The introduction of a morphological perspective into the study of political thought is long overdue. It is essential to the extent that for quite a few centuries political theory has been pivotally concerned with the nature of political concepts. It is chiefly through the study of ideologies, the receptacles of the actual usage of political concepts, that a parallel kind of political theory can be promoted: an analysis of the 'behavioural' and structural properties of political concepts, without which our understanding of existing political thought as well as our full ability to formulate new theories will be deficient.

I. INTRODUCTION

The fundamental problem that international trade poses for states is this. Trade typically offers cheaper goods, with more choice for consumers and the greatest economic output for society as a whole. But at the same time, it is also very disruptive to individuals' lives, tying their incomes to the vagaries of international markets. In so doing, trade affects the distribution of wealth within the domestic economy, raising questions of who gets relatively more or less, and what they can do about it politically. Trade also has important effects, naturally, on aggregate domestic economic welfare and on the distributions of wealth and power among national societies. Anyone theorizing about "trading states" (states of trading societies) should consider the state's problem of how to weigh the aggregate, external effects against the internal, distributional effects—and indeed against the costs or disturbances that those internal redistributions may bring.

All too often, however, theories of states and trade neglect the domestic political dimension. The purpose of this article is to present a manual (or perhaps

2 The passage of Gilpin's just cited is an example.
a map) explicating what is required to understand the domestic consequences of a society’s “choosing to trade.” It discusses considerations fundamental to answering a range of questions, from “Can a state enhance aggregate welfare by intervening in a trading economy?” to “What consequences would/should an increase in trade have for the design of state institutions?”

In domestic politics the conflict over these distributional consequences will reflect the trade policy coalitions that form around shared interests in liberalization as opposed to protection. Whether trade policies are taken to be chosen democratically or imposed from above, whether those coalitions are engaged in vote mobilization or protest, the balance between the opposed coalitions favoring free trade and those favoring protection creates the “demand” by society for liberalization or protection. At one level, our central concern is with explaining how and why these coalitions take the form they do. In these terms, the essential problem for the state of a trading economy (or indeed for any government which seeks to stay in office) may become weighing the good of the many, which is often served by relatively free trade, against the good of the powerful few which may be served by restricting trade. At other times and places, however, the battle may be between two groups of the few or between two groups of the many.

We speak of explaining trade policy coalitions but our actual purpose is more general. We aim to show how anyone theorizing about the state confronts issues arising from both institutions and economic structure in figuring out distributional effects. The paper is really an investigation of the interdependence of economy and polity, viewed through the window of collective action, through a lens of trade policy. We move from a specific study of coalitions in trade policy, as an example of collective action, to draw from trade theory a lesson about how the theory of state intervention depends not just on political institutions but also on economic structure. We do this in three steps.

Our first step is to tackle a fundamental question raised by the formation of coalitions, “Given the stakes in an issue, who will organize to act politically?” We start from Olson’s familiar point that if political action is a public— or specifically if the benefits of action are non-excludable—it will be in the interest of each member of a group to “free ride,” contributing less to political effort than they would if only they would benefit from it. We discuss the resulting relationship between the size of a group (and other characteristics) and its political clout in order to introduce questions of how the composition and strength of domestic trade policy coalitions is affected by the severity of collective action problems in forming those coalitions.

Our second step is to review the variables that explain the stakes involved in trade issues, independently of the stringency of collective action problems. Two variables are economic: the abundance of a country’s factors of production (such as land, labor, and capital) relative to those of other countries in the world, and the ease with which those factors can move between alternate uses in different sectors or industries within the domestic economy. Factor abundance and mobility predict which groups will be hurt or helped by increasing international trade and therefore which groups, other things equal, will be for or against liberalization or protection. In his book, Commerce and Coalitions, Ronald Rogowski used abundance and mobility, and results from the “Stolper-Samuelson” theorem, to explain political coalitions between capital, labor and land owners in several countries in several different time periods. Partly in response to Rogowski, Frieden used alternative assumptions about mobility (the “Ricardoviner” or “specific factors” model) and collective action to predict coalition formation over international finance policy. Because of their importance in current comparative political economy, we will discuss these theorems and models in greater detail. We conclude by showing the importance of distinguishing the intensity of demand (how much you want something) from collective actions problems (the relative cost of organizing politically to get something, however much you want it) and we speculate about the effects of factor mobility on the difficulty of collective action and what impact this has on the politics of trade policy.

Finally, our third step is to show how the nature of domestic political institutions also affects the composition and strength of trade policy coalitions. We believe the fundamental issue is the extent to which existing institutions require relatively large numbers of supporters in order to get authoritative allocations, contrasting extreme cases like referenda with those of delegated, non-majoritarian powers. The point is that in the first sort of institutions the desires of someone like the “median voter” are going to be important, and those wishing to affect policy should attempt to do so by mobilizing large groups of people, with a consequent broad dispersion of benefits. Other things being equal, therefore, we should expect to see successful trade policy coalitions composed of large groups of people across many sectors of the economy. In the second case, the lobbying strength of interest groups will be the determining factor in trade policy outcomes. Then we should expect coalitions to be smaller groups cutting across fewer sectors of the economy.

We offer a range of observations. One is methodological: scholars who ignore institutions and collective action costs will confuse interests with outcomes, while those who neglect the economic variables will not understand the underlying stakes of the actors involved. Another is a point about political-economic theory: institutions affect collective action in a way that differs from, and interacts with,

3 Olson 1965.

4 Rogowski 1989.

5 Frieden 1992a. Of course, many others besides Frieden have used this model, which is central to the whole endogenous tariff literature. See for instance Mayer (1984) and Magee, Brock and Young (1989).
factor mobility. Thus, neither the Ricardo-Viner nor the Stolper-Samuelson theorem is sufficient to predict coalition behavior without further assumptions; but then, neither is knowledge of the institutions nor of collective action problems sufficient for explaining the effects of the international economy. Moreover, we treat the economic variables as exogenous—in fact, factor specificity itself can be made endogenous—and we make a few remarks about how institutional differences might affect the disposition to invest resources in making factors more specific. Finally, as we speculate in the conclusion, one could also treat different pressures for institutional change as arising from different combinations of factor mobility and difficulty of collective action, pointing the way toward a theory of the evolution of the trading state.

