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POLITICAL CLEAVAGES AND CHANGING EXPOSURE TO TRADE

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Combining the classical theorem of Stolper and Samuelson with a model of politics derived from Becker leads to the conclusion that exogenous changes in the risks or costs of countries' external trade will stimulate domestic conflict between owners of locally scarce and locally abundant factors. A traditional three-factor model then predicts quite specific coalitions and cleavages among owners of land, labor, and capital, depending only on the given country's level of economic development and its land-labor ratio. A preliminary survey of historical periods of expanding and contracting trade, and of such specific cases as the German "marriage of iron and rye," U.S. and Latin American populism, and Asian socialism, suggests the accuracy of this hypothesis. While the importance of such other factors as cultural divisions and political inheritance cannot be denied, the role of exogenous changes in the risks and costs of trade deserves further investigation.

Why countries have the political cleavages they do and why those cleavages change are among the enduring mysteries of comparative politics. Among the many factors that have been adduced as partial explanations are preexisting cultural and religious divisions, the rapidity and timing of industrialization or of the grant of mass suffrage, the sequence of "crises" of modernization, the electoral system, and—most recently—the product cycle (see, inter alia, Binder et al. 1971; Duverger 1959; Kurth 1979a, 1979b; Lipset and Rokkan 1967; Rokkan 1970, 1981).

Without denying the importance of any of these variables, I want to suggest the relevance of a factor that has, until now, been widely neglected: externally induced changes—in countries with different factor endowments—in exposure to international trade.

To be sure, some studies of individual countries, and even a few comparative inquiries, have argued the significance of changing international trade in particular circumstances: one thinks, in particular, of Abraham 1981, Gerschenkron 1943, Gourevitch 1977 and 1986, Rosenberg 1943, Sunkel and Paz 1973. One author, Cameron (1978), has even suggested a relation, at least in recent decades, between exposure to trade and the rate of growth in state expenditure.

Arguing much more generally, I shall try to show that basic results of the theory of international trade—including, in particular, the well-known Stolper-Samuelson Theorem (Stolper and Samuelson 1941)—imply that increases or decreases in the costs and difficulty of international trade should powerfully affect domestic political cleavages and should do so differently, but predictably,

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in countries with different factor endowments. Moreover, I shall suggest that these implications conform surprisingly well with what has been observed about patterns of cleavage and about changes in those patterns in a great variety of countries during four periods of global change in exposure to trade, namely the "long" sixteenth century, the nineteenth century, the Depression of the 1930s, and the years since World War II.

Nonetheless, what I present here remains conjectural and preliminary. The evidence I shall be able to advance is suggestive rather than conclusive. It is principally the clarity of the logical case that seems to me to justify further refinement and testing.

The Stolper-Samuelson Theorem

In 1941 Wolfgang Stolper and Paul Samuelson solved conclusively the old riddle of gains and losses from protection (or, for that matter, from free trade). They showed that in any society protection benefits—and liberalization of trade harms—owners of factors in which that society is *poorly* endowed, relative to the rest of the world, as well as producers who use the scarce factors intensively.¹ Conversely, protection harms—and liberalization benefits—owners of factors the given society holds *abundantly* relative to the rest of the world, and producers who use the abundant factors intensively.² Thus, in a society rich in labor but poor in capital, protection would benefit capital and harm labor; and liberalization of trade would benefit labor and harm capital.

So far, the theorem is what it is usually perceived to be: merely a statement, if an important and sweeping one, about the effects of tariff policy. The picture is altered, however, when one realizes that exogenous changes can have exactly the same effects as increases or decreases in protection. A cheapening of transport

costs, for example, is indistinguishable in its impact from an across-the-board decrease in every affected state's tariffs (Mundell 1957, 330); so is any change in the international regime that decreases the risks or the transaction costs of trade. The converse is of course equally true: when a nation's external transport becomes dearer, or its trade less secure, it is affected exactly as if it had imposed a higher tariff.

The point is of more than academic interest because we know, historically, that major changes in the risks and costs of international trade have occurred: notoriously, the railroads and steamships of the nineteenth century brought drastically cheaper transportation (Landes 1969, 153–54, 196, 201–2; Hobsbawm 1979, Chap. 3); so, in our own generation, did supertankers, cheap oil, and containerization (Rosecrance 1986, 142). According to the familiar argument of Kindleberger (1973) and others, international hegemony decreases both the risks and the transaction costs of international trade; and the decline of hegemonic power makes trade more expensive, perhaps—as, according to this interpretation, in the 1930s—prohibitively so. Analyzing a much earlier period, the Belgian historian Henri Pirenne (1939) attributed much of the final decline of the Roman Empire to the growing insecurity of interregional, and especially of Mediterranean, trade after 600 A.D.³

Global changes of these kinds, it follows, should have had global consequences. The "transportation revolutions" of the sixteenth, the nineteenth, and scarcely less of the mid-twentieth century must have benefited, in each affected country, owners and intensive employers of locally abundant factors and must have harmed owners and intensive employers of locally scarce factors. The events of the 1930s should have had exactly the opposite effect. What, however, will have been the *political* consequences of those shifts

of wealth and income? To answer that question we require a rudimentary model of the political process and a somewhat more definite one of the economy.

