

PS 489.1: Ronald Rogowski, *Commerce and Coalitions: How Trade Affects Domestic Political Alignments*

I. Question: why countries have the political cleavages they do, and why they change

A. Previous (partial) answers (p. xii)

1. Pre-existing cultural & religious differences (Rokkan)
2. Strength of feudal tradition (Lipset)
3. Rapidity & timing of industrialization (Lipset & Rokkan)
4. Rapidity & timing of mass suffrage grant (Lipset & Rokkan, Dahl)
5. The sequence of “crises” of modernization (Binder, Weiner, et al.)
6. The institutional setting (Duverger, Dahl)
7. The impact of foreign threat or invasion (Johnson)
8. The product cycle (Kurth)

B. The role of international trade:

1. R’s addition: Externally induced changes, in countries and regions with different factor endowments, in exposure to international trade
2. Other explanations focusing on international trade
 - a. Gerschenkron (1943), Gourevitch (1977, 1986): impact of cheaper imports, particularly of food, on domestic European cleavages and coalitions after 1873
 - b. Sunkel with Paz (1973), Cardoso and Faletto (1979), *dependencia* theory: shifting flows and patterns of trade as source of Latin America’s volatile divisions and alliances
 - c. Cameron (1978): leftist strength and public-sector growth affected by country’s °exposure to trade
 - d. Abraham (1981): link Weimar Germany’s instability in part to fluctuations in its export markets
 - e. I. Wallerstein (world-system thry): regional variations in political institutions & cleavages in early modern period explained by rise of world market and international division of labor in that market
3. Rogowski shows basic trade thry, especially Stolper-Samuelson Theorem, “imply that increases & decreases in costs & difficulty of int’l trade powerfully affect domestic political cleavages & do so differently, but predictably, in countries with different factor endowments” (p. xiii).

II. Theory: Why Changing Exposure to Trade Should Affect Political Cleavages

A. **(Wolfgang) Stolper-Samuelson (Paul) Theorem:** trade restriction (lib.) benefits owners of factors in which country is relatively poorly (well) endowed relative to rest of world. Notes:

1. Twice relative: $(Cap/Lab)_1 > (Cap/Lab)_2 \Rightarrow$ trade restrict. hurts capital & helps labor in country 1 and hurts lab. & helps cap. in country 2: factor A relative to B in 1 relative to same ratio in 2.
2. Works for anything that exogenously reduces or increases trade:
 - a. Changes in transport costs work just like changes in tariffs and quotas
 - (1) railroads & steamships in 19th C
 - (2) ship-bldng & navig. improves 15th & 16th C
 - (3) super-tankers, motors, & containerizing 20th C
 - (4) [other factors fostering decreased “natural” barriers to trade today?]

- b. Changes in risks of trade work just like changes in tariffs and quotas: war and peace most obviously; hegemonic stability (Kindleberger 1973)

B. Simple model of the polity

1. Three assumptions about the political process (to derive political conseq. of trade econ.)
 - a. Beneficiaries of change will try to continue & accelerate it; victims to retard, halt, & reverse it
 - b. Increases in wealth and income also enable the recipients to expand their political influence
 - c. As desire and means for some political preference increase, likelihood increases that some political entrepreneur will devise mechanisms to surmount the collective-action obstacles to achieving it
2. Theoretical implications of the assumptions
 - a. Gainers push for more (aggressive); losers push against (defensive)
 - (1) gainers from safer/cheaper trade push for yet more liberalization; losers for protection &/or imperialism
 - (2) gainers from dearer/riskier trade push for yet more restrictions; losers push for off-setting liberalization
 - b. Economic beneficiaries, potential or actual, of exogenous increases/decreases in trade will become stronger politically as well (though they may still lose)
 - c. To degree CA problems surmounted, the resultant pressures manifest as opposed to latent
3. “Potential” benefits: owners of locally abundant (scarce) factors have substantial potential gains (losses) from trade; R. argues these asset owners may mortgage or others may speculate upon those potential gains to pressure policy toward lower trade (and v.v.)

