

## CHAPTER 15

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# ELECTORAL SYSTEMS AND TRADE

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IN democracies, politicians compete to win votes, and subsequently office, in free and fair elections. Elected representatives should therefore be responsive to citizens' demands. Yet leaders in some democracies are more reactive to pressures for trade protection than are leaders in other countries. The varied responsiveness of elected officials to protectionist demands may result from the dissimilar rules that govern democratic elections around the world.

A growing body of scholarship examines the relationship between electoral rules and trade policy. Despite increased attention to electoral institutions, no consensus exists about which system makes politicians most responsive to protectionist demands. Some argue that majoritarian systems provide legislators with the greatest incentives to cater to demands for trade barriers (e.g., Rogowski 1987; Grossman and Helpman 2005). Others contend that proportional electoral systems lead politicians to be most responsive to protectionists (e.g. Mansfield and Busch 1995; Rogowski and Kayser 2002; Hays 2009). The debate continues unresolved as both arguments find credible empirical support.

Conflicting conclusions about the effects of electoral systems are surprising given that these institutions lie at the heart of democratic politics. Elections, and accordingly electoral rules, are a defining feature of democracy. Electoral systems connect voters to policy makers; thus, it is reasonable to expect different rules to produce different policy outcomes. Why then have scholars reached inconsistent inferences about the effects of electoral systems on trade policy? This question is the central focus of this chapter. Understanding why scholars have reached this stalemate is important if future research is to progress beyond it. Failure to resolve the impasse may result in the premature demise of this research agenda.

The following section outlines the contours of the debate. Potential reasons for the disagreement about the relationship between electoral systems and trade policy are discussed. The concluding section suggests possible ways forward for researchers.

## DEFINING ELECTORAL SYSTEMS

An electoral system is a set of laws and regulations that govern electoral competition between candidates or parties or both (Cox 1997, 38). These procedures comprise a multitude of items, such as the electoral formula, the ballot structure, and district magnitude. Of these items, the electoral formula has received the most attention from trade scholars. Electoral formulas refer to the method by which vote totals translate into claims upon legislative seats (Cox 1990). Two main categories of electoral formulas exist: majoritarian and proportional. Together they govern 80 percent of elections held across the world (Clark, Golder, and Golder 2012; Inter-Parliamentary Union 2013).

Majoritarian rules stipulate that the candidates or parties who receive the most votes win. Votes are cast for individual candidates, and the top  $k$  vote-recipients win seats, where  $k$  is the magnitude of the district (Cox 1990, 906). The most commonly used majoritarian formula is the single-member district plurality system (SMDP). In an SMDP system, citizens cast one vote for a candidate in a single-member district, and the candidate with the most votes is elected. This system is used, for example, in the United States. Forty-five percent of countries use some type of majoritarian electoral formula (Clark, Golder, and Golder 2012, 590).

Majoritarian electoral formulas typically help the largest party obtain a legislative majority. For example, in the post-World War II period, governments in Great Britain received 45 percent of the popular vote on average, but 54 percent of the legislative seats (Norris 1997). In contrast, proportional electoral rules (PR) are intended to produce proportional outcomes (Cox 1997). In a fully proportional system, a party that won 45 percent of the vote would win 45 percent of the legislative seats. In order to achieve proportional outcomes, PR systems employ multimember districts and a quota- or divisor-based electoral formula that determines the number of votes that a candidate or party needs to win a seat (Clark, Golder, and Golder 2012, 564). Thirty-seven percent of countries use some type of proportional electoral formula.

While most countries employ either a majoritarian or a proportional electoral formula, nearly one-fifth of countries employ a mixed system. Mixed systems combine majoritarian and proportional formulas in the same election. In such elections, voters select representatives through two different electoral formulas that run alongside each other.

## THE PROTECTIONIST BIAS IN MAJORITARIAN SYSTEMS

The idea that trade openness is systematically related to countries' electoral systems has a long intellectual history. Early studies by Ronald Rogowski (1987) and Peter Katzenstein (1985) suggested a natural affinity exists between trade openness and

proportional electoral rules. More recently, Grossman and Helpman (2005) developed a theoretical model that envisages a protectionist bias in majoritarian systems. In this seminal model, two parties compete in legislative elections, and each party has an equal chance of winning a given seat in a given district. There are three electoral districts; each contains one-third of the population and elects one legislator. Legislators represent districts with interests tied to district-specific industries. Upon forming the government, the delegation from the majority party seeks to maximize the welfare of its constituents. If the party in power represents all three districts, then the legislature will work to maximize the welfare of the entire country by setting tariffs at zero. In contrast, if the governing party represents only two of the three districts, it will set a positive tariff rate. A nonzero tariff emerges because trade policy is chosen by the majority delegation, and legislators in the minority have limited means to influence policy decisions. Legislators in the majority use tariffs to redistribute income to industries in their own districts, rather than maximizing national welfare by setting an optimal tariff of zero. In majoritarian systems, the governing party is unlikely to represent all three districts, whereas in proportional systems it is more likely to represent all three. Consequently, the prediction emerges that tariffs will be lower in PR systems than in majoritarian systems.

