

The Political Economy of Trade Policy: A Short Survey*

Douglas R. Nelson
Murphy Institute, Tulane University
&
Leverhulme Centre for Research on
Globalisation and Economic Policy,
University of Nottingham

January 7, 2007

*Draft. Prepared for the *Princeton Encyclopedia of the World Economy*.

After the provision of internal order and external security (and bound up with both as a source of revenue), the regulation of international trade is one of the oldest known activities undertaken by states. Thus, it is not surprising that we have records of analytical comment on commercial policy over essentially the entire period that we have identifiably economic and political-economic writing. Most of this early writing is “political economy” in the sense of “practical policy advice” but this is not unrelated to its more modern meaning as “positive accounts of policy choice”. Policy advice is given under an implicit assumption that the government is willing and able to act on such advice. Such a Weberian model, however, is exceptionally uncommon in contemporary political economy research [even when, as in the case of very low levels of protection, it would seem to be a more accurate model than the obvious alternatives]. Instead, we take the obvious fact that trade policy deviates from virtually any straightforward model of welfare maximization as a warrant to consider alternative accounts of policy determination. The great majority of this work begins with an attempt to link policy preferences of the relevant agents to their material self-interests defined in terms of the primitives of some underlying model of the economy, and then seeks to map these policy preferences into policy outcomes via some (usually extremely spare) model of policy determination.

1 Early Steps in the Political-Economy Analysis of Trade Policy

The most immediate predecessors of modern research on the political economy of trade policy are three works by political scientists that still repay close study and that contain most of the themes that still motivate contemporary research: Schattschneider’s (1935) *Politics, Pressure and the Tariff*; Bauer, Pool and Dexter’s (1963) *American Business and Public Policy*; and Lowi’s (1964) “American Business, Public Policy, Case Studies, and Political The-

ory”. The first of these treats trade policy (in this case the Hawley-Smoot tariff) as the outcome of an asymmetric lobbying process in which protection seekers dominate and certain sectors are more effective than others. Bauer, Pool and Dexter saw their work as a rejection of Schattschneider’s. Looking at omnibus trade legislation in the period 1953-1962, they found (among other things) members of Congress relatively free from lobbying constraint and saw lobbying primarily as information transmission. Lowi’s brilliant review and reconciliation argued that a fundamental institutional change had resulted in a redefinition of trade policy such that the politics had changed between the periods studied in these two classic works. Although the great bulk contemporary research on the political economy of trade is rooted in the asymmetric group theoretic tradition presented in Lowi, a growing body of work emphasizes institutional features and, while not much applied to trade policy, the dominant strand of research on lobbying in political science now emphasizes informational issues (see Austen-Smith, 1996, for a convenient review).

The first wave of research by economists on the political economy of protection was actually less concerned with developing a coherent and, at least in principle, testable positive theory but rather with finding a way to increase the costs of protection. In the first paper of this sort, Tullock (1967) argued that the triangles of welfare analysis were sizable underestimates of the actual welfare costs of protection (and monopolies). Specifically, potentially productive resources were spent seeking the rents implied by the presence of the tariff. Accounting for these would permit us to count the rectangle, as well as the deadweight loss triangles, as costs. The empirical application of this logic by Krueger (1974) to the case of Turkey, a case in which rent-seeking clearly added to the costs of protection moved political economy analysis to the center of trade policy analysis, at least in developing countries. This approach reached its most sophisticated form in the work of Bhagwati and his coauthors on “directly unproductive profit-

seeking activities” (e.g. Bhagwati, 1982; Bhagwati and Srinivasan, 1980). As applied to pathological situations (e.g. Turkey) this approach makes a lot of sense, but as a general extension of the normative analysis of trade policy it is deeply problematic: adding the economic costs of political action to the costs of protection, without a systematic normative analysis of political action makes little sense. After all, in a non-pathological situation, “lobbying” or “directly unproductive” political activities are just other terms for “citizens approaching their government”. The ability of citizens to do this is an essential component of democratic political process, something most of us would consider highly positive.

The other precursor to current work grows out of Olson’s (1965) *Logic of Collective Action* and the closely related earlier work by political scientists on the foundations of group theoretic models of political action. Beginning with papers by Fielke (1976) and Caves (1976), a large number of papers were published which sought to account for tariff structure in terms of a number of, more-or-less ad hoc, variables in a linear regression framework.¹ Sign patterns in these variables were suggested in terms of a number of loose explanatory frameworks. This work increasingly focused on variables seen to be associated with effective group formation and then used loosely construed models linked to early Chicago school political economy as an interpretive framework. Early work by Ray (1981*a*; 1981*b*), Dougan (1885), Godek (1985), and the World Bank project summarized in Anderson and Baldwin (1987) are characteristic; and this body of work reaches its most sophisticated form in work by Treffer (1993), Lee and Swagel (1997), and Gawande (1997; 1998). Overall, this work provides quite strong evidence that political economic factors must be part of any coherent account of systematic patterns in the tariff structure

¹Caves used the labels: the adding machine model (essentially re-election maximization); the interest group model (Olsonian collective action); the national policy model (Weberian optimal policy). Caves ultimately concludes that the interest group model receives the strongest support.

