European University Institute

ROBERT SCHUMAN CENTRE FOR ADVANCED STUDIES

EUI WORKING PAPERS

RSCAS 2017/02
Robert Schuman Centre for Advanced Studies
Global Governance Programme-248

Washington Slept Here: How Donald Trump Caught the Politicians Napping on Trade

Craig VanGrasstek

European University Institute
Robert Schuman Centre for Advanced Studies
Global Governance Programme

Washington Slept Here:
How Donald Trump Caught the Politicians Napping on Trade

Craig VanGrasstek

EUI Working Paper **RSCAS** 2017/02

ISSN 1028-3625

Printed in Italy, January 2017
European University Institute
Badia Fiesolana
I – 50014 San Domenico di Fiesole (FI)
Italy
www.eui.eu/RSCAS/Publications/
www.eui.eu
cadmus.eui.eu

Robert Schuman Centre for Advanced Studies

The Robert Schuman Centre for Advanced Studies (RSCAS), created in 1992 and directed by Professor Brigid Laffan, aims to develop inter-disciplinary and comparative research and to promote work on the major issues facing the process of integration and European society.

The Centre is home to a large post-doctoral programme and hosts major research programmes and projects, and a range of working groups and *ad hoc* initiatives. The research agenda is organised around a set of core themes and is continuously evolving, reflecting the changing agenda of European integration and the expanding membership of the European Union.

Details of the research of the Centre can be found on:
http://www.eui.eu/RSCAS/Research/

Research publications take the form of Working Papers, Policy Papers, Policy Briefs, Distinguished Lectures, Research Project Reports and Books.

Most of these are also available on the RSCAS website:
http://www.eui.eu/RSCAS/Publications/

The Global Governance Programme at the EUI

The Global Governance Programme is one of the flagship programmes of the Robert Schuman Centre for Advanced Studies at the European University Institute (EUI). It aims to: build a community of outstanding professors and scholars, produce high quality research and, engage with the world of practice through policy dialogue. At the Global Governance Programme, established and early career scholars research, write on and discuss, within and beyond academia, issues of global governance, focussing on four broad and interdisciplinary areas: European, Transnational and Global Governance; Global Economics; Europe in the World; and Cultural Pluralism.

The Programme also aims to contribute to the fostering of present and future generations of policy and decision makers through its unique executive training programme, the Academy of Global Governance, where theory and “real world” experience meet. At the Academy, executives, policy makers, diplomats, officials, private sector professionals and academics, have the opportunity to meet, share views and debate with leading academics, top-level officials, heads of international organisations and senior executives, on topical issues relating to governance.

For more information: http://globalgovernanceprogramme.eui.eu

Abstract

This paper explores how Donald Trump managed first to secure the Republican Party nomination, and then an upset victory in the general election, by running on an unapologetically protectionist platform. It argues Trump filled a political vacuum by taking positions long rejected by political professionals in both major parties and appealing to a class of potential voters that had been neglected. The analysis starts with a review of the decades-long economic transition in which producers of labor-intensive goods either became more international, thus switching from a protectionist to a pro-trade orientation, or died, thus becoming politically irrelevant. The net result was a reduction in the demand for and use of protectionist measures, and a steep decline in the political salience of trade (as measured in bills dealing with trade issues introduced in Congress, in the prominence of trade on White House agendas, and campaign promises to restrict imports). Trump recognized the large and untapped reservoir of potential votes in the post-industrial underclass that globalization left behind, and succeeded by prosecuting an unorthodox pro-protectionism campaign in which the usual sources of pro-trade campaign finance were rendered irrelevant.

Keywords

US trade policy; public policy; protectionism; US Presidential election

JEL codes: D72; F13; J58.

There always has been a recessive gene in the American character that has found protectionism appealing. But we've always been wise enough to reject it.

Senator Phil Gramm (February 14, 1996)

Introduction

On the day that Senator Gramm announced his own withdrawal from the race for the Republican presidential nomination he was especially bitter about the candidacy of Pat Buchanan. Espousing a doctrine of protectionism and nativism, with more than a tinge of antisemitism, Buchanan did unexpectedly well in the early stages of the race. Gramm was nonetheless confident that his party would ultimately choose a proponent of free trade as its standard-bearer. His confidence was well-placed that year, and the same would be true for each of the next four races. Twenty years later, however, that protectionist gene would prove surprisingly dominant. Running on a platform that echoed many of Buchanan's themes, Donald Trump managed first to execute a hostile takeover of the Republican Party, and then to win an upset victory in the general election. While it is impossible to quantify the extent to which Trump's triumph can be attributed to his message of economic nationalism, there is no doubt that it was a core issue for both the candidate and his unexpectedly large band of supporters in the Rust Belt.

How did Trump succeed where Buchanan failed? Genetic science teaches us that recessive genes will be expressed whenever they meet their match, which is precisely what appears to have happened in 2016: Trump's position aligned with that of a substantial minority of the Republican electorate, together with sizeable numbers of independents, disgruntled Democrats, and people so estranged from the process that they had no prior party affiliations or voting records. In both phases of the election, this political neophyte put together winning coalitions by appealing to groups who had been economically and politically marginalized for decades. Much of Trump's base consists of men and women who are, or perceive themselves to be, on the losing side of globalization. Their resentment is based not just on the economic consequences of open markets, but on the social distance that it creates between the winners and the losers. The very language by which Gramm spoke so dismissively to the economic vulnerability of the losers would, in time, contribute to the political vulnerability of the winners.

What is truly surprising is how the political professionals in both parties failed to perceive and exploit the growing resentment towards globalization. They had instead come to see protectionism as a losing proposition, and even the most trade-skeptical among them had turned from offense to defense. In place of proposing new restrictions, the critics of free markets generally confined their activism to opposing new trade agreements, or attempting to affect their content at the margins, or promoting lower-grade forms of protection and government intervention. Much of this shift can be traced to the gradual diminution of the protectionist segments of American industry. The competitive challenge from imports began to emerge in the late 1960s and reached crisis proportions by the early 1980s, inspiring a series of protectionist initiatives. Some of these were politically successful, winning support from presidents and lawmakers, but nearly all were economic failures that merely postponed the inevitable. Industry had to adapt or die. Many of the firms that adapted become more international, and hence switched from a protectionist to a pro-trade orientation, while those that died became politically irrelevant. The choices available to workers may appear on the surface to resemble those of firms, but in human terms the results were much harsher: Some adapted by entering new lines of work (often with less security and at lower wages), others became permanently unemployed, and some quite literally died. Their economic marginalization was complemented and magnified by a policymaking and political system that had long favored the interests of the successful over the failed. Unbeknownst to the professionals, this reserve army of unregistered voters awaited the emergence of a champion who would speak to their grievances and promise a return to bygone glory days.

This analysis proceeds in three steps. It starts by examining the decline of labor-intensive industries and their demands for protection, as shown in decreasing levels of employment and a commensurate reduction in petitioning under the trade-remedy laws. The next step is to review how these trends affected the salience of trade policy for elected officials. The data show that trade rose from a very low-profile issue in the early 1970s to achieve top-tier status in the early 1990s, but has since receded in attention. Candidates used to find protectionism rewarding, but it came to yield fewer electoral votes and campaign contributions. The third step is to examine how Trump managed to upset what seemed to be a settled pattern in which protectionism was passé and policymakers were less interested in closing the U.S. market than in opening foreign markets. Trump instead saw an opportunity to exploit the concerns of the "forgotten man" over globalization and the rising economic and security challenges posed by China. Being unbound by the logic that had constrained previous Republican nominees, and not obliged to calculate how his positions might affect campaign contributions, Trump was free to appeal to a constituency that his rivals had left behind long ago.

The Decline of Protectionist Industries

Trade policy, like other areas of public policy, is subject to political laws of supply and demand. Elected officials and civil servants are in the business of supplying those policies, but it is the demands from interested parties that set the process in motion. The demand for protection began to rise when the U.S. trade balance went from black to red, peaking around the time of the Reagan administration, but it has subsequently declined sharply.

The Rising Merchandise Trade Deficit and the Decline of Manufacturing

In a time when the U.S. merchandise trade deficit seems like a permanent feature of the global economic landscape, it can be difficult to remember that for most of the twentieth century the United States quite consistently ran a trade surplus. It therefore came as a shock when the first trade deficit appeared in 1971, and the ink got redder as the decade progressed. Between 1980 and 2000, the merchandise trade deficit rose from 0.6% to 4.1% of GDP. It has since remained high, though variable, hovering between 3.6% and 6.1% of GDP.

The rising trade deficit is not solely responsible for the secular decline in manufacturing jobs, but it is the cause most visible to the general public. The descent has been especially rapid in those labor-intensive industries that will by definition face a competitive challenge from lower-wage countries. Chief among them are the six industries shown in Table 1. As of 1977, nearly one out of every eighteen persons employed in the United States worked in one of these vulnerable sectors. By 2015, they collectively provided fewer than one in 130 jobs. These are industries that did not go quietly, at least not initially, as they fought a series of battles in the 1970s and 1980s for protection from import competition; some of the remaining firms are still fighting. They did score some short-term victories, convincing Congress and presidents to slow the process of decline by granting relief from imports. Protection could slow the decline, but not reverse it. Some of these producers ultimately shut their gates, while others switched sides and moved some or all of their operations offshore.