C. The argument in Figures:

1. Fig. 1.1: 4 main ctry types by factor endowments [simple version assumes factors=Cap. & Land/Lab]

<ol style="list-style-type: none"> a. Capital & Land Rich, Labor Poor [examples?] b. Capital & Labor Rich, Land Poor [examples?] 	<ol style="list-style-type: none"> c. Labor Rich, Capital & Land Poor [examples?] d. Land Rich, Capital & Labor Poor [examples?]
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2. Fig. 1.2: correspond to 2 main cleavage-structure types in those societies, & subdivided further by which side is pro- and which anti-trade [good exercise to match these with preceding]
 - a. Urban/Rural: Capital & Labor free trading, Land protectionist
 - b. Urban/Rural: Capital & Labor protectionist, Land free trading
 - c. Class: Capital & Land free trading, Labor protectionist
 - d. Class: Capital & Land protectionist, Labor free-trading
3. Fig. 1.2-1.3: Whether trade currently rising or falling distinguishes which side aggressive & defensive:
 - a. Pro-trade side is aggressive when trade is rising and anti-trade side is defensive
 - b. Anti-trade side is aggressive when trade is falling and pro-trade is defensive
4. Fig. 1.4: relax assumption that Land/Labor ratio completely informs on relative abundance of each => possible to be land *and* labor rich (& capital poor) or land *and* labor poor (& capital rich); (since relatives that matter, impossible to rich or poor in all 3) => 2 new cases and 1 new cleavage structure:
 - a. Red-Green coalitions against Gray [Labor-Agriculture against Capital]
 - b. Land and Labor Scarce and Capital Rich [examples? Which pro, which anti? When each agg/def?]
 - c. Land and Labor Rich and Capital Scarce [examples? Which pro, which anti? When each agg/def?]

D. Note: what matters is *relative* scarcity/abundance of factors *actually available* for production

1. Land, labor, or capital not actually available for use for whatever reason doesn't count [examples: arctic land, children or women in some places, useless capital, etc.]
2. Conversely, artificial abundance can occur [e.g., rural underemployed & other "reserve armies"]

III. Possible objections to Rogowski's approach

- A. Question empirical validity of S-S (i.e., of Heckscher-Ohlin-Vanek which underlies it): Leontieff shoots, seems to score, but Leamer makes the save
- B. Implications suggested may only matter to degree country is open to trade, but effect is along margin so even relatively autarkic political economies should show effects [R's *potential gains* point again]
- C. Ctry as whole always gains from trade, so gainers can always *pay off* losers so all gain: can, but don't/won't
- D. If returns to different factors unequal, then rational actors would shift from losing factors into gaining ones; cleavage structures would not persist, but
 1. Sometimes trade expands & contracts so rapidly & surprisingly it frustrates rational expectations
 2. Plus, factor-ownership often not easily converted from one to other; internal & international factor mobility low
 3. Finally, mobilizing politically to prevent need to adapt is often easier/more-profitable than adapting to trade-induced changes. So, shifts out of disadvantaged factors can be delayed for very long
 4. Must concede that as factor mobility \uparrow , relevance of Stolper-Samuelson to persistent political cleavages may \uparrow
- E. Specific-factors model (Ricardo-Viner): if some factors cannot convert from one industry to another, then protection of those industries benefits those factors, hurts specific factors elsewhere, & leaves mobile factors in b/w depending on weight of protected good in their consumption bundle
 1. No one doubts S-S holds long-run [b/c l-r defined as period long enough that all factors could be reallocated]
 2. R. argues further that factors, Cap., Lab., & even Land have become increasingly mobile across inds. over time
 3. All agree it's an empirical issue; R. of course concludes the evidence favors S-S; others disagree
 4. Very good example of the inseparability of the political and economic:
 - a. Even "strictly economic" question of what long-run eqbm factor allocation will be depends on political options available. If, in immediate term, factors cannot shift across industries w/o incurring substantial losses, & if political action could intervene to obviate need to shift factors, then factors might lobby for such action & they might be taken. If sufficient actions are taken, "long run" equilibrium will not actually ever materialize.
 - b. Questions then are costs of securing political intervention; & its short & long-term efficacy, relative to more private market strategies. No doubt real economic decisions made with full cognizance that both options exist.
- F. Could be criticized that the analysis reifies "capital", "labor", and "land":
 1. Actually, these are shorthand: *capital* here means "those who draw their income principally from investments, plus the most capital-intensive producers"
 2. I.e., individuals' interests vary with manner in which they derive their income, which will be by some combo of factors yielding a net preference and intensity thereof in the obvious way
 - a. E.g., as baby boomers grow older, increasing proportion of their anticipated future income stream comes from pension-plan investments & the like, they become more like capitalists [fn 54, p. 19]
 - b. E.g., a peasant farmer depending mostly on returns from inputs of his own labor acts more like labor, one engaged in more land-intensive agriculture will behave more as landowner.

