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U.S. TRADE STRATEGY (1890-1909): PROTECTION AT HOME VERSUS FREE TRADE ABROAD

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Abstract

American trade strategy is defined by a combination of economic interest groups and competition between political parties. In the economic acts passed by Congress the almost infinitely divisible nature of the tariff, which often allowed the charges to be tailored to particular producers, created a norm of mutual noninterference and a process of legislative award in which virtually all claimants could be satisfied. As a result, the American tariff aimed for equality and uniformity in universally applied taxes. The role of political parties fluctuates depending on the interest group. The Republicans, who had an electoral base in the Northeast and Midwest, were identified as the party of protection, and the Democrats, relying increasingly on the traditionally trade-dependent South, asserted themselves as the party of free trade. From this perspective, tariff fluctuations were explained by changes in party dominance. There were multiple rapid and dramatic changes in American trade strategy; after the Civil War and before 1887, the United States was a relatively passive and highly protectionist nation-state. The rates set were high, non-negotiable and non-discriminatory. The transition from America's passive protectionism of the mid-19th century to its active liberalism of the mid-20th represents an extreme turning point. During the period 1890-1909, there was no unidirectional position regarding American trade strategy on a regular or periodic basis. Rather, trade strategy oscillated and was inferred from debates over tariff policy, the central trade issue of the age and the main instrument through which the strategy was implemented. Trade strategy is, however, different and more general than tariff policy; two (or more) tariff acts may differ in their details, but reflect a single commercial strategy. During this period, five tariff acts were passed by Congress: McKinley Tariff (1890), Wilson-Gorman Tariff (1894), Dingley Tariff (1897) and Payne-Aldrich Tariff (1909).

Key words: *American trade strategy, protectionism, free trade, political parties, tariff acts.*

United States transformed its tariff plan from a passive instrument of protection to a more active instrument that could protect the domestic market and help expand American exports. The two national political parties were bitterly divided over the tariff plan during this period. Between 1887 and 1897, the United States transformed its tariff plan from a passive instrument of protection to a more active instrument that could protect the domestic market and help expand American exports. Also, during this period,

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American trade strategy was designed to expand exports to Latin America, largely aided by the favorable context created by Great Britain. After 1909, the United States maintained and increased this interest, but increasingly focused its attention on retaining and expanding its markets in Europe, especially France and Germany. (Becker, 1982: 26)

President Grover C. Cleveland, a Northern Democrat, abandoned the prevailing protectionism after the Civil War in his 1887 Annual Message to Congress, imposing duty-free status on raw materials. In the ensuing debates, the tariff was internationalized and conceptualized as a more active export promotion tool. While maintaining the essential structure of internal protection, both the McKinley Act of 1890, passed under the Republican administration of Benjamin Harrison, and the Wilson-Gorman Tariff of 1894, passed during Cleveland's second term, sought to promote relations special trade agreements with Latin American countries by reducing tariffs on a selected and limited number of raw materials. Both parties involved hoped that these new trade relations would expand American exports to the region at the expense of British and European merchants. Thus the United States sought and easily obtained both import protection and export expansion.

The second phase of American trade strategy, between 1897 and 1909, the United States continued to pursue its extreme protectionist policies and became more active in the international economic arena. Specifically, there was an expanded bilateral negotiation strategy adopted for the first time in the McKinley Act that included the increasingly protected countries of continental Europe. For the first time, in the Dingley Act of 1897, the United States offered continental Europeans reciprocal tariff reductions for the first time and threatened punitive tariffs against certain Latin American countries unless they granted trade concessions to American exporters. This new attitude reflected confidence in the ability of the United States to compete on equal terms in world markets, the Payne-Aldrich Act of 1909 granted lower tariffs to all countries that did not unduly discriminate against American goods. However, despite their differences, both tariff acts rejected the liberal principles of free trade and actively sought to exploit the national trade strategies of other countries. (Stanwood, 1903: 117).

The two national political parties were bitterly divided over the tariff plan during this period. Democrats often called for tariff-free raw materials, while Republicans campaigned for classical protectionism and, after 1890, the expansion of trade through bilateral reciprocity agreements. (Terrill, 1973: 68) However, despite their differences in rhetoric, the two political parties pursued common goals and trade strategies in the early 1890s, namely to maintain the „American system" of moderately high protection. Both parties also sought to expand American exports, particularly to Latin America, by lowering tariffs in the United States on a select and limited number of raw materials. The issue facing Americans at that time was not free trade versus protection, but how best to expand American exports while causing the least disruption to the American system. Despite their already intense rivalry, Republicans and Democrats offered surprisingly similar answers and solutions.