Table 1: Employment in the Principal Protection-Seeking Industries, 1977-2015

Employees in an Industry per 10,000 Non-Farm Jobs in the United States

	1977	1987	1997	2007	2015	Change 1977-2015
Apparel & related	164.9	109.1	57.9	12.3	5.8	-96.5%
Primary metal industries	140.5	71.4	49.3	32.3	25.3	-82.0%
Textile mill products	110.0	68.5	51.1	21.7	14.1	-87.2%
Paper & allied products	80.7	64.1	46.8	30.3	22.4	-72.2%
Leather & leather products	30.7	13.3	6.9	2.6	1.6	-94.8%
Glass & glass products	21.2	14.0	10.5	7.2	5.7	-73.1%
Total	**548.0**	**340.4**	**222.5**	**106.4**	**74.9**	**-86.3%**

Source: Calculated from the Census of Manufactures (for employment by industry in 1977-2007), the Annual Survey of Manufactures (for employment by industry in 2015), and Bureau of Labor Statistics (total non-farm jobs) data at http://www.bls.gov/ces/.

Note that the comparability of data for the periods before and after 1997 is complicated by the transition that year from the Standard industrial Classification (SIC) to the North American Industry Classification (NAIC) nomenclature. While the categories appear to cover the same territory, it is possible that some SIC categories may be slightly broader or narrower than some of the corresponding NAIC categories. Data for apparel are based on SIC 23 and NAIC 315; data for primary metals are based on SIC 33 and NAIC 331; data for textiles are based on SIC 22 and NAIC 313 and 314; data for paper are based on SIC 26 and NAIC 322; data for leather are based on SIC 31 and NAIC 316; and data for glass are based on SIC 321-323 and NAIC 3272.

One natural consequence of this process was a decline in the demand for the most traditional forms of import relief (i.e., tariffs and quotas). This can be seen both in the reduced activity under the trade-remedy laws (as reviewed in the next section) and the virtual disappearance of sector-specific protectionist promises in presidential campaigns (as reviewed in a later section).

The Diminishing Use of the Trade-Remedy Laws

The trade-remedy laws allow firms and industry associations to seek restrictions on injurious imports. The two most significant of these statutes are global safeguards, which provide for the imposition of restrictions even on fairly traded goods if they cause or threaten serious injury to a U.S. industry, and the antidumping (AD) law, which provides for the imposition of penalty duties on imports that are found to be sold at less than fair value and to cause or threaten material injury.[1]

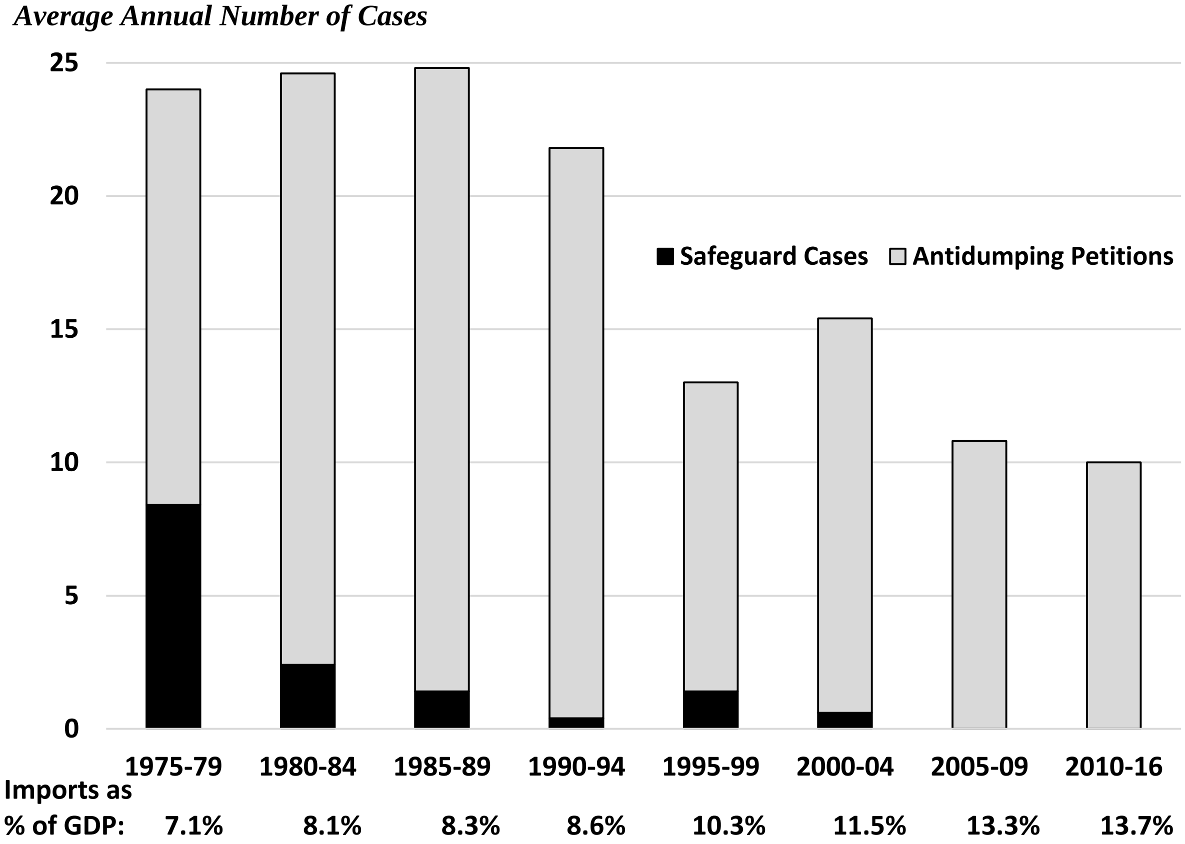
The data illustrated in Figure 1 show how the demands under both of these laws have fallen. The declining resort to safeguards is heavily influenced by prospective petitioners' perceptions of the law's utility. When the current law first took effect in 1975 it invited a flood of petitions, but that torrent subsided to a trickle after it became clear that the U.S. International Trade Commission would often reach negative determinations[2] and that presidents would often opt against protection. Use of the law declined even further after the reforms negotiated in the Uruguay Round effectively made it impossible for safeguard actions to pass muster in the WTO's Dispute Settlement Body. Because

[1] Another trade-remedy law allows for the imposition of countervailing duties on imports that are subsidized. Petitions filed under this law are not shown separately here because the statute is invoked much less frequently, and even then a great many of the petitions are filed in conjunction with AD cases.

[2] The safeguard law requires that the USITC determine whether increasing imports are a substantial cause of serious injury to the domestic industry. If the commission reaches an affirmative determination it will recommend relief (e.g., tariffs), but the president has wide discretion to accept, reject, or modify the commission's recommendations.

protectionist industries increasingly came to rely on the AD law as their principal tool, the drop-off in AD filings is especially revealing. Whereas the rate at which industries filed AD petitions peaked at just below two per month (i.e., 23.4 per year) during 1985-89, by 2010-16 it had fallen to less than one a month (i.e., 10.0 per year).

Figure 1: Rate of Activity under the U.S. Safeguard and Antidumping Laws, 1975-2016



Note: Antidumping petitions are counted here on the basis of products rather than partners, such that simultaneous petitions against identical products imported from two or more countries are counted as single petitions. Multiple safeguard petitions involving identical products that were filed simultaneously or in close proximity, or reconsiderations of cases following judicial remands, are counted here as single cases.

"Imports as % of GDP" are the average value for each year in the range. GDP data for the final period shown are 2010-15.

Sources: Global safeguard cases calculated from data provided by the U.S. International Trade Commission. Antidumping petitions calculated from data posted at http://ia.ita.doc.gov/stats/pre80ad.txt (for 1975-1978), the World Bank's Global Antidumping Database data posted at http://siteresources.worldbank.org/INTTRADERESEARCH/Resources/544824-1272916036631/7031714-1273097663359/7045138-1465854420750/GAD-USA.xls (for petitions filed in 1979-2015), and https://usitc.gov/trade_remedy/731_ad_701_cvd/investigations.htm (for 2016). GDP shares calculated from Bureau of Economic Analysis data at https://bea.gov/iTable/index_nipa.cfm.

The fact that these filings dropped while import penetration rose militates against any casual assumption that protectionist demands will move in tandem with the level of foreign competition. The U.S. economy was nearly twice as import-intensive in 2010-16 as it had been in 1975-79, and yet the pace of trade-remedy filings fell by more than half from the earlier to the later period. This seemingly paradoxical pattern makes sense, however, if one considers how globalization may force firms to reassess their interests. The more international that a company becomes — in its investments, its ownership, its position in global supply chains, and its sales — the lower are its incentives to demand protection. Put another way, the relationship between import penetration and trade-remedy filings was positive when industries faced the first wave of import competition, but as time went on there were ever more firms for which the supposed cure of protectionism began to appear more like a disease.