Several studies provide empirical support for the predicted “protectionist bias” in majoritarian systems. In a sample of 147 countries from 1981 to 2004, Evans (2009) finds that majoritarian systems have higher average tariffs than countries with proportional electoral systems, all else being equal. Similarly, Ardelean and Evans (2013) demonstrate that tariffs are higher on average in majoritarian systems than in proportional systems using product-level tariff rates for a cross-section of developed and developing countries between 1988 and 2007. These results suggest that a protectionist bias exists in majoritarian systems with regard to tariffs, but leave unanswered the question of whether or not this bias extends to other forms of trade protection.

Governments increasingly use nontariff barriers (NTBs), rather than tariffs, to protect domestic producers. Studies that examine only tariffs, such as Evans (2009), leave open the possibility that electoral rules have an ambiguous effect on total trade protection. Governments in majoritarian systems may provide no more (or less) protection than those in proportional systems; instead, majoritarian governments may simply use tariffs more often than other forms of trade protection.

Different types of governments may prefer different forms of trade barriers because they entail different cost-benefit analyses. Tariffs are a relatively blunt policy tool; they typically cover a specific product and thereby affect all firms producing that product. Although tariffs are blunt and thus potentially inefficient, they generate revenue for governments. In contrast, subsidies cost governments money.<sup>1</sup> While subsidies are expensive, they can be targeted narrowly. For example, a subsidy can be provided to a single firm rather than to an entire industry. Different governments may prefer different types of trade barriers given their varied policy goals and budget constraints. An important but unanswered question therefore exists; does the protectionist bias in majoritarian politics extend beyond tariffs to other forms of trade protection?

A recent study suggests that the protectionist bias in majoritarian politics extends to subsidies, which are an increasingly common NTB (Ford and Suyker 1990; OECD 1998; Rickard 2012c). Rickard (2012b) reports that the share of total government expenditures allocated to subsidies is higher in countries with majoritarian electoral rules than in those with proportional electoral rules, holding all else equal. On average, governments in majoritarian systems spend 2.5 percentage points more on subsidies than governments in PR systems (Rickard 2012b). This evidence suggests that the protectionist bias in majoritarian politics does, in fact, extend beyond tariffs to subsidies.

The majoritarian protectionist bias appears to extend even further, to “illegal” forms of trade protection. Democracies with majoritarian electoral rules are named as defendants in disputes litigated via the World Trade Organization (WTO) more often than those with proportional electoral rules (Rickard 2010; Davis 2012). One interpretation of this finding is that majoritarian democracies simply have more barriers to trade than do PR democracies. Another possibility is that majoritarian democracies have relatively more non-WTO-compliant trade barriers. The electoral incentives to provide protection may be so compelling in majoritarian systems that legislators are willing to supply trade barriers even when doing so violates international rules. In contrast, legislators may choose to provide only WTO-compliant protection in countries where electoral systems are proportional (Naoi 2009).

In sum, convincing empirical evidence suggests a protectionist bias exists in majoritarian systems. This bias appears to extend beyond tariffs to subsidies and other trade barriers proscribed by WTO rules.

## TRADE PROTECTION IN PROPORTIONAL RULE SYSTEMS

Although convincing evidence exists of a protectionist bias in majoritarian systems, some scholars argue that proportional electoral rules generate higher barriers to trade. A model developed by Rogowski and Kayser (2002), although not exclusively a model of trade protection, implies that trade barriers will be higher in PR democracies than in majoritarian systems. In the Rogowski and Kayser model, the key distinction between electoral systems is the seat-vote elasticity. Majoritarian systems have greater seat-vote elasticities than PR systems; as a result, a loss of votes translates into a greater loss of legislative seats for parties competing in majoritarian systems. In proportional systems, politicians are able to cater to narrow interests without having to be overly concerned with any election losses they might incur for doing so. In contrast, politicians in plurality systems cannot stray far from the preferences of the median voter, because a small change in vote share can produce a large change in seat share. Rogowski and Kayser posited that politicians in proportional rule systems will therefore be relatively more responsive to narrow interests, such as industry-specific demands for trade protection.

