STATE POWER AND THE STRUCTURE OF INTERNATIONAL TRADE

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Introduction

In recent years, students of international relations have multinationalized, transnationalized, bureaucratized, and transgovernmentalized the state until it has virtually ceased to exist as an analytic construct. Nowhere is that trend more apparent than in the study of the politics of international economic relations. The basic conventional assumptions have been undermined by assertions that the state is trapped by a transnational society created not by sovereigns, but by nonstate actors. Interdependence is not seen as a reflection of state policies and state choices (the perspective of balance-of-power theory), but as the result of elements beyond the control of any state or a system created by states.

This perspective is at best profoundly misleading. It may explain developments within a particular international economic structure, but it cannot explain the structure itself. That structure has many institutional and behavioral manifestations. The central continuum along which it can be described is openness. International economic structures may range from complete autarky (if all states prevent movements across their borders), to complete openness (if no restrictions exist). In this paper I will present an analysis of one aspect of the international economy—the structure of international trade; that is, the degree of openness for the movement of goods as opposed to capital, labor, technology, or other factors of production.

Since the beginning of the nineteenth century, this structure has gone through several changes. These can be explained, albeit imperfectly, by a state-power theory: an approach that begins with the assumption that the structure of international trade is determined by the interests and power of states acting to maximize national goals. The first step in this argument is to relate four basic state interests—aggregate national

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income, social stability, political power, and economic growth—to the degree of openness for the movement of goods. The relationship between these interests and openness depends upon the potential economic power of any given state. Potential economic power is operationalized in terms of the relative size and level of economic development of the state. The second step in the argument is to relate different distributions of potential power, such as multipolar and hegemonic, to different international trading structures. The most important conclusion of this theoretical analysis is that a hegemonic distribution of potential economic power is likely to result in an open trading structure. That argument is largely, although not completely, substantiated by empirical data. For a fully adequate analysis it is necessary to amend a state-power argument to take account of the impact of past state decisions on domestic social structures as well as on international economic ones. The two major organizers of the structure of trade since the beginning of the nineteenth century, Great Britain and the United States, have both been prevented from making policy amendments in line with state interests by particular societal groups whose power had been enhanced by earlier state policies.

The Causal Argument: State Interests, State Power, and International Trading Structures

Neoclassical trade theory is based upon the assumption that states act to maximize their aggregate economic utility. This leads to the conclusion that maximum global welfare and Pareto optimality are achieved under free trade. While particular countries might better their situations through protectionism, economic theory has generally looked askance at such policies. In his seminal article on the optimal tariff, Harry Johnson was at pains to point out that the imposition of successive optimal tariffs could lead both trading partners to a situation in which they were worse off than under competitive conditions.[1] Neoclassical theory recognizes that trade regulations can also be used to correct domestic distortions and to promote infant industries,[2] but these are exceptions or temporary departures from policy conclusions that lead logically to the support of free trade.

[1] Johnson, "Optimum Tariffs and Retaliation," in Harry Johnson, *International Trade and Economic Growth* (Cambridge: Harvard University Press 1967), 31-61.

[2] See, for instance, Everett Hagen, "An Economic Justification of Protectionism," *Quarterly Journal of Economics*, Vol. 72 (November 1958), 496-514; Harry Johnson, "Optimal Trade Intervention in the Presence of Domestic Distortions," in Robert Baldwin and others, *Trade, Growth and the Balance of Payments: Essays in Honor of Gottfried Haberler* (Chicago: Rand McNally 1965), 3-34; and Jagdish Bhagwati, *Trade, Tariffs, and Growth* (Cambridge: MIT Press 1969), 295-308.

STATE PREFERENCES

Historical experience suggests that policy makers are dense, or that the assumptions of the conventional argument are wrong. Free trade has hardly been the norm. Stupidity is not a very interesting analytic category. An alternative approach to explaining international trading structures is to assume that states seek a broad range of goals. At least four major state interests affected by the structure of international trade can be identified. They are: political power, aggregate national income, economic growth, and social stability. The way in which each of these goals is affected by the degree of openness depends upon the potential economic power of the state as defined by its relative size and level of development.

Let us begin with aggregate national income because it is most straightforward. Given the exceptions noted above, conventional neoclassical theory demonstrates that the greater the degree of openness in the international trading system, the greater the level of aggregate economic income. This conclusion applies to all states regardless of their size or relative level of development. The static economic benefits of openness are, however, generally inversely related to size. Trade gives small states relatively more welfare benefits than it gives large ones. Empirically, small states have higher ratios of trade to national product. They do not have the generous factor endowments or potential for national economies of scale that are enjoyed by larger—particularly continental—states.

The impact of openness on social stability runs in the opposite direction. Greater openness exposes the domestic economy to the exigencies of the world market. That implies a higher level of factor movements than in a closed economy, because domestic production patterns must adjust to changes in international prices. Social instability is thereby increased, since there is friction in moving factors, particularly labor, from one sector to another. The impact will be stronger in small states than in large, and in relatively less developed than in more developed ones. Large states are less involved in the international economy: a smaller percentage of their total factor endowment is affected by the international market at any given level of openness. More developed states are better able to adjust factors: skilled workers can more easily be moved from one kind of production to another than can unskilled laborers or peasants. Hence social stability is, *ceteris paribus*, inversely related to openness, but the deleterious consequences of exposure to the international trading system are mitigated by larger size and greater economic development.

The relationship between political power and the international trading structure can be analyzed in terms of the relative opportunity costs of closure for trading partners.[3] The higher the relative cost of closure, the weaker the political position of the state. Hirschman has argued that this cost can be measured in terms of direct income losses and the adjustment costs of reallocating factors.[4] These will be smaller for large states and for relatively more developed states. Other things being equal, utility costs will be less for large states because they generally have a smaller proportion of their economy engaged in the international economic system. Reallocation costs will be less for more advanced states because their factors are more mobile. Hence a state that is relatively large and more developed will find its political power enhanced by an open system because its opportunity costs of closure are less. The large state can use the threat to alter the system to secure economic or noneconomic objectives. Historically, there is one important exception to this generalization—the oil-exporting states. The level of reserves for some of these states, particularly Saudi Arabia, has reduced the economic opportunity costs of closure to a very low level despite their lack of development.

The relationship between international economic structure and economic growth is elusive. For small states, economic growth has generally been empirically associated with openness.[5] Exposure to the international system makes possible a much more efficient allocation of resources. Openness also probably furthers the rate of growth of large countries with relatively advanced technologies because they do not need to protect infant industries and can take advantage of expanded world markets. In the long term, however, openness for capital and technology, as well as goods, may hamper the growth of large, developed countries by diverting resources from the domestic economy, and by providing potential competitors with the knowledge needed to develop their own industries. Only by maintaining its technological lead and continually developing new industries can even a very large state escape the undesired consequences of an entirely open economic system. For medium-size states, the relationship between international trading structure and growth is impossible to specify definitively,

[3] This notion is reflected in Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley: University of California Press 1945); Robert W. Tucker, *The New Isolationism: Threat or Promise?* (Washington: Potomac Associates 1972); and Kenneth Waltz, "The Myth of Interdependence," in Charles P. Kindleberger, ed., *The International Corporation* (Cambridge: MIT Press 1970), 205-23.

[4] Hirschman (fn.3), 13-34.

[5] Simon Kuznets, *Modern Economic Growth: Rate, Structure, and Spread* (New Haven: Yale University Press 1966), 302.

either theoretically or empirically. On the one hand, writers from the mercantilists through the American protectionists and the German historical school, and more recently analysts of *dependencia*, have argued that an entirely open system can undermine a state's effort to develop, and even lead to underdevelopment.[6] On the other hand, adherents of more conventional neoclassical positions have maintained that exposure to international competition spurs economic transformation.[7] The evidence is not yet in. All that can confidently be said is that openness furthers the economic growth of small states and of large ones so long as they maintain their technological edge.

FROM STATE PREFERENCES TO INTERNATIONAL TRADING STRUCTURES

The next step in this argument is to relate particular distributions of potential economic power, defined by the size and level of development of individual states, to the structure of the international trading system, defined in terms of openness.