Simple Models of the Polity and the Economy

I shall assume of domestic political processes only two things: (1) that the beneficiaries of a change will try to continue and accelerate it, while the victims of the same change will endeavor to retard or to halt it; and (2) that those who enjoy a sudden increase in (actual or potential)⁴ wealth and income will thereby be enabled to expand their political influence as well (cf. Becker 1983). As regards international trade, (1) implies that the gainers from any exogenous change will seek to continue and to expand free trade, while the losers will seek protection (and, if that fails, imperialism);⁵ (2) implies that those who gain, or are positioned to gain, economically from exogenous changes in international trade will increase their political power as well.

Economically, I propose to adopt with minor refinements the traditional three-factor model—land, labor, and capital—and to assume, for now, that the land-labor ratio informs us fully about any country's endowment of those two factors. No country, in other words, can be rich both in land and in labor: a high land-labor ratio implies abundance of land and scarcity of labor; a low ratio signifies the opposite. (I shall later relax this assumption.) Finally, I shall simply define an *advanced* economy as one in which capital is abundant.

This model of factor endowments inevitably oversimplifies reality and will require amendment. Its present simplicity, however, permits us in theory to place any country's economy into one of four cells (see Figure 1), according to (1)

whether it is advanced or backward and (2) whether its land-labor ratio is high or low. We recognize, in other words, only economies that are (1) capital rich, land rich, and labor poor; (2) capital rich, land poor, and labor rich; (3) capital poor, land rich, and labor poor; or (4) capital poor, land poor, and labor rich.

Political Effects of Increasing Exposure to Trade

I shall now try to demonstrate that the Stolper-Samuelson Theorem, applied to our simple model, implies that increasing exposure to trade must result in *urban-rural conflict* in two kinds of economies and in *class conflict* in the two others.

Consider first the upper right-hand cell of Figure 1: the advanced (therefore capital-rich) economy endowed abundantly in labor but poorly in land. Expanding trade must benefit both capitalists and workers; it harms only land-owners and the pastoral and agricultural enterprises that use land intensively. Both capitalists and workers—that is to say, almost the entire urban sector—should favor free trade; agriculture should on the whole be protectionist. Moreover, we expect the capitalists and the workers to try, very likely in concert, to expand their political influence. Depending on pre-existing circumstances, they may seek concretely an extension of the franchise, a reapportionment of seats, a diminution in the powers of an upper house or of a gentry-based political elite, or a violent "bourgeois" revolution.

Urban-rural conflict should also arise in backward, labor-poor economies (the lower left-hand cell of Figure 1) when trade expands, albeit with a complete reversal of fronts. In such "frontier" societies, both capital and labor are scarce: hence both are harmed by expanding trade and will seek protection. Only land is abundant, and therefore only agri-

Figure 1. Four Main Types of Factor Endowments

		Land-Labor Ratio	
		High	Low
Advanced Economy	Abundant: Capital Land		Abundant: Capital Labor
	Scarce: Labor		Scarce: Land
Backward Economy	Abundant: Land		Abundant: Labor
	Scarce: Capital Labor		Scarce: Capital Land

culture will gain from free trade. Farmers and pastoralists will try to expand their influence in some movement of a "Populist" and antiurban stripe.

Conversely, in backward economies with low land-labor ratios (the lower right-hand cell of Figure 1), land and capital are scarce and labor is abundant. The model therefore predicts *class conflict*: labor will pursue free trade and expanded political power (including, in some circumstances, a workers' revolution); landowners, capitalists, and capital-intensive manufacturers will unite to support protection, imperialism, and a politics of continued exclusion. (Lest the picture of a rising in support of freer markets seem too improbable a priori, I observe at once its general conformity with Popkin's 1979 astute interpretation of the Vietnamese revolution.)

The reverse form of class conflict is expected to arise in the final case, that of an advanced but land-rich economy (the upper left-hand cell of Figure 1) under increasing exposure to trade. Because both capital and land are abundant, capitalists, capital-intensive industries, and agriculture will all benefit from, and will endorse, free trade; labor being

scarce, workers and labor-intensive industries will embrace protection and (if need be) imperialism. The benefited sectors will seek to expand their political power, if not by disfranchisement then by curtailment of workers' economic prerogatives and suppression of their organizations.

These implications of the theory of international trade (summarized in Figure 2) seem clear, but do they in any way describe reality? I shall address that question more fully below, but for now it is worth observing how closely the experience of three major countries—Germany, Britain, and the United States—conforms to this analysis in the period of rapidly expanding trade in the last third of the nineteenth century; and how far it can go to explain otherwise puzzling disparities in those states' patterns of political evolution.

