Executive Type and Trade Protection in the 1990's: Where's the Pork?

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Abstract

Throughout the 1990's the level of trade protection have decreased across most nations and this trend has continued to this day, however many nations remain more protectionist than others. Extending work done in the United States cross-nationally, this study seeks to discern what institutional arrangements lead to higher levels of protection. By looking at macroeconomic and political institutions data from 1990 to 2000, this study develops a model of trade protection that suggests that presidential systems are overall less protectionist than parliamentary systems. The 1990's are an important time period to study because this was the start of the rapid era of globalization and right before the financial problems associated with the later part of the 2000's. The data show that parliamentary systems have higher tariff rates than other systems, but this is contingent on the type of electoral system. This study also finds evidence that strong executives with lots of policy tools are able to circumvent the legislature to provide "pork" on their own.

Keywords: trade restrictions, protectionism, presidential systems, parliamentary systems

1.1. Introduction

Why do countries engage in protectionist practices if trade is seen to have positive aggregate outcomes for all parties engaged in trading relationships? According to the Heckscher-Ohlin (HO) model derived from the economics literature, countries participate in trade because they have a comparative advantage in a specific factor endowment and it is beneficial to their markets to trade (Oatley, 2004; Nollen & Quinn, 1994).

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However, protectionist policies are harder to discern by simply looking at factor endowments, because one of the chief assumptions of a market system is factor mobility. Market models assume that all factors are as easily transferable to other sectors and this does not necessarily occur. The Stophler-Samuelson (SS) theory suggests that owners of scarce factors or immobile factors will lose in trade. In democratic systems, the owners of the scarce factors or workers employed in "losing" industries engage in rent seeking behavior to protect their interests. Political models have been developed to explain this behavior, but much of the work has been limited to the United States.

Following the legislative dominance/executive dominance paradigm discussed in Lohmann & O'Halloran (1994) and others, this study seeks to answer the question of why some countries have more protectionist policies than others. Though some of the variation in trade policy can be attributed to industrialization, increasing levels of "globalization", or the spread of "neo-liberal" ideas this study suggests that protectionist policies persist because of the electoral incentives that a constitutional executive has to deal with when delegated trade authority by a legislature. Recent studies by Nielson (2003) and others suggest that analysis suggests that not all executives have the same incentive structures when creating trade policy.

Findings in this study confirm previous expectations that on average presidents are less protectionist than their prime minister counterparts, however within parliamentary systems, protectionist policies are dependent on the type of electoral system and the relationship to the voters. Below, I highlight issues that link executive type to trade policy.

2.1. Theory and Literature Review

Trade is beneficial for nations because they are able to specialize in creating products that use their resources most efficiently, and to import products that they are not as efficient in producing (Reuveny & Li, 2003). Trade increases domestic competition, thus lowering prices. These lower prices are important for the poor, because they are able to spend less of their incomes on consumptive goods. This is a benefit for developed countries. The problem is that trade also makes it easier for firms to substitute unskilled labor with cheaper imports on products. Why spend money on paying wages, when you can make comparable rents importing products?

Though there could be some unwanted side effects for labor, Reuveny & Li (2003) find that trade has the ability to reduce income inequality in the long run. The movement towards a more liberalized trade policy has lead to lower trade policies overall. In 1990 the average global tariff rate was around 12 percent and this fell to around 8 percent by 2000. Though tariff rates cross nationally are decreasing, not every country has the same level of tariff rates, there is a great deal of variation among countries, as shown in Figures 1 and 2. This variation needs to be explored.