Let us consider a system composed of a large number of small, highly developed states. Such a system is likely to lead to an open international trading structure. The aggregate income and economic growth of each state are increased by an open system. The social instability produced by exposure to international competition is mitigated by the factor mobility made possible by higher levels of development. There is no loss of political power from openness because the costs of closure are symmetrical for all members of the system.

Now let us consider a system composed of a few very large, but unequally developed states. Such a distribution of potential economic power is likely to lead to a closed structure. Each state could increase its income through a more open system, but the gains would be modest. Openness would create more social instability in the less developed countries. The rate of growth for more backward areas might be

[6] See David P. Calleo and Benjamin Rowland, *America and the World Political Economy* (Bloomington: Indiana University Press 1973), Part II, for a discussion of American thought; Eli Heckscher, *Mercantilism* (New York: Macmillan 1955); and D. C. Coleman, ed., *Revisions in Mercantilism* (London: Methuen 1969), for the classic discussion and a collection of recent articles on mercantilism; Andre Gunder Frank, *Latin America: Underdevelopment or Revolution* (New York: Monthly Review 1969); Arghiri Emmanuel, *Unequal Exchange: A Study of the Imperialism of Trade* (New York: Monthly Review 1972); and Johan Galtung, "A Structural Theory of Imperialism," *Journal of Peace Research*, VIII, No. 2 (1971), 81-117, for some representative arguments about the deleterious effects of free trade.

[7] See Gottfried Haberler, *International Trade and Economic Development* (Cairo: National Bank of Egypt 1959); and Carlos F. Diaz-Alejandro, "Latin America: Toward 2000 A.D.," in Jagdish Bhagwati, ed., *Economics and World Order from the 1970s to the 1990s* (New York: Macmillan 1972), 223-55, for some arguments concerning the benefits of trade.

frustrated, while that of the more advanced ones would be enhanced. A more open structure would leave the less developed states in a politically more vulnerable position, because their greater factor rigidity would mean a higher relative cost of closure. Because of these disadvantages, large but relatively less developed states are unlikely to accept an open trading structure. More advanced states cannot, unless they are militarily much more powerful, force large backward countries to accept openness.

Finally, let us consider a hegemonic system—one in which there is a single state that is much larger and relatively more advanced than its trading partners. The costs and benefits of openness are not symmetrical for all members of the system. The hegemonic state will have a preference for an open structure. Such a structure increases its aggregate national income. It also increases its rate of growth during its ascendency—that is, when its relative size and technological lead are increasing. Further, an open structure increases its political power, since the opportunity costs of closure are least for a large and developed state. The social instability resulting from exposure to the international system is mitigated by the hegemonic power's relatively low level of involvement in the international economy, and the mobility of its factors.

What of the other members of a hegemonic system? Small states are likely to opt for openness because the advantages in terms of aggregate income and growth are so great, and their political power is bound to be restricted regardless of what they do. The reaction of medium-size states is hard to predict; it depends at least in part on the way in which the hegemonic power utilizes its resources. The potentially dominant state has symbolic, economic, and military capabilities that can be used to entice or compel others to accept an open trading structure.

At the symbolic level, the hegemonic state stands as an example of how economic development can be achieved. Its policies may be emulated, even if they are inappropriate for other states. Where there are very dramatic asymmetries, military power can be used to coerce weaker states into an open structure. Force is not, however, a very efficient means for changing economic policies, and it is unlikely to be employed against medium-size states.

Most importantly, the hegemonic state can use its economic resources to create an open structure. In terms of positive incentives, it can offer access to its large domestic market and to its relatively cheap exports. In terms of negative ones, it can withhold foreign grants and engage

in competition, potentially ruinous for the weaker state, in third-country markets. The size and economic robustness of the hegemonic state also enable it to provide the confidence necessary for a stable international monetary system, and its currency can offer the liquidity needed for an increasingly open system.

In sum, openness is most likely to occur during periods when a hegemonic state is in its ascendency. Such a state has the interest and the resources to create a structure characterized by lower tariffs, rising trade proportions, and less regionalism. There are other distributions of potential power where openness is likely, such as a system composed of many small, highly developed states. But even here, that potential might not be realized because of the problems of creating confidence in a monetary system where adequate liquidity would have to be provided by a negotiated international reserve asset or a group of national currencies. Finally, it is unlikely that very large states, particularly at unequal levels of development, would accept open trading relations.

These arguments, and the implications of other ideal typical configurations of potential economic power for the openness of trading structures, are summarized in the following chart.

		Size of States		
		RELATIVELY EQUAL		VERY UNEQUAL
		SMALL	LARGE	
Level of Development of States	EQUAL	Moderate-High	Low-Moderate	High
	UNEQUAL	Moderate	Low	Moderate-High

CHART I. PROBABILITY OF AN OPEN TRADING STRUCTURE WITH DIFFERENT DISTRIBUTIONS OF POTENTIAL ECONOMIC POWER

THE DEPENDENT VARIABLE: DESCRIBING THE STRUCTURE OF THE INTERNATIONAL TRADING SYSTEM

The structure of international trade has both behavioral and institutional attributes. The degree of openness can be described both by the *flow* of goods and by the *policies* that are followed by states with respect to trade barriers and international payments. The two are not unrelated, but they do not coincide perfectly.

In common usage, the focus of attention has been upon institutions. Openness is associated with those historical periods in which tariffs

were substantially lowered: the third quarter of the nineteenth century and the period since the Second World War.

Tariffs alone, however, are not an adequate indicator of structure. They are hard to operationalize quantitatively. Tariffs do not have to be high to be effective. If cost functions are nearly identical, even low tariffs can prevent trade. Effective tariff rates may be much higher than nominal ones. Non-tariff barriers to trade, which are not easily compared across states, can substitute for duties. An undervalued exchange rate can protect domestic markets from foreign competition. Tariff levels alone cannot describe the structure of international trade.[8]

A second indicator, and one which is behavioral rather than institutional, is trade proportions—the ratios of trade to national income for different states. Like tariff levels, these involve describing the system in terms of an agglomeration of national tendencies. A period in which these ratios are increasing across time for most states can be described as one of increasing openness.

A third indicator is the concentration of trade within regions composed of states at different levels of development. The degree of such regional encapsulation is determined not so much by comparative advantage (because relative factor endowments would allow almost any backward area to trade with almost any developed one), but by political choices or dictates. Large states, attempting to protect themselves from the vagaries of a global system, seek to maximize their interests by creating regional blocs. Openness in the global economic system has in effect meant greater trade among the leading industrial states. Periods of closure are associated with the encapsulation of certain advanced states within regional systems shared with certain less developed areas.

A description of the international trading system involves, then, an exercise that is comparative rather than absolute. A period when tariffs are falling, trade proportions are rising, and regional trading patterns are becoming less extreme will be defined as one in which the structure is becoming more open.

TARIFF LEVELS

The period from the 1820's to 1879 was basically one of decreasing tariff levels in Europe. The trend began in Great Britain in the 1820's,

[8] See Harry Johnson, *Economic Policies Toward Less Developed Countries* (New York: Praeger 1967), 90-94, for a discussion of nominal versus effective tariffs; Bela Belassa, *Trade Liberalization among Industrial Countries* (New York: McGraw-Hill 1967), chap. 3, for the problems of determining the height of tariffs; and Hans O. Schmitt, "International Monetary System: Three Options for Reform," *International Affairs*, L (April 1974), 200, for similar effects of tariffs and undervalued exchange rates.

with reductions of duties and other barriers to trade. In 1846 the abolition of the Corn Laws ended agricultural protectionism. France reduced duties on some intermediate goods in the 1830's, and on coal, iron, and steel in 1852. The *Zollverein* established fairly low tariffs in 1834. Belgium, Portugal, Spain, Piedmont, Norway, Switzerland, and Sweden lowered imposts in the 1850's. The golden age of free trade began in 1860, when Britain and France signed the Cobden-Chevalier Treaty, which virtually eliminated trade barriers. This was followed by a series of bilateral trade agreements between virtually all European states. It is important to note, however, that the United States took little part in the general movement toward lower trade barriers.[9]

The movement toward greater liberality was reversed in the late 1870's. Austria-Hungary increased duties in 1876 and 1878, and Italy also in 1878; but the main breach came in Germany in 1879. France increased tariffs modestly in 1881, sharply in 1892, and raised them still further in 1910. Other countries followed a similar pattern. Only Great Britain, Belgium, the Netherlands, and Switzerland continued to follow free-trade policies through the 1880's. Although Britain did not herself impose duties, she began establishing a system of preferential markets in her overseas Empire in 1898.[10] The United States was basically protectionist throughout the nineteenth century. The high tariffs imposed during the Civil War continued with the exception of a brief period in the 1890's. There were no major duty reductions before 1914.