2 Political Preference and Minimally Institutional Political Economy

The core of virtually all political economy models developed by economists is a formal derivation of preferences over policy from primitives of the underlying model of the economy. More formally, endogenous policy models build some form of explicit political structure into some form of neoclassical general equilibrium model. That is, the underlying economy is made up of households, characterized by preferences over final goods and portfolios of productive factors, and firms, which transform factors of production into final goods. We can denote a neoclassical economy: $\mathcal{E} = \{\mathbf{Z}, \mathbf{F}, \mathbf{R}\}$, where \mathbf{Z} is a matrix allocating factors of production among households, \mathbf{F} a vector of technologies, and \mathbf{R} a vector of household preferences over final commodities. To this economy we attach a vector of possible interventions (\mathbf{t}) and a political mechanism (\mathbf{M}) yielding a political-economy: $\mathcal{P} = \{\mathbf{Z}, \mathbf{F}, \mathbf{R}; \mathbf{t}, \mathbf{M}\}$. The easiest part of the analysis of a system like \mathcal{P} involves the derivation of citizen preferences over policy. For a given household, h ($R_h \in \mathbf{R}, \mathbf{z}_h \in \mathbf{Z}$), for a fixed \mathcal{E} , we simply ask how any relevant state of the policy variable (t) affects household welfare. By answering this question for every feasible state of the policy variable, we trace out household political preferences over that policy.

It is now well-known that the general Arrow-Debreu model does not yield comparative static results of the sort necessary for this exercise (see section 17.E in Mas-Colell, Whinston and Green, 1995). As a result, most work in this area builds on either a Heckscher-Ohlin-Samuelson model (i.e. a model in which all factors are fully mobile between sectors) or a Ricardo-Viner model (i.e. a model in which every sector is characterized by a specific-factor and a single mobile factor is used by all sectors). The former yields conflict based on factor-ownership (i.e. class conflict), while the latter yields conflict based on industry attachment. Recently, a specialized form of the latter

has been widely used (Grossman and Helpman, 1994), in which $n-1$ sectors are characterized by a specific factors structure and the n 'th sector (the *numeraire sector*) is a freely trade Ricardian good. This is usually combined with quasi-linear preferences to produce an economy in which virtually all general equilibrium linkages have been severed. This makes for an extremely tractable, if somewhat implausible, framework for political economy modeling of contemporary trade policy.² If we think of the Heckscher-Ohlin-Samuelson model (and its dimensional generalizations) as a model of the long-run and the Ricardo-Viner model as representing a relatively short-run, it is probably clearest to treat their use in political economy models as reflecting the period of political calculation. That is, if political agents make their calculations over a relatively short time period, the most appropriate model would be some form of specific-factors model; while, if the time horizon of political calculation is long, the HOS model is more appropriate.³ The evidence is somewhat mixed, but the bulk of it would seem to suggest that, for most agents, the time horizon of political calculation is relatively short.⁴

²Schattscheider's description of tariff making as what Lowi called "distributive politics" suggests that a model of this sort might well be appropriate in that case. Contemporary (GATT/WTO-legal) protection emerges from a two-stage process in which rules of general application are set in the first stage which are then administered by a bureaucracy. If participants focus on the general rules they cannot possibly ignore broad general equilibrium effects, but if they focus on the administered mechanism they cannot possibly care about anything but partial equilibrium effects. In either case, the model seems inappropriate to the politics of trade policy as actually practiced.

³We would generally expect time horizon of political calculation to be linked to material conditions of factor mobility and underlying economic conditions. See Hall and Nelson (1989) for a general argument about factor mobility and institutions in determining the orientation of political activity, and Hiscox (2001) for an impressive theoretical and empirical attempt to link political behavior exclusively to the material conditions of factor mobility.

⁴The most compelling evidence comes from actual political activity. Starting with Magee's (1978) classic study of testimony on trade legislation most work has found strong evidence of sector-based political activity. This is consistent with studies of capital and labor mobility that suggest relative immobility over politically plausible time horizons (i.e. 2-6 years in the U.S.). Research on policy preferences revealed by public opinion polls is generally interpreted as more consistent with factor-based calculation (e.g. Scheve and Slaughter, 2001), however recent work by Hainmueller and Hiscox (2006) suggests that this

Just as knowing preferences over final goods is not sufficient for a theory of market equilibrium, knowledge of political preferences is not sufficient to determine political-economic equilibrium. In principle, a model of political action must be combined with a model of policy determination to determine a full political economic equilibrium. Here there are many possibilities. One convenient way of distinguishing the basic models is in terms of what is assumed about the activity permitted of demanders of policy and suppliers of policy. If we consider that each type of agent (demander and supplier) may be active or passive, we get the simple typology shown in table 1.⁵

		Groups Are:	
		Passive	Active
State is:	Passive	Referendum	t Formation func.
	Active	Pol.Resp.Func.	Menu auction

The simplest approach is to assume that policy is determined by a referendum on the tariff. Under the assumption that voting is costless (and the assumption that preferences are single-peaked over a one dimensional t), this approach simply determines the policy outcome at the most preferred point of the median voter. No resources are used up in the political process, there are no gains from misrepresentation of preferences, so once citizen policy preferences have been determined, the step to final policy determination is trivial (Mayer, 1984). The virtue of this approach is its simplicity, but it has at least two major drawbacks as a framework for empirical work: there have been almost no actual referenda on trade policy; and, at the level for

conclusion may be based on an incorrect inference from the data. All of this work presumes that policy preferences are relatively fixed. However, while is an essential support of political economy modeling, Hall and Nelson (2004) find that aggregate preferences over NAFTA were far from stable.