II. COLLECTIVE ACTION FROM PARETO TO THE PRESENT

Let us first consider the problem as one purely of collective action. Seventy years ago the Italian economist Vilfredo Pareto argued:

In order to understand how those who champion protection make themselves heard so easily it is necessary to add the consideration which applies to social movements generally... If a certain measure A is the cause of a loss of one franc to each of a thousand persons, and of a one thousand franc gain to one individual, the latter will expend a great deal of energy, whereas the former will resist weakly; and it is likely that, in the end, the person who is attempting to secure the thousand francs via A will be successful.

A protectionist measure provides large benefits to a small number of people, and causes a very great number of consumers a slight loss. This circumstance makes it easier to put a protection measure in practice.6

Similarly, in his classic study of the Smoot-Hawley Act of 1930 Schattschneider explained the costly increase in protection by arguing, "Benefits are concentrated while costs are distributed."7 It is vital to note that Pareto's and Schattschneider's statements are empirical observations, not general theoretical points. In what follows we will discuss the conditions under which we would expect to observe what they describe. It remains true, however, that several other authors have identified the problems of collective action in setting trade policy several decades before Olson's famous monograph. Collective action problems continue to be a major component of explanations in trade policy today, particularly in the endogenous tariff literature in economics.8

There are really two interactive problems of organizing or taking collective political action: one is "excludability" and the other is the cost of organizing a group. The problem of excludability stems from the fact that collective political action is a public good: all members of a group benefit from acting in favor of their preferred trade policy whether they contribute to that effort or not, so each has an incentive to free ride. As Stigler put it, though, "Rides, like lunches, are never free."9 Not contributing to the provision of a public good is not always an optimal strategy. With a public good—as with any good—a person will contribute up to the point where marginal benefits equal marginal costs. The problem with public goods is not that each individual is looking for the first opportunity to drop out altogether, but is really the same as the problem with externalities: when one person contributes to the political effort she does not internalize the entire benefit of doing so, and in fact every other member of the group can also consume any benefit thereby produced. Therefore, the marginal benefits of a contribution to the group as a whole are larger than the marginal benefits to the contributor personally—calling for a much larger contribution on each contributor's part. However, individual contributors do not take into account the benefits to others of their contributions. Instead they contribute up to the point where their (not the group's) marginal benefit equals the marginal cost to them. In the end this leads to a sub-optimal provision of the public good from the group's perspective, because the individual does not consider the extra benefits that would accrue to other members of the group from the purchase of little more lobbying.

Furthermore, if there are declining marginal benefits from collective action (as with most goods), each person will contribute less than if they could only enjoy the benefits of action that they paid for personally. Since each member can consume the lobbying supplied by all the other members of the group, they receive less benefit from the lobbying that they actually pay for and consequently buy less than they would if they could not consume the lobbying of others. This is essentially where the free rider problem comes from. However, unlike some portrayals of the problem, people are still contributing up to the point where their personal marginal benefit equals their personal marginal cost. It is just that this is at a lower level than if the good were a private good.10

This second point, that individuals will consume less of a public good than they would if it were a private good, has led to another misunderstanding (often credited to Olson): namely, that larger groups supply fewer public goods than smaller groups. As several scholars have now shown, however, there is no unambiguous relationship between the size of a group and the amount of the good provided by that group.11 The intuition underlying the proof is that members of larger groups will certainly supply a smaller amount of the public good.

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6 Pareto 1927, p. 379.
8 See, e.g., Magee, Brock and Young 1989; Mayer 1984; Pincus 1977.
9 Stigler 1974.
10 For further details see: Chamberlin 1974; Pincus 1977; Magee, Brock and Young 1989.
per person; but there are more of them, so their combined contributions, although smaller, may create a larger total.\(^{12}\) Instead, what Olson was referring to in perhaps the most quoted line of his book ("there is a systematic tendency for exploitation of the great by the small")\(^{13}\) were the *stakes* in the issue. If one member of a group has a much larger stake in an issue than the other members of the group, it will fall to that member to pay for a disproportionate share of the lobbying. Clearly, though, this does not necessarily have anything to do with group size.\(^{14}\)

Even though the problem of free-riding is less in smaller groups, then, they should not always be expected to win. We are still left with Pareto and Schattschneider's empirical puzzle: how policies which benefit a small minority of the population are enacted. Two answers to the puzzle are possible. First, there may be *per person* transaction costs in organizing groups. Second, if policy outcomes are probabilistic, members of large groups with small per person stakes and contributions may suppose that their own contributions will be insignificant to the political outcome and therefore not make them. On the other hand, members of smaller groups, with their larger stakes and contributions per person, may see that their contribution has a non-negligible impact on the likelihood that a policy will be enacted, and therefore they will make their contributions. We will explain each of these in turn.

First, if transaction costs are fixed *per person*, larger groups will find it costlier to organize than smaller groups. These per person transaction costs may be paid by the organization (for instance the costs of soliciting contributions door to door or through the mail) or they may be borne by the members of the group through the costs of learning which groups are active on an issue and how a few member can help.\(^{15}\) Certainly it is plausible that per person transaction costs are fixed (or close to it), and more empirical work on the methods used by public-interest lobbying groups to attract members (selling calendars, magazines, t-shirts, and so on) will bring a better understanding of the actual cost curves faced by competing mass organizations.\(^{16}\)

A second reason why smaller groups may have an advantage over larger groups is that outcomes of political action are uncertain. Members of each group will only be concerned with the probability that their contribution will decide the political outcome.\(^{17}\) For reasons we have already discussed, in smaller groups individuals' contributions will be larger, and as a result their probabilities of deciding the outcome will be larger. In very large groups like consumer groups, on the other hand, individual contributions will be quite small, and as a result individual probabilities of deciding outcomes will be small as well—so small, perhaps, as to make the expected benefits of a contribution negligible.

In other words, expected benefits will outweigh expected costs only at fairly high contributions, because only high contributions have a non-negligible chance of deciding the outcome. Furthermore, these contributions will only be made by individuals with fairly high individual stakes, which is to say, people in the smaller group. So because the members of the smaller group make larger contributions per person, they also have a larger effect on the probability of changing the outcome and therefore benefits can outweigh costs. On the other hand members of large groups have very small stakes per person in the issue; their contributions are small, and therefore so too are their chances of changing the outcome also small. Consequently the expected benefits are too small to outweigh even the small cost of a contribution. To bring it down to earth, a one million dollar lobbying contribution from GM will likely have a large effect on trade policy. A ten dollar contribution from an individual auto consumer will have virtually no effect. Thus even though the cost of the auto consumer's contribution is negligible, the expected benefits are even more negligible.\(^{18}\)

### III. A BRIEF PRIMER OF THE STOLPER-SAMUELSON AND RICARDO-VINER MODELS

The expected costs facing organizers of potential collective political actions are a feature of the domestic political and economic environment, affected by but also largely independent of the variables we discuss (namely, political institutions, and factor abundance and mobility). But these economic variables cannot be ignored if one is to understand the demand for political outcomes, independently of the costs of collective action. These variables, in short, determine the "stakes,"

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\(^{12}\) For example, suppose there are two groups, i and j, competing over a prize of value W. Let us suppose that there is only one member of a group i so that lobbying for that person is essentially a private good. That person will supply the optimal amount of lobbying for himself which we can call L. Now suppose there is an opposing group j with the same stake in the issue as a group i as the one-member "group" i, but that group j has 1000 members over whom the stake is equally divided.

