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This paper is not designed to discuss in detail every facet of foreign economic policy formation. It primarily concentrates on trade policy and international trade agreements or policies which pertain directly to such agreements. The paper is designed to discuss several problems in foreign economic policy formation which have their base in the conflict between the international interests and the domestic interests of the United States. Through the explication of these problems and the basic structure of the relevant policy making machinery, a definition of the general pattern of U.S. foreign economic policy will be stated and explained.
CHAPTER I
INTRODUCTION

The 1980's have brought with them a pressing issue; indeed, the time has arrived for the United States and the other major nations of the world to make a fundamental decision about their role in the international economy. The fundamental decision of which I write is a choice between change, that is, the adaptation of a hard doctrine which points toward international economic cooperation, or the preservation of the status quo, which is currently manifested in a trend toward protectionism and regional or economic block isolation.

The thesis of the paper is that a conflict exists in the United States (as well as in most countries) between international economic cooperation and domestic political and economic interests, with the domestic interests taking the first priority. In fact, international cooperation is only realized when this cooperation is in line with and
advantageous to domestic interests. This is an understandable problem and almost an inherent one with a government, at least, in an abstract model, responsible for the well-being of that given national entity. Significantly, this sought after "national well-being" usually takes the form of a short-term goal. For example, in erecting steel tariffs, the U.S. seeks to protect the domestic steel industry today without consideration of the long term deleterious effects of this hypothetical action.

Furthermore, in the paper, the conflict is broken into its component parts for a more complete analysis. As the conflict becomes explicaded, it becomes apparent that it is actually a combination of an understandable myopia in national economic policy formation caused by strong political pressures, pressures which, in fact, can mean life or death in the career of a politician, and two forms of discoordination. Both types of discoordination are reasons for the development of a dysfunctional pluralism. The first is what I will term for convenience "institutional discoordination," which is simply the symptom of the interaction between many autonomous governmental institutions. I will entitle the second "policy discoordination" which is a natural discoordination caused by various domestic and national interests pressing for government support simultaneously.

Implicit in this discussion is the premise that there is
There is a general conception mainly espoused by Wallerstein, that the capitalist economic system is an international system, actually an international "social system" which extends beyond the boundaries or control of any given nation. "Capitalism as an economic mode is based on the fact that the economic factors operate within an arena larger than that which any political entity can totally control."¹ Also the world has an extensive division of labor system. Therefore, if trade flow is blocked by either the producer or consumer nation, inefficiently results. Furthermore, not only are trade obstacles potentially inefficient, the very implementation of trade obstacles belittles the fact that a world economy does exist.

Traditionally economic cooperation in the form of free trade was thought not only economically efficient, but politically expedient. Cordell Hull, for example, postulated that there was a clear relationship between "an open international economy and peace."² This was then and remains today a common assumption that if a free flow of trade exists, a strong interdependence will be born which does not allow for violent conflict.
There is a further lesson from history which should be mentioned. The first implementation of a trade barrier in the twentieth century was the Smoot-Hawley tariff of 1934. Cohen sums up the tenuousness of the current situation by drawing parallels to that act. "The new protectionism is a middle ground policy. On the one side is the political necessity to restrain so as to protect industries and workers from severe import competition. On the other side is the historical fact that unilateral import restrictions in the 1930's proved mutually disastrous." 3

Speaking in more pragmatic terms, trade barriers by not taking advantage of the international economies of scale, can produce inflation. 4 They do this by adding a tax on the price of the imported good or decreasing the supply of the imported good without decreasing demand, thereby, forcing the population to buy the less efficiently produced domestic goods.

Furthermore, when import restraints are instituted to allow domestic industries to revamp and modernize their antiquated plants, it is rarely effective. This was the case of the U.S. steel industry in the 1960's. Because of the design and short-term outlook of American management, even with government protection they did not think it wise to make the necessary capital reinvestment to modernize. 5 So one of the few valid arguments for government instituted protection is made invalid.
In order to add a contextual basis to the discussion and to demonstrate that despite its invalidity protectionism is on the rise, a brief description of the world economic situation is necessary.

Currently, the world economy is plagued with several complex and critical problems. There is a world-wide stagflation (a combination of both recession and inflation) which is rapidly being transformed into a recession with its concomitant unemployment. The recession in the industrial (OECD) countries quickly spread to the less developed countries (LDC) causing the symptoms to be felt world-wide.

The recession slows industrial expansion and consumer demand, causing a remarkable decline in exported goods, thereby exacerbating balance of payment deficits for both industrialized and developing countries. The 1982 World Bank Report shows this decline in exports to be almost ubiquitous.

This loss of both public and private revenues caused by the decline in exports has, of course, also partially affected the economic growth in the industrial countries. This general decline in growth rates is then passed on to the LDCs, as Graph 2 demonstrates.

