

UNDERSTANDING THE NEW ECONOMIC REALITY OF THE UNITED STATES:

DONALD J. TRUMP'S ECONOMIC NATIONALISM

BY PETER POSTMA

FEBRUARY 2017

Abstract

This paper explores America's fascination with protectionism and economic nationalism, and argues that much of Donald J. Trump's political-economic vision as 45th president of the United States is intimately tied-up with America's idea of itself and its role in the world. Rather, as this paper demonstrates, economic-nationalism, in its many forms, is a deeply rooted American political-economic tradition that goes back as far as the nation's very founding, and, indeed, as such has always been a latent political force in America's political-culture. From its earliest founding days, protectionism versus free-trade has been a matter that has always bitterly divided America, and as such, economic nationalism, in the form of a threatening exit from the WTO, a possible re-negotiation of NAFTA, and high import tariffs for Mexico and China, although perhaps a dramatic shift after years of free-trade presidents, is nothing new under the American sun.

GATT: General Agreement on Tariffs and Trade (1947)

NAFTA: North American Free Trade Agreement (1994)

WTO: World Trade Organization (1995)

RTAA: Reciprocal Trade Agreement Act (1934)

TPP: Trans Pacific Partnership (currently being ratified)

TTIP: Transatlantic Trade and Investment Partnership (negotiated)

1. Introduction

A lot of scholarly effort has recently been put in understanding the social-economic circumstances that made possible the rise of Donald J. Trump as the 45th President of the United States. An equal lot of effort has been put in understanding whether or not some of his proposed protective economic policies, such as high import tariffs for Mexico and China, a renegotiation of NAFTA and a possible withdrawal from the WTO, present a new economic reality. Although much still remains speculation, throughout his campaign, Trump has continuously accused the country's political and economic elites of embracing dead-end economic policies of globalization, leading to the withdrawal of the TPP ratification process on his first day in the White House. Throughout his campaign, Trump has been emphasizing that it is through such free-trade policies that the previous administrations, have sold-out manufacturing firms to foreign economies, have destroyed the middle-class, and have moreover undermined America's national unity. By pushing a nationalist economic agenda, Trump's administration sees it as its main goal to "Make America Great Again." The purpose of this paper, then, is to explore America's fascination with protectionism and economic nationalism, and seeks to argue that much of Donald Trump's political-economic vision is intimately tied-up with America's idea of itself and its role in the world. Indeed, it can be said that economic-nationalism, in its many forms, is a deeply rooted American political-economic tradition that goes back as far as the nation's very founding, and, indeed, as such has always been a force in America's political-culture.

The argument of this paper is structured chronologically, and explores how political-economic ideas of economic nationalism, firstly, can be traced to America's colonial experiences and, how these sentiments were activated by the nation's Founding Fathers as a political force in the years after America gained its independence. As a means to conserve America's particular political, commercial and religious liberties, the nation's first Secretary of Treasury, Hamilton set out to create what can be called the DNA of the nation's political-economic system, with at the core protective principles such as high import tariffs, with the purpose of protecting the developing American industry from foreign powers. From there on, secondly, this paper shall explore how these ideals were adopted by early versions of nationalist political lobbyists in the 1820s, and how these eventually came to dominate the agenda of the newly found Republican Party in the 1850s. While it could be argued that the Second World War largely ended a partisan division over protectionism, sentiments of economic nationalism and protectionist measures would however keep on returning on the political agenda of both the Democratic and Republican Party, to this very day.

From its earliest days, as this paper seeks to demonstrate, protectionism versus free-trade has been a matter that has always bitterly divided America. As such, the purpose of this paper, as a final note, then, is not to normalize president Trump's economic policies. Rather, its main concern is to emphasize that nationalist-economic sentiments in America can best be understood in the light of the

country's specific political-economic history. Radical as Trump's nationalist-economic sentiments and ideas might seem, nearly thirty years after the end of the Cold War, in an era in which globalization and free-trade as a democratizing force, seemed to be the only and most natural way forward, today's expressions, as this paper shall make clear, actually give credit to an often overlooked, yet, very American political-economic tradition. It should therefore also not be too big of a surprise that such sentiments, since they are so deeply embedded in America's political-culture and tied to the country's very national identity, resonate so well in its political climate, and, hence, are a potent political force that can always be activated by any politician, regardless of their political stance. As such, it could therefore be said that Trump's seemingly new economic reality of economic nationalism and protectionism has long due been prepared in America's very history and culture.

2. Early-America: From Idea to Institutionalization

2.1 A Conservative Movement

The remote American colonies were well integrated into the British Empire and the transatlantic economy throughout the seventeenth and eighteenth-centuries. Most colonists indeed viewed themselves as integral parts of a British and European cultural world, in which they were participants of the age, linking them ever closer to some of the principal trends in eighteenth-century culture. These American colonists however did not identify with everything British. Instead, American colonists identified themselves as provincials, with a particular provincial point of view, dominated by the conviction that they were an exceptional people with an exceptional opportunity. For the first time in the history of mankind, these settlers believed, autonomous individuals had the possibility to create a truly New World based on liberty, free from corruption, war, religious prosecution and fear. From their perspective liberty was indeed not only fragile, but also rather rare (Taylor 2001).

Despite most manufacturing in the colonies was severely restricted by mercantilist principles, enforced by law through the Navigation Act, it can be said that America's colonial economy, in contrast to others, was still largely unconstrained, as Great-Britain was far away. During the first half of the eighteenth-century, the colonies in North-America prospered, and in this context, commerce itself was perceived as a positive good, as increased trade seemed the key to the creation of wealth. In this scheme, importantly, morality and the market came to be intertwined in colonial America, as "colonials understood that the market served to promote the balance and order of the natural order, constituting an important tool in promoting harmony, peace and civility" (Phillipson 1983, p. 179). Moreover, "prosperity and commercial expansion [served] as moral justifications for any social action," because, in effect, colonials believed that prosperity, commerce and liberty demonstrated America's "conformity to nature and to the divine order" (p. 167). Their particular, indeed exceptional liberty, was the source of not only their economic and political prosperity, but also

of freedom of enquiry, of Enlightenment, and even a pure form of religiosity, confirming the belief that the colonial society they had established was unique, “just the kind that God had designed men by nature to have” (Becker 1970, p. 73).¹

