CHAPTER 7

Industry Politics and Policy Outcomes

RISING economic interdependence in this century has had uneven effects upon industries. It has left some firms very internationally oriented and others completely dependent on the domestic market. This has affected the politics of policy making in international trade by increasing divisions among firms on trade issues. This chapter focuses on the politics of trade among firms within an industry and examines how difficult the aggregation of firms' preferences into a unified industry position has become. The case studies will aid our consideration of why political divisions among firms have increased since World War II. These divisions have affected the politics of trade policy making and may weaken an industry's capacity to realize its preferences in the political arena. This chapter also discusses other influences on firms' abilities to realize their trade preferences. In particular, it examines how both industries' potential for influence and political decision makers' goals affect the ability of industries to get what they want.

INTRA-INDUSTRY DIVISIONS

The growth of international economic interdependence in this century has split industries in two on trade issues. Although this growth has increasingly exposed all firms to foreign competition, it has also left some firms significantly tied to the international economy and others wholly dependent on their domestic markets. This cleavage has divided industries in a particular fashion. The largest firms have tended to become the most international, while the small and medium firms have retained their domestic base, thus pitting the large multinationals against the medium- to small-sized domestic enterprises.[1]

The politics of industries concerning trade policy issues have been affected in two ways. First, as interdependence has grown and the divisions have increased, it has become harder for an industry to develop a unified position on trade policy. As the large firms in an industry have become increasingly international, their preferences have

[1] Bergsten, Horst, and Moran. *American Multinationals and American Interests*, pp 221-

diverged from the rest of the industry's. These large multinationals with extensive global trade networks have come to prefer a "free trade system," one without barriers obstructing their trade and production flows. These firms have been antiprotectionist, even in times of economic distress. Smaller firms without international ties have not developed such preferences, however, and in times of mounting foreign competition have demanded closure of the home market.

As a consequence, these divergent interests often have prevented firms from developing a common industry position. When preferences have not been aggregated, individual firms, or groups of them, have presented their own positions to the government. Political decision makers have been faced with different opinions and preferences on trade issues by firms within the same industry. This proliferation of industry views has reduced an industry's influence on decision makers and allowed them more leeway to make their own choices about the issue. Divisions among social actors may therefore enhance the autonomy of political actors by splintering opposition to policy decisions.[2] Thus, not only may this uneven interdependence impede the aggregation of firms' preferences at the industry level, but it may also reduce their bargaining power with governmental actors.

A second way interdependence has reshaped the politics of trade involves its effects on the formation of industry consensus. Despite divergent interests among firms, industries have been able at times to formulate a common position. This has usually entailed much bargaining and compromise. The final position has been likely to reflect both groups' preferences to some extent; however, this compromise has often been skewed toward the preferences of the large multinationals, because they have been the biggest and potentially the most powerful actors in the industry. The agreement reached has therefore been less protectionist than the domestically oriented firms would have liked. The smaller domestic firms have not been completely without influence. Quite often, since the growth of foreign competition directly threatened their existence, these firms have organized themselves well and presented a strong case. Nevertheless, the resulting compromise on trade issues may still be less protectionist than the majority of the industry's firms would have preferred. All in all, industries that have been unevenly touched by rising interdependence have become divided in their trade policy preferences, and such divisions

[2] Peter Evans, Dieter Rueschemeyer, and Theda Skocpol, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1986), esp. pp. 63-64; Eric Nordlinger, *On the Autonomy of the Democratic State* (Cambridge: Harvard University Press, 1981).

have reduced their capacity for demanding closure of the home market.

