United States negotiated to give and gain equal concessions. At a time when the United States granted only conditional MFN status, the government could maintain this pure bilateralism. As mentioned above, such negotiations were discriminatory by definition and were difficult to expand multilaterally. Supporters of liberalization spoke of reciprocity in terms of "formal bilateralism." Formal bilateralism was bilateral action with multilateral implications.[78] Put most simply, negotiations are conducted between countries whose import-export mix gives them the incentive to grant one another a

75. Culbertson, *Reciprocity*, p. 69; and Tasca, *Reciprocal Trade Policy*, pp. 116–21.

76. There were sound functional reasons for a shift from conditional to unconditional MFN policies after World War I. In Kelly, *Studies*, pp. 44–98, Kelly argues that the United States enjoyed relative immunity from discrimination before the war (1) because of the scarcity of occasions before 1890 when U.S. action might have inspired retaliation; (2) because the United States benefited from the unconditional treaties of other nations (particularly Europe); and (3) because of the predominance of noncompetitive agricultural goods in American exports. However, increasingly hostile trade, the necessity of new treaties, growing reliance on manufactured goods, and the shift from debtor to creditor made the United States vulnerable to discrimination after World War I.

77. Tasca, *Reciprocal Trade Policy*, p. 6.

78. Ibid.

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trade concession. Once a concession is granted to such a principal supplier, other nations are also granted that new tariff. In the United States, those who argued for formal bilateralism were in effect arguing for negotiations based on unconditional MFN principles. As long as the United States maintained a single-column tariff system, a change in a tariff resulting from a bilateral agreement would benefit any importer of that product. Thus, without accepting the tenets of neoclassic trade theory, Congress could support reciprocal negotiations and the administration could embark upon multilateral trade liberalization.

Cordell Hull and the delegation of power. Although key U.S. decision-makers accepted bilateralism as a negotiating format and unconditionality as part of MFN agreements (however unwittingly), neither fully explains the radical policy shift in 1934. We must include two other events. First, the political community accepted the idea that the United States would need to open home markets to increase export earnings. This is not to say that no one before 1934 recognized that domestic growth benefits from international trade; policymakers always saw the benefits of trade and expanding foreign markets. The United States had repeatedly suffered from shrinking foreign markets, whether due to war or depression. Agriculture had benefited enormously from trade with Europe, and policymakers recognized that problems of surplus could be eliminated through expanding markets. In 1934, however, they made the connection between domestic programs and international trade. In the past, issues of access to foreign markets and the height of the tariff were separated by a theoretical void. Policymakers saw the two issues as unconnected. In 1934, the Trade Act recognized the inherent contradiction in earlier policy.

This policy change was in no way inevitable. Although the Democrats condemned Smoot–Hawley, the alternative was not necessarily liberal trade. Since the turn of the century, economists had consistently advocated free trade. As Jacob Viner remarked in 1930, "The contrast is striking between the almost undisputed sway which the protectionist doctrine has over the minds of statesmen and its almost complete failure to receive credentials of intellectual respectability from the economists."[79] Early in the Roosevelt administration, a working group in the Department of Commerce examined the problem of high tariffs. They offered the administration two alternatives. One was to judge industries according to their efficiency and to give no protection to inefficient industries. Since efficient industries would continue to be protected, economists in the Department of Commerce argued that the tariff could become a tool for improving industrial productivity. The other alternative was to recognize that trade was a two-way street and that, therefore, reciprocal tariff cuts would be appropriate. Either alternative could

79. Jacob Viner, *International Economics* (Glencoe, Ill.: Free Press, 1951), p. 109.

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have become law. The second was the path pursued by the Roosevelt administration.[80] It was the path cleared by Cordell Hull.