The critical state of the international economic system has brought with it a confusion which torments every nation of the world. The confusion revolves around the question of
Table 2.6 Imports of manufactures by industrial countries, 1962-80

| Industrial countries | 1962 | 1980 | Percentage increase (%)
|----------------------|------|------|-----------------------|
| All industrial countries | 11.1 | 28.7 | 161.1
| Europe | 7.7 | 23.1 | 191.4
| Germany | 5.9 | 11.4 | 101.7
| Japan | 1.1 | 1.4 | 27.2
| United States | 1.7 | 2.8 | 64.7

Percentage of imports of manufactures from developing countries

| All industrial countries | 5.4 | 6.0 | 100.0 | 111.1
| Europe | 4.2 | 4.8 | 100.0 | 111.1
| Germany | 4.1 | 4.8 | 100.0 | 111.1
| Japan | 1.4 | 2.4 | 100.0 | 71.4
| United States | 12.3 | 14.2 | 100.0 | 116.0

Table 2.7 Growth of merchandise-exports, 1970-81

Average annual percentage change

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a) Including centrally planned economies

Figure 2.4 Annual fluctuations in developing-country export prices, 1971-82

Annual percentage change

- Total
- Manufactures
- Fuel
- Nonfuel manufactures

Note: The data for developing countries are not available for the year 1982.
Table 2.1 Growth of GDP, 1960-82

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<td>Industrial nonmarket economies</td>
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Figure 2.1 Growth in real GDP, 1971-82

Annual percentage change

- Industrial market economies
- Industrial nonmarket economies
- Developing countries
- Low income oil exporters
- Middle income oil exporters
- High income oil exporters

Note: Data includes only 36 countries.
how much interaction there should be between their given internal economies and the international economic system. The situation has caused many countries (including the U.S.) to rethink past policy stances on this issue.

It seems that many nations, tragically, have fallen or are falling back on the traditional reaction to a faltering world economy -- protectionism. For example, the EEC and the separate European nations are placing hard line controls on imports from both the United States and Japan. France has placed restraints on software imports. Britain has increased restraints on many trade imports. In the U.S. the steel industry is currently pressing the Reagan Administration for import controls for the more efficiently produced Japanese steel. Furthermore, there is evidence that many countries including Japan, EEC countries, and the U.S. are violating the trade liberalizing General Agreement on Tariffs and Trade (Gatt).
CHAPTER II

WHAT IS BAD POLICY

Bad policy is policy which is inefficient, which has a price but no product, or which pretends to be something it is not. But to make clear the sometimes narrow distinction between good policy and bad policy, it might be helpful to describe an ideal policy (an easy enough process), subtract a bad policy, and examine the difference.

An ideal foreign economic policy should establish or promote economic stability, steady growth, full domestic employment, a balance of payments, and link these domestic concerns with the international, long-run concerns of peace, international political, and economic stability and growth. It should be consistent but flexible and place as much emphasis as politically possible on long-term goals.

To accomplish this it is necessary to have an effective coordinating body which can smooth the ideological and
practical problems between both the branches of the government and between domestic and international interests. In order to be effective the coordinating body must have a close propinquity with the President to persuade, inform, and be informed. It must also have effective leverage in Congress for the same reasons. Furthermore, it must be the correct size to be efficient and quick in policy formation.

There have been many attempts at producing foreign economic policy coordinating bodies in the post World War II period. None has been terribly effective. The oldest body set up for this purpose was the National Security Council (NSC) which was formed by the National Security Act of 1947 to "perform the integration of domestic foreign and military policies to the national so as to enable the ... agencies of the government to cooperate more effectively in matters involving the national security."¹⁰ This group was chaired by the President, so it did have the necessary connection with power, but it lacked the effectiveness in Congress.¹¹ At about the same time the Economic Cooperation Administration was set up to oversee the Marshall Plan. It was fairly effective, it seems, especially in convincing private banks to agree to loans.¹² However, at that time there was a general consensus in the administration and the Congress that the granting of this assistance would greatly benefit the United States.¹³
In addition, the Council on Foreign Economic Policy (CFEP) existed throughout the 1950's to oversee the outflow of U.S. financial assistance necessary for Post War reconstruction. In the 1970's the Council on International Economic Policy (CIEP) was formed to fill the gap left by the then defunct CFEP. However, this group expired under Carter in 1977. The early 1970's also had the strong economic leadership of John Connally and then George Shultz (who headed the Council of Economic Policy), which is another must for effective coordination.

However, President Ford finally became frustrated with what remained even after all past attempts at coordination, an uncoordinated policy formulation system, and formed the Economic Policy Board (EPB) to oversee, "all Economic policy." Significantly, the group was also dissolved in favor of a group created by the Carter administration -- the Economic Policy Group (EPG). Interestingly, this group was made impotent because of its distance from its creator, President Carter. Under Reagan there again exists the effective leadership of George Shultz. Again, most of these groups were ineffective.