It can thus be said that at the end of the eighteenth-century, American colonials experienced and actually *lived* that they had created truly a New World. When these particular colonial commercial liberties were threatened when the British government decided to strictly enforce the Navigation Act, through restrictive tax and trading laws in 1764 (Sugar Act), 1765 (Stamp Act) and in 1767 (Townshend Act), these were considered as going against everything that the American colonies stood for. From the moment when forming a new government and independence became a distinct possibility, continuing throughout the War of Independence (1775-1783), America was therefore filled with hopes specifically for preserving their particular religious, commercial and political liberties. As such, rather than a progressive struggle, the American Revolution can best be understood as an attempt to preserve its exceptional liberties, that needed to remain free of British constraints and control.²

2.2 Two Visions of America: Free Trade versus Protectionism

2.2.1 Thomas Jefferson

British mercantilist tax policies helped provoke the American Revolution in 1776, indeed the same year that Adam Smith published his *Wealth of Nations*. In independent America, Adam Smith’s main adopter was Founding Father Thomas Jefferson, the writer of the Declaration of Independence.³ Hence, the main means by which he thought he best could protect early-America’s particular liberties, was by embracing free-trade. For Jefferson, free-trade represented a two-sided sword in which commerce went hand-in-hand with political goals. For him, free-trade was the perfect means to avoid the degenerative effects of industrialization on the population. Modernization, Jefferson feared, would drive the laboring class off their lands into manufacturing industries, and as such would not only undermine the morals of the workers, but also their particular republican citizenship, and thus

¹ Although the term liberty meant many things to many different people in colonial America, the colonials shared the conviction that the American colonies were a place of liberty in a world of tyrannies. What also made the preservation of liberty so compelling to American provincials was its connection to nearly every other element of prosperity and social happiness. For colonial Americans, life resembled the general harmony of nature (Landsman 1997). Hence, the institutions by which these early Americans lived were also in perfect harmony with the Universal Natural Order that God had created.

² During its war for independence, terms such as “New World,” “New Earth” and “Liberty” were transformed into a peculiar destiny: what had been incidental in the colonial past all of a sudden acquired purpose and momentum. All of history prior to the formation of the Euro-American New World was “pointed towards this formation as a goal, in which the New World was not simply a place, but a mission” (Byers 1997, p. 86). Also, increasingly, they spoke of the conflict in apocalyptic terms. Thomas Paine in *Common Sense* (1987) used biblical precedents and emphasized providence: a fallen Old World, an Egyptian England, and a New Canaan charged “by the design of Heaven” with “the cause of all mankind” (p. 83).

³ As Rothbard (2006) and Salerno (1988) point out, during his time in France as an ambassador, Jefferson had become a close friend of the French adopters of Adam Smith’s work, such as Jean-Baptiste Say and Antoine Destutt de Tracy. As a man of letters, Jefferson translated their work in English and had it published in the United States, but mainly promoted De Tracy’s work, as he hoped that specifically his work “would become the elementary book of instruction of the political economy” in the United States (Salerno 1988, p. 133).

potentially undermine the unity of the nation itself. In the Jeffersonian political-economic vision for America, there was therefore no need for consumer items to be produced in domestic manufacturing industries. In his famous *Notes on the State of Virginia*, Jefferson noted that his countrymen should “let [their] workshops remain in Europe” (qtd. in Peskin 2002, p. 240) and he instead offered that the ideal republican society was a pastoral one of private property owning farmers. As a means to remain agricultural and thus protect its particular form of republicanism, the nation should consequently expand westward, which would avoid the transformation of its economy and thus at the same time avoid the decay of its republican citizenry.⁴ At the same time, in terms of foreign policy, an important role of the government would be to promote international trade to make sure that America’s farmers and planters had access to foreign markets. In Jefferson’s vision, therefore, free international trade operated as a safety valve for securing liberty at home (Edling 2012).

2.2.2 Alexander Hamilton

On the other side of the spectrum stood Alexander Hamilton. Like Jefferson, Hamilton’s main concern was also to protect America’s particular liberties. His vision for America was however radically different. As the nation’s first Secretary of Treasury, Hamilton realized that the economy of the American Republic was still dependent of Great-Britain, and although it had formally secured its political independence in the Treaty of Paris in 1783, it was economically still largely dependent on British manufacturers. The new-found nation was moreover also nearly bankrupt, owing enormous loans to France and the Dutch Republic, and thus needed to restore national credit. In Hamilton’s view, in order to maintain its political independence, this would foremost require economic independence. Despite Thomas Jefferson’s ideological aligning with British and French free-trade liberalism, as Washington’s Secretary of State, Hamilton understood that no other nation was actually practicing free-trade. Then to embrace it, when no one else was doing it, like Jefferson suggested, would be thus sacrificing the nation for an unproved economic ideal. Moreover, as the United States were still excluded from most European markets, as its independence was not uniformly recognized, until European countries opened their markets for American merchants, Americans would need to develop their own market first, Hamilton reasoned. The foundation of this was to be a government protected, regulated and stimulated form of commercial republicanism.

Alexander Hamilton’s *Report on the Subject of Manufactures*, which he published in 1791, opened by attacking the by Jefferson adopted doctrine that agriculture was the ultimate source of all wealth. Instead, he proposed a concept of commercial republicanism, taking the position that manufacturing was as much a source of both economic and political wealth. Instead of a small,

⁴ The promotion of expansion of the United States became one of the prime concerns during Thomas Jefferson’s presidency (1801-1809). In 1803 Jefferson purchased the Louisiana territory from France, known as the Louisiana Purchase. The marginal role of the government, then, was to facilitate commerce, and construct roads, canals and waterways. Government spending otherwise was to be the smallest possible.