\(^{13}\) Olson 1965, p. 29.

\(^{14}\) Using the previous example, if one of the 1000 members of group j were to receive a disproportionately large share of W, say 20%, that person would end up paying more than 20% of group j's lobbying costs, due to the free rider problem mentioned above.

\(^{15}\) As an example, if there are two groups with the same stakes, W, one group with four members and one member with a stake of W/4 and one with 1000 members each with a stake of W/1000, it is generally impossible to tell which group will have the higher total contributions, as discussed above. However, if there are transaction costs t per person then clearly the costs facing the second group are much larger (100 times larger) than the costs facing the first group.

\(^{16}\) Lowry 1993.

\(^{17}\) This is something like Downs' (1957) voting model. See also Palfrey and Rosenthal (1984).

\(^{18}\) For a fuller description of this problem see Gilligan 1993, pp. 44–64.
which we held constant in the last section. We need to understand their role in determining individual-level preferences, reflected in the incentives to form coalitions and demand political redress, in who goes with whom and at what cost.

To illustrate this for the case of international trade, we organize our discussion around two models, the Stolper-Samuelson or “mobile factors” approach (central in Rogowski’s work) and the Ricardo-Viner or “specific factors” model (central to Frieden and others). Our brief summary does not provide a complete description of either model; fuller descriptions are available elsewhere. If the technicality of those other sources renders them inaccessible, however, we hope our intuitive summary provides a sense of the mechanisms through which the Stolper-Samuelson and Ricardo-Viner theorems operate to establish the stakes facing individuals when trade policy is at issue.

A. THE STOLPER-SAMUELSON MODEL

In 1944 Wolfgang Stolper and Paul Samuelson seemingly settled a long debate within economics about the effects of a change in the price of a product on the real incomes of the owners of factors (such as labor and capital) that produce that product and other products in the economy. The Stolper-Samuelson theorem, as it was later called, argued that a change in the price of a product—for the sake of argument, let us say an increase—would more than proportionally increase the return to the factor that is used intensively in the production of that good. Therefore the real incomes of owners of that intensively-used factor will unambiguously rise, giving them, in our terms, a stake in bringing about that change in prices. So, for example, an increase in the price of the labor-intensive good leads to an increase in the real wage rate of labor throughout the economy and an increase in the real incomes of laborers. Furthermore, if there are only two factors of production, the theorem shows that the real incomes of the owners of the factor that is used less intensively will fall.

It takes a few steps to establish this overall result. First, protection of an industry will raise the price of the good produced by that industry. That is where the change in relative prices comes from. Protection increases the returns to the owners of the factors that are used most intensively in the protected (import-competing) industry and less intensively in the unprotected (export) industry; and it reduces the returns to those factors that are used less intensively in the protected industry and more intensively in the unprotected industry. The big consequence from our point of view is that, because factors are assumed to be mobile between sectors, owners of the same factor have the same change to its returns, regardless of whether it is actually employed in the protected industry or in the unprotected industry. Therefore the conflict is between the factors of production, regardless of the industry in which they work.

Second, let us reground the prediction of which groups within a country will be relatively more disposed to favor protection or free trade. Instead of basing that prediction, as before, on intensity of use let us instead base it on a point prior to that: the country’s actual endowments. To do this, combine the Stolper-Samuelson theorem’s predictions about factor price changes and income changes with the Hecksher-Ohlin theorem. This theorem states that a country will export the good which intensively uses whichever factor of production is relatively abundant in that country. Therefore, according to the Hecksher-Ohlin theorem, if there are two factors of production (say, capital and labor) a country which is relatively abundant in capital will export capital-intensive products and import labor-intensive products, while a country that is relatively abundant in labor will export labor-intensive products and import capital-intensive products. Combining this prediction with the Stolper-Samuelson theorem yields the usual conclusion that, other things being equal, in a relatively capital-abundant country labor will favor protection because it cannot be intensively used in exports, while capital will favor relatively free trade. Conversely, in a relatively labor-abundant country capital will favor protection and labor will favor relatively free trade. These were Rogowski’s main arguments.

Finally, to predict individual preferences over policy outcomes we need to add one further consideration. The “magnification effect” allows us to translate “returns to factors” into real incomes and thus establish the Stolper-Samuelson theorem’s central point, which is that trade policy can more than proportionally increase the real incomes of owners of the factor that is used intensively in making that product. The mechanism through which the Stolper-Samuelson theorem works is known as the “Rybczynski theorem.” Suppose that in a capital-rich country (which imports labor-intensive products) some shock increases imports, thus producing lower relative prices for the imported (that is to say, labor-intensive) good and higher relative prices for the exported (that is to say, capital-intensive) good. This reduction in the relative price of the imported good leads to reduced production in the labor-intensive industry, while the increase in the relative price of the exported good leads to an increase in production in the export industry. To accommodate these changes in production in each of the two industries, labor and capital are freed up in the labor-intensive industry, and the need for labor and capital is increased in the capital-intensive industry. Since it is after all a capital-intensive industry, in order to increase production that industry needs relatively less labor and relatively more capital than would a labor-intensive industry. Meanwhile, as it reduces production the labor-intensive industry sheds relatively more labor and relatively less capital (it is after all a labor-intensive industry). Therefore, there is excess labor on the market, and the relative price of labor falls to bring the market back into equilibrium. Meanwhile,
there is excess demand for capital, so the price for capital is bid up to bring the market back into equilibrium.