⁵There are now something like 20 reviews of various aspects of the literature on the political economy of trade. Two current reviews are particularly relevant from the point of view of this article. Helpman (1997) provides a very useful overview of the various models mentioned in table 1 in the context of a common model of the economy. Gawande and Krishna (2003) provides a useful and up to date survey of empirical work.

which general equilibrium analysis is appropriate, trade policy is inherently multidimensional.⁶ As a public issue, trade policy usually is discussed in terms of the overall level of protection offered in the country as a whole (not in terms of tariffs on specific line items in a tariff schedule). Seen in this way, there have been times and places in which "The Tariff" was sufficiently important to public partisan competition that a given election could be seen as a referendum on the tariff.⁷

An extension of this approach implicitly assumes that representatives are elected to represent their constituencies *on trade policy*, so that their votes on trade policy can be treated as determined by the material interests of their constituents.⁸ However, as Bauer, Pool and Dexter (1963) argued, and as implied by theoretical work on voting in high dimensional issue spaces (e.g. Plott, 1967; McKelvey, 1976), given the dimensionality and complexity of the issue environment in which representatives operate, they will generally be free to vote on virtually any issue as they prefer. Thus, especially for issues, like trade, which are not major reelection issues, inference based on this constraint seems less than well grounded. Given that, at least until recently, trade policy has not been a major public issue, some form of lobbying model would seem to be a more solid basis for framing the analysis of the political

⁶The unique exception to both of these are a pair of Swiss referenda on two specific line-items in the Swiss tariff (processed food in 1975 and sugar in 1986). See Weck-Hannemann (1990) for a discussion of this episode.

⁷Examples include the Canadian election of 1911 (Johnston and Percy, 1980; Beaulieu and Emery, 2001), and the British elections of 1906 (Irwin, 1994) and 1911 (Irwin, 1996). This work provides plausible accounts of tariff policy determination in terms of a straight-forward referendum model.

⁸A sizable empirical literature proceeds, more and less explicitly, on this assumption. The classic of the form is Baldwin (1976; 1985), but the list is long. Recent examples include Hiscox (2002), Fordham and McKeown (2003), and Ladewig (2006). Some work treats the material link as unproblematic and uses deviating votes as evidence of "ideological voting" (e.g. McCarthur and Marks, 1988). However, Goff and Grier (1993) identify a fundamental problem with this inference, even in the context of voting that is actually constrained by constituent interest. New techniques to deal with this problem have been developed by Levitt (1996) and Heckman and Snyder (1997), and applied to voting on trade by Bohara and Gawande (2004).

economy of trade policy.

The simplest approach is to follow Stigler (1971) and Peltzman (1976) in doing away with the attempt to model demanders and focusing on the behavior of suppliers who face an untheorized (but completely plausible) function of implicit group demands and a concern with the general welfare consequences of their actions (Hillman, 1982). The *political support function* reflects the trade-off facing a politician who seeks to favor one group (say, producers) at the expense of another (consumers). While Peltzman (1976) and Hillman (1982) motivate their analysis by loose reference to lobbying in the context an election constraint, neither the lobbying nor electoral competition are explicitly modeled. The general pattern of signs could emerge from a variety of institutional environments. Thus, it seems sensible to characterize this approach as "active state/passive groups". The essentially *ad hoc* form of the political support function makes for a natural match with the *ad hoc* empirical analysis referred to in the previous section.⁹

Where the political support function approach abstracts from the political activity of groups, lobbying models, with a passive register state, introduce an explicit analysis of costs of political action and rational strategic behavior by groups, but abstract from active decision-making by the state (e.g. Findlay and Wellisz, 1982; Young, 1982). The core institutional assumptions of this model are: 1) effective political demand is represented by the lobbying activity of entrepreneurial political action committees; 2) political activity involves no fixed costs and there are no collective action problems in the organization of group activity; and 3) the state is a passive register of effective citizen demand. That is, politically active sectors hire labor to engage in lobbying and the state is represented by what Helpman (1997) calls a *tariff-formation function*: $t = \tau(\mathcal{L})$, where $\mathcal{L} = \{\mathcal{L}_1, \dots, \mathcal{L}_n\}$ is a vector of

⁹In fact, the work of Dougan (1885) and Godek (1985) explicitly uses the Peltzman-Hillman framework to motivate their analysis. One of the most interesting analyses of this sort is Tyers's (1990) application of Gardner's (1983) surplus transformation curve method to the political economy of trade liberalization.

quantities of labor hired for lobbying. The outcome is determined as the Nash equilibrium in lobbying, where PACs take into account the direct cost of lobbying (i.e. $w\mathcal{L}_i$), the indirect costs (i.e. the effect on the market wage of withdrawing labor from production for use in lobbying), and the return on lobbying via $\tau(\mathcal{L})$.