minimalist government, Hamilton argued that “the incitement and patronage of government” was needed to regulate commerce between the different states within the union, and to stimulate the development of manufacturing industries. Importantly, unrestrained free-trade between the newly-found thirteen states, in Hamilton’s view, would help remove a frequent cause of wars, as he witnessed among European nations. This type of republicanism, grounded in interstate free-trade, therefore was first of all intended to be a fabric of peace among the states, cementing the union, and serving as a means to prevent rivalry war between the states. To secure commercial republicanism domestically, Hamilton, on the other hand, analyzed several trade measures, such as import duties and tariffs, but also subsidies and bounties, as a means to protect local manufactures from foreign markets, but also as a means to stimulate local manufacturing. As such, the government should encourage, Hamilton believed, an American industrial revolution, which, helped by a division of labor, would also increase individual American’s dependence on one another, and in that sense, foster republicanism on a personal level. Unlike Jefferson, who was afraid that industrialization would lead to moral decay, Hamilton rather felt that this would be another instrument to reinforce the bonds of union.⁵

2.3 Institutionalized Protectionism

2.3.1 “The American System”

It would be a series of crises in the late 1790s and the early 1800s that led to a wide public and political acceptance of Hamilton’s political-economic vision for America, moreover linking it with nationalistic sentiments. As Chew (2005) shows in his case study of the business community of Baltimore of the 1790s, then one of America’s major maritime ports, America’s overseas trade fell behind to the domestic economy as the country’s primary driver of growth at the end of the eighteenth-century. This downfall, caused by an economic crisis in 1797, known as “The Panic of 1797,” the Quasi-War with France and a yellow fever epidemic, all contributed to ending a decade long export boom. The Embargo Act of 1807, called-out by then president Thomas Jefferson (1801-

⁵ It can be argued that in Alexander Hamilton’s work the core of a nationalist-protectionist economic doctrine, in essence an updated version of old British mercantilism, can be found (Walling 2003). Hamilton indeed most certainly looked for inspiration from Great-Britain when he suggested that the United States should strive to stay insular, in a political sense as much as an economic sense, and should therefore adopt protective economic measures, and therefore copy Great-Britain’s infant industry promotion of the early 1700s. As Ha-Joon (2002) makes clear, Britain actively started protecting its infant industries as early as 1721, introducing laws aimed at lowering duties on raw materials used for manufactures, at the same time as export subsidies were increased. It can be argued that these protective measures, in combination with technological developments, had certainly given Britain’s industrial revolution its revolutionary boost. Early nineteenth-century Americans were certainly not blind to such successes. As Ha-Joon (2002) moreover explains, despite its technological lead, Great-Britain continued its policies of industry protection until the late 1850s. Pressures to increase free trade came mainly from manufacturers in the 1830s with the repeal of the Corn Law which abolished many tariffs, which can be understood as “an act of free trade imperialism” (p. 4), intended to “halt the move to industrialization on the continent by enlarging the market for agricultural produce and primary materials” (p. 4). Free trade can then here be best understood also as a protectionist move, however one mainly to undermine the competition of industries on the continent that were starting catch-up.

1809), in effect between December 1807 through March 1809, made matters even worse, causing another major economic crisis, but also political crisis. On top of that, the United States declared war on Great-Britain in 1812, incited by the Napoleonic Wars that Great Britain was fighting with France, causing severe trade restrictions for American merchants.⁶

The end of the war in 1815 would however lead to a nationalist mood, commonly known as “The Era of Good Feeling,” that filled America with hopes for national unity. In this climate, it would be Henry Clay, a Kentucky plantation owner and prominent politician, who would first actively politically promote and seek to legitimize economic nationalist’ policies. Like Alexander Hamilton had realized during the War of Independence, Clay realized after the War of 1812, in which American independence was seriously threatened, the importance of domestic manufacturing industry as a means to protect America’s liberties. As such, Clay sought to “afford them protection [...] for the general interest.” As America was mostly cut-off from manufacturing industries in Europe during the War of 1812, Clay reasoned that America should “have [its] own wants supplied” (qtd. in Lind 2006, p. 231). Thus, when Clay presented his “American System” in the House of Representatives in 1824, Clay consequently linked the need for a machine-based economy, and the protection from the threat posed by the industrial, manufacturing power of Great-Britain. As a promotor of “The American System,” Clay revised earlier tariffs to now protect and thereby stimulate the development of American manufacturers.⁷ Clay was moreover supported in such measures by other visionary men of letters (Warner 1992), among them the nation’s first political-economists who were also advocates of protectionism.⁸ In this context, because of its coal and iron mines, making it a natural site for the introduction of steam-powered factories, Pennsylvania would become the “intellectual and political capital of American protectionism” (Lind 2006, p. 79). Here, Matthew Carey, an Irish immigrant who befriended Founding Father Benjamin Franklin, found the *Philadelphia Society for the Promotion of*

⁶ The first event, “The Panic of 1797” was a financial collapse brought on by the Bank of England’s suspension of coinage payments, unravelling the Atlantic credit system that many merchants, including American, were depended on. While merchants with interests in the Caribbean were somewhat protected from the effects of the panic, they however experienced major setbacks during the Quasi-War with France a year later. This war, also sometimes referred to as America’s first limited war, was fought almost entirely at sea and started during France’s Revolutionary Wars. As the French crown was toppled, America’s main ally and creditor in its war for independence, America simply refused to repay its debts to the new French administration. In the period between 1798 till 1800, this action led to the capture of nearly 2.000 American merchant ships (Fehlings 2000). To make matters worse, in that same period a fierce yellow fever epidemic shut down nearly all American ports, and although the war and fever ended in 1800, the export boom did not return (Fehlings 2000).

⁷ In 1828, the Northerners in Congress managed to pass a stiff protectionist tariff, the “Tariff of Abominations.” Its enactment caused a very serious quarrel as Southern states rallied against the tariff. Some Southern states, notably South Carolina, refused to collect the tariff at their ports even threatened to secede from the Union if the issue was pressed, causing the “Nullification Crisis,” nearly leading to civil war. While the crisis was quietly resolved with a lower compromise tariff in 1833, it however turned out to be a dress rehearsal for what was to come. Between the 1830s and 1850s, the divide over tariffs deepened when new states entered the union.

⁸ As Warner (1992) notes, early America had a very lively bourgeois public sphere, where visionary men of letters strove to push their respective understanding of the ideal American society. Among these men of letters were America’s first political-economists Daniel Raymond (1786-1849), and father and son Matthew (1760-1839) and Henry Carey (1783-1879). The Baltimore-based Daniel Raymond, arguably America’s first political-economist, was the first one systematically developed an infant industry argument in his *Thoughts on Political Economy* that he published in two volumes in 1820. In the book Raymond mainly focused on the issue of national wealth, defining it as the “productive capacity of the economy,” separating it from individual wealth, that he defines as “the actual goods produced or property possessed” (p. 26).