IV. What Rogowski does *not* claim to do:

- A. Could criticize that arg. defines battles well enough, but says zero about who will win. R. explicitly makes no attempt: “Victory or defeat depends...both on the relative size of the various groups and on those institutional and cultural factors which this perspective so resolutely ignores” (p. 20)
- B. No intent to explain all, most, or even necessarily most important of varying patterns of cleavages by trade exposure and factor endowments. Just an important.
- C. No claim to give conclusive demonstration in ensuing chs., but rather *suggestive plausibility*
- D. Rather, R offers social scientific *thought experiment* (Hempel 1965): teasing unexpected, sometimes counterintuitive implications of theories already widely accepted: S-S *is* widely, almost universally, accepted; added to simple political model it plainly implies trade must profoundly impact pattern of nation’s internal political cleavages. Does it? If not, what does this tell us about our theories of international trade or our understanding of politics?

Land	Labor	Capital	Trade	Result
Abundant	Scarce	Abundant	Expanding	
Abundant	Scarce	Abundant	Contracting	
Abundant	Scarce	Scarce	Expanding	
Abundant	Scarce	Scarce	Contracting	
Abundant	Abundant	Scarce	Expanding	
Abundant	Abundant	Scarce	Contracting	
Scarce	Scarce	Abundant	Expanding	
Scarce	Scarce	Abundant	Contracting	
Scarce	Abundant	Scarce	Expanding	
Scarce	Abundant	Scarce	Contracting	
Scarce	Abundant	Abundant	Expanding	
Scarce	Abundant	Abundant	Contracting	

V. The Revolutionary Expansion of Trade, 1840 to 1914

A. Trade expanded 14-fold [Table 2.3, p. 23], why? [p. 21-23]

1. Not just amount, but also quality of trade: from “preciosities” to bulky commodities
2. Not just breadth & amount, also scope: whole new regions, Americas, Russia, Oceania, Africa
3. => almost overnight (by stds then) transform areas of Europe from (relatively) land-rich to land-poor
4. ==> political consequences [such as?]

