Who Determines Trade Policy: Voters, Political Parties, Special Interests, or Benevolent Politicians?

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This paper will take a public choice approach to the determination of trade policy under representative government, and apply this framework to the current state of global trade policy. Demand for trade policy is generated by the presence of special interests in the economy. Political parties and politicians who compete for office through elections are the suppliers of trade policy. Ultimately trade policy is determined in a political equilibrium where voters are assumed to act under an uninformed voter framework. This analysis is then used to explain the rapid trade liberalisation occurring after World War II, and more importantly the recent surge of protectionism and global slowdown of trade liberalisation.
This paper poses the question, ‘who determines trade policy: voters, political parties, special interests, or benevolent politicians?’ We will take a public choice approach to this issue, and look at how and why governments implement trade policy under representative democracy, which is the form of government common to most of the major Western economic powers. Section 1 of this paper will look at some of the reasons why trade policy may be demanded in an economy. Section 2 deals with the supply of trade policy under representative democracy. Section 3 will look at how trade policy is determined in political equilibrium. Section 4 will attempt to apply our public choice approach to the current global state of trade policy, while Section 5 concludes.

Section 1 – Demand for Trade Policy

While in some cases it may interest a political party or bureaucracy to implement public policy for policies sake, trade policy is more likely to exist as a result of the demands of the electorate. This section will thus look at the demand for trade policy in the economy.

Most developed Western economies operate under some form of representative democracy, and under these systems we would expect ‘the people’ to be the major demanders of trade policy, as the governing party in theory is in power to represent them. In reality, this is unlikely to be the source of demand for a number of reasons. Firstly, for any particular individual, voting is an irrelevant act (Downs, 1957). In a representative democracy, an individual’s vote only really matters if it changes the result of an election. This only occurs if the individuals preferred candidate would either be tied, or would trail by one vote, in the absence of that individuals vote. Considering most electorates contain tens of thousands of voters, the probability of this occurring must be infinitesimal, giving the individual voter no chance of affecting the election result. 

Not only does an individual have no incentive to vote, the irrelevancy of voting also implies that they have no incentive to inform themselves of how a particular policy will affect them, as they cannot individually change the result of an election in any case. This suggests that voter behaviour can be explained by some form of uninformed voter model (Grossman & Helpman, 1996; Baron, 1994). Uninformed voters do not vote based on how a particular policy effects them, but instead vote based on the prominence of a political party, their past reputation, and in particular how represented each party is in the media and advertising. While this may appear cynical, it may sadly be an accurate assumption given that only 15 per cent of Americans know who the current Senate majority leader is (The Economist, June 16, 2007). However, a figure such as this does suggest that there exists a minority of voters who may inform themselves. These people may receive utility from carrying out their civic duty, or may simply feel good about finding out how a particular policy affects them.

If voters are rationally ignorant to the policy actions of their government, where else does demand for trade policy come from? The answer may be special interest groups or lobbies. Special interest groups can be defined as groups of voters who derive some form of benefit from, and are thus interested in, a particular trade policy that could be implemented. The benefits to these groups are in some way a public good. The benefits of the policy accrue to the whole group, and in many cases any member of the group cannot be specifically excluded. Lobbies thus face problems of collective action (Olson, 1965). For special interest groups to exist they must be

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1 As an example most federal Australian electorates contained around 90,000 enrolled voters at the 2004 federal election (http://www.aec.gov.au).
2 It is Harry Reid for those uninformed voters amongst us.
3 For a number of other arguments as to why voters may be informed see Downs (1957).
4 These two terms will be used interchangeably throughout this paper.
sufficiently small such that each member finds it in their own interest to contribute to the group in order to receive the benefits resulting from a particular trade policy. Therefore, we would expect that the most successful lobbies to form would be those that receive concentrated benefits from a particular policy (Mueller, 1989).