During the 1920's, tariff levels increased further. Western European states protected their agrarian sectors against imports from the Danube region, Australia, Canada, and the United States, where the war had stimulated increased output. Great Britain adopted some colonial preferences in 1919, imposed a small number of tariffs in 1921, and extended some wartime duties. The successor states of the Austro-Hungarian Empire imposed duties to achieve some national self-sufficiency. The British dominions and Latin America protected industries nurtured by wartime demands. In the United States the Fordney-

[9] Charles P. Kindleberger, "The Rise of Free Trade in Western Europe 1820-1875," *The Journal of Economic History*, xxxv (March 1975), 20-55; Sidney Pollard, *European Economic Integration 1815-1970* (London: Thames and Hudson 1974), 117; J. B. Condliffe, *The Commerce of Nations* (New York: Norton 1950), 212-23, 229-30.

[10] Charles P. Kindleberger, "Group Behavior and International Trade," *Journal of Political Economy*, Vol. 59 (February 1951), 33; Condliffe (fn. 9), 498; Pollard (fn. 9), 121; and Peter A. Gourevitch, "International Trade, Domestic Coalitions, and Liberty: Comparative Responses to the Great Depression of 1873-1896," paper delivered to the International Studies Association Convention, Washington, 1973.

McCumber Tariff Act of 1922 increased protectionism. The October Revolution removed Russia from the Western trading system.[11]

Dramatic closure in terms of tariff levels began with the passage of the Smoot-Hawley Tariff Act in the United States in 1930. Britain raised tariffs in 1931 and definitively abandoned free trade at the Ottawa Conference of 1932, which introduced extensive imperial preferences. Germany and Japan established trading blocs within their own spheres of influence. All other major countries followed protectionist policies.[12]

Significant reductions in protection began after the Second World War; the United States had foreshadowed the movement toward greater liberality with the passage of the Reciprocal Trade Agreements Act in 1934. Since 1945 there have been seven rounds of multilateral tariff reductions. The first, held in 1947 at Geneva, and the Kennedy Round, held during the 1960's, have been the most significant. They have substantially reduced the level of protection.[13]

The present situation is ambiguous. There have recently been some new trade controls. In the United States these include a voluntary import agreement for steel, the imposition of a 10 per cent import surcharge during four months of 1971, and export controls on agricultural products in 1973 and 1974. Italy imposed a deposit requirement on imports during parts of 1974 and 1975. Britain and Japan have engaged in export subsidization. Non-tariff barriers have become more important. On balance, there has been movement toward greater protectionism since the end of the Kennedy Round, but it is not decisive. The outcome of the multilateral negotiations that began in 1975 remains to be seen.

In sum, after 1820 there was a general trend toward lower tariffs (with the notable exception of the United States), which culminated between 1860 and 1879; higher tariffs from 1879 through the interwar years, with dramatic increases in the 1930's; and less protectionism from 1945 through the conclusion of the Kennedy Round in 1967.

TRADE PROPORTIONS

With the exception of one period, ratios of trade to aggregate economic activity followed the same general pattern as tariff levels. Trade proportions increased from the early part of the nineteenth century

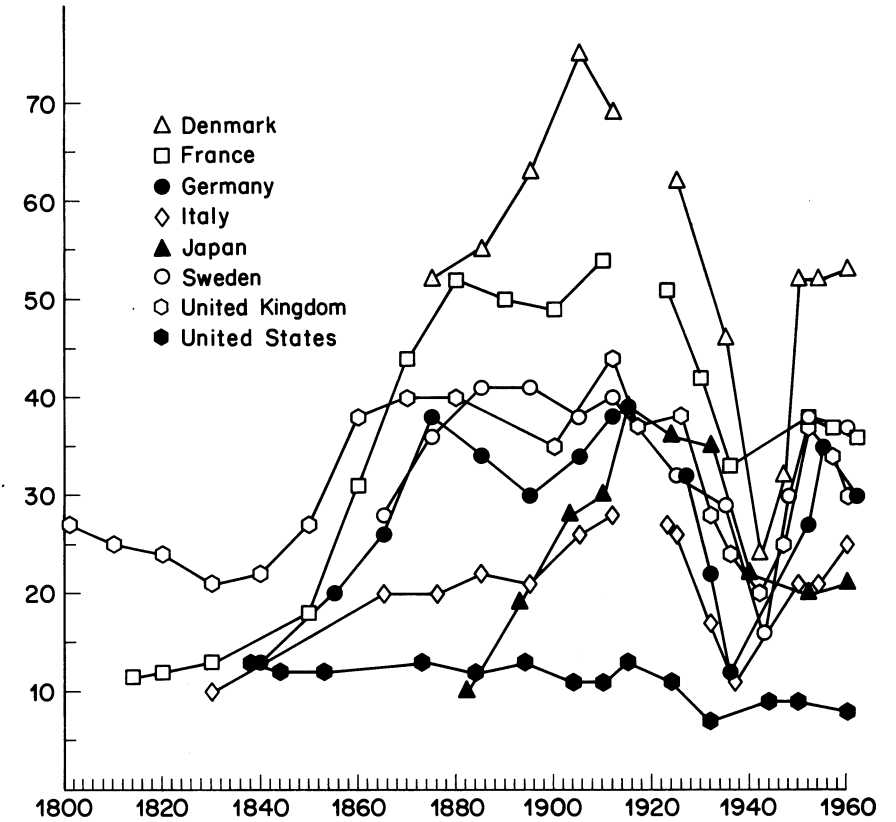
[11] Charles P. Kindelberger, *The World in Depression* (Berkeley: University of California Press 1973), 171; Condliffe (fn. 9), 478-81.

[12] Condliffe (fn. 9), 498; Robert Gilpin, "The Politics of Transnational Economic Relations," *International Organization*, XXV (Summer 1971), 407; Kindelberger (fn. 11), 132, 171.

[13] John W. Evans, *The Kennedy Round in American Trade Policy* (Cambridge: Harvard University Press 1971), 10-20.

to about 1880. Between 1880 and 1900 there was a decrease, sharper if measured in current prices than constant ones, but apparent in both statistical series for most countries. Between 1900 and 1913—and here is the exception from the tariff pattern—there was a marked increase in the ratio of trade to aggregate economic activity. This trend brought trade proportions to levels that have generally not been reattained. During the 1920's and 1930's the importance of trade in national economic activity declined. After the Second World War it increased.