B. Factor endowments of countries and regions over this period: Tables 2.5-6: Labor/Land; 2.7-8: Capital

C. Categories and expectations:

1. Abundance of Labor and Capital, Scarcity of Land (p. 31):
 - a. Who?
 - (1) 1840: UK, Belgium, Switzerland, N. France
 - (2) 1914: Same set plus Germany, Sweden, most of France, Denmark
 - b. Expected Coalition: [Class or Urban/Rural?]
 - (1) Pro-expanding trade and Aggressive: [?]
 - (2) Protectionist, Imperialist, and Defensive: [?]
2. Abundance of Labor, Scarcity of Capital and Land (p. 31):
 - a. Who?
 - (1) 1840: Europe less the above group, East and South-East Asia
 - (2) 1914: Still most of southern and eastern Europe, and all East and South-East Asia
 - b. Expected Coalition:[Class or Urban/Rural?]
 - (1) Pro-expanding trade and Aggressive: [?]
 - (2) Protectionist, Imperialist, and Defensive: [?]
3. Abundance of Land, Scarcity of Capital and Labor (p. 31):
 - a. Who?
 - (1) 1840: *frontier* societies: Latin America; until industrialization, US, Canada, Australia, & New Zealand
 - (2) 1914: Above, minus US and Canada and perhaps Australasia
 - b. Expected Coalition:[Class or Urban/Rural?]
 - (1) Pro-expanding trade and Aggressive: [?]
 - (2) Protectionist, Imperialist, and Defensive: [?]
4. Abundance of Land and Capital, Scarcity of Labor (p. 32):
 - a. Who?
 - (1) 1840: no one
 - (2) 1914: US and Canada
 - b. Expected Coalition:[Class or Urban/Rural?]
 - (1) Pro-expanding trade and Aggressive: [?]
 - (2) Protectionist, Imperialist, and Defensive: [?]
5. Abundance of Land and Labor, Scarcity of Capital (p. 32):
 - a. Who?
 - (1) 1840: Russia, much of Africa, and some parts of Asia (on basis of the “underutilized” labor hypothesis)
 - (2) 1914: if “underutilized” labor hypothesis is right, then remains same set throughout
 - b. Expected Coalition:[Class or Urban/Rural?]
 - (1) Pro-expanding trade and Aggressive: [?]
 - (2) Protectionist, Imperialist, and Defensive: [?]
6. Abundance of Capital, Scarcity of Land and Labor (p. 32):
 - a. Who?
 - (1) 1840: no one
 - (2) 1914: maybe Sweden [Norway & Finland still capital-poor], but continuing Swedish emigration suggests labor not scarce
 - b. Expected Coalition:[Class or Urban/Rural?]
 - (1) Pro-expanding trade and Aggressive: [?]
 - (2) Protectionist, Imperialist, and Defensive: [?]

VI. Evidence:

- A. Rogowski cites B. Moore’s classic *The Social Origins of Dictatorship and Democracy*.

1. Moore focused on two types of development coalitions:
 - a. One, malignant, of protectionist Capital & Land against more trade-friendly Labor. If Rogowski is right, this formation should have emerged where Capital & Land were scarce & Labor abundant, namely most of Europe (all but dvpd NW) & all of E and SE Asia ==> ‘protofascism’
 - b. Other, more benign, of Capital & Labor, either protrade & restrained in foreign policy [why?] where both abundant (NW Europe) or protectionist & imperialist where both scarce (*frontier* societies). [Moore: protectionist, imperialist alliance of Capital & Land against Labor that produced fascism]
2. R. argues that 3rd type should exist: anti-capitalist alliance of Land & Labor where both abundant & Capital scarce (Russia & Africa). Not necessarily socialist, but by definition anti-capitalist.
3. R. then reminds us of the set of caveats regarding his explanation:
 - a. Trade cannot provide a complete explanation by itself
 - b. Pressures described here channeled through & muted or amplified by culture, history, & institutions
 - c. Analysis of too few cases to rely on statistical randomization & too many for great detailed exploration: thus evidence is preliminary & suggestive