Globalization does not have the same effect on workers. Their only tradeable assets are immobile, as moving to Monterrey or Shanghai is not as easy for apparel workers as it is for apparel companies. It will therefore almost always be in labor's interest to restrict import competition, but employees are typically less able than employers to demand help from Washington. Many of them are unorganized, with the share of unionized labor having fallen from 23.3% in 1983 to 12.3% in 2015.[3] And while labor unions do have the same rights as firms to file AD petitions, this is like saying that the legal system confers the same rights on the poor as it does on the rich. However solid legal rights may be in principle, in actual practice they are more frequently and effectively exercised by whoever has the wherewithal to hire the best lawyer. The legal and accounting costs in AD cases add up quickly, and a petitioner should have at least a million dollars in its war-chest if it wants to pursue a successful complaint. One may cite anecdotal examples of unions that have done just that; in 2009 the United Steelworkers of America (USW) joined with three companies to file an AD petition against coated paper from China, for example, and in 2016 that same union filed its own AD and countervailing duty petitions against Chinese truck and bus tires. Few unions have deep enough pockets to follow the USW's example, however, especially if firms are not prepared to foot most or all of the bill. In short, the only way that most workers can benefit from the trade-remedy laws is if their employers prefer this option to offshoring their production. And even if the producers opt to fight rather than switch, they may demand wage concessions from their workers in order to maintain competitiveness.

The Declining Salience of Trade for Professional Politicians

The rise and fall of protectionist demands has been matched by a similar pattern of activity in policymaking circles, with this issue attracting varying levels of attention from lawmakers and presidents. The argument that follows is concerned more with the political salience of this issue than it is with the policies that elected officials choose to promote. By *salience* I mean the revealed preference of politicians to devote attention to an issue, as demonstrated by those actions that signal where they choose to invest their political capital. A rational politician may be assumed to concentrate on topics that are electorally rewarding, but to take a pass on issues that do not contribute to this overarching objective. We can measure salience by examining the subject matter of the bills that members of Congress introduce, and by tallying the items on a president's agenda.

The data reviewed below show that while the salience of trade policy rose sharply in the twenty years that followed the emergence of a U.S. trade deficit, it has since fallen from that peak. It is reasonable to suppose that these shifts are influenced by the same globalizing influences that led first to an increase in industry's demands for protection, but then tapered off as American firms became more international. Presidents and members of Congress found it profitable to invest their political capital in trade when industry demanded protection, but have subsequently made their peace with globalization. As in the case of the declining level of petitioning under the trade-remedy laws, however, disaffected workers have been left behind in the process.

The Declining Salience of Trade for Members of Congress

Perhaps the best way to measure the interest that politicians show in trade policy is to look at the bills that legislators introduce. Unlike many of its foreign counterparts, where most or all bills are introduced by the government and hence indicate only what the leadership wants, Congress allows all

[3] Bureau of Labor Statistics data at https://data.bls.gov/pdq/SurveyOutputServlet.

members to sponsor any number of bills on any matter they wish. The result is that thousands of bills are introduced in each two-year congress, and while only a few become law they all offer evidence of legislators' interest in associating themselves with specific issues.[4] The share of bills devoted to a topic tells us a lot about whether lawmakers think that subject is worth their while, even if they do not necessarily expect the bills they introduce to advance in the legislative process.

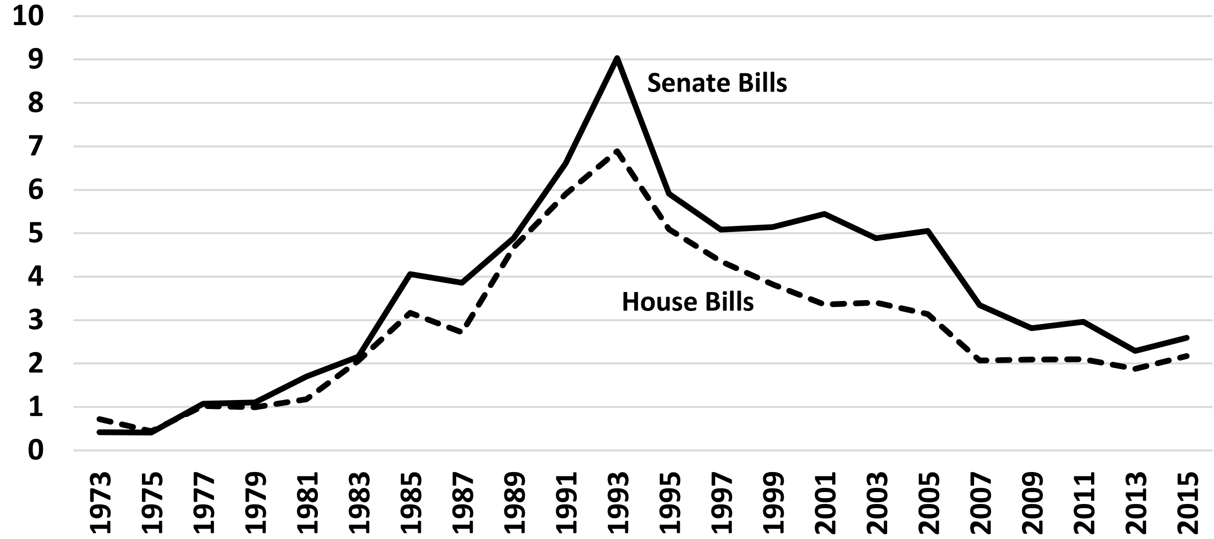
The data reported in Figure 2 quantify the salience of trade, based on a content analysis of all bills introduced in the two houses of Congress from 1973 through 2016. The high point came in the 103rd Congress (1993-94), when 366 bills introduced in the House of Representatives (or nearly 7% of the 5,310 total) dealt with trade. The numbers were higher still in the Senate, where over 9% of all bills introduced in the 103rd Congress related to this issue. It is not surprising that those two years proved to be the peak, considering all that was then happening: the conclusion and approval of both the North American Free Trade Agreement (NAFTA) and the Uruguay Round agreements, the launch of mega-regional negotiations in the Americas and the Asia-Pacific region (both of which ultimately failed), and continued concerns over U.S. competitiveness and the trade deficit. Trade had also been a hot topic in the 1992 presidential election, which was the first time — but not the last — that an unorthodox billionaire without prior political experience would run for the presidency on a protectionist platform. Third-party candidate H. Ross Perot managed to capture 18.9% of the popular vote, and while that was not nearly enough to win his showing seems to have been sufficiently impressive to inspire emulation on Capitol Hill.

Trade's heyday in Washington passed as quickly as it arrived, even if the level of congressional interest did not revert to the low levels of the early 1970s. By the 114th Congress (2015-16), trade accounted for just 2.2% of all House bills and 2.6% of Senate bills. The data thus imply that dealing with trade was less than one-third as attractive to the median legislator in the two years that Donald Trump ran for the presidency than it had been in the first two years of Bill Clinton's presidency. That low salience did not dissuade Trump from making trade a marquee issue, however, and one can only imagine how thoroughly his own success will be reflected in the bills introduced by members of the 115th Congress (2017-18).

4 For example, in the 114th Congress (2015-16) there were 6,536 bills introduced in the House of Representatives and 3,548 in the Senate. Only 329 of the bills made it all the way through the legislative process to become public laws, amounting to 5.0% of all House bills or 3.3% of the combined House and Senate bills. Calculated from data at https://congress.gov/browse/114th-congress.

Figure 2: Trade Bills Introduced in the 93rd through the 114th Congresses

Trade Bills as a Percentage of All Bills Introduced in Each Two-Year Congress



Note: "Trade bills" are defined to be any public bills that included at least one of the following keywords and phrases in the text: "African Growth and Opportunity Act," "Andean trade," "antidumping," "Caribbean Basin Economic Recovery Act," "fair trade," "free trade agreement," "GATT," "General Agreement on Tariffs and Trade," "Generalized System of Preferences," "most favored nation," "NAFTA," "normal trade relations," "Omnibus Trade and Competitiveness Act," "Tariff Act of 1930," "trade act," "trade adjustment assistance," "Trade and Tariff Act," "Trade Expansion Act," "trade preferences," "unfair trade," or "World Trade Organization."

Note: Years shown in the horizontal axis indicate the first year of a two-year congress.