Precisely because relatively more labor is freed up from the labor-intensive industry and it is needed less by the capital-intensive industry, the wage falls proportionately more than the relative price of the import-competing good. Similarly, precisely because relatively less capital is freed up from the labor-intensive industry while it is needed more by the capital-intensive industry, the price of capital increases by relatively more than the increase in relative price for the capital-intensive good. This magnification effect of changes in relative prices of goods on the rewards to the factors that produce them is the heart of the Stolper-Samuelson theorem. The logic may be somewhat involved, but the bottom line is not: in this example of a capital-abundant country, labor loses and capital wins from freer trade.20

B. THE RICARDO-VINER (SPECIFIC FACTORS) MODEL

The assumption that factors are mobile between sectors of the economy is crucial to the derivation of the Stolper-Samuelson theorem. It is only because capital can flow from the import-competing (labor-intensive industry) to the capital-intensive industry that it is able to enjoy the effect of the increased production of the capital-intensive good. But what if the capital used in the labor-intensive industry is different from the capital used in the capital-intensive industry? To bring the example back down to earth, what if knitting machines cannot be used to make microchips? Indeed, in many real-world situations it seems intuitively clear that this will be the case: capital (or certain kinds of labor, for that matter) will not be able to flow easily from a declining sector to a rising sector. A different set of assumptions is needed for this contingency. According to the assumptions of the Ricardo-Viner model (or “specific factors” model as it is often called), factors of production are “specific” to a particular industry, and when that industry declines they cannot move to the rising industry.

“Cannot move” is a matter of degree. Specificity corresponds to the loss of value in moving an asset from its current to its next-best use. Specificity relates to the ways in which investments are tied to particular production relationships: it may involve location, human capital (expertise) and many other forms in which assets may be dedicated to a particular use. What specific assets have in common is that, apart from their present use, they just do not have any very good alternate uses. Various social characteristics can increase the general level of specific assets and economy. Economic development, to the extent that it involves increasingly taking advantage of differentiation and specialization, probably increases the frequency of specific factors. Any general increase in transaction costs, even if narrowly construed to involve only monitoring and policing, probably increases specificity throughout an economy. Such disparate factors as geographical separation and ethnic rivalries can reduce the ability of labor to move freely. In fact, all sorts of entry barriers increase specificity: insofar as entry to one sector involves exit from another, specificity just reflects costs of exit. In this sense, specificity is probably very high in centrally planned economies, where factor owners would not think of moving without asking the permission of bureaucrats.

In this situation, what are the effects of the relative price changes following an increase in imports? Let us assume for exposition that there are two industries, the export industry and the import industry, and that each industry has a factor that is specific to it. Let us further assume that there is also a mobile factor, which we will call labor, that is needed by both industries and that can move easily between them. To continue now with the example from the previous section, as the price of the import-competing good decreases as a result of the increased competition from imports, production will also decrease in that industry; and the mobile factor, labor, will flow out of that sector, just as before. However, the factor that is specific to that industry must obviously remain in that industry. The specific factors remaining in that industry still need labor to produce their product. But as labor flows out of the import-competing industry, they find it increasingly hard to get and become less productive in consequence. Because of this productivity decline, the income of the specific factor in the import-competing industry will fall with respect to the price of both the export good and the imported good.21 Meanwhile, labor will flow into the export industry, since the relative price of the export good will increase as a result of the falling price of the import-competing good. Factors of production that are specific to the export industry will become more productive (because of the extra labor that they can now use) and as a result the return to that factor will increase relative to the price of both the export good and the imported good.

In the Ricardo-Viner model, the effect on the real income of the mobile factor is ambiguous. It depends not only on intensities of use (which work much as described in the previous part) but also on consumption patterns. Since the labor...

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20 To predict the intensity of preferences in demanding protection, note that the income effect on any individual depends on how large a share of income that person derives from labor: the larger that share is, the more the individual will have an economic interest in (and, other things being equal, will prefer) protection.

21 The return to the specific factor in each industry is the marginal product of that factor times the price of the respective goods that those factors produce. Let us call the price of the imported good p, and normalize the price of the exported good which is constant in this example to one. We will call the marginal product of the specific factor in the imported good industry $MPP_{x}$, and call the marginal product of the specific factor in the import industry $MPP_{s}$. The return to the specific factor in the import industry relative to the price of the imported good is $pMPP_{s}$, which as we have said falls under greater import competition due to the loss of labor to the exported good industry. The return to the specific factor in the import industry relative to the price of the exported good is $pMPP_{x}$. This falls by even more since both $p$ and $MPP_{s}$ fall from greater import competition. Thus the real income of the specific factor unambiguously falls from greater import competition, since its return falls relative to both prices in the economy.
Intensive industry is in our running example the one in decline, wages have to fall (ignoring here, the substitutability of labor for capital). The second part of the effect, the consumption effect, is however more complicated. First, the relative wage paid to the mobile factor will fall, but by less than the reduction in the price of the imported good: thus owners of the mobile factor enjoy an increase in their wage, relative to the price of the imported good. Second, however, the price of the exported good remains the same, so the wage rate falls relative to it. The net effect on each owner of the mobile factor of the price changes and the change in the return to the mobile factor therefore depends on (a) the size of the nominal reduction in the wage rate and (b) the share of each of the two products in each person's budget. If workers consume a great deal of the import good, their real incomes are more likely to rise because their wages have risen relative to the price of the import good. If they consume a great deal of the export good, their incomes are likely to fall because their real incomes have fallen relative to the export good.

Figure 1 summarizes the cross-cutting forces at work in this example, holding constant the effects of substitutability. The northwest quadrant contains the case in which mobile factor owners have high consumption of the import good and the export industry is relatively labor-intensive: then mobile factors' owners gain from the price reduction, because the price of the import good falls and the wage would not fall by as much (the export industry would easily absorb the excess labor from the import-competing industry). Reverse either of these conditions—labor becoming harder to absorb (as in the northeast cell) or labor disproportionately consuming the more expensive good (as in the southwest cell)—and the effects become ambiguous. Reverse both, and labor becomes unambiguously worse off.

What changes in moving from the Stolper-Samuelson to the Ricardo-Viner model? First, we lose the simple derivation, working through relative intensity of use, of economic interest from factor abundance. In the specific factors model, there is a zero-sum conflict of interest between exporting and import-competing sectors: their interests are diametrically opposed; whatever one side gains the other loses, rather than gains and losses being distributed according to factor ownership within both sectors. However, the interests of one of these groups of factor owners will in general be aligned with the interests of the owners of the mobile factor(s). It seems probable that the stakes of the mobile factor owners will be smaller than those of the the specific factor owners. Supposing however that the mobile factor could be more or less scarce and supposing that scarcer factors mean fewer owners of that factor, the per capita stakes will be the larger. This opens up intriguing possibilities for coalition formation even in a specific factors model.