The beginning sections of the 1934 Trade Act reveal the new recognition of the interconnections between U.S. and world economies. The act begins with the statement "For the purpose of expanding foreign markets . . ." and goes on to argue for trade "as a means of assisting in the present emergency, in restoring the American standard of living, in overcoming domestic unemployment and the present economic depression." For the creator of this bill, Cordell Hull, America's policy of high tariffs explained much about the hardship the country was suffering.[81] Hull, a Southern Democrat and ardent internationalist, had consistently argued for reducing tariff barriers to guarantee world peace and prosperity.[82] Hull interpreted the decline in farm income and the price of raw materials, as well as high unemployment, as the result of overly protective tariffs. He condemned the doctrines of "industrialism," "economic nationalism," "economic imperialism," and "economic self-determination." Smoot–Hawley had caused an international rush to self-containment, to "tariff mountains high," and to "rabid, selfish and blind nationalism."[83]

Although associating himself with Wilsonian internationalism, Roosevelt, as opposed to Hull, had limited his commitments to its ideals in the early 1930s. Throughout his career, Roosevelt was a politician, not a theorist. Even as early as 1928, Roosevelt began to hedge on a number of unpopular foreign policy issues. In an article in *Foreign Affairs* that outlined the Democratic party's position, Roosevelt equivocated on most of the Wilsonian issues. He maintained an internationalist line only on war debts and tariffs. "High tariffs," he wrote, "only served to make it doubly difficult to repay the debts."[84] By the time Roosevelt ran for President, however, even his stand on the tariffs had changed. Members of the Brain Trust did not advocate "liberal" policies. Rather, Moley and Tugwell, influenced by the economic arguments offered by M. L. Wilson and Alexander Sachs, advocated more nationalistic policies.

Roosevelt's advisers continued to be tense and indecisive about tariffs throughout the early 1930s. Moley, discussing commercial policy, confided

80. See "Memoirs of Willard Thorp," in Katie Louchheim, ed., *The Making of the New Deal* (Cambridge: Harvard University Press, 1983), p. 276.

81. Even Hull had a limited understanding of why liberalization was in America's interest. William Allen, in a study of Hull's trade philosophy, states that "although Hull's conclusions were generally correct, they were correct for the wrong reasons." See William Allen, "The International Trade Philosophy of Cordell Hull, 1907–1933," *American Economic Review* 43 (March 1953).

82. Elliot A. Rosen, *Hoover, Roosevelt, and the Brain Trust* (New York: Columbia University Press, 1977), p. 107. In his memoirs, Hull writes, "The granite rock of isolation and narrow-nationalism still stood in the middle of the road to the necessary international cooperation for a future world of peace and economic well-being." See Cordell Hull, *Memoirs,* vol. 1 (New York: Macmillan, 1948), p. 157.

83. Quoted in Rosen, *Hoover, Roosevelt,* p. 107.

84. Ibid., p. 106.

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to an adviser, "Nothing with which we have been dealing has been subject to such wide differences of opinion."[85] Members of the President's entourage, including Hugh Johnson, criticized Hull's suggestion to cut all tariffs unilaterally by 10 percent. Johnson's response to Hull was that "the world's high tariff system constituted a formidable economic reality. There could be no assurance that reductions in our own tariff structure would have a favorable impact on world trade or yield us any measurable economic benefit."[86] Ultimately, Roosevelt's 1932 campaign pledge on commercial policy was limited. The United States should have "a tariff program based on profitable exchange for each nation, with benefit to each nation, but never at the expense of a violent and general shake-up in business."[87] Although he stated that current tariffs were too high, Roosevelt never responded to Hoover's query about specifying which particular ones. By the close of the campaign, Roosevelt had pledged continued protection for the industrial sector and a tariff policy that would protect the domestic marketplace for American farmers.[88] Whatever Roosevelt's true feelings, after the election he chose the most well-known internationalist to be Secretary of State.[89]

85. Ibid., p. 345.
86. Ibid., p. 344.
87. Ibid., p. 346.
88. Ibid., p. 347.
89. Although Schlesinger claims that Roosevelt favored Hull for the vice-presidential spot in 1928 to help "liberalize" the party (Schlesinger, *New Deal,* p. 90), Hull himself apparently entertained few expectations of any appointment under Roosevelt (Hull, *Memoirs,* vol. 1, p. 156). Even so, Hull viewed Roosevelt's offer of the position of Secretary of State only in terms of complementary policy views: "We did not discuss foreign affairs to see whether we agreed in our attitudes toward them. Neither of us felt the need to do so. We had discussed foreign relations so many times in the past, especially during the later twenties when I used to meet him as he came through Washington, that we thoroughly knew each other's views in the main" (ibid., p. 159).