It is important to note here that the problem of coordination is an enormously complex one. Besides the flaws in organizational structure such as nearness to the President or effectiveness with Congress, the groups are examples of bodies wrestling with the very ideology of the United States.
foreign policy, an ideology which is, especially in the economic sphere, not defined and not consistent. In effect, many of these groups have been ineffective because they were coordinating a policy which did not exist, and still does not exist. And, although, it might be assumed that the policy of trade liberalism and a relatively open economy is the foreign economic policy of the United States, this ideology of liberalism means nothing in the face of powerful Indigenous protectionist groups. However, there is a body of evidence supporting the liberal ideology hypothesis. The 1962 Trade Expansion Act, the Kennedy Round of Multilateral Trade negotiations, the 1974 Trade Act, the Tokyo Round of MTN's, the signing of the General of Agreements on Tariffs and Trade (Gatt) and the 1979 Trade Act, all suggest that the U.S. is supportive of the ideal of an open international market. In fact, the U.S. took the initiative in beginning both multilateral negotiating sessions. Although the ideal is seen as trade liberalism, that ideal is constantly vitiated by the reality which international economies of scale can make so clear. The nature of the U.S. political system with its elected officials and the regional and particularistic tendencies of Congress, produces such a complex policy making machine that the output of that machine is often watered down and ineffective.

An example of this coexistence of idealism and reality in
foreign economic policy making is the 1974 Trade Act. The Trade Act was a response to a Joint Declaration issued in 1972 by the U.S., the EEC and Japan. The declaration called for "a new round of multilateral trade negotiations."

The proposal was designed to contain "tariff as well as non-tariff barriers on agricultural as well as industrial products." It was, in effect, an early call for the Tokyo Round of Multilateral Trade Negotiations.

The Preamble of the Act states its general goals.
"To promote the development of an open nondiscriminatory, and fair world economic system, to stimulate fair and free competition between the United States and foreign nations to foster the economic growth of, and full employment in, the United States of America, and for other purposes." This is, indeed, a statement of liberal economic goals. In fact, the consensus at that time was that this was a statement of U.S. policy and that "the protectionist forces essentially lost the battle."

Pastor in his chapter discussing this seemingly exceptionally successful policy implementation, chose the title, "The Trade Act of 1976: What Went Right?" Certainly Pastor is correct in some regards when he places the 1974 Trade Act in the category of the few successes. For example, it did delegate to the President the power to reduce all tariffs over 5% by 60%. The real reduction in tariffs was not remarkable, because the tariffs were fairly low to begin with, and because there were several important exemptions, as
stated under the Escape Clause. Because of these exceptions combined with inefficiency in implementation, the total liberalization of tariffs authorized by the act was not fulfilled. In fact, Bergsten states that all voluntary export restraint agreements come within the purview of the Escape Clause.

The act was, even in Bergsten's opinion not completely unsuccessful. However, analyzed from any perspective, it remains a perfect example of the struggle in the U.S. between the underlying blueprint of liberalism and the reality of inconsistent protectionism. Thus, although this act did remind the nation and the world that international cooperation (here in the form of trade liberalization) is high on the list of priorities, it is an example of bad policy because it pretends to be something it is not.

There is yet another type of bad policy, policy which contains high costs but few benefits. This type of policy usually takes the form of positive action taken by the Executive. Embargoes are the prime example of this bad policy. In some instances, certainly, embargoes would be highly effective; such is the case when the government implementing the embargo is the only supplier of a vital commodity. Monopoly and survival are the key elements in an efficacious embargo. It is rarely the case in the international economic pluralism of today that the power over the allocation of goods necessary for survival are held in
monopoly. So when a United States administration embargoes grain, or technology (as in the case of the Siberian pipeline), the only thing that is gained is a reputation of unreliability for the U.S. suppliers. While Caterpillar Corporation lost jobs and contracts because of Reagan's embargo of technology, Kamatsu, the Japanese tractor manufacturer, gained the contract.23 A Peoria Chamber of Commerce official stated the truth very simply, "Foreigners just aren't buying our tractors anymore."24
CHAPTER III

SECTION I

WHAT MAKES BAD POLICY

Bad policy is formulated for many reasons, all of which are part of a pluralism which does not work. I have divided the reasons into three broad categories: Inherent conflict, institutional discoordination, and policy discoordination.

There exists a certain inherent conflict between domestic economic goals and international political concerns, with an overwhelming priority being understandably placed on the domestic side of the equation. This is a large part of the problem of international economic cooperation. Questions as small as the survival of a single domestic industry and as great as the position and amount of national sovereignty are involved. If the government leans too far towards international cooperation, obviously, its very sovereignty is threatened. This for many reasons will probably never be the case for the U.S. If the opposite occurs, and any ideals of cooperation are ignored, retaliation from
past trading partners, loss of potential markets, and global recession become inevitabilities.