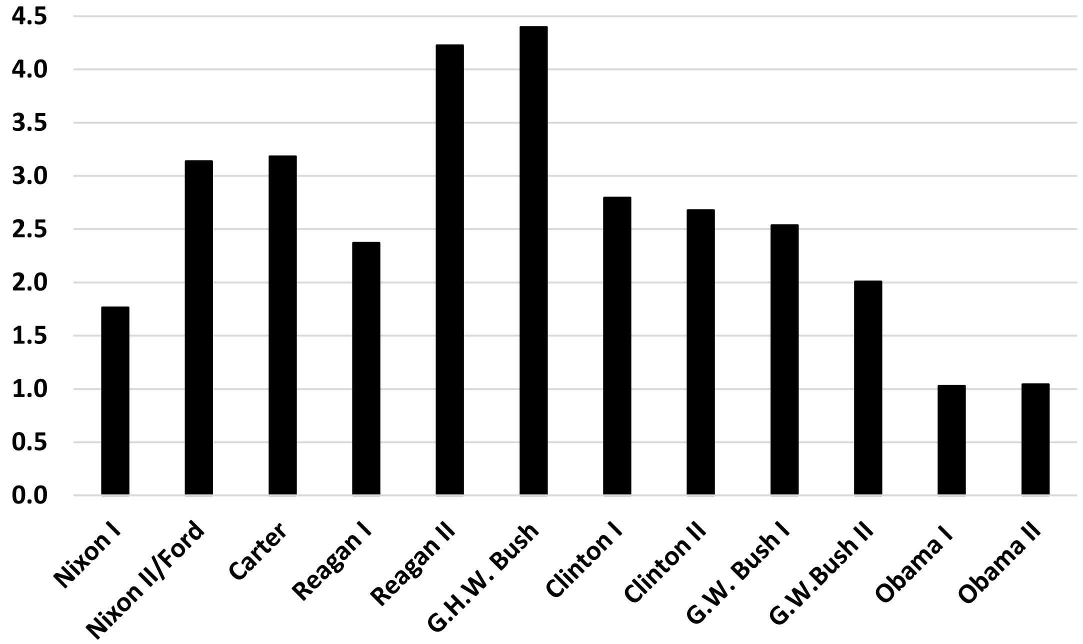
Source: Calculated from data on the Library of Congress website at https://www.congress.gov/advanced-search/legislation (for the bills with trade content) and https://www.congress.gov/browse (for the total number of bills). Note that the database is not searchable for congresses prior to the 93rd (i.e., 1973-74).

The Declining Salience of Trade for Presidents

Presidents are no less rational on these matters than are members of Congress, even if their interests and their powers are different. Figure 3 shows the relative share of events and documents that every chief executive from Nixon through Obama has generated on trade policy, as archived by the American Presidency Project. This may not be quite as good an indicator of salience as are the bills reviewed above, insofar as presidents do not fully control the flow of issues that reach the Oval Office. Some of the executive orders and other instruments that they routinely sign are mandated by existing law, and others come to them because someone else enacted a bill, filed a petition, forced a crisis, or otherwise set in motion a process that stopped only when the buck reached the president's desk. Chief executives nonetheless have a great deal of discretion in deciding which topics they will emphasize, and how much publicity they will accord to both the required and the elective subjects on their agendas. It is one thing simply to sign a bill or an executive order, and quite another to complement that signing with a series of speeches, fact sheets, photo ops in the rose garden, and so forth. By determining which activities receive short shrift and which garner extra attention, we can get a good sense of just how highly a president values each issue.

Figure 3: Relative Importance of Trade in Presidential Documents and Events, 1969-2016

Share of Documents and Events in a Presidential Term for which "Trade" or Associated Words Were in the Title or Description



Based on transcripts, press releases, executive orders, fact sheets, and other White House documents for which the title or description included (1) the word "trade" (excluding cases in which it had a meaning other than "international commerce," such as references to the Federal Trade Commission, the building trades, etc.) and/or (2) one or more of the words "import" (or "importation"), "export," "tariff," or "safeguard" (when used in a trade-related sense).

Source: Calculated by the author from documents posted by the American Presidency Project (http://www.presidency.ucsb.edu/ws/#axzz1JAjFyi1c).

The data indicate that the salience of trade hit its peak in the George H.W. Bush administration (1989-92), when this issue accounted for 4.4% of the paper trail. The high point for presidential trade politics thus came just before the same thing happened on Capitol Hill. The political profile of trade dropped off thereafter, and fell especially rapidly with the inauguration of Barack Obama. That drop may initially be seen as a simple function of decreased activity: Neither the executive nor Congress showed more than cursory interest in trade during Obama's first two years in office, apart from his decision to grant relief from imported Chinese tires.[5] The only significant undertaking in the entire first term was to secure congressional approval in 2011 for the free trade agreements with Colombia, Korea, and Panama that Obama inherited from Bush.

Trade got a major upgrade in President Obama's second term. The Trans-Pacific Partnership (TPP) negotiations now expanded in membership (most notably by bringing Japan to the table) and moved forward with more deliberate speed. The administration also complemented this mega-regional negotiation by launching the similarly ambitious Transatlantic Trade and Investment Partnership (TTIP). The TPP and TTIP could have been the most consequential trade negotiations of the post-Uruguay Round period — had they not then run into the results of the 2016 presidential election. For our present purposes, what is most significant is that this upgrade in administration activity was not matched by a commensurate rise in the level of presidential attention. Trade accounted for just 1% of

[5] This 2009 action was taken under a special safeguard that applied only to trade with China.

the documents and events in both the first and second Obama administrations. This observation speaks volumes about the low political saliency of trade at the very end of what future historians may label as the pre-Trump period of American trade politics.

The declining salience of trade for presidents and other elected officials can be seen not just in words, but also in deeds and in money. The data presented below show how presidential candidates came to see diminishing utility in making protectionist campaign promises, and how the funds provided to their campaigns came to be dominated by pro-trade rather than protectionist interests.

Protection and Disputes in Presidential Election Years

It has long been a matter of folkloric belief that presidential election years are hazardous times for free-traders, and for many years the timing of safeguard cases supported this contention. Of the 73 safeguard petitions filed since enactment of the Trade Act of 1974, 26 were scheduled so that an incumbent president seeking reelection would have to decide whether or not to grant protection during the twelve-month period preceding Election Day. The 1980 automotive case was also associated with a presidential reelection, even though the petition was filed too late for the final decision to precede the election. Twenty-seven out of 73 cases were thus associated with one of five presidential reelection years (i.e., 5.4 per year), *versus* 46 cases in the remaining 21 years (i.e., 2.2 per year) of this period. The data thus confirm a clear association between protectionist demands and presidential elections from 1975 through 2001, but since then the practice has virtually disappeared.

Much the same pattern can be seen in the protectionist campaign promises that presidential candidates used to make. In four of the six presidential elections from 1980 through 2000 one of the candidates — always a Republican — promised major protection for one of the two largest import-challenged industries. Ronald Reagan pledged to protect the textile and apparel industry in 1980 (thus appealing to voters in the South), he made a similar promise to the steel industry in 1984 (thus appealing to voters in the industrial Midwest), and the two Bushes also offered protection to the steel industry in their respective 1988 and 2000 campaigns. No candidate in either party made similar promises for this type of "big ticket" protection in any election from 2004 through 2016. To the extent that presidential incumbents and aspirants strike tough poses, they now do so with respect to a specific country (i.e., China) rather than specific industries.

The disappearance of major, product-specific protectionism reflects three tectonic shifts in the political geography of presidential elections. The first shift, as already reviewed, is the declining level of employment in protectionist industries. Second, many of the states in which these industries are concentrated have themselves experienced relative declines in population, meaning that after each decennial census they have lost seats in the House of Representatives. Fewer House seats means fewer votes in the Electoral College, and thus less heft in presidential elections. For example, the industrial states of Michigan, Ohio, and Pennsylvania collectively controlled 73 electoral votes in the 1980 presidential election, so that a candidate who won all three states was 27% of the way towards racking up the 270 electoral votes needed to win the White House. By 2008 they had been reduced to 58 votes, thus providing just 21% of that magic number. The third change is in the contestability of states, with party lines becoming firmer over the decades. In 1980 there were 27 contested states[6] controlling 336 electoral votes (62% of the available 538), but by 2008 there were just 18 states in play with 181 electoral votes (34% of the total). Several former "swing states" used to host troubled industries, and thus offered tempting targets for protectionist appeals, but have lately turned so darkly Republican red or Democratic blue that neither party feels an incentive to contest them.

[6] See the appendix for the formal definition of a contested state.

The data in Figure 4 illustrate the electoral stakes in four elections in which a candidate made protectionist promises and one election in which neither candidate did so. The figure shows the total number of electoral votes associated with states that (a) were not firmly in either party's camp and (b) were associated with the steel or textile industries.[7] The aggregate data demonstrate how thoroughly the political economy of protection has changed. Back in 1980, when Reagan promised to protect the textile and apparel industry, that industry was associated with nineteen swing states that collectively controlled 235 electoral votes (87.0% of the needed 270). Four years later, when Reagan ran for reelection and promised to protect steel, that industry was associated with nine of the states in play and 128 electoral votes (47.4% of 270). By 2008, however, the protectionist pool had all but emptied. Obama won both the sole remaining steel swing state (Indiana) and its counterpart among the textile and apparel states (North Carolina), doing so without resort to protectionist appeals.[8] And while trade policy played a role in both of the two presidential elections that followed, none of the four major-party nominees made any sector-specific promises like those in the 1980-2000 races.

