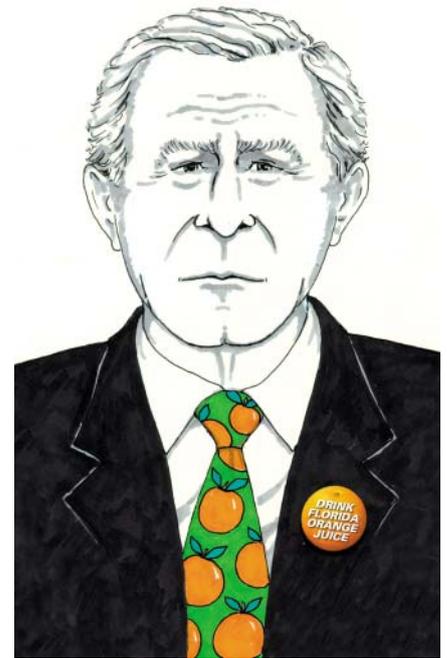


As the US election campaign approaches its climax, the presidential candidates jet from one battleground state to the next trying to drum up support. Research by **Mirabelle Muûls** and **Dimitra Petropoulou** finds that the US government is more likely to try to protect industries concentrated in these states.



Do swing states influence trade policy?

John McCain and Barack Obama are spending the lion's share of their time on the campaign trail in just a few states – because it is only these so-called 'swing states' that could conceivably vote for either candidate. Neither candidate is likely to devote many resources to New York (safely Democrat) or South Carolina (solid Republican).

But do swing states just receive more visits from presidential hopefuls come election time, or does their electoral importance translate into something more tangible? In particular, is it possible that swing states with concentrations of certain industries, notably those that are

fast becoming uncompetitive in the face of cheaper imports from China and elsewhere, are able to push for protectionist trade policies?

In 2002, President Bush introduced tariffs of up to 30% on imported steel. It seemed to many that the president was less worried about supposed dumping (the ostensible reason for the tariffs) than the potential loss of jobs in 'rust belt' swing states like Michigan, Ohio, Pennsylvania and West Virginia.

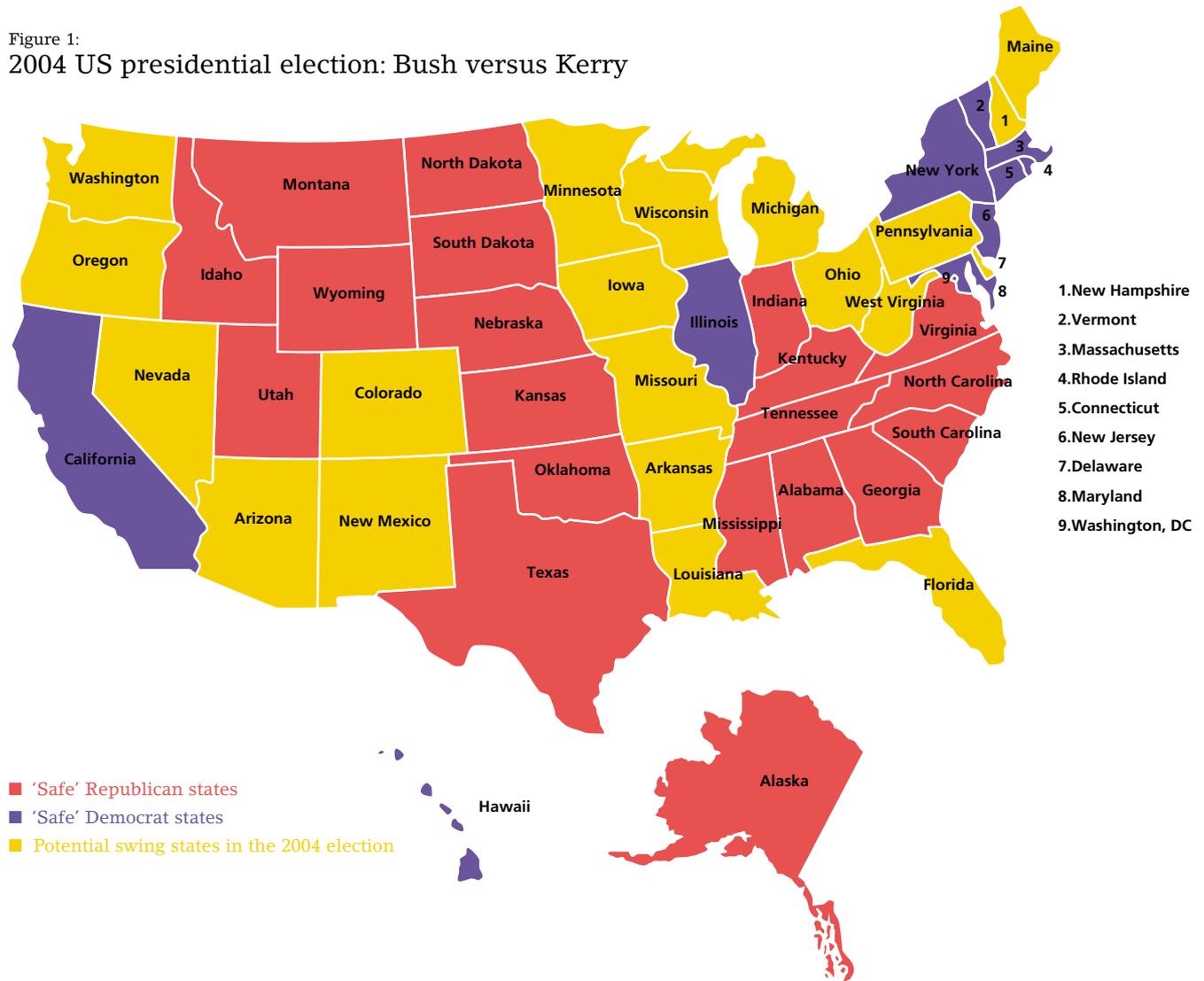
The World Trade Organisation (WTO) ruled that the tariffs were not justified, and allowed the European Union (EU) to retaliate. The EU leaders were certainly under the impression that President Bush