Intra-Industry Divisions among the Case Studies

The importance of intra-industry divisions was apparent in the case studies. Where these divisions existed, pressures for protection were mitigated. In addition, the extent of these divisions differed between the 1920s and 1970s U.S. cases. In the 1920s, when firms' ties to the international economy were less well developed, fewer of the cases revealed these internal divisions, and those that did were the most international industries considered. In contrast, five of the six 1970s cases had such internal disagreements. The French cases displayed a pattern in between the two American ones. Divisions were less apparent in the French cases than in the U.S. cases of the 1970s, largely because the French industries had fewer firms in them. Government policy and industry's practice of fostering concentration—i.e., the development of "national champions"—in the postwar period helped reduce the number of firms in many industries and favored the preferences of large and often more international firms. Thus in the French cases, divisions were more prevalent in industries with a large number of firms and few international ties, a pattern different from that of the 1920s American cases, as we shall see.

Among the 1920s case studies, three industries, all among the most international of those studied, revealed deep internal divisions over trade issues. These divisions tended to be incipient, often the initial breach in the industry's unity as a consequence of its recent internationalization. These growing internal splits, nevertheless, affected the industry's politics on trade issues.

The textile machinery builders in the 1920s were in the aggregate a highly export-dependent industry, but these exports were concentrated among the cotton machinery builders. The makers of wool machinery, in contrast, were oriented toward the domestic market. This split affected the industry's capacity to develop a common position during the 1921 tariff revision hearings. At that time, when these exports were most important as a consequence of World War I's effect on competing European producers, the divisions within the industry were quite apparent. It did not testify at all during the hearings, largely because no common position could be developed among the firms. The builders of cotton machines had little interest in further protection, while those who made wool machinery wanted tariffs increased. This lack of consensus impeded efforts to present an industry position on the tariff to Congress. Later, in 1929, exports had fallen in significance and a mildly protectionist consensus was formulated. Even in this period, however, a compromise was necessary, and the one that resulted seemed less protectionist than many manufacturers in the industry desired. The internal cleavages promoted by uneven interdependence thus mitigated pressures for market closure in this industry.

A second case of incipient but growing intra-industry divisions involved the photographic equipment industry in the 1920s. By the end of the decade, this industry was one of the most multinational and export-oriented of our case studies, but these ties were concentrated in the hands of one firm, Eastman Kodak. As Kodak's international operations grew, its preferences increasingly diverged from the rest of the industry's. In the 1921 hearings, Kodak's position on camera and film tariffs, calling for slight increases, was close to the rest of the industry's. By 1929 Kodak's position was oriented more toward "free trade," even seeking tariff reductions on some items. This position contrasted with that of the remaining U.S. film manufacturers. In this case, rising but uneven interdependence moved the industry's preferences away from protection and fueled internal divisions, which further reduced its capacity to seek protection.

The third case of a divided industry in the 1920s involved the fertilizer producers. The extensive international ties evident in this industry were distributed in a skewed fashion. The large firms involved in the nitrate and phosphate sectors possessed most of the industry's exports and foreign production operations, while the small potash producers were largely domestic. In the 1920s, as foreign production and export of potash revived, the small U.S. producers demanded protection. These firms' demands were strongly resisted by the large multinational producers, who favored freer trade. The large firms lobbied not only against tariffs on potash but also for retention of the duty-free entry of all other fertilizer and its ingredients. Because of the global network of trade and production these firms had created in order to make fertilizer, they opposed tariff increases, which would upset these networks. In this case the large international producers, intent on preserving an open U.S. market, overwhelmed the protectionist sentiment of the small firms.

Among industries in the 1920s, intra-industry divisions were evident and did reduce protectionist influences. But they were less prevalent because interdependence had not spread widely. In the three industries where divisions appeared, these conflicts were just developing in the 1920s. At this time, moreover, *inter*industry politics may have been more crucial in the development of industries' trade policy positions. As the 1920s cases demonstrate, the preferences of other industries closely connected to the industry examined often influenced its position. The woolen goods manufacturers were affected by the wool growers and their preferences for protection. The textile machinery builders faced pressures for protection from the textile manufacturers, and the newsprint producers were pushed toward freer trade by the newspaper publishers. Farmers backed the fertilizer industry in their advocacy of duty-free fertilizer, and motion picture producers and distributors pressured the photographic equipment makers to seek lower duties. Although this interindustry pressure was not always successful, it constituted an important element in the politics of trade in the 1920s, one perhaps more important than intraindustry divisions and one lacking in the 1970s U.S. cases.