One advantage a special interest group has over the individual voter is that they can form a voting block, and direct an entire parcel of votes to a particular candidate. This is quite beneficial to the lobby because of the increasing marginal utility of votes. While it is extremely unlikely that an individual vote can change the result of an election, a block of votes certainly can. This likelihood increases as the size of the voting block increases so the bigger the lobby the more likely it will be able to change the result of the election and get its trade policy implemented.\(^5\)

Trade policy may not only be determined directly at the electoral booth, as our discussion of the behaviour of political parties and politicians below will show. In fact, special interests may be able to ‘buy’ trade policy from vote-maximising politicians through contributions. Due to the fact that they receive concentrated benefits from trade policy lobbies have an incentive to contribute to political candidates in order to ‘buy’ trade policy. These contributions can be donated to either effect the election directly (the infra-marginal effect) or to coerce the existing government into implementing certain trade policy (the marginal effect). Here we can see the direct contrast between special interest groups and voters. Not only do individual voters have no incentive to vote, they have no incentive to contribute to potential candidates. Many trade policies impose widely dispersed costs on the general population, so an individual voter is: a) unlikely to find a large contribution rational and; b) likely to suffer from collective action problems in that the absence of a small contribution from a particular individual is unlikely to affect the electoral value of a candidates total contribution pool. In contrast, lobbies are willing to contribute large amounts, potentially up to the value of the entire concentrated benefits they receive (Krueger, 1974). Large contributions significantly affect the value of a candidates total contribution pool, and as Senator Lieberman notes, ‘the bigger [the] contributions you accept, the more expectations some people have that they have a call on their government for something in return’ (Baldwin & Magee, 2000, p. 79).

**Section 2 - Supply of Trade Policy**

In a representative democracy, representative government almost always implements trade policy. Political parties compete to form government at the election booth and it is this competition that leads them to be the ultimate provider of an economy’s trade policy.

One group that has no role in the determination of trade policy is that of benevolent politicians, for the quite simple fact that we assume they do not exist. If we make the assumption that all other agents in society are rational maximisers of the own self interest then we cannot expect that politicians on entering government are cleansed of their self interest and instead act to maximise the welfare of the society they are governing. While it has been suggested that benevolent politicians may exist under some form of Thomas-a-Becket effect, we do not believe this to be

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\(^5\) Obviously a trade-off exists here. The larger is a special interest group the more susceptible they will be to collective action problems such as free-riding. Presumably special interest groups will increase their membership until the costs of organisation outweigh the benefits from increasing the size of the voting block. This also suggests that special interest groups will never be a majority of the population, because the marginal utility of any vote above the 50 per cent threshold is in fact zero under majority rule, so increasing group size above this point will only increase organisational costs of the lobby, without any corresponding benefit.
the case (Hillman, 2003). Most of the goals of politicians are achieved by getting into government (Downs, 1957). These goals may include such aims as ‘salary, perquisites of the office, public reputation, power, patronage, [and] output of the bureau [department]’ (Mueller, 1989, p. 252). For this reason we assume that political parties and politicians maximise their self-interest by winning elections and getting into government.

If political parties act to maximise their own self-interest, and must win elections to do so, we can set up their political problem as follows. Politicians aim to maximise the votes they receive in order to increase their chances of winning an election. As we will see below, the number of votes won is likely to be a function of the contributions received by the politician, so a politician attempts to maximise the size of his total contributions. Presumably both contributions and votes are to some extent a function of the welfare level of voters under a politician’s policy platform, so at the most basic level, a self interested rational politician attempts to maximise some form of voting function that is itself a function of individual voter’s welfare. The solution to the politician’s problem then involves the appropriate form of this voting function.

As previously stated, we are assuming that voters act under an uninformed voter framework. Under this framework, uninformed voters cast their vote based on the political party or candidate that is most prominent and most well represented in the media (Baron, 1994). This implies that politicians can buy uninformed votes by collecting contributions and spending them on media advertising. A self-interested politician will thus propose trade policies that will ensure he receives contributions from special interest groups that accrue the concentrated benefits from these trade policies. This also suggests that politicians have an incentive to unnecessarily intervene in trade markets in order to create rents that can be allocated to special interest groups in exchange for contributions (Krueger, 1974).

If we assume that in the absence of government intervention the economy would operate close to a position of free trade, then it is likely that a large percentage of trade policies will actually be welfare reducing for society as a whole. If this is the case, politicians are in effect sacrificing allocative efficiency in order to improve their electoral chances (Mueller, 1989). Just as the rate of distortions caused by a tax or subsidy increase as that tax or subsidy increases, we assume that trade policies reduce allocative efficiency by larger amounts as we deviate further and further from free trade. It is the distortions caused by trade policy that act as the major constraint on political parties when it comes to choosing their optimal policy platform. This constraint is binding due to the actions of the informed voters in the economy. Informed voters have collected sufficient information to judge to some extent how their welfare will be affected by a policy platform. Their vote is simply determined by whichever policy provides them with the highest

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6 Thomas-a-Becket was a friend of England’s King Henry II, who was appointed to the position of Archbishop of Canterbury in 1162, on the presumption that he would be favourable to the King. Instead, after his appointment, Thomas-a-Becket acted benevolently on behalf of the church against the King, resulting in his death at the hand of four of the King’s knights.