A theoretical model developed by De Mesquita and Smith (2005) also implies that trade barriers will be higher in PR systems than in majoritarian systems. Their model examines the political consequences of a winning coalition's size. A winning coalition is a subset of the selectorate large enough to allow it to endow leadership with political power to negate the influence of the remainder of the selectorate and the disenfranchised members of the society (De Mesquita and Smith 2005, 51). The winning coalition is larger in majoritarian systems than in PR systems, according to De Mesquita and Smith (2005).<sup>2</sup> As the size of the winning coalition grows, the cost of private goods, such as trade barriers, increases. According to their logic, trade protection should be lower in majoritarian systems than in PR systems.

Some evidence exists to suggest that proportional electoral rules incentivize relatively higher trade barriers. Nontariff barriers are higher, on average, in PR democracies than in majoritarian systems (Mansfield and Busch 1995). Proportional rule systems are also associated with higher consumer prices (Rogowski and Kayser 2002; Chang, Kayser, and Rogowski 2008; Chang et al. 2010). Higher consumer prices arguably reflect governmental policies that privilege producer groups at the expense of consumers. One such policy is trade protection. Legislatively imposed barriers to trade raise the prices of consumer goods. The presence of larger trade barriers in PR countries may explain why consumer prices are higher in PR systems than in majoritarian systems.

In sum, it remains unclear which electoral formula generates higher levels of trade protection. Possible reasons for this impasse are explored in the following section. Understanding why scholars have reached this stalemate is important for future research to progress beyond it and advance understanding of how a fundamental democratic institution impacts trade policy.

## RESOLVING THE DEBATE

One explanation for the mixed empirical results may be that electoral rules have varied effects on different types of trade barriers. Existing studies employ diverse measures of trade protection; Evans (2009) uses tariffs; Rickard (2012b) uses subsidies; and Mansfield and Busch (1995) use nonsubsidy, nontariff barriers, such as quotas and restrictive import licensing requirements. The varied conclusions reached by these investigations may simply reflect the dissimilar measures of trade protection examined.

Electoral rules might have different effects on different types of trade barriers because they shape the incentives of parties and politicians to target benefits more or less narrowly (Milesi-Ferretti, Perotti, and Rostagno 2002; Persson and Tabellini 2003; Rickard 2009). In majoritarian systems, electoral incentives exist to narrowly target economic benefits. With majoritarian rules and single-member districts, a party need only receive a plurality of votes in half the districts plus one to win an election and form a government. Politicians need to win only a plurality of votes in their geographically defined electoral districts. Therefore, politicians' optimal reelection strategy in majoritarian rule systems

is to supply benefits narrowly to only those voters in their districts (Milesi-Ferretti, Perotti, and Rostagno 2002; Persson and Tabellini 2003).

In PR systems, politicians and parties have fewer incentives to target benefits narrowly (Lizzeri and Persico 2001; Persson and Tabellini 2003; Rogowski 1987). Parties competing under PR electoral rules do not win elections district by district. In fact, no single district is critical to the electoral success of a party (McGillivray 2004). Instead, parties work to maximize their aggregate vote share, because this determines the number of legislative seats a party will control. By targeting policies to a broad segment of the electorate, parties are able to buy the support of a wide range of voters. Thus, leaders in proportional systems have greater incentives to supply broadly beneficial policies.

If some forms of trade protection are inherently “narrower” than others (i.e., easier to target to select constituencies), then electoral rules may have varied effects on different types of trade protection. Narrow trade barriers should be more prevalent in majoritarian systems than in proportional systems. In contrast, broad trade barriers should be more widespread in proportional systems. Two key questions arise from this discussion: Are some forms of trade protection inherently “narrower” than others (i.e., easier to target to select constituencies). If so, which ones? These questions remain largely unexplored.<sup>3</sup> Nonetheless, it is easy to imagine that some forms of trade protection may be more targetable than others. Subsidies, for example, can be provided to a single firm. In contrast, restrictive import licenses often apply to products that typically benefit more than just one firm. In this example, subsidies should be higher in majoritarian systems, while import licenses should be more restrictive in PR systems. Findings reported by Rickard (2012b) and Mansfield and Busch (1995) provide preliminary support for these expectations.

The idea that electoral rules may have varied effects on different types of trade barriers has several implications. First, it suggests a straightforward explanation of why existing studies have come to conflicting conclusions about the empirical relationship between electoral rules and trade protection: it depends on which type of trade barrier they examine. Second, this idea offers a possible explanation of why governments choose a particular policy instrument from their vast arsenal of policy tools. Why, for example, do some governments choose to use discriminatory procurement practices rather than tariffs to privilege domestic producers?<sup>4</sup> Choice of policy instrument remains an important research agenda, because even today no form of trade protection is trivial: tariffs still account for approximately 30 percent of global protection, while NTBs and subsidies account for the remaining 70 percent (Kono 2009).