A major advance in the formal theory of lobbying was made by Grossman and Helpman (1994), who developed a model in which the state and economic agents are politically active, thus rendering both the political support function and the tariff formation function approaches essentially irrelevant (see also Dixit, Grossman and Helpman, 1997). Grossman and Helpman's essential insight was that the relationship between lobby groups and the state could be effectively modeled as one of common agency and that Bernheim and Whinston's (1986) menu auction model of common agency was a perfect framework for developing a broader model of political economic equilibrium than had previously been presented. Each active PAC offers the state a menu associating a payment with every possible tariff schedule and the state then chooses a tariff schedule that maximizes its welfare. Unlike the passive register state, the Grossman-Helpman state is explicitly concerned with overall welfare as well as bribes.¹⁰ Specifically, their state's objective function is a linear combination of bribes and aggregate welfare: $G = \sum_{i \in I} C_i(\mathbf{p}) + aW(\mathbf{p})$, where the C_i are the bribes ("contributions"), the W is aggregate welfare, both are conditional on the state's choice of \mathbf{p} (the price vector—determined via the small country assumption by the tariff), and a is the weight the government attaches to aggregate welfare. Note how this structure embeds both the Weberian state and the passive register state as special cases.

Given the menu auction structure as a characterization of politics, and the claim that truthful equilibria are focal among the continuum of equilibria

¹⁰Like papers using a political support function, papers using the menu auction approach often use the language of "campaign contributions" and "elections", but none of this is essential. Bribes are surely taken in political systems that are non-democratic, and even dictators may be concerned with levels of overall welfare.

that generally result, and the Grossman-Helpman economy characterized by quasi-linear preferences, $n-1$ sectors characterized by a specific factors structure and a freely traded Ricardian *numeraire* sector, Grossman and Helpman show (proposition 2) that equilibrium trade taxes and subsidies must satisfy a *modified Ramsey rule*:

$$\frac{t_i^\circ}{1 + t_i^\circ} = \frac{I_i - \alpha_L}{a + \alpha_L} \left(\frac{z_i^\circ}{e_i^\circ} \right),$$

where I_i is an indicator variable that takes a value of one if the sector is organized and zero otherwise, α_L is the fraction of the total population that is organized by some lobby, z_i° is the ratio of domestic output to imports, and e_i° is the elasticity of import demand. This form has been widely taken to be a framework for structural estimation. Overall, there seems to be considerable econometric support for lobbying as a key determinant of the cross-section pattern of protection.¹¹

For all the success of the basic models reviewed in this section, primarily in providing a general account of deviations from welfare optimal policies in terms of political pressure and in providing a specific account of the cross-sectional pattern of protection, it is hard to escape the conclusion that, more than other branches of research on political economy (in particular, local public finance and macroeconomic policy), the gap between the models and their object (either as formal empirics or as a framework for understanding) is large. The next section considers several avenues of current research that seek to extend the scope of research on the political economy of protection, but we conclude this section with one problem fundamental to lobbying

¹¹Early papers by Goldberg and Maggi (1999) and Bandyopadhyay and Gawande (2000) set an early standard that has been followed by a large number of papers (e.g. Eicher and Osang, 2002; McCalman, 2004; Cadot, de Melo and Olarreaga, 2004; Matschke and Sherlund, 2006; Lopez and Matschke, 2006; Gawande and Hoekman, 2006). In addition, another sizable body of work has included lobbying variables (mainly campaign contribution data) in otherwise standard *ad hoc* analyses of cross-section patterns of protection (e.g. Nollen and Quinn, 1994; Baldwin and Magee, 2000; Magee, 2002; Fordham and McKown, 2003; Hiscox, 2004; Drope and Hansen, 2004).

models: exogeneity of group organization.

All of the research on lobbying we have considered to this point treats group organization as exogenous: there is no formal analysis of groups at all in the political response function literature; tariff formation function and menu auction models treat active groups as fully organized and completely efficient in extracting resources to pursue political goals (the menu auction models explicitly treat organization as primitive—reflected in I_i in the modified Ramsey rule). This was a sensible strategy in the early development of lobbying models, but before they can be treated seriously as frameworks for empirical analysis group formation needs to be systematically integrated into the analysis.¹² The few attempts that have been made to construct such an analysis build, sensibly, on Olson’s (1965) theory of collective action. Two approaches seem to have been pursued, both of which treat lobbying as an example of voluntary provision of a collective good. The approach that matches the lobbying models most directly focuses on the decision to join under the assumption that agents joining a PAC will be taxed optimally by the PAC organizer (Chiu, 1998; Mitra, 1999). While this is a good match to the theory of lobbying, it is a poor match to the empirical reality in which groups seem not to be either perfectly organized or perfectly unorganized, but rather to be more-or-less well organized.¹³ The alternative is to assume that all groups are potentially active and consider contributions from zero to some maximal (or optimal) level. While there is no shortage of work that considers contributions to a single lobby (treated as a public good), there is very little work that considers those contributions in a strategic context (e.g.

¹²This critique obviously does not apply to referendum models. This would seem to be the explanation for the considerably greater empirical success of political economic analysis of local public finance (where there really are referenda on the objects of analysis, e.g. school bonds) or macroeconomic policy (where national elections can be reasonably seen as referenda on macroeconomic policy). Unfortunately, trade has not really been a major electoral issue since the early 1930s.

¹³It is interesting that the standard approach to empirics of the Grossman-Helpman model involves dividing groups that appear to be differentially organized into the binary category by some more or less arbitrary method.

Chapter 6 of Magee, Brock and Young, 1989). The problem with this latter approach is that "groups" are not really organized, but simply exist as a function of a common pattern of individual contributions. One of the early fundamental criticisms of Olson's work was the lack of attention to political entrepreneurship in the formation of groups and it seems like an explicit introduction of political entrepreneurs might be a route to linking these two approaches.