Germany and the United States were both still relatively backward, that is, capital-poor, societies: both, in fact, imported considerable amounts of capital in this period (Feis 1965, 24–25 and Chap. 3). Germany, however, was rich in labor and poor in land; the United States, of course, was in exactly the opposite posi-

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Figure 2. Predicted Effects of Expanding Exposure to Trade

		Land-Labor Ratio	
		High	Low
Advanced Economy		Class cleavage: Land and capital free-trading, assertive Labor defensive, protectionist	Urban-rural cleavage: Capital and labor free-trading, assertive Land defensive, protectionist (Radicalism)
		Urban-rural cleavage: Land free-trading, assertive Labor and capital defensive, protectionist (U.S. Populism)	Class cleavage: Labor free-trading, assertive Land and capital defensive, protectionist (Socialism)
Backward Economy			

tion. Again, the demonstration is easy: the United States imported—and Germany exported (not least to the United States)—workers.⁶ The theory, of course, predicts class conflict in Germany, with labor the “revolutionary” and free-trading element and with land and capital united in support of protection and imperialism. Surely this description will not ring false to any student of German socialism or of Germany’s infamous “marriage of iron and rye.” For the United States, conversely, the theory predicts—quite accurately, I submit—urban-rural conflict, with the agrarians now assuming the “revolutionary” and free-trading role and with capital and labor uniting in a protectionist and imperialist coalition. E. E. Schattschneider (1960) or Walter Dean Burnham (1970) could hardly have described more succinctly the history of populism and of the election of 1896.⁸

Britain, on the other hand, was already an advanced economy in the later nineteenth century, one in which capital was so abundant that it was exported in vast quantities (Feis 1965, Chap. 1). That it was also rich in labor is demonstrated by

its extensive exports of that factor to the United States, Canada, Australia, New Zealand, and Africa.⁹ Britain therefore falls into the upper right-hand quadrant of Figure 1 and is predicted to exhibit a rural-urban cleavage, with fronts opposite to those found in the United States: capitalists and labor unite in support of free trade and in demands for expanded political power, while landowners and agriculture support protection and imperialism.

While this picture surely obscures important nuances, it illuminates a crucial difference between Britain and, for example, Germany in this period: in Britain, capitalists and labor *did* unite effectively in the Liberal party and forced an expanded suffrage and curtailment of (still principally landowning) aristocratic power; in Germany, with liberalism shattered (Sheehan 1978), the suffrage for the powerful state parliaments was actually contracted, and—far from eroding aristocratic power—the bourgeoisie grew more and more *verjunkt* in style and aspirations.

Political Effects of Declining Exposure to Trade

When declining hegemony or rising costs of transportation substantially constrict external trade, the gainers and losers are simply the reverse of those under increasing exposure to trade: owners of locally scarce factors prosper, owners of locally abundant ones suffer. The latter, however, can invoke no such simple remedy as protection or imperialism; aside from tentative "internationalist" efforts to restore orderly markets (Gourevitch 1986, Chap. 4), they must largely accept their fate. Power and policy, we expect, will shift in each case toward the owners and intensive users of scarce factors.

Let us first consider the situation of the highly *developed* (and therefore, by our earlier definition, capital-rich) economies. In an economy of this kind with a high land-labor ratio (the upper left-hand cell of Figure 1), we should expect intense *class* conflict precipitated by a newly aggressive working class. Land and capital are both abundant in such an economy; hence, under declining trade, owners of both factors (and producers who use either factor intensively) lose. Labor being the only scarce resource, workers are well positioned to reap a significant windfall from the protection that dearer or riskier trade affords; and, according to our earlier assumption, like any other benefited class they will soon try to parlay their greater economic into greater political power. Capitalists and landowners, even if they were previously at odds, will unite to oppose labor's demands.

Quite to the contrary, declining trade in an advanced economy that is labor rich and land poor (the upper right-hand cell of Figure 1) will entail *urban-rural* conflict. Capital and labor, being both abundant, are both harmed by the contraction of external trade. Agriculture, as the

intense exploiter of the only scarce factor, gains significantly and quickly tries to translate its gain into greater political control.

Urban-rural conflict is also predicted for backward, land-rich countries under declining trade; but here agriculture is on the defensive. Labor and capital being both scarce, both benefit from the contraction of trade; land, as the only locally abundant factor, retreats. The urban sectors unite, in a parallel to the "radical" coalition of labor-rich developed countries under expanding trade, to demand an increased voice in the state.

Finally, in backward economies rich in labor rather than land, class conflict resumes, with labor this time on the defensive. Capital and land, as the locally scarce factors, gain from declining trade; labor, locally abundant, loses economically and is soon threatened politically.