The idea that electoral rules may have varied effects on different types of trade protection implies that the challenge of relating electoral rules to policy outcomes might be unique to trade because of the myriad tools governments can use to protect domestic producers from competition with low-cost foreign imports. However, research in other areas is plagued by similar ambiguity. For example, it remains unclear which electoral formula generates better outcomes in terms of inflation, economic growth, or budget deficits (Taagepera and Qvortrup 2011, Table 1). The mixed effects of electoral rules

across a multitude of policy areas suggest that the problem may reside on the right-hand side of the equation rather than the left.

## VARIATION WITHIN ELECTORAL SYSTEMS

The simple distinction between majoritarian and proportional electoral rules may be too blunt to explain the cross-national variation in trade protection. Most investigations of trade policy use a rudimentary measure of electoral rules; that is, a dichotomous variable that takes PR (and majoritarian) electoral systems to be a monolithic phenomenon. Yet what trade scholars typically characterize as being one uniform phenomenon in fact contains multiple structures each with different dynamics and political implications. For example, among systems classified as being majoritarian, eight different electoral formulas are used to translate votes into seats (Clark, Golder, and Golder 2012, 543).

Similar diversity exists among PR systems—even though most can be characterized as list systems.<sup>5</sup> In a list PR system, each party presents a list of candidates for a multimember district, and parties receive seats in proportion to their overall share of the votes. Despite sharing this common feature, list PR systems vary significantly. Seven distinct electoral formulas are used to allocate seats to parties in list PR systems. List PR systems also differ in their district magnitude, the use of higher electoral tiers, the use of electoral thresholds, and the type of party list employed (Gallagher, Laver, and Mair 2006, 354). These dissimilar proportional systems are often grouped together in a single category labeled “PR”.

Mixed electoral systems introduce even more variance. Mixed electoral systems combine majoritarian and proportional electoral formulas in the same election. Many scholars simply include mixed systems together with “pure” systems for convenience.<sup>6</sup> Germany, for example, is classified as being a mixed-proportional system because the total number of legislative seats received by a party is proportional to its list-tier results (Shugart and Wattenberg 2001; Thames and Edwards 2006). Germany is therefore grouped together with pure PR systems in many empirical studies (e.g., Rickard 2012a). Because of this common practice, the dichotomous “PR versus majoritarian” variable includes even greater diversity than suggested by the already significant variation in proportional (or majoritarian) systems alone.

This diversity raises questions about the usefulness of the blunt distinction between PR and majoritarian systems. Taagepera and Qvortrup (2011) warn that only non-specialists can persuade themselves that all electoral systems can be characterized by a single dichotomous indicator. They call the majoritarian/proportional distinction a “procrustean bed” (Taagepera and Qvortrup 2011, 255) and warn researchers to “forget about such coarse dichotomy” (Taagepera and Qvortrup 2011, 253). Scholars of trade politics should heed this warning and take seriously the variation that exists within majoritarian and proportional electoral systems. Doing so may help to clarify the precise relationship between electoral systems and trade policy. For example, some types of

majoritarian systems may generate higher levels of trade protection than some types of proportional systems. Such within-system variance could explain the mixed empirical results reported to date and help to clarify the precise mechanism through which electoral institutions influence trade policy. If some majoritarian systems generate higher levels of trade protection than others, a common feature may characterize these particular majoritarian systems, and it may be this shared attribute that influences trade policy outcomes, rather than the electoral formula itself. Several such possible traits are explored in the following section.

## IDENTIFYING CAUSAL MECHANISMS

The causal mechanism linking electoral formulas to trade policy remains unclear. Few theories articulate how the translation of votes into seats affects trade policy.<sup>7</sup> Instead, scholars typically refer to other features of a country's electoral system that tend to covary with electoral formula, such as district size. Rogowski (1987), for example, argues that the large electoral districts that typify proportional systems insulate politicians from protectionist demands. The implication is that the electoral formula itself may not matter much for trade policy; instead, other features of countries' electoral systems that tend to go together with electoral formulas, such as district size, are important.