But still, despite positive arguments for cooperation, there is a serious lack of it. Certainly, one might point to historic examples of economic cooperation and say "see, there have been many instances of cooperation for the sake of cooperation." This is not true. In these instances cooperation, by chance, was supported by both domestic pressures and the administration. For example, the Marshall Plan was an unselfish aid program implemented for selfish reasons. The main considerations were rebuilding the European and Japanese markets in order to allow industrial growth for U.S. industries. Also, it was necessary to rebuild those economies so they could stand strong against the expanding communist forces in Eastern Europe.²⁵

The U.S. policies toward the LDC's were and are similar. In the early post war era it was seen as impractical (unnecessary) to give concessional aid to the LDC's.²⁶ Despite rhetoric to the contrary,²⁷ the consensus then was that they should be allowed to develop on their own.²⁸ But later it became clear that these LDC's were potential markets in which U.S. goods might be sold, and for foreign policy reasons the LDC political system should be made strong.²⁹ It is no coincidence that George Shultz's main argument for increasing funds for the IMF, was that without money, the LDC's could not buy our goods.³⁰
U.S. trade history demonstrates the same proclivity for supporting international cooperation only when it is in the short-term domestic interest. The U.S. entered into the GATT treaties because doing so showed an ostensible benefit for U.S. industry by increasing trade. At the same time it did nothing to decrease the high tariffs on primary agricultural goods so the susceptible American farmer was still protected. Furthermore, under such legislation as the 1974 Trade Act Escape Clause, industries which prove that they are being injured by unfair foreign competition are allowed to petition for import barrier protection. Unfortunately, the term "unfair" has not been clearly defined. So, currently, when a comparative advantage evolves in favor of a foreign country (in other words, when free market capitalism works against the free market capitalists), the U.S. does not hesitate to implement trade barriers.

As previously stated, this is an inherent conflict, one which may be impossible to correct. However, the frequent myopia and inefficiency in the U.S. foreign economic policy is caused by this factor combined with an Institutional and Policy discoordination.
SECTION II
Institutional Discoordination

It is somewhere within the menagerie of congressional and executive agencies, ideals, and functions that the hopeless discoordination and vitiation of the foreign economic policy formation is born. The scene of policy formation is, indeed, confused. A polyarchy of power does exist, but it is a biased and imperfect polyarchy which leads to a dysfunctional pluralism. This pluralism is so perverted by differing levels of power and ideological and legal schisms, that the entire system is, at times, rendered ineffective in the sense that no consistent body of policy can be formed.

The dysfunctional pluralism, in addition to the inherent conflict, can be divided into two types of discoordination. The first, institutional discoordination, takes the form of a struggle to formulate effective policy within a nexus of largely autonomous and unresponsive bureaucratic agencies. Second, there is "policy discoordination" which concerns the various opposed interests pushing and pulling for policy in their respective self-interests.

The basic sign of institutional discoordination is inefficiency. With two branches of the government competing for the power to make foreign economic policy, and with individual agencies within the branches competing for the power, an inevitable confusion results. The term inevitable is used because the relationships between these branches
and agencies are not well defined. Sometimes, no relationship at all is seen as far more salubrious for the individual organizations than having a smooth flow or interaction between the agencies.

One major reason for this competition between branches is an increased equity of power between the Congress and the Executive and an increasing integration between the two. A discussion of their respective powers will be helpful at this point.

Article 1 of the Constitution of the United States empowered Congress "to regulate commerce with foreign nations." Furthermore, a 1953 court decision buttressed that original notion by stating that "the power to regulate foreign commerce is vested in Congress, not in the Executive or the courts, and the Executive may not exercise the power by entering into executive agreements." So the power of the Congress was, by this point firmly established. What was meant in real terms was that the nature of congressional power, basically was a screen for executive policy proposals. The Congress allocates funds or voluntarily broadens the delegation of power to the Executive branch. It also monitors executive compliance with congressional guidelines and vetos unfavorable proposals. For example, the Executive proposal to create an International Trade Organization was blocked by senate disapproval and subsequent refusal to ratify the treaty necessary for the implementation of the proposal.
As Stephen Cohen states, "The Congress jealously guards its legislative prerogative and tends to be suspicious of the alleged international bias of the Executive branch." 

The Congress also acts as a forum in which special interest groups can voice their special concerns. The power and volume of these interest groups will be discussed at length in the section on policy discoordination. Briefly, however, the problem is one of regional interests taking priority over foreign or longer term interests. For example, The International Sugar Agreement of 1978-79 was delayed when Senator Frank Church from Idaho, a state which depends on sugar beet production, created obstacles to block the proposal and only let up when Carter agreed to raise domestic price supports for sugar beets.  

The firm establishment of congressional power in foreign economic policy formation and management was countered by a rise in Executive branch power, power mostly granted by delegation of authority from the Congressional pool. The 1934 Trade Agreements Act transferred tariff setting power to the Executive branch. 