3 Frontiers of Research on the Political Economy of Protection

The essentially context free theoretical environment of the models we have considered to this point is a feature, not a bug. As with virtually all good modeling programmes, the endogenous policy approach to political economy modeling achieves its cutting power by abstracting from details that interfere with the main line of the story—in this case, the contest of material self-interest projected from the economy to the political system. Models serve a number of purposes:

1. *Cautionary tales*: most people think X, but in my model not X;
2. *'Just So' stories*: here is a fact, I can construct a model rationalizing that fact;
3. *Loose frameworks for thinking about issues*; and
4. *Generators of structural frameworks for econometric analysis*.

The Tullock-Krueger-Bhagwati work discussed in the first section was essentially of the first sort (protection is more costly than you might think as a result of rent-seeking costs), most of the work discussed in the second section is of the second and third sort (it is plausible to think about "bad policy" as

the outcome of a political process and the empirical work is loosely consistent with those accounts). Grossman and Helpman's modified Ramsey rule has been treated as a structural form, but the results of that work do little more than underwrite the use of the model for purposes 2 and 3. Making these models more operationally relevant means introducing more of the relevant context into the models.¹⁴ Current work focuses on both political and economic context.

In terms of political context, one approach that is receiving attention is the attempt to explicitly model the link between contributions, elections and policy outcomes (rather than burying the link in a political response function or the government's objective function).¹⁵ The focus on the role of partisan competition opens the door to both theoretical and empirical work of a comparative nature (e.g. McGillivray, 2004; Grossman and Helpman, 2005), as well as cross-sectional work on the foundations of partisan support (e.g. Keech and Pak, 1995; Epstein and O'Halloran, 1996; Hansen and Prusa, 1997; Bohara, Camargo, Grijalva and Gawande, 2005). This work is interesting, but given that protection is now rarely set by legislatures, it seems unlikely that this line of work will be much help in extending the applicability of current models. By contrast, the sizable body of work that builds on detailed knowledge of the GATT/WTO-legal administered protection mechanisms has already begun to provide a rich body of theoretical and empirical work consistent with the more general models discussed above (Blonigen and Prusa, 2003; Nelson, 2006).

¹⁴Note: I am not arguing that models must somehow approach "reality" to be useful. Quite the contrary (reality is its only complete model), to be useful models must abstract from reality. The question at issue is: which simplifications can be sensibly relaxed to produce more useful results?

¹⁵It is interesting to note that the first serious attempt at positive modeling of the political economy of trade policy by economists was of this sort (Magee, Brock and Young, 1989). The apparent complexity, as well as some analytical and interpretive problems, resulted in initially low impact (Austen-Smith, 1991). Recent research has built on the probabilistic voting model to provide clear foundations for such models (Mayer, 1993; Mayer and Li, 1994; Clark and Thomas, 1995; Yang, 1995; Mayer, 1998).

An alternative direction of generalization abstracts from the assumption that markets are complete and perfect. One of the standard results of time series work on the correlates of protection is that demand for protection, and protectionist outcomes, are positively related to unemployment. This is loosely consistent with public opinion data suggesting that support for protection increases if questions are "framed" in terms of unemployment (Hiscox, 2006). This suggests that modeling the economy, on which the political economy is based, as characterized by equilibrium involuntary unemployment, could make a major contribution to our understanding of the political economy of trade policy. Recent work by Bradford (2003; 2006) and Matschke and Sherlund (2006) make a start in this direction, but there is room for much more. Similarly, standard models assume that political preferences are strictly self-regarding. However, experimental results and public opinion data suggest that political preferences are more complex. In particular, it seems clear that widely held notions of fairness strongly affect expressed preferences over trade policy. To the extent that public politics constrain trade policy, it would seem to be important to try to incorporate such considerations in our models (Davidson, Matusz and Nelson, 2006).

4 Conclusion: Thinking about 'Good' Trade Policy

Virtually all of the work we have considered to this point has attempted to account for 'bad' (i.e. welfare reducing) trade policy. Given that the single most important fact of trade policy in the era since the Second World War is the historically striking trend toward greater trade liberalism and, by the mid-1980s, the truly extraordinary low level of overall protection in the world's major trading nations, this focus seems a bit peculiar. If we believe, as surely we must, that political economy forces help explain the structure of protection, it seems equally clear that political economy forces must help

explain this Liberality. These forces need not be the same—and, in fact, are unlikely to be the same. Thus, the gains from new work on the domestic political economy of liberalization would seem to be sizable. One approach to this question might be to study the link between liberalization and protection. Whereas in the era of tariff politics liberalization and protection were simply directions in a relatively unidimensional scale, in an era in which omnibus trade legislation endorses the power to liberalize at the same time it changes the terms of administered protection, it is not only difficult to say whether a piece of such legislation is protectionist or liberalizing, it seems likely that the two are related.

