Alt and Gilligan: The Political Economy of Trading States

-while trade increases the economy objectively, by increasing efficiency, decreasing prices, increasing choice, etc, there are also massive domestic disruptions that can occur as an economy opens up
-try to explain the way that trade policy coalitions act to distribute the domestic consequences of trade
-institutions effect affect collective action in a way that is different from and interacts with factor mobility
-problem with trade lobbying because while if everyone lobbies for trade all benefit, the marginal benefit of each person lobbying is pretty low; creates a collective action problem
-expected benefits only outweigh expected costs at very high levels, which is why GM is likely to contribute millions to a trade campaign but an average auto consumer is not
-<u>Stolper-Samuelson Model:</u> trade policy can more than proportionally increase the real incomes of owners of the factor that is used intensively in making that product- trade means the price of capital increases relatively more than a price increase an a capital-intensive good- means that capital wins and labor loses
-<u>Ricardo-Viner Model:</u> factors are mobile between sections of the trade, which means trade can force them to be redistributed to the most efficient segment; labor flows into export industries; the return to factors of production specific to the export industry will increase relative to the price of both the export good and the imported good

-Specific factors model (SS) predicts that labor will favor protection and capital liberalization, and abundant factors liberalization, and scarce protection; this leads to certain types of lobbying coalitions that are not necessarily industry specific
-RV model predicts that alliances will form across industries but also within industries; labor and capital aren't necessarily opposed, because in some industries, labor and capital have similar incentives to increase exports
-political institutions change the game because there are differential lobbying effects based on successful and non-successful strategies and because it is different depending on the institution; point is that mobility level isn't necessarily reflected in the institutions, making them independent variables

-SS model is more consistent with a majoritarian model, where individuals count, while RV model is more consistent with an interest groups/lobbying model
-in political systems where factor owners could switch industries but also lobby for protection so they do not have to, they are likely to choose both strategies at various times depending on the differential costs and benefits; **means that RV behavior is more likely**
-Impact: should not expect to see long-term political institutions that are inconsistent with economic structure; if factors are mobile and costs of collective action are low, should not see institutions surviving that frustrate majoritarian politics