Furthermore, the Trade Act of 1974 in section 101 gives the president the authority to enter into trade agreements. Nixon asked for this power to enable him to control the Tokyo Round of Multilateral Trade Negotiations. In the form the act finally passed, however, the President is required to consult the Ways and Means Committee of the House.
before agreements are implemented. In addition, through the years the executive has gained added power because an increasing number of decisions have been categorized as "crisis" decisions and, therefore, fall into the purview of the executive.

The Executive bureaucracy has also gained power through delegation of authority. The federal bureaucracy grew remarkably between 1933 and 1945 with the necessary administration of Roosevelt's "New Deal" and then World War II. Significantly, the rise of liberalism gave the bureaucracy power and entitled them, mostly through a growing body of precedents, to hand down administrative rulings which had the strength of law, however illegitimate the Constitutional basis for the rulings may be.

In summary, it is clear that both branches have increased their power in international policy formation. This, in fact, might easily be seen as a good situation. A pluralism, with equal or closely equivalent powers separated among the branches, can put an equal emphasis on both the international concerns of the Executive and the domestic concerns of the Congress. This does not work effectively because there is no mediating body. No body exists which is higher than the Congress and the Executive. Therefore, their respective proclivities can counteract each other again and again, with no logical or necessarily consistent outcome. Here I
am exaggerating the problem for the sake of emphasis, but the problem does exist and it is ostensible. The next section will discuss this conflict in much greater depth.

Finally, the institutional discoordination has another facet. Basically, there exist so many agencies in the bureaucracy which are involved in the management or formulation of international policy or the steps which lead to that policy that a discoordination between the agencies is almost inevitable. This is, again, a study of relationships. The obstacles blocking the vital relationships between these groups produce at the least inefficiency, and at most no policy at all. There are over 60 agencies directly involved in foreign economic policy. To name just a few, in the Executive Branch, the Treasury department controls monetary policy. Its international affairs are controlled by the Assistant Secretary for International Affairs (OASIA).

Also involved in economic policy formation are the Federal Reserve Board, the Office of Management and Budget and the Council of Economic Advisors. After World War II the international staffs of Agriculture, Commerce and Labor increased drastically. In addition, the state department is involved in almost all foreign policy decisions, including decisions in the economic sphere. The international economic concerns of the State Department are controlled by the Bureau of Economic and Business Affairs, an agency which
FIGURE 2
Organization of the Office of the Assistant Secretary for International Affairs

Source: U.S. Treasury Department
alone nicely demonstrates a potential for discoordination within an agency. Although the State Department has lost much power in the last two decades, it remains, at least, a titular head at international economic conferences. 44

Furthermore, the 1974 Trade Act created additional agencies. A group with power rivaling the State Department at international conferences was formed. It is called the Office of the United States Trade Representative and was assigned the job description of "Chief U.S. Trade Representative." 45 Also created were three agencies assigned to handle all policies emanating from the Act. These were the Trade Policy Committee, the Trade Policy Review Group and the Trade Policy Staff Committee.

The fact that there are many agencies involved in this area does not in itself suggest that there is not coordination among them. However, there are qualities attributed to these agencies which seem to support the hypothesis of institutional discoordination. First, many of the job descriptions are redundant. For example, one could imagine that the Trade Policy Committee, the Trade Policy Review group, and the Trade Policy Staff Committee have more than a few overlapping duties.

Discoordination is likely for yet another reason. The agencies in the bureaucracy have a well earned reputation for self-protection, sloth and inefficiency. Charles Peters, Editor-in-Chief of Washington Monthly writes, "no activity in a government agency is given as high a priority as
securing and enlarging its budget... Gradually a hierarchy of administrative officers, executive officers, budget officers, congressional liaison officers and public information officers grows up, almost the sole purpose of which is fund-wheedling. Pastor described the problem as "bureaucratic dysfunction" which is the "trained incapacity of bureaucrats to see the world as it is." Peters also theorizes that in a bureaucratic agency, inaction is safer than true action.

Make believe - survival.
SECTION III
Policy Discoordination

President Kennedy in speaking of the 1962 Trade Expansion Act at a press conference said "... it seems to me it [The Trade Bill] is in a very important stage now, being considered by the [Senate Finance] Committee. What concerns me most about the Trade Bill is if we will get a trade bill, we may get a bill so limited, which is so circumscribed ... If we fail to get the power that we need it will be a very bad blow to us all all." What Kennedy was speaking of is "policy discoordination." It is manifested in the push and pull of several interests, all of which may have valid arguments and priorities. However, their respective listings of priority are ordered differently. Because of this, the foreign economic policy of the United States necessarily becomes one of reacting to the most obstreperous and/or powerful interest group or governmental body.