Between 1887 and 1897, the United Kingdom was the largest nation in the international economy, being the most productive country, although its lead over the United States gradually declined. Despite the recent rise of protectionism in Europe and elsewhere, Britain remained committed to free trade and a liberal international economic regime. Correspondingly, tariffs were low, as they had been since 1846, and Britain continued to support open-door or non-discriminatory policies. at home, abroad and in its colonies. It was not until 1896, at the end of this first phase, that a significant tariff protection movement would emerge in the United Kingdom. (Hirst, 1925: 44). Despite asserting liberalism abroad, the UK introduced tariff protection in Europe and encouraged liberal trade policies towards its main competitors, and increasingly turned to developing markets in Asia, Latin America and Africa, where his political and economic superiority was more secure. (Hobsbawm, 1968: 76).

The opportunity to maintain both protection and export expansion was created by the United States' position as an opportunistic pawn within an international economic structure of British hegemony. America's rising relative industrial productivity generated both the capacity and the incentive to expand exports, and Britain's openness and leadership in the international economy left the United States free to adopt domestic protection. As an opportunist within a structure of British hegemony, the United States had the ability and opportunity to rule freely. Thus, they were able to achieve the preferred outcome of protection at home and free trade abroad with little direct cost to themselves. The United States consciously accepted this opportunity. (Hobsbawm, 1968: 67). The commercial openness of the British market left the country vulnerable to the policies of competitors, where each nation tried to obtain the greatest possible protection for its own industries and at the same time the greatest possible access to the markets of its neighbors. For the United States, the international economic structure of British hegemony established an era of almost unparalleled opportunity. As a result of Britain's commitment to free trade, the United States was able to pursue and achieve its preferred trade strategy. Absorbing about half of all American exports at this time, the opening of the British market largely satisfied the United States' desire for free trade abroad. The asserted passivity of the United Kingdom also allowed the United States to increasingly exploit British politics. The United States was able to build a tariff wall around its domestic market to protect its profit-growing industries from competitive imports without fear of British retaliation race and Germany exploited similar opportunities, having strong preferences for protection at home and free trade abroad. As long as England and her colonies remained open, France and Germany could freely export those products in which they specialized. Also, under Britain's passive trade strategy, France and Germany could maintain high tariff barriers at home without fear of retaliation. (Percy, 1920: 66)

With an extensive and dynamic domestic market and the security of natural resources, the United States was one of the few countries in the late 19th century that could have chosen to pursue an autarkic trade strategy. Indeed, American foreign trade averaged only 14% of Gross National Product at this stage, compared with 45% for the United Kingdom, 50% for France, and 30% for Germany. (Waltz, 1979: 212). However, in contrast, the United States also had the second most productive economy and was potentially competitive in a relatively wide range of agricultural and manufactured goods. It could also have withstood the rigors of international competition associated with free trade policies. However, despite this wide range of viable policies, the trade strategies under discussion in the United States were considerably narrower and strongly influenced by the country's position in the international economic structure.

To understand the American commercial strategy, society plays an important role, being conceptually divided into four groups and not necessarily homogeneous or exclusive, namely: producers (capitalists and workers), financiers, farmers and consumers. The political importance of the trade industry increased dramatically throughout the era. In 1890, 65% of the population of the United States lived in rural areas, so there was therefore little manufacturing activity. By 1930, rural residents had fallen to 44% of the population. Similarly, the share of manufacturing in national income rose from 18.2% between 1889 and 1899 to a peak of 21.9% between 1919 and 1929. (Becker, 1982: 65). Although not direct measures, these percentages indicate the growing political power of vested interests industrial in the United States.

Proposals to expand exports were increasingly common in Washington and the rest of the country, great progress was made in the development of ports, canals, and railroads, and the tariff remained a passive instrument of pure protection. However, as America's relative labor productivity and international competitiveness greatly increased, the opportunity costs of failing to expand exports increased, ultimately leading to a shift in the focus of the policy debate. Fortunately for the United States, greater free trade was not necessary as long as Britain remained committed to economic openness and a trade strategy without retaliation. By the late 1880s, the foreign policy executive—with little pressure from society—had recognized the potential benefits of expanding exports and sought to reorient the tariff accordingly. However, to do so would be giving up the benefits of expanding exports. Likewise, a free trade strategy was also possible, which would have led the market to gradually increase American exports. (Williams, 1969: 106).