7 Ng (2004) argues that politicians should simply maximise a social welfare function that is the egalitarian unweighted sum of individual voters utilities if the expectation of winning the vote of an individual increases with her utility. We believe this is an inappropriate function due to the rejection of the Thomas-a-Becket effect and the existence of uninformed voters.

8 Even informed voters are unlikely to have complete information. Instead they are likely to collect information until the marginal benefit of doing so, represented by the knowledge they get of how a particular policy affects them, exceeds the marginal costs (time, energy etc) of doing so. Unless a voter gets some form of consumption benefit from digging up further information, they will find it irrational to spend many hours on understanding the more intricate details of a trade policy, if it will only affect their welfare by a small amount.
welfare. Informed voters thus impose a constraint on the policies of political parties, because the more protectionist a party’s trade policy becomes, and the further it deviates from free trade, the more harm it will do to informed non-special interest voters, reducing the likelihood that informed voters will vote for that particular party’s policy.

Political parties thus face a Peltzman (1976) type trade-off. The implementation of certain trade policies is likely to lead to increased levels of contributions from the special interest groups that receive benefits from these policies. These contributions can go to spending on media and advertising that helps a candidate attain prominence and thus win over a large percentage of the uninformed voters. At the same time, as policies become more and more tailored towards special interests, they will become more and more welfare reducing for the general population. Informed voters pick up on this and thus the politician will lose their votes. Understanding this trade-off, political parties attempt to maximise a voting function that includes all voters. Voters who are members of a lobby are given some level of positive weighting over non-special interest voters, as a special interest vote is likely to bring a certain number of uninformed votes along with it. These weights may depend on a number of factors such as the individual characteristics of lobbies and voters, and how susceptible and responsive uninformed voters are to the media (Grossman & Helpman, 1996). The weights would also presumably increase in the level of benefits received by the lobby, as this would likely lead to higher contribution levels, more media advertising, and more uninformed votes. The political party then attempts to maximise this voting function. The optimal point is likely to occur when the number of uninformed voters bought through media advertising generated by the marginal contribution is exactly offset by the loss of informed voters whose welfare is reduced by the marginal change in the special interest trade policy.

Section 3 – Trade Policy in Political Equilibrium

Now that we have developed a framework for how voters, special interests, and political parties act, we can analyse how we expect trade policy to be determined in political equilibrium. The nature of the equilibrium depends on the effect of the particular trade policy so we begin by making the assumption that trade policies are protectionist and provide concentrated benefits to a small group, such as import competing firms in the case of a tariff (Brock & Magee, 2000). We may expect such groups to have an incentive to form in a Heckscher-Ohlin world where trade tends to harm the relatively scarce factor of production in an economy (in the case of most developed Western economies this is unskilled labour) (Mayer, 1984). The policy also leads to a small (per capita), but widely dispersed cost to consumers and taxpayers. These costs are large enough on aggregate for the policy to be welfare reducing for society as a whole.

Firstly we will look at the infra-marginal game, that is - how will trade policy be determined by an election. Under our framework the more contributions a candidate receives, the more uninformed votes he can buy, and the more likely he is to win an election. In this case, one way

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9 Peltzman’s (1976) theory is based around the creation of regulation in markets. He argues that government’s trade-off increasing consumer prices with increasing firm profits when they implement regulation, in order to leave their total electoral support unchanged.

10 Krueger (1974) notes an extreme whereby policies become so tailored to special interests (who receive all rents) that the general population begins to become suspect of the policy setting mechanism. This may occur for example if the press brings the level of special interest politics to prominence, resulting in a backlash of both informed and uninformed voters against the political parties.

11 Uninformed voters are not explicitly represented in the voting function because their vote is independent of their welfare levels.

12 Snyder (1990) provides empirical evidence that this may actually be the case.
the election could proceed would be for the political parties to act as a Stackleberg leader. In this election game, the political party selects a trade policy platform that maximises its weighted voting function. Taking the policy platforms as given, the lobbies then make their contributions to their preferred party. The parties collect these contributions and spend them on promotion in the media and advertising in order to win over the uninformed voters. The election is held and the winning government undertakes its proposed trade policies.

