

BALKANIZATION OF AMERICA: LESSONS FROM THE INTERSTATE TRADE BARRIER EXPERIENCE

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ABSTRACT

Interstate trade barriers--laws, regulations and administrative practices that hamper the flow of goods and services from state to state have been persistent elements of the United States (US) economy. This article pursues some implications of the US barrier experience for the European Community and macromarketing and managerial practice, theory and policy.

INTRODUCTION

As Western European countries and other groups of nations seek to form common markets, some now largely forgotten aspects of trade unification within the United States of America (US) illustrate problems the new trading blocs will face. In 1959 Myers and Smalley suggested that, "The evolutionary course of the European Common Market... might be more accurately predicted if the development of marketing in this county were better understood."

During the 1930's and 1940's some writers claimed that the barriers threatened "the Balkanization of America," i.e. the division of the country into small economic-warring sectors (Bolles 1939, Green 1940, and Mann 1940).

This article will review some of the history of US interstate trade barriers (ITBs) and draw some implications for other market unification attempts, especially the European Community (EC). The historical evidence will demonstrate that even with the highly favorable conditions enjoyed by the US or moderately favorable conditions in Canada, trade barriers still impede market efficiency. The article is divided into eight sections: (1) introduction, (2) definition of ITBs, (3) discussion of typical barrier life patterns, including a brief outline of relevant economic regulatory theory, (4) review of selected aspects of US and (some) Canadian experience, (5) summary of that experience as it relates to the pattern described in Section 3, (6) implications for the EC, (7) implication for marketing thought, management, research and public policy and (8) conclusions.

Little imagination is required to turn Section 3 into a set of hypotheses. But the authors do not want to impose a pseudo deductive facade upon what was mainly an inductive process. They do note that their EC predictions flowed from the historical record when they started writing and only subsequently were confirmed by recent reports (Harrop 1992, *Business Week* 1992, Roth 1992).

DEFINITION AND CATEGORIZATION OF TRADE BARRIERS

An ITB is:

"A statute, regulation or practice which operates or tends to operate to the disadvantage of persons, products or commodities coming from sister states, to the advantage of local residents and industries (Oppenheim 1939)."

These barriers divide into three distinct categories (based upon a rationalization of Agnew and Houghton 1941, 1951). Blatant ITBs are *explicitly* directed against out-of-state competition. California and Florida laws that require governmental procurement agencies to give preference to local suppliers are an example.

The second category, subtle barriers, does not express any explicit discrimination but in practice does discriminate against out-of-state trade. State "divorcement" laws that prohibit petroleum refiners from opening refinery-owned gasoline service stations within the state illustrate this category. Such laws have been enacted mainly by states without local refineries (American Petroleum Institute 1992, see Table 1). These laws allegedly protect local retailers from externally-owned competitor who (may or may not) have some supply advantages. Another example is state-by-state differences in truck load limits and external requirements for lights that precluded efficient interstate operations.

TABLE 1
PROVISIONS OF EXISTING STATE
RETAIL MARKETING DIVORCEMENT STATUES

STATE	CT	DE	DC	MD	NV	VA
Year Enacted	1979	1974	1978	1974	1987	1979
Grandfathers Existing Outlets	no	yes	no	no	yes	yes
Affects Refiners/Producers	yes	yes	yes	yes	yes	yes
Uniform Pricing Provisions	no	yes	yes	yes	yes	no

Adapted from Zee, Robin J. (1990)

The third category, covert barriers, arises from discriminatory enforcement of non-discriminatory laws. Although this has often occurred in the US we turn to several European examples. During a European study in the 1960's, one of the authors (Hollander 1970, 23) heard reports that the Parisian police disproportionally ticketed trucks operated by a Belgian-owned entry into French department store retailing. More recently the British Maritime Police announced plans to issue vehicular overloading citations against cross-channel car ferry travelers who imported large quantities of personal consumption duty-free, tax-free wine and spirits if the Maritime Police suspected the liquor was actually intended for resale. Thus the traffic ordinances becomes an excuse for fining suspected commercial importation. (*National Public Radio* 1993). Small (*ipso facto* local) shopkeepers who hinder the entry of potential domestic and international chain store competition dominate regional zoning and licensing authorities in Italy (Rowheader 1993). European testing and inspection officers sometimes examine imported materials more rigorously, than domestic ones (Harrop 1992, 70).