### District Size

District size may help to explain the apparent protectionist bias in majoritarian countries. A district's size is the number of people living in an average electoral district. It is assumed to increase with district magnitude (i.e., number of representatives elected in a district). The single-member districts that characterize majoritarian systems are presumed to be smaller than the multimember districts used in PR systems.<sup>8</sup> Smaller districts are understood to produce higher levels of trade protection, because they give protectionists greater influence over elected representatives (e.g., Alt and Gilligan 1994; Mansfield and Busch 1995; McGillivray 2004). McGillivray (2004, 28) provides the following illustrative example. An industry with 100 employees represents 10 percent of the electorate in a district with 1,000 voters. The same industry represents only 0.1 percent of the electorate in a district of 100,000 voters. In the larger district, refusing to protect the industry is unlikely to affect the politician's reelection chances, because the industry is only 0.1 percent of the representative's electorate. Given this, politicians elected from smaller districts are more likely to supply trade protection than politicians elected from larger districts.

Few empirical studies test this claim. One of the only direct cross-national measures of district size is provided by Hankla (2006). He divides the total number of seats in a country's lower legislative chamber by mean district magnitude and divides that

number into the country's total population to estimate the number of people living in each electoral district. This variable most closely measures the concept of district size articulated by McGillivray (2004) and Rogowski (1987). Hankla reports a negative correlation between this measure and import duty coverage ratios: "District size can explain decreases in import duty coverage ratios of more than 3.5 percent" (2006, 1149). In other words, larger districts correspond with lower levels of trade protection, as expected. Similarly, Rogowski (1987) reports a negative correlation between the number of parliamentary constituencies and trade openness. He asserts that the number of electoral districts is "an inverse measure of average constituency size." Rogowski's evidence also suggests that larger districts are associated with lower trade barriers.

A series of studies makes use of the differences in constituency size that occur within the United States. Using tariff votes from the US Senate in the late nineteenth and early twentieth centuries, Hauk (2011) finds that industries concentrated in smaller constituencies receive more trade protection than those located in larger constituencies. In contrast, Karol (2007) finds no correlation between constituency size and protectionism in the United States in recent decades. He concludes that constituency size does not account for the differences in preferences among the House, Senate, and presidency on trade issues.

Although most arguments relate district size to trade protection, it is possible that district magnitude, that is, the number of representatives elected per district, influences trade policy. Single-member districts allow voters to assign credit (or blame) for trade barriers. In multimember districts, however, voters observe the total amount of protection provided to the district but not the amount produced by individual legislators. As a result, voters do not know which of their representatives to credit for providing trade protection (Ashworth and Bueno de Mesquita 2006). Thus, the electoral benefits of providing protection are relatively lower in multimember districts. If many legislators can claim responsibility for a trade policy with local ramifications, each individual's incentives to provide such policies decrease (Lancaster 1986). Politicians in multimember districts may thus provide less trade protection than politicians in single-member districts (Magee, Brock, and Young 1989).

As anticipated by this logic, democracies with single-member districts appear to have more "illegal" trade barriers than those with multimember districts, holding all else constant (Rickard 2010). The number of WTO disputes filed against democracies with single-member districts is 186 percent higher, on average, than against democracies with multimember districts, all else being equal (Rickard 2010). Moving from a multimember district system with seven seats on average to a single-member district system increases the probability of being named as a defendant in a GATT/WTO dispute by more than 6 percentage points in a given year (Rickard 2010). This evidence suggests that district magnitude has a direct effect on trade policy.

District magnitude may also have an indirect effect on trade policy by mediating the influence of electoral formulas. The effects of a proportional electoral formula may depend on the district magnitude (Carey and Shugart 1995; Carey and Hix 2011). When district magnitude is high, electoral systems are relatively more proportional, because

smaller parties are more likely to win seats (Cox 1997; Rae 1967; Taagepera and Shugart 1989). A party would need to win more than 25 percent of the vote to guarantee a seat in a three-seat district, but it would need to win only a little more than 10 percent of the vote to guarantee winning a seat in a nine-seat district. The electoral system is likely to be disproportional whenever the district magnitude is small, irrespective of the particular formula used to translate votes into seats. For example, when PR is used in very small districts, as in Australia or Ireland, its effects become similar to those of plurality elections. For this reason, many political scientists, such as Duverger (1964), argue that district magnitude is the single most important dimension by which electoral systems differ.

## The Nature of Electoral Competition

District magnitude cannot, however, explain the nature of electoral competition, which has been shown to influence trade policy (Nielson 2003). Electoral competition is characterized as being either candidate centered or party centered (Carey and Shugart 1995). Party-centered competition encourages voters to emphasize their party preference over that for specific candidates. In contrast, candidate-centered competition encourages the voter to see the basic unit of representation as the candidate rather than the party (Shugart 1999, 70).