Figure 1: Average Tariff Rates 1990-2000
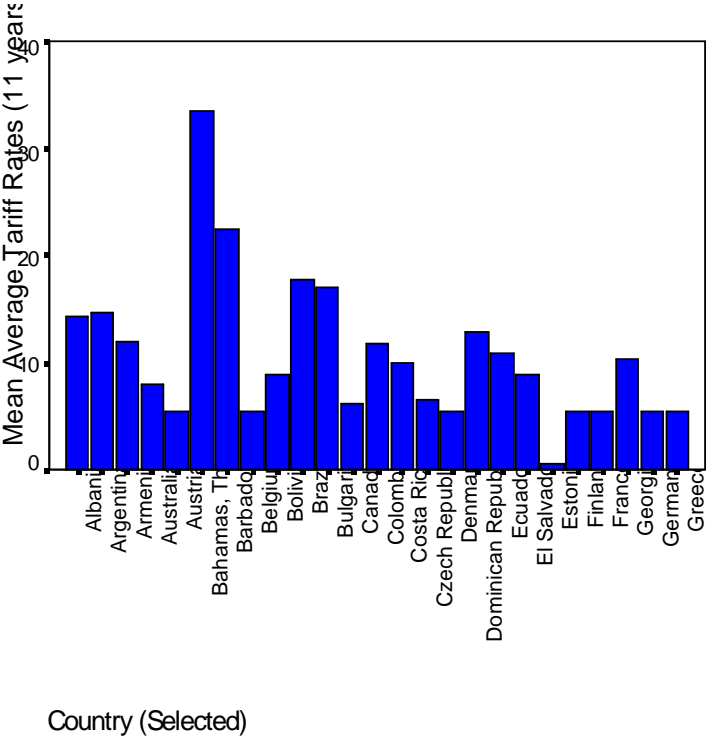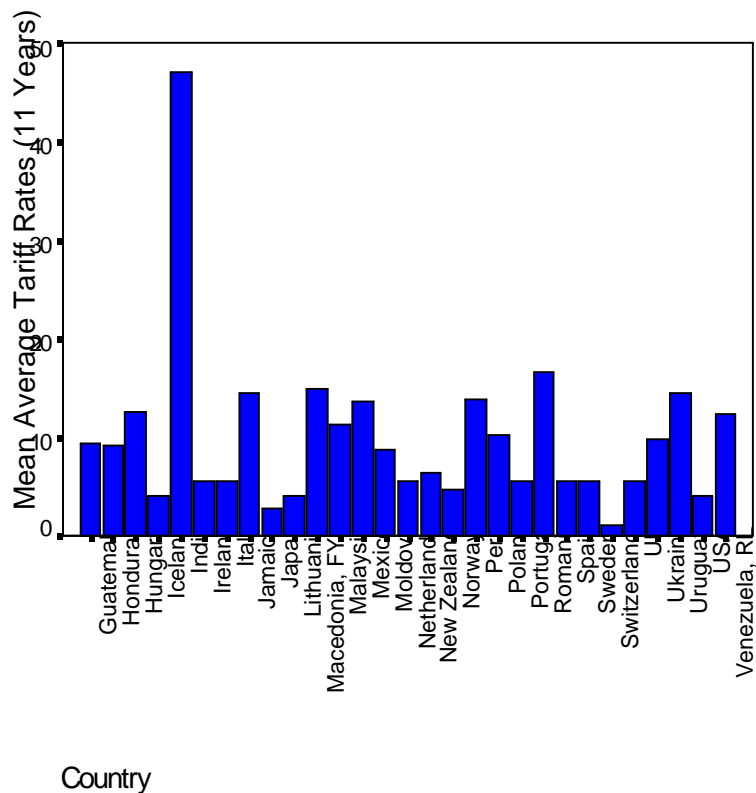

Country (Selected)

Figure 2: Average Tariff Rates (1990-2000)

Though trade is seen as positively benefiting a nation in the long run, there is a possibility that some groups will be "losers" in trading arrangements, particularly capital interests that cannot compete in a market that has been flooded by cheaper or more efficiently produced imports. These "losers", should be opposed to any type of free trade (Kingstone, 2001). This creates a constituency group that can lobby the government for relief. The Stopler-Samuelson model suggests that the price of the least abundant factors in each country will fall while the abundant factors will rise. According to this model, one can easily predict that "losers" will be groups with a low abundance of resources or factors. The model predicts that these "loser" groups will engage in rent seeking behavior and organize to seek protection (Oatley, 2004; Nollen & Quinn, 1994; Reuveny & Li, 2003). Scheve & Slaughter (2001) suggest that the reason for the short term thinking is that workers weight the costs of free trade much more heavily than the long term gains, because those negatively affected by trade policy heavily discount the future benefits of gains from trade.In systems with a higher level of corporatism or institutionalized channels for organized interests to influence a legislature, higher levels of protectionism should be present.

In democratic systems, we assume that a politician's primary goal is to win elections (Mayhew, 1974). This creates an incentive for a legislator to provide pork to their district, because one can develop a record of service to the district that challengers will have a hard time competing with. Several scholars suggest that trade protection can itself be "pork" because individual legislators can be "captured" by special interests, labor unions, or in the terms of the HO model, those with scarce factor endowments (Grossman & Helpman, 1994; Goldberg & Maggi, 1999). Essentially, if the electoral system creates the opportunity to cultivate a personal vote, legislators or politicians in general have the incentive to use policy instruments like trade as pork for their districts, particularly if their districts have a high geographic concentration of certain industries (Hallerberg & Marier, 2004; Busch & Reinhardt, 1999; Willmann, 2005).

Much of the research in trade protection using the above argument has been conducted using the case of the United States. Within the United States two research paradigms have framed how people think of trade policy. The first theoretical frame work is the "congressional dominance" theory. Congress has many incentives to utilize trade as a particularistic benefit for their districts. If members of Congress is left to their own devices, then higher levels of protection are preferred, particularly for districts that are economically worse off (Lohmann & O'Halloran, 1994). Congress is able to do this through a system of inefficient log rolling in which legislators seeking pork for their own districts participate in reciprocal relationships with other legislators. Even if there is a notion of wanting to liberalize trade, collective action difficulties make it much harder to lower protective barriers.

One of the ways that Congress tries to get around this inefficiency problem is that it delegates trade authority to a principal, in this case the President of the United States. Lohmann & O'Halloran suggest that centralizing power can reduce the collective action difficulties and result in lower trade barriers (1994). This "presidential dominance" assumes that the president has a different constituency from Congress, because his "electoral connection" is from a larger majoritarian district, in which he is the only representative elected.

Scholars also assume that the president's centralized position and authority in foreign affairs makes him more informed than congressmen, who are only looking out for their districts (Sherman, 2002).

Because trade does produce higher aggregate social welfare for the country as a whole; scholars predict that the president will be more open to free trade than members of Congress.