Observe again, as a first test of the plausibility of these results—summarized in Figure 3—how they appear to account for some prominent disparities of political response to the last precipitous decline of international trade, the Depression of the 1930s. The U.S. New Deal represented a sharp turn to the left and occasioned a significant increase in organized labor's political power. In Germany, a depression of similar depth (gauged by unemployment rates and declines in industrial production [Landes 1969, 391]) brought to power first Hindenburg's and then Hitler's dictatorship. In both, landowners exercised markedly greater influence than they had under Weimar (Abraham 1981, 85–115 and Chap. 4; Gessner 1977); and indeed a credible case can be made out that the rural sector was the principal early beneficiary of the Nazi regime (see, *inter alia*, Gerschenkron 1943, 154–63; Gies 1968; Holt 1936, 173–74, 194ff.; Schoenbaum 1966, 156–63).¹⁰ Yet this is exactly the broad difference that the model would lead us to anticipate if we accept that by 1930 both countries were

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Figure 3. Predicted Effects of Declining Exposure to Trade

	Land-Labor Ratio	
	High	Low
Advanced Economy	Class cleavage: Labor gains power. Land and capital lose. (U.S. New Deal)	Urban-rural cleavage: Land gains power. Labor and capital lose. (Western European Fascism)
Backward Economy	Urban-rural cleavage: Labor and capital gain power. Land loses. (South American Populism)	Class cleavage: Land and capital gain power. Labor loses. (Asian & Eastern European Fascism)

economically advanced—although Germany, after reparations and cessions of industrial territory, was surely less abundant in capital than the United States—but the United States remained rich in land, which in Germany was scarce. Only an obtuse observer would claim that such factors as cultural inheritance and recent defeat in war played no role; but surely it is also important to recognize the sectoral impact of declining trade in the two societies.¹¹

As regards the less-developed economies of the time, it may be profitable to contrast the Depression's impact on such South American cases as Argentina and Brazil with its effects in the leading Asian country, Japan. In Argentina and Brazil, it is usually asserted (Cardoso and Faletto 1979, 124–26 and Chap. 5; Skidmore and Smith 1984, 59–60; Sunkel and Paz 1973, 352–54), the Depression gave rise to, or at the least strengthened, "Populist" coalitions that united labor and the urban middle classes in opposition to traditional, landowning elites. In Japan, growing military influence suppressed representative institutions and nascent workers' organizations, ruling in the interest—albeit

probably not under the domination—of landowners and capitalists (Kato 1974; Reischauer 1974, 186–87, 195–99). (Similar suppressions of labor occurred in China and Vietnam [Clubb 1972, 135–40; Popkin 1979, xix, 215].)

In considering these contrasting responses, should we not take into account that Argentina and Brazil were rich in land and poor in labor (recall the extent of immigration, especially into Argentina), while in Japan (and, with local exceptions, in Asia generally) labor was abundant and land was scarce (respectively, the lower left- and right-hand cells of Figure 3)?

A Preliminary Survey of the Evidence

I want now to undertake a more systematic, if still sketchy, examination of the historical evidence that bears on the hypotheses developed here. This effort will serve principally to suggest directions for further research; it can in no way be described as conclusive.

The "Long" Sixteenth Century

It has long been recognized that improvements in navigation and shipbuilding permitted, from about 1450 on, a previously unimagined expansion of trade, which eventuated in the European "discovery" and colonization of the Americas (Cipolla 1965). Among social scientists, Immanuel Wallerstein (1974) has studied this period most intensively; and it is worth emphasizing that the present analysis conforms with essential aspects, and, indeed, permits some clarification, of his.

Within the context of the age, what Wallerstein calls the *core* economies of the new world system—those, essentially, of northwestern Europe—were defined by their abundance in capital and labor, and by their relative scarcity of land. The *periphery* can be described as the exact inverse: rich in land, poor in both capital and—often leading to the adoption of slavery or serfdom—labor. Under expanding trade, the regimes of the core come to be dominated by a "bourgeois" coalition of capital and skilled labor (the Dutch Republic, the Tudors), and of the manufactures that use both intensively; the older, landed elites lose ground. Conversely, in the periphery, land—in the persons of plantation owners and *Gutsherren*—suppresses both capital and labor and, indeed, almost all urban life.

So far the equation seems apt. Can we, however, not go on to define that Wallersteinian chimera, the *semiperiphery* (Wallerstein 1974, 102–7), as comprising economies that fall into the lower right-hand cell of Figure 1, economies poor in capital and land, rich in labor? That would, I suspect, accurately describe most of the southern European economies in this period; and it would correctly predict (see again Figure 2) the intense class conflict (including the German Peasants War [Moore 1967, 463–67]) and the wholly retrograde and protectionist policies adopted by a peculiarly united class of

landowners and capitalists in many of these regions.¹²

The Nineteenth Century

We can again proceed regionally, generalizing on the sketch of Britain, Germany, and the United States developed earlier for this period. For the period just before the great cheapening of transportation—roughly at the middle of the nineteenth century¹³—Britain can stand as the surrogate for the advanced and labor-rich economies of northwest Europe generally, including Belgium, the Netherlands, and northern France (Hobsbawm 1962, Chap. 9; Landes 1969, Chap. 3). For this whole region, as for Britain, the model predicts that expanding trade would engender rural-urban conflict: capitalists and workers, united in support of free trade and greater urban influence, oppose a more traditional and protectionist landed sector. It does not seem to me farfetched to see the powerful liberalism and radicalism of this whole region in the later nineteenth century (Carstairs 1980, 50, 62; Cobban 1965, 21–28, 58–67; Daalder 1966, 196–98; Lorwin 1966, 152–55)—or, for that matter, much of the conflict between secularism and clericalism—in this light.