Other participants in the Roosevelt administration interpreted the Hull appointment in a less sanguine light. Hull enjoyed little support within the Brain Trust during the 1932 campaign, and his views were only solicited through sugar importer Charles Taussig (Rosen, *Hoover, Roosevelt,* p. 343). Hull had initially been brought to the attention of Roosevelt by Louis Howe who, according to Moley, later had second thoughts about his high recommendation (Moley, *After Seven Years* [New York: Harper, 1939], p. 112). In his later memoirs, Moley admits that another leading candidate for Secretary of State (Senator Key Pittman) was ruled out because he was a heavy drinker (Moley, *The First New Deal* [New York: Harcourt, Brace, 1966], p. 87). Even so, Moley himself recalls Roosevelt's comment that "Hull's appointment would be pleasing to the old-line party leaders" (*After Seven Years,* p. 112).

Determining Roosevelt's motivation in appointing Hull is not easy. Given the later appointment of George Peek as special adviser on foreign trade, it is difficult to argue that Hull's and Roosevelt's views on trade were entirely consonant. We know that Roosevelt resisted suggestions of Hull as vice president (Bernard M. Baruch [New York: Holt, Rinehart & Winston, 1960], p. 282). An alternative explanation of the State Department appointment is that Roosevelt wanted to bring Hull within the sphere of his administration so that he would not be an obstacle later, but Hull himself claims he accepted the job because he "could advance sound international views more effectively as head of the State Department than . . . in the Senate" (Hull, *Memoirs,* vol. 1, p. 157). We should recall Roosevelt's style of dealing with advisers (see Richard Neustadt, *Presidential Power* [New York: Wiley, 1960], pp. 156–58). Roosevelt enhanced his own power by surrounding himself with conflicting viewpoints and differing channels of information. He

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The last necessary element of liberalization was administrative. In the 1934 act, the President was authorized to "regulate the admission of foreign goods" in order to provide markets for American exports.[90] The President could negotiate trade agreements, reducing import barriers whenever he found tariffs to be "unduly burdening and restricting trade."[91] And as long as no agreement changed current duties by more than 50 percent, no approval by Congress was necessary. Arguing for the need for this delegation of authority, administration representatives explained to the House that "national and international economic conditions made broad executive discretionary powers imperative."[92]

This change in authority was of central importance to the program's future. In the constitutional delegation of powers, Congress is authorized to set tariffs. In 1934, Congress relinquished this responsibility in an unprecedented transfer of power to the President. Testifying at the House Ways and Means Committee hearings, Hull explained that this authorization gave to the President powers similar to those held by executives in the vast majority of nations:

> It is manifest that unless the Executive is given authority to deal with the existing great emergency somewhat on a parity with that exercised by the executive departments of so many other governments for purposes of negotiating and carrying into effect trade agreements, it will not be practicable or possible for the United States to pursue with any degree of success the proposed policy of restoring our lost international trade.[93]

Once Congress accepted negotiated reductions in tariffs—a position advocated by the Democratic majority—the logic of executive power became evident. Congress never seriously considered the idea of a unilateral tariff cut. Reciprocity was considered the only legitimate mode for tariff negotiations. As Assistant Secretary of State Francis Sayre explained, if the United States pursued a unilateral strategy, "we would not thereby gain immediate reduction of foreign trade barriers, nor would we thereby secure ourselves against discrimination on the part of foreign nations against American goods."[94]

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also knew that Hull's idea of liberalizing trade involved "*empowering the president, free of the pressures of congressional logrolling,* to negotiate agreements with other nations to lower duties" (William E. Leuchtenberg, *Franklin D. Roosevelt and the New Deal, 1932–1940* [New York: Harper & Row, 1963], pp. 203–4; emphasis mine). Perhaps Roosevelt thought he could only stand to gain, either from the acceptance of Hull's ideas or from rising above the conflict that they created. Indeed, this would explain why Roosevelt "simultaneously encouraged both the internationalist and nationalist interpretation" (Robert Dallek, *Franklin D. Roosevelt and American Foreign Policy, 1932–1945* [Oxford: Oxford University Press, 1979], p. 84).

90. Cited in Tasca, *Reciprocal Trade Policy,* p. 32.

91. Ibid.

92. Ibid., p. 33.

93. U.S. Congress, House of Representatives, 8 March 1934, *Hearings on Reciprocal Trade Agreements,* 73d Congress, 2d sess. pp. 5–6.