Not all discriminatory economic regulations actually are ITBs. For instance, hotel room occupancy taxes tend to fall more heavily upon visitors than on area residents. But like "revenue tariffs" they are fiscal rather than commercial policy matters.

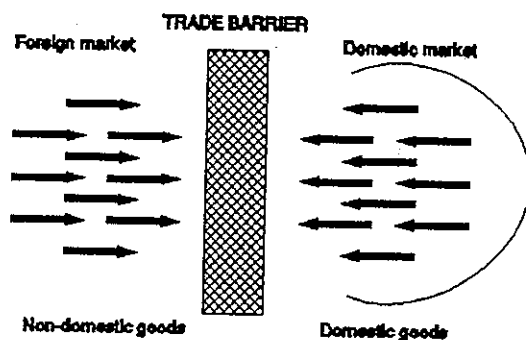
BARRIER DEVELOPMENT PATTERNS

Motivation and Facilitory Conditions

ITBs legitimately occur when one state fears that lower inspection and sanitation standards make imported products hazardous to its citizenry. Variations in local conditions may also cause troublesome but justifiable diversity in state laws (see Figure 1). In fact, Bramingan and Meeks (1991) consider the

U.S. dual federal/state regulatory system to be a model that would allow the EC to adjust to variations in member nations environments, needs and risk adversiveness. Topographic traffic environment and road way differences may explain some differences in load limits that hampered interstate trucking, they do not justify inconsistent warning light requirements. Barrier imposition in general is exacerbated by perceptions of surplus, economic adversity, and lack of competitiveness (high costs, technical obsolescence and occupational rigidity) among domestic suppliers. Belief that outsiders are far richer, bigger and more powerful than local firms may also fuel barrier impositions. Distrust of out-of-state products/service standards and hazards also induces ITBs. The ITBs tend to be product, product category or vendor category-specific (see Table 2). There are both legal and political reasons for this. General sanction would often clearly conflict with constitutional or treaty rules. Politically many (most?) ITBs arise out of the desires of well-focused economic interest groups. Even attempts to impose use taxes on importation of out-of-state goods are not an exception since politically they respond to local retailers desire for an offset to the sales taxes that affect domestic transactions legally.

FIGURE 1



Barrier Supporting Conditions

- a. local surplus
- b. large numbers of high cost products
- c. economic depression
- d. consumer apathy
- e. perceived health, safety hazards in imported goods

Barrier Attacked Conditions

- z. local shortages
- y. prosperity
- x. desire of local enterprises to be exporters themselves
- w. consumer activities

Process: Most barriers are imposed by local authorities. When similar groups (e.g. small bankers) want similar protection the ITBs may come from a central legislature composed of locally elected representatives.

In the absence of constraints the facilitory conditions will tend to produce blatant barriers. If such barriers are outlawed, their advocates will seek subtle ones. Covert barriers are, by definition, difficult to identify and document, although industry can feel their effects. Nevertheless, the authors believe that where practical, covert practices are likely to be substituted for disallowed subtle ones.

Barrier Removal: Clark and Clark (1942) and Vaile, Grether and Cox (1952), credit popular anti-barrier sentiment for much barrier repeal. The authors of this paper, however, give greater weight to two other factors: changing economic environments (which may in part induce changes in public attitudes) and the intervention of a higher authority, e.g., federal constitutions. In a static analysis Agnew and Houghton (1951) outline five conditions for the success of such an intervention:

1. Policing powers are necessary to enforce reduction of regional trade barriers within the context of a trading bloc.
2. Enforcement agencies which police trade barriers must have "teeth," that is they must have mechanisms to neutralize or remove discriminatory practices.
3. Obvious discriminatory practices cannot be upheld by the enforcing agency.
4. Enforcement agencies must also go behind the face of questionable statutes to determine their actual effect.