These most traditional forms of presidential protectionism have thus virtually disappeared, but the place that safeguards and campaign promises once held in presidential electoral politics has been taken by dispute-settlement cases. Bill Clinton was the first president in the WTO era, and his administration brought more cases to the WTO during his reelection year (17) than it averaged during 1995 and 1997-2000 (10.2). The total numbers dropped for George W. Bush, but the distribution remained comparable: He brought four complaints in 2004, *versus* an average of 2.7 per year in the rest his presidency. The Obama administration approximately matched its predecessor's record, bringing five cases in 2012 and 2.3 per year in the rest of his term. The switch from protection to disputes implies not only that recent presidents have been more interested in enforcing U.S. access to foreign markets than in restricting foreign access to the U.S. market, but also that they favor policy tools that have a lower political profile. Promises to impose restrictions on a whole class of imports might make the first page of the newspaper in the target states, but stories about disputes in the WTO are more likely to be relegated to the business section. This switch is consistent with the general pattern by which trade policymaking has been transformed from a high-profile issue with mass appeal to a technical subject that is of principal interest to policy wonks and corporate boardrooms.

---

7 More precisely, this criterion requires that the industry employ at least 0.25% of the state's total population. While that may seem to be a very low threshold, this number comports with the decision that the G.W. Bush campaign made to offer protection to the steel industry in the closing days of the 2000 campaign. The Bush pledge was reportedly made in order to sway voters in West Virginia, where jobs in the iron and steel industry accounted for just 0.27% of the state's population. Bush did indeed win West Virginia's five electoral votes, in an election that was ultimately decided by a single electoral vote.

8 Those two states met the criteria for being considered swing states only because Obama won there in 2008; Republicans otherwise had an unbroken record in recent elections. If not for these two victories both states would have been considered out of play, at least for purposes of this analysis, and hence in 2008 there would have been *no* swing states left that were associated with either of these protection-seeking industries.

Figure 4: Electoral Votes in Swing States Associated with Protection-Seeking Industries

Electoral Votes in Swing States Where the Industry Accounted for an Above-Threshold Level of Employment

See the appendix for the sources and the definitions (i.e., the threshold levels of employment and what constitutes a state in play).

Note: Election years prior to 2008 in which the major-party candidates made no significant promises to protect major industries (i.e., 1992, 1996, and 2004) are not shown.

Campaign Contributions from Pro-Trade and Protectionist Interests

The composition of campaign cash has also shifted away from protectionist interests. Trade-skeptical firms and unions still make contributions to politicians, but their purses have not grown as fat as those of the more pro-trade industries. The labor unions in particular now provide a smaller share of the money to candidates and parties than they once did.

One recurring theme in the literature of American trade policymaking holds that protection-seeking industries can use campaign contributions to expand their influence beyond the geographic limits of their operations. Or to reduce the matter to Ferguson's Golden Rule, "to discover who rules, follow the gold" (1995: 8). Grossman and Helpman (2002) advanced a protection-for-sale model based on the incentives for politicians to peddle their policy influence, such that (for example) a legislator who represents a district in which there is no steel production might nonetheless be persuaded to favor import protection if the price is right. Similarly, Gawande and Hoekman (2006) found a relationship between agricultural protection, subsidies, and campaign contributions in the late 1990s. One may certainly cite anecdotal examples of industries that have used this legal form of graft to their advantage. Take the case of sugar: Cane and beets are commercially grown in just ten states, most of them small, but the industry compensates for its paltry size by giving generously and often to the campaign coffers of accommodating legislators. Those investments are widely reputed to account for this industry's continued protection from foreign competition. The data discussed below, however, suggest that the sugar industry may be more of an exception than an exemplar.

There are two caveats that should be borne in mind when considering the data. The first is that the laws regulating campaign finance have frequently shifted through legislative revision and judicial rulings, resulting in a multiplicity of means through which interested parties can provide cash (directly or indirectly) to candidates. The reporting below is based on the most transparent of these instruments, the political action committee (PAC). PACs are required to provide detailed information on the money that they receive and disburse, but the industries and other interests that establish these committees may also provide funds through other means such as independent expenditures and "soft money" contributions to political parties. The data reported here may be taken as broadly indicative of the level of funding provided by different interests, but it is possible that we would find somewhat different patterns if every form of campaign funding were as thoroughly reported as PAC money. Second, we may only guess as to how high a priority trade policy receives when these PACs decide which candidates to favor. The sugar industry may pay monomaniacal attention to this one issue, but the typical PAC is probably oriented towards a multiplicity of topics.

With those caveats in mind, the data in reported in Table 2 strongly suggest that the rational, median candidate for the presidency or Congress will find it more rewarding to adopt positions favored by the pro-trade sectors than to pander to the protectionist interests. For every dollar that the protectionist-oriented PACs contributed to Federal candidates in 2016, the PACs associated with pro-trade industries made $2.22 in contributions. Moreover, the trends are moving in the direction of the pro-trade industries. The protectionist PACs provided 38.6% more money in 2016 than they did in 2000, but during the same period the pro-trade PACs very nearly doubled their contributions. It is especially important to note the decline of the protectionist unions, whose largesse fell 22.2% in absolute terms during 2000-16.

The significance of that last point can be understood by looking more closely at one of the largest industrial sectors. The data in Table 3 show the contributions made by PACs associated with segments of the automotive industry in 2000 and 2016. The automotive firms themselves actually comprise a small share of the industry's total campaign contributions, and one that lacks a consistent message on trade. Their position cannot be neatly characterized as either pro-trade or protectionist, as it has instead been nuanced and variable. They formed the backbone of the free trade coalition from the 1930s through the 1960s, then adopted a protectionist stance when facing Japanese competition in the 1980s, but have since been more interested in details (e.g., the specific rules of origin in free trade agreements) than in the broad sweep of trade policy. It is instead more revealing to contrast the campaign contributions that come from the most consistently protectionist segment of the industry (unions) with those made by the most pro-trade segments (dealers and international producers). As of 2000, those two pro-trade groups already contributed 1.8 times more than the unions did. By 2016, the disparity had grown to 4.8 times.

Table 2: Campaign Contributions from Trade-Related PACs, 2000-2016 Campaign Cycles

Total Contributions to Federal Candidates (Presidential and Congressional), in Thousands of Dollars

	2000	2004	2008	2012	2016	Change 2000-16
Protectionist PACs	**$11,204.4**	**$12,222.6**	**$16,862.3**	**$15,588.7**	**$15,527.0**	**38.6%**
Agriculture	**$3,433.3**	**$4,772.3**	**$6,829.5**	**$6,631.1**	**$7,641.5**	**122.6%**
Sugar	$1,593.7	$2,375.7	$3,223.8	$3,958.8	$4,640.7	191.2%
Dairy	$1,336.6	$1,755.7	$2,662.3	$1,971.5	$1,441.0	7.8%
Cotton	$274.7	$422.5	$555.5	$452.2	$827.8	201.3%
Peanuts	$228.2	$218.2	$387.8	$248.5	$732.0	220.8%
Industry	**$1,385.2**	**$1,223.4**	**$2,254.6**	**$2,173.1**	**$2,919.0**	**110.7%**
Paper	$469.3	$428.6	$609.9	$941.3	$1,157.5	146.6%
Iron and steel	$423.0	$483.1	$988.0	$738.4	$823.6	94.7%
Cement	$181.0	$193.5	$453.3	$246.9	$641.0	254.1%
Textiles and apparel	$311.7	$118.0	$203.3	$246.4	$296.9	-4.7%
Unions	**$6,385.7**	**$6,226.8**	**$7,778.1**	**$6,784.4**	**$4,966.5**	**-22.2%**
Int'l Broth. Elect. Workers	$2,620.3	$2,340.2	$3,381.5	$2,834.2	$2,437.0	-7.0%
United Auto Workers	$2,150.0	$2,075.7	$2,010.4	$1,588.0	$1,066.9	-50.4%
UNITE HERE (apparel)	$388.0	$787.6	$1,067.1	$1,132.2	$761.9	96.4%
United Steelworkers	$1,227.3	$1,023.2	$1,319.0	$1,230.0	$700.7	-42.9%
Pro-Trade PACs	**$17,504.6**	**$21,368.0**	**$27,671.6**	**$31,446.7**	**$34,531.1**	**97.3%**
Computers and Internet	$2,507.2	$4,039.4	$5,584.8	$6,913.4	$10,129.5	304.0%
Retail (non-automotive)	$3,241.2	$4,508.3	$5,873.2	$6,566.6	$8,065.5	148.8%
Shipping (air and sea)	$4,654.3	$5,968.5	$6,813.2	$7,063.6	$5,145.8	10.6%
Automobile dealers	$3,418.2	$3,285.4	$3,611.7	$4,201.5	$4,345.5	27.1%
Food processors	$2,720.2	$2,430.1	$3,755.4	$4,025.6	$3,733.7	37.3%
Boeing	$706.9	$900.3	$1,413.8	$2,044.0	$2,086.0	195.1%
Caterpillar, Inc.	$256.6	$236.0	$619.5	$632.0	$1,025.1	299.5%
Pro-Trade:Protectionist	**1.6:1**	**1.7:1**	**1.6:1**	**2.0:1**	**2.2:1**	

Note that columns may not add precisely due to rounding.

Sources: Calculated from data compiled by the Center for Responsive Politics' Open Secrets project (http://www.opensecrets.org/pacs/index.php), based in turn on Federal Election Commission data. Most categories shown here are the author's own, aggregating contributions from PACs associated with trade associations and individual firms.