References

- Anderson, Kym and Robert Baldwin. 1987. The Political Market for Protection in Industrial Countries. In *Protection, Cooperation, Integration and Development*, ed. Ali M. El-Agraa. New York: Macmillan.
- Austen-Smith, David. 1991. “Rational Consumers and Irrational Voters: A Review Essay on Magee, Brock and Young.” *Economics and Politics* 3(1):73–92.
- Baldwin, Robert. 1976. “The Political Economy of Postwar U.S. Trade Policy.” *NYU C. J. Devine Institute of Finance Bulletin* 4.
- Baldwin, Robert. 1985. *The Political Economy of U.S. Import Policy*. Cambridge: Cambridge University Press.
- Baldwin, Robert and Christopher Magee. 2000. “Is Trade Policy for Sale?: Congressional Voting on Recent Trade Bills.” *Public Choice* 105(1/2):79–101.
- Bandyopadhyay, Ursee and Kishore Gawande. 2000. “Is Protection for Sale? Evidence on the Grossman-Helpman Theory of Endogenous Protection.” *Review of Economics and Statistics* 82(1):139–152.
- Bauer, Raymond, Ithiel de Sola Pool and Lewis Anthony Dexter. 1963. *American Business and Public Policy: The Politics of Foreign Trade*. Chicago: Aldine.
- Beaulieu, Eugene and J. C. Herbert Emery. 2001. “Pork Packers, Reciprocity, and Laurier’s Defeat in the 1911 Canadian General Election.” *Journal of Economic History* 61(4):1083–1101.
- Bernheim, B. Douglas and Michael Whinston. 1986. “Menu Auctions, Resource Allocation, and Economic Influence.” *Quarterly Journal of Economics* 101(1):1–31.
- Bhagwati, Jagdish. 1982. “Directly Unproductive, Profit-Seeking (DUP) Activities.” *Journal of Political Economy* 90(5):988–1022.
- Bhagwati, Jagdish and T. N. Srinivasan. 1980. “Revenue Seeking: A Generalization of the Theory of Tariffs.” *Journal of Political Economy* 88(6):1069–1087.

- Blonigen, Bruce and Thomas Prusa. 2003. Antidumping. In *Handbook of International Trade*, ed. E. Kwan Choi and James Harrigan. Oxford: Blackwell pp. 251–284.
- Bohara, Alok, Alejandro Camargo, Therese Grijalva and Kishore Gawande. 2005. “Fundamental Dimensions in U.S. Trade Policy.” *Journal of International Economics* 65(1):93–125.
- Bohara, Alok and Kishore Gawande. 2004. Interest and Ideology in the 1988 Omnibus Trade Act: A Bayesian Multivariate Probit Analysis. In *The Political Economy of Trade, Aid and Foreign Investment Policies*, ed. Devashish Mitra and Arvind Panagariya. Amsterdam: Elsevier pp. 113–157.
- Bradford, Scott. 2003. “Protection and Jobs: Explaining the Structure of Trade Barriers Across Industries.” *Journal of International Economics* 61(1):19–39.
- Bradford, Scott. 2006. “Protection and Unemployment.” *Journal of International Economics* 69(2):257–271.
- Cadot, Olivier, Jaime de Melo and Marcelo Olarreaga. 2004. “Lobbying, Counterlobbying, and the Structure of Tariff Protection in Poor and Rich Countries.” *World Bank Economic Review* 18(3):345–366.
- Caves, Richard. 1976. “Economic Models of Political Choice: Canada’s Tariff Structure.” *Canadian Journal of Economics* 9(2):278–300.
- Chiu, Y. Stephen. 1998. “Politics, Structure of Protection, and Welfare.” *Review of International Economics* 6(3):472–487.
- Clark, Derek and Jonathan Thomas. 1995. “Probabilistic Voting, Campaign Contributions, and Efficiency.” *American Economic Review* 85(1):254–259.
- Davidson, Carl, Steve Matusz and Douglas Nelson. 2006. “Fairness and the Political Economy of Trade.” *World Economy* 29(8):989–1004.
- Dixit, Avinash, Gene Grossman and Elhanan Helpman. 1997. “Common Agency and Coordination: General Theory and Application to Tax Policy.” *Journal of Political Economy* 105(4):752–769.

- Dougan, William. 1885. "Tariffs and the Economic Theory of Regulation." *Research in Law and Economics* 6:187–210.
- Drope, Jeffrey and Wendy Hansen. 2004. "Purchasing Protection? The Effect of Political Spending on Trade Policy." *Political Research Quarterly* 57(1):27–37.
- Eicher, Theo and Thomas Osang. 2002. "Protection for Sale: An Empirical Investigation, Comment." *American Economic Review* 92(5):1702–1710.
- Epstein, David and Sharyn O'Halloran. 1996. "The Partisan Paradox and the US Tariff, 1877-1934." *International Organization* 50(2):301–324.
- Fielke, Norman. 1976. "The Tariff Structure for Manufacturing Industries in the U.S.: A Test of Some Traditional Explanations." *Columbia Journal of World Business* 11(4):98–104.
- Findlay, Ronald and Stanislaw Wellisz. 1982. Endogenous Tariffs, The Political Economy of Trade Restrictions and Welfare. In *Import Competition and Response*, ed. Jagdish Bhagwati. Chicago: University of Chicago Press/NBER pp. 223–234.
- Fordham, Benjamin and Timothy McKeown. 2003. "Selection and Influence: Interest Groups and Congressional Voting on Trade Policy." *International Organization* 57(3):519–549.
- Gardner, Bruce. 1983. "Efficient Redistribution Through Commodity Markets." *American Journal of Agricultural Economics* 65(1):225–234.
- Gawande, Kishore. 1997. Testing Theories of Endogenous Protection: Robust Evidence from U.S. Nontariff Barrier Data. In *Quiet Pioneering: Robert M. Stern and His International Economic Legacy*, ed. Keith Maskus, Peter Hooper, Edward Leamer and J. David Richardson. Ann Arbor: University of Michigan Press pp. 37–70.
- Gawande, Kishore. 1998. "Comparing Theories of Endogenous Protection: Bayesian Comparison of Tobit Models Using Gibbs Sampling Output." *Review of Economics and Statistics* 80(1):128–140.
- Gawande, Kishore and Bernard Hoekman. 2006. "Lobbying and Agricultural Trade Policy in the US." *International Organization* 60(3):527–561.