5. No one state should set itself in economic isolation.

Regulatory Theory: Three theories of economic regulation are relevant to these ITB patterns (see Tugwell 1988). The most basic, the *public interest theory* holds that legislators should, and do, regulate in the public interest -- e.g. protect the health, safety and welfare of the citizenry and remedy allocative inefficiencies. Deviations from these somewhat normative goals are attributed to corruption and incompetence. For obvious reasons, a public interest rationale, whether valid or not, is almost always advanced as the reason for barrier enactment.

The Capture Theory: holds that, over time, regulators identify with those they supposedly control. A presumably adversarial relationship becomes one of cooperation, a transformation usually viewed as contrary to the public good.

The Economic or Positive Theory: Advanced by Stigler (1971) and expanded by others (Pelzman 1976, Posner 1974, Malineaux 1978) it sees regulation as a commodity desired (demanded) by special interest groups (industries) and supplied by legislators in return for support (votes, contributions, etc.). Legislators, behaving as rational economic individuals calculate the potential political gain and lose from any proposed law. While this provides protection against egregious abuses that would outrage the general public, well-organized, clearly-focused economic interests can be more effective politically than the diffuse, passive and often uninterested total electorate. Votes can only come from local citizens. Other support and proceeds may come from local interests (Brannigan and Meeks 1991) from national industries. Moreover, once enacted, regulations are difficult to remove because (a) even originally recalcitrant industry members adjust over time and (b) subsidiary bodies of consultants, attorneys and administrators who benefit from the regulatory process have developed to lobby for its retention.

A very brief review of selected aspects of the American and Canadian experience provides a rough test of the validity of the above pattern depiction. Readers who want more comprehensive studies are referred to Oppenheim (1930), Melder (1937), or Agnew and Houghton (1951).

HISTORICAL EVIDENCE: THE US TRADE BARRIER EXPERIENCE

The fledgling American republic suffered highly divisive ITBs under the Articles of Confederation. States established custom houses and imposed duties. That motivated the commerce clause of the federal constitution. It supposedly eliminated the barriers, yet they persisted and evoked strong concerns in the US business community as late as the 1930s and 1940s. The commerce clause worked well, but not easily nor rapidly. A great burst of public discussion of barriers came between 1938 and 1941, following Melder's (1937) seminal monograph on the subject. Breithaupt (1941) said:

"Recent years have brought forth a flood of comment--economic, political, legal--on a problem now firmly ensconced in the American vocabulary as "Trade Barriers." Publication and circulation of a great mass of material dealing with hindrances to, and burdens upon, interstate commerce has renewed the studies of political economists and constitutional lawyers and has awakened the interest of a large part of the American public (p. 757)."

More than 150 years after the adoption of the federal Constitution, the Marketing Laws Survey (U.S. Department of Commerce 1942) summarized 1,489 state barriers (Table 2) affecting commercial trucking, oleomargarine, dairy products, general foods and livestock, liquor, general (public purchasing) preferences, use taxes, commercial fishing, and insurance. Other writers, e.g. Melder (1937), added distributive trade rules such as anti-chain store and anti-itinerant vendor legislation to their barrier lists. Some examples of US ITBs are described below.

TABLE 2
SUMMARIES OF STATE STATUTE PROVISIONS
BY SELECTED CATEGORIES

Motor vehicles	301
Dairy products	209
Oleomargarine	245
Livestock-General Foods	138
Nursery Stock	145
Liquor	125
Use Taxes	109
General Preferences	113
Commercial Fishing	35
Insurance	69
 Total	 <u>1,489</u>

US Dept. of Commerce (Marketing Laws Survey, Vol. 5, 1942)

