Helen Milner, "Resisting the Protectionist Temptation: Industry and the Making of Trade Policy in France and the US during the 1970s," *International Organization*, Vol. 41, No. 4, Autumn 1987, pp. 639-665.

In short

Milner argues that the degree of export/import dependence that each firm (her primary unit of analysis) exhibits will determine its preference for protectionist versus free trade policies. These preferences are in turn translated into domestic policy through national policymaking structures. Thus, it is not necessarily true that protectionist pressures will dominate domestic policymaking, especially in times of economic downturn.

Central Question

Why did the economies of the advanced industrial democracies remain open during the 1970s despite the pressure of oil shocks, the breakdown of Bretton Woods, inflationary pressure, and recession?

Primary Hypotheses

Increased global interdependence, as exemplified by exports, multinationality, and global intra-firm trade, intensified trade-dependent firms' preferences for free trade, which, given enabling policymaking structures, facilitated the relative economic openness of the 1970s and 1980s.

How She Makes Her Argument

Milner starts out with the puzzle that the two oil shocks of the 1970s did not produce the closed economies that would be expected given the exogenous economic shocks. She dismisses institutional explanations citing the GATT trade regime as having raised the costs of protection. She also contends against structural explanations underscoring the primacy of the distribution of power in the international system (i.e., that the most powerful states in the system favored the maintenance of free trade, and was willing to absorb sufficient costs associated with openness). Moreover, Milner disagrees on empirical grounds with statist explanations that assert that firm preferences are determined by the state. Finally, she claims that she is going to argue against the argument that the nature of US domestic policymaking prevented protectionist interests from having their way in the US (however, her subsequent comparison of US and French political structures does more to highlight the similarities in their features and policy outcomes than it does the differences in their features despite the similarity of the policy outcomes). So what is Milner's argument? Milner believes that increased global interdependence caused firms to prefer free trade, which in turn led them not to pressure for protectionism in the era of adverse economic shock, but to support continued openness. More specifically, firms reliant upon exports or dependent upon imports would be concerned that protectionist measures would spawn retaliation from overseas markets, that any gains from protectionism would be more than offset by losses in third markets, that increased trade barriers would undermine their competitiveness, and that protectionism would advantage domestically-oriented firms.

Milner illustrates her argument with a comparison between France and the United States, two developed states enjoying powerful status in the international system. While France was more trade dependent than the US, the US had a more extensive web of multinational firms. Both countries relied upon trade within those firms, although the US did so to a significantly higher degree. All in all, Milner appears to believe that the two countries exhibited similar levels of integration into the international economy. Milner next turns to case, in this instance, industry, selection, and explains that she picked industries whose high degree of import penetration should (at least according to other studies) lead both to a preference for protection as well as protectionist policies. The furthest Milner goes to link preference to policy formation is to describe the types of activities that she expected firms with a preference about trade barriers to engage in at the domestic level (646). She concludes that "protection was not desired for industries whose firms had well-developed multinational operations *and integrated global production and trade flows*—even in times of rapidly rising imports," (647). Her subsequent evidence underscores divisions within industries, thereby supporting her focus on the firm.

Milner's examples include the footwear industry—US firms in this industry that lacked international ties agitated for protection during the 1970s, whereas only small French producers began to seek protection once export levels shrank (small French producers were, in any case, thwarted by larger exporters). The automobile tire industries in both the US and France adjusted internally (with consolidation, diversification, concentration and product specialization) to international market changes, rather than demand protection in the face of import competition. Using these and other examples, Milner contends that firms had distinct policy preferences, and that it was because of disagreement with respect to these preferences, not diffuse interests (and other collective action problems), that undermined industry-wide alliances for free trade. She also recognizes that the institutional context within which these preferences arise is important, noting four axes along which variation in institutions can occur: 1) the number of access and veto points in the policymaking process (the greater the number, the more difficult it will be for a coherent state interest to arise and translate itself into policy); 2) the degree of insulation of the policymaking bureaucracy (both from political principals and from interest groups); 3) the range of policies available to the state, based on tradition and law; and 4) the coherence of state policy goals. On all four counts, Milner argues that France and the US registered similarly, despite different policymaking structures. For France, the EC and the ECM were significant, both in increasing its integration into the international economy and in limiting the policies available to the state. The US, generally held up as the exemplar of open policymaking processes that is not insulated from societal interests, definitely allowed the influence of business to seep into its trade policy. Milner believes that French policy exhibits similar degrees of business influence, contrary to prior findings.