Helen V. Milner, "Trading Places: Industries for Free Trade," World Politics, vol. 40, no. 3, (April 1988), pp. 350-376.

Puzzle: 1920s and 1970s were both times of economic distress and instability and both featured the decline of a hegemonic state – two factors thought to be connected with growing protectionism. Why did US free trade policy persist in the 1970s when it disappeared in the 1920s?

Two important differences – USA a rising hegemon in 1920s, declining in 1970s. Also, monetary systems different. But Milner says they don't matter as much as the similarities, and also handwaves away the growth of NTBs in the 1970s as not as significant as the tariffs of the 1920s.

Competing explanations:
1. American hegemony had not really declined in 1970s – but these arguments are based on military capabilities (non-fungible power), or have not correctly measured the actual trade position of the USA.
2. An international regime for trade had developed by 1970. But any of the variations on this argument treat regimes only as intervening variables, without considering the pre-existing factors.
3. Different policy structures existed in 1970s which insulated political actors from protectionist pressures. But no single, coherent national trade policy exists.

Milner's argument:
International economic interdependence increased, and altered domestic actors' preferences, making protectionism a less likely policy option. While interdependence has increased competitive pressures for American firms, it has also increased exports, imports of production inputs, multinational production, and global intrafirm trade – all of which make protectionism less attractive to firms. This leads her to a hypothesis: firms with greater international ties will be less interested in protection, for 5 reasons: Because they fear foreign retaliation; they fear that market closure will increase competition in third markets; firms with global production will view trade barriers as costly; firms that depend on imports will find production more costly; and intra-industry competition (between internationally oriented firms and domestically oriented firms) will spur the first group of firms to oppose protection.

Case studies: Milner chose cases with high import penetration for "hard cases" – where competing explanations would expect uniformly high demands for protection. To measure int'l integration (IV), she got data on export dependence, import requirements, multinationality, and global intrafirm trade. To measure demands for protection (DV), she examined firm activities in a bunch of different political arenas like Congress, the office of the US Special Trade Representative, etc… She found that the degree of int'l integration a firm experienced was correlated with preferences for either protectionist or free trade policy. For example, the watch industry in the 1920s had low export dependence and low multinational and global intrafirm trade and had protectionist trade preferences. Conversely, the semiconductor industry in the 1970s was high where watches were low and had free trade preferences.

Industry divisions – where firms within the same industry have differing trade preferences, it is difficult to develop an industry wide stand and attempts to do so will lead to compromises where large companies (usually the internationally oriented ones) will win out – leading to additional pressure for free trade.

Contextual differences between 1920s and 1970s – did not override the general association between internationalist firms and the support for free trade – also many firms believe that the context of a situation can be influenced or altered by political action.

Policy outcomes – companies seeking trade barriers received them, except where there were divisions within the industry.