Traveling Sales Representatives

The American distribution system originally centered around importers and wholesales along the Atlantic coast. Then wholesale centers developed at major internal transportation junctions to serve retailers who had followed the population westward and southward. Remote retailers visited a selected center once or twice a year to obtain inventory. The wholesalers, in turn, patronized the coastal supply centers. Although wholesalers liked this system (Porter and Livesay 1971) mid-nineteenth century passenger and freight transportation improvements eventually led manufacturers to send out commercial travelers to solicit orders from businesses. Wholesalers, who feared being bypassed under this new system, induced many states and communities to impose arduous licensure and tax requirements upon these traveling salespeople. As the US Supreme Court repeatedly struck down these confiscatory ordinances, the barriers became more subtle and would have also applied to locally-based traveling representatives (had there been any) as well as foreign ones. The courts saw through the subterfuge, however, and continued to invalidate the offensive legislation. Expanding hinterland firms began to want to dispatch their own agents. By 1900, the adverse judgements and changing economic interests had eliminated most restrictions on business-to-business traveling sales agents (Hollander 1964). A later rule, "The Green River Ordinance" that prohibits uninvited entry on residential property to solicit consumer purchases, has been upheld as a valid exercise of police power. It was adopted in many towns and used against outside vendors. Whether or not because of these barriers, the organized direct selling industry has generally moved away from unsolicited canvassing techniques (Futterman 1991).

Margarine

Oleomargarine, a favorite barrier candidate, appeared just as the anti-sales representative laws were being erased. From 1877 to 1920 dairy lobbyists only obtained many ineffective state and federal taxes and restrictions on margarine. Severe state and federal controls curtailed sales between World Wars I and II. Agricultural depression, particularly in the rival dairy industry evoked some of the interwar hostility, but product changes really determined the regulatory climate. Before World War I, margarine was made from animal fats and cottonseed oil, which gave it substantial agricultural support. Then imported coconut oil became the basic ingredient and political sympathizers disappeared until World War II when domestic vegetable oils again became the major component (van Stuyvenberg 1969). The

many supplying states then succeeded in obtaining the relaxations or repeal of the antimargarine laws in the late 1940s and early 1950s.

Milk

Milk also illustrates the strong agricultural interest in trade barriers. Although health and sanitation played a significant role in their original enactments, the milk controls quickly expressed local dairy interest. Their number, impact, and economic orientation increased sharply with the agricultural depression of the 1930s (Melder 1937).

In 1935 the Supreme Court invalidated a New York rule that required distributors to give preferential acceptance to New York milk (*Baldwin v. G.A.F. Seelig Inc.*, 294 U.S. 511). But barrier attempts still persist. A survey of 102 midwestern communities in the late 1960s found that one-fourth imposed health or other requirements adverse to non-local milk (Williams et al. 1970).

The US Public Health Service has prepared a model Grade A Pasteurized Milk Ordinance which has been adopted by about 45 states and many cities. But the persistence of dairy barriers suggests that the model law has not completely replaced local protectionism (Dewar, Gugliotta, and Piannin 1991; Kilman 1991; King 1990; *National Public Radio* 1990; Sanders and Swenson 1991). Moreover, since the 1930s pricing policies established under federal milk marketing orders for Class I (fluid) milk have been designed to promote local self-sufficiency and discourage intermarket transport (Greco 1987).

The Banking Industry

The US banking industry's protectionist measures emanate from both federal and state levels. Parochial pressures to preserve local banking interests induced federal prohibition of interstate banking. Severe restrictions still exist. But as major banks sought economics of scale and financial markets became more intertwined, administrative redefinition of what constitutes a controlled "core banking service," formation of interstate reciprocal compacts and tolerations of multistate bank holding companys have loosened previous restrictions. Thus the industry has generated both state and federal regulatory and deregulatory pressures (Rose 1989).

Retail Trade

In the 1920s and 1930s independent retailers turned to legislation to handicap chain store competition. This battle between two types of institutions had a local-foreign component since the chains were attacked, often accurately, as out-of-state firms. The legislative thrust, well known to most marketing students (Palamountain 1955), included discriminatory anti-chain store taxes, resale price maintenance (RPM) to curb the chain stores low selling price tactics, and the Robinson Patman Act (RP Act) to curb their buying advantages.

Only the RP Act now remains in effect. It probably had greater impact on basic industry than on retail trade (Hollander and Sheffet 1986). Agricultural and consumer support helped defeat a proposed federal anti-chain tax (Lebhar 1963). The state taxes were gradually eliminated during post war prosperity. RPM was simply overwhelmed by the growth of discount retailing during the same period. A fourth, seemingly minor, type of state anti-chain legislation -- anti-predatory price cutting Unfair Practice Acts -- was recently invoked by an Arkansas judge to fine WalMart Corporation over \$500,000 (*Wall Street Journal* 1993). Whether the decision will be upheld on appeal remains to be seen.