Almost all of the rest of Europe at the dawn of this period can be compared with Germany: poor in capital and in land, rich in labor.¹⁴ (The land-labor ratio seems as a rule to have declined as one moved from north to south within the economically backward regions of Europe [see figures for 1846 in Bowden, Karpovich, and Usher 1937, 3].) As it does for Germany, the model predicts for these other countries, particularly in southern Europe, class conflict as a consequence of increasing exposure to trade: workers (including agricultural wage laborers) press for more open markets and greater influence; capitalists and landowners unite in support of protection and more

traditional rule. In its main aspect, this seems to me only a restatement of a central tendency that has long been remarked, namely that class conflict in the nineteenth century came at an earlier phase of industrialization, and more bitterly, to southern and central than to northwestern Europe (e.g., Lipset 1970, 28–30; Macridis 1978, 485–87; cf. Thomson 1962, 375–78); and it seems to me a more credible account of these regions' extremism than Duverger's (1959, 238) famous invocation of an allegedly more mercurial "Latin" temperament.

The United States, finally, represents the land-rich, but labor- and capital-poor "frontier societies" of this period generally: most of both Americas, Australia, New Zealand, even those parts of central and southern Africa that would soon be opened to commercial agriculture. Here, expanding trade benefits and strengthens landowners and farmers against protectionist capitalists and workers (although, as in the United States, the protectionist forces may still prevail); rural-urban conflict ensues, precipitated by demands from the rural sector.

Again, this does not at first glance appear wide of the mark. In many of the Latin American societies, this period cemented landed rule (Skidmore and Smith 1984, 50; Sunkel and Paz 1973, 306–21); in the United States and Canada, it was characterized by conflicts between the industrial East and the agricultural West (Easterbrook and Aitken 1958, 503–4); in almost wholly agricultural Australia, trade precipitated a cleavage between free-trading landowners and increasingly protectionist rural and urban wage labor (Gollan 1955, esp. 162–69; Greenwood 1955, 216–20).

In all of these cases, as I have emphasized before, other factors were surely at work and important aspects are neglected by the present analysis; but it is essential also not to ignore the benefits and costs of expanding trade to the various sectors.

The Depression of the 1930s

Here the fit between theory and reality seems quite strong. Not only the United States but Canada, Australia, and New Zealand were by this time advanced, land-rich economies. Labor, their only scarce factor, gained from the collapse of international trade: workers became more militant, policy shifted to the left. Most Latin American societies remained land-rich but backward; and for them this was quite generally the period of "Populist" coalitions of the two scarce factors, labor and capital. In developed northern Europe, owners and exploiters of the locally scarce factor of land grew more assertive, and generally more powerful, wherever previous developments had not caused them to disappear; capitalists and workers lost ground. Finally, throughout the backward regions of the world economy, where labor was abundant and land was scarce—not only in Asia but in southern and eastern Europe—labor lost to a renascent coalition of the locally scarce factors of land and capital: in Spain, Italy, Rumania, Hungary, and Poland, to name only the most prominent cases (Carsten 1967, Chaps. 2, 5 and pp. 194–204).

After World War II

Under U.S. hegemony, and with new economies in transportation and communication, the West since World War II has experienced one of history's more dramatic expansions of international trade (Organization for Economic Cooperation and Development [OECD] 1982, 62–63). Again, the theory would lead us to expect different regional consequences.

In the developed, labor-rich and land-poor economies—including now not only most of Europe but Japan—the model would predict an "end of ideology," at least as regards issues of class: labor and capital, both beneficiaries of expanding

trade, unite to advance it and to oppose any remaining pretensions to rule by the landowning groups.¹⁵ Conversely, in the land-rich and still underdeveloped economies of Latin America, expanding trade displaces the Depression-era "Populist" coalitions of labor and capital and brings renewed influence to the landed sectors. The areas of Asia and of southern Europe that are economically backward and abundant only in labor experience labor militancy and, in not a few cases, revolutionary workers' movements. Finally, and perhaps more as a statement about the future, the few economies rich in both capital and land—principally those of North America, Australia, and New Zealand—should, as they become seriously exposed to international trade, experience class conflict and a considerable suppression of labor. Capital and agriculture will for the most part unite in support of the free trade that benefits them; labor, as the locally scarce factor, will favor protection and imperialism.