Both Great Britain and the United States have found in Latin America an area of particular expansion of exports, primarily due to the relatively high level of economic development of the region, as well as well-established commercial models. Very important to the United States was the region's geographic proximity, which provided an economic advantage and fit into a broader political strategy of American regional dominance. Most American products entered Latin American markets on roughly equal terms with those of Great Britain and other European producers. In several cases, especially in railway equipment and in building and shipbuilding, equality of opportunity was insufficient to replace special trade relations between British manufacturers and their Latin American consumers, and the United States speculated on favorable or preferential access to these markets. Given the existing situation, especially in agriculture, the Europeans had not yet developed the market or established trade because they had no comparative advantage, and in these areas, the United States had to cultivate its own export markets without European assistance. Moreover, the path to the expansion of American exports to Latin America had already been created by Great Britain, and American trade had only to reshape itself to suit its own requirements.

Despite sharply divided directives, both the Republican and Democratic parties focused on the goals of American trade strategy between 1887 and 1897. Exports were to be expanded abroad and protectionism maintained at home. In the short term, these objectives were to be met by reducing the tariff for a selected number of raw materials. The Democrats called for duty-free raw materials, but only removed the tariff on raw wool. This policy was to expand American exports—primarily agricultural products, steel, and railroad materials—to the wool-producing regions of the world, although it was de facto limited to Latin America. The Republicans advocated certain bilateral treaties of reciprocity between the United States and several Latin American countries, in which the former would admit sugar, coffee, tea, and raw hides duty-free, while the latter would in return grant preferential duties on a specified list of Americans relating to agricultural and manufactured articles. Focusing on Latin America, trade expansionists sought to redirect the trade of that region—previously dominated by Great Britain—away from Europe and toward the United States. Foreign policy leaders, in other words, tried to preserve America's protectionist system but change the policies and actions of Latin American countries. This combination of international activism and domestic protectionism is the distinguishing feature of American trade strategy in this first phase (U.S. Tariff Commission, Reciprocity and Commercial Treaties, 1910 p. 368).

The McKinley Tariff Act

In the Great Debate of 1888, Republicans reaffirmed their commitment to protectionism. To fulfill campaign promises, the Republicans submitted a tariff bill to Congress in 1890, intended *„to be a protective measure from its enacting clause to its concluding paragraph"*. The explicitly protectionist nature of the bill was appreciated and supported by William McKinley (R.-Ohio), chairman of the House Ways and Means Committee: *„We make no secret of the purpose of this bill - we want our own countrymen and the whole mankind to know him. We want to increase production here, diversify our productive enterprises, broaden the field and increase the demand for American workers"*. (U.S. Senate, Committee on Finance, Customs Tariffs, 1909: 244). In drafting the Act McKinley Tariff, he wanted to impose duties on any article that could be produced in the United States and to admit duty-free those goods that Americans could not produce at all or in sufficient quantities to meet domestic demand. As a result, tariff levels were actually increased from those in the last tariff act passed in 1883. The McKinley Act raised the tariff on dutiable imports from an average of 45.1 to 48.4 %. Items on the free list (goods that entered without paying any duty) were expanded from 33.6 to 50.8 %, reducing the duty rate on all imports from 29.9 to 23.7 % (Eckes, 1995: 98)

The McKinley Act remains perhaps best known for its proposed reciprocity provisions. Secretary of State James G. Blaine believed that reciprocity, as contained in the tariff of 1890, was not a substitute for protection, but a system of reciprocity that was not in conflict with, but in addition to, a protective tariff. Therefore, reciprocity was an extensive and external protection for American trade. Therefore, the first reciprocity agreement was signed with Brazil on January 31, 1891. Agreements were also concluded with Spain for Cuba and Puerto Rico; with the United Kingdom for Barbados, Jamaica, the Leeward Islands, Trinidad, the Windward Islands and British Guiana; and with Salvador, Nicaragua, Honduras and Guatemala. (Laughlin, 1903: 186). Each agreement offered tariff concessions by the foreign country on live animals; grains, especially oats, barley, rye and corn; meat products; bridge construction materials; cotton seed and related products; railway wagons, wagons and other materials; and timber and shipbuilding iron.