Direct sellers often solicit orders in states where they have no establishments (Direct Selling Association 1991). In-store retailing requires a local establishment even if not necessarily local ownership. Most such establishments are one-store (local) enterprises (U.S. Bureau of the Census 1987). Thus in practice, anti-direct selling controls disproportionately burden foreign as opposed to in-state business.

Direct sellers complain of multiple state income taxation. Current controversy converges on use taxes. Most American states impose a sales tax on all or most in-state retail transactions and some collect it on mail order purchases from out-of-state when the seller happens to have some physical entity ("nexus") in the state. Now many states are seeking to define nexus more broadly and/or require out-of-state retailers without nexus to collect and transmit a compensatory use tax (Mittelstaedt and Stassen 1991). Virginia has been trying to subpoena names of residential customs of out-of-state mail order houses (*DM News*, 1993) but use taxes still face federal constraints (*Quill Corporation v. North Dakota* (112 SC 1904, 504 US May, 26, 1992).

Other Recent ITBs

Many earlier US ITBs persist or have taken on new forms. For example, the life insurance industry continues to experience local protectionism although the last formal laws were finally removed in 1984 (Markel 1991). Although reciprocity agreements have increased, state boards of professional licensure continue to regulate the interstate transfer of some forms of professional services. Several states operate quarantines or other restrictions against importation of certain agricultural products. Many states require public agencies to give preference to local suppliers (Zee 1990). As is true of other measures aimed at direct markets, telemarketing restrictions probably disproportionately disadvantage out-of-state sellers. In an interesting mixture of greed and puritanism, even lottery-operating states often bar sales of sister states' programs. A federal district judge has ruled a 1991 Pennsylvania statute that specifically prohibited sales of out-of-state lotteries was violative of the constitutional commerce clause (*Pic-a-state PA v. Pennsylvania*, US Dist Ct, Middle Dist. PA., Action No. 1: CV-93-0814, July 23, 1993) but federal postal wars and state anti-gambling statutes still impose barriers. Ecological, consumer protection, fiscal general business regulation provides other opportunities for ITBs.

Interprovincial Barriers in Canada

For a few additional examples we turn to a neighboring country, Canada, that in some ways exhibits some of the internal diversity that also affect the EC. Provincially induced rules and policies still impede the free flow of goods and services throughout Canada which confederated in 1867. A survey presented at a 1981 conference on this problem (Trebilcock et al 1983 a&b) especially identified hindrances associated with provincial government local procurement requirements, motor carrier regulatory policies, agricultural goods policies, natural resource policies (pressures for intra-provincial processing). A British Columbia (Canada) brewer who spoke at the 1991 Macromarketing Conference described difficulties in importing his product into the neighboring province of Alberta (Lomas 1990). Ontario contractors can obtain little work in contiguous Quebec because the latter provinces grants few of its required certificates of competency to non-Quebequois construction workers ("Sunday Morning," September 12, 1993). In 1991-92 the federal government proposed a revised constitution that would provide a mechanism for the reduction or elimination of interprovincial barriers. Civil service employee unions strongly opposed that proposal (*Toronto Globe and Mail* 1992 a&b). Meanwhile, an inter-provincial committee on trade barrier removal is making slow progress ("Sunday Morning," September 12, 1993).

Discussion

As already noted in Table 2, the ITB's have been primarily product, product-category or vendor-category specific. They have often protected large numbers of economically weak, politically potent enterprises (small merchants, local bankers, farmers). Movement from blatant to subtle barriers can be found in many fields (traveling salesmen, oleomargarine, dairy, chain-stores, etc.). In at least the twentieth century, concerns over ITBs seem to have intensified during the 1930s depression. Although some barriers have persisted, some were eased during World War II production shortages and both the barriers and concern over them have declined in post-World War II prosperity. The barriers did not stop economic growth but they were a nuisance.

Public anti-barrier sentiment, cited by Clark and Clark (1942) and Vaile, Grether and Cox (1952) must have influenced barrier removal--anti-chain store taxes were repealed by public referenda in two states. That sentiment was not always spontaneous but was induced by barrier opponents and the allies they enlisted (Lebhar 1963, Agnew and Houghton, 1951). Federal Court rulings and changing economic circumstances probably played a bigger role.