B. Case I: Labor & Capital Abundant, Land Scarce: UK, Belgium, Switzerland & some France

1. UK: triumph of liberalism: united cap. & lab., guaranteed free trade, & curtailed landed power
 - a. Anti-Corn Law: Peel (Conservative PM) embraced repeal, Bentinck & Disraeli unite land-owning elite among Tories & forced “Peelites” out
 - b. ==> period of liberal rule 1840-1874 in which:
 - (1) urban working and middle classes, labor and capital, unite behind Liberals
 - (2) Liberal govts: freer trade, lower taxes, franchise expansion, less power to local landowners, Crown, Lords
 - c. By 1867 Disraeli, in minority, converted to pro-enfranchisement; 1875, in majority, pro union rights
 - (1) Most startling, as landowners began to suffer from imports of American grain, Disraeli, whose byword was protection in 1840s, flatly ignored them, noting that his own *rusty phrases of 40 years ago* favoring protection were politically hopeless now
 - (2) Under Conservatives, landowners and farmers were allowed to go under
 - (a) ==> Violence in Ireland
 - (b) ==> Bankruptcy and reform at Oxford (endowment was in land)
 - (c) ==> Embourgeoisement of aristocracy: “Was he born into the purple of commerce, or did he rise into it from the aristocracy?” [from *The Importance of Being Earnest*]
 - d. Religion & tradition kept most of old Whig aristocracy loyal to Libs until 1886 when Gladstone’s endorsement of Irish Home Rule drove them & former Radicals (like Chamberlain) out
 - (1) From 1886 forward, Liberals were party of urban capital & workers, supplemented by a *Celtic fringe* in Wales & Scotland (held in by religion & tradition presumably)
 - (2) Once that alignment cemented, final disempowerment of Lords & Crown by Lloyd George’s Budget of 1909 & Parliament Act of 1911 was logical conclusion
2. Belgium:
 - a. After revolution of 1830 (against Dutch), Liberals & Catholics contended for Parliament
 - b. *Headline* issues were religious/secular & linguistic (Flem v. Walloon): education & civil liberties
 - c. But underlying economic cleavage also:
 - (1) Catholic party represented great landowners & rural Flemish masses
 - (2) Liberals were party of industrial, commercial, & professional bourgeoisie, esp. in Wallonia

- d. Tariffs, imperialism, & suffrage again key.
 - (1) Liberals brought complete free trade by 1861
 - (2) Conservatives dared not challenge that, but supported colonization instead
 - (3) Universal male suffrage by 1893 (though some plural votes for upper class)

3. Switzerland: free trade & liberalism triumphed even sooner

- a. After 1847, revolt of several Catholic (& rural) cantons put down; confederation transformed into a bit more national federation, “as firmly dominated by its urban-based Liberal & Radical parties as US was by Republicans after US Civil War.
- b. Strategy of free trade, which some cantons followed since late 18th C, now became national policy (highly favorable economic results)
- c. Universal male suffrage by 1874 [universal female adopted by last canton only a few years ago]

4. France (partly advanced, labor rich, partly backward labor-land rich)

- a. Divisions over religion did not coincide with & often overshadowed conflicts between factors, but factor divisions over trade still very visible
- b. Factor-based economic divisions:
 - (1) Large landowners: definitely anti-trade; Bourbon Restoration period (1815-30) was their high-ground of influence in this era ==> highest tariffs in modern French history
 - (2) Workers and labor-intense farming (e.g., wine, silk): strongly favored free trade
 - (3) Capitalists were divided and shifted over the period:
 - (a) During July Monarchy (1830-1848), semi-official chambers of commerce largely protectionist
 - (b) By mid-1840's, though, free trade was gaining strength; by 1860, 2nd Empire's radical tariff reductions were widely endorsed by & substantially benefitted business
 - (c) By 1860, bankers & industrialists of cities (Paris, Lyons, Marseilles, Bordeaux) were free trade as were capital intense commercial farmers of NW, manufacturers of provincial cities & mill towns
- c. Lab., Cap., Cap.-intense industries, & least land-intense farmers v. less modern & capital-intense industry, land-intense peasant holdings, & especially large landowners. Free trade growth under 2nd Empire & early Third Republic ==>
 - (1) Reduce aristocratic power, expand democracy
 - (2) Some taming of military
 - (3) Some separation of church and state
- d. By 1880s, food imports from *frontier* begin to threaten peasant agriculture, they turn anti-trade ==>
 - (1) Republicans re-impose some moderate tariffs (not back to levels of before though)
 - (2) Traditional landowning classes turn to colonization and military expansion
- e. Sum: though other cleavages cross-cut factor-based ones and were often prominent, discernable that expanding trade in France, except in most backward areas, favored Liberalism, decline of in large-landowner influence, and alliance of capital and labor