To understand the true nature of the situation it is necessary to look at some of these varied interests in more detail. First, the goals of the various interests will be discussed, and then, the relationships between these groups will be discussed. Finally, a conclusion on the location of the actual power will be stated.

"Congressmen are single minded seekers of re-election," so they try to secure regional and tangible benefits for their districts. The localized and particularistic nature of
Congress makes it not so much a body of international policy formation as a check on the international proclivities of the President. In other words, from the congressional point of view, because international concerns are not always congruent with the regional concerns of the given congressional districts, it is usually safer to allow the executive branch to take the initiative in foreign policy proposals. Three committees do exist, however, that tend to unify the Congress behind foreign policy goals. These are the Ways and Means, Appropriations, and Rules Committees.

The executive branch generally holds an international point of view. It watches out for the long-term goals of the nation, which usually take the form of freer trade. A perfect example of the dichotomy between the domestic proclivities of the Congress and the international lean of the executive is the Mills bill of 1970. Mills, although usually a supporter of freer trade, proposed that import quotas were necessary for many large domestic industries. On the other hand, Nixon opposed the bill fervently in the name of international interests.

Furthermore, the executive makes proposals for legislation so freer trade might be obtained. Interestingly, sometimes, as in the 1979 Trade Act, the proposal takes the form of requests for the delegation of additional power from the Congress to the executive.

Interest groups quite simply push for policy which will
be, as they see it, either directly or indirectly beneficial to their group. In this respect, I propose that they are apolitical groups, groups which have no allocative power, but rather hold only the power to gain periodically what is beneficial to themselves. In other words, they are actors in the political system, but not political actors. This may seem a worthless distinction, but it can help in the analysis of the interplay of the different actors -- two of which hold legitimate constitutional power to make policy and one of which does not.

These are the goals of the three major actors involved in foreign economic policy formation. Now the time has arrived to study the much more complicated area of the interaction between these groups. It is a highly theoretical area, and an area about which there exists an amazing amount of disagreement. The approaches range from the elite arguments of Domhoff,54 to the polyarchic or pluralist arguments of Dahl.55 Here my middle-ground stance is embodied in what I have already termed a dysfunctional pluralism which is a pluralism biased in the favor of powerful protectionist interest and further injured by the discoordination between the active groups. There is an overwhelming body of evidence supporting this stance.
Relationships
Congress and the Executive

The coordination between the Congress and the Executive is necessary for policy formation. But the type of situation described by Kennedy at the beginning of this section, or the International Sugar Agreement conflict described in the last section illustrates that this necessary coordination does not always exist. However, policies are proposed and bills are passed and implemented, despite the existence of competing international and domestic interests, largely because the very nature of governmental operations is based on the premise of give and take. Because of this it would be impossible and, or course, undesirable for either of the branches to deny all proposals initiated by the other. The government would not function in this case.

In fact, foreign economic policy is the outcome, however mutated, of this process of compromise between the branches. However, the difference between international and domestic goals and ideology and reality are so great that any compromise necessarily changes the initial purpose of the original proposal.

There are many conditions which must be met to minimize the vitiating effect of the compromise and promote a smooth coordination between the two branches. These conditions are more often than not absent. First, and most importantly, a
working relationship and trust must exist between the branches. This relationship was good under the Carter and Ford administra-
tions; it is much less so under the Reagan administration. This relationship can be hurt by the party balance between the branches and also by the general political climate of the nation. Both of these conditions effect the general tendencies of each branch. Furthermore, the economic situation can lead powerful interest groups to call for different legislation; for example, now there is a fervent call for neo-protectionism.

There is also disagreement about the nature of the relationship between the two branches. Pastor draws a simple model where the executive branch initiates all proposals and the Congress simply oversees these initiatives. (See Chart on next page). Cohen, on the other hand, states that Congress is the "prime body" in formulating foreign economic policy because of its resources of information, the expertise possible, and the time allowed individual policy decision.

The truth seems to lie between these two conceptions. Indeed, legally, as discussed previously, an equality of power has evolved between the branches. It should be assumed when discussing this specific relationship, that neither branch is simply reacted upon. Active participants, especially in the area of trade, "exist within both branches." As exemplified by the International Sugar Agreement conflict, which was consciously bottled up in the Senate, Congress does play an active and aggressive role, although the Executive proposes
much of the foreign economic policy. Congress does act upon
the Executive branch. As a member of the State Department
commented, "some of these guys [legislators] will just tell
you flat out they'll do everything they can to torpedo a bill
if you don't give them what they want..."\(^5^8\) (See Chart)

The Congress and Special Interests

Although Congress is not a predictably malleable body as
far as Executive initiatives are concerned, this does not
seem to be the case where special interests are concerned.
It does seem to possess a transparency through which special
interest groups can project their policy wishes. This is true
because there is a undeniably close relationship between
interest groups and Congress. If Congress is indeed, "not
so much interested in making national policy as in keeping
their constituents happy,"\(^5^9\) then they are by definition very
much connected with special regional interest groups. "What
a congressman says and the policy he proposes depends on
who's listening, but more so, on to whom the congressman
has listened."\(^6^0\)

There are several categories of interest groups which
seek to persuade Congress. These interest groups usually
concentrate on short term goals. They are usually protectionist in stance.