was following political incentives, as their proposed retaliatory tariffs were targeted at goods exported from other key swing states, such as oranges (Florida) and cars (Michigan). The president duly repealed the steel tariffs.

The attention paid to swing states, especially large swing states (which have more votes in the 'electoral college' that ultimately chooses the president), should not be understated. Florida was the most intensively contested state in the 2004 election, receiving a fifth of all candidate visits and more than a quarter (27%) of all money spent on television advertising. According to data from 'Who Picks the President?', a report by FairVote

Industries that employ many people in politically decisive states are more likely to be protected

Figure 1:
2004 US presidential election: Bush versus Kerry



(www.fairvote.org/presidential), this was more money than was spent on advertising in 45 other states and the District of Columbia combined.

The map shows the swing states, such as Florida with 27 electoral votes, in yellow, while blue and red states denote the Democratic and Republican 'safe states', respectively, such as California (55 electoral votes) and Texas (34 electoral votes).

Previous research has tried to explain US trade policy by looking at the role of political lobbying. The thesis is simple: industries that are represented by stronger lobbies on Capitol Hill are more likely to be protected. Our work investigates another potential channel: the strong incentives for presidential candidates to try to win over certain states.

Our hypothesis is that industries which employ many people in the key swing states are more likely to receive

Subtle non-tariff barriers allow presidents to get around World Trade Organisation rules on protection

protection by incumbent governments so as to attract votes. If we are right, then industries that receive protection are those which employ many people.

We first show, using a model of the electoral college, that an incumbent president has a strong incentive to manipulate trade policy so as to build a reputation of protectionism with the electorate, especially in the large swing states. By signalling his preferences on trade policy, an incumbent president (or

party) can influence swing voters and the chances of re-election. This theoretical work lends support to the hypothesis that the 2002 US steel tariffs were introduced for reasons of political expediency.

We test our theory by looking at the 1984 presidential election. This election, between Ronald Reagan (the Republican incumbent) and Walter Mondale (Democrat), provides as good a set of data as any to test the hypothesis that industries concentrated in states expected

to be both swing and decisive are more likely to be protected.