Candidate-centered electoral competition can emerge from either single-member or multimember districts. In multimember districts with open party lists, voters are able to indicate their preferred party and also their favored candidate within that party. As a result, candidates have incentives to appeal directly to voters. Candidates may go against the interests of their party to curry favor with constituents in their districts. Similar incentives exist in single-member districts, like those in the United States, where candidates are rewarded by voters for bringing pork-barrel projects home to their districts.

In candidate-centered systems, the optimal reelection strategy is to cultivate a personal vote (Shugart 1995). A personal vote occurs when an individual votes based on the characteristics of a particular candidate rather than the characteristics of the party to which the candidate belongs (Carey and Shugart 1995). To develop a personal vote, representatives can provide private or local public goods and services to their geographically defined constituents. Subsidies and other trade barriers are expedient means by which to achieve this goal. As such, trade protection may rise as politicians' incentives to cultivate personal votes increase (Nielson 2003).

Few incentives exist for politicians to cultivate a personal vote in party-centered systems, because voters emphasize their party preferences over those for specific candidates. Closed-list PR systems, for example, engender party-centered competition because voters are not able to express a preference for a particular candidate. Ballot papers in closed-list systems often do not even contain the names of individual candidates. Voters select a party and parties then receive seats in proportion to the number of votes that they obtain. These seats are filled by the party using a predetermined list of

candidates. On this list, candidates are rank-ordered by party leaders. Candidates closer to the top of the list are more likely to get a seat in the legislature. Therefore, candidates' best electoral strategy is to work to promote the party's national popularity. Doing so maximizes the party's vote share and candidates' own positions on the party list. Because politicians have few incentives to cultivate personal votes, tariffs will tend to be lower in party-centered systems than in candidate-centered systems (Nielson 2003).

In a sample of eighteen middle-income presidential democracies, Nielson (2003) finds that both collected tariffs and official tariff rates are higher in candidate-centered systems than in party-centered systems. This evidence suggests that the nature of electoral competition influences trade policy. The distinction between candidate- and party-centered systems may prove to be more useful for understanding trade policy outcomes than the PR/majoritarian dichotomy.

## Party Strength

The nature of electoral competition is often conflated with party strength.<sup>9</sup> However, these two concepts are distinct. Party strength typically refers to party discipline, which is defined as the ability of a political party to get its legislators to support the policies of the party's leadership. Party discipline is a legislative phenomenon; party-centered competition is an electoral arena phenomenon. Cox (1987) argues in support of the coevolution of these two concepts, but other scholarship shows only a weak relationship between electoral competition and the party-centered nature of the legislature (Martin 2014). Candidate-centered electoral competition exists, for example, in systems with high party discipline, as is the case in Ireland. It is also possible to have low levels of party discipline in party-centered electoral systems (e.g., in South Korea). Scholars must be careful not to conflate party-centered electoral competition with party strength when theorizing about their potential effects on trade policy. Conflating these two concepts adds further confusion to an already muddled field of inquiry.

Party discipline has been proposed as an explanation for the relatively low levels of trade protection in proportional electoral systems (e.g., Rogowski 1987). Such arguments typically assume that PR systems produce disciplined parties that insulate politicians from protectionist interests. However, the origins of party discipline are unclear. While electoral systems may have some effect on party discipline, many other factors also matter, including, for example, regime type, party organization structures, and the allocation of power inside legislatures. In short, proportional electoral rules are neither necessary nor sufficient to engender high levels of party discipline.<sup>10</sup>

Arguments that identify party discipline as a key causal mechanism therefore cannot be tested using measures of proportionality. Instead, it is necessary to develop cross-country indicators of party discipline. Such measures can then be included in empirical models along with measures of countries' electoral formula, subjecting them to various statistical horse races. Empirical tests have been conducted on limited Organisation for Economic Co-operation and Development (OECD) data. Ehrlich

(2007), for example, initially finds that proportional electoral rules have a robust negative effect on tariffs.<sup>11</sup> Specifically, he reports that PR is associated with 7.3 percent lower tariffs in the long run in a sample of twenty-one OECD countries, from 1948 to 1994 (Ehrlich 2007, 595). However, after controlling for party strength (and the number of electoral districts), Ehrlich finds that electoral rules no longer have a robust long-run effect on tariffs. Failing to control for party strength may lead to inaccurate conclusions about the role of electoral rules in trade policy making.