In the marginal determination, special interests attempt to influence the current government. While the election has already been determined, the contribution model may still have some relevance. For example, further contributions may increase the incumbent’s war chest to such an extent that it may dissuade potential candidates from entering a future election race. Lobbies may also influence a current government’s trade policy by carrying out rent seeking behaviour such as golf trips, lunches, and employing relatives of politicians, that is exchanged for beneficial policies (Krueger, 1974). In this case, the politician trades off these benefits with the electoral costs of implementing distortionary policy.

An equilibrium trade policy will be reached when neither voters and lobbies, nor political parties have an incentive to alter their behaviour (Grossman & Helpman, 1994). In the absence of special interests and with full information, all political parties would choose to implement the policy desired by the median voter, as this would provide the best chance of getting elected given the expected actions of all other political parties and voters (Black, 1948). If we introduce special interests, and assume that voter behaviour is explained by an uninformed voter model, we find that trade policy will be dragged away from that preferred by the median voter and towards that preferred by special interests (Baron, 1994). This is because the party receiving more contributions has a greater chance of winning an election. In order to maximise contributions politicians will find it optimal to select a policy that lies somewhere between the preferred policy of the median informed voter, and the preferred special interest policy along the political spectrum (Grossman & Helpman, 1996). Trade policy will be dragged closer and closer to that desired by the special interest group the greater the weights on lobbies are in the political parties voting function. This occurs because the contributions are used to buy uninformed votes, and as contributions increase the more favourable trade policy is to the special interest groups, the voter distribution along the policy spectrum becomes skewed towards the special interest policy. While the informed voters lie unchanged along the policy spectrum, the median voter will now be closer to the policy desired by the special interest, as the uninformed voter distribution is dragged towards the special interest policy.

As a by-product, our framework can also tell us something about the election process. For one, newspaper polls can become a self-fulfilling prophecy. Lobbies are unlikely to contribute to candidates well behind in the polls, even if they would potentially receive large benefits from their policies. This is due to the fact that an underdog is unlikely to win, so the contributions are likely to be wasted (Grossman & Helpman, 1996). In this case the infra-marginal effect of

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13 In this case the lobbies views are implicitly taken into account by the political party with the weights in the voting function working in a similar manner to a leading firms reaction function.
14 Grossman & Helpman (1994) suggest that all contributions are for marginal purposes. It may also be the case that marginal contributions allow lobbies to ensure that the government carries out proposed election promises ex post, and are thus used to reinforce the infra-marginal equilibrium.
15 The median voter theorem still applies under an uninformed voter model if there are no special interests and uninformed voters vote randomly under an unknown distribution.
16 This also furthers the case for the irrelevancy of voting. Not only is an individual unlikely to change the result of an election, if the median voter theorem holds he would find that his welfare differences under different parties would be very small.
special interest groups will be small and the lobbies would be better served attempting to effect trade policy at the margin. In the extreme an underdog may be able to overcome a large deficit in the polls, if his particular trade policy happens to benefit a multitude of different lobbies whose collective contributions allow the underdog to win an extremely high percentage of the uninformed vote.¹⁷

Section 4 – Current State of Trade Policy

Now that we have developed a framework for how trade policy is determined under representative government, we can apply it to the current state of trade policy around the globe today. Tariff rates are often a good proxy of how protectionist trade policy is at a given time, so their trend gives us some idea of the changes in trade policy. While tariffs have fallen steadily in most Western economies since the end of World War II, in recent years trade liberalisation has begun to falter, with renewed uproar at globalisation and the near collapse of the Doha round of trade talks. Can our framework help explain earlier periods of trade liberalisation and the current resurgent support for protectionism?

To begin with, an example of the effects of trade policy is needed to make sure our framework has some practical sense. The kind of trade policy we would expect to occur is one with concentrated benefits and widely dispersed costs. An empirical example of such a policy is the domestic price guarantee that the US government has placed on domestic sugar markets (Krugman & Obstfeld, 2005). This trade policy guarantees US sugar produces a minimum price for their sugar. The price guarantee benefits the average worker in the sugar industry by approximately $20,000 per annum, but costs the average US citizen only $8 per annum. In aggregate, the net cost of the price guarantee to the US is around $662 million per annum. This is exactly the kind of trade policy our framework would predict. Individual voters have absolutely no incentive to vote or become well informed of the effects of the policy for the measly cost of $8 a year. On the other hand, those employed in the sugar industry have every incentive to organise and lobby the government to maintain the price guarantee due to the substantial benefits they receive.