However, assuming the President of the United States will be a free trader in all circumstances does not totally fit. Because a president is elected from the same districts that members of Congress are elected from, similar pressures for protection exist. A president is more insulated, but the majoritarian nature of the United States' electoral system does create the possibilities that some districts are more "important" than others. In a competitive election, certain states or districts may be more valuable in the terms of contributions than others. Roelfsema suggests that these districts may hold sway over a president's trade policy, however this needs to be tested empirically (2004). Roelfsema argues that trade is an ideal redistributive good for a president, because the public may be unaware of how the policies work (2004). In the case of the United States, its president has been delegated formal trade authority and may be able to get away with using trade as pork for his own gains (Grossman & Helpman, 1995; McCarty, 2000). The idea of the President of the United States or any executive using his or her formal powers for "pork" is not uncommon (McCarty, 2000). Though there is a check on how many times a president can be re-elected, he does have incentives to cater to his party's re-election needs as well.

In addition to expectations regarding institutional constraints, Sherman (2002) and Lohmann & O'Halloran (1994) derive certain expectations for partisanship and preferences of actors in the system. Sherman (2002) suggests that in the United States case, Democratic congresses are more protectionist than Republican congresses and Democratic presidents are less protectionist than Republican presidents. The reason for this is the interaction between the institutional constraints and partisanship. So, Sherman posits that divided government can occur within the parties as well as between the parties. However, Lohmann and O'Halloran (1994) suggest that partisanship does not matter, the point is that divided government can impede trade liberalization, because members of Congress do not chose an efficient amount of trade authority to delegate to the president. Karol (2000) suggests that members of Congress know that if left to their own devices, they will be more protectionist and want to delegate trade authority to the President. He argues a tacit consent model where Congress wants to tie its hands in order to have the efficient outcomes.

As shown by the research above, the "problem" of protectionist trade policy in the United States is much more complex than economic models would suggest. Given the HO and SS assumptions, we should see that an outcome which favors trade liberalization in the United States under all circumstances, because those with the abundant factors have power to influence the government. The political models that were discussed above, though not at odds with the economic models, show that the relationship is much more complex. Trade policy is problematic in the United States because of the electoral arrangements that cause members of Congress to be particularistic. Partisanship, though debated in the literature explains some of this variation, but not in the fashion that Sherman (2002) or Karol (2000) suggest. We do see incidences of varying preferences between the parties, however members of Congress will always be slightly more protectionist than the president and presidents should be slightly more "free trade" than Congress. If members of Congress gave their consent of presidential authority on negotiating trade, we would see fast track authority renewed every time it came up for renewal. On several occasions Congress has neglected to do this. Though research has shown that presidents are more liberal than Congress with respect to trade, assuming that this is always the case is problematic. The electoral system provides incentives for the president to be just as pork barreling as Congress. As long as losers to free trade are organized, both Congress and the president have incentives to give in to special interests.

2.2. On Electoral Systems, Political Interests, and Constituency Pressures

Since much of the research on trade protection has been done on the United States, little is known about how political institutions structure trade outside of the presidential/congressional framework. The one aspect that we can use to generalize outside of the United States is how electoral systems structure legislative incentives. We know that they create certain incentives for political behavior of legislators or political actor. If we assume the rational goal of a legislator or political actor is to get re-elected, then how that person is tied to his or her constituency affects how they behave in the legislature. In his book on how the United States Congress relates to its constituency, David Mayhew suggests that representatives wish to be re-elected, so their incentive to provide particularistic benefits to their constituency groups is high. Mayhew suggests that congressmen hope to get "pork" for the district so that they can take credit for that action. Legislators do not wish to take on broad ranging policy objectives, because they are not able to take soul credit for that action (1974).

In the United States, representatives are elected in single member majority districts. This means that competition is great in the districts, so to be re-elected the legislator's incentives and responsibilities are to their district. This creates an "electoral connection" between the representative and his or her district (Mayhew 1974). If we tie this to trade protection, we might expect that systems with a single member majority district electoral system to have higher incidences of trade protection.

Other scholars have taken this idea and compared it to proportional systems (PR) in other countries. Representatives elected in proportional systems, face difference incentives. Instead of district concerns, theoretically, they are elected on national interests. Political parties play a greater role in these systems, because of the organizational concerns. Political parties control who is nominated and run in PR districts, so a legislator that wishes to have a long career, may want to follow the party line. Other incentives can be found in the fact that competition among different groups is fierce, thus working within a party is beneficial. In these systems, voters will chose candidates based on party label, because they want a certain type of policy implemented (Cox, 1997). Extending this to trade, we would expect that trade protection to be lower in these districts because of the more "nationalist" policy orientation of representatives. In multiparty systems, the argument could also be made that this trade protection could be a redistributive good, and might be used to "buy off" coalition partners to hold together a coalition government. This study rejects this notion, because we would expect more representation of groups opposed to particularistic protection of certain groups, thus veto players exist to curve the catering of special groups (Tsebelis, 1995). Both these expectations are consistent with previous studies on the effects of electoral systems on legislative incentives. These arguments may be found in Roubini & Sachs (1989) and Persson & Tabellini (1999).

Though the distinctions between how legislators in single member district (SMD) and proportional representation (PR) systems are elected provides a great deal of insight into the incentives of each representative are structured, the way the executive is selected may also provide some insights into how that political actor works. In a SMD system, unless it is a Westminster system, the executive is elected in a national election. The incentives for the president is similar to that of a PR system, where the president has the "nation's interests" at heart and would be less protectionist. In the Westminster system, the executive is elected from the majority party in the legislature. The incentives for each executive are similar.