The major objective of these agreements was to gain an advantage in Latin American markets at the expense of European producers and to admit free into the

United States sugar, molasses, coffee, tea, and raw hides— merchandise that were not produced at all or in quantity sufficient in the United States. Therefore, reciprocity in the McKinley Act was a form of coercion since the Americans did not offer a differential advantage to the countries concerned, only a differential disadvantage (Lawder, 1892: 125). The United States also sought to negotiate reciprocity agreements with Austria-Hungary and the German Empire, allowing beet sugar produced in those countries duty-free in exchange for explicit tariff concessions the two nation-states had recently granted each other. The United States' intention was not to gain new trade advantages through these agreements, but merely to maintain the market access it had previously enjoyed. The expected result was the signing of these two European reciprocity agreements that were side effects of the McKinley Act: the extension of reciprocity to European beet and sugar producers was not considered in the legislative debates, but Europe was specifically excluded because the manufactures of that region will enter into direct competition with American producers.

The Wilson-Gorman Tariff Act

The Wilson-Gorman Act of 1894 added several important raw materials to the tax-exempt list, including wool, coal, iron ore, and lumber. Hides and raw sugar, placed in the McKinley Tariff of 1890, remained unratified in the House version of the bill. As it passed the House, the bill also faced greater opposition in the traditionally more protectionist Senate, where Democrats held only a slim majority. When the bill finally made it out of the upper house, after adding 634 amendments, only wool and timber remained on the duty-free list (Rhodes, 1967: 420).

Of these various raw materials, wool was the most important, and duty-free coal and iron ore could benefit only a few manufacturers in New England and the Pacific Northwest, where geographic proximity and ease of ocean shipping gave foreign manufacturers a small cost advantage. Sugar and hides were quite important, but the political battle over these products had already been fought under the Republicans, although, strangely, the verdict on free sugar was reversed under the Senate Democrats. As for wool, the situation was critical. Given its importance to the burgeoning American textile industry and its pivotal position in the protectionist coalition, if the Democrats had not obtained this important proposal, their efforts would have been considered a total failure. Thus, wool was placed on the free list and the goal was to reduce taxes on wool products, which meant a revolutionary step in tariff reform actions (Smith, 1926: 97-169). The United States had established itself as a fairly high-cost producer of raw wool. Even under economic protection, American wool producers could not meet the growing domestic demand, and a significant amount of raw wool continued to be imported. A real benefit to the agricultural sector was the raw wool tax, which was the only item in the tariff that helped soften farm opposition to the tariff as a whole.

The McKinley Act Tariff provided for a specific tax of 33 cents per pound roughly equivalent to the raw wool tariff and an ad valorem duty of 40% on woolen cloth which was not worth more than 30 cents per pound. Under this mixed tax system, both the wool grower and the producer could benefit at no additional cost to the other. The Wilson-Gorman Act eliminated both the raw wool tax and the specific countervailing duty.

Seen from the liberal commercial strategic point of view, it does not matter which category of goods imports increase, but under the hypothesis of bilateral balancing, the tariff-free raw materials program becomes mercantilist. In the Democrats' hypothesis regarding bilateral balancing, an expansion of exports to certain regions and countries was desired. Therefore, the commodities selected for inclusion in the program—in this case, raw wool—were of significant importance. The United States mainly imported raw wool from the United Kingdom, Australia, New Zealand, Russia, South America, China, and Turkey. However, almost all of the wool imported by the United States from the United Kingdom came from one of Britain's main suppliers: Australia, New Zealand, the East Indies, South Africa, Russia, Turkey, South America, and France (Mitchell, 1962: 194). Through the provisions of the Wilson-Gorman Act, imports of raw wool from Latin America increased more rapidly than from any other region. Imports rose up to 18% from Australia and New Zealand, 21% from China and 13% from Turkey, but fell 59% from Russia. Raw wool imports from Uruguay and Argentina increased by 60 and 90% respectively. As Democrats expected, US exports to South America also rose substantially. According to the Wilson-Gorman Act, exports as a whole fell by about 15%, largely due to the third downturn of the Great Depression between 1893 and 1897. (Hoffman, 1970:5) Similarly, exports to Europe also fell by 21%, and those to Latin America fell 4 %, but exports to South America actually rose 9 %. Thus, despite what might now be recognized as a possible erroneous assumption of bilateral balancing, the democratic policy of tariff-free raw materials succeeded in its objective of expanding exports to Latin America. Despite the free trade rhetoric often associated with the tariff-free commodity platform, it should be noted that the Wilson-Gorman Act was not an attack on protectionism.