Diagram I presents these findings in greater detail. There are considerable differences in the movement of trade proportions among states. They hold more or less constant for the United States; Japan, Denmark, and Norway (the last not shown on the graph) are unaffect-

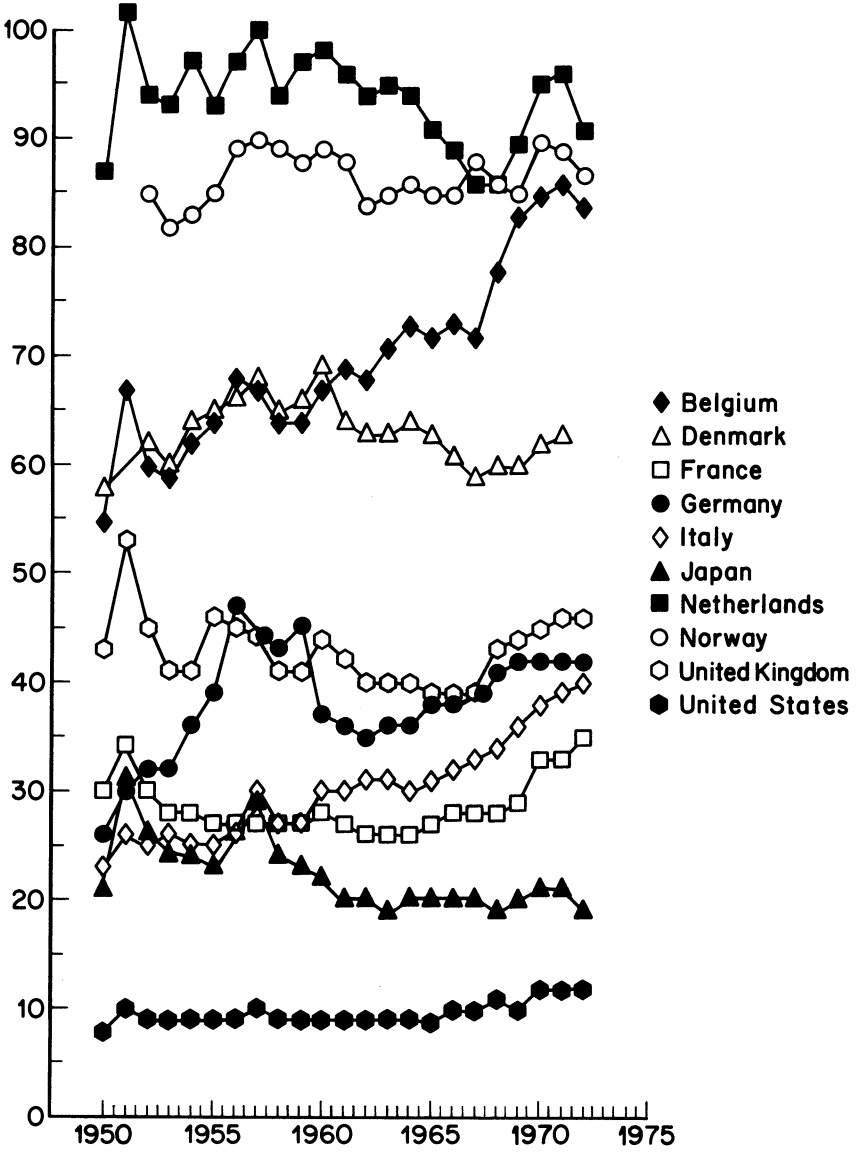


Source: Simon Kuznets, "Quantitative Aspects of the Economic Growth of Nations: X. Level and Structure of Foreign Trade: Long-Term Trends", *Economic Development and Cultural Change*, XV (1967), Appendix I. In all cases the mid-points of Kuznets periods were used.

DIAGRAM I. RATIO OF TRADE TO AGGREGATE ECONOMIC ACTIVITY, NINETEENTH CENTURY–1960, AT CURRENT PRICES

ed by the general decrease in the ratio of trade to aggregate economic activity that takes place after 1880. The pattern described in the previous paragraph does, however, hold for Great Britain, France, Sweden, Germany, and Italy.

Diagram II shows postwar developments. Because of the boom in



Source: United Nations, *Yearbook of National Account Statistics*, various years.

DIAGRAM II. RATIO OF TRADE TO GROSS DOMESTIC PRODUCT, 1950–1972, AT CURRENT PRICES

commodity prices that occurred in the early 1950's, the ratio of trade to gross domestic product was relatively high for larger states during these years, at least in current prices. It then faltered or remained constant until about 1960. From the early 1960's through 1972, trade proportions rose for all major states except Japan. Data for 1973 and 1974 show further increases. For smaller countries the trend was more erratic, with Belgium showing a more or less steady increase, Norway vacillating between 82 and 90 per cent, and Denmark and the Netherlands showing higher figures for the late 1950's than for more recent years. There is then, in current prices, a generally upward trend in trade proportions since 1960, particularly for larger states. This movement is more pronounced if constant prices are used.[14]

REGIONAL TRADING PATTERNS

The final indicator of the degree of openness of the global trading system is regional bloc concentration. There is a natural affinity for some states to trade with others because of geographical propinquity or comparative advantage. In general, however, a system in which there are fewer manifestations of trading within given blocs, particularly among specific groups of more and less developed states, is a more open one. Over time there have been extensive changes in trading patterns between particular areas of the world whose relative factor endowments have remained largely the same.

Richard Chadwick and Karl Deutsch have collected extensive information on international trading patterns since 1890. Their basic datum is the relative acceptance indicator (RA), which measures deviations from a null hypothesis in which trade between a pair of states, or a state and a region, is precisely what would be predicted on the basis of their total share of international trade.[15] When the null hypothesis holds, the RA indicator is equal to zero. Values less than zero indicate less trade than expected, greater than zero more trade than expected. For our purposes the critical issue is whether, over time, trade tends to become more concentrated as shown by movements away from zero, or less as shown by movements toward zero.

Table I presents figures for the years 1890, 1913, 1928, 1938, 1954,

[14] Figures are available in United Nations, *Yearbook of National Account Statistics*, various years.

[15] Richard I. Savage and Karl W. Deutsch, "A Statistical Model of the Gross Analysis of Transaction Flows," *Econometrica*, XXVIII (July 1960), 551-72. Richard Chadwick and Karl W. Deutsch, in "International Trade and Economic Integration: Further Developments in Trade Matrix Analysis," *Comparative Political Studies*, VI (April 1973), 84-109, make some amendments to earlier methods of calculation when regional groupings are being analyzed. These are not reflected in Table I. I am indebted to Professor Deutsch for giving me access to the unpublished data presented in the table.

and 1958 through 1968, the set collected by Chadwick and Deutsch, for the following pairs of major states and regions: Commonwealth-United Kingdom; United States-Latin America; Russia-Eastern Europe; and France-French speaking Africa. The region's percentage of exports to the country, and the country's percentage of imports from the region, are included along with RA indicators to give some sense of the overall importance of the particular trading relationship.

There is a general pattern. In three of the four cases, the RA value closest to zero—that is the least regional encapsulation—occurred in 1890, 1913, or 1928; in the fourth case (France and French West Africa), the 1928 value was not bettered until 1964. In every case there was an increase in the RA indicator between 1928 and 1938, reflecting the breakdown of international commerce that is associated with the depression. Surprisingly, the RA indicator was higher for each of the four pairs in 1954 than in 1938, an indication that regional patterns persisted and even became more intense in the postwar period. With the exception of the Soviet Union and Eastern Europe, there was a general trend toward decreasing RA's for the period after 1954. They still, however, show fairly high values even in the late 1960's.

If we put all three indicators—tariff levels, trade proportions, and trade patterns—together, they suggest the following periodization.

Period I (1820–1879): Increasing openness—tariffs are generally lowered; trade proportions increase. Data are not available for trade patterns. However, it is important to note that this is not a universal pattern. The United States is largely unaffected: its tariff levels remain high (and are in fact increased during the early 1860's) and American trade proportions remain almost constant.

Period II (1879–1900): Modest closure—tariffs are increased; trade proportions decline modestly for most states. Data are not available for trade patterns.

Period III (1900–1913): Greater openness—tariff levels remain generally unchanged; trade proportions increase for all major trading states except the United States. Trading patterns become less regional in three out of the four cases for which data are available.

Period IV (1918–1939): Closure—tariff levels are increased in the 1920's and again in the 1930's; trade proportions decline. Trade becomes more regionally encapsulated.

