What Governments Maximize and Why: The View from Trade

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Abstract

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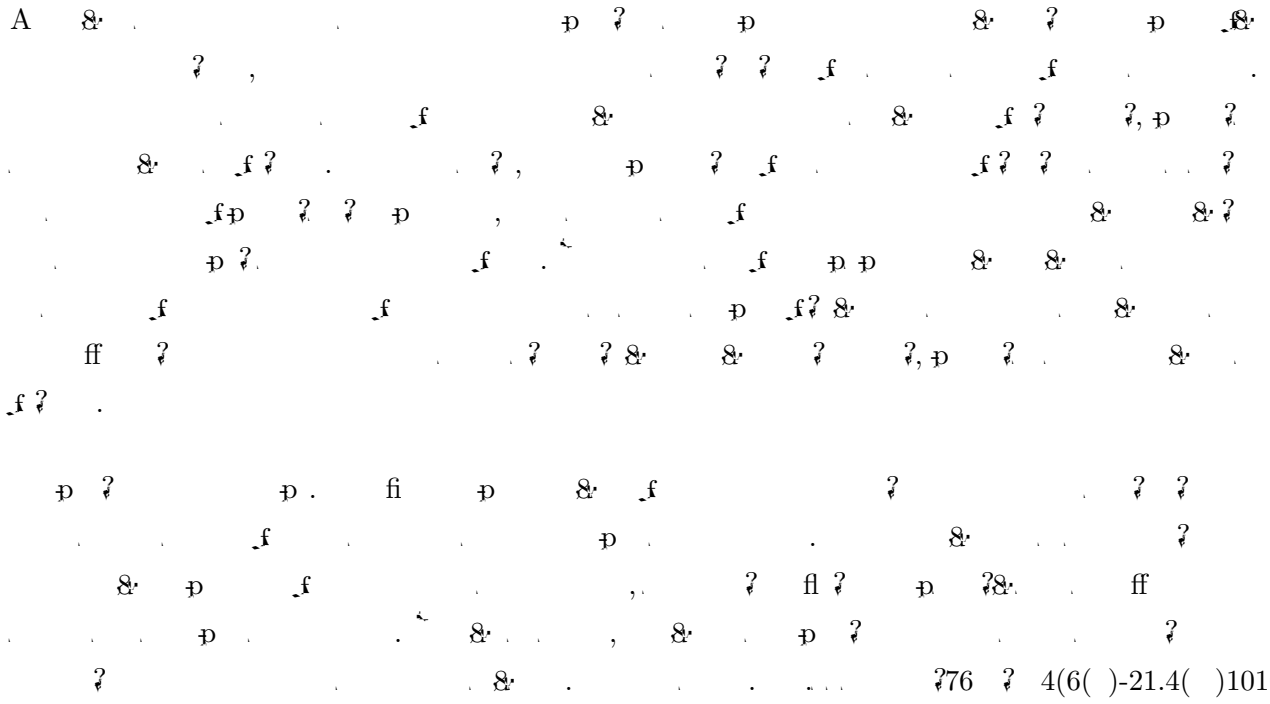
Policy making power enables governments to redistribute income to powerful interests in society. However, some governments exhibit greater concern for aggregate welfare than others. This government behavior may itself be endogenously determined by a number of economic, political and institutional factors. Trade policy, being fundamentally redistributive, provides a valuable context in which the welfare mindedness of governments may be empirically evaluated. This paper investigates quantitatively the welfare mindedness of governments and attempts to understand these political and institutional determinants of the di erences in government behavior across countries.

Keywords: 8· , ( )3(?)-373.Ω4.9282 . -3194 3 357.41 , 357.41

1. Introduction



5(p)-9.8(18.886)11.228( )9.3(51( )-3 3( )-1 51( )

2. What Governments Maximize: Theory

(1994,) (1999).

$$U = c_0 + \sum_{i=1}^{n} u_i(c_i), \tag{1}$$

i, s_i, $s_i(p_i) = u(d$

$$W = l + \sum_{i=1}^{n} \pi_i(p_i) + \sum_{i=1}^{n} t_i^s M_i(p_i) + \sum_{i=1}^{n} s_i(p_i)$$

(8) $t_i = (p_i - p_i^0)/p_i^0$ ff f i, p_i ? p ? f
i p_i^0 p ? . X_i/M_i & & f &p& p
$e_i = -M_i \cdot p_i/M_i$ & ? f p . &, p &? f i
& " p ? $(t_i > 0)$. & &p& X_i ? p & f f p ? . p
f f f p ? , p
ff. p ? ? (8). & ? e_i,
ff.