Thus far we have assumed that government trade policy is in most cases protectionist, as this is the type of policy that leads to the formation of special interest groups that contribute to political parties. How then can we explain the period of global trade liberalisation post World War II? Over this period the average tariff rate in the US halved, falling from around 15 per cent to 7 per cent by the early 1980s (Krugman & Obstfeld, 2005). This could occur for a number of reasons under our framework. Firstly, informed voters may have become more liberal as a whole, shifting the distribution of informed votes, and thus the median informed voter closer to free trade on the political spectrum. Secondly, uninformed voters may have become less responsive to media advertising by candidates.¹⁸ If this is the case, contributions are less valuable to politicians, decreasing their ability to trade off informed votes for special interest contributions, and policy will not be dragged as close to that desired by lobbyists. A combination of both these occurrences would also suggest a move towards trade liberalisation.

Similar theories may help explain the recent surge of protectionism and a halting of trade liberalisation. Krugman (1996) has argued that there has been a recent trend, even among some

¹⁷ The underdog result may be unattainable if each lobby would have an incentive to free ride on the contributions of the other lobbies leading to collective action problems (Grossman & Helpman, 1996).
¹⁸ Uninformed candidates who do not respond to media advertising are presumed to vote randomly or on some pre-disposed bias to a particular party.
intellectuals in government, towards a form of ‘pop internationalism’. Pop internationalists view trade as a war or battle between nations for economic supremacy rather than the more classical economic view of trade as a positive sum game for both parties. Under this interpretation, many believe that government should support domestic industries in order to assist them in the war that is foreign trade. Promotion of such policies from within government may cause a shift in the preferences of the median informed voter away from free trade, and this makes the informed-uninformed vote trade-off for politicians less constraining. If this is the case we would expect to see a slowing of trade liberalisation, such as has occurred over the last few years, as policy is again tailored more towards special interests then free trade.

Our framework also suggests that special interest groups have the ability to buy policy from government, but is there any real world evidence of this? Baldwin and Magee (2000) find that special interests were able to affect US Congressional votes on the passage of NAFTA. While the final vote was 229-195 in favour of the agreement, in the absence of any contributions from pro-NAFTA business lobbies, the result of the vote would have been reversed. In the total absence of any contributions, from either both pro or anti-NAFTA lobbies, the agreement would have passed by a superior margin (256-168). This implies that special interests did not determine trade policy explicitly but did so implicitly. That is, business lobbies felt it necessary to contribute to attempt to buy congressional votes because in their absence, labour contributions would have bought sufficient votes to have the agreement rejected.

The current debate raging in the US relating to the potential undervaluation of the Chinese Yuan can also be explained in a public choice context. Popular opinion in the US suggests that the undervalued Yuan is causing unnecessary job loss in the US, as well as being at the root of the US trade deficit (The Economist, May 19, 2007). Washington has become increasingly protectionist, especially as the jobless rate in the US has increased. This is what our framework would predict. Unskilled labour is the type of concentrated group that could benefit from trade restrictions on China. They are likely to form special interest groups (unions) that then contribute to the federal government in order to buy favourable policy. This will increase the number of uninformed voters that can be bought by congress and push trade policy towards that desired by the labour unions.

Similar influences of special interests can be seen in the Democratic Congress’s recent rejection of a bilateral trade deal with South Korea. According to the Democrats, the deal was rejected because it ‘fell short for American cattle farmers and car firms’ (The Economist, May 19, 2007, p. 39). While this is likely to lead to American consumers paying slightly higher prices for their cars and their beef, it is also likely to maintain large concentrated benefits for firms and employees in the US car and cattle industries. Not surprisingly, labour unions have called for the deal to be blocked because of the lack of ‘adequate’ labour standards. Statements such as these could be viewed as attempts by organised labour to ‘signal’ the Democratic Party. In effect they suggest that organised labour would be willing to contribute to the Democrats if they ensure the

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19 This final result suggests that neither group has a dominant strategy and that in a one shot game cycling would occur. Take the final equilibrium of both groups contributing. NAFTA still passed, so in reality labour wasted their contributions. They have an incentive to switch to a non-contribution strategy. This would then give business the incentive to also switch to a non-contribution strategy because NAFTA would pass anyway. Total absence of contributions can not be an equilibrium because then labour would have the incentive to contribute to get NAFTA rejected. This suggests the lobbies play some form of mixed strategy resulting in a Nash equilibrium where both groups contribute. The contributions do not change the final outcome of the vote, and are thus entirely wasted in a manor similar to rent seeking behaviour (Krueger, 1974).
bilateral trade deals are blocked in congress. The Democrats can then add this reaction function into their trade policy optimisation problem. The result is likely to be higher weighting of special interests in the voting function and a more protectionist trade policy.