Further Implications

To the extent that the model has gained any credibility from the foregoing brief survey, it may be useful to observe some of its other implications for disciplinary riddles and conjectures. Take first Gerschenkron's (1962) observation, and Hirschman's (1968) subsequent challenge and amendment of it, that "latecomers" to economic development tend to assign a stronger role to the state. From the present perspective, what should matter more, at least among labor-rich economies, is whether development *precedes* or *follows* significant exposure to trade. In an economy that has accumulated abundant capital before it is opened to trade, capital and labor will operate in relative harmony, and little state intervention will be required. Where trade precedes development, assertive labor faces—as it did in Imperial Germany—the united opposition

of capitalists and landowners. To the extent that labor wins this struggle, it will require a strong state to administer the economy; to the extent that capital and land prevail, a state powerful enough to suppress labor is needed. Either route leads to a stronger state.

Even this generalization, however, applies only to economies where labor is abundant, and land scarce. Hence Hirschman's observation that "latecomers" in Latin America do not behave as Gerschenkron predicts should not surprise us. Where land is abundant, and labor scarce—as has generally been true of the Americas—"late" economic modernization (i.e., one that follows significant exposure to trade) radicalizes owners of *land* rather than owners of labor. In such "frontier" economies, labor and capital again find themselves in the same political camp, this time in support of protection. In the absence of class conflict, no powerful state is required.

This last point, of course, sheds some light on Sombart's old question, Why is there no socialism in the United States? If this model is right, the question is appropriately broadened to, Why is there no socialism in land-rich economies? Simply put, socialism develops most readily where labor is favored by rising exposure to trade and capital is not; labor is then progressive and capital is reactionary. But labor is never favored by rising trade where it is scarce. Powerful socialist movements, the present model suggests, are confined to backward and labor-rich economies under conditions of expanding trade (the less-developed European societies in the later nineteenth century, Asia after World War II).

A third riddle this approach may help resolve is that of the coalitional basis and aims of the North in the U.S. Civil War.¹⁶ As Barrington Moore, Jr. posed the question in a memorable chapter of *Social Origins of Dictatorship and Democracy* (1967, Chap. 3), What was the connection

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between *protection* and Free Soil in the platform of the Republican party or of the North more generally, and Why did so broad a coalition support both aims?

If, as seems apparent, labor was scarce in the United States, then the nineteenth century's increasing exposure to trade should have depressed, or at least retarded the advance of, wages. By definition, slaves already received a lower wage than they would voluntarily accept (Else, why coerce them?); and increased trade could reasonably be seen as intensifying, or at least as retarding the demise of, slavery. Conversely, protection in a labor-scarce economy might so raise the general wage level (while, paradoxically, also increasing returns to scarce capital) as to make manumission feasible. Hence to link protection and abolition might seem a wholly sensible strategy. Moreover, because protection in that period would benefit workers and capitalists generally, it could attract the support of a very wide coalition. At least some of the mystery seems dissolved.

Relaxing the Reliance on Land-Labor Ratios

For the sake of logical completeness, and to fill a nagging empirical gap, let us now relax the assumption that the land-labor ratio informs us completely about the relative abundance of these two factors. We admit, in other words, that a country may be rich or poor in *both* land and labor. Four new cases arise in theory if (as I suspect) rarely in practice (see Figure 4): economies may be, as before, advanced or backward (i.e., capital rich or capital poor); but they may now be rich in both land and labor or poorly endowed in both factors.

Two cases—that of the advanced economy rich in both factors and of the backward one poor in both—are theoretically improbable¹⁷ and politically uninterest-

ing: if all factors were abundant relative to the rest of the world, the society would unanimously embrace free trade; if all were scarce, it would agree on protection. Let us consider, then, the remaining two possibilities.

In an advanced economy where both land and labor are scarce, expanding trade will benefit only capital. Agriculture and labor—*green* and *red*—will unite in support of protection and, if need be, imperialism; only capitalists will embrace free trade. When trade contracts in such an economy, the scarce factors of land and labor gain, and capital loses, influence; farmers and peasants are likely to seek expanded mass participation in politics and a radical curtailment of capitalist power.

In a backward economy with abundant land and labor (a possibility considered explicitly by Myint [1958, 323]), change in exposure to trade again mobilizes a coalition of red and green, but with diametrically opposed positions. Expanding trade now *benefits* farmers and workers but harms capitalists; and the labor-landowner coalition pursues a wider franchise, free trade, and disempowerment of capital. Contracting trade, however, benefits only the owners of capital and injures both workers and farmers; again intense conflict between capital and the other two factors is predicted, ending in either a capitalist dictatorship or an anti-capitalist revolution.