Both should have the "nation's interests" as their primary goal, but some districts may be more important than others. This is due to the "winner-take-all" nature of the political environment. The only difference is that on some level, the prime minister has to be held accountable to his own back bench, while the president has no accountability to the legislature. This has implications for executive/legislature relations, which will be discussed in the next section (Lijphart, 1999).

In proportional systems, the executive is directly elected from among the winning majority in the Parliament. This means that he or she is constrained by his or her coalition members, depending on the number of parties in the system and his or her back bench. This means that he or she has to implement policy that is accountable to the median member of the coalition and the backbench or face the threat of a vote of no confidence and be removed from office. The probability of this happening is up to debate, but the threat of such an action is a possibility and has the ability to constrain the action of the prime minister (Lijphart, 1999). This constraint makes the executive in parliamentary systems more likely to give into protectionist demands of the legislature.

2.3. Executive and Assembly Relations

An alternative explanation to the electoral system theory proposed above is found in Shugart & Carey's (1992; 2004) work on the executive and the assembly. They suggest that there is a trade off between the executive and assembly; either you have a powerful executive or a powerful legislature. This has important implications for trade policy. A strong executive can do things that can bypass the legislature. For example, some executives have the ability to propose legislation directly. These powerful executives have the ability to do many things in the realm of providing particularistic benefits and are usually elected separately from Congress. In the United States, the executive may be insulated from the legislature, but he or she is not as powerful as one might expect. If the legislature feels threatened, especially with trade policy, it might expand the bureaucracy or make it difficult for the president to get policy passed (Goldstein & Lenway, 1989).

In the case of trade protection, we expect that the more insulated the executive is from the legislature, the more able he or she would be able to produce executive pork, though Shugart & Cary (1992) and Hallerberg & Maier (2004) have a different argument suggesting that locally based legislatures may allow congressmen to deal with pork, while the powerful executive deals with "national issues." Though the evidence in this case that an "inefficient secret exists" is great, following Grossman & Helpman (1994), Goldberg & Maggi (1999), and McCarty (2000; 2000), we suggest that the executive can fall pray to particular interests as well. Executives in more proportional systems should be less protectionist than their counterparts in Westminster or majoritarian presidential systems. So, if one group wanted to "veto" protectionist trade legislation in PR systems, then it would be easier in multiparty systems (Tsebelis, 1995; Heller, 2001). Also, legislatures in these systems demand more public goods than legislatures in majoritarian districts (Persson & Tabellini, 1999 & 2002).

3.1. Hypotheses

The literature reviewed above suggests several expectations regarding how trade protection should work and a gap in explaining how this relationship is conditioned within varying institutional and electoral configurations. The hypotheses are outlined below:

H1: Presidential systems will have lower levels of protection than parliamentary systems.
H2: Parliamentary systems with lower district magnitude will have higher levels of protection than parliamentary systems with higher district magnitudes.

Presidential and parliamentary systems should have very different outcomes for trade policy. Presidents are mostly studied with regard to trade and the literature suggests that presidential systems should have lower levels of protection. Parliamentary systems are under-studied; however the electoral system literature suggests that the policy should be dependent on the number of candidates in the system.

H3: Strong executives will have higher levels of protection than weak executives.
H4: Strong executives in a system w9ith a lower district magnitude will have higher levels of trade.

Beyond the differentiation between presidential and parliamentary systems, the literature suggests that the level of executive strength, defined in Shugart& Cary (1992) and Frye, Hellman & Tucker (2000) as formal powers, should influence when an executive is able to be protectionist or not. Strong executives should be more protectionist than weak executives, if we assume that executives are election seeking (Grossman &Helpman, 1994; Goldberg & Maggi, 1999; McCarty, 2000; 2000).

4.1. Data and Analysis

This study analyses a sample of the 54 democratic countries from 1990-2000. This period was chosen because the data was most available for all of the countries during this time and there was a good mix of developed and undeveloped countries. In addition, to these factors it was before the financial collapse in 2000. The countries were also included because there a good mix of political institutions in the sampled countries. The countries included in this study are listed in Table 1. Only the years that the country was a democracy was included. Democratic countries had a Polity score of 6 or higher.

Table 1: Democratic Countries in Sample 1990-2000			
Albania	Croatia	Iceland	Poland
Argentina	Czech Republic	India	Portugal
Armenia	Denmark	Ireland	Romania
Australia	Dominican Republic	Italy	Russian Federation
Austria	Ecuador	Jamaica	Spain
Bahamas	El Salvador	Japan	Switzerland
Barbados	Estonia	Lithuania	UK
Belarus	Finland	Macedonia	United States
Belgium	France	Malaysia	Ukraine
Bolivia	Georgia	Mexico	Uruguay
Brazil	Germany	Moldova	Venezuela
Bulgaria	Greece	Netherlands	
Canada	Guatemala	New Zealand	
Colombia	Honduras	Norway	
Costa Rica	Hungary	Peru	

4.2. Dependent Variables

Trade Protection.   Following Welch and Wacziarg (2003) and Sherman (2002) this analysis uses average tariff rates to study trade protection. This measure is created by 100 × customs revenue and then dividing by Imports. This data was provided by the United Nations Conference on Trade and Development and the World Bank[4]. Higher values indicate higher average tariff rates. This variable was chosen in the spirit of the legislature dominance/presidential dominance paradigm, because this would be where the executive would have the most authority with trade protection.