- Gawande, Kishore and Pravin Krishna. 2003. The Political Economy of Trade Policy: Empirical Approaches. In *Handbook of International Trade*, ed. Kwan Choi and James Harrigan. Oxford: Blackwell pp. 213–250.
- Godek, Paul. 1985. “Industry Structure and Redistribution Through Trade Restrictions.” *Journal of Law and Economics* 28(3):687–703.
- Goff, Brian and Kevin Grier. 1993. “On the (Mis)Measurement of Legislator Ideology and Shirking.” *Public Choice* pp. 5–20.
- Goldberg, Pinelopi and Giovanni Maggi. 1999. “Protection for Sale: An Empirical Investigation.” *American Economic Review* 89(5):1135–1155.
- Grossman, Gene and Elhanan Helpman. 1994. “Protection for Sale.” *American Economic Review* 94(4):833–850.
- Grossman, Gene and Elhanan Helpman. 2005. “A Protectionist Bias in Majoritarian Politics.” *Quarterly Journal of Economics* 120(4):1239–1282.
- Hainmueller, Jens and Michael Hiscox. 2006. “Learning to Love Globalization: Education and Individual Attitudes Toward International Trade.” *International Organization* 60(2):469–498.
- Hall, H. Keith and Douglas Nelson. 1989. “Institutional Structure and Time Horizon in a Simple Political-Economy Model: The Lowi Effect.” *International Spectator* 24(3/4):153–173.
- Hall, H. Keith and Douglas Nelson. 2004. The Peculiar Political Economy of NAFTA: Complexity, Uncertainty and Footloose Policy Preferences. In *The Political Economy of Trade, Aid and Foreign Investment Policies: Essays in Honor of Ed Tower*, ed. Arvind Panagariya and Devashish Mitra. Amsterdam: Elsevier pp. 91–109.
- Hansen, Wendy and Thomas Prusa. 1997. “The Role of the Median Legislator in US Trade Policy: A Historical Analysis.” *Economic Inquiry* 35(1):97–107.
- Heckman, James and James Snyder. 1997. “Linear Probability Models of Demand for Attributes with an Empirical Application to Estimating the Preferences of Legislators.” *Rand Journal of Economics* 28(Special Issue in Honor of Richard Quandt):S142–S189.

- Helpman, Elhanan. 1997. Politics and Trade Policy. In *Advances in Economics and Econometrics: Theory and Applications, Volume*, ed. David Kreps and Kenneth Wallis. Cambridge: Cambridge University Press pp. 19–45.
- Hillman, Arye L. 1982. “Declining Industries and Political Support Protectionist Motives.” *American Economic Review* 72(5):1180–1187.
- Hiscox, Michael. 2001. *International Trade and Political Conflict: Commerce, Coalitions, and Mobility*. Princeton: Princeton University Press.
- Hiscox, Michael. 2002. “Commerce, Coalitions, and Factor Mobility: Evidence from Congressional Votes on Trade Legislation.” *American Political Science Review* 96(3):593–608.
- Hiscox, Michael. 2004. “International Capital Mobility and Trade Politics: Capital Flows, Political Coalitions and Lobbying.” *Economics and Politics* 16(3):253–285.
- Hiscox, Michael. 2006. “Through A Glass Darkly: Framing Effects and Individuals’ Attitudes Toward Trade.” *International Organization* 60(3):755–780.
- Irwin, Douglas. 1994. “The Political Economy of Free Trade: Voting in the British General Election of 1906.” *Journal of Law and Economics* 37(1):75–108.
- Irwin, Douglas. 1996. Industry or Class Cleavages over Trade Policy?: Evidence from the British General Election of 1923. In *The Political Economy of Trade Policy*, ed. Robert Feenstra, Gene Grossman and Douglas Irwin. Cambridge: MIT Press pp. 53–75.
- Johnston, Richard and Michael Percy. 1980. “Reciprocity, Imperial Sentiment, and Party Politics.” *Canadian Journal of Political Science* 13(4):711–729.
- Keech, William and Kyoungsan Pak. 1995. “Partisanship, Institutions, and Change in American Trade Politics.” *Journal of Politics* 57(4):1130–1142.