Period V (1945–c. 1970): Great openness—tariffs are lowered; trade proportions increase, particularly after 1960. Regional concentration

TABLE I. REGIONAL TRADING PATTERNS

	COMMONWEALTH TO UNITED KINGDOM			LATIN AMERICA* TO UNITED STATES		
	Relative Acceptance Indicator	*Percentage of Commonwealth Exports to United Kingdom*	*Percentage of United Kingdom Imports from Commonwealth*	*Relative Acceptance Indicator*	*Percentage of Latin America Exports to United States*	*Percentage of United States Imports from Latin America*
1890	1.64	6.51	9.83	— .14	9.86	2.91
1913	1.49	17.74	28.97	.45	19.47	8.05
1928	.72	17.55	26.49	1.27	30.21	17.41
1938	1.28	25.44	35.44	1.54	26.59	16.56
1954	1.60	18.54	38.47	2.04	42.76	19.07
1958	1.89	15.91	36.82	1.86	42.95	13.00
1959	1.77	15.78	36.79	1.68	42.87	11.66
1960	1.74	15.68	33.96	1.89	40.39	11.56
1961	1.66	14.27	33.15	2.03	39.78	11.82
1962	1.72	13.47	32.24	1.81	38.05	10.87
1963	1.62	13.06	31.67	1.84	37.02	11.13
1964	1.59	13.66	31.85	1.71	34.45	10.07
1965	1.47	11.53	27.42	1.43	32.66	9.01
1966	1.26	10.24	25.09	1.18	31.86	8.09
1967	1.08	9.82	22.90	1.13	31.47	7.26
1968	1.02	8.74	21.55	1.11	35.85	6.02

* Includes Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay.

	RUSSIA TO EASTERN EUROPE			FRANCE TO FRENCH AFRICA		
	Relative Acceptance Indicator	*Percentage of Eastern Europe Exports to Russia*	*Percentage of Russian Imports from Eastern Europe*	*Relative Acceptance Indicator*	*Percentage of French African Exports to France*	*Percentage of French Imports from French Africa*
1890	— .42	1.04	.58	9.57	100.00	.08
1913	.07	1.07	.79	7.24	53.59	.89
1928	.57	1.53	5.86	5.85	39.09	3.03
1938	— .25	.70	3.75	7.22	44.12	5.02
1954	9.94	22.78	60.89	7.76	41.25	10.73
1958	8.85	23.13	55.01	7.77	41.13	8.14
1959	8.40	22.51	55.17	7.34	34.62	6.78
1960	8.48	22.73	56.08	6.87	35.16	7.15
1961	9.04	24.12	61.76	6.85	36.60	7.13
1962	9.01	25.55	63.00	6.60	38.76	6.34
1963	9.09	26.84	65.28	6.14	38.92	5.63
1964	9.22	26.73	64.18	5.55	36.41	5.28
1965	9.44	26.00	65.68	5.48	34.19	4.86
1966	9.90	24.24	64.77	4.90	32.64	4.69
1967	9.98	25.34	67.37	3.85	26.74	3.40
1968	11.78	33.84	67.06	7.58	46.18	2.57

decreases after 1960. However, these developments are limited to non-Communist areas of the world.

The Independent Variable: Describing the Distribution of Potential Economic Power Among States

Analysts of international relations have an almost pro forma set of variables designed to show the distribution of potential power in the international *political* system. It includes such factors as gross national product, per capita income, geographical position, and size of armed forces. A similar set of indicators can be presented for the international *economic* system.

Statistics are available over a long time period for per capita income, aggregate size, share of world trade, and share of world investment. They demonstrate that, since the beginning of the nineteenth century, there have been two first-rank economic powers in the world economy —Britain and the United States. The United States passed Britain in aggregate size sometime in the middle of the nineteenth century and, in the 1880's, became the largest producer of manufactures. America's lead was particularly marked in technologically advanced industries turning out sewing machines, harvesters, cash registers, locomotives, steam pumps, telephones, and petroleum.[16] Until the First World War, however, Great Britain had a higher per capita income, a greater share of world trade, and a greater share of world investment than any other state. The peak of British ascendance occurred around 1880, when Britain's relative per capita income, share of world trade, and share of investment flows reached their highest levels. Britain's potential dominance in 1880 and 1900 was particularly striking in the international economic system, where her share of trade and foreign investment was about twice as large as that of any other state.

It was only after the First World War that the United States became relatively larger and more developed in terms of all four indicators. This potential dominance reached new and dramatic heights between 1945 and 1960. Since then, the relative position of the United States has declined, bringing it quite close to West Germany, its nearest rival, in terms of per capita income and share of world trade. The devaluations of the dollar that have taken place since 1972 are reflected in a continuation of this downward trend for income and aggregate size.

The relative potential economic power of Britain and the United States is shown in the following two tables.

[16] League of Nations, *Industrialization and Foreign Trade* (1945, II.A.10), 13; Mira Wilkins, *The Emergence of Multinational Enterprise* (Cambridge: Harvard University Press 1970), 45-65.

TABLE II. INDICATORS OF BRITISH POTENTIAL POWER
(Ratio of British value to next highest)

	Per Capita Income	*Aggregate Size*	*Share of World Trade*	*Share of World Investment**
1860	.91(US)	.74(US)	2.01(FR)	n.a.
1880	1.30(US)	.79(1874–83 US)	2.22(FR)	1.93(FR)
1900	1.05(1899 US)	.58(1899 US)	2.17(1890 GERM)	2.08(FR)
1913	.92(US)	.43(US)	1.20(US)	2.18(1914 FR)
1928	.66(US)	.25(1929 US)	.79(US)	.64(1921–29 US)
1937	.79(US)	.29(US)	.88(US)	.18(1930–38 US)
1950	.56(US)	.19(US)	.69(US)	.13(1951–55 US)
1960	.49(US)	.14(US)	.46(1958 US)	.15(1956–61 US)
1972	.46(US)	.13(US)	.47(1973 US)	n.a.

*Stock 1870–1913; Flow 1928–1950
Years are in parentheses when different from those in first column.
Countries in parentheses are those with the largest values for the particular indicator other than Great Britain.
Source: Derived from figures in Appendix.

TABLE III. INDICATORS OF U.S. POTENTIAL POWER
(Ratio of U.S. value to next highest)

	Per Capita Income	*Aggregate Size*	*Share of World Trade*	*Share of World Investment Flows*
1860	1.10(GB)	1.41(GB)	.36(GB)	Net debtor
1880	.77(GB)	1.23(1883 GB)	.37(GB)	Net debtor
1900	.95(1899 GB)	1.73(1899 GB)	.43(1890 GB)	n.a.
1913	1.09(GB)	2.15(RUS)	.83(GB)	Net debtor
1928	1.51(GB)	3.22(USSR)	1.26(GB)	1.55(1921–20 UK)
1937	1.26(GB)	2.67(USSR)	1.13(GB)	5.53(1930–38 UK)
1950	1.78(GB)	3.15(USSR)	1.44(GB)	7.42(1951–55 UK)
1960	2.05(GB)	2.81(USSR)	2.15(1958 GB)	6.60(1956–61 UK)
1972	1.31(GERM)	n.a.	1.18(1973 GERM)	n.a.

Years are in parentheses when different from those in first column.
Countries in parentheses are those with the largest values for the particular indicator other than the United States.
Source: Derived from figures in Appendix.

In sum, Britain was the world's most important trading state from the period after the Napoleonic Wars until 1913. Her relative position rose until about 1880 and fell thereafter. The United States became the largest and most advanced state in economic terms after the First World War, but did not equal the relative share of world trade and investment achieved by Britain in the 1880's until after the Second World War.

Testing the Argument

The contention that hegemony leads to a more open trading structure is fairly well, but not perfectly, confirmed by the empirical evidence presented in the preceding sections. The argument explains the periods 1820 to 1879, 1880 to 1900, and 1945 to 1960. It does not fully explain those from 1900 to 1913, 1919 to 1939, or 1960 to the present.

1820–1879. The period from 1820 to 1879 was one of increasing openness in the structure of international trade. It was also one of rising hegemony. Great Britain was the instigator and supporter of the new structure. She began lowering her trade barriers in the 1820's, before any other state. The signing of the Cobden-Chevalier Tariff Treaty with France in 1860 initiated a series of bilateral tariff reductions. It is, however, important to note that the United States was hardly involved in these developments, and that America's ratio of trade to aggregate economic activity did not increase during the nineteenth century.