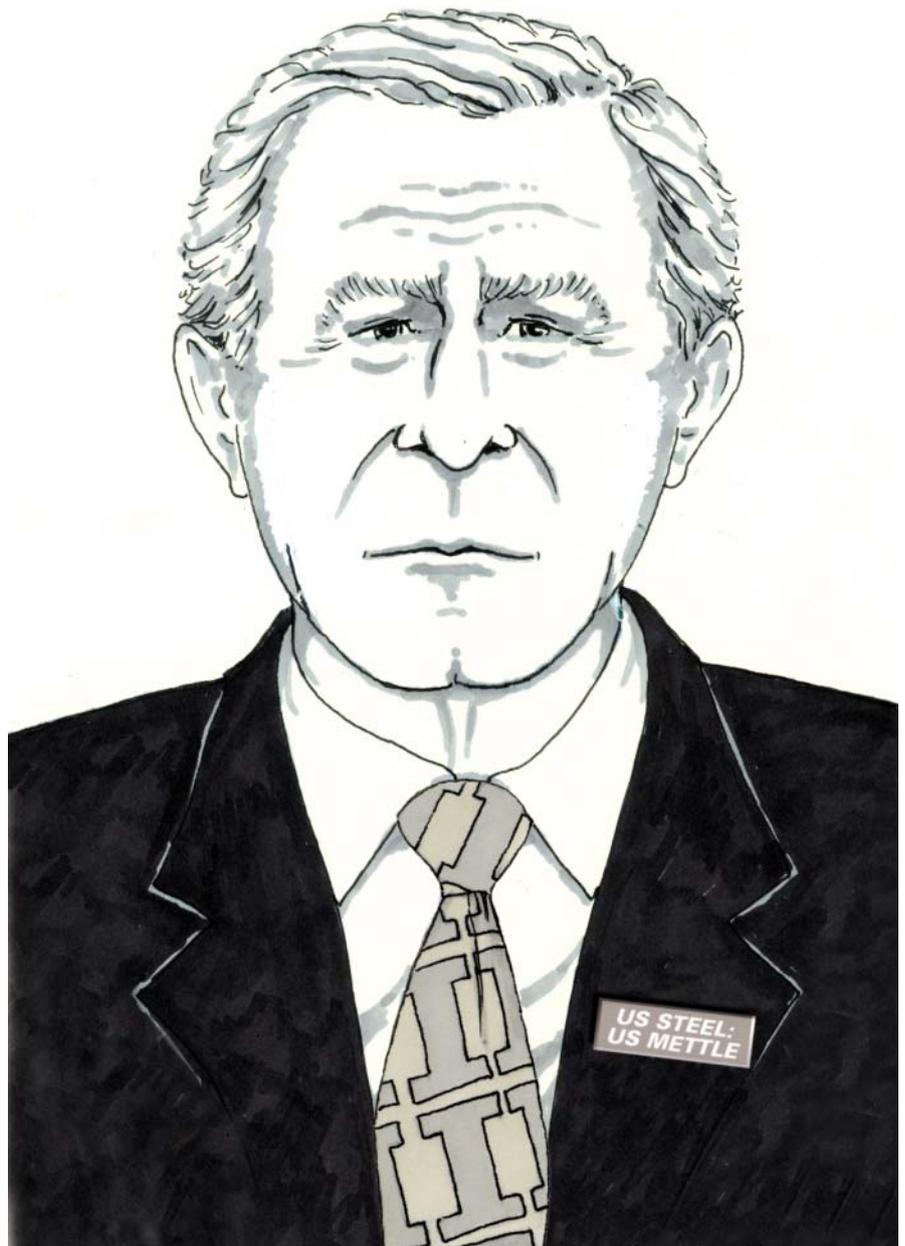
Using data for 1983 (the year preceding the poll), we construct a measure of which industries were concentrated in which states. Our measure is based on employment, as workers are voters. In particular, the higher the proportion of employment in any given industry in a swing state, the higher we expect its electoral influence to be.

We combine these employment data with a measure of each state's joint probability of being both swing and decisive in the 1984 election. At that time, Texas, with 29 electoral votes, was the most contentious state, with the highest joint probability of being both swing and decisive, followed closely by Pennsylvania and California, while Florida emerges as the seventh most swing and decisive state.

The White House could not easily introduce tariffs to protect the relevant industries, as such barriers would be illegal under WTO rules. But there are other, more subtle non-tariff barriers to protect industries. These can take many forms, such as anti-dumping measures or countervailing duties, as well as requirements on how a good is produced, or its quality, preventing the import of goods that do not meet such specifications.

Our results show that while lobbies are important in determining the 'industry non-tariff barrier coverage ratio' (our measure of protection), industries that employ many workers in swing states (especially those that carry a larger weight in the electoral college) enjoy higher levels of protection than others.

So it appears that the electoral college system that determines the outcome of the US presidential election creates incentives for presidents to intervene in favour of industries in swing and decisive states. As the campaign season reaches its climax, it appears that politics could trump economics in the setting of trade policy. John McCain, a supporter of free trade, acknowledges that 'globalisation will not automatically benefit every American (worker)', while Barack Obama has stated that if elected president, he 'will not sign another trade agreement unless it has... protections for American workers'.



The electoral college system creates incentives for presidents to intervene in favour of industries in swing states

This article summarises 'A Swing-state Theory of Trade Protection in the Electoral College' by Mirabelle Muûls and Dimitra Petropoulou, CEP Discussion Paper No. 849 (<http://cep.lse.ac.uk/pubs/download/dp0849.pdf>)

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