3. What Governments Maximize: Comparative estimates of a

& (8) & p f - ff p a. (8)

$$\frac{t_i}{1+t_i}.e_i.\frac{M_i}{X_i} = \frac{1}{a} \qquad i = 1, \ldots, n. \tag{9}$$

4.1 Lobbying and Electoral Competition

Ω_i

, ϕ^A 0.5.

, A , ϕ^A i' W_i .[12]

, A $\phi^A = 1$, W_i

Hypothesis 1: A a'.

α . A W (11) (12) , $a \to 0$ $\alpha \to 1$. α . A , A, ' ff , B ( ). , ff , (12) W_i ff t_i^*. A ff t_i, i t_i^*.[13] α, i, ' (fi) (12).

Hypothesis 2: , a, .

f. f , . A W (11) (12) , $a \to 0$ $f \to$

. . ? , . 8· f . ff p
(f . ? ? . ? ?), . p ? . . f t_i^* .
p . . . p ? :

Hypothesis 3: . p ? ff ? 8· . . ? . ? ? f
p f , a, ? .

. , ? p 8? f? p t f

a. A

Lobbies

Checks and Balances

[17] The model may be extended to incorporate the two-party electoral competition model in determining the legislator chosen to represent a district. Then, the diversity across districts in the parameters α, , , and ϕ then underlies each legislator's parameter. This may well determine which legislators are in the winning coalition (that is, which are the cheapest for the agenda setter to buy o), but the fact still remains that competition among legislators will lead to the same policy.

[18] The legislative bargaining game now has two additional steps added to the front of the earlier sequence: xxx

[19] Persson, Roland and Tabellini (1997) give deeper meaning to what it means for the executive to wield checks and balances. Their mechanism is separation of powers. Further, separation of powers works to produce welfare-oriented

Hypothesis 5:

Hypothesis 7:

[illegible] (1997).[27].

p p& . p . & . ? p p . ?
. . ? . ? & f p ? , p ? & . .
A p . & . . . (2000, . 1) f . . . ? . ?
p & ? . & . . p p f p fi p ? ? . , .
. ? p & . p ? & p . . . .
(2000) . . p ? ? p & p ? & ? . ( )
. . fp ? . . , . ( ) p . . . ? ? ?

? &· p pp&· . &· ? ? . . . . ?? p

? . &· p pp&· &· &· . &·

&· . p pp&· .

f . &· ? . ? ? f p . . p ? p

(p . *f* p 3) . &· . . . ? f-

. p . . p pp .[30]

. . &· 1 f f . f . . . . . f .

. . , f p ? , . ? ?

ɒ 8? ⅋ ɟ ? ɒ ɒ 8· . 8· ( ) ɒ 8? ⅋ ɟ.

. . , . 8· ɒ . ɟ ? ɒ 8· . 8· ɟ

. . .

fi . p , &· (▙ p 7), . &· . p ? fi? &· ? f? ?
p f . &· . . &· . . . fi ,
A▛▟▙ f , ? p f ?&· . . &· .
&· . . . . p . f , A▛▟▙ . . &· 1,
. . . . . &· 0. ? . . , ▙ A ▚, . &·
?&· . . p . ? . .
. &· 1 f ?&· ▙ f , . p
. . . . , . ▙ A ▚ . &· 0.
. p &·p , . . . &· ? . &· . p . . . .
▙ , &· . &· ? f . &· ?&· , . &· &· ?
f . f ? , p ? ? . A▛▟▙ . ▙
pp . -0.50. , f ▙ , A▛▟▙ . ▙ A ▚ .
. . &· f .

5.2: Results

. 1 p ? p . ? f . . &· ? f . p ffif ?-
. ? . p . . &· f . *a*' . &· . ? . -
. ? ? . . fi . . f &· -f . . &· &· p p , ?
. ? &· f . ? fl&· ? &· ? f .

A &· f . p &· . p . p p . f p . &· ,
. fp . &· p &· . . p . f ▛▟ A ▚ 13.4% . f ▜ A A
61.7%. . . . ? . . . ? . p . 36% f ? &·
. p . ? . &· ( ). . . p
. p . f . f .003 ? (p &?) 6.867 ? (&· p &?),
. . . f2.1 ? . ? &· . ? ? . &·

Sensitivity Analysis

[40] The standard errors of ln( ) were computed using the delta method. Note that the heteroskedastic regression presumes that the only source of error is the measurement error in ln( ).