94. Francis B. Sayre, *America Must Act* (Boston: World Peace Foundation, 1936), p. 34.

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But it is the President who holds constitutional authority to enter into negotiations with foreign governments. If Congress wanted tariff reductions through negotiated trade agreements, it would need to invest the executive with the appropriate powers. This was the logic that the administration offered and Congress accepted.

Perhaps as critically, some policymakers and scholars associated high tariffs with a general problem of congressional policymaking. Reviewing tariff-making policy in Congress, E. E. Schattschneider wrote in 1935:

> American tariff history is the account of an unsuccessful attempt to set up a beneficently discriminatory set of privileges, resulting in legislation so indiscriminately broad as to destroy the logic and sense of the policy. The very tendencies that have made the legislation bad have, however, made it politically invincible.[95]

Schattschneider was not alone in his condemnation of congressional logrolling. Free trade economists, including Jacob Viner, F. W. Taussig, and Henry Tasca, all pointed at congressional politics to explain America's history of high tariffs.[96] Senator Arthur H. Vandenberg, a strong proponent of congressional autonomy, later reflected on the tariff-making process in Congress and agreed that it was an "atrocity":

> It lacks any element of economic science or validity. I suspect that 10 members of the Senate, including myself, who struggled through the 11 months it took to write the last congressional tariff act, would join me in resigning before they would be willing to tackle another general congressional tariff revision.[97]

The economic times had led to a major shift in the party affiliation of congressional members. Those who survived remembered the technical difficulties of writing tariff legislation; those who were newly elected remembered the fate of those who had accepted overly high tariffs.

The Democratic party was not the party that had passed Smoot–Hawley, and it was the party that traditionally advocated lower tariffs. Congressional members did not have to accept the tenets of free trade to believe that the height of the tariff had contributed to the depth of the Depression. Many agreed that the procedure which required Congress to consider each line of the tariff schedule was a vehicle for maintaining the old protectionism. In

95. Quoted in C. E. Schattschneider, *Politics, Pressure and the Tariff* (Hamden, Conn.: Archon, 1963), p. 283.

96. Tasca wrote at the time, "Summing up the entire situation, one can only state that the whole process of tariff-making by Congress offers a sad commentary on the degree to which a distortion of democratic methods is possible" (Tasca, *Reciprocal Trade Policy*, p. 72). Taussig also viewed logrolling as equally condemnable but also inevitable: "On the tariff the log-rolling process goes on without mitigation" (F. W. Taussig, *The Tariff History of the United States* [New York: Capricorn, 1964], p. 494). Viner more generally contrasted tariff making by statesmen with what economists overwhelmingly advise (Viner, *International Economics*, pp. 109–18).

97. Quoted in Kelly, *Studies*, p. 78.

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short, the structure of Congress presented an impediment both to the administration and to Democratic congressional members. Congress wanted some role in commercial policy, but not the role it had previously played. Thus, the decision to delegate authority to a Democratic president met with minimal resistance. Congressional members chose instead to focus on the President's range of authority. They could give the President authority and delegate little latitude for negotiation. Alternatively, they could choose, as they did in 1934, to grant a large 50-percent negotiating authority. Congress checked presidential authority most directly by including a three-year termination of authority.

In sum, the restructuring of authority in 1934 was not viewed as a major loss of congressional power at the time.[98] Democrats voted away their authority in an essentially partisan vote.[99] Only after this shift in authority became an entrenched feature of trade policy did analysts and Congress understand the importance of the initial decision.

The United States liberalized indirectly. No one, except perhaps Cordell Hull, believed in the virtues of a neoclassic trade policy. Certainly Roosevelt had no understanding of the economics of trade. Although he was somewhat committed to an international role for the United States, he understood the virtues of expanding exports but not of expanding imports. The Democratic majority in Congress was interested in moving away from excessively high tariffs. Just as they had advocated a revenue tariff throughout the nineteenth century, the Democrats, again in power, moved to adjust the tariff downward. Although many economists extolled the advantages of free trade, policymakers could find many others who were willing to argue that market aberrations made the free trade ideal unworkable. Thus, Congress gave the administration the machinery for liberalism, even though the key proponents understood little about its virtues. Only after World War II, when trade liberalization was accompanied by vast increases in U.S. wealth, did central decision-makers come to believe in free trade. In 1934, they understood that Smoot–Hawley had helped precipitate the Depression. The remedy—lowering tariffs—had historical precedents. But the way in which the United States then moved to lower tariffs did not. Once the institutional structure