Public choice and special interest politics also appear to be at the heart of the near collapse of the Doha round of WTO trade negotiations. At the recent Potsdam conference on June 21, 2007, Brazil, Argentina, and South Africa all stated that their domestic companies continually complained to them of, ‘floods and invasions [of Chinese imports], destroying whole industries and inflicting horrific injury’ (The Economist, June 30, 2007, p. 78). These countries refused to negotiate any further on the global trade deals. Domestic companies would have every incentive to make such claims if it ensured they could continue to hide behind their high tariff rates, which provide their concentrated industries with significant economic benefits. These groups would find it in their interest to make contributions to their national government as we would expect these contributions to substantially increase the cost to national governments of disbanding tariffs. Tariff reductions would lead to lower contributions and therefore less uninformed votes. Statements such as these by domestic firms also improve their governments negotiating power on the international scene as suggested by the Schelling conjecture (Milner & Rosendorff, 1997). In effect the government can demand certain accommodations in international trade agreements under the argument that if they are not received, the agreement will not be able to be ratified at home due to the power of domestic lobby groups.

Trade policy in Japan provides further real world evidence of the relevance of our framework. Japanese governments have found it almost impossible to undertake any free-trade agreements, because of the sizeable political power of Japan’s farmers (The Economist, May 12, 2007). With tariffs of nearly 800 per cent on imported rice Japanese rice growers may be the most sizeable gainers from trade policy anywhere in the world. They would have both the incentive, and the rents to contribute vast amounts to the war chests of Japanese politicians. Tariffs at such high levels must have significant effects on consumer prices, so the continued existence of such extraordinary tariffs suggests that the uninformed-informed voter trade-off in Japan is a fairly weak constraint on special interest policy. It is no surprise then that Japan is unwilling to enter any free-trade-agreement at the expense of its farmers. While any agreement would almost certainly be welfare increasing it would not be in the interest of Japanese politicians to carry it out. Proposal of such policies would most likely lead to total collapse of farmer contributions, and a major loss of uninformed votes, without a corresponding increase in the informed vote. The result would be near certain defeat at the ballot box.

Conclusion

Rather than being determined by any one individual group, trade policy is the result of a political equilibrium based on the interaction between voters, special interests, and political parties. Demand for trade policy should come from organised special interests that receive concentrated

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20 Opposing trade deals on the basis of inadequate labour standards may also be a more subtle way for special interests to signal their preference to political parties. If the public believe that lobbyists are simply ‘paying for policy’, politicians and special interests may face a backlash from both informed and uninformed voters. Casting their opposition to trade in the form of concern for foreign labour standards may overcome this problem and avoids such a backlash. Governments may play a similar card as evidenced by the US Congress using increased violence against trade unionists in Colombia as a reason for rejecting a FTA with that country (The Economist, May 19, 2007).

21 South African garment makers enjoy tariff rates of around 40 per cent, while its car makers are protected by a 30 per cent tariff (The Economist, June 30, 2007).
benefits from the implementation of protectionist trade policies. This desire for trade policy by lobbies is then supplied by political parties, who hope to receive campaign contributions in return. These campaign contributions are then used for self-promotion in order to win over the majority of the uninformed voting population. In equilibrium, the trade policy that is implemented will lie somewhere between that desired by the median informed voter, and that desired by the special interest group, along the policy spectrum.

A framework such as this is supported by the current state of global trade policy. Post World War II liberalisation has given rise to increased protectionism and the ineffectiveness and/or near collapse of major global trade talks such as the Doha round of WTO negotiations. Numerous governments around the world are unable or unwilling to enter free-trade-agreements because of the power of particular special interests in their country. Many of these recent trends can be understood under a public choice approach to trade theory suggesting we should look outside the bounds of pure allocative neo-classical economics when dealing with issues of trade policy in representative democracies.

References