National Industry in 1810. In the decades leading-up to the Civil War, another major crisis in American history, it would however be the work of his son, Henry Carey, that would have the most substantial impact on the institutionalization of protectionism in America.

2.3.2 The Republican Party as Protectionist Platform

In a climate of political division over tariffs, and economic division, between pro-protectionism Northern manufacturers, and free-trade Southern agrarians, Henry Carey was able to take center stage, as propagandist for protectionism, and as the Republican Party's main ideologue. By 1840, Henry Carey had taken over the work of his father, and became an important man of letters, as he was writing books, pamphlets, newspaper articles, and cultivated friendships with important public figures, "always with the one thought uppermost of advancing the cause of protectionism (Lee 1957, p. 282). Not only was Carey heavily influencing public opinion as economic editor of the *New York Tribune* between 1849 and 1857, throughout the pre-Civil War years Carey and his disciples were in conversation with policy-makers, effectively turning him into an ideologue for the Republican Party. For Carey, often described as "a crusader," and "an evangelist for a better world through economic action" (Lee 1957, p. 282), protective tariffs were the key to prosperity and national greatness, strongly advocating that the new-found party should become an outright protectionist party (Lee 1957). Central in Henry Carey's thinking were concepts of protection of American labor. In Carey's 1830s and 1840s America, there was too much of a big distance between the agricultural regions of the South and the Western frontier, and the manufacturing regions of the North-East. In such a society, Carey feared, a mismatch between industrial, metropolitan producers and rural consumers would be very likely, and when America would adopt free-trade, this would only enhance wild and speculative fluctuations in economic activity.

Most important, Carey was a devout nationalist, a principle that dominated his entire thinking, and tariffs were the cure to all ills of the nation, from slavery to friction between capital and labor, difficulties between North and South. Carey's first success within the Republican Party came after the adaptation of the Tariff of 1857, which had lowered tariffs in response to federal budget surplus, and a banking crash commonly known as "The Panic of 1857." During this crisis, the bankruptcy of several banks and insurance companies increased public interest in economic affairs, causing a return to interest and eventually support for protectionism. In the years after, Carey was joined by fellow Republicans to support protectionism as a party principle, and, hence, during the Republic Convention of 1860, protectionist tariffs were the central theme. Although many party members were still divided, in the campaign that followed, Carey, "steered the Republican Party onto the road of protectionism" (Lee 1957, p. 300), leading to the enactment of the heavily protectionist Morrill Tariff Act of 1861, just days before Civil War. Its adaptation was made possible mainly due to tariff averse Southerners resigned from Congress after their states declared their succession. Eleven

days after the Morrill Tariff became active, Confederate forces however opened fire in Charleston, South Carolina, starting the Civil War. Henry Carey, by then one of President Lincoln's main economic advisors, declared that the Republican Party was now then "the new [economic] Declaration of Independence [from the British System]" (qtd. in Lind 2006, p. 80). Carey's economic nationalism, in which free-trade economics was framed as a British conspiracy, effectively turned the Republican Party into a full-blown protectionist, political party that would come to dominate American politics for the next seventy years. And although Henry Carey died in 1879, it could be argued that his work emerged as the "prophet of American capitalism in its battle to dominate world markets" (Dawson 2000, p. 485).

3. Modern-America: Partisan Division over Protectionism

3.1 The Imperialism of Economic Nationalism

The Republican Party, mainly led by Northern industrialist and Northeastern farmers came out of the Civil-War as winners. In this era, popularly titled The Gilded Age, America could indeed "shift from one form of capitalism to another, from predominantly self-employed proprietors to large corporations run by salaried managers" (Trachtenberg 1982, p. 6). Whereas this era is however frequently portrayed as one of laissez-faire industrialization, but also one of Open-Door imperialism in which American corporations sought access to foreign markets, this could easily lead to the conclusion that the United States by now had fully and wholeheartedly embraced free-trade policies.⁹ Instead, however, since it would mainly be the protectionist Republican Party that would dominate American politics between the end of the Civil-War and the 1930s, only interrupted by three Democratic presidencies (Cleveland between 1885 and 1889, and again between 1893 and 1897, and Wilson between 1913 and 1921), it was mainly the ideology of protectionism and economic nationalism that was the main driver of America's late nineteenth-century economic success. Paradoxically, it was however also this very economic success and modernization, that would eventually lead to opposition to economic protectionism, making it the dividing issue of The Gilded Age.

As a means to raise revenue to pay-off war loans, and moreover as a means to reconstruct the war struck nation, the two post-war Republican presidents, Johnson (1865-1869) and Grant (1869-1877) raised high, protective import tariffs. Since the end of the Civil War, America had been accumulating more than that it spent, and as such, typical Republican economic nationalist protectionist measures of high import duties had been an important source of revenue. As Reitano

⁹ This conclusion, popularly amplified by Wisconsin historians, who, in the 1960 and 1970s, in their attempt to find an overarching story of American imperialism, found in this era their proof that the United States was ultimately an empire. While such historians have done a valuable job in indeed exposing the traits of American empire, this over-emphasis on an overarching story, connecting nineteenth century history with that of the twentieth century, however, has largely denied how economic-nationalists, and not free-traders, drove this imperial expansionism (Palen 2015).