C. Case II: Labor Abundant, Land & Capital Scarce: Less devp'd Europe, East & SE Asia

- 1. [Germany: pp. 39-40]
- 2. [Spain, Portugal, Italy, Austrian Empire, Sweden, Norway: pp 41-42, and
- 3. China, Japan, and India: pp. 42-43]

D. Case III: Abundant in Land, Scarce in Capital and Labor: The Americas and Oceania

- 1. [US and Canada: pp. 43-45]
- 2. [Australia and New Zealand: pp. 45-46, and

3. Latin America: p. 47]
- E. Case IV: Land & Capital Abundant, Labor Scarce: North America just before WWI [47-49]
- F. Case V: Abundant in Land and Labor, Scarce in Capital: Russia, Southeast Asia, and Africa
 1. [Russia: pp. 49-54]
 2. [sub-Saharan Africa: pp. 54-58]
 3. Cochinchina (Southern part of modern-day Vietnam): pp. 58-59
 - a. During French colonial rule, area came to be recognized as having an abundance of fertile land
 - b. Also abundant in labor as many fled more repressive circumstances in the rest of Vietnam
 - c. Already by 1840, most inhabitants landless and most land concentrated in large plantations
 - d. French extended this trend and opened the economy to trade, esp. in rice and rubber
 - e. ==> landlords and peasants gain, if former gained more
 - f. ==> alliance of laborers and small-holders against large landlords and domestic and foreign capitalists; in one sense possibly a seed for what was to come: struggle begins as revolution against capital and large land by labor and small-holders in South

VII. Discussion Case: the United States in the late 20th Century (1975-Present)

A. Expansion of Trade (and Financial Interconnectedness)

1. Trade in goods expanding since 1948; continues, but perhaps last burst of speed has already occurred
2. Trade in services grew in '70s (gradual relax of restrictions after Bretton Woods), gained speed in '80s, and still accelerating
3. Trade in capital and professional services and financial capital, esp., is the latest upward trend

B. Shifts in the resource allocation over time

1. Competitive agriculture has become increasingly land and capital intense, labor shifting out of agriculture, but a small portion of uncompetitive small-farmers have been protected
2. Postwar-1970, large, capital-intensive heavy industry growing rapidly
3. Since mid-70's trend has been out of heavy industry into
 - a. Small-scale, very human and physical (but modern) capital-intensive industries
 - b. Services growth takes off since then, increasingly service economy
4. Growth of financial and professional services
5. Shift in resource allocation (i.e., of people and funds) and in source of expected wealth for people: from labor to earned returns from investments in financial, physical, and human capital

C. Broad Political Trends:

1. Decline of unions; rise of business and special-interest PAC's?
2. Shift in Republican coalition to "radical social-right" and economic "free-marketeers"?
3. Shift in Democrat coalition to "new liberal" left and center?
4. Rise in reactionaries: religious right, "anti-big-gummint-ism"?
5. Education and child care v. family values and self-reliance?

VIII. Encompassing Theory: one criterion by which to judge theoretical progress: Can proposed theory explain facts previous theories had explained & also explain something more or resolve contradictions left by prior theory?