(70).[42] *any*

A Rawlsian Extension

. f a' . , . . .

. . . . . (.), ...

. . . . . f . . . a' . , ... p . p fi (15) . . a' . . . f . . . p . p p . - . . . f . 8 . f , . p . . f . . . . . a . . . f (15) . . f . . . p . . . . p . . . . . A2 . ff . f . . ' .

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850.

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A . . *American Political Science Review* 93 (3): 591-608.

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. . , 8· ? . , . 8· p ." *British Journal of Political Science* 25(3):
289-325.

World Development Indicators. . 8· 8· . . , : . . f -

Table 1.1: Estimates of *a*

	Country	ccode	1/*a*	se(1/*a*)	*a*
1	Argentina	ARG	0.19	0.02	5.25
2	Austria	AUS	0.11	0.01	8.79
3	Bangladesh	BGD	6.34	2.27	0.16
4	Bolivia	BOL	1.47	0.20	0.68
5	Brazil	BRA	0.04	0.00	24.91
6	Chile	CHL	0.21	0.02	4.83
7	China	CHN	0.12	0.01	8.33
8	Cameroon	CMR	3.31	2.54	0.30
9	Colombia	COL	0.13	0.01	7.88
10	Costa Rica	CRI	0.50	0.07	1.98
11	Germany	DEU	0.09	0.01	11.55
12	Denmark	DNK	0.12	0.01	8.10
13	Ecuador	ECU	0.81	0.14	1.23
14	Egypt	EGY	0.80	0.18	1.24
15	Spain	ESP	0.07	0.00	15.16
16	Ethiopia	ETH	5.92	2.26	0.17
17	Finland	FIN	0.09	0.01	10.57
18	France	FRA	0.09	0.01	10.96
19	U.K.	GBR	0.08	0.01	11.86
20	21 Guatemala	GTM	0.65	0.08	1.53
22	Hongkong	HKG	**0.00**		**inf.**
23	Hungary	HUN	0.25	0.02	3.96
24	Indonesia	IDN	0.38	0.09	2.62
25	India	IND	0.37	0.05	2.72
26	Ireland	IRL	0.29	0.04	3.50
27	Italy	ITA	0.07	0.01	13.42
28	Japan	JPN	0.03	0.00	37.81
29	Kenya	KEN	1.16	0.33	0.86
30	Korea	KOR	0.06	0.00	16.15
31	Sri Lanka	LKA	1.08	0.18	0.93
32	Latvia	LVA	0.17	0.01	5.75
33	Morocco	MAR	0.87	0.14	1.14
34	Mexico	MEX	0.77	0.07	1.29
35	Malawi	MWI	3.93	1.17	0.25
36	Malaysia	MYS	0.32	0.02	3.13
37	Netherlands	NLD	0.35	0.05	2.85
38	Norway	NOR	0.24	0.05	4.22
39	Nepal	NPL	15.56	5.66	0.06
40	Pakistan	PAK	1.35	0.31	0.74
41	Peru	PER	0.21	0.03	4.85
42	Phillipines	PHL	0.35	0.03	2.84
43	Poland	POL	0.13	0.01	7.48
44	Romania	ROM	0.11	0.01	9.25
45	Singapore	SGP	0.00	0.00	404.29
46	Sweden	SWE	0.08	0.03	12.28
47	Thailand	THA	0.94	0.17	1.06
48	Trinidad and Tobago	TTO	0.90	0.16	1.11
49	Turkey	TUR	0.07	0.00	14.53
50	Taiwan	TWN	0.12	0.01	8.53
51	Uruguay	URY	0.28	0.02	3.62
52	United States	USA	0.04	0.01	26.14
53	Venezuela	VEN	0.18	0.01	5.41
54	South Africa	ZAF	0.19	0.02	5.13

Notes:

1. Hong Kong has zero tariffs. In the runs with 54 obs. (full sample) HKG's *a* is set to 10000.

Table 2:

Source	Variable	Description	Mean	sd	Min	Max
	a	*a*				

Table 5:

a

N	
R2	

Note:

t

N

R2

Note:

t

Table 3.

t-

Note:

country ccode a a^{R1}