## INTERESTS AND INSTITUTIONS

A concluding explanation for the mixed results found to date is that electoral institutions alone cannot explain why some countries are more open to trade than others. Instead, the impact of electoral rules on trade policy may depend on the nature of the electorate, or what Rae called “the surrounding envelope of societal forces” (1971, 167) (Rogowski 1987, 210). Electoral institutions aggregate citizens’ interests. Therefore, to fully understand the effects of electoral rules on trade policy, it may be necessary to understand voters’ economic interests regarding trade. Although a growing body of literature examines individuals’ preferences about trade,<sup>12</sup> such individual-level analyses have not yet been integrated into research on electoral institutions. However, two recent studies link economic interests, electoral rules, and trade policy.

Rickard (2009) argues that the electoral benefits of providing trade protection are jointly determined by a country’s electoral rules and voters’ preferences regarding trade policy. Voters’ preferences about trade are shaped by their mobility. Voters who find it prohibitively costly to move to a new job prefer policies that target protection only to their current industry of employment. In contrast, voters able to move easily between industries are less interested in narrowly targeted protection. Politicians’ responsiveness to these demands is a function of a country’s electoral system.

Examining the prevalence of countervailing duties and narrow trade barriers alleged to violate WTO rules, Rickard (2009) finds that policy makers in PR systems are more responsive to increases in demand for narrow trade barriers. The implication is that under certain conditions, trade protection will be higher in PR countries than in majoritarian countries. Specifically, when voter demand for narrow trade barriers is high, protection will be greater in PR countries than in majoritarian countries. When demand for trade protection is low, majoritarian systems will tend to have greater trade protection than PR systems. This study demonstrates how voters’ economic interests can help to resolve the debate over which electoral system is most prone to protectionism.

In a subsequent study, Rickard (2012a) argues that the geographic concentration of protectionist interests mediates the impact of electoral rules on trade policy. When protectionists are geographically diffuse, politicians in PR systems will be more responsive to their demands than politicians in majoritarian countries. Governmental spending patterns in fourteen countries over a twenty-year period provide support for this

conditional argument. When voters with a shared economic interest in industrial subsidies are geographically diffuse, spending on subsidies constitutes a larger share of government expenditures in PR systems than in majoritarian systems. In contrast, spending on subsidies constitutes a larger share of government expenditures in majoritarian systems when voters with an interest in subsidies are geographically concentrated.<sup>13</sup> In short, the geographic dispersion of protectionist interests provides a potential bridge between two prominent, rival arguments about the effects of electoral systems on trade policy and specifies the conditions under which one is more appropriate than the other. Together, these studies point to the value of considering voters' economic interests and geographic locations along with electoral institutions to understand trade policy outcomes.

## GOING FORWARD

No consensus exists about which electoral system makes politicians most responsive to protectionist demands. Explanations for the conflicting conclusions reached to date are put forward in this chapter. By means of this discussion, several suggestions emerge for future research. First, trade scholars must take seriously the variation that exists within proportional and majoritarian electoral systems. To this end, an expedient first step would be to move away from using the blunt dichotomous PR/majoritarian variable to “measure” countries' electoral institutions. Credible alternative measures exist (e.g. Gallagher 1991; Johnson and Wallack 2012). However, before adopting an off-the-shelf-measure, researchers should think carefully about precisely what aspect of a country's electoral system matters for trade policy outcomes. The widespread use of the dichotomous PR/majoritarian variable has allowed scholars to obfuscate the exact mechanism linking electoral institutions and trade policy. To advance this research agenda and move beyond the current impasse, scholars need to think carefully about precisely how electoral institutions influence trade policy.

Rather than trying to connect trade policy outputs to broad labels such as “proportional representation,” scholars should investigate the connection of policy outputs to theoretically motivated and potentially intervening variables, such as district magnitude. One way to achieve greater clarity empirically would be to specify unique implications of each causal mechanism beyond a simple correlation between electoral rules and trade barriers—for example, by explaining which type of barrier politicians will prefer under different electoral institutions. Alternatively, it would be useful to find cross-country indicators that capture one causal claim or another and use them as independent variables in equations estimating trade protection levels, subjecting them to various statistical horse races.<sup>14</sup>

One way to shed new empirical light on potential causal mechanisms is to isolate the effects of specific institutions, as suggested above. Investigating institutions individually helps identify which dimensions of institutions matter for which outcomes. This

type of knowledge will enable better theories of institutions to be developed and practical policy recommendations to emerge (Taagepera and Qvortrup 2011, 654–655). The strategy of “unbundling institutions”—that is, understanding the role of specific components of the broad bundle of laws and regulations that make up a country’s electoral system—may be critically important.