It is tempting, if speculative in the extreme, to see in the red-green coalitions of Scandinavia in the 1930s (Gourevitch 1986, 131–35; Hancock 1972, 30–31; Rokkan 1966, 84) the natural response to trade contraction of (by then) capital-rich but land- and labor-poor economies; and, conversely, to view modern Russian history, at least until well after World War II, as that of a backward but land- and labor-rich economy,¹⁸ which, in a time of expanding trade, indeed forged an anti-capitalist coalition of peasants and work-

**Figure 4. Predicted Effects on Economies That Are Rich or Poor
in both Land and Labor**

	Land and Labor both Abundant	Land and Labor both Scarce
Advanced Economy	0	Expanding trade: Capital assertive, free-trading Land and labor protectionist, defensive Declining trade: Land and labor gain power. Capital loses.
Backward Economy	Expanding trade: Land and labor free-trading, assertive Capital defensive, protectionist Declining trade: Capital gains power. Land and labor lose.	0

ers and, when trade contracted, experienced (as Stalin's enemies alleged at the time) a dictatorship of state capital over both workers and farmers.

Certainly so long as we cling to the view that land can only be abundant where labor is not, and vice-versa, we can offer no trade-based account of red-green coalitions; indeed, changing exposure to trade must drive the two factors apart, for it always helps the one and hurts the other. On the one hand, this reflects reality—coalitions of labor and agriculture have been rare, and have failed even where much seemed to speak for them (e.g., in U.S. populism and on the German left); on the other, it leaves the few actual red-green coalitions, particularly those that arose in circumstances of changing exposure to trade, as standing refutations of the model.

Possible Objections

At least three objections can plausibly be raised to the whole line of analysis that

I have advanced here:

First and most fundamentally, it may be argued that the effects sketched out here will not obtain in countries that depend only slightly on trade. A Belgium, where external trade (taken as the sum of exports and imports) roughly equals GDP, can indeed be affected profoundly by changes in the risks or costs of international commerce; but a state like the United States in the 1960s, where trade amounted to scarcely a tenth of GDP, will have remained largely immune (OECD 1982, 62–63).

This view, while superficially plausible, is incorrect. The Stolper-Samuelson result obtains at any margin; and, in fact, holders of scarce factors have been quite as devastated by expanding trade in almost autarkic economies—one need think only of the weavers of capital-poor India or Silesia, exposed in the nineteenth century to the competition of Lancashire mills—as in ones previously more dependent on trade. (Cf. Thomson 1962, 163–64, on the vast dislocations that even slight exposure

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to trade occasioned in previously isolated areas of nineteenth-century Europe.)

Second, one can ask why the cleavages indicated here should persist. In a world of perfectly mobile factors and rational behavior, people would quickly disinvest from losing factors and enterprises (e.g., farming in Britain after 1880) and move to sectors whose auspices were more favorable. Markets should swiftly clear, and a new, if different, political equilibrium should be achieved.

To this, two answers may be given. First, in some cases trade expands or contracts so rapidly as to frustrate rational expectations. Especially in countries that experience a steady series of such exogenous shocks—Europe, for example, since 1840—divisions based on factor endowments (which ordinarily change only gradually)¹⁹ will be repeatedly revived. Second, often enough some factors' privileged access to political influence makes the extraction of rents and subsidies seem cheaper than adaptation: Prussian *Junker*, familiarly, sought (and, rather easily, won) protection rather than adjustment. In such circumstances, adaptation may be long delayed, sometimes with ultimately disastrous consequences.

Finally, it may be objected that I have said nothing about the outcome of these conflicts. I have not done so for the simple reason that I cannot: history makes it all too plain—as in the cases of nineteenth-century Germany and the United States—that the economic losers from trade may win politically over more than the short run. What I have advanced here is a speculation about *cleavages*, not about outcomes. I have asserted only that those who gain from fluctuations in trade will be strengthened and emboldened politically; nothing guarantees that they will win. Victory or defeat depends, so far as I can see, on precisely those institutional and cultural factors that this perspective so resolutely ignores.

Conclusion

I have not claimed that changes in countries' exposure to trade explain all, or even most, of their varying patterns of political cleavage. It would be foolish to ignore the importance of ancient cultural and religious loyalties, of wars and migrations, or of such historical memories as the French Revolution and the *Kulturkampf*. Neither have I offered anything like a convincing empirical demonstration of the modest hypotheses I have advanced; at most, the empirical regularities that I have noted or have taken over from such authorities as Gerschenkron and Lipset can serve to suggest the plausibility of the model and the value of further refinement and testing of it.

I have presented a theoretical puzzle, a kind of social-scientific "thought-experiment" in Hempel's (1965) original sense: a teasing out of unexpected and sometimes counterintuitive implications of theories already widely accepted (Chap. 7). For the Stolper-Samuelson Theorem is generally, indeed almost universally, embraced; yet, coupled with a stark and unexceptionable model of the political realm, it plainly implies that changes in exposure to trade must profoundly affect nations' internal political cleavages. Do they do so? If they do not, what is wrong—either with our theories of international trade or with our understanding of politics?

Notes

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Marsot gave an early draft a close and helpful reading; and Edward Leamer has gone beyond mere collegiality to provide extended, original, and important commentary. The work was supported in part by the UCLA Academic Senate Committee on Research.

1. In fact, the effect flows backward from products and is an extension of the Heckscher-Ohlin theorem: under free trade, countries export products whose manufacture uses locally abundant, and import products whose manufacture uses locally scarce, factors intensively (cf. Leamer 1984, esp. 8-10).

