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## **International Trade and Political Institutions : Instituting Trade in the Long Nineteenth Century**

by Fiona McGillivray, Iain McLean, Robert Pahre and Cheryl Schonhardt-Bailey  
*Cheltenham: Edward Elgar Publishing Ltd., 2001, 242 pp.*

One of the most fertile areas of academic research on international trade over the past few decades has concerned the political determinants of trade policy. In this volume, four political scientists team up and examine the political economy of trade policy during the 'long' nineteenth century, from 1778 to 1914. Those familiar with the history of commercial policy know this to be a fascinating period. The epoch begins with the remnants of mercantilism in the form of trade restrictions, preferences, and regulations -- even within countries -- that hamper the expansion of trade. By the mid nineteenth century, German states have formed the Zollverein and Britain has moved to freer trade with the repeal of the Corn Laws in 1846. The outbreak of World War I brought an era of relatively open trade based on most-favored nation treatment embodied in bilateral trade agreements, to an end.

The essays that comprise this book examine particular facets of this period through the lens of public choice theory, broadly construed. A theme of the book is that the 231 book reviews interaction of interests, institutions, and ideology (to use the tripartite division proposed by Jagdish Bhagwati in his 1988 book *Protectionism*) determines the evolution of trade policy. The book provides a rich analysis of the historical interrelationships between these factors.

After a very useful overview of the various connections between politics and economics in trade policy formation, each of the authors contributes a chapter that examines a specific aspect of trade policy during this period. Pahre studies the late nineteenth-century bilateral treaty network. He argues that cooperation theory does not help explain the emergence of the treaty network at this time. Instead, he looks at domestic political factors in explaining the expansion of treaties during this period, as well as the changing external environment. In examining the facts regarding trade policy during this time, he finds that higher tariffs are more volatile than lower tariffs, that declining terms of trade increase the likelihood of trade treaties, and that trade treaties spread more rapidly in the absence of the MFN clause.

McGillivray examines US trade policy under the Articles of Confederation (1781± 1789). Because the federal government lacked the ability to levy import tariffs or effectively formulate trade policy, the US faced the problem of coordinating retaliation against British trade barriers. She focuses on the role of institutions in affecting the strategic problems of coordination. The US eventually moved from a free trade area to a single market with a common external tariff after the adoption of the Constitution. The US did not engage in discriminatory treatment against one another during Confederation, however; interstate trade was relatively open because farm interests dominated the state legislatures and it was not desirable to raise the price of manufactured goods. Centralizing political control of trade helped the United States to negotiate more effectively with Britain.

McLean re-examines the endlessly fascinating question of the motivations behind the repeal of the Corn Laws by Britain. McLean studies the words of the principle actors in the drama and the roll call voting patterns in the House of Commons. He notes that various empirical approaches cannot distinguish between Tories that supported repeal and those that did not. He is skeptical of a unidimensional issues approach in public choice theory and is skeptical that economic interests were the dominant factor behind the repeal.

Schonhardt-Bailey examines the strategic use of ideas, such as how certain economic interests can persuade non-group members to support the group's policy objectives. She argues that institutions, most importantly political parties, are means by which a particular special interest can be transformed into a national interest. She illustrates this idea with the repeal of the Corn Laws, the tariff reform challenge to free trade, and the German protectionist backlash in the 1890s. Political support for certain policies can be increased by using ideas and ideology to reach people that are not directly affected by economic interests.

In sum, this book provides an eclectic but always interesting and informative historical look at how interests, institutions, and ideas interact in the formation of trade policy.

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Reviewed for EH.NET by John V.C. Nye, Department of Economics, Washington University in St. Louis.

This stimulating and well-written volume is based on the papers originally presented at a mini-conference held at Washington University in St. Louis. (Which, it should be noted, I now regret having missed.) The four lengthy essays plus a substantial introductory essay and conclusion share the common theme of analyzing the link between political institutions and the history of European -- especially British -- trade policy in the century between the Napoleonic wars and the coming of the First World War. This unity of theme makes for something more than a hastily assembled collection of conference essays. Furthermore, some of the methodological issues that are addressed should prove of additional interest for economic historians trying to balance the demands of social scientific reasoning and historical detail.

The nineteenth century is, of course, of central importance for historians of international commerce as the latter half of the century provided the first and arguably the only true

period of relatively free trade among the major European powers. Furthermore, the special role of Britain as apologist for and most prominent nation in the drive towards freer trade commands the attention of theorists in international relations as well as the political economy of trade policy.

The opening essay -- in its own way perhaps the most impressive piece in the book -- points to the tensions that arise between those who focus on the narrowly political details of a particular historical event or political transition and the desire to construct more generalizable theories of political economy and trade relations. Furthermore, even among the theorizers, there is a real clash -- almost a culture clash -- between those who favor international level, states-as-single-actors explanations of policy common to the work in "Realism" and the theory of "Hegemonic Stability" and the more economically oriented explanations (overlapping with work in public choice theory) that focus on the role of domestic interests in competition with one another.

The former approach seems to be the more traditional "political" approach focusing on policy strategy and power relations, while the latter -- often called Endogenous Tariff Theory (ETT) -- is more economic, drawing on the metaphor of politics as interest group competition derived from ideas of economists such as Olson, Buchanan and Tullock, or North. Indeed, the latter approach is especially congenial to economic historians who have played no small role in advancing the state of knowledge in this area.