In 1895, 70 %, of the total value of domestic exports was composed of agricultural products. The products of the fisheries and of the forest and mining, partaking of the qualities of agricultural products in being subject to the law of diminishing returns, raised the proportion to 77 %, leaving about 23 %, contributed by American manufactures. The articles of food and the crude materials of manufactures are exported to countries which have developed industrial rather than agricultural systems, and which need the food to support their laboring populations, and the raw materials to feed their industries (Depew, 1968: 21). So long as the United Kingdom held almost the monopoly in the great manufacturing industries where machinery has superseded hand labor, our export trade was chiefly with that country. Within twenty-five years the rise of large manufacturing interests on the Continent, and the extension of merchant marines of continental countries, have been reflected in the direction of American exports. What would formerly have gone to Great Britain and thence been distributed throughout continental Europe is now-sent to the continental countries direct.

To sum up, the United States export trade contributes the cotton used in cotton manufactures wherever the industry is developed; by its bread-stuffs and provisions it contributes a necessary element to the support of the industrial peoples of other lands, supplying a cheap and wholesome food; its mineral oils are to be found everywhere, giving a cheap and safe light to peoples who have lived heretofore in semi-darkness; its tobacco has always been appreciated, as have its naval stores; its agricultural implements and tram-cars, its clocks and watches, and its rubber goods are evidences of a superior inventive ability. The lines of the export trade of the United States are so broad and well defined that nothing within the reach of human possibilities can destroy their main features.

American agriculture supported most of the exports, the growth of cotton cultivation and its rapid expansion in the South, were the main features of export development for several decades. In 1900, the estimated population of the country was 76,212,168, and the land area of the country was 2,970,000 square miles. The value of domestic exports per capita in the last decade of the 18th century was slightly less than 6 USD; per capita exports in 1895 were over $11. The productive capacity of the country was thus sufficient to feed, clothe, and support in increased comfort a population which had increased in number seventeen times; and in time furnished a surplus which doubled the relative importance of the export trade, and increased fifty or sixty times in absolute value, for the $800,000,000 in 1895 represents an enormous trade (1900 Census, retrieved from http://www.1900census.com/).

The United Kingdom received 48 % of the exports and contributed 22 % of the imports. No other country approaches this percentage in American trade. The natural advantages of the harbor of New York long since pointed it out as a great commercial center; while the enterprise and liberality of State and citizens in making internal improvements have enabled it to maintain a dominant position in the face of intense and apparently almost destructive competition. Canals and railways and banking institutions having foreign connections have made the city what it is. Two thirds of the entire imports are received through New York, and more than one half of the exports are sent out through that port. The main geographical characteristics of the foreign trade of the United States are represented in the following table:

Imports and exports in 1895 by geographical division					
	Imports	*Per cent*	*Exports*	*Per cent*	*Per cent of imports and exports*
Europe	$383,645,813	52.4	$627,927,692	17.7	65.72
North America	133,915,682	18.3	108,575,594	13.4	15.74
South America	112,167,120	15.3	33,535,935	4.2	9.46
Asia	77,626,364	10.6	17,325,057	2.2	6.17
Oceania	17,450,926	2.4	13,109,231	1.6	1.98
Africa	5,709,169	0.8	6,377,842	0.8	0.79
All other countries	1,454,891	0.2	696,814	0.1	0.14
Total	*$731,969,965*		*$807,538,165*		*100.00*

(Depew, 1968: 23)

Although still a hegemonic leader in the international economic structure, the United Kingdom declined rapidly in the period 1897-1912. Between 1890 and 1900, Britain's share of world trade fell from only 18.5 to 17.5 %. From the turn of the century to 1913, the United Kingdom's share of world trade fell from 17.5 to 14.1 %. More importantly, the United States surpassed the United Kingdom in relative productivity as early as 1897, creating an important shift in the international economic structure. For the first time since 1846, during this period of decline, protectionism re-emerged as a major political force in British politics (Sykes, 1979: 212). Anglo-American trade, traditionally based on the existing complementarity between the resource-rich United States and industrial Britain became less central. The British market could no longer suit American needs, a conclusion reflected in trade patterns: in 1888 the United States shipped 52 % of its exports to the United Kingdom, and by 1897 Britain's share of American exports had fallen to 46 %, and by 1912, to only 26 % (U.S. Department of Commerce, 1975: 903).