IV. TRADE POLICY COALITIONS: FACTOR SPECIFICITY, COLLECTIVE ACTION AND DOMESTIC INSTITUTIONS

From these economic models, we can thus infer individuals' preferences from the stakes facing them in potential situations of collective action. Let us now, reflecting on the collective action literature, consider how people might respond.

22 To repeat, if the import-competing industry is relatively labor-intensive, then it will shed more labor than the export industry needs as it declines due to the price reduction. The price of labor will fall by more in order for the export industry to absorb the excess labor created by the reduced production of the import good. If the export industry is more labor-intensive, on the other hand, it will be able to absorb the relatively little labor released by the declining import industry with a smaller reduction in the wage rate. We should point out that in theory the substitutability of labor for the specific factor in each industry has a related effect. If labor is easily substitutable for the specific factor in the export industry, then the export industry will more easily be able to absorb the excess labor created by the decline of the import-competing industry, and the wage rate will fall by as much as if labor was not substitutable so that little could be used by the export industry. We will not pursue issues of substitutability further, to keep the analysis tractable.

23 An assumption often adopted in using the Ricardo-Viner model is that the industry that experiences the price change is "unbiased" with respect to the mobile factor. This simply means that the nominal change in the wage rate is the same as the weighted average of the other price changes in the economy, so that the real effect on the mobile factor owners' real incomes is zero. However, there is no reason to believe that this assumption of unbiasedness will be met in practice.

24 Note that throughout we are treating the number of owners of each factor as given, not affected by whatever shocks affect relative prices.
In so doing we shall initially set aside, and then reintroduce, the effects of institutional context.

A. FROM PREFERENCES TO TRADE POLICY COALITIONS

The implication for politics of the "mobile factors" approach is just this: the scarce factor (labor, in the above example) will favor restricting trade, and the abundant factor (capital, in the above example) will have incentives to favor liberalizing trade, no matter where in the economy those factors are employed. Let us further assume, for the moment, that there are no barriers to collective action (or that any that exist are easily surmounted) and that one or another coalition can actually get what it wants. (These are not always good assumptions about politics, as we will argue below, but for now let us make them in order to highlight the effects of economic variables on trade policy coalitions.) It then follows from the "mobile factors" model that owners of the abundant factor will favor liberalization while the scarce factor will favor protection, forming the coalitions shown in the first column of Figure 2.

The predictions about trade policy coalitions flowing from the Ricardo-Viner model are somewhat more complicated. We proceed in two steps, continuing throughout to focus on the case where labor is the mobile factor. First, were we to assume away the interests of the mobile factor (by assuming it "unbiased," so that the effect of a price change on it is zero), the coalitions predicted by the Ricardo-Viner model would be simply the specific factors used in the export industry versus the specific factors used in the import industry. As argued above, the former unambiguously gains from the relative price reduction of the imported good, while the latter unambiguously loses. As the mobile factor flows out of the import-competing industry and into the export industry, the specific factor in the import-competing industry becomes less productive and its real return falls. Meanwhile the real return to the specific factor in the export industry rises, as that factor becomes more productive due to the larger pool of the mobile factor available to it. As Figure 2 shows, pro-liberalization (protectionist) groups will always include the specific factor in the export (import-competing) industry, but where will the mobile factor, labor, be allied?

The interests of the mobile factor are given by superimposing Figure 1 onto each half of Figure 2, so that once again the upper half of the column contains the coalitions with incentives to favor liberalization. There are two possibilities, one of which is more straightforward (indeed, half the cases are like this) where labor has a natural ally. Consider the upper-left subcell in the northeast quadrant: here, where the export industry is labor-intensive and labor consumes relatively much of (spends a disproportionate share of its consumption budget on) the imported good, labor has an interest in liberalization; so too, naturally, does the owner of the specific factor in the export industry. Set against this pro-liberalization coalition is the specific factor in the import-competing industry alone. Change the relative labor intensities of the two industries, and switch labor's consumption of imports to "relatively low," and we move to the lower-right subcell: here the owners of the export industry's specific factor stand alone in wanting liberalization, other things equal. Incentives to seek protection may be read analogously from the subcells in the southeast quadrant of Figure 2. Throughout, however, there is a simple pattern: in the subcells in the principal diagonal, other things being equal, it is always cheaper for one specific factor than the other to buy labor's support, even if the direct effect on labor would not be sufficient to motivate their collective action. The underlying logic is simply this: the factor that is politically advantaged is that which is specific to the good
which uses labor intensely, if labor does not disproportionately consume that as well.

But what if the direct effect of relative price changes on the mobile factor is ambiguous? Even then, each of the two specific factors may want to pull the mobile factor into its coalition. To do so, they may be willing to offer side-payments to labor to bring it into their coalition. This is what is meant in Table 1, by saying labor is "bidable." In these cases, which coalition labor affiliates with (or at least is bought by more cheaply) will depend on whether the effects of the consumption bundle or of factor intensity are stronger.

In any case, it would be wrong to assume that, in the Ricardo-Viner model, the mobile factor will not take sides in the trade policy coalitions. This is particularly true in political systems where "numbers matter"—that is, where a majority or at least fairly large numbers must be behind a particular policy for it to be enacted. In such political systems the mobile factor holds a very powerful political position. If the changes in its income resulting from a change in relative prices are smaller than the changes in the income of the specific factors involved, the mobile factor is in a sense the median group between the two specific factors. If so, it commands what is sometimes important political turf, and it might therefore be courted by the two specific factors. This consideration is our link to the role of institutions.

B. THE RELATIONSHIP BETWEEN FACTOR MOBILITY, INSTITUTIONS, AND COLLECTIVE ACTION COSTS

What, then, determines the policy outcomes? Partly the distribution of benefits, as described before: that is the demand side. But neither the Stolper-Samuelson nor the Ricardo-Viner models are by themselves sufficient to understand coalition formation on trade policy issues. The severity of collective action problems—the difficulty of mobilizing or organizing resources in order to secure a favorable political decision—also has a role in the maintenance and extension of protection. Let us, purely for the sake of analytic convenience, disaggregate "collective action problems" into three parts: (1) those which relate systematically to factor mobility or specificity, (2) those which relate directly to the nature of domestic political institutions and (3) all the rest. Much more might be said about this last category, but for our purposes it will serve merely as a residual category reflecting the effects of ease of communication, geographical concentration and pre-existing collective organizations, all of which reduce the cost of collective action in any particular case.