- Krueger, Anne O. 1974. "The Political Economy of Rent-Seeking Society." *American Economic Review* 64(3):291–303.
- Ladewig, Jeffrey. 2006. "Domestic Influences on International Trade Policy: Factor Mobility in the United States, 1963-1992." *International Organization* 60(1):69–103.
- Lee, Jong-Wha and Phillip Swagel. 1997. "Trade Barriers and Trade Flows Across Countries and Industries." *Review of Economics and Statistics* 79(3):372–382.
- Levitt, Steven. 1996. "How Do Senators Vote? Disentangling the Role of Voter Preferences, Party Affiliation, and Senator Ideology." *American Economic Review* 86(3):425–441.
- Lopez, Rigoberto and Xenia Matschke. 2006. "Food Protection for Sale." *Review of International Economics* 14(3):380–391.
- Lowi, Theodore. 1964. "American Business, Public Policy, Case Studies and Political Theory." *World Politics* 16(4):676–715.
- Magee, Christopher. 2002. "Do Political Action Committees Give Money to Candidates for Electoral or Influence Motives?" *Public Choice* 112(3/4):373–399.
- Magee, Stephen. 1978. Three Simple Tests of the Stolper-Samuelson Theorem. In *Issues in International Economics*, ed. Peter Oppenheimer. Stocksfield: Oriol Press pp. 138–153.
- Magee, Stephen, William Brock and Leslie Young. 1989. *Black Hole Tariffs and Endogenous Policy Theory*. Cambridge: Cambridge University Press.
- Mas-Colell, Andreu, Michael Whinston and Jerry Green. 1995. *Microeconomic Theory*. New York: Oxford University Press.
- Matschke, Xenia and Shane Sherlund. 2006. "Do Labor Issues Matter in the Determination of U.S. Trade Policy." *American Economic Review* 96(1):405–421.
- Mayer, Wolfgang. 1984. "Endogenous Tariff Formation." *American Economic Review* 74(5):970–985.

- Mayer, Wolfgang. 1993. "Lobbying for Tariff Policies." *Review of International Economics* 1(3):221–233.
- Mayer, Wolfgang. 1998. "Trade Policy Platforms of Competing Parties: What Makes Them Different?" *Review of International Economics* 6(2):185–203.
- Mayer, Wolfgang and Jun Li. 1994. "Interest Groups, Electoral Competition, and Probabilistic Voting for Trade Policies." *Economics and Politics* 6(1):59–77.
- McCalman, Phillip. 2004. "Protection for Sale and Trade Liberalization: An Empirical Investigation." *Review of International Economics* 12(1):81–94.
- McCarthy, John and Stephen Marks. 1988. "Constituent Interest Vs. Legislator Ideology: The Role of Political Opportunity Cost." *Economic Inquiry* 26(3):461–470.
- McGillivray, Fiona. 2004. *Privileging Industry: The Comparative Politics of Trade and Industrial Policy*. Princeton: Princeton University Press.
- McKelvey, Richard. 1976. "Intransitivities in Multidimensional Voting Models and Some Implications for Agenda Control." *Journal of Economic Theory* 12(3):472–482.
- Mitra, Devashish. 1999. "Endogenous Lobby Formation and Endogenous Protection: A Long-Run Model of Trade Policy Determination." *American Economic Review* 89(5):1116–1134.
- Nelson, Douglas. 2006. "The Political Economy of Antidumping: A Survey." *European Journal of Political Economy* 22(3):554–590.
- Nollen, Stanley and Dennis Quinn. 1994. "Free Trade, Fair Trade, Strategic Trade, and Protectionism in the US Congress, 1987-1988." *International Organization* 48(3):491–525.
- Olson, Mancur. 1965. *The Logic of Collective Action*. Boston: Harvard University Press.
- Peltzman, Sam. 1976. "Toward a More General Theory of Regulation." *Journal of Law and Economics* 19(2):211–240.

- Plott, Charles. 1967. "A Notion of Equilibrium and its Possibility under Majority Rule." *American Economic Review* 57(4):787–806.
- Ray, Edward John. 1981*a*. "The Determinants of Tariffs and Nontariff Restrictions in the U.S." *Journal of Political Economy* 89(1):105–121.
- Ray, Edward John. 1981*b*. "Tariff and Nontariff Barriers to Trade in the United States and Abroad." *Review of Economics and Statistics* 63(2):161–168.
- Schattschneider, Edward Elmer. 1935. *Politics, Pressure and the Tariff*. Englewood Cliffs: Prentice Hall.
- Scheve, Kenneth and Matthew Slaughter. 2001. "What Determines Individual Trade Policy Preferences." *Journal of International Economics* 54(2):267–292.
- Stigler, George. 1971. "The Theory of Economic Regulation." *Bell Journal of Economics and Management* 2(1):3–21.
- Trefler, Daniel. 1993. "Trade Liberalization and the Theory of Endogenous Protection: An Econometric Study of U.S. Import Policy." *Journal of Political Economy* 101(1):138–160.
- Tullock, Gordon. 1967. "The Welfare Costs of Tariffs, Monopolies and Theft." *Western Economic Journal* 5(3):224–232.
- Tyers, Rod. 1990. "Implicit Policy Preferences and the Assessment of Negotiable Trade Policy Reforms." *European Economic Review* 34(7):1399–1426.
- Weck-Hannemann, Hannelore. 1990. "Protectionism in Direct Democracy." *Journal of Institutional and Theoretical Economics* 146(3):389–418.
- Yang, C. C. 1995. "Endogenous Tariff Formation under Representative Democracy: A Probabilistic Voting Model." *American Economic Review* 85(4):956–963.
- Young, Leslie. 1982. Comment on Findlay and Wellisz. In *Import Competition and Response*. Chicago: University of Chicago Press/NBER pp. 238–243.