	Foreign Trade of different countries in Million Sterling											
Countries	***1720***	***1750***	***1780***	***1800***	***1820***	***1830***	***1840***	***1850***	***1860***	***1870***	***1880***	***1889***
Great Britain	13	21	23	67	74	88	114	169	375	547	698	740
France	7	13	22	31	33	41	66	95	167	227	339	311
Germany	8	15	20	36	40	46	52	70	130	212	294	367
Russia	8	14	17	30	22	28	33	40	48	103	131	118
Austria	2	4	6	8	10	15	22	29	47	83	107	92
Italy	3	5	7	10	15	20	30	38	52	66	91	94
Spain	10	14	18	12	10	7	10	11	25	41	50	59
Portugal	2	3	4	4	3	3	4	5	8	10	14	18
Scandinavia	2	3	5	5	6	8	12	18	27	48	64	72
Holland and Belgium	4	6	8	15	24	30	45	61	86	136	237	310
Switzerland	1	2	3	5	6	8	10	20	30	45	60	60
Turkey,etc	2	3	4	5	6	7	10	20	29	55	49	72
Europe	62	103	137	228	249	301	408	576	1,024	1,573	2,134	2,313

(Depew, 1968: 23)

As America's export horizons expanded far beyond Great Britain and Latin America it aimed to include Asia and continental Europe in its commercial strategy. Therefore, Germany and France proved to be troublemakers for American policymakers. After abandoning free trade in 1879, Germany subsequently negotiated bilateral tariff treaties with Austria-Hungary in 1891, Italy, Belgium, and Switzerland in 1892, Russia in 1894, Japan in 1896, and Spain in 1899. Each so-called "Caprivi treaty," lowered duties on a wide variety of products and generalized these concessions to all nation-states with which Germany possessed unconditional most-favored-nation (MFN) treaties (Percy, 1920: 60). Because the United States adhered to only the conditional MFN principle, these concessions were not automatically extended to American goods. France followed Germany in the direction of proposed discriminatory trade practices and increased protection in the Meline Tariff of 1892. Significantly raising tariff levels in France, the Meline Act established minimum and maximum tariffs, the latter to be applied to all countries that discriminated against or placed high taxes on French products. Most European countries have secured their tariffs; only Portugal joined the United States.

The Dingley Tariff Act

In its substantive provisions, the Dingley Act of 1897 is characterized by important similarities to the McKinley Act of 1890, addressing both protectionism and reciprocity. However, although we encounter the successful policies of the first phase, the Dingley Act introduced the new concern of the United States to expand into European markets. In the Dingley Act, reciprocity was expanded and established as a powerful tool of trade policy. In implementing their respective provisions, both chambers agreed that reciprocity should be extended to facilitate American access to European markets.

Although it greatly revolutionized American tariff policy, the fourth section of the Dingley Act—which gives the president the power to negotiate tariff reductions of up to 20 % on any product in exchange for comparable concessions—was not successful. The treaty with France was the first to be negotiated in terms of the Dingley Tariff Act, substantially the most important, and perceived as a „test case" for the other European states. The negotiations were launched by a French proposal that the United States grant their country the full 20 % discount authorized in the bill on the entire range of goods imported into the United States in exchange for France's minimum tariff on all American goods (Terrill, 1973: 200).

John A. Kasson, appointed special reciprocity commissioner by President McKinley, seriously considered this proposal, but it was rejected. In the final treaty signed on July 24, 1899, France extended to the United States minimum tariffs on all but 19 of the 654 items listed in its tariff. Of the 19 items, only boots and shoes and machine tools were of expected importance. All these concessions had already been granted to France's most favored nations. The United States, in return, agreed to cut tariffs on 126 items by 5 to 20 %. Most importantly, Kasson refused to consider cuts to the wool program, which was of prime importance to France. None of the reductions granted to France had been granted to any other country at that time. The treaty with France, and especially Kasson's failure to secure the entire minimum program, caused considerable controversy in the United States, especially among boot and shoe manufacturers in Massachusetts. Without the president's active support, the treaties died quietly. Discouraged, Kasson resigned on 9 March 1901 and no further treaties were negotiated (Younger, 1955: 369).