First, the established American industries (i.e. steel,
textiles, auto, and footwear) are protectionist, (mining was
protectionist 95% of the time and manufacturing, 80% of the
time) because for reasons of inefficiency or unfavorable exchange rates, they are no longer internationally competitive. Many times they ask for simple protectionist measures. For example, in 1972 the Footwear Industries Association which represents 95% of all leather and vinyl footwear producers in the U.S. asked for protection. The reason was injury from unfair foreign competition. They alleged that the number of jobs in the industry declined by 14% between 1968 and 1977. This is an example of an individual industry asking for protection, a type of protection which has few multiplying effects.

What is far more common, however, is that a broader based industry will ask for protection, producing multiplying affects which are almost immeasurable. For example, the U.S. steel industry was the first to petition for import relief under the 1974 Trade Act Escape Clause. When it was granted import protection, it raised the price of the steel sold domestically. But soon in a situation such as this a pattern develops. After the most powerful protectionist forces have their way with the government, protectionist demands necessarily trickle down to the branch industries which, in the case of steel, arc those industries which use steel to produce their respective goods. They soon find that they too can no longer produce goods which are competitive on the international market and are also forced to ask for import relief. In the case of steel, the branch industries which soon asked for
protection were the farm equipment, auto, and appliance industries. Finally, the cost of this protection is passed on until it reaches a group which cannot or does not protect, usually the consumer.

Secondly, the unions also have a short-term goal, namely, to protect their jobs. The union stance is stated concisely by former U.A.W. President, Leonard Woodcock, "No matter how deeply, I and the other leaders of the U.A.W. may believe in liberal trade policies, the U.A.W. will not be able to resist the protectionist tide to which, regrettably, a large part of the American labor movement has already succumbed, unless the nation's trade policy is humanized as well as liberalized." Obviously, however, Mr. Woodcock's conception of humane could never be congruent with trade liberalization.

Thirdly, agricultural groups have a reputation for being politically volatile, and they are listened to by the Congress. They have a rather ironic, but typical, record on policy issues. Between 1934 and 1968 farm groups testified in favor of protection 77 of the time. To name just a few of these instances, they supported the 1964 Meat Import Act, the 1971 Dairy Act, and most importantly, the 1969 Reciprocal Trade Act, which sought to prevent foreign dumping. However, they are also adament supporters of the maintenance of Public Law 480 which was formed under the Trade Development and
Assistance Act of 1954. This act relieves domestic surpluses of grain and greatly improves market prices for agricultural products. By the way, the maintenance of P.L. 480 was §26.5 billion in 1969 alone.

Finally, there is the consumer. This group can be considered the silent majority in foreign economic policy formation. Indeed, this is strange because tariffs do effect consumers. In 1971 it was estimated that tariffs increased consumer prices by at least 6.5 billion dollars. This does not include any multiplier effects, and these must be great. The general goals of the consumer has been stated by one of the few consumer interest groups in the nation, the Consumer's Union of the United States. This union consistently brings judicial action against restraints of international trade. They have opposed the steel, oil, textile and tomato industries, to name a few. Their goals are: one, the fight inflation, two, to curb the inevitable external economic effects which must later be dealt with, and finally, to fight internal long-run unemployment. There also exists a consensus within the union that the consumer has the right to choose from the greater variety of goods made available by free trade.

If the Congress is a transparent body through which the above groups can project their policy goals, then the real nature of this discussion is deciding which interests prevail. In this area there seems to be a consensus that after studying the history of U.S. trade relations one fact becomes clear.
"The history of the American tariff records the triumph of special interests over the General Welfare. Basically, the protectionist forces have simply been stronger than the anti-protectionist groups.

Why? The stake of some interest groups may not be dramatic enough to produce action. It seems that pro-tariff groups have more to gain and, therefore, a stronger impetus to organize and act, while anti-tariff groups do not have enough to lose. The losses are usually more obfuscated by their indirect nature than the potential direct gains of a single industry through protection. So the burden of opposition is placed on the governmental body, either the Executive (for foreign policy consideration) or the Congress (to either support silent majorities in the public, or for ideological purposes). The Congress, however, does not appear to be a highly ideological body; the Executive is much more so. But there is in these cases always a rationale for inaction, namely, "no sign of public opposition."