An alternative approach is to consider the combined effect of “institutional bundles” in an effort to build a general theory that can incorporate multiple institutional differences within a single dimension. Several such general theories exist, such as veto players (Tsebelis 2011) and access points (Ehrlich 2007). These theories incorporate the effects not only of electoral institutions but of other institutional features as well, such as the executive-legislative relationship and the policy-making bureaucracy. For scholars interested in the effect of electoral institutions on policy outcomes, additional work is needed. Future research may make progress by specifying how various features of a country’s electoral system work together to influence legislators’ electoral incentives and subsequent policy decisions.

Finally, studies of electoral institutions must not neglect the importance of interests. Electoral institutions aggregate interests; therefore, to fully understand the effects of institutions, such as electoral rules, one must understand citizens’ economic interests. Important advances have been made in understanding voters’ preferences about trade policy.<sup>15</sup> Building on these developments may help engender an improved understanding of the interactive effects of interests and institutions on trade policy.

## CONCLUSION

Research on trade and electoral systems has come full circle. Initial arguments linking electoral systems and foreign trade proposed a causal connection that ran from countries’ dependence on international trade to leaders’ choice of electoral institutions. More recent work assumes that the choice of electoral systems is exogenous to trade. Once instituted, electoral systems generate incentives for leaders to be more or less responsive to protectionist demands. While these arguments are not mutually exclusive, they highlight the causal complexities that plague research on this topic.

A requisite question is whether a robust correlation exists between electoral systems and trade policy. No consensus has yet emerged on this issue. However, a second, even more challenging, question exists. Is it possible to assess whether electoral rules “cause” distinct trade policy outcomes, given the myriad unobservable factors that drive the selection of electoral systems and trade policies? Ultimately, to know this we would need to answer the counterfactual question: If we picked a country at random and went back in history to change its electoral rules, how would this alter its current trade policies? The problem, of course, is that we cannot observe the relevant counterfactual.

These difficulties should not lead scholars to abandon research on electoral systems and trade. Understanding how a fundamental democratic institution influences policy

outcomes is an important and valuable research agenda. Besides, there is still much to be learned from observational data, as demonstrated by the suggestions for future research offered in this chapter. Although observational data do not typically identify causal effects, they can uncover interesting patterns and robust relationships, which can then be used as valuable inputs into theory building. Armed with better theories about precisely how and why electoral systems might affect trade policy, scholars can then work to empirically identify causal effects, using, for example, within-country changes in electoral institutions.

## NOTES

1. See Rickard (2012c) for a discussion of how these fiscal effects matter for governments facing tight budget constraints.
2. However, Persson and Tabellini (2003) make the opposite claim.
3. However, trade barriers in GATT/WTO disputes are coded as being either narrow or broad based on a set of criteria in Rickard (2010).
4. On this point, see Kono and Rickard (2014).
5. Some proportional systems do not employ any type of party list. In single transferable vote systems, candidates' names appear on the ballot, often in alphabetical order, and voters rank at least one candidate in order of their own preferences. Candidates who surpass a specified quota of first-preference votes are immediately elected. In successive counts, votes from eliminated candidates and surplus votes from elected candidates are reallocated to the remaining candidates until all the seats are filled (Clark, Golder, and Golder 2012, 578).
6. See, for example, Rickard (2012b). However, Davis (2012) cautions against such as a strategy, as some of her findings are sensitive to the way in which mixed systems are coded.
7. The notable exception is Rogowski and Kayser (2002).
8. Although all PR systems employ multimember districts, the magnitude of these districts varies significantly from one country to another. In the Netherlands, for example, all 150 of the legislators in the lower chamber are elected from a single, and consequently large, national district. In contrast, Chile elects its legislators in 60 relatively small, two-seat districts. Even allowing for the cross-national variation in the size of multimember districts, single-member districts are on average smaller than multimember districts (Powell and Vanberg, 2000).
9. For example, party discipline is often estimated using variables that capture the distinction between candidate-centered and party-centered competition (e.g., Ehrlich 2007).
10. The strength of parties also varies within majoritarian systems (McGillivray 1997, 2004). For example, national parties in Canada and Great Britain are generally stronger than parties in the United States.
11. McGillivray (1997) finds evidence that strong parties in majoritarian systems provide trade policies favorable to voters in marginal districts.
12. See Kuo and Naoi (current volume) for an excellent review of this literature.
13. In a study of two majoritarian countries, McGillivray (1997) finds that electorally concentrated industries receive higher levels of protection than electorally decentralized industries (602–603).

14. See, for example, Ehrlich (2007). His results suggest that the impact of electoral rules on trade protection is attenuated when party strength and district magnitude are added to the statistical model.
15. As illustrated clearly by Kuo and Naoi's discussion in this volume.

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