Simply stated, a politician who relies upon PACs to fund his or her campaign might think twice before adopting a protectionist stance. The pockets of the pro-trade groups were already deeper than those of their opponents in 2000, and have only gotten deeper in the intervening years. But that may mean little for a candidate who devises an unorthodox campaign that is based more on rallies and free media than it is on television commercials, and who is capable of self-financing much of it. It is to that candidate that we now turn.

Table 3: Campaign Contributions by Automotive-Affiliated PACs, 2000 and 2016 Election Cycles

Total Contributions to Federal Candidates (Presidential and Congressional), in Thousands of Dollars

	2000	Share of 2000	2016	Share of 2016	Change 2000-16
United Auto Workers	**$2,150.0**	**31.7%**	**$1,066.9**	**13.0%**	**-50.4%**
U.S. Producers	**$757.2**	**11.2%**	**$2,045.3**	**24.9%**	**170.1%**
General Motors	$323.9	4.8%	$1,209.8	14.7%	273.5%
Ford Motor Company	$433.3	6.4%	$782.5	9.5%	80.6%
Alliance of Automobile Mfgs.	—	0.0%	$53.0	0.6%	—
Dealers	**$3,418.2**	**50.3%**	**$4,345.5**	**52.9%**	**27.1%**
National Auto Dealers Assoc.	$2,498.7	36.8%	$2,747.3	33.4%	9.9%
Automotive Free Int'l Trade PAC	$882.0	13.0%	$1,121.3	13.6%	27.1%
Other*	$37.5	0.6%	$476.9	5.8%	1,171.7%
International Producers	**$465.1**	**6.8%**	**$762.0**	**9.3%**	**63.8%**
Toyota Motor North America	—	0.0%	$620.0	7.5%	—
Continental Automotive Inc.	—	0.0%	$142.0	1.7%	—
DaimlerChrysler	$450.1	6.6%	—	0.0%	—
New United Motor Manufg.**	$15.0	0.2%	—	0.0%	—
Total	**$6,790.5**	**100.0%**	**$8,219.7**	**100.0%**	**21.0%**

** : Other dealers include the National Independent Automobile Dealers, Auto Dealers & Drivers for Free Trade, Gulf States Toyota, and JM Family Enterprises.*

*** : A joint venture of General Motors and Toyota.*

Sources: Calculated from data compiled by the Center for Responsive Politics' Open Secrets project (http://www.opensecrets.org/pacs/index.php), based in turn on Federal Election Commission data.

The Rise of Donald Trump and the Rebirth of Presidential Protectionism

And then came Trump. In his 2016 campaign he accorded trade policy, together with related topics such as illegal immigration and a broad-spectrum rivalry with China, a higher profile than had any other major-party nominee in living memory. Trump repeatedly promised to withdraw from the as-yet unapproved TPP, to renegotiate NAFTA, and to impose tariffs and other measures that would violate U.S. obligations under the WTO. How did a man running on an unapologetically protectionist platform manage to win the Republican nomination and then the general election?

At the risk of sounding glib, the simplest explanation is that Trump won precisely because he was so new to electoral politics that he did not know what could not be done — and so he did it anyway. Here one is put in mind of the 2014 film "Birdman," the subtitle of which was "The Unexpected Virtue of Ignorance." This novice candidate did not know that the underclass does not vote, that protectionism was a loser of an issue, and that it was impossible for a Republican to breach the Democratic "blue wall" in the Rust Belt. Democrats had swept Michigan, Pennsylvania, and Wisconsin in each of the last six presidential elections, and thus it was inconceivable that Trump might take those states. He paid no attention to that conventional wisdom, reiterated his trade message, and ultimately took all three. Combined with his winnings in 27 other states, a victory in any one of them would have put him over the necessary 270-vote threshold. By capturing all three states' 46 electoral votes, he had 36 to spare in the Electoral College.

That explanation deserves greater elaboration. There are three ways in which the Trump campaign managed to reverse decades of established patterns in presidential trade politics: He appealed to the protectionism of a truly "forgotten man," he more effectively exploited the challenge from China than any candidate had before, and he completely bypassed the established campaign finance system.

The Reemergence of Protectionism and the Rise of a Republican Underclass

Trump had to win the Republican nomination before he could contest the general election, and to that end he did two surprising things. One was to make an appeal to the underclass, which required that he poach on what is usually considered Democratic territory. He focused on lower-income whites, and especially white men without college degrees. It might at first appear that his protectionist appeal was another act of partisan plagiarism, but this is not an issue that Democrats have always owned. To the contrary, and as surprising as Trump's protectionism was, he actually brought the Republican Party back to its historical roots. From the 1860s through the 1960s, there was no other issue on which the partisan battle lines were firmer: The Republicans were the party of protection (especially in the industrial north) and Democrats were the party of free trade (especially in the rural south). That did not begin to change until the latter years of the Johnson administration, and the parties did not complete the reversal of their polarities until the end of the Reagan administration.

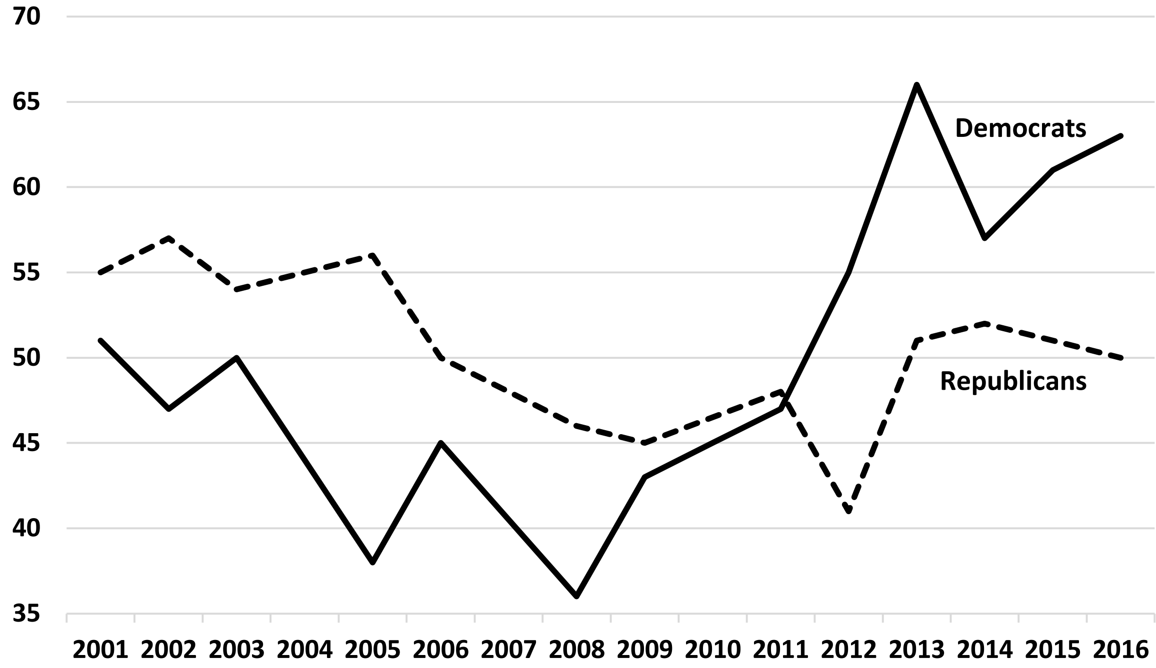
The data illustrated in Figure 5 suggest that Trump benefited from a trend that few of the professional politicians picked up: The bases of the two parties seem prepared to execute yet another reversal of their polarities. At the turn of the century Republican voters were still more favorably disposed towards trade than were their Democratic counterparts, but the partisan positions flipped during the Obama presidency. And while there was still a bare majority of Republican voters in 2016 who saw trade more as an opportunity than a threat, that left a very substantial minority whose anger could be leveraged. Trump was the only candidate among the seventeen Republican hopefuls who identified this weakness, and was prepared to upend a generation of party orthodoxy.

Both in the race for the nomination and in the general election, Trump tapped into one of the defining themes of the *zeitgeist*. Income inequality is an issue that has captivated the chattering classes for the last few years, whether they choose to imbibe the topic by way of economics (e.g., Thomas Piketty's *Capital in the Twenty-First Century* [English edition of 2014]), moral philosophy (e.g., Pope Francis' 2015 speech to a joint session of Congress), or biography (e.g., J.D. Vance's *Hillbilly Elegy: A Memoir of a Family and Culture in Crisis* [2016]). A paper by economists Pierce and Schott did not receive anything like that same level of attention, but did speak directly to the concerns of what became Trump's base. They found "higher rates of suicide and related causes of death, concentrated among whites, especially white males" in communities with greater exposure to the consequences of trade liberalization (2016: 1). Their data suggested that the costs of the trade deficit can be counted not just in lost jobs and lower wages, but also in mental anguish, social isolation, addiction to drugs and alcohol, and self-destruction. Put another way, Trump was engaging in severe hyperbole when he declared that "China is raping this country" via trade,[9] yet there was a more literal (if indirect) sense in which imports actually killed some Americans. Trump knew what the professional politicians did not: A large pool of displaced workers had been so alienated that they had not bothered to vote for years, but could be rallied to support a man who spoke their language, acknowledged their pain, and promised to relieve it. The fact that Trump chose to embellish his position with racist dog whistles was, from the perspective of some in his target audience, more a feature than a bug.