Among the 1970s U.S. cases, *intra*-industry divisions over trade policy prevailed. Five of the six cases were marked by serious internal divisions resulting from firms' different ties to the international economy. These divisions were deeper and more developed than those in the 1920s and had an even greater effect on the politics of trade. In most of the cases, intra-industry divisions mitigated protectionist pressures.

A prominent example was the semiconductor industry. It was highly integrated into the international economy, but the largest producers were the most international. IBM, Texas Instruments, and Western Electric were far more multinational than were the remaining merchant producers, operating mainly in California. In the late 1970s these California producers became interested in taking action against Japanese semiconductor imports. These producers created the industry's political association, the SIA, and initiated action for an unfair trading practices case against Japan. The large producers refused to join this association and urged that this petition be dropped. IBM even agreed to join if the trade complaint were kept quiet. This compromise was accepted, and the association's interests shifted. Instead of seeking sanctions against Japanese imports, the producers agreed to pressure the U.S. and Japanese governments to open negotiations to reduce further tariff and nontariff barriers on semiconductor trade between the two countries. In this case, pressure from the large multinationals shifted the association's interests away from market closure to promoting market openness.

Internal divisions were also apparent among the U.S. tire manufacturers. International ties were unevenly distributed among these pro-

ducers. The largest firm, Goodyear, had the most extensive foreign trade and production operations. The other three major producers were large but without the extensive global ties of Goodyear. In the early 1970s, when imports first became a threat, the major producers, excluding Goodyear, initiated a countervailing duty case against Michelin, the main importer. These firms sought to slow down Michelin's penetration of the U.S. market. Goodyear opposed this case. Furthermore, the firm played a central role in having the duties imposed on Michelin terminated early. Goodyear thus acted as a barrier against protection for U.S. tire manufacturers. In the late 1970s Goodyear internationalized further and continued to promote open markets, while the other producers abandoned their foreign operations and trimmed their domestic ones, sometimes even exiting the industry completely. In the face of Goodyear's opposition, calls for protection were avoided.

Intra-industry conflict also affected the U.S. radio and television manufacturers. The leading firms in this industry were bifurcated into two groups. Two firms, RCA and General Electric, were very international, while the other manufacturers of importance, GTE-Sylvania, Magnavox, and Zenith, were domestic in their operations. From the late 1960s on, this latter group initiated a large number of unfair trade complaints against the Japanese. These complaints suffered various fates in the 1970s; some were dropped and others recognized. But these firms lobbied increasingly throughout the decade for relief against Japanese imports. Culminating this effort was the group's filing of an escape clause petition in 1976. This petition and others were opposed by RCA. With strong ties to the Japanese industry, RCA had no desire to see quotas placed on Japanese imports. The option that was finally taken—negotiation of an orderly marketing agreement—was less disturbing to RCA, since the OMA's quotas were generous and did not affect imports of many subassemblies or components, an important part of RCA's operations. In the end RCA did not actively oppose this measure. But it was not renewed, and little protectionist sentiment has arisen since, largely because the domestically oriented U.S. producers have either sold their operations to foreign firms or moved production abroad. Further internationalization of the industry thus reduced its divisions and its preferences for protection.