 Factor mobility has obvious effects on possibilities for collective action. Mobility automatically disperses the benefits of any trade policy across all the owners of a particular factor, regardless of which industry employs them. This produces non-excludability, which in turn opens up the possibility of free-riding. Collective action is easier the more any non-participant can be excluded from the benefits: factor mobility, conversely, makes collective action harder. With perfect factor mobility, the scarce factor in the economy will benefit from protection (and from the lobbying that secures it) wherever it is employed. Contrast that with the case in which, when protection is granted to one industry, the benefits of that protection flow only to the specific factors employed in that industry (and possibly the mobile factor): there, the benefits of protection would be more excludable, mitigating the free-rider problem. With mobile factors, however, the benefits are more broadly dispersed, and thus the result should be that they are less excludable.

Ignore now, for a moment, factor mobility. Focus instead on political institutions, and where the jurisdiction for taking decisive actions on trade policy lies. Many possibilities exist. One is that action is taken directly by majoritarian voting, as in a referendum. Here, to obtain a favorable outcome one needs (relatively) large numbers of supporters. The Stolper-Samuelson model, in which one's "interest" depends on how large a share of one's income is derived from each of the factors of production, interacts with such majoritarian politics in a straightforward way: if, for example, the great mass of the population derives most of its income from labor then there will be a standing majority ready to vote the interest of labor. Another possibility, not quite so extreme, is that policy is made in a legislature by party bloc voting. Large numbers of supporters are once again involved, although the possibilities for using organizational channels facilitate some collective action that might be too costly if everyone affected had to be mobilized individually.

Where numbers count most, outcomes depend on the distribution of income, which can be used as shorthand for distribution of factor ownership. This, combined with the level of development of an economy (which is to say, whether capital is scarce or abundant), determines trade policy outcomes. A capital-rich country in which capital is highly concentrated in a few hands (strictly speaking, a country in which a large majority have little capital or derive little of their income from capital) should adopt trade restrictions, because the majority of the population would benefit from them. The more equitable the distribution of

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28 An example applied to tariff policy is Mayer (1984). Verdiets (1994) offers a related conception of institutions in trade policy, distinguishing majority from unanimity rules and whether a relatively large or small quorum is required for a decision. The point is the same: numbers matter.

29 As in Lohmann and O'Halloran (1993) or Verdiets (1994).

30 Some believe, also, that the transfer of responsibility from the legislature to the executive in the United States after 1934 had the effect of making tariff policy more subject to broad electoral and less subject to special-interest concerns. See Destler (1986) and Lohmann and O'Halloran (1993).

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As we saw before, labor is always bidable in the sense that it can potentially strike a mutually beneficial bargain with one side or the other.
income (again, technically, the greater the extent to which a majority of the population derive most of their income from capital) the lower trade barriers would be, since a larger share of the population would own capital and would be hurt by trade barriers. 29

At the other end of the scale, imagine decision-making institutions completely insulated from majoritarian pressures. All one has to do to get protection, say, to convince a bureaucrat (perhaps just a regional administrator) in a centrally planned economy. Or maybe it is one or a small group of legislators, whose interest in maintaining office requires pleasing only a relatively small, sector-specific, geographically differentiated constituency. 30 Or maybe the outcome can be achieved by bargaining between ministers or even within ministries. In cases such as these, support from large segments of the population is not necessary for a policy to be enacted. Much more important for a group's success is its ability to access and to influence the decision-making system. There is then no need for an interest group to make sure that its preferred policy benefits a large share of the population—to do so would only lower the per-person benefits within the group and increase the organizational costs of political action. The point is that majoritarian institutions force groups to disperse benefits more broadly than do non-majoritarian systems. For any aggregate amount of benefit that would flow from some trade policy change, the less majoritarian the institution the fewer who will share in the benefit, either directly or indirectly (through compensatory payments). 31

This effect of political institutions is not the same as the effect of factor mobility, however. Benefits can in principle be as excludable as you like in a majoritarian politics model. Majoritarianism affects the number of supporters that must be brought within a winning coalition, and thus the dispersion of benefits across members of that coalition. In majoritarian political systems the benefits must be spread across a large number of individuals to make the policy politically viable. Non-excludability, on the other hand, means that the benefits of a trade policy will flow to many regardless of whether or not they participate in the winning coalition, which will be more of a problem in a Stolper-Samuelson world because the benefits of a particular trade policy accrue to a particular factor regardless of where in the economy it is employed. The effect of these two variables—factor mobility and political institutions—is in another sense the same,

however. Other things being equal, majoritarian political systems and factor mobility will both mean that benefits will be more dispersed and, therefore, that it will be harder to organize a successful interest group.

The existence of interest groups per se does not mean that politics are non-majoritarian. Rather, those with an interest ("lobbyists") will adopt lobbying strategies that are likely to be most successful, given the political institutions of a particular country. Certainly if political institutions are such that the government reacts more easily to direct approaches from small, well-organized lobbyists, it would be foolish for those interested in having their policies enacted to organize large mass movements. If on the other hand state institutions are more majoritarian in nature, taking more into account the preferences of large mass movements, groups interested in having their interests represented would be wise to do so through large organizations. In such a situation, smaller special interest groups can be expected to be less successful than large organizations, and therefore they are less likely to form.

It is not only the case that factor mobility and majoritarian institutions produce their effects in different ways. They also vary independently of each other to some extent. That is not to say that the two do not affect each other. The existence of non-majoritarian institutions probably does make it easier for the owners of specific factors to invest in securing policies which in fact make factors more specific, and even to seek institutional changes which make it easier to achieve such policies. But deciding to make trade policy by referendum would not by itself make all factors of production mobile, nor would inventing legislative subcommittees necessarily make factors sticky. Neither does the mobility of factors by itself necessarily generate complementary political institutions. There may be some effects in each direction. But when considering costs of collective action facing a possible interest group in securing trade policy outcomes, factor mobility and political institutions are independent variables.