(1994) makes clear, around 1885, the surplus amounted to 63 million dollars, rose to 94 million dollars in 1886, and was expected to reach 140 million dollars by 1888. As a consequence, the question what to do with a surplus in federal treasury, and the height of tariffs, would be the two questions dividing the Republican and Democratic parties. Grover Cleveland (1885-1889), the first Democratic president elected in the post-Civil War era, for instance actively advocated tariff reform, as he felt that the government needed not to take more money from the people than it actually required. The Republican Party but also protectionist Northern Democrats fought back, as they believed that the American industries would continue to need high tariffs, bitterly dividing the two parties. Cleveland lost his re-election to Republican candidate Harrison, indeed mainly over the tariff matter, who in his first year in office enacted the very protective McKinley Tariff Act, raising the import tariff to fifty percent. It would also be this tariff act that triggered the Hawaiian revolution in 1893, effectively making the United States an empire, a perfect example of what Palen (2015, p. 168) titles “the imperialism of economic nationalism.”¹⁰

While its industries, commerce and economy diversified, establishing the United States as one of the economic giants of the modern world, trade policies “turned progressively more defensive” (Goldstein 1993, p. 81) under Republican rule. President McKinley’s first act of nationalist economic policy, enacting the Dingley Tariff which again raised import tariffs, was soon followed by the declaration of the Spanish-American War in 1898, and with the Open-Door Notes in 1899. While some historians argue that the Open-Door represented a Republican call for international free trade, historian Palen (2015, p. 172) reminds that “such demands were being made under a broader Republican-held economic nationalist umbrella.” Although the United States indeed gained an imperial status after the American-Spanish War, this was “not, however, a sudden Republican appeal to free-trade principles or out of respect for free trade” (p. 173). By the beginning of the twentieth-century, the United States were an empire, but one within an economic nationalist framework, in which Great-Britain was consistently framed as a conspiratorial symbol of free-trade.¹¹

3.2 From Protectionist Revisionism towards the RTAA

Besides a time of unrestrained energy and rapid modernization, the early 1900s also were a time of excess. By now, to a large extent, to use Trachtenberg’s (1982) phrase, America was largely incorporated, and its economy was dominated by monopolistic corporations such as Vanderbilt,

¹⁰ The McKinley Tariff ended an exclusive free-trade deal from 1874 that had existed between the islands and the United States since 1874. The McKinley Tariff accelerated annexationist sentiments among Hawaii sugar planters and revolutionary leaders, who were predominantly American businessmen. American marines landed on Hawaiian shores in mid-January 1893, and deposed the Hawaiian queen. The official annexation would have to wait till 1898.

¹¹ The United States wanted, like other European nations, equal access to China, and in that sense, as William Culbertson, member of the United States Tariff Commission noted that year: “the principle of the open door does not imply free-trade nor even low or revenue tariffs. [...] It may be applicable in any dependent colony or even in a country, such as China and Persia, where outside governments are backing the commercial and financial interests of their nationals in their competition for trade, investment, or concessions.” (p. 325)

Rockefeller, and Carnegie. The Republican Party, mainly nurtured on American System protectionism, had become a symbol of unrestrained corporation greed, protected by the growing power of the federal state, that was protecting the development of such corporations. This was also a party and government, moreover, that was increasingly associated with granting protection from foreign competition through high tariffs. Not surprising, perhaps, this would be a time in which public opinion, but also the Republican Party itself, slowly started shifting away from protectionism.¹² Revisionism was moreover also increasingly organized through industrial and commercial associations, who formed lobby groups, who in their own way started to influence the agenda of the two parties.

By the time of the presidential elections of 1912, both Republican and Democratic candidates actively sought to end the continuous congressional deadlock between protectionism and tariff revision that had dominated American politics since the end of the Civil-War. Hence, when Democrat Woodrow Wilson was elected president that year, and entered the White House in 1913, he enacted his Underwood Tariff Reduction Act, and moreover installed a Tariff Commission that had the task to “impartially and scientifically gather [...] a small encyclopedia of the tariff,” and should continually gather facts rather “than just during those periods when Congress was actively concerned with tariff revision and when the heat of partisan strife would affect research” (Solvick 1963, p. 441). Before the effects could however be assessed, World War I broke out in Europe. During the war, American industry was protected from European competition and demand rose, and thus the American economy experienced a boom. However, with the war over in 1919, the American economy was struck by a contraction, lasting from January 1920 to July 1921. In response, Congress proposed an increase of agricultural tariffs which was vetoed by Woodrow Wilson on his last day in office. The Emergency Tariff Act was eventually passed by the newly elected Republican President Harding in 1921, followed by a further increase in import tariffs in 1922 by the Fordney-McCumber Tariff, and again, as a response to the financial crisis of 1929, the 1930 Smoot-Hawley Tariff by Republican President Herbert Hoover.

Once Franklin Delano Roosevelt entered the White House in 1933 and the Democrats dominated Congress in 1934, they actively sought to finally end nearly seven decades of partisan division over protectionism. With a world economy in a deep economic crisis, Roosevelt (1938) claimed in March 1934 “that a full and permanent domestic recovery depends in part upon a revived

¹² In addition, small and medium sized companies, suffering from intense domestic competition, concluded that they were victim of concentrated economic power protected by high tariff walls (Solvick 1963, p. 426). As Wolman (1992) makes clear in his study of Republican and Democratic tariff revisionism in the period 1897-1912, a combination of anger and fear gave rise to a revisionist movement of business groups, policymakers and intellectuals, who started to increase its influence on tariff politics. These revisionists were not advocating free-trade, but rather tried to find a middle ground between lower tariffs, and an expansion of reciprocity treaties, especially with European nations. Such revisionism was organized through industrial and commercial associations, who formed lobby groups such as the National Reciprocity League, who “politicked, palavered and pamphleteered to develop [...] a creed of “reciprocity,” “maximum and minimum tariffs,” a “scientific” tariff commission and a doctrine of tariffs based on comparative costs of production” (Wolman 1992, p. 22).

and strengthened international trade and that American exports cannot be permanently increased without a corresponding import” (p. 144). With European economies in the decline, Roosevelt moreover saw opportunities to expand American influence in international trade, and as such this required swift action leading to the enactment of the Reciprocal Trade Agreement Act (RTAA) in 1934. This was nothing less than a revolutionary act, as Congress now delegated its constitutionally granted power to set tariffs and make trade agreements, albeit on a temporary basis of three years, directly to the president. Its enactment was however made possible, partly by the failure of the Smoot-Hawley Act of 1930, as legislators hoped its enactment would lead to an increase in exports to end the Great Depression, but also because both parties realized that in the interconnected world-economy of the 1930s, this would require swift response instead of congressional micro-management. Now that Democrats had the majority in Congress, the RTAA moreover gave the opportunity to “provide durability to Democrat’s preferred low-tariff policy after seven decades of Republican tariff policy dominance” (Schnietz 2000, p. 438), creating a new constitutional foundation that made possible further global trade liberalization after 1945.¹³