Another case of an industry riven by internal divisions over trade issues involved the U.S. manufacturers of watches and clocks. Among the firms with domestic production, two groups developed in the 1970s. The first was composed of long-standing traditional watchmakers, led by Timex. They exported little and manufactured mainly in the United States. The second group was primarily made up of semiconductor producers who had moved into electronic watch production. These firms were more international, usually maintaining some offshore-assembly and trading operations. As electronic watches, particularly their imports, took over the U.S. market, the traditional domestic producers tried to halt the process. Pressuring both Congress and the ITC, they sought to have tariffs on electronic watches and parts increased. These efforts were opposed by the U.S. electronic watch producers. Their vocal opposition and the growing international ties of the traditional domestic manufacturers helped to ensure that protection would not be granted. Throughout the 1950s and 1960s the traditional manufacturers had been able to obtain protection, but the forceful opposition of these new producers was an important element in their failure to obtain it in the 1970s. Increased divisions within the industry thus reduced its capacity to obtain protection.

Changes in the U.S. footwear industry's internal cohesion affected its ability to demand protection. Throughout the 1960s and most of the 1970s, U.S. footwear makers had very few international ties. Until the late 1970s, the industry was unified in its trade policy preferences, which grew increasingly protectionist. After receiving some protection in the late 1970s, firms within the industry responded differently. A number of large firms began importing shoes and/or producing and assembling them abroad. Protection became less desirable for these firms, since it raised the costs of their foreign operations. They gradually came to oppose efforts of the more domestic producers and eventually allied with other importers, foreign firms, and retailers in their association. As their foreign ties developed, their opposition to further protection grew. In 1981, at the end of the first quota agreement, these firms worked to ensure that no new quota would be instituted. Their efforts evidently paid off; new protection was denied. In this case, growing divisions within the industry undermined its ability to obtain protection.

Overall, in the 1970s U.S. cases internal divisions within industries were prevalent and significant. As interdependence spread unevenly, industries became divided in two, with the large multinationals favoring open markets and the smaller domestic firms intent on protection. In the U.S. cases these divisions worked against those seeking protection. In each instance, splits either muted the smaller firms' demands for market closure or provided vocal opposition to encourage political decision makers' resistance to such demands. Unlike in the 1920s, these cleavages were deeply embedded in the industries and had a crucial effect upon the politics of trade policy making.

Fewer intra-industry divisions were apparent among the French cases, in large part because of French efforts to encourage concentration in their industries. But two cases revealed significant internal divisions. In both, international ties were only beginning to develop, and these cases may be contrasted with those in the 1920s. However, as was true of the 1920s cases, intra-industry divisions in France had less impact than they did in the United States in the 1970s, because the French divisions were less developed.

French footwear producers were seriously divided in their trade preferences. In the aggregate, these producers were neither substantial exporters nor large multinationals. But at the firm level, some large producers depended heavily on exports, foreign production operations, and imports. The rest of the industry was primarily domestic in its orientation. In the mid-1970s, as imports rose rapidly, these domestic producers began pressing for some protection of their home market. These efforts were opposed by the largest firms; and to halt them, they staged a "coup d'état" against the industry association leader organizing the protectionist movement. At this point, protection was avoided. Later, however, strong sentiment for relief against imports rose again among the majority of firms. This time the large firms were unable to stop the effort, but they were able to restrict the scope of protection to a few countries where they were not involved. Initial, successful resistance to protection was thus later overwhelmed by the vigorous effort of many smaller firms to obtain aid. Internal divisions did, nevertheless, limit this protection.

The French watch and clock producers were also an industry facing increasing divisions in the 1970s. Throughout the decade a large group of exporters resisted efforts to protect the home market. By the end of the decade, with exports falling and imports surging, a new firm, Matra, entered the industry and took over the operations of the largest and most successful exporters. This consolidation pitted Matra against the smaller, less export-oriented traditional producers. As desire for import relief increased among these firms, Matra initially resisted it. Matra's exports and ties to the Japanese worked against any interest in protection. In the early 1980s, however, the smaller firms succeeded in having quotas placed on various importers. Matra was apparently unenthusiastic about this outcome but was not actively opposed to it. Matra's initial effort, nonetheless, served to dampen protectionist pressures within the watch and clock industry.