The main characteristic of the relationship between the Congress and special interest groups is the non-existence of powers to countervail the protectionist tide. As Schattschliender states, "The most conspicuous characteristic of the opposition was its extreme prostration combined with a certain inclination to vanish." (SEE Chart)

In conclusion, policy discoordination has a single distinct characteristic, a competing hierarchy of priorities. The
THE NETWORK OF FOREIGN ECONOMIC POLICY INFORMATION

Executive (Foreign Policy Concerns)

Policy Proposal Information
Protectionist C-Proposal
Pressure for Amendment
Mutual Veto Threat

Congress (Forum in which Special Interests Compete)

Organized Protectionist Special Interest Groups

Consumer Groups
Voting Public
Non-Voting Public
Anti-Protectionist Groups

Industrial Interests

l. Indirect Pressure Through Advertising
Executive has one hierarchy, and the Congress has another which is designed by the special interests. Both hierarchies have an ideological and a real side. The blending of these two often competing and contradicting hierarchies is U.S. foreign economic policy, however inconsistent or irresponsible that policy may be. (SEE Chart)

I have attempted to demonstrate that the foreign economic policy of the United States is produced out of a menagerie of contradictions. These contradictions range from the conflict between semi-autonomous and often opposed bureaucratic agencies, to the philosophical conflict between the long-revered ideology of economic liberalism and the more realistic cry for economic protectionism, to a branch conflict between the international proclivities of the Executive and the domestic responsibilities of the Congress. The foreign economic policy of the United States is formed out of the compromise of extremes, between which the middle ground is, if you will, a no policy land where only meaningless, impotent and contradictory policies can be born. The United States, therefore, has no foreign economic policy. It has no consistent body of precedents on which the day to day policy questions can be based.

The point of this paper is to demonstrate how the agencies and priorities of the groups involved with policy formation form a dysfunctional pluralism which in turn, produces bad policy. It is not to propose solutions to the problem. However, I think the only true solution would entail a coordinating body with assigned constitutional power to
POLICY PRIORITY HIERARCHY

Executive
- Ideological High - Real
- International Cooperation
- Economic Liberalism

Congress
- Ideological High - Real
- Tariff Reduction Policies
- Short-term Domestic Initiatives in Interests
- Multilateral Trade Associations
- Economic Protectionism
- Protectionist Policies/Subsidy Policies

Output
- Bad Policy

National Inflation - Economic Protectionism
- Import/Export Controls
- Economic Liberalism
- Long-term International Cooperation
- Economic Protectionism
- Tariff Reduction Policies/Etc.
form foreign economic policy. Of course, the inherent conflict between short and long term goals would still exist, but through time the short and long term goals would reach an approximate equilibrium and become increasingly congruent. Until that time a higher body which could rationally balance the conflict is necessary.
NOTES

1 Wallerstein, p. 150.
2 Cohen, p. 8.
3 Ibid, p. 13
4 See "Import or Die" Economist, 13 Nov, 1982, p. 8.
6 "Import or Die."
7 Ibid.
9 Ibid.
11 Cohen, p. 55.
12 See Sampson, pgs. 90-95.
13 See Ambrose, pgs. 132-140.
14 Cohen, p. 55.
16 Ibid, 11.
17 Ibid.
18 Pastor, 137.

20 See U.S. Trade Policy and The Tokyo Round of Multi-
national Trade Negotiations, pg. 47.

21 Bergsten, "U.S. Consumers and the Multilateral Trade
Negotiations." p. 95.

22 Ibid, p. 98.

23 "Catcalls for Mr. Reagan." Economist, 13 Nov., 1982,
p. 90.

24 Ibid.

25 Ambrose, pgs. 132-140.

26 Spero, p. 148.

27 Ibid, 151.

28 Ibid.

29 Ibid, 153.

30 Evening News CBS.

31 Cohen, 86.

32 Ibid, 87.

33 Ibid.

34 Ibid, 8.


36 Section 302 of the 1974 Trade Act.

37 Pastor, p. 37.
38 Destler, p. 9.
39 Cohen, p. 52.
40 Destler, p. 24.
41 Cohen, p. 41.
42 Cohen, p. 47.
43 Ibid.
44 Ibid, p. 49.
45 Section 141 of the 1974 U.S. Trade Act.
47 Pastor, p. 32.
48 Peters, p. 52.
50 Pastor, p. 36.
51 Aspin, "Why doesn't Congress do Something?" Foreign Policy, 15 Summer 1974, p. 73.
52 Pastor, 36.
53 Ibid, 127.
55 See Dahl.
56 Cohen, p. 98.
57 Ibid, p. 85.
58 Pastor, p. 56.
59 Ibid, p. 36.
60 Ibid, p. 152.


66 Talbot, Ross, p. 148.
67 Ibid.
68 Ibid, 150.
69 Ibid, 154.
70 Ibid.

72 Ibid., p. 92.
73 Ibid.
74 Ibid, p. 91.
*This is true because trade policy is an issue which has blatant regional effects. In other words, it is a "pocket book issue." See Mayer, Leo. Regional Effects of Alternative Trade Policy. In U.S. Trade Policy and Agriculture Exports.
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