3.3 Post-War and Modern Day Protectionism

As tough as the Republican commitment to protectionism was before 1934, it was mainly the outcome of the war and the opportunity it offered to rewrite the rules of free-trade on a global level that would “stave off reversal of the RTAA that the Republicans had promised in their platforms in the 1930s and 1940s when in opposition” (Hiscox 1999, p. 680). The United States, now a creditor nation to all European powers, combined with its military power, was able to set the rules of the game of international trade through the 1944 Bretton Woods agreements, making America’s hegemony the vehicle for the creation of a more open international trading system after 1945. This however also presented a problem for its prospective trading partners. As demonstrated, for the 150 years of its history, America’s trade policy had shown considerable indifference to the concerns of other nations. Moreover, from the perspective of these nations, trade agreements were also a possible invitation to exploitation. In response to this dilemma, instead, as Goldstein and Gowa (2002) show, the United States adopted institutional policies that constrained its own ability to act opportunistically and repressive. By adopting self-binding mechanisms, through the establishment of regulatory rules and dispute settlement procedures, the United States was largely able to shape and influence the order of international trade in the post-war world. As such the multilateral General Agreement on Tariffs and Trade (GATT) of 1947 could indeed be seen as the final victory of free-trade over protectionism and

¹³ With its emphasis on reciprocity, the RTAA offered the United States “a carrot that could be taken away from states that reneged on their treaty obligations” and such it took the first step towards “realizing, on the long run, the international economic structures so prized by hegemony theorists” (Hiscox 1999, p. 318). Between 1934 and 1939, hence, president Roosevelt made reciprocal trade agreements with Belgium, Brazil, Canada, Columbia, Costa Rica, Cuba, Czechoslovakia, Ecuador, El Salvador, Finland, France, Guatemala, Haiti, Honduras, the Netherlands, Nicaragua, Sweden, Switzerland and the United Kingdom.

the end to superstition which had dominated international trade-thinking until then. It would however certainly not mean that protectionist, economic nationalist sentiments disappeared.

American exports rose sharply and imports decreased in the 1950s, and hence United States' trade surplus expanded in this period. Manufacturing industries, even the traditionally protectionist ones, moreover experienced an export boom, and the threat posed by import competition for a vast range of industrial producers all but for most disappeared. By the end of the 1960s however, the United States had been struck by what president Carter referred to as a "crisis of confidence" (Lipset and Schneider 1988, p. 1). The Vietnam War, Watergate, the Iran-contra crisis, an energy crisis, but also bad economic news in the form of unemployment, rising inflation, a recession, and the United States becoming a debtor nation again, had done the national confidence no good. In this context, as Conti (1995) demonstrates, president Ronald Reagan (1981-1989) balanced domestic pressures by heavily intervening in the market through protective measures, while, at the same time, relying on the rhetoric of free-trade. As the Cold War eased, new opposition had risen in the form of Japan, leading Reagan to campaign in a nationalist fashion with the motto "Let's Make America Great Again." While Reagan was however strongly committed to the ideology of free-trade based on free-markets, "defending the principle [...] so ardently because it was grounded in the very ideals of democracy, the magic of the marketplace" (Conti 1995, p. 96), still, he also imposed strong market restricting tariffs on Japan, specifically on its automobile industry, in his first period. Importantly, as Conti (1995) shows, Reagan enlarged the scope of the debate, as at the core of his economic rhetoric were the matters of "the fair in free and fair trade" (p. 96) and moreover an emphasis on competitiveness, rather than protectionism, being "for Democrats a way to say *we're not protectionists*, as they write their protectionist legislation," and "for Republicans it's a way to say *we are not single-minded free-traders*" (McKenzie 1988, p. 67). As such, it could indeed be argued that by the 1980s, the Reagan administration finally found a way to reconcile the 150-year-old divide by simply changing the rhetoric.

The emphasis on fair trade and competitiveness was continued by presidents H.W. Bush (1989-1993), who initiated the North American Free Trade Agreement (NAFTA), and by Bill Clinton (1993-2001), who eventually signed NAFTA into law in 1994. Despite heavy resistance from within his own party¹⁴, Clinton also committed to a new international trade body, the World Trade Organization (WTO) to replace GATT in 1995. Importantly, the WTO had a far more effective trade dispute settlement mechanism compared to its predecessor GATT, which, importantly, now sidelined congressional input to influence trade agreements. In addition, in 1995 Clinton granted China permanent normal trading privileges by 2001, allowing it to join the WTO, however with great congressional opposition, mainly from his own party, thereby effectively splitting the Democrats (Ashbee and Waddan, 2010). Despite his enthusiastic free-trade approach, Clinton thus was unable to

¹⁴ Within the House of Representatives, of the 234 votes in favor of the agreement, a majority of 132 came from Republicans.

convince the Democratic Party full-heartedly of its advantages. To a large extent, Clinton was driven by the successful outcome of the Cold War: he was strongly convinced that free-trade and making China part of the world community, would, eventually democratize it.

These congressional uncertainties continued when G.W. Bush (2001-2009) came to office. While Bush, like Clinton before him, campaigned with ambitious free-trade plans, he also not had a clear support from Congress, that largely undermined his administration's agenda. During his presidency, Bush mainly pushed bilateral trade-agreements outside the WTO. This was, on the one hand, driven by non-economic geo-political goals related to raise support for the war on terror, but since Congress needs to be involved in bilateral trade-agreements that fall outside the WTO agreement, this also increased their involvement and thus created opposition, largely blocking the free-trade agenda.¹⁵ In addition, pushed by the American steel industry, Bush also sought to unilaterally raise protective tariffs on steel imports. The affected countries however filed a complaint at the WTO, granting the European Union permission to impose sanctions in return on American imports, in the end making the Bush administration decide to comply with the WTO, and consequently lifting the tariffs on imported steel. Equally, on the other hand, the Bush administration also used the WTO to protect American interests when the United States were threatened by Chinese protective measures (Chorev 2009). It can however be concluded that now, under the umbrella of a multilateral forum, this has led United States to gradually drift away from the WTO, as large emerging economies such as China and India, with an equal say, are less likely to comply to the United States on sensitive trade matters (Hundt 2015).