The Payne-Aldrich Tariff Act

The Payne-Aldrich Act of 1909 was the most liberal tariff enacted since the Civil War. Like the Dingley Act, the Payne-Aldrich Tariff was aimed at eliminating discriminatory tariffs in continental Europe. However, it instituted more active maximum-minimum tariff programs and embraced the liberal rule of non-discrimination – or the "open door" – in international trade. However, despite these reforms and its slightly more liberal design, The Payne-Aldrich Tariff Act remained protectionist oriented.

Approaching a new challenge in its ability to compete in international markets, the United States adopted an open-door or non-discriminatory trade strategy in the Payne-Aldrich Act of 1909, which granted lower tariffs to all states that did not discriminate against American goods. In both tariff acts, the United States avoided using liberal principles of free trade and actively sought to exploit the trade strategies of other countries to achieve the preferred outcome of protection at home and free trade abroad.

By accepting the open-door principle, the United States showed its newfound confidence in its ability to compete in international markets. Because of its position as the most productive nation-state in the international economy, the United States no longer had to rely on the special favors or unilateral advantages that reciprocity often produced to expand exports abroad. In this second phase, the United States gradually recognized that all it needed to reign supreme in the export competition was *„a fair domain without favor"* (U.S. Tariff Commission Reciprocity and Commercial Treaties, 1920: 371). President Taft signed the Payne-Aldrich Act into law on August 5, 1909, and immediately directed the State Department and the Tariff Board to investigate foreign tariff laws and their effects on American exports. He also started negotiations with foreign countries. In exchange for the implementation of the minimum program, Germany agreed to grant the United States the full minimum program. Portugal and Austria-Hungary made similar agreements. In exchange for the minimum schedule, France tripled the number of American products that received the minimum tariff. In total, the United States has successfully negotiated twenty-three agreements. By April 1, 1910, President Taft was able to certify that the United States faced no unjustified discrimination from any country and that each country's goods would receive the benefits of the minimum program (Presidents' Papers Index Series, 1972: 274).

Since its founding, the United States has constantly oscillated between a desire to retreat into the domestic market and a desire to trade in the international economy. In the described period, neither the desire for protection against imports nor the desire to expand exports was clearly stated in American politics. Faced with a growing desire to participate in the international economy and reap the benefits of steadily increasing productivity, the United States modified its traditional strategy of high tariff protection and international passivity after 1887. As the previous consensus declined, America had to decide how and to what extent trade in an international economy could not be controlled. Despite their political systems and the specific antagonisms between their tariffs, both Republican and Democratic foreign policy leaders pursued the same trade strategy. Both Republicans and Democrats sought to maintain domestic market protections and expand exports by eliminating tariffs on selected raw materials imported primarily from Latin America. Although previously seen as a passive instrument of protection, the tariff has been internationalized or reconceptualized as a more active instrument of both protection and expansion of exports. The political parties focused on the tariff policy, and according to this vision, the Republicans were the protectionist party, and the Democrats the party that promoted free trade. Variations on tariff policy are therefore explained by changes in party power, but maintaining common aspects in trade strategy.

Both the imports and exports of the United States represent the expression and measure of the development of its trade relations with the nations of the world, the importance and development of trade being proportionate to the economic growth and assertion of the political power of the country. For long periods of time, trade was restricted by economically limited markets, as well as by the impossibility of developing nations under colonial dependencies or monopolized production. Trade was a matter of speculation generated by the long distances and relatively infrequent voyages of traders that set fluctuating prices and questionable profits.

The American commercial strategy was carried out by the government method regarding the achievement of one or more objectives established within the international economy related to the import or export of tangible goods. The assertion of American trade was rather a strategic one, characterized by interactive decision making at the lowest level: every import is another country's export. Thus, almost by definition, trade strategy referred to government policies that were conditioned by the actions of other nation-states or that aimed to manipulate the preferences and policies of others. Commercial strategy was defined by two dimensions. The first dimension concerns international market orientation, which indicates a country's willingness to allow the international market to control its trade patterns. This liberal strategy promotes free trade, based on the market as the main determinant of the pattern of international trade. A protectionist or mercantilist strategy, on the other hand, regulates trade flows set by the government in the form of tariffs, non-tariff barriers to trade, barter arrangements, or centrally planned trade. The second dimension, the degree of international political activity, denotes a country's willingness to influence the international economic order and policies of others. In a passive strategy, policies are typically directed inward, toward the country's own domestic economy; an active strategy seeks to influence the economic order and policies of other countries.

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