4.3. Independent Variables[5]

President/Parliamentary System.   The literature on presidential trade protection, suggests that Presidential Systems will be less protectionist than Parliamentary Systems.   This is a dummy variable encompassing "1" being a presidential system and "0" being a parliamentary system.

Executive Strength. This study uses the Frye, Hellman & Tucker (2000) coding scheme for coding executive strength. Higher values indicate more formal powers of the executive. This data was gathered from Frye, Hellman & Tucker (1996), Shugart and Carey (1992), and when data was not available for a given country in our sample, we coded the constitutional powers of each executive from a translation of that country's constitution. Assuming that executives are election seeking, we expect stronger executives to be more protectionist, because they are able to circumvent the legislature to provide trade protection as pork.

Electoral Systems. We use logged district magnitude as a control for electoral system. The expectation is that as district magnitude increases towards being more proportional, trade protection will decrease, due to the increased number of veto players in the district and the changing demands of the legislators. Higher values indicate more seats per districts.

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[4] http://www.unctad.org and http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE
[5] The institutional variables were taken from the Database of Political Institutions collected by Beck et. al (2001). This data set goes from 1975 to 2000 and covers most of the democracies and non-democracies in the world.

Right Government. Following Sherman (2002) and others, I use a measure of percent right government in the legislature to measure the partisan expectations. Right leaning governments are expected to be closer to capital interests and less protectionist. This variable was taken from the top three parties in a coalition.

Right Executive. Following Sherman (2002), a right leaning executive is expected to be more protectionist than a left leaning executive. This is a dichotomous indictor measuring if the executive was from a right of the center party or not.

Divided Government. Divided government is a dummy variable measuring whether or not the executive controlled the legislature or not. Divided government is expected to lead to less delegation to the executive and more protectionism (Lohmann and O'Halleran 1994). A dichotomous indicator variable is used to describe whether the executive's party has control of the legislature or not. Positive values indicate divided government.

GDP Per Capita (Log and Lag). This measure, taken from the World Development Indicators, will examine the state of the economy, which should provide some predictability to trade protection. The expectation in the literature is that the larger the economy, the more likely they are to have lower trade protection. This variable also measures a country's wealth. This study assumes that if a country is relatively wealthy, demands for protection will be lower than in poorer countries.

GDP/Growth Lag. GDP growth is a proxy measure change in the economic system. Where level of the economy would not matter, changes in the economy may have more of an influence. This is particularly the case for crisis situations. Positive values indicate good performance, negative values indicate poor performance. The expectation in this study is that the more positive this variable, the lower the level of trade protection (Sherman 2002, Stiglitz 2002).

European Union. The European Union countries, all have a common trade policy, due to the "federalist" nature of their governance system. This common policy may be impacted by other constraints than the congressional/legislative dominance versus executive dominance paradigm. At the time of this analysis other trade agreements were not included, because there is still variation within countries that have regional trade relationships.

The case of the European Union needs to be accounted for, because the EU (15) has the same tariff rates for all member states. The tariff rates here are calculated for the world and not with each other. One might expect that those in regional trade agreements like the EU member states and the country members of NAFTA to have lower tariff rates for specific countries. The inclusion of this consideration will be considered for future studies or extensions on this model.

5.1. Model and Analysis

Following Beck and Katz (1995), this analysis will utilize a pooled time series data set with panel corrected standard errors. This correction gives robust standard errors in the presence of serial autocorrelation (AR 1) and heteroskedasticity. The base models for this study shall be the following:

Trade Protection = Presidential$_{(Dummy)}$ + GDP/Capita$_{(Lagged\ and\ Logged)}$ + GDP Growth$_{(Lagged\ and\ Logged)}$ + Right Gov. (%) + Right Exec Ideology$_{(Dummy)}$ + District Magnitude$_{(Logged)}$ + EU$_{(Dummy)}$

Tables 2 and 3 test hypotheses 1 through 4. Also, a robustness check is included in Tables 4 through 7 where the models drop the European Union nations/members and India out of the analysis[6]. The countries involved in the European Union have a common trade policy which is created exogenous to the domestic/political model developed in this study. In Table 6 and 7, India alone is excluded. India has had a highly protectionist tariff policy and this outlier may have thrown off our initial results.

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[6] This is the EU 15 or the countries before the 2004 expansion.

5.2. Results

Table 2: Executive Type and Trade Protection		
	Base Model Average Tariff Rates	Interactive Model Average Tariff Rates
Presidential System	-3.632 (1.334)**	-6.593 (1.444)**
GDP/Capita (Log)	-3.708 (0.816)**	-3.538 (0.787)**
GDP Growth	0.055 (0.038)	0.053 (0.040)
Right Government (%)	-1.679 (0.762)*	-1.766 (0.790)*
Divided Government	-0.049 (0.865)	0.271 (0.897)
Right Government Ideol.	1.628 (0.635)*	1.727 (0.666)**
District Magnitude(Log)	-1.062 (0.272)**	-1.644 (0.360)**
EU Country	-1.345 (0.613)*	-1.342 (0.630)*
Pres. System*DM (Log)		1.563 (0.416)**
Constant	46.154 (7.971)**	45.314 (7.602)**
Observations	434	434
Number of Countries	54	54
Rsquare	0.4685	0.4778
Wald (Chi Square)	89.33	161.99
Panel corrected standard errors in parentheses * significant at 5%; ** significant at 1%		

Table 2 tests a base model of trade protectionism by executive type. Overall the coefficient for presidents is statistically significant and in the expected direction. In the base model, presidential systems have around a 3.6 percent lower average tariff rate than parliamentary systems. The analysis also shows that more wealthy systems (higher GDP/capita) have a lower average tariff rate than poorer countries. GDP growth did not have a statistically significant effect.   This is likely because GDP growth does not significantly fluctuate in democracies except during periods of recession (Stiglitz, 2002).