Britain put to use her internal flexibility and external power in securing a more open structure. At the domestic level, openness was favored by the rising industrialists. The opposition of the agrarian sector was mitigated by its capacity for adjustment: the rate of capital investment and technological innovation was high enough to prevent British agricultural incomes from falling until some thirty years after the abolition of the Corn Laws. Symbolically, the Manchester School led by Cobden and Bright provided the ideological justification for free trade. Its influence was felt throughout Europe where Britain stood as an example to at least some members of the elite.

Britain used her military strength to open many backward areas: British interventions were frequent in Latin America during the nineteenth century, and formal and informal colonial expansion opened the interior of Africa. Most importantly, Britain forced India into the international economic system.[17] British military power was also a factor in concluding the Cobden-Chevalier Treaty, for Louis Napoleon

[17] John Gallagher and Ronald Robinson, "The Imperialism of Free Trade," *Economic History Review*, 2nd Series, VI (August 1953), 1-15.

was more concerned with cementing his relations with Britain than he was in the economic consequences of greater openness. Once this pact was signed, however, it became a catalyst for the many other treaties that followed.[18]

Britain also put economic instruments to good use in creating an open system. The abolition of the Corn Laws offered continental grain producers the incentive of continued access to the growing British market. Britain was at the heart of the nineteenth-century international monetary system which functioned exceptionally well, at least for the core of the more developed states and the areas closely associated with them. Exchange rates were stable, and countries did not have to impose trade barriers to rectify cyclical payments difficulties. Both confidence and liquidity were, to a critical degree, provided by Britain. The use of sterling balances as opposed to specie became increasingly widespread, alleviating the liquidity problems presented by the erratic production of gold and silver. Foreign private and central banks increasingly placed their cash reserves in London, and accounts were cleared through changing bank balances rather than gold flows. Great Britain's extremely sophisticated financial institutions, centered in the City of London, provided the short-term financing necessary to facilitate the international flow of goods. Her early and somewhat fortuitous adherence to the gold—as opposed to the silver or bimetallic—standard proved to be an important source of confidence as all countries adopted at least a *de facto* gold standard after 1870 because of the declining relative value of silver. In times of monetary emergency, the confidence placed in the pound because of the strength of the British economy allowed the Bank of England to be a lender of last resort.[19]

Hence, for the first three-quarters of the nineteenth century, British policy favored an open international trading structure, and British power helped to create it. But this was not a global regime. British resources were not sufficient to entice or compel the United States (a country whose economy was larger than Britain's by 1860 and whose technology was developing very rapidly) to abandon its protectionist commercial policy. As a state-power argument suggests, openness was only estab-

[18] Kindleberger (fn. 9), 41.

[19] Robert Triffin, *The Evolution of the International Monetary System* (Princeton: Princeton Studies in International Finance, No. 12, 1964), 2-20; R. G. Hawtrey, *The Gold Standard in Theory and Practice* (London: Longmans, Green 1947), 69-80; Leland Yeager, *International Monetary Relations* (New York: Harper and Row 1966), 251-61; Sidney E. Rolfe and James Burtle, *The Great Wheel: The World Monetary System, a Reinterpretation* (New York: Quadrangle 1973), 10-11; Condliffe (fn. 9), 343-80.

lished within the geographical area where the rising economic hegemony was able to exercise its influence.

1880–1900. The last two decades of the nineteenth century were a period of modest closure which corresponds to a relative decline in British per capita income, size, and share of world trade. The event that precipitated higher tariff levels was the availability of inexpensive grain from the American Midwest, made possible by the construction of continental railways. National responses varied. Britain let her agricultural sector decline, a not unexpected development given her still dominant economic position. Denmark, a small and relatively well-developed state, also refrained from imposing tariffs and transformed its farming sector from agriculture to animal husbandry. Several other small states also followed open policies. Germany, France, Russia, and Italy imposed higher tariffs, however. Britain did not have the military or economic power to forestall these policies. Still, the institutional structure of the international monetary system, with the City of London at its center, did not crumble. The decline in trade proportions was modest despite higher tariffs.

1945–1960. The third period that is neatly explained by the argument that hegemony leads to an open trading structure is the decade and a-half after the Second World War, characterized by the ascendancy of the United States. During these years the structure of the international trading system became increasingly open. Tariffs were lowered; trade proportions were restored well above interwar levels. Asymmetrical regional trading patterns did begin to decline, although not until the late 1950's. America's bilateral rival, the Soviet Union, remained—as the theory would predict—encapsulated within its own regional sphere of influence.

Unlike Britain in the nineteenth century, the United States after World War II operated in a bipolar political structure. Free trade was preferred, but departures such as the Common Market and Japanese import restrictions were accepted to make sure that these areas remained within the general American sphere of influence.[20] Domestically the Reciprocal Trade Agreements Act, first passed in 1934, was extended several times after the war. Internationally the United States supported the framework for tariff reductions provided by the General Agreement on Tariffs and Trade. American policy makers used their economic leverage over Great Britain to force an end to the imperial

[20] Raymond Aron, *The Imperial Republic* (Englewood Cliffs, N.J.: Prentice-Hall 1973), 191; Gilpin (fn. 12), 409-12; Calleo and Rowland (fn. 6), chap. 3.

preference system.[21] The monetary system established at Bretton Woods was basically an American creation. In practice, liquidity was provided by the American deficit; confidence by the size of the American economy. Behind the economic veil stood American military protection for other industrialized market economies—an overwhelming incentive for them to accept an open system, particularly one which was in fact relatively beneficial.

The argument about the relationship between hegemony and openness is not as satisfactory for the years 1900 to 1913, 1919 to 1939, and 1960 to the present.

1900–1913. During the years immediately preceding the First World War, the structure of international trade became more open in terms of trade proportions and regional patterns. Britain remained the largest international economic entity, but her relative position continued a decline that had begun two decades earlier. Still, Britain maintained her commitment to free trade and to the financial institutions of the City of London. A state-power argument would suggest some reconsideration of these policies.

Perhaps the simplest explanation for the increase in trade proportions was the burst of loans that flowed out of Europe in the years before the First World War, loans that financed the increasing sale of goods. Germany and France as well as Britain participated in this development. Despite the higher tariff levels imposed after 1879, institutional structures—particularly the monetary system—allowed these capital flows to generate increasing trade flows. Had Britain reconsidered her policies, this might not have been the case.

1919–1939. The United States emerged from the First World War as the world's most powerful economic state. Whether America was large enough to have put an open system in place is a moot question. As Tables II and III indicate, America's share of world trade and investment was only 26 and 55 per cent greater than that of any other state, while comparable figures for Great Britain during the last part of the nineteenth century are 100 per cent. What is apparent, though, is that American policy makers made little effort to open the structure of international trade. The call for an open door was a shibboleth, not a policy. It was really the British who attempted to continue a hegemonic role.

In the area of trade, the U.S. Fordney-McCumber Tariff of 1922

[21] Lloyd Gardner, *Economic Aspects of New Deal Diplomacy* (Madison: University of Wisconsin Press 1964), 389; Gilpin (fn. 12), 409.

increased protection. That tendency was greatly reinforced by the Smoot-Hawley Tariff of 1930 which touched off a wave of protective legislation. Instead of leading the way to openness, the United States led the way to closure.