In the French cases as well as in the U.S. cases, intra-industry divisions over trade altered the politics of trade policy making. In particular, these divisions helped reduce protectionist pressures and outcomes. After divisions arose, industries seemed less successful than they had been earlier in obtaining protection. Overall, not only did rising interdependence shift some firms' preferences away from protection, but it also created intra-industry divisions, which made the aggregation of firms' preferences more problematic and protection more difficult to realize.

Policy Outcomes

Thus far this study has shown how the internationalization of an economy reduces demands for protection and the capacity to obtain it at the firm and industry level. That such demand is important in understanding the policies adopted has been assumed, but this assumption will now be examined. There is evidence to support it both in the cases here and in other works on trade policy. We focus on when industry preferences and policy outcomes are likely to be highly correlated and when they might diverge.

In general, other considerations of trade policy outcomes at the sectoral level support the claim that firms' demands have an influence on policy outcomes. Many of these studies employ aggregate regression models of industries' tariff levels and include variables expressing industry preferences.[3] The variables indicating preferences focus on those industries most adversely affected by imports, those with the most "rents" to gain from protection, and those with various ties to the international economy. Most of these works find that these preferences have some influence on the "supply" of protection, although their effects vary from one study to another.

Two of the most interesting examinations of this relationship demonstrate the importance of demand for understanding supply. Robert Baldwin tests specifically for the influence of demand for protection on its supply. He notes, "the intensity of demand for protection does play a significant role in influencing duty reductions in [certain] industries."[4] In another study, Judith Goldstein shows that "demanders" of U.S. trade law relief have a substantial success rate. Indeed, the frequency with which industries demanding relief obtained it in the 1970s ranged between 15 percent and 90 percent and averaged around 30 percent.[5] In approximately one-third of all cases, demands by firms or industries met with successful responses. Overall, these

[3] See chapter 2, note 1.
[4] R. Baldwin, *Political Economy of U.S. Import Policy*, p. 169.
[5] Goldstein, "Reexamination of American Commercial Policy," p. 329, table 59.

studies support the assumption that firms' preferences are important in the development of trade policies.

But do others corroborate the specific argument here that firms' preferences *as shaped by their export dependence and their multinationality* influence policy outcomes? These factors are less well studied, but they do appear in several recent studies. Generally, the relationship between export dependence and levels of protection among industries has been significant and robust.[6] The influence of multinationality on policy outcomes is less clear. This result is not unexpected, since the cases here show that multinationals are not equally interested in resisting protection. Only those with extensive trading networks will be resolutely antiprotectionist; others may be interested in selective protection in times of distress. This division of preferences suggests foreign operations in the aggregate, as used in most studies, may not have any clear-cut effect on policy outcomes. Indeed, few studies show it to have a significant, consistent effect on policy.[7]

We have already seen one problem with aggregate examinations of policy outcomes. As highlighted in the case studies, the distribution of international ties within an industry is important. If only one or a few firms account for the bulk of these ties, then divisions of preferences on trade among the firms will be significant and will affect the elaboration of an industry's trade policy position. That such divisions are overlooked by an industry-wide measure of multinationality explains in part this variable's poor performance in these models. The 1970s U.S. radio and television industry and watch and clock industry are two cases in point. In the aggregate both had substantial intrafirm foreign trade, but in each this activity was concentrated in the hands of a few firms. These firms—RCA in the former case and the semiconductor producers in the latter—did resist protection, although their efforts were differentially successful. The domestically oriented television manufacturers were able to obtain some selective protection; the traditional watch firms were less successful. These cases point out some of the difficulties involved in using multinationality in the aggregate to account for trade policy outcomes.