Partisanship of the executive and of the legislature both had a statistically significant effect and in the expected direction. In both the base and the interactive model, a right executive is more protectionist than a left or center leaning executive. Similar results can be found with a right leaning legislatures. Here, rightist leaning legislatures (right has a majority of the seats) has a negative effect on average tariff rates. For electoral systems, we find that systems with more seats have lower levels of protection. In the base model Table 2, for every one seat added to a district average tariff rates decrease by about 1.06 percent. This finding is consistent with the veto players argument proposed by Tsebelis (1995) and Persson& Tabellini (1999). Essentially the more deputies in a district the more likely the legislature is going to demand large scale public goods and not particularistic/pork goods. Membership in the EU reduces levels of protection (average tariff rates).

The interaction between presidential systems and district magnitude produces unexpected results. District magnitude seems to have a very large effect on trade protection. Because the presidential variable is interacted with district magnitude, the value of the presidential variable is when district magnitude is zero or in this case very low. Here we see that presidential systems with very low levels of district magnitude, tariff rates decrease by 6.6 percent. However as more seats are added, presidents in systems with higher district magnitudes are more protectionist by about 1.56 percent. Prime ministers have the opposite effect. In the interactive model, the district magnitude variable takes on the value for parliamentary systems, so the more seats added to parliamentary systems decreases tariff rates by 1.64 percent. These findings are somewhat unexpected and shall be discussed in detail later.

When examining executives on the executive strength dimension in Table 3, the data suggest that executives with more formal powers are more protectionist (see Shugart and Carey 1992; and Frye, Hellman &Tucker 1996). This finding supports the expectation outlined in hypothesis three. Most of the other findings from Table 2 are continued when we just look at executive strength, however the effect of district magnitude diminishes. In the base model district magnitude is significant in the negative direction indicating that for every one seat added to a district, average tariff rates will decrease about 1.1 percent in the base model. However, when district magnitude is interacted with executive strength, the main effect and the interaction term both wash out indicating that executive strength is not a significant factor in determining the trade policies of those systems with higher district magnitudes.

Table 3: Executive Strength and Trade Protection		
	Base Model Average Tariff Rates	Interactive Average Tariff Rates
Executive Strength	0.221 (0.055)**	0.288 (0.122)*
GDP/Capita (Log)	-2.875 (0.673)**	-2.882 (0.679)**
Gdp Growth (Log)	0.052 (0.037)	0.052 (0.037)
Right Government (%)	-1.889 (0.766)*	-1.892 (0.768)*
Divided Government	-0.029 (0.882)	-0.010 (0.898)
Right Exec. Ideology	1.721 (0.632)**	1.734 (0.636)**
District Magnitude (log)	-1.110 (0.310)**	-0.749 (0.530)
EU Country	-0.753 (0.647)	-0.718 (0.690)
Exec. Stren.*DM (Log)		-0.035 (0.057)
Constant	35.307 (6.331)**	34.592 (5.754)**
Observations	434	434
Number of Countries	54	54
Rsquare	0.4646	0.4652
Wald (Chi Square)	108.83	110.98
Panel corrected standard errors in parentheses * significant at 5%; ** significant at 1%		

5.4. Executive Type

This study has several interesting findings. First of all, across all models and in the subsequent robustness checks, presidential systems have lower levels of protection overall[7]. Parliamentary systems have a more complex relationship that is conditional on the type of electoral system utilized. As district magnitude increases, parliamentary systems are less likely to engage in protectionist behavior. In parliamentary systems district magnitude and executive strength are somewhat collinear, especially for Westminister systems, though not enough to be problematic.[8]

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[7] Further robustness checks are included in Tables 5, 6, and 7. We see that most of the observed relationships hold when we drop out the European Union cases.
[8] Executive strength and district magnitude are correlated negatively at -.25.

As district magnitude increases, the prime minister has to be held more accountable to different coalition partners in parliament. However, we see that even in systems with a very strong executive, the veto players in the legislature are not demanding the protection. Executive strength in this regard is ineffectual.   The opposite occurs in presidential systems. Very strong presidents are insolated from the demands of legislature, thus the increased district magnitude doesn't matter. In the base model of Table 3, the data show that executive strength leads to a more protectionist outcome.

5.5. Partisanship and Divided Government

All of the models suggest that partisanship matters in determining trade policy. This may be circumspect, because ideological leanings of parties outside of the developed world is hard to discern. Following the economic models discussed previously and work by Sherman (2002), we see that rightist parties are more open than leftist governments. Right leaning executives are less free trading than other types of executives. Divided government does not produce an effect that is statistically significant from zero. This even holds when the model includes size of a majority.[9]

Though these rough measures of preferences do matter in determining trade policy, the effect ranges from a reduction of average tariff rates by 1.5 to 2.0 percent for increasing the rightist majority in a legislature. The more substantial effect comes from institutional arrangements. The effect of being a presidential system results in a 4 to 7 percent reduction in tariff rates.