98. The Senate did debate the "constitutional" issue of transferring power. Senator William E. Borah proclaimed that "the constitutional question transcends all others in importance," so much so that he could not vote for passage; and Senator Huey Long described the bill as further evidence to NRA and AAA of congressional divestment of power (*Congressional Record,* 17 May 1934). After the bill passed, *The New York Times* reported that Cordell Hull switched from protector of congressional dominion to advocate of executive delegation (*New York Times,* 6 June 1934). Hull himself defended executive authority as consistent with the actions of most other countries around the world (House Ways and Means Committee, *Hearings on Reciprocal Trade Agreements,* 1934, p. 5).

99. The vote in the House was 274 to 111, with only eleven Democrats defecting and two Republicans supporting the bill. The vote of 57 to 33 in the Senate included five from each party switching sides. The five Republicans who supported the bill in the Senate were, not surprisingly, Capper, Couzens, LaFollette, Norbeck, and Norris.

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existed for an executive-centered program, liberal advocates could move to change commercial policy. These structures, however, were created for myriad purposes. Once in place, they served the purposes of those who had a clear vision of the future of commercial policy.

Conclusion

The Great Depression presented decision-makers with opportunities as well as constraints. Economic depressions open the door to a range of interpretations about their origins and the virtues of particular paths back to prosperity. In addition, depressions allow new political coalitions access to government. History reveals that by the close of World War II, this period of policy "elasticity" had ended. Institutional, societal, and structural constraints foreclosed the type of experimentation found in the previous decade. Although the policy direction of the 1930s was by no means predetermined, the choices that were made established the path that policy would follow for the next forty years.

Given the intensity of the economic dislocation in the 1930s, analysts should not be surprised that policies as different as the AAA, NIRA, and the trade reform movement were entertained as policy options. The failure of the NRA is easy to explain on several grounds: bureaucratic inefficiency, incorrect market analysis, and lack of philosophical consonance with other economic programs. Yet all these criticisms could be made of the AAA as well. Components of both programs were ruled unconstitutional by the courts. Both established bureaucracies that used their power for unprecedented intervention into the market. And comparatively, the NRA, not the AAA, had the constituency more committed to government price-fixing. Yet NIRA legislation was abandoned by the Roosevelt administration, while agricultural programs became institutionalized. This leads us to ask not only why subsidization and liberalization coexisted, but also why agricultural subsidies became institutionalized while support for industry did not. The answer to these questions is not found in international structure, domestic political interests, or functional necessity.

Essentially, policymakers faced two roads to recovery, one national and the other international. The economic community was unanimous in its support for liberalization for industry; it was divided on the issue of agriculture. As early as 1924, economists were starting to doubt that a future existed for U.S. agricultural trade, since by then the country was beginning to run considerable deficits. Industry did not suffer the same fate (see Table 3). The problem of agriculture was argued to be one of surplus and low prices. Economists and policymakers had spent a decade evaluating the options available to aid the agricultural sector. Liberalization was not considered. If the United States was running a deficit in agricultural trade, how

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TABLE 3. *Balance of exports and imports, 1911–50 (in millions of dollars)*

Year	Agriculture	Merchandise	Year	Agriculture	Merchandise
1911	+262	+522	1931	−124	+334
1912	+166	+551	1932	−82	+288
1913	+212	+653	1933	−24	+225
1914	+119	+471	1934	−52	+478
1915	+482	+1094	1935	−265	+235
1916	+174	+3091	1936	−375	+33
1917	+374	+3281	1937	−805	+265
1918	+457	+3118	1938	−264	+1134
1919	+1649	+4016	1939	−316	+859
1920	+440	+2750	1940	−501	+1396
1921	+547	+1976	1941	−1124	+1802
1922	+545	+719	1942	−471	+5323
1923	−279	+375	1943	+155	+9583
1924	−8	+981	1944	+531	+10330
1925	+223	+683	1945	+462	+5646
1926	−637	+378	1946	+979	+4796
1927	−373	+681	1947	+906	+8673
1928	−379	+1037	1948	+643	+5529
1929	−330	+842	1949	+829	+5429
1930	−404	+782	1950	−191	+1423