The case studies in chapters 3, 4, and 5 support the assumption that

[6] See chapter 2, notes 2, 3.
[7] R. Baldwin, *Political Economy of U.S. Import Policy*, pp. 150-72, finds outcomes little influenced by direct foreign investment, but does find outcomes effected by industry demands. Fong, in "Export Dependence," ch. 2, shows direct foreign investment to have some effect on policy, although less than other variables. Lavergne, *Political Economy of U.S. Tariffs*, pp. 153-54, shows intrafirm trade among multinationals to have only a weak effect, if any, on protectionist levels.

industry preferences influence policy outcomes. First, in none of the eighteen cases were industries accorded protection when they, or substantial parts of them, did *not* desire it. The issue of protection was usually placed on the political agenda by industries. Protection was not a political issue until industries made it one. Second, in many cases when industries demanded changes in trade barriers, they were able to obtain them. In the 1920s the six industries examined were quite successful at having tariffs raised *or lowered* to meet their preferences. Even among the divided industries—such as fertilizer and photographic equipment—the larger firms were able to have their preferences for low tariffs instituted. For the 1920s cases the translation of preferences into outcomes was apparently not a difficult process.

Among the twelve 1970s French and U.S. cases, in all but four did industry demands influence policy outcomes. Efforts by the U.S. semiconductor producers and French pharmaceutical manufacturers to further open markets at home and abroad met with success politically. A general disinterest in protection by the French glass and tire makers and by the U.S. tire makers kept protection off the political agenda for these industries. Firms desiring protection were also often successful. The U.S. tire makers' early trade petition against Michelin was acted upon favorably by the U.S. government, even though Goodyear, the industry leader, opposed it. The French watch and clock industry, once it demanded protection, was able to obtain it both in France and at the European Community. The U.S. television manufacturers had variable success. They obtained some import relief early in the decade, then were denied relief, and finally received protection through an OMA, despite the opposition of the leading firm, RCA. The U.S. watch producers were divided. In the end the traditional producers were unable to get protection from the U.S. government in the 1970s, in large part because of the ardent opposition of the U.S. electronic watch producers. In this case the preferences of electronic watch producers prevailed. Later, however, the Japanese granted temporary relief to the U.S. industry by offering to monitor their exports to the United States. In all eight of these cases, industries were able, with some effort—probably more than in the 1920s—to realize their preferences for greater market openness *and* closure.

In the four other U.S. cases of the 1970s, the industries had a more difficult time obtaining the outcomes desired. In the United States, both the footwear industry and the machine tool producers expended a great deal of effort to influence policy, with little return. In the early 1970s the footwear industry was denied all efforts at import relief. Only in 1976 did the industry get some of what it desired—quotas on

imports. In the machine tool case, the industry was successful neither in obtaining aid and greater market openness for its exports early in the decade nor in receiving import relief after 1978. Although it was granted some relief in the mid-1980s, its substantial efforts for greater openness and closure in the 1970s were not that successful. In these two cases other factors influenced the policies adopted.

In two French cases the industries had little trouble gaining protection at home but more difficulty obtaining it at the EC. The French footwear industry, once it overcame its internal divisions on trade, was able to negotiate quotas on imports into France. Since it refused responsibility for negotiating them and left the task to the industry itself, the French government probably did not favor, or did not want to be seen as favoring, these arrangements. The French producers were less successful at the EC. There, their demands for protection were strongly resisted by other members' industries and governments.

For the French television manufacturers, protection at home had been willingly provided by French authorities since the industry's inception. When the industry realized that only protection at the European level would allow it to survive, the industry redirected its pressure toward the European Community. Here the French producers had difficulty in obtaining protection, because they were opposed by other states and their firms. Only after several efforts were the French able to break down resistance to their plan and obtain the protection they desired. These cases suggest that in forums where more interests are considered, the preferences of any one group may be more difficult to realize. In these cases the EC seemed much less easily swayed by protectionist demands than did the French government.

Overall, industry preferences exercised an important influence on trade policy outcomes. But the cases, as well as other studies, point out that such demands are not the only factor shaping policies. At least two other factors warrant consideration for a better understanding of trade policy making.