In an attempt to ease international anti-American sentiments after the Bush wars on Iraq and Afghanistan, the two Obama administrations (2009-2017) sought to more actively work through the WTO, leading to sixteen successful filings against protectionist measures, mainly against China. Obama however also had to continue the battle of internal division within the Democratic Party over free-trade, that had already made Clinton's life difficult in the 1990s. To a large extent, Obama's administrations can therefore best be summed-up as equivocal, in an attempt to balance the different visions within the Democratic Party, especially during his first term.¹⁶ The economic crisis of 2008 added to popular suspicion of free-trade, and at certain times Obama certainly showed his support for protectionist measures, in the case of "buy American" tax laws, ending a pilot program to allow Mexican long-haul trucking companies unlimited access to the United States in 2009 under initial NAFTA agreements, and in a series of import tariffs on Chinese products such as low-cost tires and steel pipe. At other moments, especially in his second term, the Obama administration rather emphasized a level playing field, by stressing to "update the rules of the road" (Froman 2014) which

¹⁵ A 2012 study (Krikorian) showed that between 1995 and 2011, the WTO dispute settlement released 321 decisions in 129 disputes. Fifty-one of these disputes, nearly forty percent of the WTO caseload, were complaints against American laws and regulations. This has also led to the politicization of WTO judicial appointments by the United States, in an attempt to increase its influence in the mechanism.

¹⁶ During his first presidential campaign in 2008, Obama promised to renegotiate NAFTA, especially to improve labor and environmental standards (Ashbee and Waddan 2010). He however failed to fulfill this promise.

his administration sought to achieve through the Trans-Atlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP). When Obama received congressional “fast track” approval of international trade agreements in 2015 (with a majority support of the Republican Party, again leaving the Democratic Party divided), it allowed him in 2016 to sign the TPP agreement. It could indeed be concluded that Obama’s tactics, especially in his second term, to a very large extent echoed Reagan’s free, yet fair and balanced, and competitive trade rhetoric, also with the overall goal of enlarging international trade. Yet again, it would become painfully clear how internally divided the Democratic Party is over international-trade in the 2016 election campaign.

4. Conclusion

Although it is impossible to outline the complete and detailed history of American economic-nationalism here, this paper tried to demonstrate how the ideas and concepts are deeply tied to America’s history, culture, and indeed, to its very national identity, from its founding days till today. That what had begun with its formation and point of departure, the conservative character of its revolutionary war, materialized in two different yet consolidatory economic visions for America as a political means to protect its particular liberties. Economic nationalism became effectively institutionalized on a national level in the 1820s, and eventually turned into the driving ideology of the Republican Party that formed, on a material level, the foundation of America’s economic success of the late nineteenth-century. As the nature of capitalism changed in the early 1900s however, this economic success, as one of America’s major particular liberties, still required protection, which led to its reconfiguration and internationalization, into a global form of capitalism. This time, unlike before, the United States, as a result of its hegemonic economic and military position in 1945, was now able to define and shape the post-war international political and economic order, allowing it moreover to largely create this order in its own image (Panitch and Gindin 2013).

When America’s hegemonic position, in return, started being threatened in the late 1970s by the rise of Japan as economic superpower, and in the early 2000s by the rise of China, accompanied by a severe economic crisis in 2008, it should not be too much of a surprise that economic nationalism is now openly back on the agenda in the form of Donald J. Trump’s presidential agenda. Difficult as it may be, it is however in the light of America’s history and culture that Donald Trump’s economic nationalist rhetoric can best be understood. And despite the upturn, with now an outspoken protectionist president the leader of a largely pro-free-trade party, this seemingly unprecedented peculiarity of economic nationalism, as this paper tried to demonstrate, has always been latent in America’s political-cultural habits and practices. The “conditions of possibility” (Aksikas 2010, p. 81) of today’s economic nationalism can perhaps best be found in America’s economic material condition, in a society in which social and economic inequality is soaring, but also in the waning of its hegemonic military and economic power and the arrival of multipolar world, thereby slowly losing its

cultural, political and economic legitimacy. The global success of American capitalism, in that sense, turned against itself, transforming the 2016 presidential elections into a protest against globalization and global capitalism itself. With economics as a source of pride that is so intimately tied to America's national identity, in its connectedness to political independence and liberty, it paved the way for Donald Trump's successful campaigning, on a part reality, part conspiratorial narrative of national crisis, in which the nation's elites could be framed as promoters of globalization at the costs of the American worker, in which NAFTA and the WTO need to be renegotiated to America's interests, and its trade deficit moreover needs to be reduced, since these international entanglements now undermine America's economic prosperity and thus political independence.

In this sense, as a final note, it can be concluded that American economic nationalism under the guise of liberty, exceptionalism and independence, is largely an *ism*, an ideological construction, that "selectively define[d] the attributes of the nation in order to justify and celebrate it" (Byers 1997, p. 87). This ideology, as this paper tried to demonstrate, is however not only the essence of thought: it is also, and importantly, productive. Although largely outside the scope of this paper, it must also be noted that the ideology of economic nationalism in the United States was and is also a huge force in covering-up the negative aspects of nation-building, such as the violent suppression of trade unions, the upkeep of slavery but also social, economic and cultural inequalities, and as such it also remains to be seen who will and who will not benefit from Trump's economic nationalism. Yet, in his campaign, Donald Trump, unmistakably, tapped into this familiar, deeply rooted American ideological narrative, reminding that, to speak with Dutch historian Johan Huizinga (1972), it should not be forgotten that every economic question in America, is also, importantly, a cultural and political question.

Reference List

Aksikas, J 2010, 'America's Primitive Turn: Capital and the "War on Terror" in Post-9/11 America', *Reviews in Cultural Theory*, vol. 1 no. 2, pp. 81-87.