C. Collective Action Costs and Trade Policy Coalitions

What coalitions, then, are we actually likely to observe? To see how the effects of the costs of collective action work, let us first hold the institutional variable constant. Then the implications of collective action costs and factor mobility for trade policy coalitions are as summarized in Figure 3. The horizontal axis specifies the severity of collective action costs, net of institutions and factor mobility—that is, how costly it is to organize an interest group, holding constant the problems of non-excludability and dispersion of benefits that may arise due to factor mobility or political institutions. The vertical axis specifies whether the Stolper-Samuelson or the Ricardo-Viner model is appropriate for the degree of factor mobility between industrial sectors.
Collective Action Costs

<table>
<thead>
<tr>
<th>Factors</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>Rampant free riding</td>
<td>Rogowski</td>
</tr>
<tr>
<td>No trade policy coalitions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific</td>
<td>Standard trade policy models (Pareto, Olson, etc.)</td>
<td>Many interest groups, Consumers active, Coalitions between the specific and mobile factors</td>
</tr>
</tbody>
</table>

Figure 3 Coalition Possibilities: The Effects of Factor Mobility and Collective Action Costs

The northeast quadrant contains the assumptions underlying Rogowski's book. The absence of collective action problems and the complete mobility of labor and capital (and perhaps land) between sectors of the economy imply a cleavage between scarce and abundant factors, which Rogowski interpreted (depending on which was the scarce factor) as class and urban-rural conflict. Notice that the assumptions of both perfect mobility and small collective action costs are necessary for his argument. With less than perfect factor mobility, the costs of increased international trade would be concentrated primarily on the factor specific to production of the particular traded good in question (and perhaps the perfectly mobile factor). Therefore, other factors in the economy would have no reason to oppose free trade of that good, indeed, they should support it, and the broad coalitions Rogowski speaks of would not form.

Furthermore, even if factors were perfectly mobile, high costs of collective action might mean that many of the factor owners would have little incentive to take costly political action to affect trade policy, free-riding instead on the political action of others. Then, as in the northwest quadrant of the Figure 3, it is likely that there would be no coalitions over trade issues (except perhaps in some cases where capital is the scarce factor). In a capital-rich country, for instance, labor in one industry would let labor in other industries lobby for protection, and as a result very little lobbying would be done. Depending on how far you push the assumption of mobility, it could even be that exit—the form of moving to another employment, emigration or capital flight—would be a far more common response than lobbying.\(^{32}\)

\(^{32}\) Of course it is possible to imagine situations in which labor made up such a small group that it was worthwhile for workers to lobby at the expense of all the capital-owning consumers. However,

Let us now revert to the assumption of easy collective action, but assume factors are specific. The southeast corner describes just such a political economy, where individual industries seeking protection for their products are opposed by the consumers of those products. Assuming no collective action problems in this domestic political economy, however, any consumers might participate in trade politics, however small their stake in the issue; they would not free ride, relying on their fellow consumers to do the lobbying for them. An industry interested in protection could only really win, then, if it banded together with other industries interested in protection and lobbied for protection for all of them. The coalition that would emerge in such a situation would pit import competes against non-tradeable producers and exporters. The problem with this coalition is that all the protected industries might be worse off from this "universalistic logroll" than if they simply accepted free trade, since the costs to them of the protection to all the other industries might very well be higher than their gains from protection of their own industry.\(^{34}\) Therefore, such a coalition is inherently unstable. The existence of collective action problems is, thus, essential to the Ricardo-Viner explanation of trade policy coalitions generating protection for individual industries, as this quadrant serves to show.

The southwest quadrant contains the ideal type of trade policy "coalition" described by Pareto, Schattschneider, Olson and the endogenous tariff literature. In that ideal type, collective action problems exclude most of the public from participating in trade politics. In fact, there really are no coalitions at all: there are simply individual industries requesting, and often receiving, protection for their particular products. They may be opposed, in that request, by the consumers of that product if those consumers are sufficiently concentrated (i.e., for example, they are industrial consumers who need the product for their production); but otherwise trade policy will be dominated by special interests seeking protection.

D. THE EFFECT OF INSTITUTIONS

Of course, domestic political institutions also affect the severity of collective action problems and, through them, trade policy coalitions as well. To illustrate this, we transform Figure 3 into Figure 4 by adding a further distinction between majoritarian and non-majoritarian institutions. Collective action costs still vary across the horizontal axis. The vertical axis reflects the individual's share of a given aggregate gain, allowing for the effects of both dispersion and nonexclud-
political institutions are non-majoritarian. This cell seems to yield few interesting predictions.

Where factors are specific a number of different cases arise, surrounding the "classic" case of interest-group lobbying in the lower left corner. Protectionism is the likely outcome in this cell. There, costs of collective action are high, thus excluding consumers (who are, after all, a very large group with non-excludable benefits) from trade politics. The benefits of trade policy are concentrated on particular industries, due to factor specificity. Thus, these industries have an incentive to pay the collective action costs, even though they are high, in order to gain their favored trade policy.

In the penultimate row, where factors are specific but majorities are needed to win, exit is costly (because factors are specific) but high costs of collective action mean that groups must be small or benefits concentrated to form. In such situations, the universal logroll mentioned above would be a possibility. In this case, as costs of collective action decrease and large groups are needed to gain victory, alliances between a specific factor and the mobile factor become more likely, as do alliances between various specific factors. The numbers of the mobile factor group are large enough to make it worthwhile for specific factor groups to try to bring them into a coalition, provided the stake can be made large enough to motivate their participation.

Finally, in the lower-right corner (where factors are specific and institutions non-majoritarian, but costs of collective action are low) even disinterested losers can organize because costs are low. Any group could win, however, because the size of a group is not important to political victory. This cell, too, appears to yield few interesting predictions.

As should be clear from Figure 4, the two major models of international trade policy coalitions carry with them hidden assumptions—one about the severity of costs of collective action, the other about the domestic political institutions which make trade policy. In any case the models presume ideal types of political organization which may not exist. Without considering political variables, economic explanations are biased, and vice versa.

V. CONCLUSIONS

The narrowest purpose of this paper has been to review the determinants of trade policy coalitions. Although recent studies have stressed economic factors such as abundance and mobility of factors of production, we have argued that other more political factors (collective action costs, political institutions) are likely to be just as important. Furthermore, we have argued that these effects are interactive, the effects of some of these variables depending on the levels of others. The Stolper-Samuelson model really requires that collective action costs be low for Rogowski's broad trade policy coalitions to emerge: if there are
collective action problems and factors are perfectly mobile, trade policy coalitions will not necessarily form along class lines and in fact may not form at all, due to familiar collective action problems. The Ricardo-Viner model, in contrast, is much more amenable to the incorporation of varying degrees of collective action costs. We made a related argument regarding domestic political institutions, suggesting that the Stolper-Samuelson theorem is more consistent with a majoritarian mode of policy making, while the Ricardo-Viner model is more consistent with a non-majoritarian or interest group politics model. In all these ways the paper raises broader issues about the interplay of politics and economics, while laying out a calculus of preferences, effects and likely actions and outcomes which anyone contemplating the domestic effects of trade needs to consider. Insofar as these issues bear on the likely evolution of institutions in states which trade, we want to pursue a little further the relationship between political institutions and the extent of factor specificity in the economy.