5.6. Developing Countries and Economic Conditions.

Many of the protectionist countries in sample are developing countries. The nations' level of wealth is captured with the Logged GDP/Capita measure.   The results indicate that, across all countries, poorer nations are more protectionist than more wealthy nations. This is because their economies are more open. GDP growth had no effect indicating that economic change does not really have a lot to do with how tariff rates are set. This is somewhat unexpected, because times of economic crisis should lead to more protection. Considering that the GDP Growth variable ranges from -30 percent change to 16 percent change, we should see that the negative shifts in the economy to result in higher levels of protection. This is not the case. In

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[9] This model was not shown.

fact the negative changes in the economy decreased over time through the 1990's. This corresponds to the lowering of tariff rates cross nationally. A better measure may be to look at unemployment rates and inflation rates to get at the demands of a country's population. The broad aggregate measure of GDP/Capita may not capture the specific economic crisis felt by industries that are affected by the negative consequences of trade. The more significant indicators seems to be the overall level/size of the economy matters more than incremental changes in determining trade policy.

5.7. Robustness Checks

Tables 4 and 5 explore the same relationships that were tested in the previous charts, however the countries of the European Union were dropped out of the analysis. These countries have a common tariff regime that is independent of the domestic political structures explored in this study. The findings about presidential and parliamentary systems are robust to this analysis. On average presidential systems have between 4 and 9 percent lower tariff rates depending on how the model is specified.

The interactive model confirms findings from the other analysis suggesting that as more seats are added to a district, the president becomes more protectionist. Partisanship also matters in a similar fashion. The models sugges that that rightist executives are more protectionist than left or center leaning executives. Rightist legislatures are less protectionist in general. Even with removing EU countries from the analysis, this model confirms the previous findings of the original models that presidents are less protectionist than prime ministers. The findings about executive strength in Table 5 are only robust in the base model. When executive strength was interacted with electoral system, the effect became only marginally significant. This indicates that executive strength may not have a relationship to district magnitude, which is partially consistent with our theory that strong executives can bypass the legislature.

Table 4: Executive Type and Trade Protection (Without EU)		
	Base Model Average Tariff Rates	Interactive Model Average Tariff Rates
Presidential System	-3.584 (1.252)**	-8.649 (1.535)**
GDP/Capita (Log)	-3.699 (0.840)**	-3.486 (0.774)**
GDP Growth	0.075 (0.049)	0.069 (0.055)
Right Government (%)	-1.978 (0.898)*	-2.273 (0.998)*
Divided Government	-0.257 (1.075)	0.380 (1.121)
Right Exec. Ideology	2.149 (0.870)*	2.704 (0.996)**
District Mag. (Log)	-1.426 (0.349)**	-2.916 (0.588)**
Pres. System*Dm(Log)		2.907 (0.634)**
Constant	46.895 (8.015)**	46.584 (7.279)**
Observations	280	280
Number of Countries	40	40
Rsquare	0.4438	0.4653
Wald (Chi Square)	72.64	132.37
Panel corrected standard errors in parentheses * significant at 5%; ** significant at 1%		

Table 5: Executive Strength on Trade Protection (Without EU)		
	Base Model Average Tariff Rates	Interactive Model Average Tariff Rates
Executive Strength	0.292 (0.079)**	0.475 (0.291)
GDP/Capita (Log)	-2.916 (0.752)**	-2.882 (0.724)**
GDP Growth	0.063 (0.047)	0.062 (0.047)
Divided Government	-0.374 (1.065)	-0.384 (1.053)
Right Government (%)	-2.368 (0.914)**	-2.383 (0.930)*
Right Exec. Ideology	2.428 (0.905)**	2.484 (0.923)**
District Mag. Log	-1.486 (0.403)**	-0.580 (1.258)
Exec. Strength*DM (Log)		-0.080 (0.113)
Constant	35.673 (6.947)**	33.150 (6.485)**
Observations	280	280
Number of Countries	40	40
Rsquare	0.4403	0.4408
Wald (Chi Square)	109.75	109.54
Panel corrected standard errors in parentheses * significant at 5%; ** significant at 1%		

We ran a second robustness check, where India was dropped out because it was such a large outlier with regard to trade policy. Table 6 and 7 presents those findings. In Table 6, we find that the presidential/parliamentary divide still holds when India is dropped out of the analysis. However, this is only within the interactive model. Presidents are less protectionist when district magnitude is very low and more protectionist when district magnitude increases. Divided government seems to have gained more explanatory, as it is now significant. Countries where an executive does not control the legislature have lower levels of protection (about 1 percent).Partisanship of the legislature lost significance, indicating that the observed relationship in the above tables could be due to leverage caused by India. Wealth of a country, as measured by logged GDP/Capita, lost significance when India was dropped out, indicating that level of wealth within a nation was not as important in setting tariff rates as being a newer or developing democracy.

Table 7 shows similar results as Table 6. Executive strength matters, but only in the base model. When district magnitude was interacted with executive strength, both of the effects washed out. This effect means that stronger executives are able to bypass the legislature. As an executive's formal powers increase, tariff rates go up by about 0.267 percent. Given the fact that this effect held up through all the robustness checks is interesting. There could be some support for Grossman and Helpman's (1994) "buying protection" hypothesis.