- Ashbee, E and Waddan, A 2010, 'The Obama Administration and United States Trade Policy', *The Political Quarterly*, vol. 81 no. 2, pp. 253-262.
- Becker, C 1970, *The Declaration of Independence: A Study in the History of Political Ideas*. Vintage Books, New York.
- Byers, T 1997, 'A City Upon a Hill: American Literature and the Ideology of Exceptionalism', *American Studies in Scandinavia*, vol. 29, pp. 85-105.
- Chew, R 2005, 'Certain Victims of an International Contagion: The Panic of 1797 and the Hard Times of the Late 1790s in Baltimore', *Journal of the Early Republic*, vol. 25, no. 4, pp. 565-613.
- Chorev, N 2009, 'International Trade Policy Under G.W. Bush' in A Wroe & J Herbert, (eds), *Assessing the George W. Bush Presidency: A Tale of Two Terms*, pp. 129-148. Edinburgh UP.
- Conti, DB 1995, 'President Reagan's Trade Rhetoric: Lessons for the 1990s', *Presidential Studies Quarterly*, vol. 25, no. 1, pp. 91-108.
- Culbertson, WS 1919, 'The "Open Door" and Colonial Policy', *The American Economic Review*, vol. 9, no. 1, pp. 325-340.
- Dawson, A 2000, 'The Problems of Writing Political Economy in Nineteenth-Century America', *Journal of American Studies*, vol. 34, no. 3, pp. 465-485.
- Edling, M 2012, 'Political Economy' in FD Cogliano (ed), *The Companion to Thomas Jefferson*, pp. 439-456, Wiley-Blackwell, Malden.
- Fehlings GE 2000, 'America's Limited War', *Naval War College Review*, vol. 53, no. 3, pp. 101-142.
- Froman, M 2014, 'The Strategic Logic of Trade', *Foreign Affairs*, vol. 93, no. 6, [no pagination].
- Goldstein, J 1993, *Ideas, Interests, and American Trade Policy*. Cornell UP, Ithaca.
- Goldstein, J & Gowa, J 2002, 'U.S. National Power and the Post-War Trading Regime', *World Trade Review*, vol. 1, no. 2, pp. 153-170.
- Ha-Joon, C 2002, *Kicking Away the Ladder: Development Strategy in Historical Perspective*. Anthem Press, London.
- Hiscox, MJ 1999, 'The Magic Bullet? The RTAA, Institutional Reform, and Trade Liberalization', *International Organization*, vol. 53, no. 4, pp. 669-698.
- Huizinga, J 1972, *America: A Dutch Historian's Vision, From Afar and Near*. Harper & Row, New York.
- Hundt, D 2015, 'Free Trade Agreements and U.S. Foreign Policy', *Pacific Focus*, vol. 30, no. 2, pp. 151-172.
- Krikorian, J 2012, *International Trade Law and Domestic Policy: Canada, the United States and the World Trade Organization*, UBC Press, Vancouver.
- Landsman, N 1997, *From Colonials to Provincials: American Thought and Culture 1680-1760*, Twayne Publishers, New York.

- Lee, AM 1957, 'Henry C. Carey and the Republican Tariff', *Pennsylvania Magazine of History and Biography*, vol. 81, pp. 280-302.
- Lind, M 2006, *What Lincoln Believed: The Values and Convictions of America's Greatest President*, Anchor Books, New York.
- Lind, M 2008, *The American Way of Strategy: U.S. Foreign Policy and the American Way of Life*, Oxford UP.
- Lipset, SM & Schneider, W 1983, 'The Decline of Confidence in American Institutions', *Political Science Quarterly*, vol. 98, pp. 379-402.
- McKenzie, RB 1988, 'America's Competitiveness: Do We Really Need to Worry?', *Public Interest*, vol. 90, p. 67.
- Paine, T 1987, 'Common Sense' in *The Thomas Paine Reader*, pp. 65-115, Penguin Books, London.
- Palen, MW 2015, 'The Imperialism of Economic Nationalism, 1890-1913', *Diplomatic History*, vol. 39, no. 1, pp. 157-185.
- Panitch, L & Gindin, S 2013, *The Making of Global Capitalism: The Political Economy of American Empire*, Verso, New York.
- Peskin, LA 2002, 'How the Republicans Learned to Love Manufacturing: The First Parties and the "New Economy"', *Journal of the Early Republic*, vol. 22, no. 2, pp. 235-262.
- Phillipson, N 1983, 'Adam Smith as Civic Moralist' in I Hont & M Ignatieff (eds), *Wealth and Virtue: The Shaping of Political Economy in the Scottish Enlightenment*, pp. 179-202, Cambridge UP.
- Raymond, D 1820, *Thoughts on Political Economy: A Theory of Productive Power*, 2016 reprint, Anthem Press, London.
- Reitano, J 1994, *The Tariff Question in the Gilded Age: The Great Debate of 1888*, The Pennsylvania State UP.
- Roosevelt, FD 1938, *Public Papers of the Presidents of the United States, 1934, Volume 3*. 2007 reprint, Library Reprints, London.
- Rothbard, M 2006, *An Austrian Perspective in the History of Economic Thought*. Edward Elgar Publishing, Northampton MA.
- Salerno, J 1988, 'The Neglect of the French Liberal School in Anglo-American Economics: A Critique of Received Explanations', *The Review of Austrian Economics*, vol. 2, pp. 113-156.
- Schnietz, KE 2000, 'The Institutional Foundation of U.S. Trade Policy: Revisiting Explanations for the 1934 Reciprocal Trade Agreement Act', *Journal of Policy History*, vol. 12, no. 4, pp. 417-444.
- Solvick, SD 1963, 'William Howard Taft and the Payne-Aldrich Tariff', *The Mississippi Valley Historical Review*, vol. 50, no. 3, pp. 424-442.
- Taylor, A 2001, *American Colonies*, Penguin Books, New York.
- Trachtenberg, A 1982, *The Incorporation of America: Culture and Society in the Gilded Age*, Farrar, Straus and Giroux, New York.

Walling, K 2003, 'Alexander Hamilton and the Grand Strategy of the American Social Compact' in R Pestritto and TG West (eds) *The American Founding and the Social Compact*, pp. 199-230, Lexington Books, Lanham.

Warner, M 1992, *The Letters of the Republic: Publications and the Public Sphere in Eighteenth-Century America*, Harvard UP.

Wolman, P 1992, *Most Favored Nation: The Republican Revisionists and U.S. Tariff Policy, 1897-1912*, Chapel Hill, New York.