The political influence of an industry is obviously linked to its ability to get what it wants. Other studies, relating structural elements of industries to influence over trade policy outcomes, suggest indicators of an industry's political clout. Among these are the industry's size, its concentration, the number of workers it employs, its geographical spread, and its political organization.[8] As studies show, policy out-

[8] For a more complete list, see Daniel Esty and Richard Caves, "Market Structure and Political Influence," *Economic Inquiry* 21 (January 1983):24-38, and chapter 2, note 1, above.

comes are affected by some of these factors, especially an industry's size and work force. The larger these are, the more influence an industry appears to have.

The variable success rates of the cases also indicate that factors other than demand influence outcomes. In the cases where success was limited, one factor differentiating them from the others was the size of the industry. For instance, of the 1970s U.S. cases, the two that had limited success—footwear and machine tools—involved the smallest industries. In terms of their own size and their labor force, these two industries rank below the other cases, except for the traditional watch and clock industry, which also had limited success in obtaining its preferences.[9] Part of these industries' difficulty in obtaining their desired outcomes may have been due to their inability to amass a critical amount of public support. Other industries, such as semiconductors and tires—not to mention the textile, auto, and steel industries, which rank among the largest in the United States—had an easier time pressing their claims in part because their greater weight in the economy lent them greater political resources.

In addition to size, several other factors also condition an industry's political influence. In the French cases the importance of an industry's regional concentration was evident.[10] The French footwear, watch and clock, and tire industries were better able to get a hearing from public authorities than their size would suggest, largely due to the high concentration of each of their activities in one region. This brought them the attention of regional public officials, who in turn pressured national officials to help them. The U.S. watch and clock case was similar. The location of a number of Timex plants in Wilbur Mills's district was often cited as one reason he sponsored the bill favored by Timex

[9] U.S. Dept. of Commerce, Bureau of the Census, *1977 Census of Manufacturers*, Industry Series, pts. II-III (Washington, D.C.: GPO, 1980).

SIC code	labor force	value-added (*millions of $*)
3011 tires	124,000	$4347
3143 men's footwear	55,000	872
3144 women's footwear	57,000	755
3541 metal-cutting machine tools	59,400	1866
3651 radio and TV	74,600	2352
3674 semiconductors	114,000	3410
3873 watches and clocks	31,500	685

[10] Results measuring geographical concentration have been quite mixed, but these tests have usually involved only the United States. See Lavergne, *Political Economy of U.S. Tariffs*, pp. 101-104; Caves, "Economic Models of Political Choice"; Pincus, *Pressure Groups and Politics in Antebellum Tariffs*.

that would have extended protection to the industry. In these case regional concentration may have magnified the industry's politica clout beyond that expected from its size.

The 1920s cases suggest the additional importance of an industry's allies and enemies. As noted earlier, in these cases interindustry politics appeared very significant; the political influence of other, closely linked industries, combined with an industry's ability to find such allies, were important factors influencing its chances of political success. Other studies of the pre–World War II period have also noted the importance of coalitions among social actors for policy outcomes.[11] These factors—size, regional concentration, and coalitional ability—and others seem essential for a more complete understanding of trade policy.

A second feature important to understanding policy outcomes involves policy makers' goals. Although some studies have stressed the importance of policy makers' ideological frameworks, other investigations and the cases here point to the more immediate goals and concerns of policy makers as most relevant for particular policy decisions.[12] Not only who is making the decisions but also what goals and concerns these decision makers have are relevant. For example, Robert Baldwin shows that the ITC and the President are motivated by different forces in their decisions about trade complaints.[13] He suggests that presidents will be more or less receptive to protectionist pleas depending on their macroeconomic concerns; that is, whether they are primarily battling inflation or unemployment will affect their receptivity to protectionist demands.[14]

A similar argument has been made for the U.S. Congress. Though Congress is usually seen as more susceptible to industry pressure than is the chief executive, Bauer, Pool, and Dexter's study of Congress and trade policy making maintains that the particular goals and tasks members of Congress set for themselves crucially influence their re-

[11] Gourevitch, "International Trade, Domestic Coalitions, and Liberty"; Peter Gourevitch, "Breaking with Orthodoxy," *International Organization* 38 (Winter 1984):95-130; Gourevitch, *Politics in Hard Times*; Ferguson, "From Normalcy to New Deal."