Table 6: Executive Type and Trade Protection (Without India)		
	Base Model Average Tariff Rates	Interactive Model Average Tariff Rates
Presidential System	-0.566 (1.387)	-2.741 (1.430)*
GDP/Capita (Log)	-1.853 (0.487)**	-1.783 (0.516)**
GDP Growth	0.027 (0.034)	0.025 (0.034)
Right Government (%)	-0.721 (0.552)	-0.684 (0.534)
Divided Government	-1.345 (0.586)*	-1.125 (0.568)*
Right Exec. Ideology	0.671 (0.399)A	0.613 (0.389)
District Mag. (Log)	-0.573 (0.204)**	-0.941 (0.267)**
EU Country	-1.639 (0.624)**	-1.508 (0.614)*
Pres. System*DM(Log)		1.080 (0.287)**
Constant	28.235 (4.920)**	28.040 (5.132)**
Observations	423	423
Number of Countries	53	53
Rsquare	0.5436	0.5416
Wald (Chi Square)	108.78	140.59
Panel corrected standard errors in parentheses. A significant at 10%; * significant at 5%; ** significant at 1%		

Table 7: Executive Strength and Trade Protection		
	Base Model Average Tariff Rates	Interactive Model Average Tariff Rates
Executive Strength	0.267 (0.061)**	0.097 (0.076)
GDP/Capita (Log)	-1.422 (0.315)**	-1.373 (0.312)**
GDP Growth	0.021 (0.034)	0.020 (0.033)
Right Government (%)	-0.720 (0.524)	-0.742 (0.521)
Divided Government	-1.384 (0.592)*	-1.478 (0.594)*
Right Executive Ideology	0.629 (0.373)	0.634 (0.369)
District Magnitude (Log)	-0.351 (0.225)	-1.254 (0.408)**
European Union Country	-1.479 (0.606)*	-1.627 (0.624)**
Exec. Strength*DM (log)		0.088 (0.046)
Constant	21.137 (3.326)**	22.693 (2.966)**
Observations	423	423
Number of Countries	53	53
Rsquare	0.5616	0.5651
Wald (Chi Square)	195.34	213.03
Panel corrected standard errors in parentheses* significant at 5%; ** significant at 1%		

6.0. Conclusions

Our analysis shows that the variation in trade policy observed in Figure 2 and 3 is due to the institutional arrangements that are within each country. Presidential systems have lower levels of protection than parliamentary systems. Prime ministers, because they are more accountable to the legislature are more protectionist, but this is dependent on the demands created by the electoral system of the country. If the electoral system is more proportional, the demands from the legislature are less likely to be for particularistic pork like trade protection for their district's industries and more likely for public goods like social welfare spending.

Alternatively as the system becomes more majoritarian; demands from the legislature change. Here, we see the more powerful executives are delegated trade authority to deal with the particularistic tendencies of the legislature. Previous findings by other scholars that suggest that presidential systems are less protectionist overall seems to be supported by the data. The only caveat is when a president has to deal with more deputies per district. We see that there is a more protectionist outcome. This is probably due to the strength of the executive as shown in Table 3. A strong president may be willing to engage in protectionist policies to promote his or her own agenda or electoral fortune without the threat of censure from the legislature. Regardless, the relationship between political institutions and trade protection is more complex than the literature previously thought.

This study has explored what political institutions matter in trade policy outcomes. Though we see that some systems have higher levels of protection, this is only on one dimension. This study does not explore the relationships between political institutions and non-tariff barriers like subsidies or how specific industries/sectors are affected. Future research should explore all areas of trade protection and in other time periods. It was important to examine the period before the economic shocks in the late 2000's to get a "clean" reading of the impact of executive type. Average tariff rates are very direct forms of protection and lower cost forms of government intervention into markets may be more prevalent. Average tariff rates also are a very blunt cut at the problem that may not capture all of the variation that political intuitions may have an influence on. Evidence suggests that some executive arrangements may have more protectionist policies than others, however the theory suggests that there is a more complex link with electoral incentives than is expanded upon here. Different sectors may have more say in determining trade policy than can be captured with the average tariff rate. More research needs to be done to discern what sectors have higher levels of protection. Also, partisanship seems to have mixed support in this analysis.   More research needs to be conducted on how this dynamic works cross nationally. Though mixed, the support seems to support Karol (2001) and Sherman's (2002) conception of partisanship.

Though this study suggests that cross nationally executive type matters, more research needs to be done to explore the mechanism of how electoral incentives influence either the executive or legislative development of trade policy.

Ronald Rogowski (1989) suggests that there is a different type of relationship between political institutions and trade policy. Scarce resources within a nation are able to work together to pursue increased rents through government action. As mentioned before, we need to break up the broad tariff measure to get at more of the coalitional mechanism.

The last important conclusion from this research is that though the world is seemingly converging towards a liberal trade regime (across all countries), there is a great deal of variation among countries. Trade policy is a choice. Some countries choose to maintain high levels of protection than others and this variation needs to be explained. So, "Where's the pork?" This study suggests that a possible answer is the dynamic between the executive and legislature. Assuming that politicians are "office seeking", we find pork in the form of trade protection where the electoral system creates incentives to cultivate a personal vote.

7.0. Reference List

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