2. Admittedly, this result depends on simplifying assumptions that are never achieved in the real world, among them perfect mobility of factors within national boundaries, a world of only two factors and two goods, and incomplete specialization. Still, as an approximation to reality, it remains highly serviceable (cf. Ethier 1984, esp. 163-64, 181).

3. Later historians have, of course, largely rejected Pirenne's attribution of this insecurity to the rise of Islam and its alleged blockade of Mediterranean commerce (Havighurst 1958). It can hardly be doubted, however, that the decline of Roman power by itself rendered interregional trade far less secure.

4. As transportation costs fall, states may offset the effect by adopting protection. Owners of abundant factors then still have substantial *potential* gains from trade, which they may mortgage to pressure policy toward lower levels of protection.

5. Countries that lack essential resources can only beggar themselves by protection. Ultimately, those in such a society who seek protection from trade must advocate conquest of the missing resources—as indeed occurred in Japan and Germany in the 1930s.

6. Between 1871 and 1890, just under two million Germans emigrated to points outside Europe; in the same years, some seven million immigrants entered the United States (Mitchell 1978, Tbl. A-5; Williams, Current, and Freidel 1969, 158).

7. The Stolper-Samuelson analysis also helps to clear up what had seemed even to the perspicacious Gerschenkron (1943, 26-27) an insoluble riddle: why the *smallholding* German peasants had quickly become as protectionist as the *Junker*. Not only landowners, we now see, but all enterprises that *used land intensively*, will have been harmed by free trade. On the other hand—and later the distinction will become crucial—agricultural *wage labor* should have been free trading.

8. That the farmers of the Great Plains were hardly prospering in these years is no refutation of the analysis advanced here. Their *potential* gains were great (see n. 4), and their suffering could plausibly be attributed not to expanded trade but to the obstacles or exploitation laid upon that trade by

other sectors. As in Marxist analysis, the older relations of production and of politics could be seen as "fetters."

9. Emigrants from the United Kingdom to areas outside Europe totalled 5.1 million between 1871 and 1890 (see Mitchell 1978, Tbl. A-5).

10. Certainly they had been among its earliest and strongest supporters: virtually every study of late Weimar voting patterns (e.g., Brown 1982; Childers 1983; Lipset 1960, 138-48) has found a large rural-urban difference (controlling for such other variables as religion and class) in support for National Socialism.

11. Historians have, of course, often recognized declining trade's sectoral effects on Weimar's final convulsions; the controversial essay of Abraham (1981) is only the best-known example. They may, however, have exaggerated agriculture's woes (see Holt 1936; Rogowski 1982).

12. Sabeian (1969, Chap. 3) and Blicke (1981, 76-78) link the Peasants War convincingly to the density and rapid growth of population in the affected areas, i.e., to an increasing abundance of labor.

13. "The world's trade between 1800 and 1840 had not quite doubled. Between 1850 and 1870 it increased by 260 percent" (Hobsbawm 1979, 33).

14. Finer distinctions would require a more precise definition of factor abundance and scarcity. The one commonly accepted for the case of more than two factors stems from Vanek's extension of the Heckscher-Ohlin Theorem (Leamer 1984, 15); it defines a country as abundant (or scarce) in a factor to the extent that its share of world endowment in that factor exceeds (or falls short of) its share of world consumption of all goods and services. Leamer's (1984, App. D) Factor Abundance Profiles are a tentative effort to apply this definition to present-day economies. To do so with any precision for earlier periods hardly seems possible.

15. Zysman seems to me to have captured the essence of European and Japanese agricultural policy in this period: "The peasantry could be held in place [by subsidies and price supports] even as its economic and social positions were destroyed" (1983, 24).

16. I am grateful to David D'Lugo and Pradeep Chhibber for having raised this issue in seminar discussion.

17. More precisely, they are inconsistent with balanced trade (cf. Leamer 1984, 8-10; Leamer 1987, 14-15).

18. There can be no doubt of Russia's abundance of land: as late as 1960, its population per square kilometer of agricultural land (35.7) was comparable to that of the United States (40.9) or Canada (28.4) and strikingly lower than those of even the more thinly populated nations of western and central Europe (e.g., France, 133; Poland, 146) (World Bank 1983). On the other hand, Myint's (1958, 323-31)

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insightful analysis suggests how even sparsely populated regions can have great reserves of underemployed labor under conditions of primitive markets and social structures; and he takes episodes of extremely rapid economic growth, such as the USSR exhibited in the 1930s, as putative evidence of such "surplus" labor (Myint 1958, 323–24, 327).

19. The chief exception to this rule arises from extensions of trade to wholly new areas with quite different factor endowments. In 1860, for example, Prussia was abundant in land relative to its trading partners; as soon as the North American plains and the Argentine *pampas* were opened, it ceased to be so. I am grateful to my colleague Arthur Stein for having pointed this out.

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