Source. U.S. Department of Commerce, Bureau of the Census, *Historical Statistics of the United States from Colonial Times to 1970* (Washington, D.C.: GPO, 1975), p. 482 for agriculture, p. 884 for merchandise.

could trade liberalization do anything but exacerbate the situation? Once analysts agreed that there was no potential for expansion into foreign markets, a strategy of domestic intervention appeared to be the only solution. This is not to argue that agriculture has suffered because of this initial decision; a program of subsidization is certainly one option for an industry with high fixed and low marginal costs. However, a program of liberalization and adjustment assistance could have been a substitute. In short, a number of policies could have led agriculture out of the depression; functional explanations for policy can explain neither the timing nor the choice among competing options.

When we examine the writings of those involved in the debate over agriculture, we see that they did not all subscribe to the radical nationalist policies of George Peek. Many, including Secretary of Agriculture Henry A. Wallace, supported international solutions to current world problems.[100] Many recognized that the long-term future for agriculture lay in expanding foreign markets. However, none advocated liberalism at that time. All wanted foreign markets and would accept increased penetration of the U.S. market once agriculture recovered. However, this was not possible. By the time

100. Wallace, *America Must Choose*, p. 33.

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agriculture ran trade surpluses in the 1950s, domestic institutions that protected agriculture's support program were impossible to dismantle. Although opposed to subsidization in the early 1930s, a decade later U.S. interest groups came to expect subsidies from their elected representatives. By the late 1950s, GATT had excluded agriculture from its agenda; throughout the world, countries reinforced agricultural support programs established in the interwar period. In a sense, the subsidization decision "pushed out" the potential for agricultural trade liberalization.

Industrial policy followed a different path. The analysis of the sources of and cures for the industrial malaise varied significantly from those suggested for agriculture. In agriculture, problems of monopoly did not exist. Rather, the government had sanctioned programs to cartelize farmers throughout the 1920s. In contrast, the U.S. government had spent the previous thirty years deterring monopoly. In the period before the Depression, industry had done relatively well. Although many remembered the advantages of the War Industries Board, few economists advocated the norm of central planning. Unlike agricultural tariffs, industrial tariffs before 1930 were thought to be "working." Even though most agreed that the Smoot–Hawley tariff was too high, no one criticized the use of tariffs to aid industry. In sum, there was minimal cognitive support for intervention in industrial markets. Economists did not make the case for intervention, and industrial leaders could not devise an intellectual defense for support programs. When the NRA did not meet the task of industrial recovery, everyone was willing to accept that the approach itself was flawed.

Liberalism suffered no such fate. On the institutional level, a policy advocating limited state involvement was an option that coalesced with the mandate given to the U.S. government. In addition, liberalism fit well with American social values. Government's role is to ensure the smooth running of the market, not to interfere with its workings artificially. However, neither the societal argument nor the functional argument can explain the timing of America's move towards liberalization. Liberal ideas were debated regularly since the early nineteenth century, yet outside the economic community they had a limited following. In terms of America's trading interests, such ideas should have found a receptive audience by the late 1890s; in terms of debt servicing, these ideas should have had an even larger audience after World War I. Yet, even in 1934, there was no consensus that the United States would prosper under liberalism. That consensus would have to wait until after the next war. Rather, agreement on the deficiencies of the "old" protectionism led Congress to follow Cordell Hull's lead. Liberalism, however, should never be viewed in deterministic terms. The United States did not *have* to follow a particular foreign economic policy. It is true that it made economic sense to lower barriers to trade. However, as the Department of Commerce argued in 1932, the lowering of tariff barriers could be oriented towards a range of "nonliberal" goals.