Thinking about the evolution of institutions takes us away from the short-term impact of trade policy on real incomes and focuses us on much longer-term considerations. As a matter of fact, in deciding whether to use Stolper-Samuelson or Ricardo-Viner theorems as models of trade policy coalition formation, it is sometimes said that even if the Ricardo-Viner theorem is appropriate for short run models the Stolper-Samuelson model is more appropriate for the long run. Since it seems plausible that all factors are in some sense "perfectly mobile" in the long run, it also seems plausible that the Stolper-Samuelson theorem is more appropriate the longer the time horizon, and thus that it was the appropriate model on which to ground theories of institutions. Rogowski himself makes essentially this argument.35

While intuitively plausible, this conclusion does not necessarily follow. The distribution of potential gains and losses is initially different. Moreover, looking at the behavior of owners of specific factors over long periods, it is not hard to imagine their undertaking many (perhaps political) actions that actually increase the specificity of their assets. We first demonstrate the point that the choice of time horizon does not determine the right choice of model, and then probe further into these connections between institutions and economic structure.

A. THE TIME HORIZONS OF THE STOLPER-SAMUELSON AND RICARDO-VINER THEOREMS

In a situation in which owners of specific factors have the possibility of maintaining their existing factor returns in their existing uses by securing protection through the political system, they may choose to stay in their existing industry and lobby for protection. As an example, say a factor earns a rate of return \( r_x(t) \) at time \( t \) in industry \( x \). This factor's next best rate of return is \( r_y(t) \) at time \( t \) in industry \( y \), so that, at some time \( t_1 \), \( r_x(t_1) < r_y(t_1) \). Now suppose that as time goes by industry \( x \) begins to decline relative to industry \( y \), due to import competition. At some point, say \( t_2 \), \( r_x(t_2) < r_y(t_2) \) and this situation is expected to continue indefinitely into the future.36 In a political system in which protection is impossible, the solution to the factor owners' problem is straightforward. The specific factors in a declining industry \( x \) move out of that industry and take their next best alternative employment in industry \( y \) for \( r_y(t_2) \). Factors specific to the \( x \) sector have no choice but to accept the "pay cut" in industry \( y \) to avoid even lower returns in sector \( x \). It is simply a matter of making the choice that maximizes the net present returns to the factor.

In a political system in which it is possible that industry \( x \) could receive protection, and maintain the rate of return to factor \( x \) at \( r_x(t_1) \), the cost-benefit calculation is different. There, the \( x \) factor must decide between paying the costs of lobbying to get the necessary protection to maintain \( r_x(t) \) at \( r_x(t_1) \), and paying the costs of adjusting to employment in industry \( y \), that is \( r_y(t_1) - r_x(t_2) \). The factor owners will choose whichever cost is lower, but clearly it is no longer certain that owners of factor \( x \) will choose to move to the \( y \) industry. They may find it cheaper to stay in industry \( x \) and pay for the lobbying if they can keep their returns at \( r_x(t_1) \).37

The point is that in political systems in which factor owners have possibilities of "voice" as well as "exit," there is no reason to expect them to choose the latter exclusively. Factor owners may be able to use the political system to displace the market forces that would otherwise prompt them to switch industries. As such, factors may not be any more mobile in the long run than they are in the short run. Empirically, this means that we should not be surprised to find cases of Ricardo-Viner-like political behavior even in the long run. Naturally, a more thorough treatment of this issue should spell out the political system in which these options are available. In terms of a political model, though, long-run stickiness of factors requires only that politicians have sufficient incentives to sustain an inefficient economic policy of protection over the long run. It is not difficult to find models

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35 Notice this situation is slightly different from the pure Ricardo-Viner model. In that model the factors are truly "fixed" in their respective industries. They cannot move no matter how low their rate of return falls (as long as it is positive). In the framework used here the factors are not "fixed" in the sense that they absolutely cannot move. Instead they are specific to a particular industry (the \( x \) industry in this case) because they earn a higher return in that industry than they would in their next best use.

37 This point is obviously robust to making the political outcome probabilistic since to do so would merely require changing \( r_x \) and \( r_y \) to "expected returns."
of such phenomena. Neither is finding examples of such phenomena in practice.19

B. THE EFFECTS OF POLITICS ON FACTOR SPECIFICITY

The upshot of that discussion is that factor mobility may not be merely a technical phenomenon but may itself be affected by politics. An owner of a quasi-fixed factor in a declining industry is faced with the costs of moving to another industry or taking action in the political arena. If there were no hope of help from the government, the factor owner would move. However, with a non-zero probability of help from the government, there are going to be owners of quasi-fixed factors who, at the margin, are indifferent between moving and taking political action, exactly as above. Different sets of political institutions (and indeed even within a single set of institutions, changes in such political variables as ideology of the government) will affect where this cut-off point is. We would therefore expect to see changes based on political variables in which factors move and to what extent. Then not only could this "Ricardo-Viner" behavior rationally persist over time, but the long-run outcome of such behavior would be an economy with more specific investments than would otherwise be the case. Indeed, if a change in political variables affects individuals' decisions to move to their second-best industry or stay in their first industry and fight for political change (with a change in the government or some change in state institutions making a protectionist outcome more likely) factors may become politically stickier, in the sense that they are more likely to fight than switch.

Notice that none of these insights are valid under the Stolper-Samuelson/majoritarian-politics model. There, factors are perfectly mobile. Individual factor owners are completely indifferent between being employed in one industry or the other, since they will receive exactly the same return in either. In the Ricardo-Viner model, the purpose of political action for protection is to keep factor returns high in a particular factor owner's specific industry; in the Stolper-Samuelson model, the purpose is to keep a particular factor owner's return high in all industries in the economy. Since in the Stolper-Samuelson model returns to the same factor are the same across all industries throughout the whole economy, whether there is protection or not, politics that make protection more likely will not necessarily make perfectly mobile factors less mobile. In the Ricardo-Viner model, however, they will.

And thus, finally, we should not expect to see a set of political institutions endure in the long run which was inconsistent with the specificity of the under-

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