The latter approach, while often faulted for its tendency to oversimplify or ignore important historical detail, can count as its achievement the production of a body of theory and empirical evidence that is unmatched in the literature. As is noted in the introduction, "It is unlikely that any other approach could boast a comparable number of logically interrelated testable propositions" (p. 9) with strong empirical support. In contrast, proponents of the work in the various areas of Realism "disagree even about the main assumptions and central claims of the theory" (p. 9) which to this reviewer seems to be an incredibly damning indictment of that body of research.

But a greater problem occurs from the desire to reconcile work that focuses on material interests -- common to ETT and to other "economic" approaches -- versus studies that concentrate on the role of ideas or on political ideology. This contradiction is not resolved and if anything is deepened by the examples given in this book.

Pahre's long essay on tariff treaty regimes in the nineteenth century is the most general work in the book and is itself a fine demonstration of the benefits to be derived from even a simplified special interest model. Focusing on competition between importers and exporters in a reduced form political model in which the ruler or state throws his support to one faction or the other, Pahre gives us an analysis of the movement towards trade liberalization in the nineteenth century which does not suffer from the tendency of many writers to over-emphasize the role of Britain. As this reviewer has argued in other work, France and Germany should be viewed as the major figures in the spread and eventual retreat of liberal trade policies in the century. British tariff reform early in the century was neither as dramatic as has been presented to us nor did it engender a response in the major trading partners. Only the 1860 Anglo-French Treaty of Commerce and other events having little to do with unilateral moves on the part of the British spurred the spread of freer trade through bilateral treaties with third parties contrary to the arguments of purist free traders.

Any such model will be bound to have multiple caveats ranging from the reduced form concerns to the non-incorporation of economic conditions to the relatively simplistic political model employed. Even at the level of his analysis Pahre has some difficulties with the empirical tests finding, for example, that openness measures work better than average tariff levels for his hypotheses. But nothing in his model really gets at openness per se, and openness, unlike tariff levels, is as much a function of the underlying economic fundamentals of the countries as of any political decisions that could have been made by the tariff setting authorities. Nonetheless, the effort is still impressive, and there is much in the overview for political scientists and economists to chew over.

McGillivray's work focuses on the issue of U.S. tariff policy in the first few decades after the Revolution. She uses recent work in economic history to reject the claims of some political theorists that "under the Articles of Confederation, states adopted beggar-thy-neighbour tactics towards each other" (pp. 96-97). She points to the decentralized nature of the state system and the prevalence of agricultural interests to explain why interstate trade flourished among the states while the Republic found itself unable to create a unified tariff regime which could be used to retaliate against the British. Though employing neither formal theory nor detailed statistics, this essay shows how suggestive arguments can still be developed with some rigor if they rely on careful argument from theory and pay attention to the theoretically-relevant findings of the historical literature.

A bigger problem arises when comparing Pahre's work to the two essays by McLean and Schonhardt-Bailey. McLean provides a nuanced, albeit fairly traditional, account of the ideological aspects of the debates over repeal of the Corn Laws. However, given that repeal of the Corn Laws did not decisively produce free trade in Britain, and given the observations by Pahre and others regarding the irrelevance of British tariff liberalization on the eventual spread of free trade on the Continent, one is left to doubt the central role assigned to the political debates by McLean. The struggle over the Corn Laws is no doubt interesting in and of itself, but if Britain was neither the magnanimous free trader of lore nor the successful free-trade hegemon of international relations theorists, then this singular political event loses its central importance in the historiography of nineteenth-century commercial policy.

Though broader and more analytic, Schonhardt-Bailey's study of how ideas can be strategically employed to nationalize what might have been seen as merely local or narrowly ideological interests shares the same problem of overemphasis of the role of the Corn Laws repeal. There is no attempt to distinguish between political debates that were salient as politics versus the objective weight of a given policy in the overall structure of British trade or tariffs. However, the broader theoretical discussion of how ideas are generalized and the attempt to use Continental

examples in addition to the British back story make this work rather more complementary to the Pahre essay than the work of McLean which tends to stick out from the rest.

Indeed, the conclusion by Schonhardt-Bailey tries to reconcile all these papers by arguing that they are complementary and co-exist by virtue of their differing levels of analysis. While no one can argue with this sage and fairly general claim, the case would have been better made if the four essays at least took care to coordinate the background narrative or stylized facts that overlap among them. If any claim is going to be made for the virtues of promoting these differing levels of analysis we would benefit from seeing how they can all combine to produce a whole greater than the sum of the parts. Sadly they lost a great opportunity and the numerous contradictions among the component parts leave the promise of the concluding chapter unfulfilled.

Nonetheless, none of these criticisms should detract from the value to be derived from reading this remarkable volume. I do not exaggerate in saying that this should be standard reading for international relations theorists as well as economists and economic historians interested in the political economy of trade reform.

John V. C. Nye specializes in French economic history and industrial organization. His publications include "The Myth of Free Trade in Britain and Fortress France: Tariffs and Trade in the Nineteenth Century" *Journal of Economic History* (1991).

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