IX. Insights from Rogowski's Stolper-Samuelson analysis of cleavages and coalitions for some of the discipline's "more stubborn mysteries and controversies"

A. Must Industrial 'Latecomers' Develop Strong States

1. Gerschenkron (1952) argued that 'latecomers' to economic development required, if they were to succeed, ever stronger states the later their development because they need to contend with ever more the vigorous and capital-intensive competition of advanced production
 - a. Britain, developing early as it did, faced small-scale capital requirements and little competition in then advanced production, and so was able to develop with, by later standards, small-scale, local provision of capital and small-scale coordination and organizational needs (textiles)
 - b. France, developing a bit later, had to compete with Britain, required rail construction, for example, and was competing in iron and ship-building and other larger-scale, more capital-intensive production. It therefore required greater sums and greater coordination and organization and thus needed the *Crédit Mobilier* and state-favored banks
 - c. Germany, developing still later, faced a situation where others already dominated the capital-intensive production of iron and could only succeed by "leap-frogging" into the yet more capital-intensive and knowledge-intensive sectors of steel and chemicals ==> required powerful and authoritarian state, closely allied with industrialists and bankers
 - d. Russia, developing later still, required even greater state-intervention (repression) & control of asset-allocation to modernize to the, by then, extremely capital-intensive & large-scale modern production
2. Hirschman (1968) challenged, observing that Latin America, industrializing even later defied Gerschenkron's pattern, not leap-frogging anyone and not developing anything like the powerful state apparatus of Germany and Russia
3. Many explanations have been offered, Rogowski offers another which provides a different insight: the European latecomers were Labor rich, Latin America was Labor poor
 - a. Backward societies are capital poor, if labor rich then expanding trade must produce capital-labor conflict, capital will seek protection (often along with land) and must suppress labor to get it. The faster the expansion of trade the more virulent this conflict is likely to be. This all the more true the more capital-intensive development
 - b. If labor scarce, then capital and labor are on the same side as trade expands. Seeking modernization, requiring capital-intensifying investment, capital and labor demand protection. Only land stands against them ==> urban-rural conflict, which may also be virulent, but the state need not be quite so powerfully organized as it would need be if masses of labor must be kept suppressed.
4. New Hypothesis: Even for labor-rich it is not so much when development takes off, but whether that precedes or follows significant expansion in trade. Britain developed before trade took off, so when it did, it was capital and labor rich. Rest of Europe developed after or during trade expansion, had capital and labor against each other as trade intensified that conflict.

B. Why is there no socialism in the US?

1. Many answers to Sombart's famous question: Social mobility; Ethnic diversity; Non-feudal past; Open frontier; Early achievement of mass suffrage; etc.
2. Insights from Rogowski's analysis: the enduring scarcity of labor in the US
 - a. Historically, militant working-class movements arose where labor has benefitted from expanding trade and

capital has not i.e. where labor is abundant and capital scarce

b. US, contrarily had Land or Land & Capital the main benefactor of expanding trade so on offense in periods of expansion. Labor in US was defensive in these periods, protectionist & imperialist

3. New Hypothesis: powerful and radical socialist movements arise mostly in backward, labor-rich economies under conditions of expanding trade

C. Why did American Free-Soilers & abolitionists (notably in early Rep. party) favor protection & why did they gather such a wide coalition of N capitalists, workers, & western farmers?

1. Moore's answer:

a. A shift in domestic trade relations: western farmers begin to find more lucrative markets in industrial northeast than as before in South while Southerners increasingly exporting to Europe

b. Deep fear of slave-farming competition among small-holding western farmers

c. Logroll: capitalists got tariffs and farmers and workers got a Homestead Act

2. Rogowski's answer more compact:

a. Common interest of workers and capitalists in tariffs is now obvious

b. Abolitionists may have disliked trade because it depressed wages and thereby intensified and prolonged slavery

(1) the logic: higher wages outside slavery increased incentives to flee [I think this may have been less relevant—incentives for slaves to flee hardly needed to be any higher—seems more likely to me that the way this worked was that it paid *employers* outside slavery economy more to aid and abet efforts to flee]. This raised slave owners' supervision and control costs.