[9] Quoted at http://www.cnn.com/2016/05/01/politics/donald-trump-china-rape/index.html.

Figure 5: Popular Support for Trade by Party, 2001-16

Percentage of Respondents who See Trade Mainly as an Opportunity Rather than a Threat



Text of Question: "What do you think foreign trade means for America? Do you see foreign trade more as an opportunity for economic growth through increased U.S. exports or a threat to the economy from foreign imports?"

Note: No data are available for 2004, 2007, and 2010. Values shown here are based on the preceding and following years.

Source: Gallup poll at http://www.gallup.com/poll/189620/americans-remain-upbeat-foreign-trade.aspx.

China as an Economic and Security Challenge

Every good plot needs a villain, and China offered Trump an outstanding candidate for that position. This is the one aspect of his campaign that involved the least innovation, as the 2012 candidates had already competed over who had the toughest and the smartest plan for countering the Chinese challenge. Romney repeatedly emphasized his plans to declare China a currency manipulator and to take action against this subsidy, while Obama advanced the TPP as a means of assembling an economic alliance in opposition to Chinese dominance. Trump copied and amplified Romney's message, but turned Obama's strategy on its head.

Considering the array of issues involved, there is nothing surprising about the role that the Sino-American rivalry played in the 2012 and 2016 elections. Cold War policymakers could treat trade and foreign policy as separate topics because the military and commercial challenges were distinct. The Soviet Union was an inefficient and largely autarkic empire that was almost invisible as a U.S. trading partner, while Japan — which seemed for a time to be overtaking the United States in global markets — was a close ally that had foresworn the use of military force. Trade and foreign policy were linked at the highest levels of grand strategy, but they rarely collided at the tactical level. The prospects for spillovers between trade and security policy are far greater now that the economic and security challenges come together in a single rival. The rise of China also directly addresses widespread anxieties over America's place in the world. The United States accounted for about the same share of global GDP in 2015 (24.4%) as it had in 1995 (24.6%), but China's share leapt from 2.4% to 14.9%

during that same period.[10] And while it may be a *post hoc ergo propter hoc* fallacy, many in the public — and some economic researchers as well[11] — attribute China's rapid rise with its accession to the World Trade Organization in 2001 and the consequent receipt of permanent normal trade relations (i.e., unconditional MFN treatment) from the United States. It did not help Hillary Clinton that it was her husband who shepherded this change in the U.S.-China trade relationship through Congress, and that China's share of the U.S. merchandise trade deficit rose from 17.1% in 2000 to 37.6% in 2016.[12]

The Obama administration's poor timing and messaging on the TPP also provided two avenues of attack for Trump. China was not a party to the TPP, which U.S. policymakers (if not all of their partners)[13] portrayed as a means of countering Chinese influence in the Pacific Rim, and yet Trump charged that this agreement "was designed for China to come in, as they always do, through the back door and totally take advantage of everyone."[14] This was one of many Trump claims that earned a "pants on fire" rating from PolitiFact,[15] but such finger-wagging may matter little in the post-truth era. The Obama administration also gave Trump a gift by planning to postpone congressional debate over the TPP until a post-election, "lame duck" session in which legislators would presumably feel less constrained by hostile public opinion. That maneuver merely contributed to the perception that the elites game the system and make end runs around democracy.

The Marginalization of PACs by a Self-Financing Candidate

It is an unwritten law of presidential elections that victory goes to the candidate who spends the most money. This had been most recently demonstrated in 2012, when Obama vastly outspent Romney ($721.4 million to $449.5 million).[16] And as was discussed above, the weight of PAC money favors pro-trade over protectionist interests. Neither of those facts mattered to Trump. If the normal rules applied, he stood no chance: Clinton's campaign and associated committees spent $639.7 million, more than twice as much as those associated with Trump ($302.4 million).[17] By that same logic, Trump should never have won the Republican nomination; it would instead have gone to Jeb Bush, who spent $152.4 million in order to win four delegates to the Republican National Convention (1,233 shy of the number needed to win).[18]

Two factors allowed Trump to rewrite the rules by which campaigns are financed and elections are won. The first is that he could draw upon his own considerable resources, which was especially important in the earliest stages of the race. There was little chance that Trump could have gotten much

---

10 Calculated by the author from World Bank data at http://data.worldbank.org/indicator/NY.GDP.MKTP.CD.

11 See for example Pierce and Schott (2012), who demonstrated a close correlation between the rapid decline in U.S. manufacturing employment and the extension of permanent normal trade relations to China in 2000.

12 All trade data cited here are, unless stated otherwise, from the U.S. International Trade Commission's DataWeb at https://dataweb.usitc.gov/. Data for 2016 based on January-November. GDP data are from the Bureau of Economic Analysis at https://bea.gov/iTable/index_nipa.cfm.

13 Nine of the twelve signatories to the TPP either already have or are negotiating free trade agreements with China. The three North American countries are the only exceptions to this rule.

14 Trump comments at a Republican debate in Milwaukee, Wisconsin on November 11, 2015, as reported at http://theweek.com/speedreads/588181/rand-paul-embarrassed-donald-trump-over-china-tpp-during-gop-debate.

15 See http://www.politifact.com/truth-o-meter/statements/2015/nov/12/donald-trump/trump-says-china-will-take-advantage-trans-pacific/.

16 Figures compiled by Open Secrets and posted at http://www.opensecrets.org/pres12/candidate.php?id=N00009638 (Obama) and http://www.opensecrets.org/pres12/candidate.php?id=N00000286 (Romney).

17 Figures compiled by Open Secrets and posted at https://www.opensecrets.org/pres16/candidate?id=N00000019 (Trump) and https://www.opensecrets.org/pres16/candidate?id=N00000019 (Clinton).

18 Open Secrets at http://www.opensecrets.org/pres16/candidate?id=N00037006.

seed money from the usual sources of Republican campaign contributions, given the almost universal expectation that he could not possibly win the nomination (much less a general election). Even when he solicited contributions at later stages of the campaign, Trump ran something akin to a guerrilla operation that lived off the land. Trump's financial disadvantage was largely erased by all of the unpaid coverage that he received from the 24-hour news channels, other traditional media, and the Internet's new media (both "fake news" and the legitimate variety). No candidate in modern times has relied so heavily on rallies and free media, but that is just one of many ways that Trump successfully defied convention.

For our present purposes, what matters most about campaign finance in 2016 is that PACs were nearly irrelevant. Candidates normally have more to gain from the contributors who favor free trade than they do from the protectionist interests, but that made no difference to the Trump campaign. More than any recent candidate, he could promote a protectionist platform with financial and electoral impunity.

Conclusions

We have seen how economic and political elites have grown less interested in demanding or supplying protection not despite the rise in import penetration, but indeed because of it. Globalization serves the interests of consumers and competitive producers, and it set in motion a process of creative destruction that transformed American industry. For the typical firm that is now more globalized in its investments, ownership, sources, and sales, protectionism appears more threatening than enticing. Politicians adapted to this transition even more readily than firms, often conceding to demands for protection when they were made, but turning to other options when those demands subsided. Presidents in both parties stopped proposing import quotas, placing a higher priority on the negotiation of new trade agreements. Republicans in Congress generally supported those initiatives, while Democrats played defense by seeking changes to trade agreements at the margins (e.g., on labor and the environment), increasing the trade adjustment assistance programs, and pursuing "murky" forms of protection (e.g., Buy American requirements). Industry files fewer petitions under the trade-remedy laws, presidential candidates focus more on opening foreign markets than on closing their own, and there has not been a serious congressional effort to enact import quotas for over thirty years. The system worked well for organized interests and professional politicians, even if it did leave behind a growing number of displaced workers.

With the benefit of hindsight, the victorious surge of protectionist demagoguery is reminiscent of how de Tocqueville described the French Revolution: It was both unforeseeable and inevitable. In both cases, the build-up of resentment at the bottom, coupled with complacency at the top, made a cataclysmic eruption seem unavoidable. One of the chief reasons that Donald Trump won the Republican nomination, and then the presidency, was that he recognized and exploited the economic loss, social alienation, and political disenfranchisement of those on the losing side of globalization. He could do so only because the rest of the political field overlooked this rich source of votes. H. Ross Perot and Pat Buchanan, each of whom had much in common with Trump, hoped to fill that political vacuum by appealing to the same group. But in presidential politics, as in comedy, timing is everything. It took a few decades of not so benign neglect for the post-industrial underclass to give up on the same politicians who seemed to have given up on them, and to turn to a man who promised to overturn the entire system on their behalf.