Some ITBs (some plant quarantines, dairy and life insurance regulation) arose out of obvious bona-fide public interest considerations - the need to protect the public against health or financial hazards. The fact that most barrier legislation tends to protect politically active constituents against voteless outsiders indicates the relevance of the positive or economic theory of regulation.

TRADE BARRIERS AND THE EC: ANALOGY AND ARGUMENT

In spite of all of its diversity and internal strains, the US consists of much more homogenous political subdivision than the European Community (EC). Canada occupies an intermediate position (Figure 2). Harrop (1992, 254) calls the current twelve-member Community less homogenized and "less optional" than the original six-member group. Thus the U.S. provides a boundary marker and Canada a midpoint for comparative analysis.

FIGURE 2
POLITICO - CULTURAL HOMOGENEITY
(Conditions Favorable To Trading Bloc Formation)

	US	CANADA	EC
Single national language	Yes	No	No
Single currency	Yes	Yes	No
Single legal system	Yes	Yes	No
A century or more without internal warfare	Yes	Yes	No
Political centralization	Moderately high	Less high	Developing
Implications for barrier-free trading	Favorable	Medium	Difficult

The examples and the sources cited earlier amply demonstrate that states and cities can use differences in legal requirements, cleverly designed "revenue" measures, and other barriers to protect local interests against external competition. This is true even though the US states in great part share common cultural traditions, use the same language, currency and (generally speaking) legal system, have only once seriously warred with each other, and very early on, committed themselves to a single political system that greatly empowered their central government. If barriers could develop under such conditions, the likelihood of market frictions is much greater when nations with long histories of sovereignty, independence and rivalry try to unite in common markets. Current EC economic adversities (over 10% unemployment and agricultural depression) will aggravate the situation. Although history

does not necessarily repeat itself the difficulties the U.S. and Canada have encountered in unification do warn the E.C. of some of its potential problems.

Agnew and Houghton's (1951) criteria can measure the extent to which the EC possesses the necessary ingredients for internal trade barrier elimination or reduction:

1. Policing Powers. -- member nations' customs officials and courts administer the EC's homologated regulations. National judiciaries control or limit access to the central Pan-community courts (Folsom 1992).
2. Enforcement must have "teeth." -- While the European Court of Justice (ECJ) can penalize member nations and violating firms, its caseload and the structure of the courts makes this process very lengthy (Folsom 1992).
3. Obvious discriminatory practices cannot be upheld by the enforcing agency. -- Agricultural protectionism is still closely guarded by member states. In addition, many domestic governmental purchasing preferences continue (Adams 1992). Exchange rate fluctuations (absent a single currency) may also threaten the community's cohesiveness.
4. Enforcement agencies must go behind the face of questionable statutes to determine their actual effect. -- Only time and experience will establish whether this criterion can be met. There have been difficulties in legally documenting and attacking subtle and covert barriers in both the American and European context (Agnew and Houghton 1951 and Folsom 1992).
5. No one state should set itself in a position of economic isolation. -- The EC itself demonstrates that member nations do want unification. This is the most promising augury for integration. Yet Britain, Denmark and France have exhibited very narrow margins of support for a common currency. Moreover, a widespread popular criticism accuses the "Brussels bureaucrats" of unnecessarily meddling in "every nook and cranny of everyday life," including an EC attempt to standardize mandatory store closing hour laws. (Such laws are frequently intended to handicap large-scale retailers (often externally based) who seek full utilization of their facilities). Further, U.S. experience shows that the problem is not objection to integration as a concept, but rather a series of struggles for particular local advantages under the overall unification umbrella.