[12] For arguments stressing larger ideological concerns, see Goldstein, "Reexamination of U.S. Commercial Policy"; and Goldstein, "Political Economy of Trade." On the goals of policy makers, see R. Baldwin, *Political Economy of U.S. Import Policy*, pp. 13-27; Cheh, "U.S. Concessions in Kennedy Round and Short-Run Adjustment Costs"; Lavergne, *Political Economy of U.S. Tariffs*, pp. 164-66, 186-87; Bauer, Pool, and Dexter, *American Business and Public Policy*, esp. chs. 29-34.

[13] R. Baldwin, *Political Economy of U.S. Import Policy*, ch. 3 and pp. 129-33.

[14] Ibid., pp. 132-33.

ceptivity to industry pleas.[15] From this perspective, policy outcomes often depend on who is making the decision and on what the decision maker's own goals are.

The case studies provide evidence for this argument. Industries' success rates varied, depending on who the decision maker was. For example, the 1970s American industries were more likely to be successful if the Commerce Department rather than the Treasury were in charge of a trade complaint.[16] The firms realized this and made a successful effort to have responsibility for these matters shifted to Commerce. This department was viewed as more "attuned" to industry interests, while the Treasury, especially in the 1970s, was centrally concerned with inflation and thus disinclined to protect industries. The cases also suggest that Congress was more receptive to industry pressure than the executive branch.[17] When industries did not receive, or were slow in receiving, what they desired from the President, their response was to find congressional allies to press the executive branch and/or to have Congress itself initiate a bill in the industry's interests, as the footwear, watch and clock, and radio and television manufacturers all did in the 1970s.

The importance of decision makers and their goals was also apparent in the French cases. In several instances, conflicts between the Ministry of Finance and the Ministry of Industry suggest the differential responsiveness of different decision makers to industry efforts. In these cases the Ministry of Industry, like the U.S. Commerce Department, seemed more receptive to industry desires and interested in an industry's prosperity than did the Ministry of Finance, which was consumed with budgetary matters and inflation, much like the U.S. Treasury. Overall, the case studies demonstrate the importance of political decision makers—in particular, who they are and what their central goals and concerns are. Thus though industry preferences are important for trade policy outcomes, a more complete understanding of them requires an examination of at least two other factors: the political influence of different industries as well as the identity and goals of policy makers involved in the decision.

[15] Bauer, Pool, and Dexter, *American Business and Public Policy*, chs. 29-34.

[16] Goldstein, "Political Economy of Trade," pp. 175-78, finds no real difference between the two, but she does show ITC acceptance rates to be higher than those of either Treasury or Commerce.

[17] R. Baldwin, *Political Economy of U.S. Import Policy*, chs. 3, 4, pp. 178-79, finds Congress more susceptible and able to exert pressure on the executive branch. But he notes that the President can also influence congressional votes on trade

Conclusion

In sum, the uneven spread of economic interdependence—of international ties, in particular—has made the aggregation of firms' interests into a unified industry position more difficult by increasing the divergences among firms' preferences. These differences have grown in importance since the 1920s and have contributed to the reduction of protectionist pressures. This new element in the politics of trade is therefore another factor accounting for why protection was less widespread in the 1970s than in the 1920s.

In addition, industry trade policy preferences *do* affect policy outcomes, as both the cases here and other studies reveal. But other factors also influence this relationship. Industries in which firms' interests were divided, for example, provide greater autonomy for decision makers. Industries' relative political influence, as measured by their size, regional concentration, and/or coalitional ability, affect their chances for success in the political arena. The identity and goals of policy makers involved in the issue also condition whether industry demands will be met. We may say, therefore, that industry preferences are among several important factors that shape trade policy.