(2) Even if all this wasn't clear to abolitionists [it was to some]; it was certainly clear to slave owners who were vocal about how protection threatened institution of slavery, which obviously would be evidence enough for abolitionists

c. Slave owners' opposition to the tariff was also directly obvious: as land-intensive farming, they benefitted from free trade and hurt from protectionism

d. The only mystery is why western farmers favored protection:

(1) western small farms definitely more land-intensive than industry, but also less so than southern & more capital intense; so their desire for free-trade is less on these grounds [this seems weak to me and R. acknowledges as much]

(2) more important must have been western farmer's opposition to slavery: despite slave-farming's high and rising supervision costs, and despite the unsuitability of coerced labor for skilled-labor work, the lower labor costs of slave farming still made it a direct and great threat to free agriculture. Therefore anything which weakened slave farming was to be supported

(3) [Still some questions here]

D. Protectionism, Free Trade, and the Theory of Hegemonic Stability

1. Global trends raising & lowering trade restriction are historically synchronized across nations:

a. 1815-1875 Britain lowered duties and then repealed the Corn Laws; Latin America's newly independent republics embraced free trade; Prussia, first in the *Zollverein* and then as Germany lowered duties; France under Cobden-Chevalier treaty of 1860 drastically lowered its tariffs

b. Interwar period, conversely saw tariffs and trade barriers being reconstructed everywhere, esp. 1930s

c. Since 1945, the world has moved back toward increasing trade integration, though some worried that the momentum may have halted in the 1970s and early 1980s

d. To explain these secular trends in trade openness & protection, scholars have pointed to existence of hegemonic power

2. Hegemonic stability & free trade (Kindleberger '73, Gilpin '75, Krasner '76, Keohane '80):

- a. Benefits of free trade have certain collective good properties among nations that enjoy them ==>
- b. CA problem in securing it; hegemon has occasionally obviated that problem historically

3. Rogowski:

- a. Economic hegemony not political secures hegemonic free trade regime [maybe both are necessary? Anyway, economic hegemony has, at least since 17th C, always produced political hegemony]
- b. Rogowski's theory predicts which domestic groups in the backward society will ally with the hegemon in its quest for free trade [which?]. The more powerful these groups in domestic politics, the more easily the hegemon will find it to penetrate and influence politics there.
- c. R's theory also predicts which countries hegemon will find most desirable to so influence [which?]

4. Lack of hegemony: if several states roughly same level of capital abundance, all support open markets (but collective action problem on who will bear costs). They will seek to sacrifice or to compensate locally scarce factor(s) to pursue the large gains from trade

- a. Worst case: each state will amass its own means of security (military might) for trade ==> arms race
- b. Next worst: several economically advanced powers may carve developing world into spheres of influence if not outright empire over which each claims exclusive right of intervention
- c. Both may describe the period just prior to WWI as British hegemony was waning

E. The "New" Protectionism and Its Antidotes [what is 'new' protectionism?]

1. Each expansion of trade (such as that culminating in '70s) threatens anew locally scarce factors: farmers in Japan, workers in US, capitalists (not least managers of state enterprises) in dvpng world ==> new cries for protection
2. But also, freer trade also threatens many extractors of rents [define rents again?]
 - a. Prediction: greater resistance to free trade where monopoly & privilege most pervade economic life (e.g., socialist states)
 - b. Ways to compensate losers from trade will be sought: greater trade may, in many instances (esp. in dem's, e.g.), produce expansion of social insurance role of state: Cameron 1978; Katzenstein 1985
 - c. Normative: need to construct institutions for compensating losers so free trade can keep expanding, but this must be done so that it does not make more problems *via* rents & rent-seeking than it solves

X. Extensions:

- A. In modern world, increasingly necessary either to expand the analysis to include human capital, or to replace land with it
- B. The issue of factor-ownership needs to be tackled more head-on: how do we know that those factors which gain by trade won't simply find their gains expropriated; & if that's so, how does that affect their alignment vis-a-vis other factors and vis-a-vis trade?
- C. As factor mobility across borders continues to increase, differences in local abundance and scarcity diminishes; Stolper-Samuelson may become decreasingly accurate. [Why?]