The EC currently fails to meet these criteria. Subtle and covert barriers emerged as the EC issued directives against blatant ones (Harrop 1992, 70). Progress toward the EC's goal to homologate regulations affecting intra-EC trade has been slow. A recent study by Murray and Popper (1992) showed significantly greater differences in alcohol, tobacco, and over-the-counter drug regulations *within* the EC than in non-member European countries. Only shortly before the end of 1992 only 200 of a planned 10,000 standards for hundreds of products had been formulated (*Business Week* 1992). Recent domestic unemployment and agricultural tensions have also turned national leaders' attentions to the homefront (*Business Week* 1993a). Hopefully, as the effects of rationalization are felt, EC member nations will become far more economically interdependent, satisfying the fifth requirement for effective barrier removal. The Maastricht Treaty for European Unity began to become effective November 1, 1993. But *Business Week* (1993b) complained that protectionism engendered by high European unemployment rate might jeopardize the single market.

The caveats suggested by the US experience do not eliminate cautious optimism; that the EC can work -- slowly and unevenly, but eventually. The world keeps growing smaller and more intertwined. Networks of pan-European businesses have developed as never before. There is now considerable pro-unification sentiment. Non-member European countries openly display their desire to join. That should enhance the feeling of solidarity among those within the circle. Much of the pro-EC sentiment in business and political circles rests upon a probably accurate belief that major European businesses need economies of scale to compete successfully in global markets.

IMPLICATIONS AND CONCLUSIONS

Implications for Marketing Thought

The existence of past and present ITBs and the amount of concern they caused among marketers in the 1930s and 1940s are phenomena of historical interest in their own right. They also demonstrate that marketing interrelationships in this country did not form the seamless web that we often presume. The temporal variation in awareness of the issue among the marketing professorate demonstrates the fragility of marketing memory. The history of local protectionism also provides another building block in constructing useful theories of market regulation.

Implications for Marketing Management

The presence of barriers in a supposedly highly unified, free open market warns managers that they may encounter similar difficulties in any other trading blocs. The problems may intensify when facing depressed economic conditions or when competing with large numbers of cohesive commercially weak but politically strong, individuals such as farmers and small retailers. The barrier handicaps are not necessarily insurmountable, especially in the long run, but they can be troublesome. Good coping strategies include development of local political allies among suppliers (including their workers) and consumers and vigorous recourse to legal remedies. In the US large firms may solicit federal regulation to pre-empt and thereby prevent non-uniform state controls (Bannigan and Meeks 1991, *Business Week* 1991).

Public Policy Implications

Common market policy makers should be aware of the many subtle and covert administrative practices that can become trade barriers. An understanding of the underlying economic and political forces is essential for policy review and implementation. The US experience does show that a strong trading bloc can overcome many barriers.

Research Implications

The market system contains many rigidities, frictions and inefficiencies, although of course in many instances what constitutes an "inefficiency" is a question of defining objectives for the system. This article provides a glimpse of one such rigidity. Marketing scholars need to catalog all such frictions, explain their origins (so as to help predict their reoccurrence) and analyze their impact. Improved administrative bias measurement techniques would be helpful. We need more studies of how state and community locational incentives, such as individualized tax abatements also alter the geographic pattern of marketing activity. What is the effect of the multiplicity and diversity of state and local taxes and regulations which sometimes places an enormous compliance burden on interjurisdictional business and sometimes allow them to shelter themselves in especially low tax environments?

The barrier legislation is not the only once-explosive topic that has disappeared from marketing discussion. For example, many readers probably recall the intensity of the debate over the macro impact of trading stamps and supermarket-sponsored games of chance. Numerous such incidents in marketing history need to be chronicled if even only to point up how often we should step back and say "This too will pass."

CONCLUSIONS

ITBs have had some of the same impact as labor-management difficulties, economic depression, natural disasters and other negative forces. The American economic system has enjoyed enormous long-range growth in spite of all those handicaps. In fact, the great marketing theorists, Wroe Alderson (1957), wrote that ITBs should have, but did not, thwart economic growth. But that does not relieve us of a need to study all negative elements in the economy and to develop strategies for coping with them. Nor does it permit an assumption that the barriers failed to slow or reduce the growth that has been obtained. The American and Canadian interstate and interprovincial customs unions have, and are, experiencing centrifugal pressures. It is logical to expect these pressures in other blocs such as the EC. Individual firms may use suppliers and consumers to help fight barriers. Macro economies should seek strong constitutional provisions, well-sheltered from local protectivism as well as dynamic consumerism.

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