What does Trump's victory mean? The most obvious and immediate implications are for U.S. trade policy over the next four to eight years. It is impossible to overemphasize the importance of presidential preferences in the choice between protectionism and free trade. Despite the fact that every president from Franklin Roosevelt to Barack Obama claimed to be a free-trader, chief executives have ultimately been responsible for nearly every notable episode of protectionism in the modern era. Major examples include the quotas placed on textiles and apparel in the 1960s and subsequently tightened in the next two decades; the negotiation of “voluntary” restraints on imports of Italian shoes in the 1970s and Japanese cars in the 1980s; and the restrictions slapped on imported steel in 1984, 1988, and 2001. What all of these episodes have in common is that they required the initiative or the acquiescence of the president; chief executives might not resist every temptation to promise protection, or oppose every demand that others make, but when they set their caps against protection they have always prevailed. The difference for the Trump administration is that protectionism may now go from being the exception to the rule. It has yet to be seen how many of Trump’s threats are real, and to what extent they are merely intended to create leverage in negotiations,[19] but it is quite evident that the style and substance of U.S. trade policy are in for major changes.

The implications grow wider when one considers that Trump’s accomplishment may not be unique in place or time. With regard to place, his surprise victory was just one of several shocks that voters dealt to the liberal order in 2016. Others included an equally unexpected victory for the Brexit forces in the United Kingdom, as well as votes against economic integration elsewhere in the European Union. Many commentators now anticipate an unraveling of the system that began to be assembled in the aftermath of the Second World War, and that got a second wind when pro-market, pro-democracy forces won the Cold War. That system served the interests of the United States as well as its partners, but it produced losers as well as winners. The losers have now won — or have at least handed a victory to a man who purports to speak and act for them.

How well justified are these fears? Might we see not just a halt to further progress in the reduction of global barriers to trade and investment, but a return to the days of beggar-thy-neighbor policies? The answer will depend in no small measure on decisions made in the coming years by Washington policymakers and the broader U.S. electorate. There is indeed a possibility that the Trump administration will erect new barriers to trade, abrogate existing agreements, and perhaps even pull the United States out of the WTO. That will depend in part on the tactical choices of the administration and Congress, and in part on the ways that U.S. trading partners choose to deal with Washington. Over the medium term, it will also depend on how these actions are received by the market and by voters. The stock market responded favorably to the election results, choosing to accentuate the positive effects that it expects from new spending, tax cuts, and deregulation, but it could have a very different reaction if the new administration leads the United States into a trade war. Much the same may be said for the electorate. The next congressional elections will come in November, 2018, and the next presidential election will come two years later. Depending on the economic results that Trump’s policies produce, and his own level of popularity at the time of those two elections, the populace might rebuke or reinforce the directions in which the administration wants to take economic policy.

All of that remains purely speculative. The one irrefutable fact is that the familiar patterns of trade politics have been severely disrupted at both the international and the domestic level. The United States was already providing less leadership in the global trading system than it had for much of the post-war period, and — in the worst case — its abandonment of that responsibility may now be complete. The domestic politics of trade have been just as thoroughly disordered. It is not clear whether the Republican Party will fully return to its old position as the party of protection, and it is even less likely that the Democratic Party will reprise its previous role as the principal advocate of liberalization. But we can be certain that the political salience of trade is now higher than ever, and that politicians will once again pander to those who believe they have been on the losing side of the global economy.

[19] For a fuller elaboration on each of these possibilities see VanGrasstek (2016).

Appendix: Electoral Votes of Swing States Associated with Protection-Seeking Industries, 1980-2008

Electoral Votes of States that (a) Were Not Safely in One Party's Column and (b) Had Above-Threshold Levels of Employment in These Industries

	1980		1984		1988		2000		2008	
Iron and Steel States in Play	Alabama	9	Alabama	9	Alabama	9	W. Virginia	5	Indiana	11
	Maryland	10	Maryland	10	Ohio	23	*Subtotal*	*5*	*Subtotal*	*11*
	Michigan	21	Ohio	23	Pennsylvania	25				
	Ohio	25	Pennsylvania	25	W. Virginia	6				
	Pennsylvania	27	Rhode Island	4	Wisconsin	11				
	Rhode Island	4	Tennessee	11	*Subtotal*	*74*				
	Tennessee	10	Texas	29						
	Texas	26	W. Virginia	6						
	W. Virginia	6	Wisconsin	11						
	Wisconsin	11	*Subtotal*	*128*						
	Subtotal	*149*								
Textile and Apparel States in Play	Alabama	9	Alabama	9	Alabama	9	Arkansas	6	N. Carolina	15
	Arkansas	6	Arkansas	6	Arkansas	6	California	54	*Subtotal*	*15*
	Connecticut	8	Delaware	3	Florida	21	Georgia	13		
	Delaware	3	Florida	21	Georgia	12	Kentucky	8		
	Florida	17	Georgia	12	Kentucky	9	New Jersey	15		
	Georgia	12	Hawaii	4	Maryland	10	Pennsylvania	23		
	Hawaii	4	Kentucky	9	Mississippi	7	Tennessee	11		
	Kentucky	9	Maryland	10	Missouri	11	*Subtotal*	*130*		
	Maine	4	Massachusetts	13	New York	36				
	Maryland	10	Mississippi	7	N. Carolina	13				
	Massachusetts	14	Missouri	11	Pennsylvania	25				
	Mississippi	7	New York	36	S. Carolina	8				
	Missouri	12	N. Carolina	13	Tennessee	11				
	New York	41	Pennsylvania	25	*Subtotal*	*178*				

	N. Carolina 13 Ohio 25 Pennsylvania 27 S. Carolina 8 W. Virginia 6 *Subtotal 235*	S. Carolina 8 W. Virginia 6 *Subtotal 193*			
States in Play for the Two Industries	307 electoral votes *91% of all in play* *114% of 270*	271 electoral votes *93% of all in play* *100% of 270*	218 electoral votes *71% of all in play* *81% of 270*	135 electoral votes *45% of all in play* *50% of 270*	26 electoral votes *14% of all in play* *10% of 270*
All Other States in Play	29 electoral votes *9% of all in play*	20 electoral votes *7% of all in play*	87 electoral votes *29% of all in play*	166 electoral votes *55% of all in play*	155 electoral votes *86% of all in play*
Campaign Promises	Reagan promised protection to the textile and apparel industry.	Reagan promised protection to the steel industry.	G.H.W. Bush promised protection to the steel industry.	G.W. Bush promised protection to the steel industry.	[Neither candidate made any promises of protection.]

A state is associated with an industry if employment in that industry accounted for at least 0.25% of the state's population in the election year.

State in Play = A state that split its vote in the four most recent elections, including the year in question. For example, a state was in play in 2008 if there was at least one election during 1996, 2000, 2004, and 2008 in which that state went Democratic and at least one election in that same period in which it went Republican, but was out of play if it went for Republicans all four times or for Democrats all four times.

States in Play for the Two Industries = The total for the two, adjusting for any states that might be double-counted (e.g., in some years Alabama could be counted as both a steel state and a textile state but is included only once in this tally).

Note: Election years prior to 2008 in which the major-party candidates made no significant promises to protect major industries (i.e., 1992, 1996, and 2004) not shown.

Sources: States in play determined on the basis of election results posted by the National Archives at http://www.archives.gov/federal-register/electoral-college/votes/votes_by_state.html. Data for iron and steel are based on SIC 331 and 332 for 1977-1992 and on NAIC 331111 for 1997-2007; data for textiles and apparel are based on SIC 22 and 23 for 1977-1992 and on NAIC 313-315 for 1997-2008. In each year the calculations of industry size for states are based on the Census of Manufactures that was conducted closest to that election.

Bibliography

Ferguson, Thomas. 1995. Golden Rule: The Investment Theory of Party Competition and the Logic of Money-driven Political Systems. Chicago: University of Chicago Press.

Gawande, Kishore and Bernard Hoekman. 2006. "Lobbying and Agricultural Trade Policy in the United States." CEPR Discussion Paper No. 5634. Available online at https://ssrn.com/abstract=916764.

Grossman, Gene M. and Elhanan Helpman. 2002. Interest Groups and Trade Policy. Princeton: Princton University Press.

Piketty, Thomas. 2014. Capital in the Twenty-First Century. Cambridge, Massachusetts: Harvard University Press.

Pierce, Justin R. and Peter K. Schott. 2012. "The Surprisingly Swift Decline of U.S. Manufacturing Employment." NBER Working Paper No. 18655. Available online at http://www.nber.org/papers/w18655.

________. 2016. "Trade Liberalization and Mortality: Evidence from U.S. Counties." NBER Working Paper No. 22849. Available online at http://www.nber.org/papers/w22849.

United States. Bureau of the Census. Various years. Census of Manufactures. Washington, D.C.: Government Printing Office.

________. Various years. Annual Survey of Manufactures. Washington, D.C.: Government Printing Office.

Vance, J.D. 2016. Hillbilly Elegy: A Memoir of a Family and Culture in Crisis. New York: Harper.

VanGrasstek, Craig. 2016. "What Will Happen to U.S. Trade Policy When Trump Runs the Zoo?" ECIPE Occasional Paper 03/2016. Brussels: European Centre for International Political Economy. Available online at http://ecipe.org/publications/what-will-happen-to-u-s-trade-policy-when-trump-runs-the-zoo/.

Author contacts:

Craig VanGrasstek

Washington Trade Report

1318 Independence Avenue S.E.

Washington, D.C. 20003-2368

Email: TradeProf@aol.com