In the years following passage of the AAA and the Trade Reform Act,

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TABLE 4. *Tariff Commission findings on Section 22 petitions*

	Cases completed		
Fiscal years	*Number*	*Average number per year*	*Positive findings (%)*
1947–51	5	1.00	80
1952–58	48	6.86	69
1959–62	9	2.25	56
1963–74	15	1.25	20
1975–79	2	0.4	50
1980–83	5	0.8	40

Source. U.S. Tariff Commission, *Annual Reports* (Washington, D.C.: GPO, 1947–74); and U.S. International Trade Commission, *Annual Reports* (Washington, D.C.: GPO, 1975–83).

each program adjusted itself to the other. Section 22 of the Trade Reform Act (in which the executive was granted the authority to restrain agricultural trade) was used less after the late 1950s (see Table 4). The last year in which Congress directed the President to violate trade agreement commitments to protect an agricultural program was 1951.[101] The void between the philosophies of each program was maintained with minimal diffusion of one to the other. Early in the history of these programs, a sharp division between the two was established. As early as 1934, a dispute between George Peek and Cordell Hull over whether the United States would negotiate barter agreements to dispose of agricultural surplus ended with Peek's resignation from government.[102] Agricultural subsidies were sanctioned, but barter was no longer an accepted means of international exchange. The 1950s were not years in which the United States radically reduced tariffs, but neither did the return of a Republican administration mean the demise of the liberalization program. Since the 1930s, Congress has often debated about the amount of negotiating discretion to accord the President or the correct parity level for agriculture, but few have questioned the legitimacy of either of these programs.

In sum, these cases show that economic policy is determined by more than the structural needs of the economy. Neither an inherent logic nor an "invisible hand" moves policy along some appointed path. Rather, policymakers make mistakes; they may attempt to apply technically correct solutions to problems, but they begin with the wrong assumptions. Decisionmakers who think they are reacting to the needs of the economy often

101. Leddy, "United States Commercial Policy," p. 208.

102. For a thorough analysis of the *Hull v. Peek* controversy, see Harry C. Hawkins and Janet L. Norwood, "The Legislative Basis of United States Commercial Policy," in Kelly, *Studies*, pp. 93–95. See also Dallek, *Franklin D. Roosevelt*, pp. 84 and 92; and Leuchtenberg, *FDR*, pp. 204–5. Hull recounts the event in his *Memoirs*, vol. 1, pp. 370–74, while Peek offers his side in *Why Quit Our Own?* (New York: Nortrand, 1936), pp. 329–40.

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misinterpret those needs. The sequencing and timing of programs may be as important as their efficacy. If the trade reform program had been considered in 1933, the philosophical differences between liberalism and subsidization might have sounded the death knell to either of the two. Considered sequentially, the two were able to adjust to each other. Similarly, if industry had suffered decline, as agriculture did in the 1920s, a theoretical justification for an NRA may have legitimated the agency's policies in the 1930s.

Are generalities possible from this case? I would like to offer three. First, it is apparent that ideas influence policy only when they are carried by individuals or groups with political clout. Liberalization occurred not because of its inherent logic, but because Hull was appointed Secretary of State. Agricultural policy reflected not only the state of economic theorizing on agricultural trade in the 1930s but also Roosevelt's reliance on economists. The Department of Agriculture orchestrated state support policies not only because they were so mandated but also because the economists in the Bureau of Agricultural Economics were convinced that government intervention was necessary to maintain the health of the agricultural sector.

Second, radical departures in government policy occur, but they are rare. Structures do constrain the possible options that the new governing coalitions can successfully implement. The "structural environment" of the United States consists of many immutable parts. The separation of powers, the level of penetration by powerful societal groups, and the reelection cycle, for example, all influenced policymaking in the 1930s and, in large part, explain the inability of policymakers to undo agricultural support systems in later periods. However, in times of crisis, this environment becomes less of a policymaking constraint. New ideas may not undermine the fundamental structures established in the Constitution, but they can lead to substantial departures in policy if adequate justification for change exists. Thus, the failure of the NRA could be interpreted in terms of its disjunction with other American institutions, but its failure was also due to insufficient cognitive justification for the program.

Third and last, nothing establishes the legitimacy of a policy like success. Policies become institutionalized because they work. And although the government is likelier to adopt policy options that are consonant with existing structures and values, any program that succeeds will engender political support. Thus, the United States remains wedded to trade and agricultural programs that may not be optimal. These programs were tested, however, in an environment where success was almost guaranteed. With World War II came affluence, legitimation, and societal support. Thus, if we think of the Depression as setting up a debate over trade policy, World War II then fixed one set of answers. In short, for any policy dilemma there are probably a large set of viable policies. The inculcation of one is explicable using cognitive, structural, and societal variables. The legitimation of a particular policy, however, often has as much to do with a set of idiosyncratic environmental factors as with the worth of the particular program itself.

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