In the monetary area, the American government made little effort to alter a situation that was confused and often chaotic. During the first half of the 1920's, exchange rates fluctuated widely among major currencies as countries were forced, by the inflationary pressures of the war, to abandon the gold standard. Convertibility was restored in the mid-twenties at values incompatible with long-term equilibrium. The British pound was overvalued, and the French franc undervalued. Britain was forced off the gold standard in September 1931, accelerating a trend that had begun with Uruguay in April 1929. The United States went off gold in 1933. France's decision to end convertibility in 1936 completed the pattern. During the 1930's the monetary system collapsed.[22]

Constructing a stable monetary order would have been no easy task in the political environment of the 1920's and 1930's. The United States made no effort. It refused to recognize a connection between war debts and reparations, although much of the postwar flow of funds took the form of American loans to Germany, German reparations payments to France and Britain, and French and British war-debt payments to the United States. The great depression was in no small measure touched off by the contraction of American credit in the late 1920's. In the deflationary collapse that followed, the British were too weak to act as a lender of last resort, and the Americans actually undercut efforts to reconstruct the Western economy when, before the London Monetary Conference of 1933, President Roosevelt changed the basic assumptions of the meeting by taking the United States off gold. American concern was wholly with restoring the domestic economy.[23]

That is not to say that American behavior was entirely obstreperous; but cooperation was erratic and often private. The Federal Reserve Bank of New York did try, during the late 1920's, to maintain New York interest rates below those in London to protect the value of the pound.[24] Two Americans, Dawes and Young, lent their names to the renegotiations of German reparations payments, but most of the actual work was carried out by British experts.[25] At the official level, the first

[22] Triffin (fn. 19), 22-28; Rolfe and Burtle (fn. 19), 13-55; Yeager (fn. 19), 278-317; Kindleberger (fn. 11), 270-71.
[23] Kindleberger (fn. 11), 199-224; Yeager (fn. 19), 314; Condliffe (fn. 9), 499.
[24] Triffin (fn. 19), 22.
[25] Kindleberger (fn. 11), 296.

manifestation of American leadership was President Hoover's call for a moratorium on war debts and reparations in June 1931; but in 1932 the United States refused to participate in the Lausanne Conference that in effect ended reparations.[26]

It was not until the mid-thirties that the United States asserted any real leadership. The Reciprocal Trade Agreements Act of 1934 led to bilateral treaties with twenty-seven countries before 1945. American concessions covered 64 per cent of dutiable items, and reduced rates by an average of 44 per cent. However, tariffs were so high to begin with that the actual impact of these agreements was limited.[27] There were also some modest steps toward tariff liberalization in Britain and France. In the monetary field, the United States, Britain, and France pledged to maintain exchange-rate stability in the Tripartite Declaration of September 1936. These actions were not adequate to create an open international economic structure. American policy during the interwar period, and particularly before the mid-thirties, fails to accord with the predictions made by a state-power explanation of the behavior of a rising hegemonic power.

1960–present. The final period not adequately dealt with by a state-power explanation is the last decade or so. In recent years, the relative size and level of development of the U.S. economy has fallen. This decline has not, however, been accompanied by a clear turn toward protectionism. The Trade Expansion Act of 1962 was extremely liberal and led to the very successful Kennedy Round of multilateral tariff cuts during the mid-sixties. The protectionist Burke-Hartke Bill did not pass. The 1974 Trade Act does include new protectionist aspects, particularly in its requirements for review of the removal of non-tariff barriers by Congress and for stiffer requirements for the imposition of countervailing duties, but it still maintains the mechanism of presidential discretion on tariff cuts that has been the keystone of postwar reductions. While the Voluntary Steel Agreement, the August 1971 economic policy, and restrictions on agricultural exports all show a tendency toward protectionism, there is as yet no evidence of a basic turn away from a commitment to openness.

In terms of behavior in the international trading system, the decade of the 1960's was clearly one of greater openness. Trade proportions increased, and traditional regional trade patterns became weaker. A state-power argument would predict a downturn or at least a faltering in these indicators as American power declined.

[26] Condliffe (fn. 9), 494-97.
[27] Evans (fn. 13), 7.

In sum, although the general pattern of the structure of international trade conforms with the predictions of a state-power argument—two periods of openness separated by one of closure—corresponding to periods of rising British and American hegemony and an interregnum, the whole pattern is out of phase. British commitment to openness continued long after Britain's position had declined. American commitment to openness did not begin until well after the United States had become the world's leading economic power and has continued during a period of relative American decline. The state-power argument needs to be amended to take these delayed reactions into account.

Amending the Argument

The structure of the international trading system does not move in lockstep with changes in the distribution of potential power among states. Systems are initiated and ended, not as a state-power theory would predict, by close assessments of the interests of the state at every given moment, but by external events—usually cataclysmic ones. The closure that began in 1879 coincided with the Great Depression of the last part of the nineteenth century. The final dismantling of the nineteenth-century international economic system was not precipitated by a change in British trade or monetary policy, but by the First World War and the Depression. The potato famine of the 1840's prompted abolition of the Corn Laws; and the United States did not assume the mantle of world leadership until the world had been laid bare by six years of total war. Some catalytic external event seems necessary to move states to dramatic policy initiatives in line with state interests.

Once policies have been adopted, they are pursued until a new crisis demonstrates that they are no longer feasible. States become locked in by the impact of prior choices on their domestic political structures. The British decision to opt for openness in 1846 corresponded with state interests. It also strengthened the position of industrial and financial groups over time, because they had the opportunity to operate in an international system that furthered their objectives. That system eventually undermined the position of British farmers, a group that would have supported protectionism if it had survived. Once entrenched, Britain's export industries, and more importantly the City of London, resisted policies of closure.[28] In the interwar years, the British rentier class insisted on restoring the prewar parity of the pound—a decision

[28] Robert Gilpin, *American Power and the Multinationals: The Political Economy of Foreign Investment* (New York: Basic Books 1975), chap. 3; Kindleberger (fn. 11), 294.

that placed enormous deflationary pressures on the domestic economy—because they wanted to protect the value of their investments.[29]

Institutions created during periods of rising ascendancy remained in operation when they were no longer appropriate. For instance, the organization of British banking in the nineteenth century separated domestic and foreign operations. The Court of Directors of the Bank of England was dominated by international banking houses. Their decisions about British monetary policy were geared toward the international economy.[30] Under a different institutional arrangement more attention might have been given after 1900 to the need to revitalize the domestic economy. The British state was unable to free itself from the domestic structures that its earlier policy decisions had created, and continued to follow policies appropriate for a rising hegemony long after Britain's star had begun to fall.

Similarly, earlier policies in the United States begat social structures and institutional arrangements that trammeled state policy. After protecting import-competing industries for a century, the United States was unable in the 1920's to opt for more open policies, even though state interests would have been furthered thereby. Institutionally, decisions about tariff reductions were taken primarily in congressional committees, giving virtually any group seeking protection easy access to the decision-making process. When there were conflicts among groups, they were resolved by raising the levels of protection for everyone. It was only after the cataclysm of the depression that the decision-making processes for trade policy were changed. The Presidency, far more insulated from the entreaties of particular societal groups than congressional committees, was then given more power.[31] Furthermore, the American commercial banking system was unable to assume the burden of regulating the international economy during the 1920's. American institutions were geared toward the domestic economy. Only after the Second World War, and in fact not until the late 1950's, did American banks fully develop the complex institutional structures commensurate with the dollar's role in the international monetary system.[32]

[29] Yeager (fn. 19), 279.

[30] Condliffe (fn. 9), 347.

[31] This draws from arguments made by Theodore Lowi, particularly his "Four Systems of Policy, Politics and Choice," *Public Administration Review*, XXXII (July-August 1972), 298-310. See also E. E. Schattschneider, *Politics, Pressures and the Tariff: A Study of Free Enterprise in Pressure Politics as Shown in the 1929–1930 Revision of the Tariff* (New York: Prentice-Hall 1935).

[32] See Janet Kelly, "American Banks in London," Ph.D. diss. (Johns Hopkins University 1975), for a study of the overseas expansion of American banks in the postwar period.

Having taken the critical decisions that created an open system after 1945, the American Government is unlikely to change its policy until it confronts some external event that it cannot control, such as a worldwide deflation, drought in the great plains, or the malicious use of petrodollars. In America perhaps more than in any other country "new policies," as E. E. Schattschneider wrote in his brilliant study of the Smoot-Hawley Tariff in 1935, "create new politics,"[33] for in America the state is weak and the society strong.[34] State decisions taken because of state interests reinforce private societal groups that the state is unable to resist in later periods. Multinational corporations have grown and prospered since 1950. International economic policy making has passed from the Congress to the Executive. Groups favoring closure, such as organized labor, are unlikely to carry the day until some external event demonstrates that existing policies can no longer be implemented.

The structure of international trade changes in fits and starts; it does not flow smoothly with the redistribution of potential state power. Nevertheless, it is the power and the policies of states that create order where there would otherwise be chaos or at best a Lockian state of nature. The existence of various transnational, multinational, transgovernmental, and other nonstate actors that have riveted scholarly attention in recent years can only be understood within the context of a broader structure that ultimately rests upon the power and interests of states, shackled though they may be by the societal consequences of their own past decisions.

[33] Schattschneider (fn. 31), 288.

[34] See Peter J. Katzenstein, "Transnational Relations and Domestic Structures: Foreign Economic Policies of Advanced Industrial States," *International Organization*, XXX (Winter 1976), for a suggestive discussion of the impact of the relative power of state and society on foreign economic policy. See also Samuel P. Huntington, "Paradigms of American Politics: Beyond the One, the Two, and the Many," *Political Science Quarterly*, Vol. 89 (March 1974), 16-17, as well as Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press 1968), chap. 2.

Appendix

I.1 Per Capita Income

Year	*Indicator*	*Unit*	*United Kingdom*	*United States*	*France*	*Germany*	*Japan*
1. 1860	Real Product/P	IU's*	325 (1870)	357	133	152	n.a.
2. 1883	"	"	380	292 (1874–83)	156 (1880)	206	n.a.
3. 1899	GDP/P	1955 $	830	790	360	525	65
4. 1913	"	"	920	1,000	400	560	90
5. 1929	"	"	915	1,380	605	625	145
6. 1937	"	"	1,055	1,330	540	685	185
7. 1950	"	"	1,085	1,940	775	665	135
8. 1955	"	"	1,245	2,195	925	975	185
9. 1957	"	"	1,280	2,185	1,015	1,070	220
10. 1960	"	Current $	1,368	2,817	1,336	1,300	462
11. 1963	"	"	1,586	3,151	1,743	1,670	711
12. 1969	"	"	1,987	4,578	2,813	2,526	1,644
13. 1972	"	"	2,472	5,551	3,823	4,218	2,823

I.2 Aggregate Economic Size

Year	*Indicator*	*Unit*	*Great Britain*	*United States*	*France*	*Germany*	*Japan*
1. 1860	Real Income	millions IU's*	8.34 (1870)	11.25	4.84	5.70	n.a.
2. 1874–83	"	"	11.55 (1883)	14.23	5.88 (1880)	10.54 (1883)	n.a.
3. 1899	GDP	billions 1955 $	34.0	59.0	14.0	29.3	2.80
4. 1913	"	"	42.0	97.0	16.0	37.5	4.80
5. 1929	"	"	42.0	168.0	25.0	40.5	9.10
6. 1937	"	"	50.0	171.0	22.4	46.5	12.99
7. 1950	"	"	54.7	294.0	32.4	31.8	11.1
8. 1955	"	"	63.5	362.5	40.0	49.0	16.5
9. 1957	"	"	66.0	376.0	44.8	55.0	19.8
10. 1960	"	billions current $	71.2	509.0	61.0	72.0	43.1
11. 1963	"	"	84.6	596.0	83.3	96.2	68.1
12. 1969	"	"	109.7	928.0	141.5	153.7	168.0
13. 1972	"	"	153.0	1,159.0	197.7	260.2	299.2

*IU's (International Units): Quantity of goods exchangeable on the average for $1 in the U.S. during 1925-34.
Dates are in parentheses when different from those in first column.

Sources for I.1 and I.2:

Lines 1-2: Colin Clark, *The Conditions of Economic Progress* (London: Macmillan 1957), chap. III, Tables 23, 40, 22, 21, 28.
Lines 3-9: Alfred Maizels, *Industrial Growth and World Trade* (Cambridge: Cambridge University Press 1963), 533, 531.
Lines 10-13: *United Nations Statistical Yearbook 1974*, 596-98.

I.3 Aggregate Economic Size and Per Capita Income

	Year	Unit	U.S.S.R.	United States	Great Britain
	Aggregate Economic Size				
1.	1913	billions IU's*	22.3	48.0 (1914)	20.39
2.	1928	"	25.5	82.3	22.50
3.	1932	"	22.3	61.5	21.36
4.	1937	"	33.95	90.7	27.56
5.	1938	"	34.9	86.1	26.70
6.	1940	"	41.0	103.0	30.48
7.	1951	"	54.1	170.7	30.16
8.	1958	billions $	144.8	406.6	n.a.
	Per Capita Income				
9.	1913	IU's*	161	508 (1914)	530
10.	1928	"	168	686	535
11.	1932	"	141	499	513
12.	1937	"	206	707	637
13.	1938	"	207	666	624
14.	1940	"	236	789	n.a.
15.	1951	"	267	1,122	597
16.	1958	U.S. $	700	2,324	n.a.

* IU's (International Units): Quantity of goods exchangeable on the average for $1 in the U.S. during 1925–34.

Sources: Lines 1-7, 9-15: Colin Clark, *The Conditions of Economic Progress* (London: Macmillan, 1957), chap. IV, Table 23; chap. III, Table 40.

Lines 8, 16: Simon Kuznets, *Postwar Economic Growth* (Cambridge: Harvard University Press 1964), 29.

I.4 Percentage of Share of World Trade

Years	United Kingdom*	France	Germany	Russia	United States**	Japan
1720, 1750, 1780	14.1	9.7	10.2	9.4	1.0	n.a.
1820, 1830	21.6	9.9	11.5	6.7	6.0	n.a.
1830, 1840	20.8	10.8	10.2	6.4	6.3	n.a.
1840, 1850	20.1	11.4	8.8	5.3	7.3	n.a.
1850, 1860	22.7	11.3	8.6	4.0	8.3	n.a.
1860, 1870	25.1	10.8	9.2	4.0	8.3	n.a.
1870, 1880	24.0	10.8	9.7	4.5	8.8	n.a.
1880, 1890	22.4	10.2	10.3	3.9	9.8	n.a.
1913	15.5	7.3	12.1	12.8	12.9	n.a.
1928	13.7	6.1	9.3	8.3	17.3	n.a.
1937	14.1	4.8	8.3	7.4	16.0	5.1
1950	11.6	5.3	4.1	n.a.	16.7	1.6
1958	9.3	5.0	7.5	3.9	20.0	2.7
1969	7.0	6.0	10.0	2.0	15.0	6.0
1973	9.0	9.0	16.0	2.0	19.0	9.0

* 1913–1937 United Kingdom and Ireland.

** 1913–1937 North America.

Sources: 1720–1937: Simon Kuznets, *Modern Economic Growth* (New Haven: Yale University Press 1966), 306-08.

1950–1973: International Monetary Fund, *Direction of Trade*, various years; and United Nations, *Yearbook of International Trade Statistics*, various years.

I.5 Foreign Investment

Gross Foreign Investment Outstanding
(billions of dollars)

Year	United Kingdom	France	Germany	United States
c. 1874	4.6	n.a.	n.a.	n.a.
1880	5.8	3.0	1.2	n.a.
1890	9.5	4.0	2.8	n.a.
1900	11.7	5.6	3.4	n.a.
1914	18.3	8.7	5.6	3.5

N.B. Throughout this period the U.S. was a *net* capital debtor, except for the years 1900–1905.

Share of Major Creditors in
Flow of Foreign Capital Investment
(percentages)

Years	United Kingdom	France	Germany	United States
1921–29	27.7	21.8	net debtor	43.0
1930–38	14.1	1.3	" "	78.1
1951–55	10.5	2.5	2.2	78.4
1956–61	10.2	6.2	9.2	67.4

Sources: Simon Kuznets, *Modern Economic Growth* (New Haven: Yale University Press 1966), 322-23; for 1914, Mira Wilkins, *The Emergence of Multinational Enterprise* (Cambridge: Harvard University Press 1970), 201.